

# Title 458 WAC

## REVENUE, DEPARTMENT OF

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- 458-52-050 Stratification--Personal property. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-050, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-060.
- 458-52-060 Sales studies. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-060, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-070.
- 458-52-070 Real property appraisal studies. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-070, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-130.
- 458-52-080 Personal property audit studies. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-080, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-140.
- 458-52-090 Indicated real property ratio--Computation. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-090, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-150.
- 458-52-100 Indicated personal property ratio--Computation. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-100, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-160.
- 458-52-110 Final indicated ratio--Computation. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-110, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-170.
- 458-52-120 Use of indicated ratios. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-120, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-180.
- 458-52-130 County assessor's review. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-130, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-190.
- 458-52-140 Certification of county indicated ratios. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-140, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-200.
- 458-52-150 Assessor's appeal. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-150, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-210.

**DISPOSITION OF CHAPTERS FORMERLY CODIFIED IN THIS TITLE**

**Chapter 458-52**

**PROPERTY TAX ANNUAL RATIO STUDY**

- 458-52-010 Declaration of purpose. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-010, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-010.
- 458-52-020 Definitions. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-020, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-020.
- 458-52-030 Stratification of assessment rolls--Real property. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-030, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-030.
- 458-52-040 Land Use Code--Abstract report. [Statutory Authority: RCW 84.48.075. 78-02-052 (Order PT 78-1), § 458-52-040, filed 1/19/78.] Repealed by 79-11-029 (Order PT 79-3), filed 10/11/79. Statutory Authority: RCW 84.48.075. Later promulgation, see WAC 458-53-050.

## Chapter 458-60

## REAL ESTATE EXCISE TAX

- 458-60-002 Real estate excise tax—Definitions. [Statutory Authority: RCW 82.45.120 and 28A.45.120. 80-15-033 (Order PT 80-2), § 458-60-002, filed 10/9/80.] Repealed by 82-15-070 (Order PT 82-5), filed 7/21/82. Statutory Authority: RCW 82.45.120 and 82.45.150. Later promulgation, see chapter 458-61 WAC.
- 458-60-010 Leases with options to purchase—General policy. [Order PT 68-7, § 458-60-010, filed 5/1/68.] Repealed by 82-15-070 (Order PT 82-5), filed 7/21/82. Statutory Authority: RCW 82.45.120 and 82.45.150. Later promulgation, see chapter 458-61 WAC.
- 458-60-020 Leases with options to purchase—Tax payable only when option exercised. [Order PT 68-7, § 458-60-020, filed 5/1/68.] Repealed by 82-15-070 (Order PT 82-5), filed 7/21/82. Statutory Authority: RCW 82.45.120 and 82.45.150. Later promulgation, see chapter 458-61 WAC.
- 458-60-030 Leases with options to purchase—Special procedures for lease-option agreements. [Order PT 68-7, § 458-60-030, filed 5/1/68.] Repealed by 82-15-070 (Order PT 82-5), filed 7/21/82. Statutory Authority: RCW 82.45.120 and 82.45.150. Later promulgation, see chapter 458-61 WAC.
- 458-60-040 Leases with options to purchase—Determination of purchase price. [Order PT 68-7, § 458-60-040, filed 5/1/68.] Repealed by 82-15-070 (Order PT 82-5), filed 7/21/82. Statutory Authority: RCW 82.45.120 and 82.45.150. Later promulgation, see chapter 458-61 WAC.
- 458-60-045 Payment of the excise tax on real estate sales—Recording instrument of conveyance. [Statutory Authority: RCW 82.45.120 and 28A.45.120. 80-15-033 (Order PT 80-2), § 458-60-045, filed 10/9/80.] Repealed by 82-15-070 (Order PT 82-5), filed 7/21/82. Statutory Authority: RCW 82.45.120 and 82.45.150. Later promulgation, see chapter 458-61 WAC.
- 458-60-046 Real estate excise tax affidavit—Contents—Oath requirement—Signatures—Affidavit. [Statutory Authority: RCW 82.45.120 and 28A.45.120. 80-15-033 (Order PT 80-2), § 458-60-046, filed 10/9/80.] Repealed by 82-15-070 (Order PT 82-5), filed 7/21/82. Statutory Authority: RCW 82.45.120 and 82.45.150. Later promulgation, see chapter 458-61 WAC.
- 458-60-048 Real estate excise tax affidavit—When required—When not required. [Statutory Authority: RCW 82.45.120 and 28A.45.120. 80-15-033 (Order PT 80-2), § 458-60-048, filed 10/9/80.] Repealed by 82-15-070 (Order PT 82-5), filed 7/21/82. Statutory Authority: RCW 82.45.120 and 82.45.150. Later promulgation, see chapter 458-61 WAC.

## Chapter 458-08 WAC

## UNIFORM PROCEDURAL RULES FOR THE CONDUCT OF CONTESTED CASES

- WAC
- 458-08-010 Application and scope of chapter 458-08 WAC.
- 458-08-020 Definitions.
- 458-08-030 Appearance and practice before agency—Who may appear.
- 458-08-040 Appearance and practice before agency—Standards of ethical conduct.
- 458-08-050 Appearance and practice before agency—Appearance by former employee of agency or former member of attorney general's staff.
- 458-08-060 Appearance and practice before agency—Former employee as expert witness.

- 458-08-070 Pleadings.
- 458-08-080 Discovery in contested cases—Scope.
- 458-08-090 Depositions and interrogatories in contested cases—Right to take.
- 458-08-100 Depositions and interrogatories in contested cases—Officer before whom taken.
- 458-08-110 Depositions and interrogatories in contested cases—Authorization.
- 458-08-120 Depositions and interrogatories in contested cases—Protection of parties and deponents.
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- 458-08-140 Depositions and interrogatories in contested cases—Recordation.
- 458-08-150 Depositions and interrogatories in contested cases—Signing attestation and return.
- 458-08-160 Depositions and interrogatories in contested cases—Use and effect.
- 458-08-170 Depositions and interrogatories in contested cases—Fees of officers and deponents.
- 458-08-180 Depositions upon interrogatories—Submission of interrogatories.
- 458-08-190 Depositions upon interrogatories—Interrogation.
- 458-08-200 Depositions upon interrogatories—Attestation and return.
- 458-08-210 Depositions upon interrogatories—Provisions of deposition rule.
- 458-08-220 Interrogatories to parties.
- 458-08-230 Requests for admission.
- 458-08-240 Subpoenas.
- 458-08-250 Settlement.
- 458-08-260 Decision procedure.
- 458-08-270 Review procedures.

**WAC 458-08-010 Application and scope of chapter 458-08 WAC.** (1) Rules adopted by the office of administrative hearings, chapter 10-08 WAC, apply to all stages of the conduct of a contested case hearing from issuance of the notice of hearing through issuance of a proposed decision, an initial decision, or the agency's final decision if no proposed or initial decision is required or issued. Such rules supersede or are in lieu of rules that have been or may be adopted by an agency for the conduct of contested cases, provided that an agency may adopt rules which prescribe:

(a) Form and content of pleadings, procedures for settlement or disposition of contested cases without hearing, and procedures for obtaining review by the agency of proposed and initial decisions and reconsideration of final decisions;

(b) Qualifications of persons appearing before the agency in a representative capacity; and

(c) Procedures for discovery.

(2) These rules are adopted by the department of revenue to provide procedures, as permitted by statute and chapter 10-08 WAC, for contested case hearings, and shall apply to hearings which the department of revenue is by statute or Constitution required to conduct.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-010, filed 11/18/85.]

**WAC 458-08-020 Definitions.** Unless the context shall otherwise provide:

(1) "Department" means the Washington state department of revenue.

(2) "Party" includes the department.

(3) "Presiding officer" means a department official(s), administrative law judge, hearing examiner,

hearing officer, or other person authorized by law or appointed to preside over a contested case hearing.

(4) "Proceeding" means a hearing or other occasion for action, decision, or ruling, or where the same are considered by the parties or their representatives, which constitutes a part of the contested case hearing.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-020, filed 11/18/85.]

**WAC 458-08-030 Appearance and practice before agency—Who may appear.** No person may appear in a representative capacity before the agency or its presiding officer other than the following:

(1) Attorneys at law duly qualified and entitled to practice before the supreme court of the state of Washington.

(2) Attorneys at law duly qualified and entitled to practice before the highest court of record of any other state, if the attorneys at law of the state of Washington are permitted to appear in a representative capacity before administrative agencies of such other state, and if not otherwise prohibited by state law.

(3) A bona fide officer, partner, or full time employee of an individual firm, association, partnership, or corporation who appears for such individual firm, association, partnership, or corporation.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-030, filed 11/18/85.]

**WAC 458-08-040 Appearance and practice before agency—Standards of ethical conduct.** All persons appearing in a proceeding before the department in a representative capacity shall conform to the standards of ethical conduct required of attorneys before the courts of Washington. If any such person does not conform to such standards, the agency involved may decline to permit such person to appear in a representative capacity in any proceeding before the agency.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-040, filed 11/18/85.]

**WAC 458-08-050 Appearance and practice before agency—Appearance by former employee of agency or former member of attorney general's staff.** No former employee of the department or member of the attorney general's staff may at any time after severing employment with the department or the attorney general appear in a representative capacity on behalf of other parties in a formal proceeding wherein such person previously took an active part as a representative of the department, as provided by RCW 42.18.220.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-050, filed 11/18/85.]

**WAC 458-08-060 Appearance and practice before agency—Former employee as expert witness.** No former employee of the department shall at any time after severing his employment with the state of Washington appear, except with the written permission of the agency,

as an expert witness on behalf of other parties in a formal proceeding wherein such former employee previously took an active part in the investigation as a representative of the department.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-060, filed 11/18/85.]

**WAC 458-08-070 Pleadings.** (1) Pleadings enumerated. Pleadings before the department shall include notices of hearing, complaints, answers, and motions.

(2) Verification. All pleadings except motions, notices of hearing, or complaints brought upon the department's own motion, shall be verified in the manner prescribed for verification of pleadings in the superior court of Washington.

(3) Time for motion. Any motion directed toward a notice of hearing or complaint must be filed before an answer is due. Otherwise objections must be raised in the answer. Motions directed toward a notice of hearing or complaint must be filed within ten days after service of the notice of hearing or complaint.

(4) Time for answer. An answer, if made, must be filed within twenty days following service of the notice of hearing or complaint; provided, however, that whenever the department believes the public interest requires expedited procedure it may shorten the time required for an answer.

(5) Liberal construction. All pleadings shall be liberally construed with a view to effect justice between the parties and the department will at any stage of the proceeding disregard errors or defects in the pleadings or proceedings which do not affect the substantial rights of a party.

(6) Amendments. The department may allow amendments to the pleadings or other relevant documents at any time upon such terms as may be lawful and just, provided that such amendments do not adversely affect the interest of persons not parties to the proceeding.

(7) Disposition of motions. The department may direct all motions to be submitted for decision by the department on either written or oral argument and may permit the filing of affidavits in support or contravention thereof.

(8) Consolidation of hearings. Two or more hearings where the facts or principles of law are related may be consolidated and heard together.

(9) Motions. Subject to the provisions of subsection (3) of this section, the practice respecting motions including the grounds therefor and forms thereof shall conform insofar as possible with the practice relative thereto in the superior court of Washington and the practice permitted by the Administrative Procedure Act (chapter 34.04 RCW).

(10) Forms.

(a) Persons responding to notice of hearing or complaint filed by the department in filing any answer or motion thereto shall generally adhere to the following form for such purpose:

At the top of the page shall appear the wording "Before the Washington state department of revenue." On

the left side of the page below the foregoing the following caption shall be set out: "In the matter of (the name of the party)." Opposite the foregoing caption shall appear the word "answer" or "motion."

The body of the answer or motion shall be set out in numbered paragraphs which shall include the name and address of the responding or moving party.

(b) The original and one legible copy shall be filed with the department. Answers or motions shall be on white paper, eight and one-half by eleven inches in size.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-070, filed 11/18/85.]

**WAC 458-08-080 Discovery in contested cases--Scope.** Unless otherwise limited in accordance with these rules parties may obtain discovery as permitted in these rules regarding any matter, not privileged, which is relevant to the subject matter involved in the proceeding.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-080, filed 11/18/85.]

**WAC 458-08-090 Depositions and interrogatories in contested cases--Right to take.** Except as may be otherwise provided, any party may take the testimony of any person, including a party, by deposition upon oral examination or written interrogatories for use as evidence in the proceeding, except that leave must be obtained if notice of the taking is served by a proponent within twenty days after the filing of a notice of hearing or complaint. The attendance of witnesses may be compelled by the use of a subpoena. Depositions shall be taken only in accordance with this rule and the rule on subpoenas.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-090, filed 11/18/85.]

**WAC 458-08-100 Depositions and interrogatories in contested cases--Officer before whom taken.** Within the United States or within a territory or insular possession subject to the dominion of the United States depositions shall be taken before an officer authorized to administer oaths by the laws of the state of Washington or of the place where the examination is held; within a foreign country, depositions shall be taken before a secretary of an embassy or legation, consul general, vice consul or consular agent of the United States, or a person designated by the department, or agreed upon by the parties by stipulation in writing filed with the department. Except by stipulation, no deposition shall be taken before a person who is a party or the privy of a party, or a privy of any counsel of a party, or who is financially interested in the proceeding.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-100, filed 11/18/85.]

**WAC 458-08-110 Depositions and interrogatories in contested cases--Authorization.** A party desiring to take the deposition of any person upon oral examination shall give reasonable notice in writing of not less than five days (exclusive of the day of service, Saturdays, Sundays and legal holidays). The notice shall state the

time and place for taking the deposition, the name and address of each person to be examined, if known, and if the name is not known, a general description sufficient to identify the person. On motion of a party upon whom the notice is served, the presiding officer may for cause shown enlarge or shorten the time. If the parties so stipulate in writing, depositions may be taken before any person, at any time or place, upon any notice, and in any manner and when so taken may be used as other depositions.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-110, filed 11/18/85.]

**WAC 458-08-120 Depositions and interrogatories in contested cases--Protection of parties and deponents.** After notice is served for taking a deposition, upon its own motion or upon motion reasonably made by any party or by the person to be examined and upon notice and for good cause shown, the department or its presiding officer may make an order that the deposition shall not be taken, or that it may be taken only at some designated place other than that stated in the notice, or that it may be taken only on written interrogatories, or that certain matters shall not be inquired into, or that the scope of the examination shall be limited to certain matters, or that the examination shall be held with no one present except the parties to the action and their officers or counsel, or that after being sealed, the deposition shall be opened only by order of the department or that business secrets or secret processes, developments, or research need not be disclosed, or that the parties shall simultaneously file specified documents, or information enclosed in sealed envelopes to be opened as directed by the department which may make any other order which justice requires to protect the party or witness from annoyance, embarrassment, or oppression. At any time during the taking of the deposition, on motion of any party or of the deponent and upon a showing that the examination is being conducted in bad faith or in such manner as unreasonably to annoy, embarrass, or oppress the deponent or party, the department, or its presiding officer may order the officer conducting the examination to cease forthwith from taking the deposition, or may limit the scope and manner of the taking of the deposition as above provided. If the order made terminates the examination, it shall be resumed thereafter only upon order. Upon demand of the objecting party or deponent, the taking of the deposition shall be suspended for the time necessary to make a motion for an order.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-120, filed 11/18/85.]

**WAC 458-08-130 Deposition and interrogatories in contested cases--Oral examination and cross-examination.** Examination and cross-examination shall proceed as at an oral hearing. In lieu of participating in the oral examination, any party served with notice of taking a deposition may transmit written cross interrogatories to the officer who, without first disclosing them to any person, and after the direct testimony is complete, shall

propound them seriatim to the deponent and record or cause the answers to be recorded verbatim.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-130, filed 11/18/85.]

**WAC 458-08-140 Depositions and interrogatories in contested cases--Recordation.** The officer before whom the deposition is to be taken shall put the witness on oath and shall personally or by someone acting under his or her direction and in his or her presence, record the testimony by typewriter directly or by transcription from stenographic notes, wire, or record recorders, which record shall separately and consecutively number each interrogatory. Objections to the notice, qualifications of the officer taking the deposition, or to the manner of taking it, or to the evidence presented or to the conduct of the officer, or of any party, shall be noted by the officer upon the deposition. All objections by any party not so made are waived.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-140, filed 11/18/85.]

**WAC 458-08-150 Depositions and interrogatories in contested cases--Signing attestation and return.** (1) When the testimony is fully transcribed, the deposition shall be submitted to the witness for examination and shall be read to or by him, unless such examination and reading are waived by the witness and by the parties. Any changes in form or substance which the witness desires to make shall be entered upon the deposition by the officer with a statement of the reasons given by the witness for making them. The deposition shall then be signed by the witness, unless the parties by stipulation waive the signing or the witness is ill or cannot be found or refuses to sign. If the deposition is not signed by the witness, the officer shall sign it and state on the record the fact of the waiver or of the illness or absence of the witness or the fact of the refusal to sign together with the reason, if any, given therefor; and the deposition may then be used as fully as though signed, unless on a motion to suppress, the department holds that the reasons given for the refusal to sign require rejection of the deposition in whole or in part.

(2) The officer shall certify on the deposition that the witness was duly sworn and that the deposition is a true record of the testimony given by the witness. The officer shall then securely seal the deposition in an envelope indorsed with the title of proceeding and marked "Deposition of (here insert name of witness)" and shall promptly send it by registered or certified mail to the agency, or its presiding officer, for filing. The party taking the deposition shall give prompt notice of its filing to all other parties. Upon payment of reasonable charges therefor, the officer shall furnish a copy of the deposition to any party or to the deponent.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-150, filed 11/18/85.]

**WAC 458-08-160 Depositions and interrogatories in contested cases--Use and effect.** Subject to rulings by the presiding officer upon objections a deposition taken

and filed as provided in this rule will not become a part of the record in the proceeding until received in evidence by the presiding officer upon his or her own motion or the motion of any party. Except by agreement of the parties or ruling of the presiding officer, a deposition will be received only in its entirety. A party does not make a party, or the privy of a party, or any hostile witness that party's witness by taking such deposition. Any party may rebut any relevant evidence contained in a deposition whether introduced by that party or any other party.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-160, filed 11/18/85.]

**WAC 458-08-170 Depositions and interrogatories in contested cases--Fees of officers and deponents.** Deponents whose depositions are taken and the officers taking the same shall be entitled to the same fees as are paid for like services in the superior courts of the state of Washington, which fees shall be paid by the party at whose instance the depositions are taken.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-170, filed 11/18/85.]

**WAC 458-08-180 Depositions upon interrogatories--Submission of interrogatories.** Where the deposition is taken upon written interrogatories, the party offering the testimony shall separately and consecutively number each interrogatory and file and serve them with a notice stating the name and address of the person who is to answer them and the name or descriptive title and address of the officer before whom they are to be taken. Within ten days thereafter a party so served may serve cross-interrogatories upon the party proposing to take the deposition. Within five days thereafter, the latter may serve redirect interrogatories upon the party who served cross-interrogatories.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-180, filed 11/18/85.]

**WAC 458-08-190 Depositions upon interrogatories--Interrogation.** Where the interrogatories are forwarded to an officer authorized to administer oaths the officer taking the same after duly swearing the deponent, shall read to the deponent seriatim, one interrogatory at a time and cause the same and the answer thereto to be recorded before the succeeding interrogatory is asked. No one except the deponent, the officer and the court reporter or stenographer recording and transcribing it shall be present during the interrogation.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-190, filed 11/18/85.]

**WAC 458-08-200 Depositions upon interrogatories--Attestation and return.** The officer before whom interrogatories are verified or answered shall (1) certify under official signature and seal that the deponent was duly sworn by such officer, that the interrogatories and answers are a true record of the deponent's testimony, that no one except deponent, the officer and the stenographer were present during the taking, and that neither

the officer nor the stenographer, to his or her knowledge, is a party, privy to a party, or interested in the event of the proceedings, and (2) promptly send by registered or certified mail the original copy of the deposition and exhibits with his attestation to the department, or its presiding officer, one copy to the counsel who submitted the interrogatories and another copy to the deponent.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-200, filed 11/18/85.]

**WAC 458-08-210 Depositions upon interrogatories—Provisions of deposition rule.** In all other respects, depositions upon interrogatories shall be governed by the previous deposition rule.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-210, filed 11/18/85.]

**WAC 458-08-220 Interrogatories to parties.** (1) Any party may serve upon any other party written interrogatories to be answered by the party served or, if the party served is a public or private corporation or a partnership or association or governmental agency, by any officer or agent, who shall furnish such information as is available to the party. Leave to serve interrogatories must be obtained if service by a complainant is sought within twenty days after filing of a complaint.

Interrogatories shall be so arranged that after each separate question there shall appear a blank space reasonably calculated to enable the answering party to have his answer typed in. Each interrogatory shall be answered separately and fully in writing under oath, unless it is objected to, in which event the reasons for objection shall be stated in lieu of an answer. The answers are to be signed by the person making them, and the objections signed by the attorney making them. The party upon whom the interrogatories have been served shall serve a copy of the answers, and objections if any, within twenty days after the service of the interrogatories.

(2) An interrogatory otherwise proper is not necessarily objectionable merely because an answer to the interrogatory involves an opinion or contention that relates to fact or the application of law to fact, but the presiding officer may order that such an interrogatory need not be answered until after designated discovery has been completed or until a prehearing conference or other later time.

(3) Where the answer to an interrogatory may be derived or ascertained from the business records of the party upon whom the interrogatory has been served or from an examination, audit or inspection of such business records, or from a compilation, abstract, or summary based thereon, and the burden of deriving or ascertaining the answer is substantially the same for the party serving the interrogatory as for the party served, it is sufficient answer to such interrogatory to specify the records from which the answer may be derived or ascertained and to afford to the party serving the interrogatory reasonable opportunity to examine, audit or inspect such records and to make copies, compilations, abstracts, or summaries. A specification shall be in sufficient detail

to permit the interrogating party to locate and to identify, as readily as can the party served, the records from which the answer may be ascertained.

(4) Interrogatories shall be propounded only in accordance with this rule, provided that upon failure of a person to answer interrogatories, the party propounding the interrogatories may, unless otherwise ordered by the presiding officer, seek to compel answers thereto in accordance with WAC 458-08-090 and 458-08-240.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-220, filed 11/18/85.]

**WAC 458-08-230 Requests for admission.** (1) A party may serve upon any other party a written request for admission, for purposes of the pending action only, of the truth of any matters within the scope of WAC 458-08-080 set forth in the request that relate to statements or opinions of fact or of the application of law to fact, including the genuineness of any documents described in the request. Copies of documents shall be served with the request unless they have been or are otherwise furnished or made available for inspection and copying. The request may, without leave of the presiding officer be served upon the complaining party after a complaint is served, or is filed, whichever shall first occur, and upon any other party with or after service of the complaint upon that party.

Each matter of which an admission is requested shall be separately set forth. The matter is admitted unless, within twenty days after service of the request, or within such shorter or longer time as the presiding officer may allow the party to whom the request is directed serves upon the party requesting the admission a written answer or objection addressed to the matter, signed by the party or by his or her attorney, but, unless the presiding officer shortens the time, a party shall not be required to serve answers or objections before the expiration of 40 days after service of the complaint upon him or her. If objection is made, the reasons therefor shall be stated. The answer shall specifically deny the matter or set forth in detail the reasons why the answering party cannot truthfully admit or deny the matter. A denial shall fairly meet the substance of the requested admission, and when good faith requires that a party qualify an answer or deny only a part of the matter of which an admission is requested, the party shall specify so much of it as is true and qualify or deny the remainder. An answering party may not give lack of information or knowledge as a reason for failure to admit or deny unless the party states that he or she has made reasonable inquiry and that the information known or readily obtainable is insufficient to enable admission or denial. A party who considers that a matter of which an admission has been requested presents a genuine issue for hearing may not, on that ground alone, object to the request.

(2) Any matter admitted under this rule is conclusively established unless the presiding officer on motion permits withdrawal or amendment of the admission. The presiding officer may permit withdrawal or amendment when the presentation of the merits of the action will be

subscribed thereby and the party who obtained the admission fails to satisfy the presiding officer that withdrawal or amendment will prejudice a party in maintaining an action or defense on the merits. Any admission made by a party under this rule is for the purpose of the pending action only and is not an admission for any other purpose nor may it be used against the admitting party in any other proceeding.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-230, filed 11/18/85.]

**WAC 458-08-240 Subpoenas.** (1) Subpoenas shall be issued and enforced, and witness fees paid, as provided in RCW 34.04.105.

(2) Every subpoena shall identify the party causing issuance of the subpoena and shall state the name of the department and the title of the proceeding and shall command the person to whom it is directed to attend and give testimony or produce designated books, documents, or things under his or her control at the time and place set for the hearing or deposition.

(3) A subpoena may be served by any suitable person over eighteen years of age, by exhibiting and reading it to the witness, or by giving him or her a copy thereof, or by leaving such copy at the place of his or her abode. When service is made by any other person than an officer authorized to serve process, proof of service shall be made by affidavit.

(4) The presiding officer, upon motion made promptly and in any event at or before the time specified in the subpoena for compliance therewith, may (a) quash or modify the subpoena if it is unreasonable and oppressive or (b) condition denial of the motion upon the advancement by the person in whose behalf the subpoena is issued of the reasonable cost of producing the books, papers, documents, or tangible things.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-240, filed 11/18/85.]

**WAC 458-08-250 Settlement.** The parties to a proceeding may enter into a voluntary settlement of the subject matter contained in any notice of hearing or complaint prior or subsequent to hearing. In exploration or furtherance of a voluntary settlement, the parties may confer within or outside the presence of the presiding officer. Any such settlement conference shall be informal and without prejudice to the rights of the parties.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-250, filed 11/18/85.]

**WAC 458-08-260 Decision procedure.** At the conclusion of a hearing the presiding officer shall announce his or her decision or what action will be recommended to the department or may take the decision under advisement. The presiding officer shall prepare a written summary of findings together with a recommendation for action by the department unless such officer is the person authorized to make final decisions on behalf of the department. In such case the presiding officer shall make a written summary of findings, conclusions and a

decision with respect to action to be taken by the department.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-260, filed 11/18/85.]

**WAC 458-08-270 Review procedures.** In all cases not heard by a presiding officer authorized to make final decisions on behalf of the department the file, together with the presiding officer's findings, conclusions, and recommendations shall be forwarded to the director of the department or to such other person to whom the director has assigned responsibility for review and decision. Review and decision by the director or the director's assignee shall be in accordance with RCW 34.04.110, 34.04.115, and 34.04.120.

[Statutory Authority: RCW 82.01.060(2) and 34.12.080. 85-23-049 (Order PR 85-1), § 458-08-270, filed 11/18/85.]

## Chapter 458-12 WAC

### PROPERTY TAX DIVISION--RULES FOR ASSESSORS

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- 458-12-152 Listing of property—Inaccurate information—What constitutes. [Order PT 73-7, § 458-12-152, filed 1/16/74.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-160.
- 458-12-153 Listing of property—Rental or lease of property deemed to be exempt. [Order PT 73-7, § 458-12-153, filed 1/16/74.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-170.
- 458-12-190 Listing of property—Cemeteries. [Order PT 73-7, § 458-12-190, filed 1/16/74; Order PT 68-6, § 458-12-190, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-180.
- 458-12-195 Listing of property—Churches, parsonages and convents. [Order PT 73-7, § 458-12-195, filed 1/16/74; Order PT 68-6, § 458-12-195, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-190.
- 458-12-200 Listing of property—Grounds upon which a church or parsonage shall be built. [Order PT 73-7, § 458-12-200, filed 1/16/74; Order PT 68-6, § 458-12-200, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-200.
- 458-12-205 Listing of property—Nonprofit, nonsectarian organizations. [Order PT 73-7, § 458-12-205, filed 1/16/74; Order PT 68-6, § 458-12-205, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-210.
- 458-12-206 Listing of property—Church camps. [Order PT 73-7, § 458-12-206, filed 1/16/74.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-220.
- 458-12-210 Listing of property—Character building organizations. [Order PT 73-7, § 458-12-210, filed 1/16/74; Order PT 68-6, § 458-12-210, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-230.
- 458-12-215 Listing of property—Veterans organizations. [Order PT 73-7, § 458-12-215, filed 1/16/74; Order PT 68-6, § 458-12-215, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-240.
- 458-12-220 Listing of property—Relief organizations. [Order PT 73-7, § 458-12-220, filed 1/16/74; Order PT 68-6, § 458-12-220, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-250.
- 458-12-225 Listing of property—Day care centers, libraries, orphanages, homes for the aged, homes for the sick or infirm, hospitals. [Order PT 73-7, § 458-12-225, filed 1/16/74; Order PT 68-6, § 458-12-225, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-260.
- 458-12-230 Listing of property—Schools and colleges. [Order PT 73-7, § 458-12-230, filed 1/16/74; Order PT 68-6, § 458-12-230, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-270.
- 458-12-235 Listing of property—Art, scientific and historical collections—Fire companies—Humane societies. [Order PT 73-7, § 458-12-235, filed 1/16/74; Order PT 68-6, § 458-12-235, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-280.
- 458-12-236 Listing of property—Nature conservancy lands. [Order PT 73-7, § 458-12-236, filed 1/16/74.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-290.

**DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER**

- 458-12-145 Listing of property—Exemptions—Generally—Rules of construction. [Order PT 73-7, § 458-12-145, filed 1/16/74; Order PT 68-6, § 458-12-145, filed 4/29/68.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-100.
- 458-12-146 Listing of property—Applications—Who must file, annual filing requirement, application forms, what covered, filing fee, financial statement, extensions of time, evidence of timely filing. [Order PT 73-7, § 458-12-146, filed 1/16/74.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-110.
- 458-12-147 Listing of property—Determination—Notification—Appeals. [Order PT 73-7, § 458-12-147, filed 1/16/74.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-120.
- 458-12-148 Listing of property—Properties sold or acquired by organizations deemed to be exempt. [Order PT 73-7, § 458-12-148, filed 1/16/74.] Repealed by Order PT 76-2, filed 4/7/76. Later promulgation, see WAC 458-16-130.
- 458-12-150 Listing of property—Proof of exemption. [Order PT 73-7, § 458-12-150, filed 1/16/74; Order PT 68-6, § 458-12-150, filed 4/29/68.] Repealed by Order PT

- 458-12-238 Listing of property—Sheltered workshops for handicapped. [Order PT 73-7, § 458-12-238, filed 1/16/74.] Repealed by Order PT 76-2, filed 4/7/76.
- 458-12-250 Listing of property—Ships and vessels—Definition. [Order PT 68-6, § 458-12-250, filed 4/29/68.] Repealed by 85-22-083 (Order PT 85-4), filed 11/6/85, effective 1/1/86. Statutory Authority: RCW 84.08.070.
- 458-12-255 Listing of property—Ships and vessels—Taxable situs in Washington. [Order PT 68-6, § 458-12-255, filed 4/29/68.] Repealed by 85-22-083 (Order PT 85-4), filed 11/6/85, effective 1/1/86. Statutory Authority: RCW 84.08.070.
- 458-12-260 Listing of property—Ships and vessels—Vessels under construction. [Order PT 68-6, § 458-12-260, filed 4/29/68.] Repealed by 85-22-083 (Order PT 85-4), filed 11/6/85, effective 1/1/86. Statutory Authority: RCW 84.08.070.
- 458-12-265 Listing of property—Ships and vessels—Partial exemption. [Order PT 68-6, § 458-12-265, filed 4/29/68.] Repealed by 85-22-083 (Order PT 85-4), filed 11/6/85, effective 1/1/86. Statutory Authority: RCW 84.08.070.
- 458-12-285 Relationship between average inventory provisions of RCW 84.40.020, the "transient trader" provision of RCW 84.56.180 and the "freeport exemption" (RCW 84.36.171-84.36.174). [Order 68-8, § 458-12-285, filed 10/31/68; Order PT 68-6, § 458-12-285, filed 4/29/68.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-290 Identification and reporting requirements for "freeport exemption" (RCW 84.36.171-84.36.174). [Order PT 68-6, § 458-12-290, filed 4/29/68.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-325 Valuation of property—Leasehold interests. [Order PT 68-6, § 458-12-325, filed 4/29/68.] Repealed by Order PT 75-1, filed 2/13/75.
- 458-12-380 Levy—Tax Freeze Act of 1967. [Order PT 68-6, § 458-12-380, filed 4/29/68.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-400 Leasehold estates—Definitions. [Order PT 75-1, § 458-12-400, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-401 Leasehold estates—Report to county assessor by public body. [Order PT 75-1, § 458-12-401, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-402 Leasehold estates—Report to county treasurer by county assessor. [Order PT 75-1, § 458-12-402, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-403 Leasehold estates—Notice of in lieu tax due—Payment to department. [Order PT 75-1, § 458-12-403, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-404 Leasehold estates—Determination of economic rent. [Order PT 75-1, § 458-12-404, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-405 Leasehold estates—Amount of in lieu tax. [Order PT 75-1, § 458-12-405, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-406 Leasehold estates—Disbursement of the in lieu excise tax. [Order PT 75-1, § 458-12-406, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-408 Leasehold estates—Operating properties. [Order PT 75-1, § 458-12-408, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-410 Leasehold estates—Exemptions. [Order PT 75-1, § 458-12-410, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-412 Leasehold estates—Taxation of improvements. [Order PT 75-1, § 458-12-412, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-414 Leasehold estates—Continuity. [Order PT 75-1, § 458-12-414, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-416 Leasehold estates—Term. [Order PT 75-1, § 458-12-416, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-418 Leasehold estates—Valuation. [Order PT 75-1, § 458-12-418, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-420 Leasehold estates—Commercial concessions or restrictions. [Order PT 75-1, § 458-12-420, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.
- 458-12-422 Leasehold estates—Appeal procedures. [Order PT 75-1, § 458-12-422, filed 2/13/75.] Repealed by 81-04-054 (Order PT 81-3), filed 2/4/81. Statutory Authority: RCW 84.08.010 and 84.08.070.

#### WAC 458-12-005 Definition—Property—Personal.

The terms "personal property" and "real property" are defined in RCW 84.04.080 and 84.04.090, respectively. These definitions should routinely be consulted in any case where it is at all doubtful whether a given piece of property is real or personal.

Personal property, as defined in RCW 84.04.080, falls into two categories; namely, *tangible* personal property, that is to say, things which have a physical existence, and *intangible* personal property which consists of rights and privileges having a legal but not a physical existence. The category of tangible personal property includes but is not limited to the following:

- (1) Goods and chattels. RCW 84.04.080. This category includes most tangible movables, such as
  - (a) Inventories, AGO 57-58, No. 206 (1958);
  - (b) Farm machinery, AGO 1909-1910, p. 51;
  - (c) Livestock and poultry, RCW 84.44.060;
  - (d) Logs and lumber, RCW 84.44.030;
  - (e) Motor vehicles, RCW 84.44.050;
  - (f) Books, *Booth & Henford Abstract Company v. Phelps*, 8 Wash. 549 (1894);
  - (g) Coin collections and coin inventories of coin dealers, AGO 63-64, No. 116 (1964);
  - (h) Tools.

(2) All standing timber held or owned separately from the ownership of the land on which it stands, RCW 84.04.080; *Leuthold v. Davis*, 56 Wn.2d 710 (1960).

(3) All fish traps, pound net, reef net, set net and drag seine fishing locations, RCW 84.04.080.

(4) All privately-owned improvements, including buildings and the like, upon publicly-owned lands which have *not* become part of the realty, RCW 84.04.080; *Pier 67, Inc. v. King County*, 71 W.D.2d 89 (1967);

AGO 1935-1936, p. 167; AGO 3-25-52; TCR 6-17-1947.

(5) All gas and water mains and pipes laid in roads, streets or alleys, RCW 84.04.080.

(6) Water craft of all descriptions, RCW 84.04.080, *Black v. State*, 67 Wn.2d 97 (1965), provided they have acquired an actual situs in the taxing county pursuant to RCW 84.44.050.

(7) Foxes, mink, marten, fish, oysters and all other animals held or raised in captivity for business or commercial purposes, including livestock. RCW 16.72.050; AGO 4-16-1900; AGO 1927-1928, p. 88; TCR 1-6-36.

(8) The roads and bridges of plank roads, gravel roads, turnpike or bridge companies. RCW 84.44.040.

(9) Trade fixtures. This concept, which is peculiar to the landlord-tenant relationship, refers to the machinery or equipment of any commercial or industrial business which operates on leased land or in rented quarters. Such machinery or equipment is a trade fixture; i.e., the tenant's personal property, no matter how firmly it may be attached to the landlord's realty, unless it could not be removed without virtually destroying the building housing it, or otherwise seriously damaging the landlord's realty. *Brown on Personal Property* (2d Edition 1955), Sec. 144.

(10) All engines and machinery of every description used or designed to be used in any process of refining or manufacturing, unless such engines and machinery shall have been included as part of any parcel of real property as defined in WAC 458-12-010(3).

(11) All buildings and other permanent improvements constructed or placed upon the easements of public service corporations other than railroads.

(12) All surface leases, whether of public or privately-owned land, except leases for the life of the lessee. RCW 84.04.080; AGO 49-51, No. 476 (1951); TCR 8-8-41: *In Re Barclay's Estate*, 1 Wn.2d 82 (1939). This category includes practically all leases to corporations because the legal life of a corporation is almost always longer than the term of any lease to it. *Pier 67, Inc., v. King County*, 71 W.D.2d 89 (1967).

*Intangible* personal property includes but is not necessarily limited to the following:

(1) Contract rights to cut timber on either public or privately-owned land under which title to the timber has not yet passed. AGO 53-55, No. 29 (1953); PTB 222 (1-13-53). A contract right to cut timber is a mere license, and all contractual licenses to use someone else's realty are personal property. See WAC 458-12-005 (5-Intangibles).

(2) All mining claims, whether patented or unpatented, which are located on public land. TCR 10-3-35; TCR 4-4-1950; AGO 55-57, No. 327 (1956); *American Smelting and Refining Company v. Whatcom County*, 13 Wn.2d 295 (1942).

(3) All mining or prospecting leases, whether on public or privately-owned land, except leases for the life of the lessee. RCW 84.04.080; TCR 4-22-36; *Walla Walla Oil, Gas & Pipe Line Company v. Vallentine*, 103 Wash. 359 (1918).

(4) All contractual licenses to use public or someone else's land for specified purposes, or to take something from public or someone else's land, which have a specified minimum term. Examples: timber contracts, AGO 53-55, No. 29, (1953); oil and gas prospecting permits, *Walla Walla Oil, Gas & Pipe Line Company v. Vallentine*, 103 Wash. 359 (1918); grazing permits; permits to take gravel or other minerals, TCR 4-22-1936. However, a license or permit which is revocable at the will of the landowner is not property at all because it gives the licensee no legally-protected right or interest whatsoever.

(5) All possessory rights in realty which are divorced from the title to the realty. TCR 10-3-35; AGO 1937-1938, p. 353. Such possessory rights are analogous to leases; hence they are personal property unless they are coextensive with the life of their holder. This category includes the possessory interest which an installment contract for the sale of public or privately-owned land creates in the vendee. See RCW 84.40.230.

(6) Public utility franchises owned by public service corporations. A public utility franchise is the right to use publicly-owned real estate for power lines, gas or water lines, sewers or some other public utility facility. *Commercial Electric Light and Power Company v. Judson*, 21 Wash. 49 (1899); *Chehalis Broom Company v. Chehalis County*, 24 Wash. 135 (1901). Such public utility franchises are very similar to public utility easements, which are personal property under Paragraph 8 thereof. However, a Washington corporation's primary franchise to exist and do business in corporate form is not taxable property. *Bank of Fairfield v. Spokane County*, 173 Wash. 145 (1933).

(7) Public utility easements owned by public service corporations other than railroads. RCW 84.20.010.

[Order PT 68-6, § 458-12-005, filed 4/29/68.]

**WAC 458-12-010 Definition--Property--Real.** The term "real property" is defined in RCW 84.04.090; this definition should be consulted as a matter of course in all doubtful cases. As there defined, "real property" includes but is not limited to the following:

(1) All land, whether platted or unplatted.  
 (2) All buildings, structures or permanent improvements built upon or attached to privately-owned land.  
 (3) Machinery, equipment or fixtures affixed to land or to a building, structure, or improvement on land.

(a) Such items shall be considered as affixed when they are owned by the owner of the real property and

(i) They are securely attached to the real property; or  
 (ii) Although not so attached, the item appears to be permanently situated in one location on real property and is adapted to use in the place it is located; for example a heavy piece of machinery or equipment set upon a foundation without being bolted thereto.

(b) Such items shall not be considered as affixed when they are owned separately from the real property unless the agreement specifically provides that such items are to be considered as part of the real property and are to be left with the real property when the occupant vacates the premises.

(c) Whenever the taxable property status of engines, machinery, equipment and fixtures is questioned by the assessor, the taxpayer may be required to list such items in the manner provided by chapter 84.40 RCW and WAC 458-12-080. The assessor shall make the determination of whether such property is real, and shall amend the taxpayer's statement as provided by WAC 458-12-080(2).

The foregoing definitions will not answer the question whether an article is a fixture in all cases. In such cases the numerous decisions of the Washington supreme court digested in 6 Wash. Digest Ann., "Fixtures" will have to be consulted.

(4) Privately-owned easements and easement-like privileges, irrespective of whether the servient estate is public or privately-owned land. However, easements of public service corporations other than railroads are personal property by reason of RCW 84.20.010.

(5) Leases and leasehold interests having a term co-extensive with the life of the tenant.

(6) Title to minerals in place which belongs to someone other than the surface owner. Such a title to minerals in place is often called "mineral rights" but must be distinguished from mineral leases and permits, which do not give title to minerals in place and which are intangible *personal* property. Mineral rights, as defined herein, are realty regardless of whether they were created by grant or reservation.

(7) Standing timber growing on land which belongs to the same person as the timber.

(8) Water rights, whether riparian, appropriative, or in the nature of an easement.

(9) Buildings and similar permanent improvements erected or made by a tenant on land which he does not own, and title to which is not reserved in the tenant by the lease or some other landlord-tenant agreement. Such buildings and improvements become the landlord's real property.

(10) All life estates in real property, whether created by grant or a reservation. A person has such a life estate when he has a right to the possession, occupation and use of a piece of realty, and to the crops, rents and profits produced by it, during his or her natural life.

(11) All possessory rights in realty which are coextensive with the natural life of their holder. Such possessory rights are analogous to leases, and since leases for life are realty, possessory rights for life are also realty.

[Order PT 69-1, § 458-12-010, filed 4/14/69; Order PT 68-6, § 458-12-010, filed 4/29/68.]

**WAC 458-12-015 Definition--Interstate commerce.** Interstate commerce includes, but is not limited to, that commerce, commercial intercourse, traffic or trade which involves the purchase, sale or exchange of property and its transportation, or the transportation of persons, from one state or territory of the United States to another. (Rules relating to the Revenue Act of 1935, Washington state tax commission, p. 128)

The Federal Constitution grants to Congress the exclusive power to regulate interstate commerce. (Art. I, Section VIII, Clause III, United States Constitution) No

state may impose an ad valorem tax which burdens, and thus indirectly regulates interstate commerce. (*Independent Warehouses, Inc. v. Scheele*, 331 U.S. 70 (1946)) Not all property which has traveled or will travel interstate is immune from taxation. (TCR 1-29-1948) Merchandise which loses its interstate character, and becomes a part of the general mass of property within a state, acquires situs for taxation purposes. (*Longview Tugboat Co. v. State*, 64 U.S. 323 (1964))

The essential inquiry in determining whether a state has the power to tax property moving in interstate commerce in continuity of transit. (*Carson Petroleum Co. v. Vial*, 279 U.S. 95 (1929), 73 L ed 626) Property is not taxable where the flow of transit within the state is unbroken, or where an interruption is occasioned by necessities of the journey or the need for safety and convenience in the course of movement. (*Minnesota v. Blasius*, 290 U.S. 9 (1933)) Property is taxable where the flow of transit terminates within the state, or where there is a cessation of transit for business or commercial purposes. (*Minnesota v. Blasius*, 290 U.S. 9 (1933))

Where the ultimate destination of property is not determinable, in that the owner may dispose of it within the state or elsewhere, as his interest indicates, an ad valorem tax may properly be imposed, even though the merchandise later resumes its transit in interstate commerce. (*Independent Warehouses, Inc. v. Scheele*, 331 U.S. 70 (1946).)

[Order PT 68-6, § 458-12-015, filed 4/29/68.]

**WAC 458-12-020 Definition--Foreign commerce--Imports and exports. Foreign commerce:** Means that commerce, commercial intercourse, traffic or trade which involves the purchase, sale or exchange of property and its transportation, or the transportation of persons, or the transportation of communications or electrical energy, from a state or territory of the United States to a foreign country, or from a foreign country to a state or territory of the United States. It includes fish seafood or other products originating on the high seas beyond the territorial limits of the state. (Rules relating to the Revenue Act of 1935, Washington tax commission, p.133)

**Import:** An import is an article which comes from a foreign country (not from a state, territory or possession of the United States) or originates on the high seas and is brought into the taxing jurisdiction of a state. (Rules relating to the Revenue Act of 1935, Washington tax commission, p.133)

**Export:** An export is an article sent, taken or carried out (*Black's Law Dictionary*, fourth edition, p.690) of a state destined to a foreign country. (Rules relating to the Revenue Act of 1935, Washington tax commission, p.133.)

[Order PT 68-6, § 458-12-020, filed 4/29/68.]

**WAC 458-12-025 Compensation for assistance by department of revenue at request of assessor.** Whenever the department of revenue receives from any county assessor a request for special assistance in the valuation of property, it shall have the option of either entering into a

statutory contract for special assistance, or providing such services on an informal basis. All requests for special assistance must be made in writing by the county assessor or the board of county commissioners. The written request shall state the extent of the work to be accomplished and shall be forwarded to the director of the department of revenue.

The department of revenue shall consider the request and shall advise the assessor in writing within 30 days of receipt of the request that such request is either approved or rejected in whole or in part. The department of revenue is not obligated to provide services until accepting the request.

(1) **Contracts for special assistance** – If the department of revenue chooses to enter into the statutory contract it shall proceed to negotiate a written contract with the assessor and the board of county commissioners within 30 days after receipt of the request for assistance initiated by the county. The contract shall contain, but is not limited to the following provisions:

(a) It shall be in writing;

(b) It shall be signed by the director of the department of revenue, the board of county commissioners, and the county assessor of the county in which the work is to be done;

(c) A description of the work to be done, beginning and completion dates of the work, total estimated cost of the work, a statement of the county's share of the estimated cost (no less than 50% of the total cost), and the method and term (not exceeding 3 years from date of expenditure) of payment.

(2) **Services on an informal basis** – If the department of revenue provides services on an informal basis, payment for such services shall be made by the board of county commissioners on completion of the work. Prior to providing services on an informal basis the department and the county shall stipulate in writing the extent of the services to be performed and the amount, if any, to be reimbursed by the county in payment for such services.

(3) **"Inter-Local Cooperation Act"** – Special projects performed on a cooperative basis for the mutual advantage of the department of revenue and one or more of the counties may be conducted under the provisions of chapter 239, Laws of 1967. Such projects may include, but are not limited to, development of appraisal methods and procedures, research, development of data processing systems, form design, and other projects where close cooperation of the state and county governments is desirable.

[Order PT 68-6, § 458-12-025, filed 4/29/68.]

**WAC 458-12-030 County appraisers' salary and classification plan.** (1) If an assessor wishes to put into effect the appraisers' salary and classification plan established in accordance with section 7, chapter 146, Laws of 1967 ex. sess., he shall inform the department of revenue and the board of county commissioners of this intent in writing. Upon receipt of this notification from the assessor of his intent to implement the plan, the

department of revenue and the county board of commissioners may thereupon designate their respective representatives. The designation of the department's representative shall be made in writing by the director, or by the assistant director, property tax, and shall be sent to the assessor and the chairman of the board of county commissioners. The designation by the board shall also be in writing, signed by a member of the board, and shall be sent to the director and the assessor.

(2) Such designations shall be made within fifteen calendar days from receipt of the notification from the assessor, or within fifteen calendar days from the date of this regulation, whichever is later. If either the department or the board fail to designate a representative, the committee may still be formed and may still act. However, if both the department and the board fail to designate a representative, the committee shall not be considered as having been formed or empowered to act, the assessor alone being unable to act as the committee.

(3) The committee shall determine the total required number of certified appraiser positions. The committee shall also determine salaries to be paid by determining the number of positions to be established within each class of appraisers for each of the next four budget years. The committee may not, however, change the salary level established in the plan for each class. In determining the number of appraisers' positions within each class, the committee may, if it so desires, provide for different numbers for each year. The committee's determination should be based upon its judgment as to the number of positions within each class necessary to carry out the requirements relating to revaluation of property in chapter 84.41 RCW for each of the next four budget years. In the event of increases unanticipated by the committee in the workload of the assessor's office during this four-year period, because of unanticipated increases in taxable property, the county commissioners, acting under their statutory powers and independently of section 7, chapter 146, Laws of 1967 ex. sess., may increase the number of positions in each class from the minimum numbers established by the committee.

(4) The determination of the committee, made pursuant to paragraph 3 shall be in writing, shall be certified as true and correct by all members of the committee, and shall be immediately transmitted to the board of county commissioners. Such determination must be by unanimous vote.

(5) In the event that the committee fails to reach a determination, classifications, qualifications, and salaries of appraisers shall be established independently of the provisions of section 7, chapter 146, Laws of 1967 ex. sess., and these rules. And in such event, nothing in these rules or in section 7 shall be construed to derogate from:

(a) The authority of the assessor with respect to setting qualifications for his personnel, or;

(b) The authority of the board of county commissioners with respect to determining the budget of the assessor's office.

[Order PT 68-6, § 458-12-030, filed 4/29/68.]

**WAC 458-12-035 Standard forms.** All forms required to carry out the provisions of the statutes which are now used, or to be used in the future in connection with the assessment and collection of taxes, shall meet the standards as prescribed by the department of revenue. The forms now in use in the county assessors' and treasurers' offices shall be submitted to the department of revenue for review and approval upon request by the department.

It will be the policy of the department of revenue to permit use of all forms presently in use if, in the department's judgment, they adequately meet the standards and fulfill the statutory requirements. Once the department has approved the forms used in an office, the forms may be used until, in the opinion of the department, the forms need revision because of obsolescence caused by time or statutory change.

All forms shall be submitted in duplicate so that one copy of the approved form may be retained for the department of revenue.

After a complete review of all county and state forms, the state department of revenue will compile and adopt an official standard forms list for each county. (Rule derived from RCW 84.08.020; 84.48.010; 84.56.050; TCR 10-30-1940.)

[Order PT 68-6, § 458-12-035, filed 4/29/68.]

**WAC 458-12-040 Listing of property--Segregation of interests.** The county assessor and the county treasurer shall comply with the provision of RCW 84.56.340 whenever any person desires to pay taxes upon any part or parts of real property heretofore or hereafter assessed as one parcel or tract. (RCW 84.56.340)

Land assessed in one tract, or in gross, shall be segregated by the county assessor to permit payment by the separate owners of *current or delinquent taxes* on the segregated portions. (AGO 5-26-1943; TCR 4-24-1945)

Where either the county assessor or the county treasurer grouped lots or parcels and the same appear in groups on the treasurer's tax statement, the treasurer and/or the assessor must segregate any lots or parcels from such groups to permit the taxpayer to pay on the property so segregated; and any other property assessed in gross must be segregated for the same purpose. (TCR 4-17-1944)

Undivided interests in real property are separate estates, and should be listed separately on the assessment record and tax rolls by the county assessor in the same manner and under the same circumstances as he should separately list divided interests, when it appears that the owners thereof desire, or will desire to pay their taxes individually. (AGO 10-29-1947)

If the county treasurer receives a request for segregation of tax payments on real property, he shall show such segregation on the tax roll the same as a divided interest upon receipt of proper certification of the values from the assessor.

Real estate which has been plotted and subdivided into smaller units which are in separate ownership (except for one unit owned by all tenants in common) may

be listed and assessed by the county assessor against the unit owners separately both as to their individual units and as to their undivided interest in the unit owned in common. (AGO 61-62, No. 171, 9-27-62)

[Order PT 68-6, § 458-12-040, filed 4/29/68.]

**WAC 458-12-045 Listing of real property--Contracts for sale of public lands.** Whenever any real property belonging to the United States of America, the state of Washington or any county or municipality is sold under an arrangement whereby title is reserved in the grantor and use and possession goes to the grantee, such property shall be listed as real property in the name of the grantee rather than the governmental instrumentality.

Any improvements existing on the property at the time the contract for sale is entered into or which are subsequently added after said contract shall likewise be listed as real property in the name of the grantee. (Rule derived from AGO 6-24-1947; PTB No. 167, 8-21-1947.)

[Order PT 68-6, § 458-12-045, filed 4/29/68.]

**WAC 458-12-050 Listing of real property--Omitted property.** Whenever any real property is omitted from the assessment rolls, the assessor shall have the right and duty to go back and separately value and list such property as omitted property. When improvements or land are omitted, the assessor shall check back for a period of three years and base his assessment on the value of the improvements as of the year or years omitted regardless of the reason why the improvements or land were omitted from the rolls. If it is found that a bona-fide purchaser (third party) had purchased or acquired any interest in the property prior to the time such improvements are assessed and without knowledge that the property is omitted, then there shall be no assessment made. (RCW 84.40.080) If any question arises as to whether or not the improvement has in fact been omitted, the burden of proof shall be on the assessor to show that it has. (TCR 3-17-1953) Under no circumstances, however, is this section to be used for the purpose of revaluation or reassessment. (*Wood Lbr. Company v. Whatcom County*, 5 Wn.2d 63 (1940))

Once the omitted improvement assessment is made the taxpayer shall have one year from the date the tax for the current year becomes due to pay the back taxes without penalty or interest. (RCW 84.40.080.)

[Order PT 68-6, § 458-12-050, filed 4/29/68.]

**WAC 458-12-055 Taxable situs--Real property.** The situs of real property is at the place where the property is located. The situs of a possessory interest in real property is at the place where the real property is situated.

Where a parcel of real property is located in more than one taxing district the portion lying within a particular district is assessable only in that district.

[Order PT 68-6, § 458-12-055, filed 4/29/68.]

**WAC 458-12-060 Listing of personalty--Burden on taxpayer to list.** Every person, firm or corporation regardless of residency who owns or controls personal property not specifically exempted by law located in this state as of 12 noon on the first day of January shall be required to annually submit a personal property listing and statement. Such listing and statement shall be due regardless of whether or not the assessor has provided notice of such listing to the individual taxpayer. (RCW 84.40.190.)

[Order PT 68-6, § 458-12-060, filed 4/29/68.]

**WAC 458-12-065 Listing personal property--Form and notice.** The assessor shall compile and keep current an alphabetical list of all persons at their last known address to his knowledge in his county who are subject to assessment of personal property. On or before January 1st of each year he shall send a notice and personal property listing form to all persons to his knowledge who own taxable personal property at their last known address. Such notice and listing form shall be in accordance with the forms prescribed by the department of revenue.

For the years 1968 and 1969 the assessor shall send a second notice on or before March 15th of that year to those taxpayers who have not, as of the date of the notice, sent in their listing. In the years following 1969 the assessor shall provide notice through appropriate news media with county-wide coverage.

A copy of the taxpayer's previous year's list shall be made available to the taxpayer whenever he may request it. (RCW 84.40.040) Further, if the assessor considers it practicable, the notice to be sent to each taxpayer each year shall include the statement and list of personal property of the taxpayer for the preceding year.

If the assessor deems it practicable, he may permit consolidation of items of personal property with a total value of \$1,000 or less in one entry on the listing form under the heading, "Miscellaneous items of personal property." When such consolidation is made, the cost reported by the taxpayer shall be identified as "Miscellaneous tools and equipment," "Miscellaneous machinery" or by similar designation indicating the category of property reported.

The county assessor shall not accept a listing that is not signed; however, he may accept a listing that has been signed and not subscribed and sworn to before the assessor, his deputy or a notary public. (RCW 84.40.060)

When the assessor shall be of the opinion that a full, fair and complete listing of property may not have been made, he shall require the listing to be subscribed and sworn to before him, his deputy or a notary public.

This swearing under oath is an essential preliminary step to any action for perjury.

A copy of the completed personal property listing form containing the assessor's estimation of true and fair or assessed values shall be returned to the taxpayer.

[Order PT 68-6, § 458-12-065, filed 4/29/68.]

**WAC 458-12-070 Listing of personalty--When due--Late filing.** All lists and statements of personal property are due on March 31 of each year. This due date may be extended by the assessor when he has, prior to the due date, received a written request showing that there is good cause for granting the extension. If it is granted, the extension will be only for a period of time reasonably necessary to allow the listing of the personal property. (RCW 84.40.040.)

[Order PT 68-6, § 458-12-070, filed 4/29/68.]

**WAC 458-12-075 Personalty--Filing by corporations, partnerships, firms or agents.** (1) **Corporations** – The president, vice president, treasurer, assistant treasurer, chief accounting officer or any other duly authorized person shall be permitted to list for a corporation.

(2) **Partnerships, firms or business** – Any partner, member or duly authorized officer who has knowledge of the affairs of the business shall be permitted to list for a partnership firm or business.

(3) **The estate and trust** – The fiduciary shall be permitted to list for any trust or estate. In the above situations it shall not be necessary for the officer, partner, owner or fiduciary who is in charge of preparing and submitting the personal property list, schedule, or statement to file a power of attorney with the county assessor. His act shall be considered that of the corporation, partnership, business, or trust which he represents for the purposes of the penalties found in RCW 84.40.130 without the necessity of filing such power.

Whenever any person who does not fall into the category of an officer, partner, owner or fiduciary as provided above prepares and signs a personal property list, schedule or statement required to be submitted by his principal, he shall submit a power of attorney executed by his principal to the county assessor. If properly executed, the assessor shall accept the power of attorney and shall keep a copy of such power on file in his office. This power shall be effective until it is revoked.

When the assessor shall be of the opinion that a full, fair and complete listing of property may not have been made on behalf of a principal, he may require the agent to give evidence of his authority.

"Power of attorney" shall include any written authorization to prepare and sign such personal property lists executed by an authorized officer or the board of directors of a corporation or by a partner, owner or fiduciary.

"Authorized officer" as used in the preceding sentence, means a person who has been appointed by the board of directors to designate, by name or title, an employee or agent to execute and file lists on behalf of such corporation.

When any list, schedule, or statement is made and signed by any agent, the principal required to make out and deliver the same shall be responsible for the contents and the filing thereof and shall be liable for the penalties imposed pursuant to RCW 84.40.130. (Derived from chapter 149, Laws of 1967.)

[Order PT 68-6, § 458-12-075, filed 4/29/68.]

**WAC 458-12-080 Listing of personalty—Manufacturers. (1) Definitions:**

(a) "Manufacturer" – Every person who purchases, receives or holds personal property of any description for the purpose of adding to the value thereof by any process of manufacturing, refining or rectifying or by the combination of different materials with the view of making gain or profit by so doing, shall be held to be a manufacturer. (RCW 84.40.210)

(b) "Manufacturer's stock" – Manufacturer's stock shall include all articles purchased, received or otherwise held for the purpose of being used in whole or in part in any process or processes of manufacturing, combining, rectifying or refining and all engines and machinery of every description used or designed to be used in any process of refining or manufacturing together with all tools and implements of every kind, used or designed to be used for the purpose of adding value to personal property by the manufacturer, excepting fixtures considered as part of any parcel of real property. (RCW 84.40.210)

(2) **Listing requirements:** A manufacturer shall make and deliver to the assessor a statement of personal property subject to tax. The statement shall include the manufacturer's stock, engines and machinery, and other personal property.

All personal property, manufacturer's stock, and engines and machinery, together with its acquisition cost and date of acquisition, shall be listed in said statement.

The personal property pertaining to the business of a manufacturer shall be listed in the town or place where his business is carried on.

On receipt of the manufacturer's statement, the assessor shall delete from the assessment the value of any engines and machinery that have been listed and assessed as part of any parcel of real property. A copy of the corrected assessment shall be returned to the manufacturer.

[Order PT 69-1, § 458-12-080, filed 4/14/69; Order 68-6, § 458-12-080, filed 4/29/68.]

**WAC 458-12-085 Listing of personalty—Merchants—Personalty—Consignments. (1) Definitions:** "Merchant" – Whoever owns, or has in his possession or subject to his control, any goods, merchandise, grain, or produce of any kind, or other personal property within this state, with authority to sell the same, which has been purchased either in or out of this state, with a view to being sold at an advanced price or profit, or which has been consigned to him from any place out of this state for the purpose of being sold at any place within the state, is held to be a merchant. (RCW 84.40.220)

(2) **Listing requirements:** The assessor of the county where merchandising is actually carried on and where the property is located can demand the listing thereof. (AGO 35-36, p. 174) The merchant, when submitting his personal property list, shall state the value (laid in cost or trade level cost, whichever is applicable) of such property pertaining to his business as a merchant. (RCW 84.40.220) The assessor shall give recognition to

the trade level at which the property is situated and to the principle that tangible property normally increases in value as it progresses through production and distribution channels, attaining maximum value normally, at the consumer level. (California Administrative Code, Title 18, Chapter 6, Subchapter 1, Section 10) (See WAC 458-12-310 for trade level definition.)

Finished goods held for sale shall be valued at the amount for which they would transfer to a like business (cost to produce); those held for lease or rental shall be valued at the trade level of the principal user, usually cost to retailer or consumer.

Every merchant required to list personalty shall include in such list the value of goods held on consignment or stored for another firm where the merchant stands to profit on the sale thereof.

Where goods are consigned for storage only or held on consignment and the merchant has no interest therein nor any profit to be derived from the sale, such consigned goods are not taxable to the consignee merchant, but if known to such merchant, the value—laid in cost or trade level cost or both—and the ownership of such consigned goods should be reported to the assessor so that the person subject to taxation of such goods is revealed and a proper listing may be made.

The growing crops of nurseries shall be considered the same as other growing crops on cultivated land. (RCW 84.40.220) (See RCW 84.40.030 for criteria of value.)

[Order PT 68-6, § 458-12-085, filed 4/29/68.]

**WAC 458-12-090 Listing of personalty—\$300 exemption and its effect on listing.** When all of the personal property owned by a taxpayer consists of household goods and personal effects exempt under the provisions of RCW 84.36.110 or any other statute providing exemptions for personal property, no listing of such property will be required. (RCW 84.36.110)

A taxpayer qualifying for the \$300 head of family exemption owning other personal property not in commercial use or held for sale and not worth more than \$300 will not be required to file a listing of such property with the assessor.

When the taxable personal property of a head of family exceeds \$300 in value a complete listing of such property shall be made by the taxpayer. (RCW 84.36.110) The assessor shall deduct the \$300 exemption from the total value he has determined for the personal property listed on the taxpayer's return. (See WAC 458-12-270.)

[Order PT 68-6, § 458-12-090, filed 4/29/68.]

**WAC 458-12-095 Listing of personalty—Partial listing.** Whenever unreported property (see WAC 458-12-100 for unlisted property) is found, reported or discovered, the assessor shall add such property to the assessment rolls, and shall make an assessment of current and back taxes and *any applicable penalties*.

[Order PT 68-6, § 458-12-095, filed 4/29/68.]

**WAC 458-12-100 Listing of personalty--Omitted property--Omitted value.** (1) Omitted personal property shall include all personalty which was not entered on the assessment rolls. It shall not include personalty which was listed but improperly valued. (*Tradewell Stores, Inc. v. Snohomish County* 69 Wn.2d 356 (1966); *Wood Lbr. Company v. Whatcom County*, 5 Wn.2d 63 (1940))

(2) Omitted value shall include all personalty which was assessed at less than market value due to inaccurate reporting by the taxpayer or person reporting said property.

(3) Whenever the assessor shall find or be informed of omitted property or omitted value he shall go back no more than three assessment years from the year of discovery of the omission and assess such personalty as omitted property or value. He shall add to the current assessment rolls any omitted property or value at the correct value for the year of said omission and shall notify the property owner or taxpayer of said assessment.

(4) Any person receiving notice of an omitted property or omitted value assessment may appeal said assessment to the county board of equalization as provided for in WAC 458-14-120.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-22-059 (Order PT 82-7), § 458-12-100, filed 11/2/82; Order PT 68-6, § 458-12-100, filed 4/29/68.]

**WAC 458-12-105 Listing of personalty--Willful failure to list or fraudulent listing--Penalty.** When a listing is filed which appears to be fraudulent, a complaint shall be filed with the prosecuting attorney by either the assessor or the board of county commissioners for the collection of the additional tax properly due and, in addition, for a penalty of 100% of such tax. Both the penalty and the additional tax found to be due are to be recovered by the prosecuting attorney in an action in the name of the state and paid into the county treasury to the credit of the current expense fund.

A fraudulent listing may arise either because it does not include all of the taxable personalty in the ownership, possession, or control of the person submitting the list, or because it contains false information relating to the proper value of the personalty which in fact has been listed.

Before a complaint is filed with the prosecutor, the assessor will make a preliminary investigation sufficient to satisfy himself that the probable reason for the erroneous listing was an intent to defraud; *i.e.*, a deliberate intent to escape from the full personal property tax liability, and that the erroneous listing did not arise simply from negligence, inadvertence, accident or simple ignorance.

When a person required to list property subject to taxation does not do so by the date prescribed, and it appears to the assessor that the motive for the failure or refusal to list is an intent to defraud, a complaint shall be filed with the prosecuting attorney by either the assessor or the board of county commissioners for the collection of the total tax determined by the assessor to be properly due and a penalty of 100% of such tax. Both

the tax and the penalty are to be recovered by the prosecuting attorney in an action in the name of the state and to be paid into the county treasury to the credit of the current expense fund.

Before a complaint is filed with the prosecutor, the assessor should make a preliminary investigation sufficient to satisfy himself that the probable reason for the failure to list was an intent to defraud; *i.e.*, a deliberate intent to completely escape from personal property tax liability, and that the failure to list did not arise simply from negligence, inadvertence, accident or simple ignorance.

[Order PT 68-6, § 458-12-105, filed 4/29/68.]

**WAC 458-12-110 Listing of personalty--Estimate listing penalty.** If a personal property statement or list is not submitted within the time allowed either by law or by the assessor where an extension has been granted, the assessor shall ascertain the amount and value of the property which should have been reported. (RCW 84.40.200) When such a listing is made by the assessor, he shall deliver or mail a copy to the person for whom the listing is made. The copy delivered must show the valuation of the property listed, and must be signed by the assessor. On the copy of the listing delivered or mailed, the assessor shall notify the person for whom the listing is made of his possible liability for penalties for his failure to make the list himself.

The listing made by the assessor shall be used by him for all purposes in the same manner as though it was submitted by the person required to list, until such person does submit the required statement.

When a statement of personal property subject to taxation is not submitted by the date prescribed, the taxpayer becomes liable to a penalty of 5% of the total tax determined to be due, for each month or fraction thereof from the date that the listing was due to the date that it is actually received, in acceptable form, by the assessor. The performance by the assessor of his duty to ascertain the amount and value of taxable property in the event of the failure of the person required to do so shall not be taken to be such a report as would terminate the accrual of this penalty.

The penalty provided for by this rule shall actually be assessed at the time that taxes are spread on the rolls, to a maximum of 25% of the tax found to be due, and shall then be added to the tax assessed, and collected in the same manner as such taxes. If the person required to list property can show, to the satisfaction of the assessor, that his failure to report is due to a reasonable cause, no late filing penalty shall be assessed.

[Order PT 68-6, § 458-12-110, filed 4/29/68.]

**WAC 458-12-115 Personalty--Taxable situs--In general.** Personal property except where required by statute to be listed elsewhere shall be listed and assessed in the county where situated as of 12 noon on January 1st of each year. (RCW 84.44.010)

For the purposes of determining the situs of goods in transit the following guidelines shall be observed:

(1) **Goods in interstate transit** – Goods in transit to this state from another are assessable only if on the assessment date they have come to rest within this state. The fact that such goods may be still in their original package as of the assessment date is immaterial. (*American Steel & Wire Company v. Speed*, 192 U.S. 500 (1903); AGO 5-2-1942; TCR 2-25-1936) Goods which are in-transit either from or through the state with the ultimate destination point elsewhere shall not be subject to local property taxation. However, if during the course of such transit any nonexempt goods (See RCW 84.36.140 through 84.36.191) shall be stored in any county of this state for other than natural causes or lack of facilities for immediate transportation then such goods shall become subject to local taxation. (*Kelley v. Rhoads*, 188 U.S. 1 (1902))

(2) **Exports and imports** – Goods from foreign countries are imports in the strict sense and generally become taxable within the following situations:

(a) Such goods are sold by the importer;

(b) The physical container except intermodal containers (i.e., vanpacs or similar equipment) constructed and utilized solely to transport a quantity of goods in separate original packages in a single container and intended to be reuseable in which they arrived is broken; (*Brown v. Maryland*, 25 U.S. 266 (1827); *Waring v. The Mayor of Mobile*, 75 U.S. 110 (1868))

(c) The merchandise is commingled with the mass of properties in the state; (*May v. New Orleans*, 178 U.S. 496 (1890))

(d) The goods have been committed to the purpose or use for which they were imported. (*Youngstown Sheet & Tube Company v. Bowers*, 358 U.S. 534 (1958))

Goods which are to be exported are assessable until they enter into the stream of exportation. (*Eardley Fisheries Co. v. Seattle*, 50 Wn.2d 566)

(3) **Intrastate transit** – Goods in transit from one point in this state to another on the assessment date are assessable at their destination. (*State Trust Company v. Chehalis County*, 79 U.S. 282 (1897); AGO 1929-30, p.179; TCR 2-25-1937; AGO 1933-34, p.97)

"In-transit" shall mean that the goods are either in the hands of the carrier without being subject to further control by the owner or that the goods are physically moving as of the assessment date. (TCR 2-16-1938; 2-7-1939) If during the course of the transit the goods shall happen to be delayed for other than natural causes or lack of immediate transportation facilities then such goods shall be subject to assessment at the location of their actual situs. This shall be so notwithstanding the fact that such situs may not be the destination point nor the domicile of the owner. However, if the goods are only temporarily delayed for the excusable reasons, then they are assessable at the destination point. (AGO 1929-30, p.192; TCR 6-13-1940)

Goods arriving at destination point before the assessment date shall be assessed and taxed at that point regardless of whether or not possession or the right of possession has passed to the person, firms or corporations accepting such goods. (AGO 1929-30, p.179; AGO 1913-14, p.61.)

[Order PT 68-6, § 458-12-115, filed 4/29/68.]

**WAC 458-12-120 Situs of personality--Beer kegs.** Beer kegs owned by Washington breweries are taxable at the situs of the brewery. Those kegs owned by out-of-state breweries are taxable at the situs of their own actual location. (PTB 9-26-1939.)

[Order PT 68-6, § 458-12-120, filed 4/29/68.]

**WAC 458-12-125 Situs of personality--Merchants and manufacturers.** The second sentence of RCW 84.44-.010, which states, "the personal property pertaining to the businesses of a merchant or of a manufacturer shall be listed in the town or place where his business is carried on," should not be construed strictly. It should be considered a secondary rule to be applied only in those cases where the application of the physical situs rule is doubtful.

For instance, these terms could or would apply to (1) motor equipment used in making deliveries from one taxing district into another; (2) merchandise taken for a short period into another taxing unit for display or sale (TCR 10-22-1945; TCR 3-18-1947); (3) merchandise located for a short period in another taxing unit where merchandise is not customarily located or stored; (4) manufacturer's machinery taken out of the home taxing unit for repair; (5) goods in intrastate transit and many other situations of similar nature.

The sentence would not apply to (1) grain owned by a western Washington milling firm stored in a warehouse in eastern Washington even though all the firm's business, except for such storage, is transacted in western Washington, or (2) logs kept customarily in supply, though in variable quantity, owned by a merchant in one county, but stored customarily, or for longer than what would be described as a "transit period," in another county or taxing unit. (TCR 3-18-1947)

The examples given above are not meant to be exhaustive and are only given as a guideline.

[Order PT 68-6, § 458-12-125, filed 4/29/68.]

**WAC 458-12-130 Situs of personality--Migratory stock.** All cattle, horses, sheep or boats pastured in a different county than where wintered shall be considered migratory stock.

Whenever listing migratory stock, it shall be the duty of the taxpayer to see that the county assessor of each and every county where such stock may be situated for more than sixty days during the year have notice of such fact. The assessor of the county where the stock is located shall as of January 1st assess the stock as a whole. The assessment shall be subject to proration with any other county in which the migratory stock is or will be located for a period of more than sixty days provided first, however, that such county makes a demand upon the home county assessor before the first day of July each year.

The assessor shall assess every herd of migratory livestock which may at any time be in his county for other than transitory reasons. If at any time he shall find a herd which has not been listed in his county, he shall

immediately ascertain first, whether or not the herd has been listed anywhere within the state of Washington, and secondly, how long the herd has been in his county and plans on remaining there.

If it is found that the herd has not been listed in this state, the assessor shall list and assess the herd in the same manner as if it had been in his county as of January 1st of that year. The fact that the herd may have been listed and assessed in another state or territory for that same year shall in no way exempt said stock from the operation of this section.

If it should be found that the stock has been listed in the state but not within the assessor's particular county, he shall ascertain how long such herd has and will be in the county. If it has or will be in the county over sixty days, and the present date is not later than July 1st, a demand should be made upon the assessor of the home county to prorate the assessment. If the present date is later than July 1st, the county where the stock is discovered shall have no right to receive a share of the tax due. (Rule derived from RCW 84.44.070.)

[Order PT 68-6, § 458-12-130, filed 4/29/68.]

**WAC 458-12-135 Listing of property--Taxing district designation.** (1) **Definitions:**

(a) "*Taxing district*" - means and includes the state and any county, city, town, school district or municipal corporation having the power to levy taxes upon property within the district in proportion to the value thereof.

"*Consolidated taxing district*" - shall mean a combination of all taxing districts whose combined levy for tax purposes makes up the total levy applicable to an individual property.

(2) The assessor shall designate the name or number of each consolidated taxing district in which each description of real or personal property is located and assessed. The consolidated taxing district designation shall be entered opposite each assessment in a column provided for that purpose in the detail and assessment list. A code number may be used.

When real and personal property of any person is located and assessable in several consolidated taxing districts, a separate listing shall be made on the detail and assessment list and identified by the number or other designation of the consolidated taxing district in which each portion of the property or properties is located.

The county assessor shall designate the consolidated taxing district on all listings of personal property in accordance with the applicable rules controlling "taxable situs" as of the assessment date. (Rule derived from RCW 84.04.120 and 84.40.090)

[Order PT 68-6, § 458-12-135, filed 4/29/68.]

**WAC 458-12-140 Listing of property--Boundary changes.** The official boundaries of all taxing districts are fixed for purposes of property taxation and levy of property taxes as of the first day of March each year.

The county assessor shall transmit one copy of each instrument filed with the county auditor or any other county official, which sets forth any change in taxing district boundaries, or for the establishment of any new

taxing district, together with a copy of a plat showing such change, to the property tax division, department of revenue, on or before the first day of March each year. (Rule derived from RCW 84.04.120; 84.09.030; 84.40.100.)

[Order PT 68-6, § 458-12-140, filed 4/29/68.]

**WAC 458-12-155 Listing of property--Public lands--Federal lands--Exclusive or concurrent jurisdiction.** Before assessing personal property located on federally-owned lands, the assessor shall determine whether the federal government claims exclusive or concurrent jurisdiction over the land. If exclusive jurisdiction is claimed, such land shall be treated as not even existing in the state of Washington for taxation purposes. (*Concessions Company v. Morris*, 109 Wash. 46 (1919); *Ryan v. State*, 188 Wash. 115 (1936); AGO 1933-1934, p.298; PTB No. 211 (1951)) Personal property, including leasehold interests, located upon such lands shall not be subject to taxation.

If the federal government holds the land concurrently with the state, personal property, including leasehold interests located on or in such land, is subject to taxation. (AGO 1933-34, p.298; AGO 1945-46, p.717; PTB No. 211 (1951).)

[Order PT 68-6, § 458-12-155, files 4/29/68.]

**WAC 458-12-160 Listing of property--Public land--Conveyances.** All property coming into the exclusive ownership of any public-exempt body shall be exempt from further taxation and shall be removed from the assessment and taxation rolls.

All property coming into the exclusive possession of any governmental unit as trust property for bond holders shall be exempt from taxation only if a specific exemption can be found for it. (*Spokane v. Spokane County*, 169 Wash. 355 (1932))

All real property now in the ownership of any public-exempt body which is being sold to some nonexempt vendee under an arrangement where possession is given to the vendee and title remains in the vendor shall be governed by RCW 84.40.230; WAC 458-12-045.

In all other situations where either real or personal property is sold by any public-exempt body to a nonexempt vendee, such property (only the actual property itself is exempt, not the vendee's possessory interest in it) shall become subject to taxation on the January 1 following the time title passes.

[Order PT 68-6, § 458-12-160, filed 4/29/68.]

**WAC 458-12-165 Listing of property--Public lands--Purchase by state, county or city.** Real property acquired either by purchase or condemnation by the state, county, city or any exempt political subdivision shall remain liable for any tax liens existing on the realty at the time the conveyance is completed. (RCW 84.60.050) If the taxes are not delinquent at the time of the purchase or condemnation, the date of completion of the sale shall be noted. If the transfer was before February 15 of the taxable year, there shall be no tax payable.

If the transfer is between February 15 and April 30, one-half of the tax shall be payable. If the transfer is after April 30, the full amount of tax shall be payable. (RCW 84.60.060) Whenever only part of a parcel of property is purchased or condemned, the assessor is authorized to segregate the taxes according to the provision of RCW 84.60.070.

[Order PT 68-6, § 458-12-165, filed 4/29/68.]

**WAC 458-12-170 Listing of property--Public lands--Possessory rights.** All possessory rights in exempt public lands are taxable to the holder (*American Smelting & Refining Co. v. Whatcom Co.*, 13 Wn.2d 295 (1942) dealing with mining claims located on Federal lands) thereof unless the holder of the possessory interest is exempt from taxation elsewhere, or if interest is in lands where the federal government claims exclusive jurisdiction. (WAC 458-12-155)

All possessory rights which are held by an exempt public body shall likewise be exempt from taxation.

[Order PT 68-6, § 458-12-170, filed 4/29/68.]

**WAC 458-12-175 Listing of property--Public lands--Leasehold interests and improvements.** Leasehold interests in public lands other than those specified in WAC 458-12-155, are taxable as personal property to the holder thereof. (RCW 84.04.080; WAC 458-12-325) The fact that the land itself may be exempt from taxation is immaterial.

Improvements on public lands are generally considered personal property taxable to the owner thereof. (RCW 84.04.080) Whenever the improvement is a permanent fixture which cannot be removed without destroying it, such improvement shall be presumed to have become a part of the realty and would not be taxable, since owned by the exempt public body. (*Pier 67, Inc. v. King County*, 71 Wn.Dec.2d 89 (1967)) This presumption shall not be conclusive and can be overcome by clear evidence which indicates that the parties did not intend that the improvements become part of the realty.

[Order PT 68-6, § 458-12-175, filed 4/29/68.]

**WAC 458-12-180 Listing of property--Public lands--Public body as lessee--Improvements.** Leasehold interests held by public-exempt bodies are exempt from taxation. The property on which they are located is assessable to the owner and its taxability is in no way affected by the leasehold interest. (AGO 1-30-1937; AGO 8-30-1934)

Improvements made by the public-exempt body in or upon the realty of a private taxpayer shall become part of the realty for taxation purposes unless it clearly appears otherwise. (TCR 5-12-1948)

Whenever it should appear that title to the improvements remain in the public-exempt body, the assessor shall ascertain whether or not the owner of the realty has any taxable interest in the improvements. If he does, he shall be taxed on this interest and not the improvements. If he doesn't, he shall not be taxed on the improvements or anything related thereto.

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[Order PT 68-6, § 458-12-180, filed 4/29/68.]

**WAC 458-12-185 Listing of property--Public lands--Airports, bridges, consulates owned by foreign municipalities.** The general rule is that real or personal property owned by foreign states, foreign national governments, or municipal corporations is taxable unless a specific statutory exemption can be found to the contrary. (AGO 59-60, No. 31, 4-28-59) RCW 84.36.130 exempts foreign municipal corporations owning exclusively properties for the purposes of an airport.

RCW 84.36.230 grants reciprocal exemptions to neighboring foreign municipal corporations, counties, or states who exempt Washington-owned bridges from taxation.

All property belonging exclusively to a foreign national government used exclusively as an office or residence for a consul or other official representative of that government, shall be exempt from taxation. The consul or representative must be a citizen of the foreign nation for the exemption to apply. (Section 31, chapter 149, Laws of 1967.)

[Order PT 68-6, § 458-12-185, filed 4/29/68.]

**WAC 458-12-240 Listing of property--Nonprofit organizations--Taxable interests in real property owned or used by nonprofit organizations.** Property of organizations qualified for exemption pursuant to WAC 458-12-195 through 458-12-235 is exempt from taxation. With the exception of property used for churches and church grounds, WAC 458-12-195, (see WAC 458-12-195 for criteria to be followed in regard to churches, parsonages, and grounds) and property used for school and colleges, WAC 458-12-230 (see WAC 458-12-230 for criteria to be followed in regard to schools and colleges) the following criteria shall be followed in determining whether there is a taxable property interest in property owned or used by an exempt nonprofit organization:

(1) Where an organization holds ownership of property in fee, that property is exempt from taxation. (AGO 31-32, p.36, 2-24-31)

(2) Where an organization is lessee of property, its interest in the land is exempt, but the property interest of the lessor is taxable. (RCW 84.04.080)

(3) Where an organization is lessor of property, its interest in the property is exempt, but the property interest of the lessee is taxable as personal property. (AGO 1929-30, p.704; RCW 84.04.080)

(4) Where an organization has the right to use or possession of property, but title ownership is retained by a private, taxable person, the interest of the organization is exempt from taxation, but the interest of the title owned is taxable until title passes to the nonprofit organization. (AGO 45-46, p.717, 4-11-46) Thus where a nonprofit group purchases property under a conditional sales contract, with title retained by the vendor, the possessory right of the nonprofit organization is exempt from taxation, but the ownership right of the vendor is taxable as real property. (AGO 5-6-1952)

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(5) Where an organization holds title ownership of property, but a private, taxable person has the right to use of possession of the property, the interest of the nonprofit organization is exempt from taxation, but the interest of the person using or possessing the property is taxable as personal property. (AGO 45-46, p.717, 4-11-46.)

[Order PT 68-6, § 458-12-240, filed 4/29/68.]

**WAC 458-12-245 Listing of property--Intangibles.** The following property shall be exempt from taxation:

(1) **All moneys** - For purposes of this section, "moneys" is defined to mean gold and silver coin, gold and silver certificates, treasury notes, United States notes, and bank notes. (RCW 84.04.060) The exemption is limited to money being used as a measure of value and a medium of exchange. Money, as a commodity having a value of its own, is taxable. (AGO 63-64 No. 116) Thus, coins and currency having a value as collectors' items or for some other special purpose are subject to taxation based upon their fair market value. (AGO 63-64 No. 116)

(2) **Credits** - including mortgages, notes, accounts, certificate of deposit, tax certificates, judgments, state, county and municipal bonds and warrants, and bonds and warrants of other taxing districts, bonds of the United States and of foreign countries of political subdivisions thereof, and the bonds, stocks or shares of private corporations, including national and state banks. (AGO 2-7-1934)

Only credits payable in money, and entitling the creditor to no personal or real property interest, are exempt from taxation. Thus the interest of a vendee in property sold under executory contract is taxable as personal property, provided the contract right has value, since the contract entitles the vendee to future ownership of property. (PTB No. 222, 1-19-1953) The interest of a vendor selling property under executory or conditional sale contract is taxable as real property, since the vendor retains title ownership of the property. (AGO 5-6-1952) But a mortgage interest in property is not taxable, since the mortgage merely secures the monetary investment of the mortgagee, and does not entitle him to either present or future ownership of the property. (Rule derived from RCW 84.04.060.)

[Order PT 68-6, § 458-12-245, filed 4/29/68.]

**WAC 458-12-270 Listing of property--Household goods and personal effects.** "All household goods and furnishings in actual use by the owner thereof in equipping and outfitting his or her residence or place of abode and not for sale or commercial use" shall be exempt from taxation. (RCW 84.36.110)

Household goods and furnishings shall include movable items of necessity, convenience, or decoration, such as bedding, tables, chairs, refrigerators, stoves, freezers, food, clocks, radios, televisions, pictures, tools and equipment used to maintain the residence. It shall include all personal property normally located in or about a residence and used or held to enhance the value of enjoyment of the residence (including its premises). Those

items of personal property constructed primarily for use independent of and separate from a residence do not qualify for the exemption (i.e., boats, pickup campers, (pickup campers attached to the vehicle by the methods authorized in department of licenses bulletin, dated January 26, 1965 shall be considered a part of the vehicle and are not taxable as personal property) etc.).

The term "actual use" means actually being used in the furnishing of the home. It should not be construed to mean being in actual physical use by the owner thereof. Thus, household goods and furnishings which are either temporarily stored or found in summer homes or cabins are exempt from taxation. (AGO 1935-36; AGO 12-7-1938)

The phrase "not for sale or commercial use" has application to those situations where a home is used as an office, classroom, studio, or some other nonfamily commercial activity. For example, the hairdresser who uses her home as a beauty salon cannot claim the household goods exemption as to those articles of household goods and furniture used in his or her business.

The residence or place of abode must be outfitted for the owner's personal use. Consequently, the equipping and outfitting of a motel, hotel, apartment, sorority, fraternity, boarding house, rented home, duplex, or any other premise not used by the owner for his own personal use would not qualify for this exemption. (TCR 4-18-1935)

All personal property utilized for any business or commercial purpose and all other personal property not specifically exempt by statute is subject to ad valorem tax. However, the assessor may deduct \$300 of actual value from the taxable full value of such property of each "head of family" if such deduction has not been used elsewhere (i.e., office furniture owned and used by the head of a family). (AGO 1903-04; TCR 2-8-1930; TCR 3-8-1935; WAC 458-12-275)

Personal property qualifying for this exemption retains this character while temporarily in storage, or while being used temporarily in storage, or while being used temporarily at locations other than the residence. (AGO 1935-36, p. 114; AGO 12-7-1938)

All personal effects held by any person for his or her exclusive use and benefit and not for sale or commercial use are exempt from taxation.

Personal effects shall be construed to mean tangible property which usually ordinarily attends the person. Such articles as wearing apparel, jewelry, toilet articles and articles of similar nature would qualify for this exemption.

Note: The department of revenue deems it impractical to publish a list of all properties included in the definition of "household" goods. Many items exempt in this category because of their location in a residence are fully assessable in other locations. Examples of such items are:

(1) Desks exempt as household goods in a residence are assessable as furniture and fixtures in an office.

(2) Silverware and china exempt in a residence are assessable if used in a restaurant.

(3) Collections exempt in a residence are assessable if located in a public display or used for commercial purposes.

(4) Power lawnmowers used to enhance the value of enjoyment of the residence (including its premises) are exempt, but when used in the maintenance of a golf course are taxable.

[Order PT 68-6, § 458-12-270, filed 4/29/68.]

**WAC 458-12-275 Listing of property--\$300--Head of family--In general.** Every qualified (see WAC 458-12-280, \$300--Head of family--Definition) head of family is entitled to a three hundred dollar deduction from the actual gross value of all his taxable personal property. (*State ex. rel. Tax Commissioners v. Cameron*, 90 Wash. 407 (1916); TCR 3-8-1935) This deduction accrues as of the assessment date. The taxpayer must qualify for said deduction at that time or else it will be lost for the taxable year. (TCR 3-14-1934)

[Order PT 68-6, § 458-12-275, filed 4/29/68.]

**WAC 458-12-280 Listing of property--\$300--Head of family--Definition.** For the purposes of RCW 84.36.110, "head of family" shall be construed to include the following residents of the state of Washington:

(1) Any person receiving an old age pension under the laws of this state.

(2) Any citizen of the United States, over the age of sixty-five, who has resided in the state of Washington continuously for ten years. (RCW 84.36.120)

(3) The husband or wife, when the claimant is a married person; or a widow or widower still residing upon the premises occupied by her or him as a home while married. (AGO 1917-18, p.260)

(4) Any person qualified as "head of family" who has residing on the premises with him or her, and under his or her care and maintenance, any of the following:

(a) His or her minor child or grandchild or the minor child or grandchild of his or her deceased wife or husband;

(b) A minor brother or sister or the minor child of a deceased brother or sister;

(c) A father, mother, grandmother or grandfather;

(d) The father, mother, grandfather or grandmother of deceased husband or wife;

(e) An unmarried sister, or any other of the relatives mentioned in this section who has attained the age of majority, and are unable to take care of or support themselves. (TCR 3-18-1935; RCW 6.12.290.)

[Order PT 68-6, § 458-12-280, filed 4/29/68.]

**WAC 458-12-295 Exemption--Agricultural products--Grains, flour, fruit, vegetables and fish--Cancellation.** All agricultural and horticultural products, other than forest products, livestock and fowls, shall be exempt from assessment when the ownership of the property remains in the original producer on the 1st day of January following harvesting. (RCW 84.44.060) Such agricultural products shall be exempt even though stored in a different location from the owner's farm so long as the

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ownership remains in the original producer. (TCR 4-1-1938)

Grains and flour, fruit and fruit products, vegetables and vegetable products, and fish and fish products, while being transported to or held in storage in a public or private warehouse shall be exempt from taxation if actually shipped to points outside the state on or before April 30th of the first year for which they would otherwise be taxable. In order to claim the exemption, proof of shipment must be furnished to the county assessor before June 1st of the year for which exemption is claimed. (RCW 84.36.140; RCW 84.36.150)

The county assessor shall list and assess all products covered by RCW 84.36.140 as of January 1st of each year without regard to any average inventory. The assessment shall be cancelled in whole or in proportionate part when the assessor receives documentary proof that the property was actually shipped to points outside the state on or before April 30th of the year. (RCW 84.36.150)

Assessment of grain shall also be subject to cancellation if documentary proof is furnished that the grain was milled into flour and the flour was actually shipped to points outside the state on or before April 30th. (RCW 84.36.150)

The agricultural products exempted by RCW 84.36.140 may also be exempt under the "Freeport exemption" provided by RCW 84.36.171-84.36.174. (AGO 65-66 No. 25, 6-16-65)

This exemption shall be liberally construed to effectuate the purpose of encouraging the storage of grains and flour, fruits, vegetables, fish, and their products within the state of Washington, and a broad definition shall be applied in determining whether a given commodity constitutes grain or flour, fruits, vegetables, fish, or their products, whether such commodities are edible and whether, while in the hands of the first processor, such commodities are suitable and designed for human consumption or whose ingredients are solely intended for such purpose. (RCW 84.36.162.)

[Order PT 68-6, § 458-12-295, filed 4/29/68.]

**WAC 458-12-296 Exemption--Ores and metals.** RCW 84.36.181 provides: "All ore or metal shipped from without this state to any smelter or refining works within this state, while in process of reduction or refinement and for thirty days after completion of such reduction and refinement, shall be considered and held to be property in transit and nontaxable."

The following ores qualify for the exemption provided in this statute:

(1) **Crude ore** - Which is the original, as mined ore, containing many impurities. Examples are: Copper (chalcopyrite); lead (galena); iron (iron oxide); and aluminum (bauxite).

(2) **Concentrated ore** - Which is the product of the beneficiation of crude ore. Beneficiation is the physical, chemical or combination of both processes which is used to remove impurities from a crude ore. The product of beneficiation is a "usable beneficiated ore." Examples of usable or beneficiated ore are: concentrated iron ore

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(ferric oxide); concentrated copper ore (copper sulfide); and concentrated bauxite ore (alumina or aluminum oxide).

[Order PT 69-1, § 458-12-296, filed 4/14/69.]

**WAC 458-12-300 Definition--True and fair value.**

The basis of all assessments is the true and fair value of property. True and fair value means market value. (*Spokane etc. R. Company v. Spokane County*, 75 Wash. 72 (1913); *Mason County Overtaxed, Inc. v. Mason County*, 62 Wn.2d (1963); AGO 57-58, No. 2, 1-8-57; AGO 65-66, No. 65, 12-31-65)

The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65-66, No. 65, 12-31-65)

[Order PT 68-6, § 458-12-300, filed 4/29/68.]

**WAC 458-12-301 True and fair value--Criteria.**

The true and fair value of real property for taxation purposes (including property upon which there is a coal or other mine, or stone or other quarry) shall be based upon the following criteria:

(1) True and fair value shall be based upon sales of the property being appraised or sales of comparable property made within the past five years. It may be necessary to adjust sales due to such factors as time of sale, location, physical, or other factors affecting value. Any adjustments shall be made to reflect the value as of the assessment date. In using real estate contracts as comparable sales, consideration must be given to the effect the down payment or financing terms may have had on the stated selling price. Consideration must also be given to the extent to which the sale of comparable property actually represents the general effective market demand for property of such type, in the geographical area in which such property is located. When the number of sales of comparable property are inadequate to properly estimate value, then sales of comparable properties in other similar areas should be considered. Sales involving deed releases or similar seller-developer financing arrangements shall not be used as similar properties.

(2) In addition to sales as defined in (1), consideration may be given to:

(a) Cost, cost less depreciation, reconstruction costs less depreciation.

(b) Capitalization of income that would be derived from prudent use of the property.

The provisions of (2) shall be the dominant factor in valuation of properties of a complex nature, or being used under terms of a franchise from a public agency or operating as a public utility, or property not having a record of sale within five years and not having a significant number of sales of comparable property in the general area.

When the provisions of (2) are relied on to establish value, the property owner shall be advised, upon his request, of the factors used in arriving at such value.

The appraisal shall take into consideration political restrictions, such as zoning, as well as physical and environmental influences.

[Order PT 74-6, § 458-12-301, filed 9/11/74; Order 72-3, § 458-12-301, filed 2/23/72.]

**WAC 458-12-305 Market value--Estimation--Real property.**

Market value of real property shall be determined by the application of the market data approach, cost approach, and income approach. Any one of the three approaches to value, or all of them, or a combination of approaches may finally be used in making the final estimate of market value depending upon the circumstances. (*Dexter Horton Bldg. Co. v. King Co.*, 10 Wn.2d 186 (1941)) The market data and income approaches shall be considered where applicable in all appraisals. (*Bellingham Community Hotel Company v. Whatcom*, 190 Wash. 609 (1937); PTB No. 231, 6-7-1955; *Northwest Chemurgy Securities Co. v. Chelan Co.*, 38 Wn.2d 91 (1951))

Appraisal manuals published or approved by the department of revenue shall be used in conjunction with the three approaches to value. The data contained in these manuals shall be analyzed and adjusted as to time, location, and any other applicable factors to properly reflect market value.

[Order PT 68-6, § 458-12-305, filed 4/29/68.]

**WAC 458-12-310 Valuation of property--Personal property.**

As in the valuation of all other classes of tangible property for ad valorem tax purposes, market value is the assessment goal. To attain that goal, the trade level concept for inventory and leased equipment shall be considered.

Trade level may be defined as value at the point in the production stream where an item of manufactured personalty is found, or the production-distribution level in which a product is found.

In appraising tangible personal property, the assessor shall give recognition to the trade level at which the property is situated and to the principle that tangible property normally increases in value as it progresses through production and distribution channels. Such property normally attains its maximum value as it reaches the consumer level.

**Raw material** in the hands of the processor or manufacturer should be valued at their cost to the owner or to a competitor.

**Work in process** in the hands of the processor or manufacturer shall be valued at the stage of production where found (costs to date) or cost to a competitor.

**Finished goods** held for sale shall be valued at the amount for which they would transfer to a like business (cost to produce); those held for lease or rental shall be valued at the trade level of the principal user, usually cost to retailer or consumer.

Where personal property is in the hands of a person engaged in two or more of the functions of producer,

manufacturer, processor, wholesaler, or retailer, the assessor shall determine the level of trade at which the property is situated on the assessment date by reference to its form, location, quantity, and probable purchasers or lessees.

**Livestock** all county assessors shall use the livestock schedule published annually for their district by the department of revenue as a guide in the valuation of livestock. The assessor must not use the average inventory basis of valuation in the assessment of livestock. (AGO 1-17-51)

**Petroleum products** all county assessors shall use the petroleum products schedule, approved annually by the department of revenue and adjusted to market zones within the state as a guide in the valuation of petroleum products.

**Average inventory** where the stock of goods, wares, merchandise or material, whether in a raw or finished state or in process of manufacture, owned by a taxpayer on January 1st of any year does not fairly represent the average stock carried by such taxpayer, such stock shall be listed and assessed upon the basis of the monthly average of stock owned or held by such taxpayer during the preceding calendar year or during such portion thereof as the taxpayer was engaged in business. (RCW 84.40.020) Although the taxpayer may request that the average inventory method be used and the assessor must comply with that request, whatever method is used—average inventory or inventory on January 1st—That method must be followed from year-to-year in reporting unless a showing is made that a major change in the business has occurred necessitating use of the other method.

[Order PT 68-6, § 458-12-310, filed 4/29/68.]

**WAC 458-12-315 Timber and forest products--Valuation.** In the case of standing timber held separately from the ownership of the land, the basis of valuation is current true and fair market value. (RCW 84.40.030) The valuation of timber for long term depletions shall consider the factors contained in RCW 84.40.034. (RCW 84.40.034; AGO 55-57 No. 40) Although RCW 84.40.030 restricts the use of auction sales as a criterion of value, a memorandum from an assistant attorney general dated May 15, 1961 states that "bid prices for timber in sales by the United States or the state could be used as one factor of value along with other relevant measures."

Valuation of logs shall be determined by log market data for various marketing centers and shall be based on inventories by species and grade. In areas or cases where marketing data is not available, costs of logs to the manufacturer shall be the criterion of value. Forest by-products, i.e., lumber, shingles, plywood, etc., shall be valued at the trade level at which they are found.

[Order PT 68-6, § 458-12-315, filed 4/29/68.]

**WAC 458-12-320 Timber and forest products--Ownership--Roads.** Federal timber itself is not taxable until title passes to the taxable party under the terms of the purchase agreement. Contract interest of private

parties in such exempt timber is taxable. Such contracts must have value in themselves in order to be taxable. (*Skate Creek Logging Company Case v. Fletcher* 46 Wn.2d 160 (1955); AGO 1923-24, p. 33; AGO 12-2-52; AGO 5-5-53; AGO 53-55 No. 29, 4-30-53) The principles for assessing leasehold interests as contained in WAC 458-12-325 shall be followed. Where a private owner has a right-of-way easement over land where title is in the United States appurtenant to owner's adjoining lands, such easement and land to which it is appurtenant shall be assessed and taxed together. (*Hammond Lumber Company v. Cowlitz County*, 84 Wash. 462 (1915); *Ozette Railway Company v. Grays Harbor County*, 16 Wn.2d 459 (1943); AGO 4-2-1942.)

[Order PT 68-6, § 458-12-320, filed 4/29/68.]

**WAC 458-12-326 Revaluation--Definitions.** Unless the context clearly indicates otherwise, the following definitions shall apply to WAC 458-12-327 through 458-12-339.

(1) "Appropriate statistical data" shall be the data required to adjust real property values in the intervals between physical inspection and appraisal. It shall include but not be limited to real property market trends and new building costs.

(2) "Physical inspection" shall mean an exterior observation of the property to check against the property improvement record to determine any change in the physical characteristics that would affect value.

[Statutory Authority: RCW 84.41.090 and 84.08.010. 83-22-004 (Order PT 83-6), § 458-12-326, filed 10/20/83.]

**WAC 458-12-327 Revaluation--Valuation criteria--Methods.** (1) When changes in the physical characteristics of a property are discovered, the assessor's records shall be corrected to reflect the changes. The property shall then be valued according to WAC 458-12-301 and 458-12-305 and placed on the current year's assessment rolls. All real property in the county shall be physically appraised in accordance with WAC 458-12-301, 458-12-305 and 458-12-326 through 458-12-339.

(2) Statistical updating shall be accomplished in the following manner.

(a) The value shall be adjusted using current sales data;

(b) The subject property is to be compared to properties that have sold within comparable areas;

(c) Properties shall be valued or adjusted based upon the following uses.

- (i) Single family residential
- (ii) Residential 2 - 4 units
- (iii) Residential multiple units (5 or more)
- (iv) Residential hotels, condominiums
- (v) Hotels/motels
- (vi) Vacation homes and cabins
- (vii) Retail
- (viii) Warehouse
- (ix) Office and professional services
- (x) Commercial other than listed
- (xi) Manufacturing

(xii) Agricultural

(xiii) Further subclasses may be included as needed.

(3) The valuation or adjustment of values shall be accomplished through the use of one or more of the following methods.

(a) Multiple or linear regression

(b) Sales ratios

(c) Physical appraisal, or

(d) Any other accepted appraisal method.

[Statutory Authority: RCW 84.41.090 and 84.08.010. 83-22-004 (Order PT 83-6), § 458-12-327, filed 10/20/83.]

**WAC 458-12-330 Real property valuation—Highest and best use.** All property, unless otherwise provided by statute, shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment.

Uses which are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (*Sammish Gun Club v. Skagit County* 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (*Finch v. Grays Harbor County* 121 Wash. 486 (1922))

The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (*Sammish Gun Club v. Skagit County* 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6-6-64)

[Order PT 68-6, § 458-12-330, filed 4/29/68.]

**WAC 458-12-335 Revaluation process by county assessor.** Each county assessor shall maintain an active and systematic program of revaluation on a continuous basis and shall establish and maintain a schedule which will result in revaluation of all taxable real property within the county at least once every four years. Those counties on a revaluation plan that provides for a physical inspection on a five or six year cycle shall adjust the valuation of such property annually during the interval years. The adjustments are to be made based on appropriate statistical data. The valuation, appraisal or adjustment of value shall be placed on the current assessment roll for taxes payable the following year (RCW 84.41.030).

The county assessor shall submit to the department of revenue on or before March 1st of the year beginning a new revaluation cycle a new revaluation plan.

As a part of the annual progress report as provided in WAC 458-12-337, the assessor shall update the original

revaluation plan and submit additions or corrections to the plan. Substantive deviations from the original revaluation plan must be approved by the department of revenue.

[Statutory Authority: RCW 84.41.090 and 84.08.010. 83-22-004 (Order PT 83-6), § 458-12-335, filed 10/20/83; Order 73-5, § 458-12-335, filed 8/13/73; Order PT 68-6, § 458-12-335, filed 4/29/68.]

**WAC 458-12-336 Assessor's revaluation plan. (1)**

In order to proceed systematically in accomplishing revaluation, the assessor shall prepare a schedule showing the workload distribution in the county and the manner in which appraisers will be assigned to complete the revaluation cycle.

The revaluation plan must be sufficiently detailed to show that the assessor can successfully complete the revaluation program and contain among other items the following:

(a) Comprehensive analysis of numbers of properties to be appraised by revaluation area;

(b) Specific geographical revaluation areas, taxing districts, or parcels;

(c) Appraisal workload and number of personnel required;

(d) Available staff;

(e) Required additional staff;

(f) Contract work or special assistance;

(g) Equipment, supplies, space.

When the parcel method is used for establishing revaluation areas, the property records shall be permanently coded as to which year or phase of the revaluation cycle the property will be physically inspected. The revaluation plan shall be reviewed by the department of revenue. If the revaluation plan is not approved by the department, the county assessor shall, with the assistance of the department of revenue, develop a revaluation plan that will comply with the provisions of RCW 84.41.030.

(2) In order to show that all real property will be valued according to law, the plan shall also include:

(a) The method of valuation; and

(b) A statement that all property will be valued at one hundred percent of its true and fair value unless specifically provided otherwise by law (RCW 84.40.030).

[Statutory Authority: RCW 84.41.090 and 84.08.010. 83-22-004 (Order PT 83-6), § 458-12-336, filed 10/20/83; Order 73-5, § 458-12-336, filed 8/13/73.]

**WAC 458-12-337 Revaluation process—Reports.**

The annual progress report as required in RCW 84.41.130 shall be filed prior to October 15 and shall be for the period related to the January 1 assessment date of that year.

The assessor shall require work reports of his employees, or of contractors, which shall be the basis of the progress reports.

The department of revenue shall supply the forms for the required reports.

[Statutory Authority: RCW 84.41.090 and 84.08.010. 83-22-004 (Order PT 83-6), § 458-12-337, filed 10/20/83; Order 73-5, § 458-12-337, filed 8/13/73.]

**WAC 458-12-338 Revaluation process--Department of revenue--Performance--Standards--Assistance.** The department of revenue will make periodic checks in the county to determine if the county is maintaining satisfactory progress in the approved revaluation plan.

If the department determines that the revaluation process is not being carried out in a manner to achieve revaluation as provided in RCW 84.41.030, the department shall advise the assessor and the county legislative authority of such determination. Within thirty days of receipt of such advice, the county legislative authority shall either (1) authorize such expenditures as will enable the assessor to complete the revaluation program as approved, or (2) direct the assessor to request special assistance from the department of revenue for aid in accomplishing the county's revaluation program. After consideration of such request, the department shall advise the assessor that such request is either approved or rejected in whole or in part. Upon approval of such request, the department may assist the assessor in the valuation of such property as time and funds permit in such manner as the department, in its discretion, considers proper and adequate.

The department of revenue shall submit a comprehensive report to the legislature at its regular session showing that extent of progress of the revaluation process in each county.

[Order 73-5, § 458-12-338, filed 8/13/73.]

**WAC 458-12-339 Revaluation process--Valuation procedure--Uniformity within cyclical period.** All appraisals made as part of the revaluation program shall reflect current market value which shall be determined in accordance with WAC 458-12-301 and 458-12-305.

All real property being valued shall be physically inspected at least once every four years in order to provide adequate data from which to make accurate valuations: *Provided*, That if the county has a department of revenue approved plan that requires annual valuation adjustments of all properties each year, the physical inspections shall be made at least once each revaluation cycle, as approved, in a uniform and cyclical manner.

Any county on less than a five year revaluation cycle may adjust the valuation of real property to current true and fair value using appropriate statistical data during intervals between physical inspections. (RCW 84.41.040)

When records have been developed on every parcel of property, showing sufficient data on which to base accurate valuation, the process of periodic physical inspection will serve to insure (1) that all taxable property is listed, and (2) that data on each parcel is kept reasonably up-to-date, for comparison with data on similar property which have sold, and (3) that the property has been observed as a whole including its environmental elements amenities to the extent necessary to arrive at an estimate of current market value.

Manuals and procedures prescribed or approved by the department of revenue in accordance with WAC 458-12-305 shall be used in all appraisals. (P.T.B. 231, 6-7-55; AGO 57-58, 1-8-57)

(1986 Ed.)

In complying with the mandate of RCW 84.41.030 and *Dore vs. Kinnear* 79 Wn.2d 755, a substantially equal amount of taxable property must be revalued and placed upon the assessment roll in each year of the cyclical process in order to comply with the equal protection requirements of the state and federal constitutions and the uniformity of taxation clauses of the state constitution.

Cyclical revaluation on a value or workload basis can be considered where severe administration problems are evident on a strictly parcel count basis.

[Statutory Authority: RCW 84.41.090 and 84.08.010. 83-22-004 (Order PT 83-6), § 458-12-339, filed 10/20/83; Order 73-5, § 458-12-339, filed 8/13/73.]

**WAC 458-12-340 Assessment and evaluation--Property assessed as of January 1st.** All real and personal property shall be assessed on the basis of its fair market value as of January 1st of each year. (RCW 84.40.030) Market value shall be determined utilizing manuals published or approved by the department of revenue and the approaches to value described in WAC 458-12-305. (*Bellingham Community Hotel Company v. Whatcom*, 190 Wash. 609 (1937))

The market value appraisals made for each property shall be the basis for computation of assessed value. Assessed value shall be computed by multiplying the market value of each property in the county by a uniform ratio.

[Order PT 68-6, § 458-12-340, filed 4/29/68.]

**WAC 458-12-341 100% assessment ratio.** RCW 84.40.030 reads, "All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law." Therefore, beginning with January 1, 1974 assessments for 1975 taxes, and thereafter, all property shall be assessed at 100% of its true and fair value.

[Order PT 74-6, § 458-12-341, filed 9/11/74; Order PT 69-2, § 458-12-395 (codified as WAC 458-12-341), filed 8/28/69.]

**WAC 458-12-342 New construction--Assessment.** (1) New construction covered under the provisions of RCW 36.21.040 through 36.21.080 shall be assessed at its true and fair value as of July 31st each year regardless of its percentage of completion.

(2) The assessor is authorized to place new construction on the assessment rolls up to August 31st each year and shall notify the owner of the value of any new construction that has been assessed. The notice shall advise the owner that he has thirty days to appeal the valuation to the county board of equalization as provided for in WAC 458-14-120.

[Statutory Authority: RCW 84.41.090 and 84.08.010. 83-22-004 (Order PT 83-6), § 458-12-342, filed 10/20/83.]

**WAC 458-12-343 New construction--Reports.** The county assessor is authorized to require property owners to submit pertinent data respecting the cost and characteristics of any improvements on their property (RCW

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84.41.041). When requiring owners to report costs associated with new construction, the assessor shall use forms prescribed or approved by the department of revenue, which forms shall require the total investment in the improvements as of the new construction assessment date, the percentage of completion of the major components of the improvements, and the estimated total cost of the project.

The reporting forms may be sent to the owners of any property upon which a building permit has been issued prior to the new construction assessment date.

The owner shall return the reporting form to the assessor, properly filled out, within thirty days of receipt.

[Statutory Authority: RCW 84.41.090 and 84.08.010. 83-22-004 (Order PT 83-6), § 458-12-343, filed 10/20/83.]

**WAC 458-12-345 Assessment and evaluation--Reforestation lands.** Lands devoted to reforestation are subject to a yield tax instead of an ad valorem tax. (Article VII Section 1, state constitution; RCW 84.28.090) Reforestation lands are lands that are logged off or selectively harvested and all unforested lands particularly valuable for the production and growth of forests and all land growing immature forests and forests of no commercial value. (RCW 84.28.005) To qualify as reforestation lands, lands eligible must be classified as such by the department of natural resources. (RCW 84.28.020)

Eligible lands classified as reforestation lands lying west of the summit of the Cascade Range of mountains shall be assessed for purposes of taxation at \$2.00 per acre. Lands classified as reforestation lands lying east of the summit of the Cascade Range shall be assessed at \$1.00 per acre. (RCW 84.28.090; *State ex rel Mason County Logging Company v. Wiley*, 177 Wash. 65 (1934))

The values listed above shall be the assessed values for reforestation lands without further adjustment. (RCW 84.28.090)

[Order PT 68-6, § 458-12-345, filed 4/29/68.]

**WAC 458-12-350 Assessment and evaluation--Separate valuation of lands and improvements.** In assessing any tract or lot of real property the value of the land exclusive of improvements shall be determined. The value of all improvements and structures on the land excluding the value of annual crops growing on cultivated lands shall also be determined. (RCW 84.40.030; *Miethke v. Pierce Co.* 173 Wash. 381)

Although a separate valuation is made of land and improvements for assessment purposes, the appraiser shall consider the total value of the property in all appraisals.

Revaluation of improvements and entry on the roll without revaluation of the land is valid under the uniformity requirement of the 14th Amendment of the state constitution. (AGO 53-55 No. 117, 8-19-53) Land and improvements shall be valued separately to meet the requirements of RCW 84.40.040.

[Order PT 68-6, § 458-12-350, filed 4/29/68.]

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**WAC 458-12-355 Assessment and evaluation--Assessment of classes of property to be uniform within the taxing district.** All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax and shall be levied and collected for public purposes only. (Article VII, Section 1, state Constitution; *Carroll Barlow, Snohomish County Assessor v. Washington State Tax Commission* (1967)) The county commissioners are the authority that levies the tax (not individual taxing districts) in the county, (*Carroll Barlow, Snohomish County Assessor v. Washington State Tax Commission* (1967)) and all property that comes within their jurisdiction must be uniformly valued and assessed. This rule firmly prohibits the use of varying assessment ratios within the confines of the county boarders. The assessor must value all real and personal property at its fair market value (see WAC 458-12-305 for definition of fair market value) and then apply the same or a uniform assessment ratio thereto.

[Order PT 68-6, § 458-12-355, filed 4/29/68.]

**WAC 458-12-360 Assessment and evaluation--Notice of value change--Real property.** Whenever there is a change in the true and fair value of real property, a notice of such change for the tract or lot of land and any improvements shall be mailed for by the assessor to the taxpayer. A copy shall be sent to the legal owner where such is requested, his address is given or is known, and the legal owner is different from the taxpayer.

The notice shall be mailed on or before June 15th of each year and shall contain a statement of the true and fair value on which the assessment of the property is based, and a brief statement of the procedure for appeal to the board of equalization including the time, date, and place of the meetings of the board.

"Taxpayer" shall mean the person charged, or whose property is charged with property tax, and whose name appears on the most recent tax roll or has been otherwise provided to the assessor.

"Legal owner" shall mean the person holding legal title to the property against which property tax is charged. (Rule derived from section 10, chapter 146, 1967 ex. sess.)

[Order PT 68-6, § 458-12-360, filed 4/29/68.]

**WAC 458-12-365 Levy.** All taxes shall be levied or voted in specific dollar amounts, (RCW 84.52.010) and the assessed value of the taxing district shall be considered as the taxable value upon which such levy shall be made. (RCW 84.52.040)

The levy for any taxing district must be uniform throughout its area, and if its levy is subject to prorate reduction, its maximum uniform levy is the highest levy that may be made for it in the district where its levy is most reduced by such prorate. (PTB No. 180; TCR 5-11-1950; TCR 9-29-1950)

Boundaries of a taxing district must be established by March 1st in a given year before a valid levy may be made for the year in accordance with WAC 458-12-140. (AGO 1953-54, p.105-A)

[Order PT 68-6, § 458-12-365, filed 4/29/68.]

**WAC 458-12-370 Levy--Duty of assessor.** The board of county commissioners on or before the second Monday in October shall certify the amount of taxes levied for county purposes, and taxes levied by the board for each taxing district, within or coextensive with the county.

Each city or district authorized to levy taxes directly and not through the board of county commissioners, on or before the second Monday in October shall certify the amount of taxes levied upon the property within the city or district for city or district purposes. (RCW 84.52.070)

Although the county assessor cannot question the validity of tax levies certified to him by tax-levying authorities which appear upon their face to be valid and the duty of extending a tax upon the assessment roll is ministerial in character, it is the duty of the assessor to take action or objection to prevent the imposition of a void tax; and where a levy on its face is shown to be invalid, such action or objection should be taken. (AGO 10-18-1928, p.961)

Where a district regularly determines its tax levy and certifies the figure to the county assessor or county commissioners, a subsequent inadvertent omission of a part of the levy does not prevent that part from being extended upon the tax rolls and collected within a reasonable time. (AGO 1953-54 44-D)

[Order PT 68-6, § 458-12-370, filed 4/29/68.]

**WAC 458-12-375 Levy--Prorating 40 mill law.** If the county assessor shall find that the aggregate rate of levy on any property shall exceed the limitation fixed by Section 2, Article 7 of the state Constitution, he shall recompute and establish a consolidated levy in the following manner:

(1) He shall include for extension on the tax rolls the full rates of levy for:

- State
- County
- Road district
- City
- School district

in the amounts not exceeding the limitations established by law.

(2) He shall reduce all other taxing districts imposing taxes on such property (other than port districts and public utility districts) in such uniform percentages as will bring the consolidated tax levy on such property within provisions of the constitutional limitations. (RCW 84.52.010)

[Order PT 68-6, § 458-12-375, filed 4/29/68.]

**WAC 458-12-385 State levy.** The department of revenue shall levy the state taxes as authorized by law not to exceed the lawful limit per thousand dollars of assessed value of the property of the entire state, which assessed value shall be one hundred percent of the true

and fair value of such property in money. (RCW 84.48.080)

It is the duty of the county assessor to spread the state levy on the tax rolls. (*State v. Wiley*, 176 Wash. 641)

The county assessor shall add to the amount levied for the current year, the amount due to each state fund and unpaid for the seventh preceding year, as certified by the state auditor. (RCW 84.48.110)

The delinquent state tax for the seventh preceding year as certified by the state auditor is not subject to the 1% limitation. (*Greb v. King County*, 187, Wash. 587)

[Order PT 74-6, § 458-12-385, filed 9/11/74; Order PT 68-6, § 458-12-385, filed 4/29/68.]

**WAC 458-12-390 State levy--Fertilizers and insecticides held by farmers--Inventory.** When fertilizers or insecticides in any form are moved onto a farm pursuant to a previously planned schedule, to spread or spray them on the farm acreage or growing plants, and this schedule is carried out promptly upon delivery of the fertilizer or insecticides in accordance with good farming practice, such material shall not be considered as inventory of the farmer for ad valorem tax purposes. This policy will apply to fertilizers or insecticides in solid, liquid, or gaseous form, whether applied by the farmer using his own equipment or applied by commercial concerns.

If on January 1st of any year fertilizers or insecticides are held in storage preceding the commencement of application, they shall be included in the farmer's inventory.

When the material has not been held in storage, in order to provide the assessing officer with adequate records, the farmer shall attach the following statement to his personal property listing:

"During the 19\_\_ calendar year \$\_\_\_\_\_ worth of (fertilizers) (insecticides) were delivered on my premises for the purpose of immediate spreading or spraying upon my (crop) (land) in accordance with a previously planned schedule, which schedule was promptly carried out."

The statement attached to the personal property listing shall be separately signed and dated by the taxpayer. When this statement is attached to the listing form, the value of such material shall not be included on the face of the return as an item or taxable property.

[Order PT 69-1, § 458-12-390, filed 4/14/69.]

**Chapter 458-14 WAC  
RECONVENING COUNTY BOARDS OF  
EQUALIZATION**

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## DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

458-14-051	Composition of board. [Order PT 74-5, § 458-14-051, filed 4/29/74; Order 72-7, § 458-14-051, filed 6/23/72.] Repealed by 82-19-012 (Order PT 82-6), filed 9/7/82. Statutory Authority: RCW 84.08.010 and 84.08.070.
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**WAC 458-14-010 Reconvening county boards of equalization—By whom.** Upon its own initiative or upon written request therefor the department of revenue may, in the exercise of its discretion, order any county board of equalization to reconvene.

[Order PT 70-1, § 458-14-010, filed 4/8/70; Tax Commission Rule 1, filed 7/6/66.]

**WAC 458-14-020 Reconvening county boards of equalization—Contents of request.** The request shall designate the board to be reconvened, shall specifically set forth the matters such board is to consider, shall contain a brief, definite statement of the facts which demonstrate that action upon the matter so specified would be within the powers of the reconvened board, and shall briefly and definitely state sufficient facts to reasonably support the allegations that the errors have occurred.

[Order PT 70-1, § 458-14-020, filed 4/8/70; Tax Commission Rule 2, filed 7/6/66.]

**WAC 458-14-030 Content of order—Limitation on what county board may consider.** The order of the department of revenue reconvening a county board of equalization shall be in writing, shall specify the date for reconvening, shall designate the matters which are to be considered by such reconvened board, and such board

shall have no authority to consider to take action on any matter except such as is designated in the order.

[Order PT 70-1, § 458-14-030, filed 4/8/70; Tax Commission Rule 3, filed 7/6/66.]

**WAC 458-14-040 Limitations on reconvening.** No order reconvening the July session of the county board of equalization shall be issued subsequent to the 30th day of April immediately following the time the board was in regular session, except where the request for the order alleges sufficient facts to substantiate a prima facie showing that there was either actual fraud on the part of the taxpayer or taxing officers, or that an error occurred because the taxing officers, acting with due diligence, did not have available all of the facts when performing their duties, or except where, in cases in which the department orders upon its own initiative the reconvening of a county board, the department has grounds to substantiate a prima facie showing that there was actual fraud on the part of the taxpayer or taxing officers or constructive fraud on the part of taxing officers; nor will a board be reconvened to act upon or consider an increase in the valuation of real estate when a bona fide purchaser, encumbrancer or contract buyer of record has acquired an interest in such real property subsequent to the first Monday in January next succeeding the date of levy of the taxes.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 85-17-016 (Order PT 85-3), § 458-14-040, filed 8/12/85; Order PT 70-1, § 458-14-040, filed 4/8/70; Tax Commission Rule 4, filed 7/6/66.]

**WAC 458-14-045 Reconvening upon timely filed petition.** (1) Notwithstanding the provisions of WAC 458-14-010 through 458-14-040, any July session of the county board of equalization which has timely received a petition as required by WAC 458-14-120, and which has adjourned in accordance with WAC 458-14-075, shall reconvene upon a date set by the board to consider said timely filed petition. In addition, the board may reconvene to consider a subsequent year(s) value when an order of the county board or the state board of tax appeals adjusting a value is issued after the convening of the July board of the subsequent year(s) and no intervening change of value has occurred and a petition is filed with the board within thirty days of the order or a notice of a change sent by the assessor.

(2) No board shall reconvene later than three years after the adjournment of its regular session.

(3) No July session of the county board of equalization shall reconvene to consider any petition not timely filed except upon written order of the department of revenue or as provided in subsection (1) of this section.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 85-17-016 (Order PT 85-3), § 458-14-045, filed 8/12/85; 82-19-012 (Order PT 82-6), § 458-14-045, filed 9/7/82.]

## RULES OF PRACTICE AND PROCEDURE

**WAC 458-14-050 Membership.** The county board of equalization shall be formed by the county governmental authority prior to July 1st and shall consist of

not less than three nor more than seven members. The size and composition of the board of equalization is the responsibility of the county governmental authority. The county governmental authority has the option of either appointing the members or constituting the board.

The county board of equalization shall not be a mixed board consisting of members of the county governmental authority and appointed members. The county governmental authority may, with proper adoption of a county ordinance, serve as the June and November board of equalization themselves and have an appointed board for the July session.

Appointed members shall not be a holder of an elective office nor be an employee of any elected official. They shall be selected for their knowledge of property values in the county.

The term of each appointed member shall be for three years or until his successor is appointed. They may be removed by a majority vote of the county governmental authority. The county governmental authority, in appointing a board, may provide for alternate members in case a regular member is unable to attend a hearing. The alternates must meet the same qualifications and subscribe to the same oath as the regular members.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-050, filed 9/7/82; Order PT 74-5, § 458-14-050, filed 4/29/74; Order PT 70-3, § 458-14-050, filed 6/26/70.]

**WAC 458-14-052 Change of venue.** A change of venue may be granted by a county board of equalization (granting) to a board of equalization of another county (receiving) under the following conditions:

(1) The county legislative authority of the granting county has adopted an ordinance providing for such change of venue;

(2) The county legislative authority of the receiving county has adopted an ordinance permitting such change of venue;

(3) Both counties have entered into an agreement as to where the hearing shall be heard, reimbursement of costs, etc.; and

(4) The reason for such change of venue is:

(a) That a quorum cannot be achieved due to members of the board disqualifying themselves because of conflicts of interest or because of the appearance of fairness doctrine; or

(b) Equalization is the basis for an appeal which is subject to the provisions of WAC 458-14-122.

The decision of the receiving board shall be transmitted to the granting board who shall issue an order without prejudice. The assessor or petitioner may appeal the decision as provided for in WAC 458-14-135.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-052, filed 9/7/82.]

**WAC 458-14-055 Clerk.** The county board of equalization shall appoint a clerk of the board and any assistants the board might need, all to serve at the pleasure of the members of the board. The clerk or his assistants shall attend all sessions thereof, and shall keep

the records. Neither the assessor or any of his staff may serve as clerk or assistants to the board.

[Order PT 70-3, § 458-14-055, filed 6/26/70.]

**WAC 458-14-060 Legal advisor.** The prosecuting attorney of each county shall be the legal advisor of the board.

[Order PT 70-3, § 458-14-060, filed 6/26/70.]

**WAC 458-14-062 Property tax advisor.** The county governmental authority of any county may appoint one or more persons to act as property tax advisor to any person liable for payment of property tax in the county. Such person(s) shall not have been associated in any way with the determination of any valuation that may be the subject of an appeal nor shall he be an employee of the assessor's office. The county governmental authority shall provide for payment of such advisor and shall publicize the availability of his services.

[Order PT 74-5, § 458-14-062, filed 4/29/74.]

**WAC 458-14-065 Appraisers.** The county board of equalization may hire appraisers for the purpose of investigating and finding of facts to aid the board in carrying out its functions and duties as required, which may be at times when the board is not in session.

Appraisers hired by the board must be certified as such by one of the following:

- Washington State Department of Personnel
- Society of Real Estate Appraisers
- American Institute of Real Estate Appraisers
- International Association of Assessing Officers

Appraisers hired by the board cannot be an employee of the county, and they are not required to be a resident of the county.

The boards of the various counties may make reciprocal arrangements for the exchange of the appraisers with other counties.

[Order PT 70-3, § 458-14-065, filed 6/26/70.]

**WAC 458-14-070 Public notice of July meetings.** The board of equalization shall give notice of the meeting of the July board of equalization by publishing notice thereof, (Form REV 64-0050) once each week for two successive weeks in the official newspaper printed in the county, and by posting such notices in the office of the county assessor, and on the court house bulletin board. The first publication of said notice and the posting thereof, shall be on or before June 15th of each year.

The notice shall specify the meeting place, time of meeting, the meeting dates of at least three days of the boards sessions, where appeal forms may be secured and where the appeal petition is to be filed.

A copy of the notice published and posted together with proof of publication shall be filed with the clerk of the board of equalization and made a part of the official record.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-070, filed 9/7/82; Order PT 70-3, § 458-14-070, filed 6/26/70.]

**WAC 458-14-075 Meetings.** The county board of equalization shall meet in open session on the first Monday in July of each year and shall be in existence for a period of four weeks (28 consecutive days), and shall not be adjourned, sine die, until the last day of the twenty-eight day period, but shall be considered adjourned after the expiration of the twenty-eight day period: *Provided*, That the county board of equalization, with the approval of the county legislative authority, may convene prior to the first Monday in July if the number of petitions filed exceed twenty-five, or ten percent of the number of petitions filed in the preceding year, whichever is greater. The board shall be in session not less than three days during the said four-week period.

When the day of convening falls on a holiday, the board shall convene the next following business day. Hearings shall not be held after the expiration of the four-week period unless the board is reconvened by the state department of revenue or as provided for in WAC 458-14-045. Any county board of equalization may be reconvened as provided under WAC 458-14-010 through 458-14-045, but not later than three years after the date of adjournment of its regularly convened session.

The meeting of the county board of equalization shall be held in any suitable room in the courthouse properly identified for the purpose or other suitable place within the county.

The majority of the board will constitute a quorum.

The meetings shall be open to the public unless the county assessor proposes to enter evidence he has obtained under RCW 84.40.340 or confidential income data exempted from public inspection pursuant to RCW 42.17.310. Where such evidence is offered, the board's session must be closed to the public unless the taxpayer against whom the evidence is offered waives his right to confidentiality. (AGO 1971 No. 37)

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-075, filed 9/7/82; Order PT 74-5, § 458-14-075, filed 4/29/74; Order PT 70-3, § 458-14-075, filed 6/26/70.]

**WAC 458-14-080 Organization of the board.** At the opening of the July session of the county board of equalization, each member shall take and subscribe on oath to fairly and impartially perform his duties as a member of such board (Form REV 64-0056).

At its July meeting, the board shall elect as chairman a member of the board who shall preside over the July, November, June, and all reconvened meetings. A vice chairman shall be elected to preside in the absence of the chairman.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-080, filed 9/7/82; Order PT 70-3, § 458-14-080, filed 6/26/70.]

**WAC 458-14-085 Record of proceedings--In general.** A record of the proceedings and orders of the board shall be kept, and shall be considered a public record.

All hearings of the board, or hearing examiners, shall be recorded with a recording device and the recordings shall become a part of the record of proceedings and

considered a part of the public record. A recording of deliberations of the board; i.e., discussions by board members of a particular petition after the hearing on the petition, is not required: *Provided*, That nothing in this section shall be construed to authorize executive sessions; that the board shall meet in open session as required by RCW 84.48.010.

The record shall show the dates the board was in session and that a quorum of members was in attendance. All records presented to the board shall become a part of the official record of the board. However, those records obtained by the assessor pursuant to RCW 84.40.340 or confidential income data exempted from public inspection pursuant to RCW 42.17.310 shall not be open to the public, but all other information related to that appeal shall be a part of the public record.

A summary of the record of the proceedings shall be published or posted the same as proceedings of the county governmental authority. (RCW 36.22.020)

The said recordings of the proceedings of the board of equalization shall be maintained for a period of three years following adjournment of any regular or reconvened session. The transcripts, minutes, petitions, orders, and other written evidence and documents shall be maintained as required by RCW 40.14.070.

The county governmental authority shall provide the storage space for said records and shall be responsible for them when the county board of equalization is not in session.

[Order PT 74-5, § 458-14-085, filed 4/29/74; Order PT 72-11, § 458-14-085, filed 9/29/72; Order PT 70-3, § 458-14-085, filed 6/26/70.]

**WAC 458-14-086 Additional record requirements.** RCW 84.40.031 requires that the value determination made by the county assessor be presumed as correct in the absence of "clear, cogent and convincing evidence" to the contrary.

RCW 84.48.010 requires that the record of the board contains "the facts and evidence upon which their (the board's) action is based."

(1) The purpose of this rule is to establish procedures for the implementation of these statutory directives, and is supplementary to WAC 458-14-085 and previous specific directives of the department relating to records of the board of equalization.

The supplementary directives contained in this rule are applicable with respect to any change in land value (as distinguished from improvement value) in which a reduction from the assessor's determination exceeds ten percent.

(a) The record shall contain the board's determination of the highest and best use of the land if such highest and best use as determined by the board is different from that as shown by the county assessor. If the assessor's determination of highest and best use is not indicated on his answer to the petition (Form REV 64-0055), then the assessor shall indicate his determination of highest and best use orally at the hearing.

(b) Where a reduction is ordered by reason of specific factors peculiar to the property involved, such as soil

conditions, topography, accessibility, etc., such factors shall be indicated in the record.

(c) The record shall contain at least two sales of similar; *i.e.*, comparable property, upon which the board has relied in making its determination.

(d) If the assessor has recommended to the board a reduction in a specific amount, such recommendation shall be indicated in the record. If the board accepts the assessor's reduced value, the requirements of subparagraphs (a), (b) and (c) of this section shall not be applicable.

(2) The supplementary directives contained in this rule are applicable to any petition pertaining to a claim for exemption and shall contain the following information:

(a) The statute under which exemption is approved by the board.

(b) If the assessor's denial of the exemption is overruled, the record shall clearly state the board's reasons for approving the exemption.

(c) If the assessor's denial of exemption is sustained, the requirements of subparagraphs (a) and (b) of this section shall not be applicable.

The information required by this rule shall, at the option of the board, be contained either (1) in the minutes, or (2) on a separate sheet attached to the copy of the board's order in the individual file folder for each petition.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-086, filed 9/7/82; Order PT 74-5, § 458-14-086, filed 4/29/74; Order PT 72-11, § 458-14-086, filed 9/29/72.]

**WAC 458-14-090 Assessment roll and records.** The assessment roll for the current year, properly indexed, shall be made available to the county board of equalization by the county assessor. The county assessor shall file with the clerk of the board as part of the records a certificate of verification (Form REV 64-0051) of the current assessment roll as it exists on the first Monday of July.

The assessor shall certify to the board, not later than ten working days after August 31st, any new construction added to the assessment rolls subsequent to the first Monday of July and prior to August 31st, as provided for in RCW 36.21.080 and 84.40.040.

The county board of equalization shall have access to the basic records, maps, tax lot records, supporting records, and detailed lists of personal property which support the contents of the assessment roll. The board shall examine and compare the assessments for purposes of equalization.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-090, filed 9/7/82; Order PT 70-3, § 458-14-090, filed 6/26/70.]

**WAC 458-14-091 Certification of the valuation of the assessment roll by assessor.** The county board of equalization shall require certification of the valuation of the assessment roll on FORM REV 64-0051 as required by RCW 84.40.320 and WAC 458-14-090 and the

board shall not issue any orders until the assessor's certificate is filed with and made a part of the records of the board.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-091, filed 9/7/82; Order 73-4, § 458-14-091, filed 8/13/73.]

**WAC 458-14-092 Change of assessment rolls.** (1) The assessment rolls shall not be changed subsequent to certification as required by WAC 458-14-090 and 458-14-091 except in the following cases:

(a) Ordered by the county board of equalization (WAC 458-14-130).

(b) Ordered by the state board of tax appeals (RCW 84.08.120).

(c) Reduced because of destroyed property (chapter 84.70 RCW).

(d) Removal from current use assessment (RCW 84.34.108).

(e) Removal of designation or classification as forest land (RCW 84.33.120 and 84.33.140).

(f) Removal of the senior citizens/disabled persons exemption (AGO 1971 No. 31 and AGO 1972 No. 23).

(g) Adding formerly exempt property to the rolls (RCW 84.36.855 and 84.40.350 through 84.40.390).

(h) Removal of exempt property from the rolls (RCW 84.36.815 and 84.60.050 through 84.60.070).

(i) Adding omitted property to the rolls (RCW 84.40.060, 84.40.080 and 84.40.085).

(j) Adding omitted value to the rolls (RCW 84.40.060, 84.40.080 and 84.40.085).

(k) Adding new construction to the rolls (RCW 36.21.080 and 84.40.040).

(l) Correction of mathematical calculations on personal property affidavits committed by the assessor's office.

(m) Removal of special valuation for historic property (chapter 449, Laws of 1985).

(2) The county board of equalization may reconvene as provided for in WAC 458-14-045 for assessment roll changes as a result of subparagraphs (d), (e), (f), (g), (i), (j), (k) and (m) of subsection (1) of this section.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 85-17-016 (Order PT 85-3), § 458-14-092, filed 8/12/85; 82-19-012 (Order PT 82-6), § 458-14-092, filed 9/7/82.]

**WAC 458-14-094 Availability of valuation information.** Prior to or at the time a taxpayer petitions the board of equalization for review of a valuation, and no later than ten business days before the scheduled hearing on his property, he may request the county assessor to make available the comparable sales or other valuation criteria used to determine the value of his property. The assessor shall furnish this information as well as the addresses or locations of any property and/or any other factors considered in the valuation process. This will be supplied within thirty days of the request but no later than ten business days before the taxpayer's appearance before the board. The assessor shall not change or modify the information supplied the taxpayer up to and including the appeal proceedings unless he has found new

evidence to support his valuation. If such is the case, the assessor shall provide the taxpayer with the new evidence at least ten business days before the appeal is to be heard.

A taxpayer who lists comparable sales on his notice of appeal shall not thereafter change his comparable sales without providing the assessor with a list of the new comparables at least five business days prior to the appeal hearing. The board of equalization may waive this requirement or allow the assessor a continuance of reasonable duration to verify the comparables furnished by the taxpayer.

[Order PT 74-5, § 458-14-094, filed 4/29/74.]

**WAC 458-14-098 Review of valuation.** When any court or appellate body reviews the valuation of property for property tax purposes, it shall be presumed that the value determined by the public official charged with that responsibility is correct. However, this presumption shall not be a defense against any correction indicated by clear, cogent, and convincing evidence.

[Order PT 74-5, § 458-14-098, filed 4/29/74.]

**WAC 458-14-100 Duties of the board.** The county board of equalization shall perform the duties set forth in chapter 84.48 RCW and as set forth in RCW 84.52.090 and 84.56.390 through 84.56.400. The board shall not reduce or cancel taxes for prior years, except as provided in RCW 84.56.390 and 84.56.400.

The board shall at its July meeting receive and equalize the assessed values for all property listed by the county assessor on the real and personal property assessment rolls as of January 1, 12:00 noon meridian time, in the current year except that the assessed valuation date of new construction shall be considered as of July 31st of that year. (RCW 36.21.080.) The board shall hear and act upon all petitions regarding current assessments properly filed by any aggrieved party.

They shall raise the valuation of each tract or lot or item of real property which in their opinion is returned below its true and fair value to such price or sum as they believe to be the true and fair value thereof.

They shall reduce the valuation of each tract or lot or item which in their opinion is returned above its true and fair value to such price or sum as they believe to be the true and fair value thereof.

They shall raise the valuation of each class of personal property which in their opinion is returned below its true and fair value to such price or sum as they believe to be the true and fair value thereof, and they shall raise the aggregate value of the personal property of each individual whenever they believe that such aggregate value is less than the true valuation of the taxable personal property possessed by such individual, to such sum or amount as they believe to be the true value thereof.

They shall, upon complaint in writing of any party aggrieved, reduce the valuation of each class of personal property enumerated on the detail and assessment list of the current year, which in their opinion is returned above its true and fair value, to such price or sum as they believe to be the true and fair value thereof, and

upon like complaint, they shall reduce the aggregate valuation of the personal property of such individual who, in their opinion, has been assessed at too large a sum, to such sum or amount as they believe was the true and fair value of the personal property.

In changing the value of any property, the board shall not consider sales of the property occurring after May 31st of the assessment year except for the valuation of new construction, as required by RCW 36.21.080, in which case no sales occurring after August 31st of the assessment year shall be considered.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-100, filed 9/7/82; Order PT 70-3, § 458-14-100, filed 6/26/70.]

**WAC 458-14-110 Notice of raise in valuation by the board.** The board is authorized to raise the valuation of real and personal property only after at least five days notice has been given in writing by order on Form REV 64-0058 to the owner or his agent and a copy to the county assessor. Such notice should be given by personal service. If service is by mail, it shall be certified or registered, and the notice must fix a time certain for appearance of the owner or agent, and at least ten days must elapse between date of mailing and the date fixed for the hearing.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-110, filed 9/7/82; Order PT 70-3, § 458-14-110, filed 6/26/70.]

**WAC 458-14-115 Exempt properties.** The board may review only those claims for either real or personal property tax exemptions that are determined by the county assessor. The board may not review those exemptions which are determined by the department of revenue. The appeal from the assessor's determination is to be made upon the proper forms and the board is to determine (1) if the property is entitled to an exemption, and (2) if so, the amount thereof. Petitions for exemption shall be filed on or before the deadline as specified under WAC 458-14-120.

[Order PT 74-5, § 458-14-115, filed 4/29/74; Order PT 70-3, § 458-14-115, filed 6/26/70.]

**WAC 458-14-120 Petitions.** The owner of any property or the person in whose name the property is assessed may petition the county board of equalization for reduction and equalization of the assessed valuation placed upon such property by the county assessor for the current year or other action as required by law or these rules. Each such petition shall:

- (a) Be made in writing on the required forms;
- (b) Include a legal description or itemized listing of all property affected by the petition;
- (c) State the facts and the grounds upon which the reduction and equalization or other action is sought;
- (d) Be certified by the petitioner or his qualified agent or attorney;
- (e) State the address to which notice of the action of the board shall be sent;

(f) Have attached thereto documentary evidence that supports the petitioners contentions, including the petitioners determination of true and fair value.

Any petition not conforming to the foregoing requirements shall not be considered by the board.

The county assessor shall be furnished with a copy of each petition as it is received by the board so he may prepare an answer to the petition. The petition must be filed with the board on or before July 15th or thirty days after the date an assessment or value change notice has been mailed, whichever is later. Petitions received by the board after these dates shall be denied on the grounds of not being timely filed. Evidence of timely filing shall be made, if filed by mail, by means of the cover under which the petition was sent, in that the cover must be postmarked no later than midnight of the filing date. If the filing date falls upon a Saturday or Sunday, the petition must be filed on, or postmarked no later than midnight of, the next day which is not a Saturday or Sunday.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-120, filed 9/7/82; Order PT 74-5, § 458-14-120, filed 4/29/74; Order PT 70-3, § 458-14-120, filed 6/26/70.]

**WAC 458-14-121 Action on appeals.** An appeal may be made to the board which may consist of a letter of personal appearance before the board, however, no action shall be taken by the board on such appeal until the petition in WAC 458-14-120 is timely filed and the board has received evidence, oral or written, from the property owner and county assessor which evidence shall be retained as a part of the record.

[Order 72-7, § 458-14-121, filed 6/23/72.]

**WAC 458-14-122 Appeal of board members, assistants, or county governmental authorities.** (1) In the event of an appeal by any appointed member of the board of equalization or by any person employed as an assistant to the board, including the clerk of the board, or by any member of the county governmental authority on his own property or on any property in which he has an interest, the action of the county board of equalization upon that appeal shall be to sustain the valuation made by the assessor and deny the petition. The appellant shall be advised of his rights to appeal to the state board of tax appeals. The purpose of this rule is to insure the effectiveness, quality and performance of the county board of equalization. This will require the county governmental authority to effect the appointment of members of the board of equalization to be as professional as possible.

(2) If equalization is the basis of an appeal by any of the foregoing, a change of venue may be granted by the board in conformance with WAC 458-14-052.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-122, filed 9/7/82; Order PT 74-5, § 458-14-122, filed 4/29/74; Order 72-7, § 458-14-122, filed 6/23/72.]

**WAC 458-14-125 Hearing on petition.** The county board of equalization shall hold an individual hearing on

each petition which shall be numbered and shall be heard at a time fixed by the board. Each petitioner and county assessor shall be notified by the clerk of the board at least three days in advance of the hearing time scheduled for his petition.

The petitioner and all witnesses shall be sworn. The board may use the following or other appropriate oath:

Chairman or clerk of the board:

Do you solemnly swear that the testimony you are about to give in this matter is the truth, the whole truth, and nothing but the truth, so help you God.

Appellant: I do.

The petitioner shall be given adequate time to present his case either in person or through his attorney or other authorized representative. Upon conclusion of the petitioner's case the county assessor shall present his case which shall include any documentary evidence deemed material.

If the county assessor is not going to respond to a petition, he shall so inform the board.

The board shall consider all evidence and facts presented in each appeal and shall render a decision on every petition prior to adjournment. If a decision in each timely filed appeal cannot be made prior to adjournment date as provided by law, the board shall reconvene as provided for in WAC 458-14-045 to enable it to complete its duties.

The board may appoint one or more of its members to act as an examiner to assist the board in completing its duties. The board member examiner may hold hearings separate from the full board and take testimony from both the appellant and the assessor's staff. The examiner shall submit the testimony of the appellant and assessor and report his/her findings to the full board. The board shall make the final decision as to the value of the property under appeal. The board member examiner's report to the full board will be in lieu of the appearance of the appellant and assessor's personnel: *Provided*, That if the full board so desires, testimony may be taken from the appellant and assessor's personnel.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-125, filed 9/7/82; 81-21-007 (Order PT 81-11), § 458-14-125, filed 10/8/81; Order 71-3, § 458-14-125, filed 4/29/71; Order PT 70-3, § 458-14-125, filed 6/26/70.]

**WAC 458-14-126 Hearing examiners.** In addition to the provisions of WAC 458-14-125, any board of equalization consisting of seven members may employ hearing examiners to assist the board in completing its duties. All persons employed as hearing examiners shall take and subscribe to the same oath that the board members subscribe to as required in WAC 458-14-080.

The hearing examiner may hold hearings separate from the board and take testimony from both the appellant and the assessor's staff. The examiner shall submit the testimony of the appellant and assessor and report his findings to the board. The board shall make the final decision as to the value of the property under appeal. The hearing examiner's report to the board will be in lieu of the appearance of the appellant and assessor's

personnel: *Provided*, That if the board so desires, testimony may be taken from the appellant and assessor's personnel.

[Statutory Authority: RCW 84.08.010, 81-04-053 (Order PT 81-2), § 458-14-126, filed 2/4/81.]

**WAC 458-14-130 Orders of the board.** The final action of the county board of equalization upon petitions and all other determinations such as corrections, additions or changes in the assessment roll, shall be entered on record by order. The orders shall specify the changes to be made in the roll and the proper county official then in charge of the assessment or tax roll is directed to make the changes as ordered by the board.

A signed copy of the board's order shall be delivered to the petitioner and the county assessor at the conclusion of the hearing, or shall be sent by mail to the petitioner to the address given in the petition, immediately following the signing of the order.

[Order PT 70-3, § 458-14-130, filed 6/26/70.]

**WAC 458-14-135 Appeals.** Appeals from decisions of the county board of equalization may be made under RCW 84.08.130 and the rules of practice and procedure of the state of Washington board of tax appeals. Appeals to this board shall be made on notice of appeal Form BTA 100, which notice shall be filed in duplicate with the county auditor within thirty calendar days of the date of the order of the county board of equalization. If the order of the county board of equalization is sent to the petitioner by mail, the thirty day period for filing shall commence on the third day following the day the county board's order was placed in the mail as evidence by the postmark.

Court actions involving taxes may also be instituted under the provisions of chapter 84.68 RCW.

[Statutory Authority: RCW 84.08.010 and 84.08.070, 82-19-012 (Order PT 82-6), § 458-14-135, filed 9/7/82; Order PT 70-3, § 458-14-135, filed 6/26/70.]

**WAC 458-14-140 Records to state board.** The clerk shall secure from the county auditor a list of those persons filing an appeal to the state board of tax appeals. The clerk shall immediately forward a copy of the complete record on each appealed property to the state board of tax appeals as required by the regulations of said board.

[Order PT 74-5, § 458-14-140, filed 4/29/74; Order PT 70-3, § 458-14-140, filed 6/26/70.]

**WAC 458-14-145 June meeting.** The county board of equalization shall reconvene in June on a day fixed by the board and shall consider only matters referred to it by the county treasurer or county assessor.

If the county treasurer has reason to believe or is informed that any person has given to the county assessor a false statement of his personal property, or that the county assessor has not returned the full amount of personal property required to be listed in his county, or has

omitted or made erroneous return of any property which is by law subject to taxation, or if it comes to his knowledge that there is personal property which has not been listed for taxation for the current year, he shall prepare a record setting out the facts with reference thereto and file such record with the county board of equalization.

The board may issue compulsory process and require the attendance of any person having knowledge of the articles or value of the property erroneously or fraudulently returned, and examine such person on oath in relation to the statement or return of assessment, and the board shall in all such cases notify every person affected before making a finding, so that he may have an opportunity of showing that his statement or the return of the assessor is correct.

The county treasurer shall also make and file with the county board of equalization a record, setting forth the facts relating to such manifest errors in description, double assessments, clerical errors in extending the rolls, and such manifest errors in the listing of property which do not involve a revaluation of property, such as the assessment of property exempted by law from taxation or the failure to deduct the exemption allowed by law to the head of a family, as shall come to his attention after the rolls have been turned over to him for collection. The said record shall also set forth by legal description all property belonging exclusively to the state, any county or any municipal corporation whose property is exempt from taxation, upon which there remains, according to the tax roll, any unpaid taxes.

The county board of equalization shall consider such matters as appear in the record filed with it by the county treasurer, and shall only correct such matters as are set forth in such record, but it shall have no power to change or alter the assessment of any person, or change the aggregate value of the taxable property of the county, except insofar as it is necessary to correct the errors herein before mentioned: *Provided*, That the board shall cancel all unpaid taxes upon property which belongs exclusively to the state, any county or municipal corporation. The board shall make findings of the facts upon which it bases its decision on all matters submitted to it, and when so made the assessment and levy shall have the same force as if made in the first instance, and the county treasurer shall proceed to collect the taxes due on the rolls as modified.

The county assessor may cancel or correct assessments which are erroneous due to manifest errors in description, double assessments, clerical errors in extending the rolls, and such manifest errors in the listing of the property which do not involve a revaluation of property. When the county assessor cancels or corrects an assessment, he shall send a notice to the taxpayer by registered mail advising the taxpayer that the action of the county assessor is not final, and shall be considered at the June meeting of the county board of equalization, and that such notice shall constitute legal notice of such fact, and a copy of the notice shall be sent to the county treasurer as his authority for correcting the current tax

roll. When the county assessor cancels or corrects an assessment, he shall prepare and file a record of such action with the county board of equalization, setting forth therein the facts relating to such manifest error.

The county board of equalization at its meeting in June shall consider such matters as appear in the record filed with it by the county assessor and shall determine whether the action of the county assessor was justified, and shall make findings of facts upon which it bases its decision on all matters submitted to it. If the county board of equalization finds that the action of the assessor was not correct, it shall issue a supplementary roll including such corrections as are necessary, and the assessment and levy shall have the same force and effect as if made in the first instance, and the county treasurer shall proceed to collect the taxes due on the supplementary roll.

[Order PT 70-3, § 458-14-145, filed 6/26/70.]

**WAC 458-14-150 November meeting.** The county assessor shall file with the county board of equalization a verified record of all errors in descriptions, double assessments, or manifest errors in assessment appearing on the assessment list.

The county board of equalization shall reconvene on the third Monday in November for the sole purpose of considering such errors, and shall proceed to correct the same.

The board has no authority to change the assessed valuation of the property of any person or to reduce the aggregate amount of the assessed valuation of the taxable property of the county, except only insofar as the same may be affected by the corrections ordered based on the record submitted by the county assessor.

The board's considerations shall be limited to the current assessment roll. To consider prior years, the board must be reconvened for that particular year by the department of revenue.

[Order PT 70-3, § 458-14-150, filed 6/26/70.]

**WAC 458-14-152 Manifest errors.** (1) A manifest error as provided in RCW 84.52.090, 84.56.400 and 84.68.110 will be held to be any of the following:

(a) Any error that is clearly evident from an inspection of any "assessment list" or "tax roll" itself; or

(b) Any error that becomes clearly evident upon examination of any record of the county assessor or other public officer, upon which any "assessment list" or "tax roll" is based; or

(c) Any other error made in the process of preparing any "assessment list" or "tax roll," and subsequently becoming evident;

(2) No manifest error shall be corrected that involves a revaluation of the property. Revaluation shall mean a change in value based upon an exercise of appraisal judgment brought about by a physical appraisal or a statistical update as provided for in RCW 84.41.041. Revaluation shall not include a change in value which is based solely upon correcting double assessments, incorrect characteristics, posting errors, incorrect placement

of improvements, erroneous measurements, and misapplication of statistical data through clerical error.

(3) Corrections of manifest errors which involve a revaluation of property can only be done by the reconvened July board of equalization pursuant to RCW 84.48.010.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 85-17-016 (Order PT 85-3), § 458-14-152, filed 8/12/85; Order PT 74-5, § 458-14-152, filed 4/29/74.]

**WAC 458-14-155 Definitions.** **Assessment roll** shall be the record on which the county assessor records the assessed valuation of each parcel of property within the county.

The assessment roll shall be considered accurate unless the board discovers items requiring changes, or petitions for changes by a property owner, assessor or treasurer are approved by the board.

**Board:** Reference to board in these rules of practice and procedure shall mean the county board of equalization.

**County governmental authority** shall mean the board of county commissioners or the county legislative body as established under "Home Rule Charter."

**Member** shall have reference to a qualified member of the board of equalization.

**True and fair value:** The basis of all assessments is the true and fair value of property. True and fair value means market value.

The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy, would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all such factors. (WAC 458-12-300)

**Equalize** means to make equal, or to cause to correspond with a common standard, which standard under the statute is true and fair value.

As in the statute "equalize" can be defined as the process whereby the county board of equalization reviews the valuation of real and personal property as returned by the assessor, so that each tract or lot of real property and each item or class of personal property is entered on the assessment roll at 100% of its true and fair value.

**County Board of Equalization Manual:** A manual of operation procedures shall consist of these rules of practice and procedure; current board forms; department directives and opinions relating to the county boards of equalization. The manual shall be the basis of the schools for the training of members of the several boards of equalization throughout the state.

[Order PT 74-5, § 458-14-155, filed 4/29/74; Order PT 70-3, § 458-14-155, filed 6/26/70.]

## Chapter 458-16 WAC

## PROPERTY TAX--EXEMPTIONS

## WAC

- 458-16-010 Senior citizen and disabled persons exemption—Definitions.
- 458-16-011 Senior citizen and disabled persons exemption—Gross income.
- 458-16-012 Senior citizens and disabled persons exemption—Adjusted gross income.
- 458-16-013 Senior citizens and disabled persons exemption—Disposable income.
- 458-16-020 Senior citizen and disabled persons exemption—Qualifications for exemption.
- 458-16-022 Senior citizen and disabled persons exemption—Qualifications for cooperative housing.
- 458-16-030 Senior citizen and disabled persons exemption—Claims.
- 458-16-040 Senior citizen and disabled persons exemption—Denial—Appeal—Penalty—Perjury.
- 458-16-050 Senior citizen and disabled persons exemption—Amount of exemption.
- 458-16-060 Senior citizen and disabled persons exemption—Transfer of exemption.
- 458-16-070 Senior citizen and disabled persons exemption—Cancellation.
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- 458-16-080 Improvements to single family dwellings—Definitions.
- 458-16-081 Improvements to single family dwellings—Exemption—Filing—Amount—Limits.
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- 458-16-110 Applications—Who must file, filing requirement, application forms, what covered, filing fee, financial statement, evidence of timely filing.
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- 458-16-280 Art, scientific and historical collections—Fire companies—Humane societies.
- 458-16-282 Musical, dance, artistic, dramatic and literary associations.
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- 458-16-310 Community celebration facilities.

## DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

- 458-16-140 Property tax exemptions, generally, rules of construction—Proof of exemption. [Order PT 76-2, § 458-16-140, filed 4/7/76. Formerly WAC 458-12-150.] Repealed by Order PT 77-2, filed 5/23/77.
- 458-16-160 Property tax exemptions, generally, rules of construction—Inaccurate information—What constitutes. [Order PT 76-2, § 458-16-160, filed 4/7/76. Formerly WAC 458-12-152.] Repealed by Order PT 77-2, filed 5/23/77.
- 458-16-170 Property tax exemptions, generally, rules of construction—Rental or lease of property deemed to be exempt. [Order PT 76-2, § 458-16-170, filed 4/7/76.

Formerly WAC 458-12-153.] Repealed by Order PT 77-2, filed 5/23/77.

- 458-16-250 Property tax exemptions, generally, rules of construction—Relief organizations. [Order PT 76-2, § 458-16-250, filed 4/7/76. Formerly WAC 458-12-220.] Repealed by Order PT 77-2, filed 5/23/77.
- 458-16-301 Applications without penalties. [Statutory Authority: RCW 84.36.865. 81-21-010 (Order PT 81-14), § 458-16-301, filed 10/8/81.] Repealed by 82-22-060 (Order PT 82-8), filed 11/2/82. Statutory Authority: RCW 84.36.865.

**WAC 458-16-010 Senior citizen and disabled persons exemption—Definitions.** (1) The term "residence" means a single family dwelling unit whether such unit be separate or part of a multi-unit dwelling and includes the land on which the dwelling stands not to exceed one acre. The term also includes a share ownership in a cooperative housing association, corporation, or partnership if the person claiming exemption can establish that his or her share represents the specific unit or portion of such structure in which he or she resides. It includes a single family dwelling situated upon leased lands and upon lands the fee of which is vested in the United States, any instrumentality thereof including an Indian tribe, the state of Washington, or its political subdivisions. Also included is a mobile home which has substantially lost its identity as a mobile unit by being fixed in location upon land owned or rented by the owner of said mobile home and placed on a foundation, posts, or blocks with fixed pipe connections for sewer, water or other utilities even though it may be listed and assessed by the county assessor as personal property.

The residence must have been occupied by the person claiming the exemption as the principal or main residence of the claimant. It does not include a residence used merely as a vacation home. For purposes of this exemption, principal or main residence means a residence the claimant resides at or dwells in for more than six months each year. Items to be considered in verifying residency can be ownership of another residence, voter registration and vehicle licensing.

(2) The term "real property" for the purposes of WAC 458-16-010 through 458-16-079 includes subsection (1) of this section and the land on which a mobile home is located if both the land and mobile home are owned by a qualified claimant.

(3) The term "preceding calendar year" means the calendar year preceding the year in which the claim for exemption is filed.

(4) "Department" means the state department of revenue.

(5) "Combined disposable income" means the disposable income of the person claiming the exemption, plus the disposable income of his or her spouse, and the disposable income of each cotenant occupying the residence for the preceding calendar year. Disposable income is defined in WAC 458-16-013.

(6) "Cotenant" means a person who resides with the person claiming the exemption and who has an ownership interest in the residence.

(7) "Owned" includes "contract purchase" as well as "in fee," a "life estate," and any "lease for life."

"Revocable" trusts will be considered as life estates. "Irrevocable" trusts may qualify as a life estate if the trust terminates on the claimant's demise.

A residence owned by a marital community or owned by cotenants is deemed to be owned by each spouse or cotenant.

(8) The term "regular gainful employment" means consistent or habitual labor or service which results in an increase in wealth or earnings.

(9) The term "family" includes a single person, any number of related persons, or a group not exceeding a total of eight related and nonrelated nontransient persons living as a single nonprofit housekeeping unit. The term does not, however, include a boarding or rooming house.

(10) "Replacement residence" means a residence that qualifies for the exemption contained in WAC 458-16-010 through 458-16-079 except for the time requirement contained in WAC 458-16-020(1).

(11) "Physical disability" means the condition of being disabled, resulting in the inability to pursue an occupation because of physical or mental impairment. A doctor's signed statement constitutes proof of such disability and shall be required before the exemption may be granted. This statement shall indicate the expected period or term of the disability.

(12) "Remainderman" means one who is entitled to the remainder of the estate after a particular estate has expired; that is, a person having legal right to the real estate at the death of the life tenant or some other named time.

(13) "Remainder" means an estate in land which does not become possessory until a designated time in the future.

(14) "Lease for life" means a lease that terminates upon the demise of the lessee.

(15) "Life estate" means an estate whose duration is limited to the life of the party holding it or of some other person.

(16) "Ownership by a marital community" means property owned in common by both spouses. Property held in separate ownership by one spouse is not owned by the marital community. The person claiming the exemption must own the property for which exemption is claimed. Example: A person qualifying for the exemption by virtue of age or disability cannot claim exemption on a residence owned by the person's spouse as a separate estate outside the marital community unless the person has a life estate therein.

(17) "Excess levies" are all voter approved in accordance with RCW 84.52.050, with the exception of port district, public utility district and emergency medical service district levies.

(18) "Claimant" means a person who is entitled to and has been approved for the exemption contained in WAC 458-16-010 through 458-16-079.

(19) "Annuity" means a payment of a fixed sum of money at regular intervals of time. This includes the proceeds of life insurance contracts (other than lump sum payments), unemployment compensation, disability

payments, welfare receipts and others that do not constitute payments for the care of dependent children.

[Statutory Authority: RCW 84.36.389 and 84.36.865. 83-19-029 (Order PT 83-5), § 458-16-010, filed 9/14/83. Statutory Authority: RCW 84.36.389. 81-05-018 (Order PT 81-6), § 458-16-010, filed 2/11/81; Order PT 76-1, § 458-16-010, filed 4/7/76; Order PT 74-6, § 458-16-010, filed 9/11/74.]

**WAC 458-16-011 Senior citizen and disabled persons exemption--Gross income.** "Gross income" is defined as all income from whatever source derived except for the following: (The following does not include those items to be added back pursuant to RCW 84.36.383.)

(1) Death payments:

(a) Proceeds of life insurance contracts which are paid by reason of the death of the insured; or

(b) Amounts paid by an employer which are paid by reason of death of the employee but is limited to an amount of five thousand dollars.

(2) Gifts and inheritances; gross income does not include the value of property acquired by gift, bequest, devise, or inheritance. This value includes either the property or the amount of proceeds from the sale of the property to the extent it does not include capital gain.

(3) Compensations for injuries or sickness which are received from the following that do not constitute a pension or annuity:

(a) Lump sum amounts received under workmen's compensation for personal injuries or sickness;

(b) Lump sum amounts received by tort (suit) or agreement on account of personal injuries or sickness;

(c) Lump sum amounts received through accident or health insurance for personal injuries or sickness.

(4) Amounts received under accident or health plans; reimbursement for expended medical costs.

(5) Contributions by employer to accident and health plans; contributions by the employer to accident or health plans for compensation (through insurance or otherwise) to his employees for personal injuries or sickness.

(6) Rental value of parsonages; a minister of the gospel does not include in gross income:

(a) The rental value of the home furnished to him as part of his compensation; or

(b) The rental allowance paid to him as part of his compensation to the extent used by him to rent or provide a home.

(7) Income from discharge of indebtedness:

(a) Special rule of exclusion; no amount shall be included in gross income by reason of the discharge, in whole or in part, within the taxable year, of any indebtedness for which the taxpayer is liable, or subject to which the taxpayer holds property, if:

(i) The indebtedness was incurred or assumed:

(A) By a corporation; or

(B) By an individual in connection with property used in his trade or business; and

(ii) Such taxpayer makes and files a consent to the regulations prescribed under section 1017 in the Federal Internal Revenue Code (relating to adjustment of basis) then in effect at such time and in such manner as the secretary of the treasury or his delegate by regulations

prescribes. In such case, the amount of any income of such taxpayer attributable to any unamortized premium (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be allowed as a deduction;

(b) Railroad corporation; (not applicable).

(8) Improvements by lessee on lessor's property; gross income does not include income (other than rent) derived by a lessor of real property on the termination of a lease, representing the value of such property attributable to buildings erected or other improvements made by the lessee.

(9) Income tax paid by lessee corporation: (Applicable only to corporations.)

(10) Recovery of bad debts, prior taxes, and delinquent accounts:

(a) General rule: Gross income does not include income attributable to the recovery during the taxable year of a bad debt, prior tax, or delinquency amount, to the extent of the amount of the recovery exclusion with respect to such debt, tax, or amount;

(b) Definitions: For purposes of subsection (a) of this section:

(i) Bad debt: The term "bad debt" means a debt on account of the worthlessness or partial worthlessness of which a deduction was allowed for a prior taxable year;

(ii) Prior tax: The term "prior tax" means a tax on account of which a deduction or credit was allowed for a prior taxable year;

(iii) Delinquency amount: The term "delinquency amount" means an amount paid or accrued on account of which a deduction or credit was allowed for a prior taxable year and which is attributable to failure to file return with respect to a tax, or pay a tax, within the time required by the law under which the tax is imposed, or failure to file return with respect to a tax or pay a tax;

(iv) Recovery exclusion: The term "recovery exclusion," with respect to a bad debt, prior tax, or delinquency amount, means the amount, determined in accordance with regulations prescribed by the secretary of the treasury or his delegate, of the deductions or credits allowed, on account of such bad debt, prior tax, or delinquency amount, which did not result in a reduction of the taxpayer's tax under this subtitle (not including the accumulated earnings tax imposed by the Federal Internal Revenue Code, section 531 or the tax on personal holding companies imposed by section 541) or corresponding provisions of prior income tax laws (other than subchapter E of chapter 2 of the Internal Revenue Code of 1939, relating to World War II excess profits tax), reduced by the amount excludable in previous taxable years with respect to such debt, tax, or amount under this section;

(c) Special rules for accumulated earnings tax and for personal holding company tax. In applying subsections (a) and (b) for the purpose of determining the accumulated earnings tax under the Federal Internal Revenue Code, section 531 or the tax under section 541 (relating to personal holding companies):

(i) A recovery exclusion allowed for purposes of this subtitle (other than section 531 or section 541) shall be allowed whether or not the bad debt, prior tax, or delinquency amount resulted in a reduction of the tax under section 531 or the tax under section 541 for the prior taxable year; and

(ii) Where a bad debt, prior tax, or delinquency amount was not allowable as a deduction or credit for the prior taxable year for purposes of this subtitle other than of section 531 or section 541 but was allowable for the same taxable year under section 531 or section 541, then a recovery exclusion shall be allowable if such bad debt, prior tax, or delinquency amount did not result in a reduction of the tax under section 531 or the tax under section 541.

(11) Sports programs conducted by the American National Red Cross:

(a) General rule: In the case of a taxpayer which is a corporation primarily engaged in the furnishing of sports programs, gross income does not include amounts received as proceeds from a sports program conducted by the taxpayer if:

(i) The taxpayer agrees in writing with the American National Red Cross to conduct such sports program exclusively for the benefit of the American National Red Cross;

(ii) The taxpayer turns over to the American National Red Cross the proceeds from such sports program, minus the expenses paid or incurred by the taxpayer:

(A) Which would not have been so paid or incurred but for such sports program; and

(B) Which would be allowable as a deduction under the Federal Internal Revenue Code, section 162 (relating to trade or business expenses) but for subsection (b) of this section; and

(iii) The facilities used for such program are not regularly used during the taxable year for the conduct of sports programs to which this subsection applies.

For purposes of this subsection, the term "proceeds from such sports program" includes all amounts paid for admission to the sports program, plus all proceeds received by the taxpayer from such program or activities carried on in connection therewith.

(12) Income of state, municipalities, etc.: This exclusion is only considered if:

(a) The contract was made prior to September 8, 1916, and dealt with the acquisition or operation of a public utility; or

(b) A contract was entered into prior to May 29, 1928, relating to the acquisition of a bridge.

(13) Contributions to the capital of a corporation: Contributions to a corporation by its shareholders, not in consideration of goods or services.

(14) Scholarships and fellowship grants: General rule; in the case of an individual, gross income does not include:

(a) Any amount received:

(i) As a scholarship at an educational institution, (as defined in the Federal Internal Revenue Code, section 151 (c)(4)); or

(ii) As a fellowship grant, including the value of contributed services and accommodations; and

(b) Any amount received to cover expenses for:

- (i) Travel;
- (ii) Research;
- (iii) Clerical help; or
- (iv) Equipment;

Which are incident to such a scholarship or to a fellowship grant, but only to the extent that the amount is so expended by recipient.

(15) Meal or lodging furnished for the convenience of the employer:

There shall be excluded from gross income of an employee the value of any meals or lodging furnished to him by his employer for the convenience of the employer but only if:

(a) In the case of meals, the meals are furnished on the business premises of his employer; or

(b) In the case of lodging, the employee is required to accept such lodging on the business premises of his employer as a condition of his employment.

In determining whether meals or lodging are furnished for the convenience of the employer, the provisions of an employment contract or of a state statute fixing terms of employment shall not be determinative of whether the meals or lodging are intended as compensation.

(16) Certain reduced uniform services retirement pay: This exclusion pertains to that portion of Federal Military Retirement pay that is forfeited to provide an annuity for a surviving spouse and/or surviving eligible children.

(17) Amounts received under qualified group legal services plans: Gross income of an employee, his spouse, or his dependents, does not include:

(a) Amounts contributed by an employer on behalf of an employee, his spouse, or his dependents under a qualified group legal services plan; or

(b) The value of legal services provided, or amounts paid for legal services, under a qualified group legal services plan.

(18) Amounts received under insurance contracts for certain living expenses: General rule; in the case of an individual whose principal residence is damaged or destroyed by fire, storm, or other casualty, or who is denied access to his principal residence by governmental authorities because of the occurrence or threat of occurrence of such a casualty, gross income does not include amounts received by such individual under an insurance contract which are paid to compensate or reimburse such individual for living expenses incurred for himself and members of his household resulting from the loss of use or occupancy of such residence.

(19) Qualified transportation provided by employer: Gross income of an employee does not include the value of qualified transportation provided by the employer between the employee's residence and place of employment.

(20) Cafeteria cost sharing payments: An employer's contribution to a cafeteria plan on behalf of an employee.

(21) Certain cost sharing payments: Are payments received from federal or state funds primarily for the purpose of conserving soil, protecting or restoring the environment, improving forests, or providing a habitat for wildlife.

(22) Educational assistance programs: Educational assistance means the payment, by an employer, of expenses for the education of the employee (including, but not limited to, tuition, fees, books and supplies).

[Statutory Authority: RCW 84.36.389. 81-05-018 (Order PT 81-6), § 458-16-011, filed 2/11/81.]

**WAC 458-16-012 Senior citizens and disabled persons exemption—Adjusted gross income.** "Adjusted gross income" is gross income as defined in WAC 458-16-011 minus the following deductions:

After arriving at gross income, the following deductions are allowable to the extent they do not include amounts deducted for loss or depreciation.

(1) Trade and business deductions: The expenses which are attributable to a trade or business carried on by the taxpayer, if such trade or business does not consist of the performance of services by the taxpayer as an employee.

(2) Trade and business deductions of employees:

(a) Reimbursed expenses. The deductions which consist of expenses paid or incurred by the taxpayer, in connection with the performance by him of services as an employee, under a reimbursement or other expense allowance arrangement with his employer.

(b) Expenses for travel away from home. The deductions allowed by the Federal Internal Revenue Code, part VI (Sec. 161 and following) which consist of expenses of travel, meals, and lodging while away from home, paid or incurred by the taxpayer in connection with the performance by him of services as an employee.

(c) Transportation expenses. The deductions which consist of expenses of transportation paid or incurred by the taxpayer in connection with the performance by him of services as an employee.

(d) Outside salesmen. The expenses which are attributable to a trade or business carried on by the taxpayer, if such trade or business consists of the performance of services by the taxpayer as an employee and if such trade or business is to solicit, away from the employer's place of business, business for the employer.

(3) Deductions attributable to rents and royalties. The expenses which are attributable to property held for the production of rents or royalties.

(4) Pension, profit-sharing, annuity, and bond purchase plans of self-employed individuals. Contributions toward these plans made on behalf of such individual.

(5) Moving expenses. The expense of moving from one permanent duty station to another.

[Statutory Authority: RCW 84.36.389. 81-05-018 (Order PT 81-6), § 458-16-012, filed 2/11/81.]

**WAC 458-16-013 Senior citizens and disabled persons exemption—Disposable income.** "Disposable income" means the adjusted gross income as defined in WAC 458-16-012 and in the Federal Internal Revenue

Code as amended prior to January 1, 1980, less certain income and expenses as defined below and plus other items to the extent they are not included in or have been deducted from adjusted gross income. (RCW 84.36.383)

(1) Disposable income is adjusted gross income plus the following to the extent they were deducted or not included:

- (a) Capital gains;
- (b) Amounts deducted for loss;
- (c) Amounts deducted for depreciation;
- (d) Pension and annuity receipts;
- (e) Military pay and benefits other than attendant care and medical-aid payments;
- (f) Veterans benefits other than attendant care and medical-aid payments;
- (g) Federal Social Security Act and Railroad Retirements Benefits;
- (h) Dividend receipts;
- (i) Interest received on state and municipal bonds.

(2) Capital gains is the difference between the cost of the property plus improvements, and the selling price of the property less any sales expense. If payment of the capital gain is over a period of time, the amount to be added to disposable income will be calculated over the same period.

(3) The exclusion of subsections (1)(e) and (f) of this section and the amounts received as payment for the care of dependent children must be verified by the veterans administration before the deduction is allowed. If the amount for the veterans attendant care and medical-aid payments in subsection (1)(e) and (f) of this section cannot be determined by the veterans administration, then the actual amount expended by the veteran for such care and aid, may be deducted from the amount received.

(4) The nonreimbursed amounts paid during the previous year for the care and treatment of either spouse in a nursing home shall not be included in disposable income.

[Statutory Authority: RCW 84.36.389 and 84.36.865. 83-19-029 (Order PT 83-5), § 458-16-013, filed 9/14/83. Statutory Authority: RCW 84.36.389. 81-05-018 (Order PT 81-6), § 458-16-013, filed 2/11/81.]

**WAC 458-16-020 Senior citizen and disabled persons exemption--Qualifications for exemption.** A person shall be exempt from any legal obligation to pay all or a portion of the real property taxes due and payable in the years following the year in which a claim is filed if the following qualifications are met:

(1) The property taxes must have been imposed upon a residence which was occupied by the person claiming the exemption as a principal place of residence as of January 1 of the year in which the claim is filed.

(2) The person claiming the exemption must have owned as defined in WAC 458-16-010, at the time of filing, the residence on which the property taxes have been imposed.

(3) The person claiming the exemption must have been at the time of filing:

(a) Sixty-one years of age or older on January 1 of the year in which the exemption claim is filed; or

(b) Retired from regular gainful employment by reason of physical disability; or

(c) A surviving spouse of a person who was receiving the exemption at the time of their death, if the surviving spouse was, or attains the age of fifty-seven in the year of the claimant's death.

(4) The amount that the person shall be exempt from an obligation to pay shall be calculated on the basis of combined disposable income, as defined in RCW 84.36.383 and WAC 458-16-010 through 458-16-013. If the person claiming the exemption was retired for two months or more of the preceding year, the combined disposable income of such person including his or her spouse and any cotenant shall be calculated by multiplying the average monthly combined disposable income of such person during the months such person was retired by twelve.

(5) Confinement of the person to a hospital or nursing home will not jeopardize the exemption if the residence is temporarily unoccupied or if the residence is occupied by a spouse and/or person financially dependent on the claimant for support, or by a person residing there for caretaker or security reasons only and the claimant is not receiving monetary consideration for this occupancy.

[Statutory Authority: RCW 84.36.389 and 84.36.865. 83-19-029 (Order PT 83-5), § 458-16-020, filed 9/14/83. Statutory Authority: RCW 84.36.389. 81-05-018 (Order PT 81-6), § 458-16-020, filed 2/11/81; Order PT 74-6, § 458-16-020, filed 9/11/74.]

**WAC 458-16-022 Senior citizen and disabled persons exemption--Qualifications for cooperative housing.** A share ownership in a cooperative housing association, corporation or partnership will qualify provided

(1) The claimant owns a share therein representing the specific unit or portion of the structure in which the claimant resides and

(2) The authorized agent of such cooperative signs the claim for exemption and

(3) The cooperative housing association, corporation or partnership agrees to reduce any amount owed by the claimant to the cooperative by such exact amount of tax exemption or, if no amount be owed, the cooperative will make payment to the claimant of such exact amount of exemption.

If the claimant qualifies, the tax liability of such cooperative shall be reduced by the amount of tax exemption to which the claimant is entitled.

[Order PT 76-1, § 458-16-022, filed 4/7/76.]

**WAC 458-16-030 Senior citizen and disabled persons exemption--Claims.** All initial claims for exemption shall be filed with the county assessor between January 2 and July 1 of the year in which the property tax is to be levied and solely upon the forms prescribed by the department of revenue. At such time as a claimant's entitlement to the exemption or their income changes to reflect a different exemption level a change of status report must be filed with the county assessor between January 2 and July 1 of the year in which the property

tax is to be levied and solely upon forms prescribed by the department of revenue. All claims for exemption shall be made and signed by the person entitled to the exemption, by his or her attorney in fact or in the event the residence of such person is under mortgage or purchase contract requiring accumulation of reserves out of which the holder of the mortgage or contract is required to pay real estate taxes, by such holder or by the owner, either before two witnesses or the county treasurer, assessor or their deputies in the county where the real property is located.

If the taxpayer is unable to submit his own claim, the claim shall be submitted by a duly authorized agent or by a guardian or other person charged with the care of the person or property of such taxpayer.

Whenever possible, information concerning qualifications, applications, and availability of information about this exemption shall be included with property tax statements.

The claim for exemption, properly completed, may be accepted by the assessor without question: *Provided*, That if the claim appears erroneous or if the assessor has other information concerning the claimant's qualifications, the assessor may require verification of all information prior to approving the claim.

[Statutory Authority: RCW 84.36.389 and 84.36.865. 83-19-029 (Order PT 83-5), § 458-16-030, filed 9/14/83; Order PT 74-6, § 458-16-030, filed 9/11/74.]

**WAC 458-16-040 Senior citizen and disabled persons exemption--Denial--Appeal--Penalty--Perjury.** If the assessor finds the applicant does not meet the qualifications as set forth by WAC 458-16-020 the claim shall be denied.

Any denial of a claim for exemption shall be subject to appeal to the county board of equalization as provided for in WAC 458-14-120.

Any applicant who received exemption in prior years based on erroneous information shall be assessed for the proper taxes as well as the penalties provided for in RCW 84.40.130 for a period not to exceed three years.

Any person signing a false claim with the intent to defraud or evade the payment of any tax shall be guilty of the offense of perjury.

[Order PT 74-6, § 458-16-040, filed 9/11/74.]

**WAC 458-16-050 Senior citizen and disabled persons exemption--Amount of exemption.** The amount that the person shall be exempt from an obligation to pay, shall be calculated on the basis of the combined disposable income of the person claiming the exemption and his or her spouse or cotenant, for the preceding calendar year in accordance with the following schedule:

## 1984 Taxes

**Income Range**

\$12,000 or less – Exempt from regular property taxes on up to \$20,000 valuation, plus 100% of excess levies.

\$12,001 to  
\$15,000

– Exempt from 100% of excess levies.

## 1985 Taxes and Thereafter

**Income Range**

\$9,000 or less – Exempt from regular property taxes on \$25,000 or 50% of the valuation whichever is greater plus exemption from 100% of excess levies.

\$9,001 to \$12,000 – Exempt from regular property taxes on \$20,000 or 30% of the valuation whichever is greater not to exceed \$40,000 plus exemption from 100% of excess levies.

\$12,001 to \$15,000 – Exempt from 100% of excess levies.

[Statutory Authority: RCW 84.36.389 and 84.36.865. 83-19-029 (Order PT 83-5), § 458-16-050, filed 9/14/83. Statutory Authority: RCW 84.36.389. 81-05-018 (Order PT 81-6), § 458-16-050, filed 2/11/81; Order PT 74-6, § 458-16-050, filed 9/11/74.]

**WAC 458-16-060 Senior citizen and disabled persons exemption--Transfer of exemption.** Any person who sells, transfers, or is displaced from their residence may transfer their exemption status to a replacement residence, but no claimant shall receive an exemption on more than the equivalent of one residence in any year. The amount of exemption transferred shall be based upon the following:

(1) If the claimant has not paid any of the current years taxes on their former residence they shall be allowed to claim exemption on all of the current year's unpaid taxes on the replacement residence.

(2) If the claimant has paid the first half of the current year's taxes on their former residence, then the exemption can only be claimed for the unpaid second half taxes of the replacement residence.

(3) If the claimant has paid the entire tax on their former residence, then no exemption will be allowed on the replacement residence.

The qualifications in WAC 458-16-020 (1) and (2) shall be considered as being complied with on the replacement residence, if the claimant would have met those qualifications on his former residence.

[Statutory Authority: RCW 84.36.389, 81-05-018 (Order PT 81-6), § 458-16-060, filed 2/11/81; Order PT 74-6, § 458-16-060, filed 9/11/74.]

**WAC 458-16-070 Senior citizen and disabled persons exemption--Cancellation.** As the exemption contained in WAC 458-16-010 through 458-16-079 is a personal exemption and is considered claimed when the property tax is paid, it shall cease to exist and be cancelled upon transfer of the property or upon the claimant's demise (unless the spouse is also qualified). In such a case, any previous years or portion of that year's taxes due and/or owing in the year of the cancelling event which have not yet been paid shall be levied and collected without consideration of the exemption: *Provided*, That if it can be shown that the taxes, whether current or delinquent, will be paid from the nondeceased claimants' proceeds of the sale, the exemption shall continue through the claimants' period of ownership.

If the exemption results in no taxes being due, the exemption shall be considered as claimed, if the qualified claimant still owns the property, as of the tax payable date of February 15.

[Statutory Authority: RCW 84.36.389, 81-05-018 (Order PT 81-6), § 458-16-070, filed 2/11/81; Order PT 74-6, § 458-16-070, filed 9/11/74.]

**WAC 458-16-079 Senior citizen and disabled persons exemption--Refunds--Late filings.** That portion of taxes paid as a result of mistake, inadvertence, or lack of knowledge by any person who would have qualified for this exemption may be refunded for up to three years after the taxes were paid as provided in chapter 84.69 RCW.

The petition for property tax refund must be accompanied by the approved application for exemption for each year the refund is sought. This is to provide proof that they met the requirements of the exemption in effect for the year in which the taxes were levied.

Any late filings for the exemption after the taxes have been levied or after they are delinquent may be accepted by the assessor or treasurer.

RCW 84.56.400 authorizes the June board to consider "the assessment of property exempted by law from taxation." If the claim is instituted by the property owner, the certified mail notice need not be sent as required by RCW 84.56.400.

The assessor or treasurer may accept the applications for exemption, correct the assessment and/or tax rolls and then refer to the June board for approval.

In those cases where the correction is needed for a previous year's assessment, the department, at the assessor's request, will reconvene that June board to approve corrections.

[Statutory Authority: RCW 84.36.389, 81-05-018 (Order PT 81-6), § 458-16-079, filed 2/11/81.]

**WAC 458-16-080 Improvements to single family dwellings--Definitions.** For the purpose of WAC 458-16-080 and 458-16-081 and RCW 84.36.400:

(1) The term "single family dwelling" shall mean a detached dwelling unit and the lot on which the dwelling

stands which is designed for, and not occupied by, more than one family. Said dwelling unit must meet the definition of real property contained in WAC 458-12-010 and RCW 84.04.090.

(2) The term "physical improvement" shall mean any addition, improvement, remodeling, renovation, structural correction or repairs which shall materially add to the value or condition of an existing dwelling. It shall also include the addition of, or repairs to, garages, carports, patios or other improvements attached to and compatible with similar dwellings, but shall not include swimming pools, outbuildings, fences, etc., which would not be common to or normally recognized as components of a dwelling unit.

[Order PT 75-3, § 458-16-080, filed 5/23/75.]

**WAC 458-16-081 Improvements to single family dwellings--Exemption--Filing--Amount--Limits.** Any physical improvement to an existing single family dwelling upon real property shall be exempt from taxation for three assessment years: *Provided*, That no exemption shall be allowed unless a claim is filed with the county assessor of the county in which the property is located prior to completing the improvement. The claim shall be on such forms as prescribed by the department of revenue and supplied by the county assessor.

The assessor, upon receipt of the claim, shall determine the value of the single family dwelling prior to the improvement. This valuation may be arrived at by either a new physical appraisal or a statistical update of the current assessed value. Upon written notification of the completion of the improvement by the applicant, the assessor shall revalue the dwelling by means of a physical appraisal. *Provided*, That the valuation prior to commencing the improvement, whether by a new physical appraisal or statistical update, and the physical appraisal upon completion of the improvement shall not obviate the requirement for a physical appraisal set forth in RCW 36.21.070. The difference of the two values shall be the amount of the exemption and shall be deducted from the value of the dwelling after the completion of the improvement or any subsequent value determined according to chapters 84.41 or 84.48 RCW: *Provided*, The amount of the exemption shall not exceed thirty percent of the value of the dwelling prior to the improvement, and, *Provided further*, That in no event will the assessed value of the dwelling unit, after deduction of the exemption, be less than it was prior to the improvement.

The cost of the physical improvement shall not be construed as being the dominant factor in determining the exemption.

The exemption shall be allowed on the property for the three assessment years following completion of the improvement. If at any time the property does not meet the definition contained in WAC 458-16-080(1), the exemption shall be cancelled.

This exemption shall not be allowed on the same dwelling more than once in a five year period, calculated from the date the exemption first affected the assessment roll.

[Statutory Authority: RCW 84.36.400, 81-04-052 (Order PT 81-1), § 458-16-081, filed 2/4/81; Order PT 75-3, § 458-16-081, filed 5/23/75.]

**WAC 458-16-100 Property tax exemptions, generally, rules of construction.** All property having situs in Washington is subject to assessment and taxation, except property expressly exempted from taxation by law (RCW 84.36.005). In interpreting statutes which exempt property from taxation, the following principles shall govern:

(1) Statutory language shall be construed strictly, though fairly, and in keeping with the ordinary meaning of the language employed (*Group Health Co-op of Puget Sound, Inc. v. Wash. State Tax Comm'n.*, 72 Wn.2d. 424, (1967)) – in favor of the public and the right to tax. *Thurston County v. Sisters of Charity of House of Providence*, 14 Wash. 264 (1896). Taxation is the rule; exemption is the exception (*Spokane County v. Spokane*, 169 Wash. 355 (1932)).

(2) If a justifiable doubt exists as to the meaning of an exemption statute, that doubt shall be construed in favor of the power to tax. *Spokane County v. Spokane*, 169 Wash. 355 (1932).

(3) If an exemption from taxation is found to exist, that exemption shall not be enlarged by construction, since the state legislature has presumably granted in express terms all that it intended to grant. *Norwegian Lutheran Church v. Wooster*, 176 Wash. 581 (1934).

(4) Applicants claiming initial and continuing property tax exemption will make this property available for visitation, investigation or examination at all times and upon request provide to the employee of the department of revenue all records, documents or facts required so that the department may determine the exempt or taxable status of the property.

Failure to fully cooperate with the examining employee of the department may result in a taxable determination for that year's taxes.

(5) The burden rests upon the one claiming exemption to show clearly that the property is within the exempting statute (*Pacific Northwest Conference of the Free Methodist Church of North America v. Barlow*, 77 Wn.2d 487). The burden of proof is upon the one alleging the exemption. (*In Re All-State Construction Co., Inc.*, 70 Wn.2d 657.) When implementing the foregoing, the department of revenue shall adhere to and operate within the bounds of the overriding principle that its duty is to effectuate to the fullest extent the legislative intent (*Thurston County v. Sisters of Charity of House of Providence*, 14 Wash. 264 (1896)).

The principles herein enumerated are set forth as guidelines for assisting in statutory construction, and shall not be interpreted as a license for unjustifiably denying any exemption, and thereby forcing the organizations, corporations, or associations to establish their exempt status through court action.

[Statutory Authority: RCW 84.36.389 and 84.36.865, 83-19-029 (Order PT 83-5), § 458-16-100, filed 9/14/83. Order PT 76-2, § 458-16-100, filed 4/7/76. Formerly WAC 458-12-145.]

**WAC 458-16-110 Applications--Who must file, filing requirement, application forms, what covered, filing fee, financial statement, evidence of timely filing.** All foreign national governments, cemeteries, nongovernmental nonprofit corporations, organizations, and associations, and soil and water conservation districts seeking exemption from ad valorem property taxation under the provisions of chapter 84.36 RCW shall make application for exemption with the State of Washington Department of Revenue General Administration Building, Olympia, WA 98504.

(1) Initial applications for exemption shall be filed on or before March 31 or within sixty days of the date of acquisition or conversion to an exempt use. Renewal applications and annual recertifications shall be filed on or before March 31.

Initial and renewal applications and recertifications received after the due date are subject to late filing penalties. The department of revenue shall allow a reasonable extension of time for filing upon written request filed on or before the required filing date and for good cause shown.

(a) Initial applications: The original application an organization files or an application by such organization for additional property not currently claimed for exemption.—Fee due.

(b) Renewal application: The claim for continued exemption filed every fourth year after the latest initial application.—Fee due.

(c) Recertifications: A certification on department of revenue forms, that the use and exempt status of the real and personal property claimed by the exempt organization has not changed.—No fee due.

All initial and renewal applications and recertifications for exemption shall be filed on forms prescribed by the department of revenue and shall be signed by an authorized agent. On or before January 1 of each year the department shall mail the forms to each legal owner that was granted an exemption for the previous year. Applications shall be available from the department of revenue or from the county assessor's office. No property shall be granted an exempt status without the owner first filing for exemption, for the specific property for which exemption is sought. The filing shall be due regardless of whether the legal owner has received forms for exemption from the department.

To retain exempt status, applicants except nonprofit cemeteries must file a renewal application on or before March 31 of every fourth year following the date of the initial application. When an applicant previously granted exemption acquires or otherwise converts real property to exempt status, such applicant shall file an initial application within sixty days following the conversion of such real property to exempt status without penalty. Failure to file an initial application within sixty days of conversion of such real property to exempt status shall result in a late filing penalty. See WAC 458-16-111 for computation of penalty.

In the years renewal applications are not due, an applicant previously granted exemption shall annually file a recertification: *Provided*, That when the annual filing

has not been made by March 31, the ten dollars per month filing penalty will apply to the date the application is completed. Failure to file an annual claim will result in a taxable determination for current year taxes.

(2) The property covered by each application for property tax exemption shall include all the real and personal property which is contiguous, and which is used as a homogeneous unit.

(a) The term "homogeneous unit" means property under the control of a single applicant, the operation and use of which is integrated with and directly related to the activity of the entity seeking exemption.

(b) The term "contiguous" means all property which is geographically one unit without separation except for separations caused by public streets and roads.

**Examples:**

A church owns a single piece of property upon which is constructed a church, parsonage, and elementary school. All three buildings are owned by the church and constitute a homogeneous unit in that they are integrated with and directly related to the activities of the church. This requires only one application because the property is geographically contiguous and is a homogeneous unit.

O corporation, the supervising entity of a nonprofit recognized religious denomination, holds title to five separate units in a county. The operation of each church unit is integrated with the activity of and supervised by O. To properly apply for an exemption for these five church units O would be required to file a separate application for each church unit as they are geographically separate.

No application shall be acted upon until complete. To be complete an applicant must have on file with the department of revenue copies of their articles of incorporation and all amendments and a copy of their current bylaws. All initial applications must be accompanied by an accurate map identifying by dimension the use or proposed use of all areas including building sites, parking, landscaping, and vacant areas from which an accurate determination for exemption or a segregation for partial exemption can be made. Legal descriptions and county parcel numbers must also be provided. The department of revenue will not act on any application until all fees and penalties have been submitted.

Organizations claiming exemption under RCW 84.36-.030 through 84.36.480 are required to provide financial information to the department of revenue upon request.

Property leased may be claimed by the lessor or lessee, provided the lessee has permission of the lessor to claim exemption. Property claimed by the lessee must be specifically identified by owner and location of the property. Claims for leased property must be accompanied by a complete copy of the lease agreement.

The department of revenue shall have access to all books and records necessary to determine if the requirements for exemption have been complied with. The department of revenue shall have the authority to request additional information relevant to the claim for exemption as the department deems necessary.

[Statutory Authority: RCW 84.36.865, 85-05-025 (Order PT 85-1), § 458-16-110, filed 2/15/85; 81-05-017 (Order PT 81-7), § 458-16-110, filed 2/11/81; Order PT 77-2, § 458-16-110, filed 5/23/77; Order PT 76-2, § 458-16-110, filed 4/7/76. Formerly WAC 458-12-146.]

**WAC 458-16-111 Filing fees, penalties and refunds.**  
Filing fee:

The filing fee of \$35.00 shall be collected before the department of revenue considers either an initial or renewal application (as defined in WAC 458-16-110) for property tax exemption.

Late penalties:

A late filing penalty of \$10.00 per month or portion of a month shall be collected before the department of revenue will consider any claim for property tax exemption when the completed claim is not filed by the due date. Late filing penalties are computed from the date the filing should have been made to the date the claim was received. The department will allow a two-week period in writing when notifying applicants of late filing penalties needed. Applicants not completing the application in the period allowed, must be assessed late filing penalties to the date all fees are received. Applications for current and previous years' taxes may be accepted if the applicant provides proof the property was used for exempt purposes and the initial filing fees and late filing penalties are submitted for the period the application for exemption should have been filed to the date the application is completed.

Refunds:

Fees and penalties will be refunded if:

(1) A duplicate claim for the same property is filed by the same legal owner for the same year.

(2) A claim is improperly received by the department of revenue and it has no authority to consider it. (Example: Claim filed by government entity.)

(3) A request for withdrawal of the application for exemption is received in writing prior to the department issuing a determination. The request shall include a signed statement clearly withdrawing the claim for exemption. The person requesting the withdrawal must be the same person who signed the application or another person authorized by the legal owner.

The department of revenue has no authority to refund fees or penalties after a determination is issued.

[Statutory Authority: RCW 84.36.865, 85-05-025 (Order PT 85-1), § 458-16-111, filed 2/15/85; 81-05-017 (Order PT 81-7), § 458-16-111, filed 2/11/81; Order PT 77-2, § 458-16-111, filed 5/23/77.]

**WAC 458-16-120 Appeals and notice of determination.** The department of revenue shall review each completed application and make a determination thereon, by August 1 or within thirty days whichever is later.

Any property owner aggrieved by the department's denial of an exemption application may, within 30 days of notification thereof, petition the State Board of Tax Appeals at 1010 Cherry Street, Olympia, WA 98504 for review. Any county assessor who feels the department's determination of exemption is unwarranted may, within

30 days after receiving a copy of the notification, petition the state board of tax appeals for review. to determine whether an appeal taken to the board of tax appeals, is timely the period for giving notice of appeal shall commence on the third day following the day upon which the notice was placed in the mail. (WAC 456-08-003, Board of tax appeals)

Appeal forms shall be available at the board of tax appeals in Olympia and county auditor's offices except in King county where they are available at the office of the clerk of the county council. Appeals shall be filed with the board of tax appeals and, concurrently, a copy shall be filed with the department of revenue. The appellant shall prepare an original and three copies of the notice of appeal. They shall be distributed as follows:

(1) The original shall be filed with the board of tax appeals.

(2) One copy shall be filed with the department of revenue.

(3) If the property owner is the appellant, one copy of the notice must be filed with the assessor of the county in which the property is located. If the assessor is the appellant, one copy of the notice must be provided to the property owner.

(4) One copy of the notice shall be retained in the appellant's files.

The state board of tax appeals shall consider any appeals which are timely filed to determine (1) if the property is or is not entitled to an exemption, and (2) the amount or portion thereof.

Failure to timely file a claim for exemption is not subject to appeal.

[Statutory Authority: RCW 84.36.865. 81-05-017 (Order PT 81-7), § 458-16-120, filed 2/11/81; Order PT 77-2, § 458-16-120, filed 5/23/77; Order PT 76-2, § 458-16-120, filed 4/7/76. Formerly WAC 458-12-147.]

**WAC 458-16-130 Real property sold or acquired by property owner deemed to be exempt.** As required by RCW 84.36.855, real property which is transferred or converted by an exempt body to taxable ownership or use or which is no longer exempt for any reason shall be subject to a prorata portion of taxes allocable to that property for the remaining portion of that year, after the date of the execution of the instrument of sale, contract or exchange, or the conversion to a taxable use or the date the property is no longer exempt as provided in RCW 84.40.350 through 84.40.390. Real property exempted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.050 and 84.36.060 is also subject to the provisions of RCW 84.36.810.

When any property owner determined to be, or could be, exempt under chapter 84.36 RCW acquires ownership of real property which was in other ownership as of January 1 or converts real property from a taxable to an exempt use must apply for and provide proof that under the specific RCW section and appropriate WAC, the property is entitled to exemption or continued exemption from time of transfer or conversion.

When organizations acquire or convert real property to an exempt use, the property will upon approval of the

application for exemption, be entitled to a cancellation or refund of the taxes or the prorata portion of taxes payable for the remaining portion of the year from the date of acquisition or conversion plus exemption for the following year. If the taxes have been paid or if the timing of granting the exemption requires it, the department of revenue will reconvene the June session of the county board of equalization, under the provisions of RCW 84.56.400, in order to cancel the taxes and/or to institute a refund as provided in chapter 84.69 RCW.

[Statutory Authority: RCW 84.36.865. 85-05-025 (Order PT 85-1), § 458-16-130, filed 2/15/85. Statutory Authority: RCW 84.36.389 and 84.36.865. 83-19-029 (Order PT 83-5), § 458-16-130, filed 9/14/83. Statutory Authority: RCW 84.36.865. 81-21-009 (Order PT 81-13), § 458-16-130, filed 10/8/81; 81-05-017 (Order PT 81-7), § 458-16-130, filed 2/11/81; Order PT 77-2, § 458-16-130, filed 5/23/77; Order PT 76-2, § 458-16-130, filed 4/7/76. Formerly WAC 458-12-148.]

**WAC 458-16-150 Cessation of use--Taxes collectible.** Upon cessation of any use exempted under RCW 84.36.030, 84.36.037, 84.36.040, 84.36.050 and 84.36.060, the taxes that would have been paid had the property not been exempt during the three years preceding, or for the life of the exemption, if such be less than three years, shall be collectible.

If the property has been exempt for more than ten years the rollback will not be implemented.

The property owner, county assessor, or any other public official having information or knowledge of any change in use, including lease or rental of all or a part of such properties, which may constitute cessation of use, shall notify the department of any such changes in use which may be brought to their attention. The department shall notify the current property owner, and the legal owner previously granted exemption, of the reported change in use and if necessary examine the property to determine if the reported change has taken place. The property owner shall have 30 days from the time of notification by the department to submit any information which may be relevant to the question of changing use.

The department shall determine, upon the information supplied by the assessor or the public official, the property owner, or from the inspection of the property, whether such a cessation of use as warrants the rollback has occurred.

The county treasurer, upon notification from the department of revenue, shall compute the taxes payable, together with interest, at the same rate and computed in the same manner as that upon delinquent property taxes. The tax shall be distributed by the county treasurer in the same manner as taxes were distributed for those years that taxes would have been paid if the property had not been exempt. The interest shall be placed in the county current expense fund. If such a cessation of use involves a portion of the total property, the taxes collectible shall attach to only that portion affected. The rollback will be implemented only upon transfer of the property or when 51% or more of the property has

ceased to qualify for exemption. The percentage of non-qualifying use will be determined separately for the land and improvements.

If the cessation of use resulted solely from one of the six conditions identified as (3)(a) through (f) in RCW 84.36.810, the provisions of this section shall not apply.

Lease or rental of all or part of such properties may constitute a cessation of use and knowledgeable authorities should report same to the department of revenue.

"Relocation of the activity" means the use of another location or site for the same activity that was carried on at the original site to the extent that it is a new location or site, or it is an existing site whose facilities have expanded to accommodate the relocated activity.

Property exempted for an intended use, but never put to such use will be subject to a rollback for the life of the exemption when sold or put to a disqualifying use, or when it is determined the intended use will not be achieved.

[Statutory Authority: RCW 84.36.865. 86-12-034 (Order PT 86-2), § 458-16-150, filed 5/30/86; 85-05-025 (Order PT 85-1), § 458-16-150, filed 2/15/85. Statutory Authority: RCW 84.36.389 and 84.36.865. 83-19-029 (Order PT 83-5), § 458-16-150, filed 9/14/83. Statutory Authority: RCW 84.36.865. 82-22-060 (Order PT 82-8), § 458-16-150, filed 11/2/82; 81-05-017 (Order PT 81-7), § 458-16-150, filed 2/11/81; Order PT 77-2, § 458-16-150, filed 5/23/77; Order PT 76-2, § 458-16-150, filed 4/7/76. Formerly WAC 458-12-151.]

**WAC 458-16-180 Cemeteries.** The following property shall be exempt from taxation, when used without discrimination as to race, color, national origin, or ancestry:

All lands, and buildings required for necessary administration and maintenance of public burying grounds or cemeteries, which are used, or to the extent used exclusively for public burying grounds or cemeteries. Use shall be evidenced in one of the following manners:

- (1) Actual entombment of human remains,
- (2) A contractual limitation to limit the use of the property to entombment of human remains, i.e., sale of grave plot,
- (3) Dedication of property as a cemetery as provided under chapter 68.24 RCW; provided other nonqualifying use is not made of the property.

Lands owned by a nonprofit cemetery association, exempted under the provisions of RCW 68.20.110, but not exceeding 80 acres. Expansion, by additional 20 acre sections, when necessary for continuing the operation of the cemetery, may be included; this limitation does not apply to a corporation sole.

Necessary administration and maintenance of cemeteries shall be construed to mean those functions, the necessity of which would be nonexistent but for the presence of the cemetery, the performance of which is a direct benefit to the cemetery. This may include the groundskeeping or maintenance building and the administration building used in connection with the general conduct of a cemetery business. Residential use of the grounds is not generally within the scope of this construction, but under certain circumstances, listed below, the department may allow such use in a limited manner.

(1) The residence is necessary for the protection of the property.

AND

(2) The size is reasonable for the purpose.

AND

(3) The caretaker is required to be on the premises 365 days a year without exception unless a substitute is in place. This requirement would apply to all hours that the cemetery would be normally closed or during the time when vandalism or other damage is most likely to take place.

AND

(4) No rent is paid to the cemetery by the caretaker but is provided to him as part of his employment.

AND

(5) Protection is afforded by the caretakers, not merely by their presence, but that they regularly patrol the grounds, lock gates if necessary, and generally act in the capacity of ensuring the property is secure.

Exempt properties held by families or individuals for the purposes of burial are not subject to the requirement applying for exemption.

Nonprofit cemeteries are only required to file an initial application and additional filings are not required on property approved for exemption by the state department of revenue.

[Order PT 77-2, § 458-16-180, filed 5/23/77; Order PT 76-2, § 458-16-180, filed 4/7/76. Formerly WAC 458-12-190.]

**WAC 458-16-190 Churches, parsonages and convents.** All churches and grounds that are owned by religious organizations and exclusively used for church purposes shall be exempt to the following extent:

(1) The area upon which a church and parsonage is or shall be built, not exceeding five acres of land. The area exempt includes the ground covered by the church, parsonage, and convent, the buildings and improvements required for the maintenance and security of such property and the structures and ground necessary for street access, parking, light and ventilation. (AGO 5-1-1952; PTB No. 217)

(2) If the requirements of subsection (1) are met the exemption will apply to a parsonage or convent and a church built on noncontiguous lots, or to the construction of separate parsonages for a minister and assistant minister (AGO 4-9-1947), and to caretakers quarters when the following conditions are met.

(a) The residential use is necessary for the protection of property.

AND

(b) The size is reasonable for the purpose.

AND

(c) The caretaker is required to provide security or provide custodial service indicated in (e)(i) or (e)(ii).

AND

(d) No rent is paid to the church by the caretaker. Living quarters are provided in lieu of wages or salary. The service provided by the caretaker is considered of equal or greater value than the provision of living quarters. Reimbursement of utilities expense created by the caretaker will not be considered as rent.

AND

(e)(i) Protection is afforded by the caretakers, not merely by their presence, but their duties will include periodic inspection of the property to ensure it's security.

OR

(e)(ii) Necessary on a daily basis to open and close the premises at irregular hours, activate or shut down environmental systems, and other maintenance activities necessary for the effective operation and utilization of the facilities.

(3) Land unoccupied or not covered by a church, parsonage or convent, and not occupied for church or related purposes, is exempt up to an area the equivalent of 120 feet by 120 feet, except where additional unoccupied land may be required to conform with state or local codes, zoning, or licensing requirements.

(4) Where property is used for nonchurch purposes, the exemption is lost. If a portion of the church building or grounds is used for commercial rather than church purposes, that portion must be segregated and taxed whether or not the profit reserved by the church from the commercial use is applied to church purposes. (*Norwegian Lutheran Church v. Wooster*, 176 Wash. 581 (1934).)

(5) The rental or lease of any portion of the church building or grounds is subject to the following provisions:

(a) Must be to a nonprofit organization, association, corporation or school.

(b) Must be for an eleemosynary use (see definition below).

(c) Rental must be reasonable and solely for operation and maintenance of property.

(6) Definitions:

(a) "Church purposes" shall be construed to mean the use of real and personal property owned by a nonprofit religious organization for religious worship or related administrative, educational, eleemosynary, and social activities. This definition is to be broadly construed.

(b) "Eleemosynary" shall be construed to mean charitable; not limited to the distribution of alms, but also includes activities when some social objective is served or general welfare is advanced, and where, but for the activity, government might be required to provide the service.

(c) "Convent" means a house or set of buildings occupied by a community of clergymen or nuns devoted to religious life under a superior.

(d) "Parsonage" means a residence, owned in fee or contract purchase by the church, which is occupied by a clergyman who is designated for a particular congregation and who holds regular services therefor. Property, title of which will be transferred to an individual upon

completion of a tour of duty or other obligations, will not qualify for property tax exemption.

(e) "Clergyman" means the female as well as the male gender.

(f) "Owned" means owned in fee or by contract purchase.

With regard to property covered by this rule, the department of revenue may request additional information, in the area of finances, relative to the lease rental or license to use the properties claimed for exemption. This shall not be construed as a license to require general information relating to the amount of revenue received as donations, gifts, bequests, or tithes. The department shall have access to financial information, where necessary, to establish nonprofit status, if requested in writing.

[Statutory Authority: RCW 84.36.865. 82-22-060 (Order PT 82-8), § 458-16-190, filed 11/2/82; 81-21-009 (Order PT 81-13), § 458-16-190, filed 10/8/81; Order PT 77-2, § 458-16-190, filed 5/23/77; Order PT 76-2, § 458-16-190, filed 4/7/76. Formerly WAC 458-12-195.]

**WAC 458-16-200 Grounds upon which a church or parsonage shall be built.** Any church claiming exemption from ad valorem taxation on the property upon which a church, parsonage, or convent is to be built, shall have a specific plan and clear intent to hold such land for this and no other purpose.

It shall be the responsibility of such organizations to sustain the burden of proof that a reasonably specific and active program is being carried out to accomplish the construction of a church, parsonage, or convent within a reasonable period of time. Such proof should include sufficient information from which the department may be able to determine what portion of the property will qualify for exemption when construction is completed.

Proof which may be submitted to evidence the required intent to build may include, but is not limited to:

(1) Affirmative action by the board of directors, trustees, or governing body toward an active program of construction.

(2) Itemized reasons for the proposed construction, such as

(a) Need for expansion due to growth;

(b) Replacement of wornout buildings;

(c) Initial facilities for a newly organized congregation;

(3) Clearly established plans for financing the construction.

(4) Proposed architectural plans which would tend to show what portion of the property will be under actual use.

(5) Building permits.

(6) Such other proof as the department may deem relevant to show an active program aimed at construction. The length of time under which a property may be held for future construction shall be dependent upon the intent evidenced under the circumstances of each individual situation.

[Order PT 77-2, § 458-16-200, filed 5/23/77; Order PT 76-2, § 458-16-200, filed 4/7/76. Formerly WAC 458-12-200.]

**WAC 458-16-210 Nonprofit, nonsectarian organizations.** (1) The real and personal property owned by nonsectarian organizations is exempt from taxation, provided that: (a) The organization is nonprofit and is organized and conducted primarily for nonsectarian purposes, (b) the property is, except as provided in RCW 84.36.805 and subsections (2) and (4) of this section, used for character-building, benevolent, protective or rehabilitative social services directed at persons of all ages, and (c) if these organizations were not conducting these activities the government would provide this service.

These are the primary uses and the word "fraternal" is not among them, therefore, organizations whose main function is fraternal would not qualify under this section.

This exemption extends to property of nonprofit, nonsectarian organizations which are used for benevolent, protective or rehabilitative social services and those which are actually related to those purposes. If any portion of the property of the organization is used for commercial rather than nonsectarian purposes, that portion must be segregated and taxed. Thrift store operations, restricted to the sale of "donated merchandise" will not jeopardize the exemption if the claimant can verify the proceeds are directed to an exempt purpose.

Organizations claiming exemption on property used to provide short-term emergency shelter to homeless persons will upon request provide complete financial information regarding the claimed property, and will also provide the policy used in screening clients, the maximum term of stay, the fee schedule and the number of persons housed.

(2) The loan or rental of the property does not subject the property to tax if (a) the rents and donations received for the use of the portion of the property are reasonable and do not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented, and (b) the property would be exempt from tax if owned by the organization to which it is loaned or rented. (RCW 84.36.805): *Provided, however,* That the loan or rental of property to other nonprofit organizations, for periods of less than fifteen days shall not be subject to the restrictions of (a) of this subsection so long as all income received therefrom is devoted exclusively to exempt purposes. Maintenance and operating expenses means those items of rental expense as allowed and defined in generally accepted accounting principles. Property rented or leased for the purpose of deriving revenue from it, shall not be exempt and must be segregated and taxed whether or not such revenue is devoted to exempt purposes. For purposes of this subsection the term "revenue" means income received from the loan, lease or rental of property when such income exceeds the amount of the maintenance and operation expenses attributable to the term and portion of the property loaned or rented.

(3) Programs provided under a personal service contract will not jeopardize the exemption if the following conditions are met:

(a) The contract is written to clearly reflect all receipts and expenses are to be administered by the exempt organization.

(b) The financial records of the exempt organization will identify all receipts and expenses of the programs.

(c) The program is compatible and consistent with the purposes of the exempt organization.

(d) A summary of all receipts and expenses of the program will be provided to the department upon request.

Programs provided under a personal service contract, whereby the contractor will reimburse the organization for expenses pertaining to the program will be viewed as a rental agreement between the exempt organization and an individual or for profit user and will subject that portion of property to tax.

(4) The use of the property for fund-raising activities sponsored by the exempt organization does not subject the property to tax if the fund-raising activities are consistent with the purposes for which exemption is granted. The term "fund raising" means any revenue-raising activity limited to less than five days in length including but not limited to art auctions, use of the property by professional organizations for conferences, seminars, or other activities which enhance the reputation of the organization.

[Statutory Authority: RCW 84.36.865, 86-12-034 (Order PT 86-2), § 458-16-210, filed 5/30/86; 85-05-025 (Order PT 85-1), § 458-16-210, filed 2/15/85. Statutory Authority: RCW 84.36.389 and 84.36.865, 83-19-029 (Order PT 83-5), § 458-16-210, filed 9/14/83. Statutory Authority: RCW 84.36.865, 81-05-017 (Order PT 81-7), § 458-16-210, filed 2/11/81; Order PT 77-2, § 458-16-210, filed 5/23/77; Order PT 76-2, § 458-16-210, filed 4/7/76. Formerly WAC 458-12-205.]

**WAC 458-16-220 Church camps.** The property owned by a nonprofit church or an organization or association comprised solely of churches or their qualified representatives which is, except as provided in RCW 84.36.805 and subsections (1) and (3) of this section, used exclusively or jointly used for organized and supervised recreational or educational activities and church purposes as related to such camp facilities are exempt from ad valorem taxation up to a maximum of 200 acres as selected by the church, including buildings and other improvements thereon.

(1) The loan or rental of the property does not subject the property to tax if (a) the rents and donations received for the use of the portion of the property are reasonable and do not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented; and (b) the property would be exempt from tax if owned by the organization to which it is loaned or rented. (RCW 84.36.805): *Provided, however,* That the loan or rental of property to other nonprofit organizations, for periods of less than fifteen days shall not be subject to the restrictions of (a) of this subsection so long as all income received therefrom is devoted exclusively to exempt purposes. Maintenance and operating expenses means those items of rental expense as allowed and defined in generally accepted accounting principles. Property rented or leased for the

purpose of deriving revenue from it, shall not be exempt and must be segregated and taxed whether or not such revenue is devoted to exempt purposes. For purposes of this subsection the term "revenue" means income received from the loan, lease or rental of property when such income exceeds the amount of the maintenance and operation expenses attributable to the term and portion of the property loaned or rented.

(2) Programs provided under a personal service contract will not jeopardize the exemption if the following conditions are met:

(a) The contract is written to clearly reflect all receipts and expenses are to be administered by the exempt organization.

(b) The financial records of the exempt organization will identify all receipts and expenses of the programs.

(c) The program is compatible and consistent with the purposes of the exempt organization.

(d) A summary of all receipts and expenses of the program will be provided to the department upon request.

Programs provided under a personal service contract, whereby the contractor will reimburse the organization for expenses pertaining to the program will be viewed as a rental agreement between the exempt organization and an individual or for profit user and will subject that portion of property to tax.

(3) The use of the property for fund-raising activities sponsored by the exempt organization does not subject the property to tax if the fund-raising activities are consistent with the purposes for which exemption is granted. The term "fund raising" means any revenue-raising activity limited to less than five days in length including but not limited to art auctions, use of the property by professional organizations for conferences, seminars, or other activities which enhance the reputation of the organization.

It shall be the burden of the organization owning the property to insure that the lessee abides by the terms of the statute under which the exemption is obtained and provide evidence of compliance upon request.

[Statutory Authority: RCW 84.36.865, 86-12-034 (Order PT 86-2), § 458-16-220, filed 5/30/86; 85-05-025 (Order PT 85-1), § 458-16-220, filed 2/15/85; Order PT 77-2, § 458-16-220, filed 5/23/77; Order PT 76-2, § 458-16-220, filed 4/7/76. Formerly WAC 458-12-206.]

#### WAC 458-16-230 Character building organizations.

(1) Property, including buildings and improvements required for the maintenance and safeguarding of such property, which is owned by organizations and associations engaged in character building of boys and girls under eighteen years of age, is exempt from taxation to the extent that it is, except as provided in RCW 84.36.805 and subsections (2) and (4) of this section, solely used, or to the extent used, for such purposes and uses: *Provided*, That (a) the group is nonprofit, and (b) the purposes of the group are for the general good and its properties are devoted to the general public benefit. Only that property solely used is exempt, and property used for other purposes, whether commercial or otherwise, must be segregated and taxed.

If the existing charters of such organizations or associations provide for services to boys and girls up to the age of twenty-one years, then such organizations or associations shall be deemed qualified under this rule.

(2) The loan or rental of the property does not subject the property to tax if (a) the rents and donations received for the use of the portion of the property are reasonable and do not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented; and (b) the property would be exempt from tax if owned by the organization to which it is loaned or rented. (RCW 84.36.805): *Provided, however*, That the loan or rental of property to other nonprofit organizations, for periods of less than fifteen days shall not be subject to the restrictions of (a) of this subsection so long as all income received therefrom is devoted exclusively to exempt purposes. Maintenance and operating expenses means those items of rental expense as allowed and defined in generally accepted accounting principles. Property rented or leased for the purpose of deriving revenue from it, shall not be exempt and must be segregated and taxed whether or not such revenue is devoted to exempt purposes. For purposes of this subsection the term "revenue" means income received from the loan, lease or rental of property when such income exceeds the amount of the maintenance and operation expenses attributable to the term and portion of the property loaned or rented.

(3) Programs provided under a personal service contract will not jeopardize the exemption if the following conditions are met:

(a) The contract is written to clearly reflect all receipts and expenses are to be administered by the exempt organization.

(b) The financial records of the exempt organization will identify all receipts and expenses of the programs.

(c) The program is compatible and consistent with the purposes of the exempt organization.

(d) A summary of all receipts and expenses of the program will be provided to the department upon request.

Programs provided under a personal service contract, whereby the contractor will reimburse the organization for expenses pertaining to the program will be viewed as a rental agreement between the exempt organization and an individual or for profit user and will subject that portion of property to tax.

(4) The use of the property for fund-raising activities sponsored by the exempt organization does not subject the property to tax if the fund-raising activities are consistent with the purposes for which exemption is granted. The term "fund raising" means any revenue raising activity limited to less than five days in length including but not limited to art auctions, use of the property by professional organizations for conferences, seminars, or other activities which enhance the reputation of the organization.

[Statutory Authority: RCW 84.36.865, 86-12-034 (Order PT 86-2), § 458-16-230, filed 5/30/86; 85-05-025 (Order PT 85-1), § 458-16-230, filed 2/15/85; Order PT 77-2, § 458-16-230, filed 5/23/77; Order PT 76-2, § 458-16-230, filed 4/7/76. Formerly WAC 458-12-210.]

**WAC 458-16-240 Veterans organizations.** (1) Property of veterans organizations, which are recognized by the department of defense and nationally chartered, are exempted from taxation. To qualify, these organizations shall have as their general purpose and objectives; (a) the preservation of war memories and associations, and (b) consecration of their efforts toward mutual helpfulness and patriotic or community services. To be exempt the property must be, except as provided in RCW 84.36.805 and subsections (2) and (4) of this section, used for the purposes and objectives of the organization.

(2) The loan or rental of the property does not subject the property to tax if (a) the rents and donations received for the use of the portion of the property are reasonable and do not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented; and (b) the property would be exempt from tax if owned by the organization to which it is loaned or rented. (RCW 84.36.805); *Provided, however,* That the loan or rental of property to other nonprofit organizations, for periods of less than fifteen days shall not be subject to the restrictions of (a) of this subsection so long as all income received therefrom is devoted exclusively to exempt purposes. Maintenance and operating expenses means those items of rental expense as allowed and defined in generally accepted accounting principles. Property rented or leased for the purpose of deriving revenue from it, shall not be exempt and must be segregated and taxed whether or not such revenue is devoted to exempt purposes. For purposes of this subsection the term "revenue" means income received from the loan, lease or rental of property when such income exceeds the amount of the maintenance and operation expenses attributable to the term and portion of the property loaned or rented.

(3) Programs provided under a personal service contract will not jeopardize the exemption if the following conditions are met:

(a) The contract is written to clearly reflect all receipts and expenses are to be administered by the exempt organization.

(b) The financial records of the exempt organization will identify all receipts and expenses of the programs.

(c) The program is compatible and consistent with the purposes of the exempt organization.

(d) A summary of all receipts and expenses of the program will be provided to the department upon request.

Programs provided under a personal service contract, whereby the contractor will reimburse the organization for expenses pertaining to the program will be viewed as a rental agreement between the exempt organization and an individual or for profit user and will subject that portion of property to tax.

(4) The use of the property for fund-raising activities sponsored by the exempt organization does not subject the property to tax if the fund-raising activities are consistent with the purposes for which exemption is granted. The term "fund raising" means any revenue-raising activity limited to less than five days in length including

but not limited to art auctions, use of the property by professional organizations for conferences, seminars, or other activities which enhance the reputation of the organization.

[Statutory Authority: RCW 84.36.865, 86-12-034 (Order PT 86-2), § 458-16-240, filed 5/30/86; 85-05-025 (Order PT 85-1), § 458-16-240, filed 2/15/85; Order PT 77-2, § 458-16-240, filed 5/23/77; Order PT 76-2, § 458-16-240, filed 4/7/76. Formerly WAC 458-12-215.]

**WAC 458-16-260 Day care centers, libraries, orphanages, homes for the aged, homes for sick or infirm, hospitals.** Buildings, grounds, and other real and personal property to the extent used, except as provided for in RCW 84.36.805 and subsections (8) and (10) of this section, by the following institutions are exempt from taxation:

(1) Day care centers, as defined by RCW 74.15.020;

(2) Preschools;

(3) Free public libraries;

(4) Orphanages and orphan asylums;

(5) Homes for the aged;

(6) Homes for the sick or infirm;

(7) Hospitals for the sick including any portion of the hospital building or other buildings used as a nurse's home or residence for hospital employees, or operated as a portion of the hospital unit.

Any portion of property owned by an organization which is used in a manner not furthering the purposes of the institution, (for example, hospital property used by a physician for private practice) must be segregated and taxed. (AGO 7-3-1935)

Property owned by an organization exempt under this rule which is irrevocably dedicated to the purposes of the organization is included in this exemption: *Provided,* That the organization can evidence irrevocable intent to put the property to a qualifying use. The forms of proof set forth in WAC 458-16-200 may be utilized for this purpose. To be exempted, the property must be in use or under construction which is designed for use.

The superintendent or manager of the organization claiming exemption under this statute shall allow the department of revenue access to the books and records of the organization and shall make, under oath, a report to the department showing that the income and receipts thereof, including donations to it, have been applied to the actual expenses of operating and maintaining it, or for its capital expenses and to no other purposes, also including a statement of the receipts and the disbursements of said organization.

An exemption may be granted to the real or personal property leased or rented by any organization, corporation, or association exempted under the provisions of RCW 84.36.040 and used exclusively by it: *Provided,* That the benefit of the exemption inures to the user. Such property must be specifically identified as leased in filing for exemption.

For the purposes of this rule a "hospital" is an organization primarily engaged in providing medical, surgical, nursing and/or related health care services in the prevention, diagnosis or treatment of human disease, pain, injury, disability, deformity or physical condition, or

mental illness or retardation, and the equipment and facilities used by such organization to deliver such services on an inpatient basis. This definition shall include any portion of a hospital building, or other buildings used in connection therewith, and the equipment therein, operated as a portion of the hospital unit, or used as a residence for persons engaged or employed in the operation of a hospital.

(8) The loan or rental of this property does not subject the property to tax if (a) the rents and donations received for the use of the portion of the property are reasonable and do not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented; and (b) the property would be exempt from tax if owned by the organization to which it is loaned or rented. (RCW 84.36.805) Maintenance and operating expenses means those items of rental expense as allowed and defined in generally accepted accounting principles.

(9) Programs provided under a personal service contract will not jeopardize the exemption if the following conditions are met:

(a) The contract is written to clearly reflect all receipts and expenses are to be administered by the exempt organization.

(b) The financial records of the exempt organization will identify all receipts and expenses of the programs.

(c) The program is compatible and consistent with the purposes of the exempt organization.

(d) A summary of all receipts and expenses of the program will be provided to the department upon request.

Programs provided under a personal service contract, whereby the contractor will reimburse the organization for expenses pertaining to the program will be viewed as a rental agreement between the exempt organization and an individual or for profit user and will subject that portion of property to tax.

(10) The use of the property for fund-raising activities sponsored by the exempt organization does not subject the property to tax if the fund-raising activities are consistent with the purposes for which exemption is granted. The term "fund raising" means any revenue-raising activity limited to less than five days in length including but not limited to art auctions, use of the property by professional organizations for conferences, seminars, or other activities which enhance the reputation of the organization.

[Statutory Authority: RCW 84.36.865, 85-05-025 (Order PT 85-1), § 458-16-260, filed 2/15/85, Statutory Authority: RCW 84.36.389 and 84.36.865, 83-19-029 (Order PT 83-5), § 458-16-260, filed 9/14/83, Statutory Authority: RCW 84.36.865, 81-05-017 (Order PT 81-7), § 458-16-260, filed 2/11/81; Order PT 77-2, § 458-16-260, filed 5/23/77; Order PT 76-2, § 458-16-260, filed 4/7/76. Formerly WAC 458-12-225.]

**WAC 458-16-270 Schools and colleges.** The property owned or used by any nonprofit school or college within this state shall be exempt to the extent that:

(1) The property is used for educational purposes, or cultural or art educational programs as defined in RCW 82.04.4328. The term "educational purposes" includes

systematic instruction in any and all branches of learning from which a substantial public benefit is derived. In addition, the term "educational purposes" includes all purposes which seek to promote education.

(2) The real property so exempt shall not exceed four hundred acres in extent and except as provided in RCW 84.36.805 and subsections (6) and (8) of this section shall be used exclusively for college or campus purposes. College or campus purposes shall be construed to mean that the need for such property would be nonexistent, but for the presence of such school or college and the property is principally designed to further the educational functions of such college or schools. As used in this subsection, the term "educational functions" means any function, action, or activity sponsored by the nonprofit school, which promotes education or advances educational purposes.

(3) Institutions claiming exemption for property which is not a portion of the main campus must provide in detail when requested by the department of revenue:

(a) The courses taught on site;

(b) A calendar of uses; and

(c) The number of students participating on site.

(4) The institution must be open to all persons on equal terms. However, there is no limitation on the types of courses which the institution may offer.

(5) For purposes of this exemption, "schools and colleges" will mean (a) those nonprofit educational institutions which are either accredited by the state or whose students and credentials are accepted without examination by schools and colleges established under Title 28A or 28B RCW and which offer to students an educational program of a general academic nature, or (b) those nonprofit institutions meeting the following criteria:

(i) It must have a definable curriculum for a specific group with definable and measurable outcomes;

(ii) It must have a qualified and/or certified faculty;

(iii) It must have facilities and equipment that are designed for the primary purpose of the educational program;

(iv) It must have an attendance specification;

(v) It must have a schedule or course of study supporting the instructional curriculum;

(vi) It must have accreditation or recognition by a professional association.

(6) The loan or rental of the property does not subject the property to tax if (a) the rents and donations received for the portion of the property are reasonable and do not exceed the maintenance and operation expenses attributable to the term and portion of the property loaned or rented; and (b) the property would be exempt from tax if owned by the organization to which it is loaned or rented. (RCW 84.36.805): *Provided, however,* That the loan or rental of school or college property to other nonprofit organizations, for periods of less than fifteen days shall not be subject to the restrictions of this subsection so long as all income received therefrom is devoted exclusively to the support and maintenance of the school or college. Maintenance and operating expenses means those items of rental expense as allowed and defined in generally accepted accounting principles.

Property of nonprofit schools owned, controlled, rented or leased for the purpose of deriving revenue from it, shall not be exempt and must be segregated and taxed whether or not such revenue is devoted to educational purposes. For purposes of this subsection the term "revenue" means income received by the school or college for the loan, lease, or rental of its property when such income exceeds the amount of the maintenance and operation expenses attributable to the term and portion of the property loaned or rented.

(7) Programs provided under a personal service contract will not jeopardize the exemption if the following conditions are met:

(a) The contract is written to clearly reflect all receipts and expenses are to be administered by the exempt organization.

(b) The financial records of the exempt organization will identify all receipts and expenses of the programs.

(c) The program is compatible and consistent with the purposes of the exempt organization.

(d) A summary of all receipts and expenses of the program will be provided to the department upon request.

Programs provided under a personal service contract, whereby the contractor will reimburse the organization for expenses pertaining to the program will be viewed as a rental agreement between the exempt organization and an individual or for profit user and will subject that portion of property to tax.

(8) The use of the property for fund-raising activities sponsored by the exempt organization does not subject the property to tax if the fund-raising activities are consistent with the purposes for which exemption is granted. The term "fund raising" means any revenue raising activity limited to less than five days in length including but not limited to art auctions, use of school property by professional organizations for conferences, seminars, or other activities which enhance the reputation of the school or college, or the use of school property for any educational purpose.

(9) Institutions claiming exemption within this rule shall allow the department of revenue access to all books and records of the institution and shall annually make, under oath, a report to the department showing that the income and receipts thereof, including donations to it, have been applied to the actual expenses of operating and maintaining it or for capital expenses for endowments, the income of which shall be used for the operation, maintenance or capital expenditures and to no other purpose, also including a statement of the receipts and disbursements of said organization. In addition, institutions claiming exemption under this rule shall submit a list of all property claimed to be exempt, the purpose for which it is used, the revenue derived from it during the preceding year, the use to which the revenue was applied, the number of students in attendance at the institution, the total revenues of the institution and the source from which they were derived, and the purposes to which such revenues were applied, giving the items of such revenues and expenditures in detail.

[Statutory Authority: RCW 84.36.865. 85-05-025 (Order PT 85-1), § 458-16-270, filed 2/15/85. Statutory Authority: RCW 84.36.389 and 84.36.865. 83-19-029 (Order PT 83-5), § 458-16-270, filed 9/14/83. Statutory Authority: RCW 84.36.865. 82-22-060 (Order PT 82-8), § 458-16-270, filed 11/2/82; 81-05-017 (Order PT 81-7), § 458-16-270, filed 2/11/81; Order PT 77-2, § 458-16-270, filed 5/23/77; Order PT 76-2, § 458-16-270, filed 4/7/76. Formerly WAC 458-12-230.]

**WAC 458-16-280 Art, scientific and historical collections—Fire companies—Humane societies.** (1) All art, scientific, or historical collections, together with all real and personal property used exclusively, except as provided in RCW 84.36.805 and subsections (4) and (6) of this section, for the safekeeping, maintaining or exhibiting of such, which are maintained or exhibited for the general public and not for profit, shall be exempt from taxation under the following conditions:

(a) Such organization must be organized and operated exclusively for artistic, scientific, historical, literary or educational purposes, and

(b) Receive a substantial part of its income (exclusive of income received in the exercise or performance by such organization of its purpose or function) from the United States, any state or political subdivision thereof, or from direct or indirect contributions from the general public.

(2) Fire engines and other implements used to put out fires, and the buildings or fire stations to the extent that they are exclusively used for the safekeeping of such equipment, and to hold fire company meetings, shall be exempt, provided that such properties are owned by either a city, town or nonprofit fire company.

(3) Property within the state which is owned and actually used by humane societies shall be exempt.

(4) The loan or rental of the property does not subject the property to tax if (a) the rents and donations received for the use of the portion of the property are reasonable and do not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented; and (b) the property would be exempt from tax if owned by the organization to which it is loaned or rented. (RCW 84.36.805): *Provided, however,* That the loan or rental of property to other nonprofit organizations, for periods of less than fifteen days shall not be subject to the restrictions of (a) of this subsection so long as all income received therefrom is devoted exclusively to exempt purposes. Maintenance and operating expenses means those items of rental expense as allowed and defined in generally accepted accounting principles. Property rented or leased for the purpose of deriving revenue from it, shall not be exempt and must be segregated and taxed whether or not such revenue is devoted to exempt purposes. For purposes of this subsection the term "revenue" means income received from the loan, lease or rental of property when such income exceeds the amount of the maintenance and operation expenses attributable to the term and portion of the property loaned or rented.

(5) Programs provided under a personal service contract will not jeopardize the exemption if the following conditions are met:

(a) The contract is written to clearly reflect all receipts and expenses are to be administered by the exempt organization.

(b) The financial records of the exempt organization will identify all receipts and expenses of the programs.

(c) The program is compatible and consistent with the purposes of the exempt organization.

(d) A summary of all receipts and expenses of the program will be provided to the department upon request.

Programs provided under a personal service contract, whereby the contractor will reimburse the organization for expenses pertaining to the program will be viewed as a rental agreement between the exempt organization and an individual or for profit user and will subject that portion of property to tax.

(6) The use of the property for fund-raising activities sponsored by the exempt organization does not subject the property to tax if the fund-raising activities are consistent with the purposes for which exemption is granted. The term "fund raising" means any revenue-raising activity limited to less than five days in length including but not limited to art auctions, use of the property by professional organizations for conferences, seminars, or other activities which enhance the reputation of the organization.

[Statutory Authority: RCW 84.36.865, 86-12-034 (Order PT 86-2), § 458-16-280, filed 5/30/86; 85-05-025 (Order PT 85-1), § 458-16-280, filed 2/15/85; 81-21-009 (Order PT 81-13), § 458-16-280, filed 10/8/81; Order PT 77-2, § 458-16-280, filed 5/23/77; Order PT 76-2, § 458-16-280, filed 4/7/76. Formerly WAC 458-12-235.]

**WAC 458-16-282 Musical, dance, artistic, dramatic and literary associations.** The real and personal property owned by or leased to nonprofit organizations whose purpose is to produce and/or perform musical, dance, artistic, dramatic or literary works, for the benefit of the general public and not for profit. To be exempt the property must be used exclusively, except as provided for in RCW 84.36.805 and subsections (5) and (7) of this section, in accordance with the following rules:

(1) Must be organized and operated exclusively for the purpose of the exemption.

(2) Must receive a substantial portion of its support, exclusive of moneys received from admissions to its performances, from governmental entities or from direct or indirect contributions of money, real or personal property and/or services from the general public. Organizations relying on services donated by the general public to meet the substantial portion of its support, must maintain records identifying the individuals and the number of hours donated. Donated time will be valued under the federal minimum wage standards.

(3) Applications for leased property must include a copy of the lease agreement.

(4) The property meets all the conditions of RCW 84.36.800 through 84.36.865.

(5) The loan or rental of the property does not subject the property to tax if (a) the rents and donations received for the use of the portion of the property are reasonable and do not exceed the maintenance and

operation expenses attributable to the portion of the property loaned or rented; and (b) the property would be exempt from tax if owned by the organization to which it is loaned or rented. (RCW 84.36.805): *Provided, however,* That the loan or rental of property to other nonprofit organizations, for periods of less than fifteen days shall not be subject to the restrictions of (a) of this subsection so long as all income received therefrom is devoted exclusively to exempt purposes. Maintenance and operating expenses means those items of rental expense as allowed and defined in generally accepted accounting principles. Property rented or leased for the purpose of deriving revenue from it, shall not be exempt and must be segregated and taxed whether or not such revenue is devoted to exempt purposes. For purposes of this subsection the term "revenue" means income received from the loan, lease or rental of property when such income exceeds the amount of the maintenance and operation expenses attributable to the term and portion of the property loaned or rented.

(6) Programs provided under a personal service contract will not jeopardize the exemption if the following conditions are met:

(a) The contract is written to clearly reflect all receipts and expenses are to be administered by the exempt organization.

(b) The financial records of the exempt organization will identify all receipts and expenses of the programs.

(c) The program is compatible and consistent with the purposes of the exempt organization.

(d) A summary of all receipts and expenses of the program will be provided to the department upon request.

Programs provided under a personal service contract, whereby the contractor will reimburse the organization for expenses pertaining to the program will be viewed as a rental agreement between the exempt organization and an individual or for profit user and will subject that portion of property to tax.

(7) The use of the property for fund-raising activities sponsored by the exempt organization does not subject the property to tax if the fund-raising activities are consistent with the purposes for which exemption is granted. The term "fund raising" means any revenue-raising activity limited to less than five days in length including but not limited to art auctions, use of the property by professional organizations for conferences, seminars, or other activities which enhance the reputation of the organization.

[Statutory Authority: RCW 84.36.865, 86-12-034 (Order PT 86-2), § 458-16-282, filed 5/30/86; 85-05-025 (Order PT 85-1), § 458-16-282, filed 2/15/85; 81-21-010 (Order PT 81-14), § 458-16-282, filed 10/8/81.]

**WAC 458-16-290 Nature conservancy lands.** The real property or leaseholds, exclusively used for the conservation of ecological systems or natural resources owned or held under contract purchase by any nonprofit corporation or association, the primary purpose of which is the conducting or facilitating of scientific research or

the conserving of natural resources for the general public, shall be exempt under either of the following conditions:

(1) The property shall be used and effectively dedicated primarily for the purpose of providing scientific research or educational opportunities, or the preservation of native plants or animals or biotic communities, or works of ancient man, or geological or geographical formations of distinct scientific and educational interests, and shall be open to the general public subject to reasonable restrictions designed for its protection and not for the pecuniary benefit of any person or company; or

(2) That such property shall be subject to an option, accepted in writing, for the purchase thereof by the United States, the state, a county or a city at a price to be determined by the criteria set forth in RCW 84.36.260(2).

Property used merely for recreational activities does not qualify for an exemption.

Upon cessation of the use which has given rise to this exemption, the county treasurer shall collect all taxes which would have been paid had the property not been exempt during the ten years preceding, or the life of such exemption if such is less, together with interest at the same rate and computed in the same way as upon delinquent property taxes.

Such properties shall be subject to the provisions of WAC 458-16-150.

[Order PT 77-2, § 458-16-290, filed 5/23/77; Order PT 76-2, § 458-16-290, filed 4/7/76. Formerly WAC 458-12-236.]

**WAC 458-16-300 Public meeting facilities.** Real and personal property used exclusively for public assembly or meeting places shall be exempt from taxation in accordance with the following rules:

(1) In order to qualify, the following conditions must be met:

(a) It is owned by a nonprofit organization;

(b) The area to be exempted does not exceed one acre;

(c) The owning organization has publicized fee schedules, a policy on the availability, and any restrictions on the use of the facility;

(d) The rental fee charged does not exceed the maintenance and operating expenses created by the users thereof;

(e) It is not used to promote business or pecuniary gain, except fund raising activities conducted by nonprofit organizations; and

(f) The applicant has provided to the department on an annual basis:

(i) A schedule of all users and the purpose of their use for the previous year; and

(ii) A detailed statement of income and expenses for the previous year.

(2) Other community meeting halls whose owners schedule regular meetings of their organizations will also qualify for the exemption if they meet the conditions in subsection (1) of this section, and:

(a) The scheduled uses by the owner do not exceed twenty-five percent of the useable time and such facility

is available for public gatherings and for meetings of other organizations or persons at all other times; and

(b) The facility is used for public gatherings an equal or greater number of times as the owning organization.

(3) Public gathering shall mean any gathering that is open to the general public and shall include meetings of organizations which allow attendance by nonmembers.

(4) Facilities used more than fifty percent of the time for meetings of organizations which disallow attendance by nonmembers do not qualify for this exemption.

(5) The loss of the exemption for a year will not subject the property to the provisions of RCW 84.36.810, provided that if the loss of the exemption was due to sale or transfer of the property or due to false information, RCW 84.36.810 shall apply.

[Statutory Authority: RCW 84.36.865. 81-21-010 (Order PT 81-14), § 458-16-300, filed 10/8/81.]

**WAC 458-16-310 Community celebration facilities.** Real and personal property used for community celebration events shall be exempt from taxation in accordance with the following rules:

(1) It is owned by a nonprofit organization;

(2) The area to be exempted does not exceed twenty-nine acres;

(3) The property has been primarily used for community celebration events for the last ten years;

(4) The purpose of the property is to provide a facility for the annual gathering;

(5) The owning organization has publicized fee schedules, a policy on the availability and any restrictions on the use of the facility;

(6) The rental fee charged does not exceed the maintenance and operating expenses created by the users thereof;

(7) It is not used to promote business or pecuniary gain, except fund raising activities conducted by nonprofit organizations;

(8) Any enclosed structures other than restroom facilities will not qualify; and

(9) The applicant has provided to the department on an annual basis:

(a) A schedule of all users and the purpose of their use, for the previous year; and

(b) A detailed statement of income and expenses for the previous year.

[Statutory Authority: RCW 84.36.865. 81-21-010 (Order PT 81-14), § 458-16-310, filed 10/8/81.]

## Chapter 458-17 WAC

### ASSESSMENT AND TAXATION OF MOTOR VEHICLES, TRAVEL TRAILERS, CAMPERS, MOTOR HOMES, AND SHIPS AND VESSELS

#### WAC

458-17-105	Ships and vessels—Definitions.
458-17-110	Ships and vessels—Subject to property taxation.
458-17-115	Ships and vessels—Listing.
458-17-120	Ships and vessels—Apportionment of value.

## DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

458-17-100 Ships and vessels—Apportionment of value. [Statutory Authority: RCW 84.08.070. 85-22-083 (Order PT 85-4), § 458-17-100, filed 11/6/85, effective 1/1/86.] Repealed by 86-21-003 (Order PT 86-5), filed 10/2/86. Statutory Authority: RCW 82.01.060(2).

**WAC 458-17-105 Ships and vessels—Definitions.** For the purposes of WAC 458-17-105 through 458-17-120:

(1) "Apportionable vessel" means a ship or vessel, other than one operated by a steamboat company as defined in RCW 84.12.200, which is:

- (a) Engaged in interstate commerce;
- (b) Engaged in foreign commerce; and/or
- (c) Engaged exclusively in fishing, tendering, harvesting, and/or processing seafood products on the high seas or waters under the jurisdiction of other states.

(2) "Interstate commerce" means a ship or vessel that is engaged in transporting persons or property from one state or territory of the United States to another.

(3) "Foreign commerce" means a ship or vessel that is engaged in transporting persons or property between a state or territory of the United States and a foreign country.

(4) "Limits of the state" shall mean the normal boundaries of the state of Washington abutting Canada, Oregon, and Idaho and three miles to the west of Washington's coast line.

(5) "State levy" means that portion of the property tax that is levied by the state for state purposes. The levy rate is that rate determined locally.

(6) "Exclusively" means for no other purpose.

(7) "Alteration" means to change, make different or modify.

(8) "Repair" means to mend, remedy, renovate, or restore to a sound or good state after decay, dilapidation, or partial destruction.

[Statutory Authority: RCW 82.01.060(2). 86-21-003 (Order PT 86-5), § 458-17-105, filed 10/2/86.]

**WAC 458-17-110 Ships and vessels—Subject to property taxation.** Ships and vessels which are not subject to the excise tax imposed by chapter 82.49 RCW are either subject to the state property tax levy or are completely exempt from both the property tax and the excise tax. This rule, however, covers only those ships and vessels subject to the property tax and not those subject to the excise tax.

(1) Pursuant to RCW 84.36.080, all ships and vessels which are (a) used exclusively for commercial fishing purposes or (b) primarily engaged in commerce and which also have or are required to have a valid marine document as a vessel of the United States, are exempt from all property taxes except those levied for any state purpose. Accordingly, such ships and vessels are subject to assessment by the department of revenue.

(2) However, this requirement to pay the state portion of the property tax does not apply to ships and vessels listed in the state or federal register of historical places.

Such historic ships and vessels are completely exempt from property taxation.

(3) Also, all ships and vessels which are not within the scope of subsection (1) of this section are completely exempt from property taxation. See RCW 84.36.090.

[Statutory Authority: RCW 82.01.060(2). 86-21-003 (Order PT 86-5), § 458-17-110, filed 10/2/86.]

**WAC 458-17-115 Ships and vessels—Listing.** Pursuant to section 3, chapter 229, Laws of 1986, every individual, corporation, association, partnership, trust, and estate shall list with the department of revenue all ships and vessels which are subject to their ownership, possession or control and which are subject to property taxation in accordance with WAC 458-17-110, and such listing shall be subject to the same requirements, penalties and liens provided in chapters 84.40 and 84.60 RCW for all other personal property in the same manner as provided therein.

[Statutory Authority: RCW 82.01.060(2). 86-21-003 (Order PT 86-5), § 458-17-115, filed 10/2/86.]

**WAC 458-17-120 Ships and vessels—Apportionment of value.** (1) Apportioned vessels which are subject to assessment by the department of revenue under WAC 458-17-110 shall have their value apportioned to the state of Washington in accordance with the following:

(a) The value of each apportionable vessel shall be apportioned to this state based on the number of days or fractions of days that the vessel is within the limits of this state during the calendar year preceding the calendar year in which the vessel is to be listed: *Provided*, That if the total number of days the vessel is within the limits of the state does not exceed one hundred twenty days for the preceding calendar year, no value shall be apportioned to this state.

(b) Days during which an apportionable vessel is in the state exclusively for one or more of the following purposes shall not be considered as days within this state, if the length of time is reasonable for the purpose of:

- (i) Undergoing repair or alteration;
- (ii) Taking on or discharging cargo, passengers or supplies; and/or
- (iii) Serving as a tug for a vessel under (i) or (ii) of this subsection.

(c) Any ship or vessel engaging in any other activity or use or merely being moored, will not be considered as being within the state exclusively for (b)(i), (ii), or (iii) of this subsection.

(2) Ships and vessels that do not meet the definition of "apportionable vessel" and is not operated by a steamboat company as defined in RCW 84.12.200, shall have their value apportioned to this state based on the number of days or fractions of days that the vessel is within the limits of this state during the calendar year preceding the calendar year in which the vessel is to be listed.

(3) Days during which any ship or vessel leaves this state only while navigating the high seas in order to

travel between points in this state shall be considered as days within this state.

(4) Ships and vessels shall be subject to property taxation in accordance with these rules even though they are not within the state on January 1 of the year in which the vessel is to be listed.

[Statutory Authority: RCW 82.01.060(2), 86-21-003 (Order PT 86-5), § 458-17-120, filed 10/2/86.]

### Chapter 458-18 WAC

#### PROPERTY TAX--ABATEMENTS, CREDITS, DEFERRALS AND REFUNDS

WAC	
458-18-010	Deferral of special assessments and/or property taxes—Definitions.
458-18-020	Deferral of special assessments and/or property taxes—Qualifications for deferral.
458-18-030	Deferral of special assessments and/or property taxes—Declarations to defer—Filing—Forms.
458-18-040	Deferral of special assessments and/or property taxes—Lien of state—Mortgage—Purchase contract—Deed of trust.
458-18-050	Deferral of special assessments and/or property taxes—Declarations to renew deferral—Filing—Forms.
458-18-060	Deferral of special assessments and/or property taxes—Limitations of deferral—Interest.
458-18-070	Deferral of special assessments and/or property taxes—Duties of the county assessor.
458-18-080	Deferral of special assessments and/or property taxes—Duties of the department of revenue—State treasurer.
458-18-090	Deferral of special assessments and/or property taxes—Appeals.
458-18-100	Deferral of special assessments and/or property taxes—When payable—Collection—Partial payment.
458-18-500	Deposit of moneys, assessments or taxes—Purpose.
458-18-510	Definitions.
458-18-520	Agreement.
458-18-530	Prohibition of deposit.
458-18-540	General provisions.
458-18-550	Expenditure of funds.

**WAC 458-18-010 Deferral of special assessments and/or property taxes--Definitions.** (1) "Claimant" means a person who is receiving a property tax exemption under RCW 84.36.381 through 84.36.389 and who either elects or is required under RCW 84.64.030 or 84.64.050 to defer payment of the special assessments and/or real property taxes on his or her residence. If two individuals of a household seek to defer, they must determine between them as to who the claimant shall be.

(2) "Department" means the Washington state department of revenue.

(3) "Equity value" means the amount by which the true and fair value of a residence as shown on the county property tax rolls for the year the deferral is to be made exceeds the total amount of all liens, obligations and encumbrances against the property excluding the deferral liens.

(4) "Special assessment" means the charge or obligation imposed by a city, town, county or other municipal corporation upon property specially benefited by a local improvement as provided in chapters:

(a) 35.44 RCW—Local improvements—Assessments and reassessments (cities and towns)

(b) 36.88 RCW—County road improvement districts (counties)

(c) 36.94 RCW—Sewer, water and drainage systems (counties)

(d) 53.08 RCW—Powers (port districts)

(e) 54.16 RCW—Powers (public utility districts)

(f) 56.20 RCW—Utility local improvement districts (sewer districts)

(g) 57.16 RCW—Comprehensive plan—Local improvement districts (water districts)

(h) 86.09 RCW—Flood control districts—1937 Act (flood control)

(i) 87.03 RCW—Irrigation districts generally (irrigation)

along with any others that may be relevant.

The term does not include the charge or obligation for services specially benefiting property not involving the construction of permanent improvements to real property, e.g., mosquito control, weed control, etc.

(5) "Real property taxes" means ad valorem property taxes levied on a residence in this state.

(6) "Fire and casualty insurance" means a policy with an insurer that is authorized to insure property in this state by the state insurance commission.

(7) "Lien" means any interest in property given to secure payment of a debt or performance of an obligation, and shall include a deed of trust. It shall include the total amount of assessments and/or property taxes deferred and the interest thereon.

[Statutory Authority: RCW 84.38.180, 84-21-010 (Order PT 84-4), § 458-18-010, filed 10/5/84; 81-05-020 (Order PT 81-8), § 458-18-010, filed 2/11/81; Order PT 76-1, § 458-18-010, filed 4/7/76.]

**WAC 458-18-020 Deferral of special assessments and/or property taxes--Qualifications for deferral.** A person may defer payment of special assessments and/or real property taxes on his property that is receiving an exemption under RCW 84.36.381 through 84.36.389 on up to eighty percent of the amount of his equity value in said property if the following conditions are met:

(1) The claimant must have owned, at the time of filing, the residence on which the special assessment and/or real property taxes have been imposed. For purposes of this subsection a residence owned by a marital community or owned by cotenants shall be deemed to be owned by each spouse and cotenant. A claimant who has only a share ownership in cooperative housing, a life estate, a lease for life or a revocable trust does not satisfy the ownership requirement.

(2) The claimant must have and keep in force fire and casualty insurance in sufficient amount to protect the interest of the state of Washington and shall designate the state as a loss payee upon said policy.

(3) In the case of special assessment deferral, the claimant must have opted for payment of such special assessments on the installment method if such method was available.

[Statutory Authority: RCW 84.38.180. 84-21-010 (Order PT 84-4), § 458-18-020, filed 10/5/84; 81-05-020 (Order PT 81-8), § 458-18-020, filed 2/11/81; Order PT 76-1, § 458-18-020, filed 4/7/76.]

**WAC 458-18-030 Deferral of special assessments and/or property taxes--Declarations to defer--Filing--Forms.**

(1) Declarations to defer special assessments and/or real property taxes for any year shall be filed no later than thirty days before the tax or assessment is due, or thirty days after receiving notice under RCW 84.64.030 or 84.64.050 whichever is later. For good cause shown the department may waive this requirement. All declarations to defer shall be made and signed by the claimant. If the claimant is unable to make his or her own declaration, it may be made and signed by a duly authorized agent or by a guardian or other person charged with care of the person or property of such claimant.

(2) The declaration to defer shall be made solely upon forms prescribed by the department of revenue and supplied by the county assessor. Such forms shall contain the following:

- (a) Name and address of the claimant.
- (b) If the property described upon the assessment rolls by the assessor contains more than one acre, the claimant must supply a complete and accurate legal description that encompasses the residence and that does not contain more than one acre.
- (c) An affirmation that the claimant meets the conditions of WAC 458-18-020 including, but not limited to the name, address, policy number, and amount of fire and casualty insurance carried on the residence.
- (d) A list of all members of the claimants household.
- (e) The claimant's equity in his residence including all liens, obligations and encumbrances against the property.
- (f) Information concerning any special assessments to be deferred.
- (g) The names of other parties with an interest in the residence to which the deferral applies.
- (h) Signatures of other parties in interest designating the claimant.
- (i) Signature of any mortgagee, contract purchase holder and/or beneficiary under a deed of trust.
- (j) An affirmation that the claimant is aware of the lien of the deferred special assessments and/or real property taxes and when the lien becomes payable.
- (k) A numbering system approved by the department.
- (l) Any other pertinent information the department deems relevant.

[Statutory Authority: RCW 84.38.180. 84-21-010 (Order PT 84-4), § 458-18-030, filed 10/5/84; 81-05-020 (Order PT 81-8), § 458-18-030, filed 2/11/81; Order PT 76-1, § 458-18-030, filed 4/7/76.]

**WAC 458-18-040 Deferral of special assessments and/or property taxes--Lien of state--Mortgage--Purchase contract--Deed of trust.** (1) Whenever any special assessments and/or real property taxes are deferred under the provisions of this chapter, the amount deferred,

including interest, shall become a lien in favor of the state upon this property and shall have priority as provided in chapters 35.50 and 84.60 RCW except as provided in subsection (3) herein.

(2) If any residence is under mortgage, deed of trust or purchase contract whereby the explicit wording or terms of the mortgage, deed of trust or purchase contract requires the accumulation of reserves out of which the holder of the mortgage, deed of trust, or purchase contract is required to pay real property taxes, said holder or his authorized agent shall cosign the declaration to defer either before a notary public or the county assessor or his deputy in the county in which the real property is located.

(3) The interest of any party required to cosign a declaration to defer under subsection (2) of this section shall have priority to the lien established in subsection (1) of this section.

[Order PT 76-1, § 458-18-040, filed 4/7/76.]

**WAC 458-18-050 Deferral of special assessments and/or property taxes--Declarations to renew deferral--Filing--Forms.**

(1) Declarations to defer assessments and/or real property taxes for all years following the first year shall be made by filing a "declaration to renew deferral" with the county assessor no later than thirty days before the tax or assessment is due. For good cause shown the department may waive this requirement. If the claimant is unable to make his or her renewal declaration, it may be made and signed by a duly authorized agent or by a guardian or other person charged with care of the person or property of such claimant.

(2) Such "declaration to renew deferral" will be made solely upon forms prescribed by the department and supplied by the county assessor. The "declaration to renew deferral" form shall include, but not be limited to, those requirements contained in WAC 458-18-030 (2)(a), (2)(b), (2)(d), (2)(e), (2)(i), (2)(j), and (2)(k).

[Statutory Authority: RCW 84.38.180. 84-21-010 (Order PT 84-4), § 458-18-050, filed 10/5/84; 81-05-020 (Order PT 81-8), § 458-18-050, filed 2/11/81; Order PT 76-1, § 458-18-050, filed 4/7/76.]

**WAC 458-18-060 Deferral of special assessments and/or property taxes--Limitations of deferral--Interest.** No deferral shall be granted if the liens created by the deferrals of special assessments and/or real property taxes equal or exceed eighty percent of the claimant's equity value in said property. Equity value will be determined as of January 1 in the year the taxes are to be deferred.

The liens shall include:

(1) The total amount of special assessments and/or real property taxes deferred, plus

(2) Interest on the amount deferred at the rate of eight percent per year, from the time it could have been paid before delinquency until said lien is paid.

[Statutory Authority: RCW 84.38.180. 84-21-010 (Order PT 84-4), § 458-18-060, filed 10/5/84; 81-21-008 (Order 81-12), § 458-18-060, filed 10/8/81; Order PT 76-1, § 458-18-060, filed 4/7/76.]

**WAC 458-18-070 Deferral of special assessments and/or property taxes--Duties of the county assessor.** The county assessor shall:

(1) Determine each year if each claimant filing a "declaration to defer" and/or a "declaration to renew deferral" shall be granted a deferral. If the assessor determines the claimant is not eligible, he shall notify the claimant as soon as possible;

(2) In January of each year mail renewal declarations to each claimant who had received a deferral the previous year;

(3) Immediately transmit one copy of each approved declaration to the department;

(4) Transmit one copy of each approved declaration to the local improvement district which imposed the assessment that is to be deferred. Such district shall verify the figures concerning said assessment supplied by the claimant and notify the assessor of the correct figures if those supplied are inaccurate;

(5) Compute the dollar tax rates under the provisions of chapter 84.52 RCW as if the deferrals did not exist;

(6) As soon as possible notify the department of the amount of special assessments and/or real property taxes deferred for each claimant for that year. Such notice shall contain any corrections brought about by subsection (4) of this section;

(7) As soon as possible notify the county treasurer and the respective treasurers of the local improvement districts of which claimants and properties have qualified for deferral and the amount that will be paid by the state treasurer on behalf of the claimant;

(8) Notify the county treasurer and the department immediately upon occurrence of any condition set forth in WAC 458-12-100(1).

[Statutory Authority: RCW 84.38.180. 84-21-010 (Order PT 84-4), § 458-18-070, filed 10/5/84; Order PT 76-1, § 458-18-070, filed 4/7/76.]

**WAC 458-18-080 Deferral of special assessments and/or property taxes--Duties of the department of revenue--State treasurer.** The department shall:

(1) Notify the county assessor as soon as possible of any declaration to defer, where any factor appears to disqualify the claimant;

(2) Certify to the state treasurer the amount due the respective treasurers for any special assessments and/or real property taxes deferred for that year;

(3) File a notice of the deferral with the county recorder or auditor;

(4) Notify the department of licensing to show the state's lien on the certificate of ownership of a mobile home.

The department may audit any "declaration to defer" and/or "declaration to renew deferral" it deems necessary.

The state treasurer shall pay, before delinquency, to the county treasurers and the treasurers of the respective local improvement districts the amounts certified by the department of revenue. The amount paid shall be distributed to the districts which levied the taxes.

[Statutory Authority: RCW 84.38.180. 84-21-010 (Order PT 84-4), § 458-18-080, filed 10/5/84; 81-05-020 (Order PT 81-8), § 458-18-080, filed 2/11/81; Order PT 76-1, § 458-18-080, filed 4/7/76.]

**WAC 458-18-090 Deferral of special assessments and/or property taxes--Appeals.** Any claimant whose "Declaration to defer" or "Declaration to renew deferral" is denied by the county assessor may appeal to the county board of equalization under the provisions of chapter 458-14 WAC. The decision of the county board of equalization shall be final for that year and no further appeal shall be allowed.

In any case where the claimant is notified of a denial subsequent to July 15 due to WAC 458-18-080(2), the department may reconvene the board of equalization if requested to do so by the assessor or claimant.

[Order PT 76-1, § 458-18-090, filed 4/7/76.]

**WAC 458-18-100 Deferral of special assessments and/or property taxes--When payable--Collection--Partial payment.** (1) Any special assessments and/or real property taxes deferred shall become payable together with interest:

(a) Upon the conveyance of property which has a deferred special assessment and/or real property tax lien upon it.

(b) Upon the death of the claimant except when the surviving spouse is qualified and elects to incur the lien and continue the deferral by (i) filing an original "declaration to defer" within ninety days of the claimant's death and (ii) continuing to meet the qualifications of WAC 458-18-010 through 458-18-100.

When a surviving spouse elects to continue the deferral, the spouse then becomes the claimant and is fully subject to the conditions of WAC 458-18-010 through 458-18-100.

(c) Upon condemnation of property with a deferred special assessment and/or real property tax lien upon it by a public or private body exercising the power of eminent domain: *Provided*, That if the assessed value of the property not condemned exceeds the amount of the liens, including interest, the claimant may elect to have the liens set over to the property retained: *Provided further*, That the amount of the lien allowed to be set over shall not exceed 80% of the claimant's equity in the retained property.

(d) At such time as the claimant ceases to reside permanently in the residence upon which the deferral has been granted. If the cessation occurs between filing the declaration and the date the taxes are payable, the deferral shall not be allowed.

(e) Upon the failure of the claimant to have or keep in force fire and casualty insurance in sufficient amount to protect the interest of the state of Washington or failure to keep the state listed as a loss payee upon said policy. Subsection (1)(b) shall take precedence over subsection (1)(d).

(2) Once a deferral has been granted, the various conditions contained within WAC 458-18-010 through 458-18-100 may prohibit the claimant from qualifying for further deferrals, but any obligations resulting from

deferrals previously granted will become due and payable only upon occurrence of the conditions set forth in subsection (1) of this section.

(3) Upon occurrence of any condition requiring the payment of any deferred special assessments and/or real property taxes, the county treasurer shall proceed to collect the same in the manner provided for in chapter 84.56 RCW. For purposes of collection of the deferred taxes and interest, provisions of chapters 84.56, 84.60, and 84.64 RCW shall be applicable. When these moneys are collected, they shall be credited to a special account in the county treasury and shall then be remitted to the state treasurer within thirty days from collection with remittance advice to the department of revenue. The state treasurer shall deposit the moneys in the state general fund.

(4) Any person may at any time pay a part or all of the deferred assessments and/or taxes including the interest, but such payment shall not affect the deferred tax status of the property. Any payment made shall be credited to the oldest deferred amount and shall be prorated between interest and the deferred assessments and/or taxes.

[Statutory Authority: RCW 84.38.180, 84-21-010 (Order PT 84-4), § 458-18-100, filed 10/5/84; 81-05-020 (Order PT 81-8), § 458-18-100, filed 2/11/81; Order PT 76-1, § 458-18-100, filed 4/7/76.]

**WAC 458-18-500 Deposit of moneys, assessments or taxes--Purpose.** RCW 35.21.650 and 36.32.120 provide that any taxpayer may deposit with the treasurer or other legal depository any moneys, assessments or taxes that may become due or be levied in the future.

WAC 458-18-500 through 458-18-550 are to establish guidelines to be used in all cases wherein a taxpayer desires to deposit any moneys, assessments or taxes levied or to be levied under Title 84 RCW.

These rules are adopted by the department of revenue pursuant to its general supervisory powers and control over the administration of the assessment and tax laws of the state (RCW 84.08.010(1)) and rule making authority (RCW 84.08.070).

[Statutory Authority: RCW 84.08.010 and 84.08.070, 81-22-037 (Order PT 81-16), § 458-18-500, filed 10/30/81.]

**WAC 458-18-510 Definitions.** For the purposes of WAC 458-18-500 through 458-18-550,

(1) "County legislative authority" shall mean the county commissioners, or in the case of a home rule charter county, the governmental authority empowered to so act.

(2) "City treasurer" shall mean the duly appointed or elected treasurer of any city or town.

(3) "Taxpayer" shall mean any individual, corporation, association, partnership, trust, or estate whose property has been or will be assessed for property tax purposes according to Title 84 RCW.

(4) "Agreement" shall mean a written document wherein the taxpayer and county legislative authority, city treasurer, or governing officers of any district have agreed to certain conditions concerning the deposit. The

agreement shall be made in accordance with WAC 458-18-520.

(5) "District" shall mean any county, city, town, port district, school district, road district, water district, fire district, or other municipal corporation, now or hereafter existing, having the power or authorized by law to levy or have levied for it, burdens on property for the purposes of obtaining revenue for public purposes, but shall not include the state.

[Statutory Authority: RCW 84.08.010 and 84.08.070, 81-22-037 (Order PT 81-16), § 458-18-510, filed 10/30/81.]

**WAC 458-18-520 Agreement.** The agreement shall be binding on all parties thereto: *Provided*, That the agreement may be amended from time to time if such is agreed to by all parties in writing. The agreement shall contain:

- (1) The name and address of the taxpayer;
- (2) The name of the district or districts which (is) (are) a party to the agreement;
- (3) The total amount and the date of the deposit or deposits;
- (4) The funds and the amount of the deposit which is to be applied to each fund;

(5) A schedule for repayment or credit against the future assessment or taxes which shall show:

- (a) The year or date that each credit will be allowed, and
- (b) The amount of the credit. The credit may be in specific amounts or by percentage, whichever the parties deem most beneficial.

[Statutory Authority: RCW 84.08.010 and 84.08.070, 81-22-037 (Order PT 81-16), § 458-18-520, filed 10/30/81.]

**WAC 458-18-530 Prohibition of deposit.** No taxpayer shall, nor shall any city treasurer or county legislative authority allow, deposit of any moneys, assessments, or taxes as a credit against any future assessments or taxes except as provided for in the agreement made in accordance with WAC 458-18-500 through 458-18-550.

[Statutory Authority: RCW 84.08.010 and 84.08.070, 81-22-037 (Order PT 81-16), § 458-18-530, filed 10/30/81.]

**WAC 458-18-540 General provisions.** The following shall apply to all deposits and agreements:

(1) There shall be no limit on the number of years in advance of the due date that assessments and taxes may be deposited for;

(2) The district shall establish an accounting system which will enable any party, at any time, to accurately determine the amount of deposits and future credit, to any and all funds, which system shall be subject to approval by the state auditor;

(3) No interest shall be charged between the parties to the agreement on any deposits which have been made or agreed to be made except as provided for in subsection 6 of this section;

(4) Any deposit which is to be applied to any funds of districts other than county funds, shall be agreed to by

the governing officers of said district which shall be a party to the agreement;

(5) Any moneys deposited shall not have any effect whatsoever on the levy of any taxes on any property in accordance with the provisions of chapters 84.52 and 84.55 RCW;

(6) The agreement may provide for penalties when the taxpayer has agreed to make deposits which subsequently are not made or not timely made; and

(7) Any taxes paid in the year they are due shall not be considered deposits.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 81-22-037 (Order PT 81-16), § 458-18-540, filed 10/30/81.]

**WAC 458-18-550 Expenditure of funds.** The funds to which the deposits are applied may be expended in any manner or for any purpose for which the funds could be applied as if they were received in the manner and at the time that assessments and taxes are normally paid.

Any district which has received or anticipates to receive deposits to be applied to their funds may, in the budget process, show those deposits as revenue or anticipated revenue, and budget for the expenditure of those moneys in the year they are to be expended.

[Statutory Authority: RCW 84.08.010 and 84.08.070. 81-22-037 (Order PT 81-16), § 458-18-550, filed 10/30/81.]

## Chapter 458-19 WAC

### PROPERTY TAX LEVIES, RATES, AND LIMITS

WAC

458-19-550 State levy—Apportionment between counties.

**WAC 458-19-550 State levy—Apportionment between counties.** (1) The department of revenue is empowered by statute to formulate such rules and processes as will ensure the equalization of taxation and uniformity of administration of the property tax laws of this state. The department is further directed to apportion the amount of the state property tax levy among the counties in proportion to the equalized value of taxable property in each county in order that each county shall pay its due and just proportion of the state tax. The application of the 106 percent limit to the state levy necessitates reasonable measures by the department to achieve the statutory requirement of just apportionment. This rule provides for adjustment in the apportionment of the next following year state levy when changes in property values are effected, in the manner described below, after the certification of the state levy by the department for the previous year. This rule also provides for adjustment for errors as defined herein which are not otherwise correctable in a timely and orderly manner in the year of levy through the exercise or enforcement of the department's supervisory powers. This rule shall be applied in the manner provided below to preserve an equitable and uniform apportionment of the state levy and to ensure the collection of the proper portion of the state levy from within each county.

(2) The levy rate for the state property tax levy is the lesser of (a) \$3.60 per thousand dollars of the full true and fair value of the taxable property in the state, or (b) that rate which, when applied to the valuation figures specified in (3) below, will produce a total amount equal to one hundred and six percent of the base amount, i.e., of the highest state tax levy of the most recent three annual state levies, plus an amount calculated by multiplying the value of a new construction, improvements to real property, and increases in the value of centrally assessed property as determined by the department of revenue, by the levy rate of the state tax applicable in the year prior to the current year for which the tax levy is being computed.

(3) When determining the amount of the state levy with reference to the calculations under (b) above, the dollar amount apportioned to each county shall be computed based upon those valuation figures made available to the department by each county by October 1 of the levy year. If the use of certification of the counties' assessed values for state levy purposes results in an erroneous apportionment among the counties by reason of changes or errors in valuation within a county, the department of revenue shall adjust the following year's levy apportionment to correct for such changes or errors. Such adjustment shall continue in effect until implemented by the appropriate county officials, and the department shall utilize the powers contained in chapter 84.08 RCW to assure such implementation. For purposes of this rule a change in valuation shall include any adjustment effected by a reviewing body (county board of equalization, state board of tax appeals, or court of competent jurisdiction) and may also include additions of omitted property and other additions to or deletions from the assessment and tax rolls. Errors for purposes of adjustments under this rule shall include errors corrected by a final reviewing body and such other errors which have come to the attention of the department and which would otherwise be a subject for correction in the exercise of its supervisory powers.

(4) Correction required by reason of changes or errors relating to that valuation used in apportioning the current levy shall be made by adjusting the apportionment of the next following year's levy. The department shall recompute the apportionment of the previous year's levy with reference to taxable values corrected for changes and errors and equalized to true and fair value for such previous year's levy. Each county's apportioned amount for the current year's state levy shall be adjusted by the difference between the dollar amounts of state levy due from each county as shown by the original and revised levy computations for the previous year.

(5) Nothing in this rule shall relieve a county from its obligation to correct any error immediately upon discovery, including the calculation of an erroneous rate or the levy of an incorrect amount of tax, when such correction may be timely made to avoid distortion in the true apportionment of the state levy between counties.

[Statutory Authority: RCW 84.48.080, 84.55.060 and 84.08.010. 82-06-006 (Order PT 82-2), § 458-19-550, filed 2/19/82. Statutory

Authority: RCW 84.48.080 and 84.55.060. 81-04-055 (Order PT 81-4), § 458-19-550, filed 2/4/81.]

**Chapter 458-20 WAC**  
**EXCISE TAX RULES**

**WAC**

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458-20-99999 Appendix—The Buck Act.

#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

458-20-188 Slot machines, pinball machines and other mechanical devices wherein an element of skill or of chance involves a pay-out to the player. [Order ET 70-3, § 458-20-188 (Rule 188), filed 5/29/70, effective 7/1/70.] Repealed by Order ET 73-1, filed 11/2/73. See chapter 218, Laws of 1973 1st ex. sess. for taxability of persons operating the machines or devices previously covered by this rule. See WAC 458-20-187.

458-20-242 Pollution control exemption and/or credits. (Rule 242) [Recodified as WAC 458-20-242A and 458-20-242B.]

**WAC 458-20-100 Appeal procedures.** (1) In any case of an account under audit where substantial agreement has not been reached between taxpayer and field auditor, the taxpayer is entitled to a preliminary conference with the auditor's immediate superior, the field audit unit supervisor, prior to finalization and submission of the audit report. Such conference is informal in nature, and is intended to clarify the issues in dispute resolving them where possible, and in any event effecting agreement as to the facts and figures involved. In those cases where agreement cannot be reached at this level as to the tax interpretations applied, the report will be finalized and submitted to Olympia, from where, following review and approval of the recommendations of the report, an assessment will be issued.

(2) Any person having been issued a notice of assessment of additional taxes, delinquent taxes, penalties or interest may petition the department of revenue in writing for a correction of the amount of the assessment and a conference for examination and review of the assessment. Petitions should be addressed: State of Washington, Department of Revenue, Interpretation and Appeals Division, Olympia, Washington 98504.

(3) Under the law the petition must be received by the department of revenue within twenty days after the issuance of the original notice of the amount of the deficiency, or within the period covered by any extension of the due date granted by the department. An extension of thirty days in the due date of the assessment may be granted if additional time is required for preparation of the appeal and such extension is requested prior to expiration of the twenty day period. If no petition is filed within these time periods, the assessment covered by the notice shall become final.

(4) Petitions for correction of assessment shall be in writing, indicating which item or items are in question, and shall set forth the reasons why the correction should be granted and the amount of tax, or of interest and penalties, as the case may be, which the petitioner believes to be due.

(5) Any person having paid any tax, original assessment or corrected assessment of any tax may apply to the department within the time limitation for refund provided in RCW 82.32.060, by petition in writing for a correction of the amount paid and a conference for examination and review of the tax liability.

(6) Petitions for refund shall be in writing and shall set forth the amount of the tax believed to have been overpaid, the date of payment, the periods for which such tax was paid and the reasons why the petitioner believes that a refund should be granted.

(7) Petitions for correction of assessment and petitions for refund may be granted or denied by the department of revenue. If the petition is denied, the petitioner shall immediately be notified by mail.

(8) The department may grant a conference for review of such petitions, fixing the time and place therefor and notifying the petitioner by mail.

(9) Such conferences will be conducted by an administrative law judge of the department of revenue, an employee especially trained in interpretation of the Revenue Act and the precedents established by prior departmental rulings and by the courts. Other departmental employees may be in attendance. The petitioner may appear personally or may be represented by an attorney, accountant or any other person competent to present his case. At the discretion of the department the conference may be scheduled before the director or an assistant director.

(10) All conferences before the administrative law judges will be conducted informally.

(11) Conferences before an administrative law judge will be held at district offices of the department of revenue, located so as to be as convenient as possible for the petitioner.

(12) Following the conference, the administrative law judge will make such determination as may appear to him just and lawful and in accordance with the rules, principles and precedents established by the department of revenue, and shall notify the taxpayer in writing of his decision.

(13) The determination of the administrative law judge shall be deemed to represent the official position of the department of revenue and shall be binding upon the taxpayer unless timely appealed.

(14) If the petition was denied without a hearing or if the taxpayer believes that an error has been made in the determination of the administrative law judge, he may, within twenty days after the date of the petition denial or of the determination, or within the period of any extension of the due date of the tax deficiency assessment, appeal in writing to the director of revenue for a review. The appeal shall indicate his reasons for thinking that the decision should be set aside.

(15) The director shall decide whether or not the decision is in error and may grant or deny a conference. If denied, the taxpayer shall receive written notice of such determination. If a conference is granted, it shall be held before the director or an assistant director, shall be conducted informally, and shall be held at the departmental offices in Olympia. The determination of the director or an assistant director shall be transmitted to the taxpayer in writing and shall represent the final determination of the department of revenue.

(16) Appeals from determinations of the department of revenue on petitions for correction of assessment and petitions for refund may be taken to the board of tax appeals pursuant to the rules of the board. Petitions for hearing before the board of tax appeals must be filed with the board and a copy thereof served upon the interpretations and appeals division of the department within thirty days after final action by the department of revenue. A taxpayer filing a petition for correction of assessment with the board of tax appeals must make payment of the assessment by the due date thereof unless arrangements are made with the department of revenue for a stay of collection pursuant to RCW 82.32.200. See WAC 458-20-228. This statute gives the department discretion to grant a stay upon the filing of a suitable bond in an amount up to twice the amount on which such a stay is requested along with satisfactory sureties to cover such amounts plus interest at the rate of 1% per month thereon for the duration of the requested stay. Upon the receipt of an offer of such a bond and sureties the department will grant a stay only upon a determination that to do so would be in the best interest of the state.

(17) Any taxpayer having paid any tax and feeling aggrieved by the amount of the tax may appeal directly to the superior court of Thurston County within the time limitation for refund provided in chapter 82.32 RCW. (See RCW 82.32.180 for statutory requirements as to such appeals.)

(18) Any taxpayer may make a written request to the department of revenue for a written opinion and ruling of tax liability. Such a request shall contain all pertinent facts concerning the question presented and may contain a statement of the taxpayer's views concerning the correct application of the law. The department may schedule a conference in respect to such a request, but shall advise the taxpayer in writing of its determination, and such determinations shall be binding upon both the taxpayer and the department under identical facts, and any future change in such determination shall have prospective application only.

(19) All rules, determinations, orders, bulletins, and other similar interpretations of the law which have heretofore been issued by the tax commission and which are in effect June 30, 1967, shall be deemed to be interpretations by the department of revenue and shall be binding upon the department and on taxpayers to the same extent as if such interpretations had been made by the department of revenue.

[Statutory Authority: RCW 82.32.300. 83-07-032 (Order ET 83-15), § 458-20-100, filed 3/15/83; Order ET 75-1, § 458-20-100, filed

5/2/75; Order ET 70-3, § 458-20-100 (Rule 100), filed 5/29/70, effective 7/1/70.]

### WAC 458-20-101 Certificates of registration.

#### Certificates of registration

(1) Persons required to obtain certificates. Every person who is required by law to collect and account for tax, or who shall engage in any business for which a tax is imposed under the Revenue Act, shall, whether taxable or not, apply for and obtain a certificate of registration from the department of revenue upon the payment of \$15.00. A registration certificate is personal and nontransferable and is valid for as long as the taxpayer continues in business.

(2) Leased departments. Operators of leased departments or concessions are permitted under certain conditions to include their tax liability on the returns of the lessor, or grantor of the concession, instead of filing separate returns; nevertheless such operators must apply for and obtain a certificate of registration.

(3) Original and branch certificates. Whenever a taxpayer transacts business at two or more separate places in the state, a separate certificate of registration shall be required for each place at which business is transacted. An original certificate shall be obtained for the main office or principal place of business from which returns are to be filed and a branch certificate shall be obtained for each other place of business in this state. Where the taxpayer's principal place of business is outside the state, the original certificate will be issued for such place and a branch certificate for each place of business within this state. No additional fee is required for branch certificates. The term "place of business" means:

(a) Any separate establishment, office, stand, cigarette vending machine or other fixed location; or

(b) Any vessel, train, or the like, at any of which the taxpayer solicits or makes sales of tangible personal property or contracts for or renders services in this state or otherwise transacts business with customers.

(4) Separate certificate for branch. A taxpayer desiring to make a separate return covering a branch location, or for a specific construction contract, may apply for and receive without charge a separate certificate of registration therefor, in addition to the original certificate. Application may be made on Form 2401, or by letter and should show the number of the taxpayer's original certificate, a description of the particular branch or contract for which the separate certificate is to be issued, and the address to which tax return forms shall be forwarded.

(5) Use tax certificate of registration. Out-of-state vendors must register and collect use tax upon all of their sales in this state if any of the following circumstances prevail:

(a) The vendor regularly engages in the delivery of property into this state other than by common carrier or United States mail; or

(b) The vendor regularly engages in any activity in connection with the leasing or servicing of property located within this state; or

(c) The vendor maintains any place of business in this state, even if such place of business is unrelated to sales made here.

Also, all other out-of-state vendors making sales in any manner who elect to collect the use tax from their retail buyers in this state must first apply for and obtain a use tax certificate of registration. See WAC 458-20-193B and 458-20-221. The necessary forms will be furnished upon request.

(6) Temporary certificate of registration. A temporary certificate of registration may be issued to any person who operates a business of a temporary nature, such as operators of Christmas tree stands, Christmas card sales, and operators of fireworks stands. These certificates are issued without charge and may be obtained by making application to any office of the department of revenue. These are not issued to carnivals or to any business which should be issued a regular certificate of registration due to the scope or extent of the business activity.

(7) Display of certificate. The taxpayer is required to display the certificate of registration in a conspicuous place at the business location for which it is issued.

(8) Change in ownership. Whenever there is a change in ownership of a business, the certificate of registration previously issued to the withdrawing owner, or owners, must be surrendered to the department for cancellation. The new owner shall apply for and obtain a new certificate of registration upon the payment of the registration fee.

(9) A "change in ownership" for purposes of registration occurs upon the sale of a business by one individual, firm or corporation to another individual, firm or corporation; upon the dissolution and winding up of a partnership; upon incorporation of a business previously operated as a partnership or sole proprietorship; or upon changing from a corporation to a partnership or sole proprietorship.

(10) For the purposes of this rule the withdrawal of one or more partners or the substitution or addition of one or more partners will not be considered as a "change in ownership" where the partnership continues as a business organization. In such cases the partnership, upon notifying the department in writing of its reorganization, may continue operation under the certificate of registration previously issued.

(11) No "change in ownership" occurs upon the transfer of assets to an assignee for the benefit of creditors or upon the appointment of a receiver or trustee in bankruptcy. Furthermore, no "change in ownership" occurs upon the death of a sole proprietor in those cases where there will be a continuous operation of the business by the executor, administrator, or trustee of the estate or, where the business was owned by a marital community, by the surviving spouse of the deceased owner.

(12) Change in location or name. Whenever the place of business is moved to a new location, or the name under which business is conducted is changed, without change in ownership, the taxpayer must notify the department in writing of such change. New certificates will be issued upon request, and without charge.

(13) Lost certificates. If any certificate of registration is lost, destroyed or defaced as a result of accident or of natural wear and tear, a new certificate will be issued to the taxpayer free of charge upon request.

(14) Revoking and reinstating certificates of registration. The department of revenue may, by order, revoke a certificate of registration if any tax warrant issued under the provisions of RCW 82.32.210 is not paid within thirty days after it has been filed with the clerk of the superior court or for any other reason expressly provided by law. Actions to revoke registrations are contested cases which must be conducted by the department pursuant to the provisions of the Administrative Procedure Act and the Uniform Procedural Rules of chapter 458-08 WAC.

(15) The revocation order will be posted in a conspicuous place at the main entrance to the taxpayer's place of business and must remain posted until the certificate has been reinstated. A revoked certificate will not be reinstated until:

(a) The amount due on the warrant has been paid, or satisfactory arrangements for payment have been approved by the department; and

(b) The taxpayer has posted with the department a bond or other security in an amount not exceeding one half the estimated average annual liability of the taxpayer. It is unlawful for any taxpayer to engage in business after its certificate of registration has been revoked.

(16) Closure of taxpayer accounts. Whenever a taxpayer has submitted tax returns for two consecutive years reporting no gross income and tax liability, the department of revenue may, at its discretion, notify the taxpayer in writing that it has closed the taxpayer's account and rescinded its certificate of registration. Within thirty days of receiving the notice of closure of the account any taxpayer may request that the department keep the account active. The taxpayer's request must be in writing and must state the reasons why the account should remain active. The following are acceptable reasons for remaining an active taxpayer account:

(a) The taxpayer is or will be engaging in business activities in Washington which may result in tax liability.

(b) The taxpayer presently engages in any one of the following businesses or activities: Timber, forestry, commercial fishing, construction, banking, real estate, insurance, financial investment, educational services, museum, art gallery, membership organization, public administration, banking, agricultural credit union, credit union, or mortgage brokers.

(c) The taxpayer has in fact been liable for excise taxes during the previous two years.

(17) A taxpayer who responds with a request to remain active within thirty days of the department's notification of closure will have that request reviewed by the department and, if found to be warranted, will have its account immediately reopened. In addition, a taxpayer whose account has been closed by the department of revenue shall, upon written request and under the same guidelines as set forth above, have the account reopened any time within two years from the date of notification

without liability for payment of a new registration fee. After review no taxpayer shall have its account closed without first receiving written notification from the department of revenue.

(18) Penalties for noncompliance. The law provides that it shall be unlawful for any person to engage in any taxable business without having obtained a certificate of registration. To do so constitutes a gross misdemeanor. To engage in business after a certificate of registration shall have been revoked by the department constitutes a Class C felony. Also, any tax found to have been due but unreported by any person when that person has knowingly engaged in business in this state without a certificate of registration shall automatically incur a tax evasion penalty of fifty percent of the amount found to have been due.

[Statutory Authority: RCW 82.32.300, 86-12-015 (Order ET 86-11), § 458-20-101, filed 5/27/86; 83-07-032 (Order ET 83-15), § 458-20-101, filed 3/15/83; Order ET 73-1, § 458-20-101, filed 11/2/73; Order ET 71-1, § 458-20-101, filed 7/22/71; Order ET 70-3, § 458-20-101 (Rule 101), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-102 Resale certificates.** Except as hereinafter noted, all sales are deemed to be retail sales unless the seller takes from the buyer a resale certificate signed by and bearing the registration number and address of the buyer, to the effect that the property purchased is:

(1) For resale in the regular course of business without intervening use, or

(2) To be used as an ingredient or component part of a new article of tangible personal property to be produced for sale, or

(3) A chemical to be used in processing an article to be produced for sale. (See WAC 458-20-113.)

When a vendor receives and accepts in good faith from a purchaser a resale certificate as described in this rule, the vendor is relieved of liability for retail sales tax with respect to the transaction. When a vendor has not secured such a resale certificate he is personally liable for the tax due unless he can sustain the burden of proving (1) that the property was sold for one of the three purposes set forth above and (2) that the purchaser was eligible to give a bona fide resale certificate under the provisions of this rule.

Any purchaser who fraudulently signs a resale certificate with intent to avoid payment of tax is guilty of a gross misdemeanor. When any resale certificate is found to have been fraudulently tendered to any seller or given under false or knowingly misleading circumstances, any retail sales tax which should have been paid but for the tendering of the certificate, which is assessed against the buyer, will automatically incur an evasion penalty of fifty percent of the tax found to be due.

No prescribed form of resale certificate is required. Any written statement to the effect that the tangible personal property is purchased for one of the three purposes set forth above signed by and bearing the name, address, and registration number of the buyer is sufficient. Such statement may be written or stamped upon the purchase order or may be upon a separate paper. It should be in substantially the following form:

"I hereby certify that this purchase is for resale without intervening use by me in the regular course of business, or is to be used as an ingredient or component part of a new article of tangible personal property to be produced for sale, or is a chemical to be used in processing an article to be produced for sale. This certificate is given with full knowledge of, and subject to the legally prescribed penalties for fraud and tax evasion.

Registration No. ----- Name as Registered -----  
 Firm Name ----- Address -----  
 Type of Business -----  
 Authorized Signature -----  
 Title ----- Date -----"

Blanket resale certificates may be given in advance by known wholesalers, jobbers or retailers. These certificates should be substantially in the following form:

"I hereby certify that all the tangible personal property which I will purchase from ----- will be purchased for resale in the regular course of business without intervening use by me, or for the purpose of consuming the property purchased in producing for sale a new article of tangible personal property of which the property purchased will be an ingredient, or a chemical used in processing the same. This certificate shall be considered a part of each order which I may hereafter give to you, unless otherwise specified, and shall be valid until revoked by me in writing. This certificate is given with full knowledge of, and subject to the legally prescribed penalties for fraud and tax evasion.

Registration No. ----- Name as Registered -----  
 Firm Name ----- Address -----  
 Type of Business -----  
 Authorized Signature -----  
 Title ----- Date -----"

Blanket resale certificates remain valid only so long as the registration number shown thereon has not been cancelled or revoked. Therefore, blanket resale certificates must be renewed whenever a change occurs in the ownership of a purchaser's business and a new certificate of registration is required. All blanket resale certificates must be renewed at intervals not to exceed four years. Sellers who have valid blanket resale certificates on file without the additional language required by the March, 1983 amendment to this rule are not required to obtain revised blanket resale certificates except where a purchaser's registration with the department of revenue has been cancelled or revoked, a change occurs in the ownership of a purchaser's business and a new registration is required, or the blanket resale certificate was completed more than four years prior to the effective date of the amendment.

EXCEPTION AS TO NONRESIDENT BUYERS. In case the purchaser is a nonresident who is not engaged in business in this state, but buys articles here for the purpose of resale in his regular course of business outside this state, the seller should take from such a purchaser a resale certificate substantially in the above form, omitting a registration number, but including a statement to the

effect that the articles purchased are for resale by him in his regular course of his business.

EXCEPTION AS TO FARMERS. The word "farmers" as used in this rule means any persons engaged in the business of growing or producing for sale at wholesale upon their own lands, or upon lands in which they have a present right of possession, any agricultural product whatsoever, including milk, eggs, wool, fur, meat, honey, or other substances obtained from animals, birds, or insects. "Farmers" does not mean persons selling such products at retail, persons using such products as ingredients in a manufacturing process, or persons growing or producing such products for their own consumption. It does not mean any person dealing in livestock as an operator of a stockyard, slaughterhouse, or packing house; nor does it mean any person who is an "extractor" within the meaning of WAC 458-20-135.

Farmers as defined in this rule are not required to register. Sales of feed, seed, fertilizer, and spray materials to farmers are sales at wholesale not subject to the retail sales tax. Farmers who purchase livestock for the purpose of fattening and later reselling the same are making purchases at wholesale not subject to the retail sales tax. Upon sales of any such articles to farmers (including farmers operating in other states), the seller should take from the farmer a resale certificate showing the farmer's name and address and a statement to the effect that his purchase of feed, seed, fertilizer, spray materials is made for the purpose of producing for sale at wholesale an agricultural product, or that his purchase of livestock is made for the purpose of resale. (For sales to farmers of feed, seed, fertilizer and spray materials, see WAC 458-20-122.)

PURCHASES FOR DUAL PURPOSE. It may happen that a buyer normally is engaged in both consuming and reselling certain types of articles of tangible personal property and is not able to determine at the time of purchase whether the particular property acquired will be consumed or resold. In such cases, the buyer should purchase according to the general nature of his business; that is, if principally he consumes the articles in question, he should not give a resale certificate for any portion thereof, but if, on the other hand, he principally resells such articles, he may sign a resale certificate for the whole amount of his purchases.

If the buyer gives a resale certificate for all purchases and thereafter consumes some of the articles purchased, he must set up in his books of account the value thereof and remit to the department of revenue the deferred sales tax payable thereon. Such tax should be reported on Form 2406 under use tax.

On the other hand, if the buyer has not given a resale certificate but has paid tax on all purchases of such articles and subsequently resells at retail a portion thereof, he must, nevertheless, collect the tax from the purchaser and report such sales in making his tax returns. However, in such case, the buyer may take a deduction on his return representing his cost of the property thus resold on which sales tax was paid.

Such deduction shall be designated as "resale purchases on which tax was paid" and listed under sales tax

deductions on the back of the tax return form. Claim for deduction will be allowed only if the taxpayer keeps and preserves records in support thereof which show the names of the persons from whom such articles were purchased, the date of the purchase, the type of articles, the amount of the purchase and the tax which was paid. (See WAC 458-20-174, 458-20-175 and 458-20-176 for exemption certificates concerning certain sales made to persons engaged in interstate or foreign commerce or in deep sea fishing operations.)

[Statutory Authority: RCW 82.32.300. 86-09-058 (Order ET 86-7), § 458-20-102, filed 4/17/86; 83-07-034 (Order ET 83-17), § 458-20-102, filed 3/15/83; Order ET 70-3, § 458-20-102 (Rule 102), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-103 Time and place of sale.** Under the Revenue Act of 1935, as amended, the word "sale" means any transfer of the ownership of, title to, or possession of, property for a valuable consideration, and includes the sale or charge made for performing certain services.

For the purpose of determining tax liability of persons selling tangible personal property, a sale takes place in this state when the goods sold are delivered to the buyer in this state, irrespective of whether title to the goods passes to the buyer at a point within or without this state.

With respect to the charge made for performing services which constitute sales as defined in RCW 82.04-.040 and 82.04.050, a sale takes place in this state when the services are performed herein. With respect to the charge made for renting or leasing tangible personal property, a sale takes place in this state when the property is used in this state by the lessee.

Where gift certificates are sold which will be redeemed in merchandise, or in services which are defined by the Revenue Act as retail sales, the sale is deemed to occur and the retail sales tax shall be collected at the time the certificate is actually redeemed for the merchandise or services. The measure of the tax is the total selling price of the merchandise or services at the time of the redemption, including the redemption value of the certificate, or any part thereof, which is applied toward the selling price. (See WAC 458-20-235 for effect of rate changes on prior contracts and sales agreements. See also WAC 458-20-131 which deals with merchandising games, and which covers the situation where certificates or trade checks are issued which may be redeemed for services which are not retail sales, such as barber services, admissions, etc.)

Revised March 2, 1982.

[Statutory Authority: RCW 82.32.300. 82-12-021 (Order ET 82-2), § 458-20-103, filed 5/25/82; Order ET 70-3, § 458-20-103 (Rule 103), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-104 Exemptions--Volume of business.**

#### BUSINESS AND OCCUPATION TAX

Persons subject to the business and occupation tax are exempt from the payment of this tax for any reporting period in which the taxable amount reported under the

combined total of all business and occupation tax classifications does not equal or exceed the minimum taxable amount for the reporting periods assigned to such persons, according to the following schedule.

Monthly reporting basis . . . . . \$1,000 per month  
 Quarterly reporting basis . . . . . \$3,000 per quarter  
 Annual reporting basis . . . . . \$12,000 per annum

When the taxable amount for a reporting period equals or exceeds the minimum taxable amount, tax must be paid on the full taxable amount and no deduction or offset is allowed for the amount of the minimum. The deduction for minimum taxable amounts is applicable to taxable amounts for the entire reporting period, regardless of the fact that the business may not have been operated during the entire period.

#### RETAIL SALES TAX

No exemption from tax is allowed under the retail sales tax to any person engaged in the business of making taxable retail sales by reason of the volume of such sales.

#### PUBLIC UTILITY TAX

Persons subject to the public utility tax are exempt from the payment of this tax for any reporting period in which the taxable amount reported under the combined total of all public utility tax classifications does not equal or exceed the minimum taxable amount for the reporting periods assigned to such persons, according to the following schedule.

Monthly reporting basis . . . . . \$500 per month  
 Quarterly reporting basis . . . . . \$1,500 per quarter  
 Annual reporting basis . . . . . \$6,000 per annum

(See subhead business and occupation tax, above, for limitations which apply equally to public utility tax.)

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-104, filed 3/15/83; Order ET 70-3, § 458-20-104 (Rule 104), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-105 Employees distinguished from persons engaging in business.** The Revenue Act imposes taxes upon persons engaged in business but not upon persons acting solely in the capacity of employees or servants.

The question of whether a person is engaged in business or is acting in the capacity of an employee is not always readily determinable. The following rules may, however, be accepted as a guide but are not necessarily controlling in individual cases. In cases of doubt all the facts should be submitted to the department of revenue for a specific ruling.

**PERSONS ENGAGING IN BUSINESS.** A person engaging in business is generally one who holds himself out to the public as engaging in business either in respect to dealing in real or personal property or in respect to the rendition of services; one to whom gross income of the business inures; one upon whom liability for losses lies or who bears the expense of conducting a business; one, generally, acting in an independent capacity, whether or not subject to immediate control and supervision by a

superior, or one who acts as an employer and has employees subject to his control and supervision.

Persons employed by retailers or wholesalers, and selling on their own account tangible personal property of a type sold by their employers, are deemed to be engaging in business and must apply for and obtain a certificate of registration and collect and remit the retail sales tax and pay the business and occupation tax upon sales made by them, irrespective of the amount or frequency of such sales.

**EMPLOYEES AND SERVANTS.** An employee or servant is an individual whose entire compensation is fixed at a certain rate per day, week or month, or at a certain percentage of the business obtained by such employee or servant, payable in all events; one who has no direct interest in the income or profits of the business other than a wage or commission; one who has no liability for the expenses of maintaining an office or place of business, for other overhead or for compensation of employees; one who has no liability for losses or indebtedness incurred in conducting the business; one whose conduct with respect to services rendered, obtaining of, or transacting business, is supervised or controlled by the employer. A corporation, joint venture, or any group of individuals acting as a unit, is not an employee or servant.

Persons who furnish equipment on a rental basis and also furnish operators therefor, are presumed to be engaging in business and not to be employees or servants. Likewise, persons who furnish materials and the labor necessary in the placing or fabricating thereof are also presumed to be engaging in business and not to be employees or servants. The burden of proof will be upon such persons to show otherwise.

The fact that a person is construed to be an employee under the provisions of the State Employment Security Act or the Federal Social Security Act, does not conclusively establish such persons as an employee within the provisions of the Revenue Act. However, where a person is not construed to be an employee under the State Employment Security Act or the Federal Social Security Act, such person will not be considered an employee under the Revenue Act.

**BUILDING TRADES.** Persons regularly performing odd job carpentry, painting or paperhanging, plumbing, bricklaying, electrical work, etc., for the public generally are presumed to be engaging in business. The burden of proof is upon such persons to show otherwise. Here it is immaterial whether the workman is paid by the job, by the day or by the hour. It is likewise immaterial that the workman may supply labor only, any materials used being supplied by the property owner.

Revised March 1, 1954.

[Order ET 70-3, § 458-20-105 (Rule 105), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-106 Casual or isolated sales--Business reorganizations.** A casual or isolated sale is defined by RCW 82.04.040 as a sale made by a person who is

not engaged in the business of selling the type of property involved. Any sales which are routine and continuous must be considered to be an integral part of the business operation and are not casual or isolated sales.

Furthermore, persons who hold themselves out to the public as making sales at retail or wholesale are deemed to be engaged in the business of selling, and sales made by them of the type of property which they hold themselves out as selling, are not casual or isolated sales even though such sales are not made frequently.

In addition the sale at retail by a manufacturer or wholesaler of an article of merchandise manufactured or wholesaled by him is not a casual or isolated sale, even though he may make but one such retail sale.

#### BUSINESS AND OCCUPATION TAX

The business and occupation tax does not apply to casual or isolated sales.

#### RETAIL SALES TAX

The retail sales tax applies to all casual or isolated retail sales made by a person who is engaged in the business activity; that is, a person required to be registered under WAC 458-20-101. Persons not engaged in any business activity, that is, persons not required to be registered under WAC 458-20-101, are not required to collect the retail sales tax upon casual or isolated sales.

However, persons in business as selling agents who are authorized, engaged or employed to sell or call for bids on tangible personal property belonging to another, and so selling or calling, are deemed to be sellers, and shall collect the retail sales tax upon all retail sales made by them. The tax applies to all such sales even though the sales would have been casual or isolated sales if made directly by the owner of the property sold.

A transfer of capital assets to or by a business is deemed not taxable to the extent the transfer is accomplished through an adjustment of the beneficial interest in the business. The following examples are instances when the tax will not apply.

(1) Transfers of capital assets between a corporation and a wholly-owned subsidiary, or between wholly-owned subsidiaries of the same corporation.

(2) Transfers of capital assets by an individual or by a partnership to a corporation, or by a corporation to another corporation in exchange for capital stock therein.

(3) Transfers of capital assets by a corporation to its stockholders in exchange for surrender of capital stock.

(4) Transfers of capital assets pursuant to a reorganization under 26 USC Section 368 of the Internal Revenue Code, when capital gain or ordinary income is not realized.

(5) Transfers of capital assets to a partnership or joint venture in exchange for an interest in the partnership or joint venture; or by a partnership or joint venture to its members in exchange for a proportional reduction of the transferee's interest in the partnership or joint venture.

(6) Transfer of an interest in a partnership by one partner to another; and transfers of interests in a partnership to third parties, when one or more of the original partners continues as a partner, or owner.

The burden is upon the taxpayer to establish the facts concerning the adjustment of the beneficial interest in the business when exemption is claimed.

#### USE TAX

The use tax applies upon the use of any property purchased at a casual retail sale without payment of the retail sales tax, unless exempt by law. Uses which are exempt from the use tax are set out in RCW 82.12.030.

Where there has been a transfer of the capital assets to or by a business, the use of such property is not deemed taxable to the extent the transfer was accomplished through an adjustment of the beneficial interest in the business, provided, the transferor previously paid sales or use tax on the property transferred. (See the exempt situations listed under the retail sales tax subdivision of this rule.)

[Statutory Authority: RCW 82.32.300, 83-07-034 (Order ET 83-17), § 458-20-106, filed 3/15/83; Order ET 75-1, § 458-20-106, filed 5/2/75; Order ET 74-1, § 458-20-106, filed 5/7/74; Order ET 70-3, § 458-20-106 (Rule 106), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-107 Advertised prices including sales tax--Warranties, maintenance agreements, service contracts.** Under the provisions of RCW 82.08.020 the retail sales tax is to be collected and paid upon retail sales, measured by the "selling price."

The term "Selling price" means the consideration, whether money, credits, rights, or other property except trade-in property of like kind, expressed in the terms of money paid or delivered by a buyer to a seller without any deduction on account of the cost of tangible property sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes other than taxes imposed under this chapter if the seller advertises the price as including the tax or that the seller is paying the tax, or any other expenses whatsoever paid or accrued and without any deduction on account of losses; . . ." (See RCW 82.08.010(1)).

Concerning the tax liabilities and benefits in connection with "trade-in" transactions, see WAC 458-20-247.

RCW 82.08.050 specifically requires that the retail sales tax must be stated separately from the selling price on any sales invoice or other instrument of sale, i.e., contracts, sales slips, and customer billing receipts. (For an exception covering restaurant receipts of Class H liquor licensees, see WAC 458-20-119.) This is required even though the seller and buyer may know and agree that the price quoted is to include state and local taxes, including the retail sales tax. The law creates a "conclusive presumption" that, for purposes of collecting the tax and remitting it to the state, the selling price quoted does not include the retail sales tax. This presumption is not overcome or rebutted by any written or oral agreement between seller and buyer. However, selling prices may be advertised as including the tax or that the seller is paying the tax and, in such cases, the advertised price shall not be considered to be the taxable selling price under certain prescribed conditions explained in this rule. Even when prices are advertised as including the sales tax, the actual sales invoices, receipts, contracts, or

billing documents must list the retail sales tax as a separate charge. Failure to comply with this requirement may result in the retail sales tax due and payable to the state being computed on the gross amount charged even if it is claimed to already include all taxes due.

#### ADVERTISING PRICES INCLUDING TAX

The law provides that a seller may advertise prices as including the sales tax or that the seller is paying the sales tax under the following conditions:

(1) The words "tax included" are stated immediately following the advertised price in print size at least half as large as the advertised price print size, unless the advertised price is one in a listed series;

(2) When advertised prices are listed in series, the words "tax included in all prices" are placed conspicuously at the head of the list in the same print size as the list;

(3) If the price is advertised as including tax, the price listed on any price tag shall be shown in the same way; and

(4) All advertised prices and the words "tax included" are stated in the same medium, whether oral or visual, and if oral, in substantially the same inflection and volume.

If these conditions are satisfied, as applicable, then price lists, reader boards, menus, and other price information mediums need not reflect the item price and separately show the actual amount of sales tax being collected on any or all items.

The scope and intent of the foregoing is that buyers have the right to know whether retail sales tax is being included in advertised prices or not and that the tax is not to be used for the competitive advantage or disadvantage of retail sellers.

#### WARRANTIES, MAINTENANCE AGREEMENTS, AND SERVICE CONTRACTS

For purposes of this rule, the following definitions apply:

Warranties, sometimes referred to as guarantees, are agreements which call for the replacement or repair of tangible personal property with no additional charge for parts or labor, or both, based upon the happening of some unforeseen occurrence, e.g., the property breaks down.

Maintenance agreements, sometimes referred to as service contracts, are agreements which require the specific performance of repairing, cleaning, altering, or improving of tangible personal property on a regular or periodic basis to ensure its continued satisfactory operation.

Manufacturer's warranties are generally included within the retail selling price of the property and no additional charge is made. However, when any additional charge is made for any warranty protecting tangible personal property sold, additional tax liability is incurred depending on how the warranty is sold. If it is sold by the retail seller of the property protected by the warranty and concomitant with the sale of that property, the entire charge, including the charge for the warranty, is

subject to retailing business tax and retail sales tax. This is so even though the warranty charge may be separately billed or separately itemized on any billing. Such warranty sales are deemed to be "for labor and services rendered in respect to . . . installing, repairing, cleaning, altering, imprinting, or improving tangible personal property of or for consumers . . ." and therefor they are "retail sales" under RCW 82.04.050.

Warranties which are sold by any person who was not the seller of the property protected by the warranty or which are purchased subsequent to and distinct from the original warranty purchased concomitant with the property, are deemed to be services rather than retail sales. Charges for such warranties are subject to the service business tax and are not subject to retail sales tax.

#### MAINTENANCE AGREEMENTS

Maintenance agreements and service contracts require the periodic specific performance of inspecting, cleaning, physical servicing, altering, and/or improving of tangible personal property. Therefor, charges for contracts or agreements of this nature are retail sales, subject to retailing business tax and retail sales tax under all circumstances.

In the cases of both warranties and maintenance agreements, any actual additional charge made to the consumer because of the providing of materials or the performance of actual labor pursuant to such agreements is separately taxable under the retailing business tax and retail sales tax. This includes so-called "deductible" amounts not covered by the warranty or service agreement.

Moreover, if an agreement contains warranty provisions but also requires the actual specific performance of inspection, cleaning, servicing, altering, or improving the property on a regular or periodic basis, without regard to the operating condition of the property, such agreements are fully taxed as service agreements, not warranties.

[Statutory Authority: RCW 82.32.300. 86-03-016 (Order ET 86-1), § 458-20-107, filed 1/7/86; 83-07-034 (Order ET 83-17), § 458-20-107, filed 3/15/83; Order ET 70-3, § 458-20-107 (Rule 107), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-108 Returned goods, allowances, cash discounts.** When a contract of sale is made subject to cancellation at the option of one of the parties or to revision in the event the goods sold are defective or if the sale is made subject to cash or trade discount, the gross proceeds actually derived from the contract and the selling price are determined by the transaction as finally completed.

**RETURNED GOODS.** When sales are made either upon approval or upon a sale or return basis, and the purchaser returns the property purchased and the entire selling price is refunded or credited to the purchaser, the seller may deduct an amount equal to the selling price from gross proceeds of sales in computing tax liability, if the amount of sales tax previously collected from the buyer has been refunded by the seller to the buyer. If the property purchased is not returned within the guaranty period as established by contract or by customs of the trade, or if the full selling price is not refunded or

credited to the purchaser, a presumption is raised that the property returned is not returned goods but is an exchange or a repurchase by the vendor.

To illustrate: S sells an article for \$60.00 and credits his sales account therewith. The purchaser returns the article purchased within the guaranty period and the purchase price and the sales tax theretofore paid by the buyer is refunded or credited to him. S may deduct \$60.00 from the gross amount reported on his tax return.

**DEFECTIVE GOODS.** When bona fide refunds, credits or allowances are given within the guarantee period by a seller to a purchaser on account of defects in goods sold, the amount of such refunds, credits or allowances may be deducted by the seller in computing tax liability, if the proportionate amount of the sales tax previously collected from the buyer has been refunded by the seller.

S sells an article to B for \$60.00 and credits his sales account therewith. The article is later found to be defective.

(a) S gives B credit of \$50.00 on account of the defect, and also a credit of sales tax collectible on that amount. S may deduct \$50.00 from the gross amount reported in his tax returns. This is true whether or not B retains the defective article.

(b) B returns the article to S who gives B an allowance of \$50.00 on a second article of the same kind which B purchases for an additional payment of \$10.00, plus sales tax thereon. S may deduct \$50.00 from the gross amount reported in his tax returns. The sale of the second article, however, must be reported for tax purposes as a \$60.00 sale and included in the gross amount in his tax return.

(c) B returns the article to S who replaces it with a new article of the same kind free of charge, and without sales tax. S may deduct \$60.00 from the gross amount reported in his tax returns, but the \$60.00 selling price of the substituted article must be reported in the gross amount.

No deduction is allowed from the gross amount reported for tax if S in "b" and "c" above, does not credit his sales account with the selling price of the new article furnished to replace the defective one, but instead merely credits the sales account with an amount equal to the additional payment received, if any. In such case, the allowance for the defect is already shown in the sales account by the reduced sales price of the new article.

**DISCOUNTS.** The selling price of a service or of an article of tangible personal property does not include the amount of bona fide discounts actually taken by the buyer and the amount of such discount may be deducted from gross proceeds of sales providing such amount has been included in the gross amount reported. Discounts are not deductible under the retail sales tax when such tax is collected upon the selling price before the discount is taken and no portion of the tax is refunded to the buyer. Discount deductions will be allowed under the extracting or manufacturing classifications only when the value of the products is determined from the gross proceeds of sales. Patronage dividends which are granted in the form of discounts in the selling price of specific articles (for example, a rebate of one cent per gallon on

purchases of gasoline) are deductible. (Some types of patronage dividends are not deductible. See WAC 458-20-219.)

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-108, filed 3/15/83; Order ET 70-3, § 458-20-108 (Rule 108), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-109 Finance charges, carrying charges, interest, penalties.**

**BUSINESS AND OCCUPATION TAX**

Persons who receive finance charges, carrying charges, service charges, penalties and interest are taxable with respect thereto under the service and other business activities classification.

**RETAIL SALES TAX**

Finance charges, carrying charges, service charges or interest from credit extended on sales of tangible personal property under conditional sale contracts or other contracts providing for deferred payments of the purchase price are not considered a part of the selling price of such property subject to the retail sales tax, if (1) the amount of such finance charges, carrying charges, service charges or interest is in addition to the usual or established cash selling price, and (2) is segregated on the taxpayers' accounts, and (3) billed separately to customers. Amounts added to the base price, or agreed selling price on account of failure of the buyer to make any payment at the time specified in the agreement between the parties—amounts generally designated as "penalties"—are not a part of the selling price and are not subject to the retail sales tax.

As to contracts providing for the renting or leasing of tangible personal property, amounts designated as finance charges, carrying charges, service charges or interest must be included in the measure of retail sales tax regardless of the fact that such charges may be billed separately to customers.

Revised June 1, 1970.

[Order ET 70-3, § 458-20-109 (Rule 109), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-110 Freight and delivery charges.** Amounts received by a seller from a purchaser for freight and delivery costs incurred by the seller prior to completion of sale constitute recovery of costs of doing business and must be included in the selling price or gross proceeds of sales reported by the seller regardless of whether charges for such costs are billed separately and regardless of whether the seller is also the carrier.

Freight and delivery costs incurred by a lessor, regardless of whether billed separately to a lessee or not, are costs of doing business to the lessor in every case and must be included in the selling price or gross proceeds of sales reported by the lessor.

"Reimbursements" received by a seller for the actual amount of freight and delivery costs advanced for a purchaser after completion of sale are deductible from the selling price or gross proceeds of sales. (See WAC 458-20-111.)

Where the seller is the carrier and separate delivery charges, in addition to the selling price, are made to a purchaser after completion of sale, such charges may be deducted by the seller from the selling price. In such case the delivery charges are taxable to the seller under the appropriate classification of the public utility tax. (See WAC 458-20-180.)

Note: See WAC 458-20-112 for the deduction of out-of-state freight and delivery charges from "value of products."

Revised June 1, 1970.

[Order ET 70-3, § 458-20-110 (Rule 110), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-111 Advances and reimbursements.** The word "advance" as used herein, means money or credits received by a taxpayer from a customer or client with which the taxpayer is to pay costs or fees for the customer or client.

The word "reimbursement" as used herein, means money or credits received from a customer or client to repay the taxpayer for money or credits expended by the taxpayer in payment of costs or fees for the client.

The words "advance" and "reimbursement" apply only when the customer or client alone is liable for the payment of the fees or costs and when the taxpayer making the payment has no personal liability therefor, either primarily or secondarily, other than as agent for the customer or client.

There may be excluded from the measure of tax amounts representing money or credit received by a taxpayer as reimbursement of an advance in accordance with the regular and usual custom of his business or profession.

The foregoing is limited to cases wherein the taxpayer, as an incident to the business, undertakes, on behalf of the customer, guest or client, the payment of money, either upon an obligation owing by the customer, guest or client to a third person, or in procuring a service for the customer, guest or client which the taxpayer does not or cannot render and for which no liability attaches to the taxpayer. It does not apply to cases where the customer, guest or client makes advances to the taxpayer upon services to be rendered by the taxpayer or upon goods to be purchased by the taxpayer in carrying on the business in which the taxpayer engages.

For example, where a taxpayer engaging in the business of selling automobiles at retail collects from a customer, in addition to the purchase price, an amount sufficient to pay the fees for automobile license, tax and registration of title, the amount so collected is not properly a part of the gross sales of the taxpayer but is merely an advance and should be excluded from gross proceeds of sales. Likewise, where an attorney pays filing fees or court costs in any litigation, such fees and costs are paid as agent for the client and should be excluded from the gross income of the attorney.

On the other hand, no charge which represents an advance payment on the purchase price of an article or a cost of doing or obtaining business, even though such charge is made as a separate item, will be construed as

an advance or reimbursement. Money so received constitutes a part of gross sales or gross income of the business, as the case may be. For example, no exclusion is allowed with respect to amounts received by (1) a doctor for furnishing medicine or drugs as a part of his treatment; (2) a dentist for furnishing gold, silver or other property in conjunction with his services; (3) a garage for furnishing parts in connection with repairs; (4) a manufacturer or contractor for materials purchased in his own name or in the name of his customer if the manufacturer or contractor is obligated to the vendor for the payment of the purchase price, regardless of whether the customer may also be so obligated; (5) any person engaging in a service business or in the business of installing or repairing tangible personal property for charges made separately for transportation or traveling expense.

Revised May 1, 1947.

[Order ET 70-3, § 458-20-111 (Rule 111), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-112 Value of products.** The term "value of products" includes the value of by-products, and except as provided herein, shall be determined by "gross proceeds of sales" whether such sales are at wholesale or at retail, to which shall be added all subsidies and bonuses received with respect to the extraction, manufacture, or sale thereof.

"The term 'gross proceeds of sales' means the value proceeding or accruing from the sale of tangible personal property . . . without any deduction on account of the cost of property sold, the cost of materials used, labor costs, interest, discount paid, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses." (RCW 82.04.070.)

**IN THE CASE OF BONA FIDE SALES OF PRODUCTS.** The law provides (RCW 82.04.450), that under the extracting and manufacturing classifications of the business and occupation tax the value of products extracted or manufactured shall be determined by the gross proceeds of sales in every instance in which a bona fide sale of such products is made, and whether sold at wholesale or at retail.

**SALES TO POINTS OUTSIDE THE STATE.** In determining the value of products delivered to points outside the state there may be deducted from the gross proceeds of sales so much thereof as the taxpayer can show to be actual transportation costs from the point at which the shipment originates in this state to the point of delivery outside the state.

**ALL OTHER CASES.** The law provides that where products extracted or manufactured are

(1) For commercial or industrial use (by the extractor or manufacturer—see WAC 458-20-134); or

(2) Transported out of the state, or to another person without prior sale; or

(3) Sold under circumstances such that the stated gross proceeds from the sale are not indicative of the true value of the subject matter of the sale; the value shall correspond as nearly as possible to the gross proceeds from other sales at comparable locations in this

state of similar products of like quality and character, in similar quantities, under comparable conditions of sale, to comparable purchasers, and shall include subsidies and bonuses.

In the absence of sales of similar products as a guide to value, such value may be determined upon a cost basis. In such cases, there shall be included every item of cost attributable to the particular article or article extracted or manufactured, including direct and indirect overhead costs.

Revised June 1, 1970.

[Order ET 70-3, § 458-20-112 (Rule 112), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-113 Ingredients or components, chemicals used in processing new articles for sale.** (1) The term "retail sale" means "every sale of tangible personal property . . . other than a sale to one who purchases for the purpose of resale . . . or for the purpose of consuming the property purchased in producing for sale a new article of tangible personal property or substance, of which such property becomes an ingredient or component or is a chemical used in processing, when the primary purpose of such chemical is to create a chemical reaction directly through contact with an ingredient of a new article being produced for sale . . ." (RCW 82.04.050.)

(2) **Ingredients or components.** The sale of articles of tangible personal property which physically enter into and form a part of a new article or substance produced for sale does not constitute a retail sale. This does not exempt from the retail sales tax the sale of articles consumed in a manufacturing process which do not enter into and become a physical part of the new article produced for sale, such as fuel used for heating purposes, oil for machinery, sandpaper, etc.

(3) Also, the definition of retail sale does not exclude consumables purchased for use in manufacturing, refining, or processing new articles for sale merely because some constituents of the consumables may also be traceable in the finished product, which are impurities or undesirable or unnecessary constituents of the finished product.

(4) For articles to qualify for sales and use tax exemption as ingredients or components of products produced for sale, such articles or their constituents must be traceable in the finished product and identifiable as having been directly provided by the article claimed for exemption.

(5) **Chemicals used in processing.** Sales of chemicals to a person for use in processing articles produced for sale are not retail sales, and therefore are not subject to the retail sales tax.

(6) "Chemicals used in processing" carries its common restricted meaning in commercial usage. It includes only chemical substances which are used by the purchaser to unite with other chemical substances, present as ingredients or components of the articles or substances being processed, to produce a chemical reaction therewith, as contrasted with merely a physical change therein. A chemical reaction is one in which there takes

place a permanent change of certain properties, with the formation of new substances which differ in chemical composition and properties from the substances originally present, and usually differ from them in appearance as well. It is not necessary that all of the new substances which are formed be present in the final completed article or substance which is sold; one or more of such new substances resulting from the chemical reaction may be removed or drawn off in the processing.

(7) To illustrate: Sales of chemicals to a pulp mill for use in the digesting and bleaching of pulp are not subject to the retail sales tax because such chemicals react chemically with the cellulose in the pulp fiber which, in turn, becomes a major ingredient of the final product, paper. Similarly, sales of carbon to an aluminum reduction plant for the primary purpose of forming a chemical reaction with alumina to remove its oxygen content are not retail sales.

(8) Conversely, sales of water purifiers and wetting agents to a pulp mill are taxable sales. The treated water acts primarily as a conveyor or carrier of the pulp fibers and only an insignificant part of the water becomes an ingredient of the final product. Similarly, sales of caustic soda to potato processors to remove peelings from potatoes are retail sales because the chemical reacts only with the peelings which are removed as waste, and not with the potatoes which are sold as the final product.

(9) Sales of diesel or fuel oil to a steel mill or foundry, for use or consumption primarily in generating heat, are retail sales and subject to the retail sales tax, notwithstanding the fact that some portion of the oil may cause a chemical reaction and to some extent alter the character of the article being manufactured or processed.

(10) Effective April 3, 1986, (chapter 231, Laws of 1986), purchases for the purpose of consuming the property purchased in producing ferrosilicon which is subsequently used in producing magnesium for sale, if the primary purpose is to create a chemical reaction directly through contact with an ingredient of ferrosilicon, are not subject to retail sales tax or use tax.

(11) In special cases where doubt exists, a special ruling will be made by the department of revenue upon submission of all the pertinent facts relative to the nature of the chemical substances concerned and the use made thereof by the purchaser.

Revised June 1, 1970.

[Statutory Authority: RCW 82.32.300, 86-20-027 (Order 86-17), § 458-20-113, filed 9/23/86; Order ET 70-3, § 458-20-113 (Rule 113), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-114 Nonbusiness income--Bona fide initiation fees, dues, contributions, tuition fees and endowment funds.** RCW 82.04.4282 provides for a business and occupation tax deduction for amounts derived from activities and charges of essentially a nonbusiness nature. Thus, outright gifts, donations, contributions, endowments, tuition, and initiation fees and dues which do not entitle the payor to receive any significant goods or services in return for the payment are not subject to business and occupation tax. The scope of this statutory

deduction is limited to situations where no business or proprietary activity (including the rendering of goods or services) is engaged in which directly generates the income claimed for deduction.

Many for-profit or nonprofit entities may receive "amounts derived," as defined in this rule, which consist of mixture of tax deductible amounts (bona fide initiation fees and dues) and taxable amounts (payment for significant goods and services rendered). For purposes of distinguishing between these kinds of income, the law requires that tax exemption provisions must be strictly construed against the person claiming exemption. Also, RCW 82.32.070 requires the maintenance of suitable records as may be necessary to determine the amount of any tax due. The result of these legal requirements is that all persons must keep adequate records sufficient to establish their entitlement to any claimed tax exemption or deduction.

#### CONTRIBUTIONS, DONATIONS, AND ENDOWMENTS.

Only amounts which are received as outright gifts are entitled to deduction. Any amounts, however designated, which are received in return for any goods, services, or business benefits are subject to business and occupation tax under the appropriate classification depending upon the nature of the goods, services, or benefits provided. Thus, for example, so-called "grants" which are received in return for the preparation of studies, white papers, reports, and the like do not constitute deductible contributions, donations, or endowments. RCW 82.04.4297 and WAC 458-20-169 provide for a specific deduction for compensation from public entities for health or social welfare services.

#### BONA FIDE INITIATION FEES AND DUES.

The law does not contemplate that the deduction should be granted merely because the payments required to be made by members or customers are designated as "initiation fees" or "dues." The statutory deduction is not available for outright sales of tangible personal property or for providing facilities or services for a specific charge. Neither is it available ". . . if dues are in exchange for any significant amounts of goods or services rendered by the recipient thereof to members without any additional charge to the member, or if the dues are graduated upon the amount of goods or services rendered . . ." (RCW 82.04.4282). Thus, it is only those initiation fees and dues which are paid for the express privilege of belonging as a member of a club, organization, or society, which are deductible.

Also, the statute does not distinguish between the kinds of clubs, organizations, associations, or other entities which may be eligible for this deduction. They may be operated for profit or nonprofit. They may be owned by the members, incorporated, or operating as a partnership, joint venture, sole proprietorship, or cooperative group. They may be of a charitable, fraternal, social, political, benevolent, commercial, or other nature. However, none of these characteristics determines the entitlement to tax deduction. The availability of the

deduction is determined solely by the nature of the activity or charge which generates the "amounts derived" as defined in this rule.

The deduction is limited to business and occupation tax. There is no provision under the law for any deduction from retail sales tax or use tax of amounts designated as initiation fees or dues. Consequently, any club or organization that collects dues or initiation fees from members who in turn receive tangible personal property or retail services as defined in RCW 82.04.050, or licenses to use real property as defined in RCW 82.04.050, must collect and report retail sales tax on the value of such goods or services sold. (See WAC 458-20-183, Places of amusement or recreation, and WAC 458-20-166, Hotels, motels, boarding houses, resorts, summer camps, trailer camps, etc., for additional guidance relative to retail sales and retail services.)

#### DEFINITIONS:

The words and terms utilized in RCW 82.04.4282 are not given a statutory definition in the Revenue Act. Under the general rules of statutory construction, those words and terms are to be given their ordinary and common meaning. Hence, for purposes of RCW 82.04.4282 and this rule the following definitions will apply:

"Amounts derived" means gross income from whatever source and however designated. It includes "gross proceeds of sales" and "gross income of the business" as those terms are defined by RCW 82.04.070 and 82.04.080, respectively. It shall also include income attributable to bona fide initiation fees and bona fide dues.

"Bona fide" shall have its common dictionary meaning, i.e., in good faith, authentic, genuine.

"Initiation fees" are those initial amounts which are paid solely to admit a person as a member to a club or organization. "Bona fide initiation fees" within the context of this rule shall include only those one-time amounts paid which genuinely represent the value of membership in a club or similar organization. It shall not include any amount paid for or attributable to the privilege of receiving any goods or services other than mere nominal membership.

"Dues" are those amounts paid solely for the privilege or right of retaining membership in a club or similar organization. "Bona fide dues" within the context of this rule shall include only those amounts periodically paid by members which genuinely entitle those persons to continued membership in the club or similar organization. It shall not include any amounts paid for goods or services rendered to the member by the club or similar organization.

"Significant amount" relates to the quantity or degree of goods or services rendered and made available to members by the organization. "Significant" is defined as having important meaning or the quality of being important.

"Goods or services rendered" shall include those amusement and recreation activities as defined in RCW 82.04.050, WAC 458-20-166, and 458-20-183. The term shall include the totality or aggregate of goods or services available to members. It is not determinative

that some members actually receive more goods or actually enjoy more services than others so long as the totality of the goods or services offered are made available to members in general.

"Any additional charge" means a price or payment other than bona fide initiation fees or dues, paid by persons for particular goods and services received. The additional charge must be reasonable and any business and/or sales taxes must be paid upon such charges in order to qualify other income denominated as "dues" to be deductible. The reasonableness of any additional charge will be based on one of the following two criteria: (1) It must cover all costs reasonably related to furnishing the goods or services, or (2) it must compare with charges made for similar goods or services by other commercial businesses.

"Value of such goods or services" shall mean the market value of similar goods or services or computed value based on costs of production.

#### METHODS OF REPORTING:

Persons who receive any "amounts derived" from initiations fees and/or dues may report their tax liabilities and determine the amount of tax reportable under different classifications (Retailing or Service) by use of alternative methods, based upon:

1. A standard deduction of 20 percent of gross income (This method is available for use only by not-for-profit organizations); or,
2. Actual records of facilities usage; or,
3. Cost of production of facilities and benefits.

All amounts derived from initiation fees and dues must be reported as gross income which then must be apportioned between taxable and deductible income. The alternative apportionment methods are mutually exclusive. Thus, if a qualifying organization elects to use the standard deduction, neither of the other methods may be used. Organizations which cannot qualify to take the standard deduction, or which elect not to do so, may apportion their income based upon such actual records of facilities usage as are maintained. This method is accomplished by:

- a) The allocation of a reasonable charge for the specific goods or services rendered: *Provided*, That in no case shall any allocation of any separate charge for any goods or services be deemed "reasonable" if the aggregate of such charges is insufficient to cover the costs of providing such goods or services; or,
- b) The average comparable charges for such goods or services made by other commercial businesses.

#### ACTUAL RECORDS OF FACILITIES USAGE METHOD.

The actual records of facilities usage method must reflect the nature of the goods or services and the frequency of use by the membership, either from an actual tally of times used or a periodic study of the average membership use of facilities. Actual usage reporting may also be based upon a graduated or sliding fees and dues

structure. For example, an organization may charge different initiation fees or dues rates for a social membership than for a playing membership. The difference between such rates is attributable to the value of the goods or services rendered. It constitutes the taxable portion of the "amounts derived" allocable to that particular activity. Because of the broad diversification of methods by which "amounts derived" may be assessed or charged to members, the actual records of usage method

of reporting may vary from organization to organization. The following are some examples of this reporting method for several different kinds of facilities.

Facility	Period	Source	Value Base	Usage	Value	Taxable Income
Golf	3 mos	Reservations	Mkt Comparison	5,000 rounds	* x \$7.50 per Round	\$37,500
Camping	6 mos	Vacancy Study	Mkt Comparison	4,500 stays	x \$12.50 per Stay	\$56,250
Racquetball	9 mos	Reservations	Charge to Nonmember	1,250 hours	x \$4.00 per Hour	\$5,000
Swimming	12 mos	Member Survey	Actual Charges	3,650 uses	x \$1.00 per Use	\$3,650
Tennis	1 mo	Graduated Fee Structure	Graduated Fee Structure	200 playing members	x \$50.00 per Member	\$10,000

\*Figures and dollar amounts shown are hypothetical.

Organizations which provide more than one kind of "goods or services" as defined in this rule, may provide such actual records for each separate kind of goods or services rendered. Based upon this method the total of apportioned "taxable" income may be subtracted from total gross income to derive the amount of gross income which is entitled to deduction as "bona fide initiation fees and dues" under RCW 82.04.4282.

**COST OF PRODUCTION METHOD.**

This alternative apportionment method is available only for persons who do not take the standard deduction and when, it is impossible or unfeasible to maintain actual usage records. Under such circumstances apportionment of income may be done based upon the cost of production of goods or services rendered. Persons using this method are advised to seek the department's review of the cost accounting methods applied, in order to avoid possible tax deficiency assessment if records are audited. In such cases the cost of production shall include all items of expense attributable to the particular facility (goods or services) made available to members, including direct and indirect overhead costs.

Direct overhead costs include all items of expense immediately associated with the specific goods or services for which the costs of production method is used, e.g., the salary of a swimming pool lifeguard or a golf club's greenskeeper.

Indirect overhead costs include a pro rata share of total operating costs, including executive and employee

salaries as well as a pro rata share of administrative expense and the cost of depreciable capital assets.

No portion of assets which have been fully depreciated will be included in computing overhead costs, nor will there be included any costs attributable to membership recruitment and advertising, or providing members with the indicia of membership (membership cards, certificates, contracts of rights, etc.).

The cost of production method is performed by multiplying gross income (all "amounts derived") by a fraction, the numerator of which is the cost of providing any specific goods or service, and the denominator of which is the organization's total operating costs. The formula looks like this:

$$\frac{\text{Direct and Indirect Costs of Specific Goods or Service}}{\text{Total Business Costs}} \times \text{Gross Income}$$

The result is the portion of "amounts derived" which is allocable to the taxable facility (goods or services rendered.) The balance of gross amounts derived is deductible as bona fide initiation fees or dues. If more than one kind of facility (goods or services) is made available to members, this formula must be applied for each in order to determine the total of taxable and deductible amounts and to determine the amount of taxable income to report as either retailing taxable or service taxable.

Under very unique circumstances and only upon advance written request and approval, the department will consider variations of the foregoing accounting methods

as well as additional factors shown to be unique to certain kinds of organizations.

Unless income accounting and reporting are accomplished by one or a combination of methods outlined in this rule, or under a unique reporting method authorized in advance by the department, it will be presumed that all "amounts derived" by any person who provides "goods or services" as defined herein, constitute taxable, nondeductible amounts.

#### TAX CLASSIFICATIONS.

Persons who derive income from initiation fees and dues may find that they have incurred business and occupation tax liability under both the retailing and service and other activities classifications. For example, an organization may furnish golf as well as sauna bath facilities to its members in return for payment of dues. The former is a retailing taxable activity while the latter is taxable under the service business tax. These taxes are at different rates. Once the income has been apportioned between taxable and deductible amounts, the parts of taxable income attributable to either retailing activities or service activities must be reported on the excise tax return under the appropriate classification and under the prevailing tax rates. In addition, state and local retail sales taxes measured by the retailing portions must be separately collected from dues paying members, reported, and remitted with the same excise tax return. (See WAC 458-20-183, 458-20-166, and RCW 82.04-.050 for further guidance in distinguishing between retailing and service activities for excise tax purposes.)

#### NONPROFIT YOUTH ORGANIZATIONS.

Nonprofit youth organizations which, as such, are exempt from property tax under RCW 84.36.030 may deduct fees or dues received from members even though the members are entitled to use the organization's facilities, including camping and recreational facilities, in return for such payments. (See RCW 82.04.4271.)

#### TUITION FEES.

The term "tuition fees" refers to fees charged by educational institutions, and, in addition to instruction fees, includes library, laboratory, health and other special fees and amounts charged for room and board when the property or service for which such charges are made is furnished exclusively to the students or faculty of such institutions.

"Educational institutions" which may deduct "tuition fees" are those which have been created or generally accredited as such by the state or defined as a degree granting institution under RCW 28B.05.030(1) \*and accredited by an accrediting association recognized by the United States Secretary of Education, and which offer to students an educational program of a general academic nature and those institutions which are not operated for profit and which are privately endowed under a deed of trust to offer instruction in trade, industry and agriculture, but not including specialty schools,

business colleges, other trade schools or similar institutions. \* "Degree granting institution" shall mean an educational institution, which offers educational credentials, instruction, or services prerequisite to or indicative of an academic or professional degree or certificate beyond the secondary level.

A business college, dancing school, music school or specialty school is not an "educational institution" within the meaning of that term as defined above. Tuition fees collected by such institutions are taxable under the service and other business activities classification of the business and occupation tax.

The right to deduct bona fide initiation fees, dues, contributions, donations, tuition fees and endowment funds does not exempt any person, association or society from tax liability upon selling tangible personal property or upon providing facilities or services for which a special charge is made to members or others. However, agencies or institutions of the state of Washington, such as the University of Washington and community colleges are exempt from payment of the business and occupation tax.

Revised March 27, 1984.

[Statutory Authority: RCW 82.32.300. 86-02-039 (Order ET 85-8), § 458-20-114, filed 12/31/85; 84-08-012 (Order 84-1), § 458-20-114, filed 3/27/84; Order ET 70-3, § 458-20-114 (Rule 114), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-115 Sales of packing materials and containers.** The term "packing materials" means and includes all boxes, crates, bottles, cans, bags, drums, cartons, wrapping papers, cellophane, twines, gummed tapes, wire, bands, excelsior, waste paper, and all other materials in which tangible personal property may be contained or protected within a container, for transportation or delivery to a purchaser.

Sales of packing materials to persons who sell tangible personal property contained therein or protected thereby are sales for resale and are not subject to the retail sales tax if title thereto passes with the goods contained therein.

Sales of containers to persons who sell tangible personal property therein, but who retain title to such containers which are to be returned, are sales for consumption. The retail sales tax or the use tax must be paid upon the sale or use thereof. This class includes wooden or metal bottle cases, barrels, gas tanks, carboys, drums, bags and other items, when title thereto remains in the seller of the tangible personal property contained therein, and even though a deposit is not made for the containers, and when such articles are customarily returned to him. If a charge is made against a customer for the container, with the understanding that such charge will be cancelled or rebated when the container is returned, the amount charged is deemed to be made as security for the return of the container and is not part of the selling price for tax purposes.

Title to containers for beverages and food sold at retail, including beer, milk, soft drinks, mixers and the like, will be deemed to pass to the customer along with the contents. In such cases, amounts charged for the

containers are part of the selling price and subject to retailing business tax. However, the retail sales tax does not apply to sales of returnable food and beverage containers and vendors may take a deduction from gross retail sales for the amount of such sales in reporting sales tax due, providing (1) the seller separately states the charge for the container and (2) the separately stated charge is the amount the vendor will pay for a repurchase of the container. Return of the containers is a repurchase by the vendor and sales tax is not due on amounts paid to the customer on such repurchases, since the vendor will resell the containers in the regular course of his business.

Sales of packing materials to persons engaged in the business of custom or commercial packing are sales for consumption and are subject to the retail sales tax.

No deduction is allowed in computing tax under the retail sales tax classification where the retail sales tax is collected from the customer upon the charge for the container.

Revised June 24, 1974.

Effective July 1, 1974.

[Order 74-2, § 458-20-115, filed 6/24/74; Order ET 70-3, § 458-20-115 (Rule 115), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-116 Labels, name plates, tags, premiums and advertising matter.** Sales of labels and name plates to persons who attach the same to containers enclosing articles sold by them are sales for consumption when such persons retain title to the containers which are to be returned to the seller for re-use, and the retail sales tax applies to such sales.

Sales of labels and name plates, and sales of price tags and shipping tags to persons who attach same to articles or containers sold by them or enclose them with articles therein sold by them, are sales for resale and the retail sales tax does not apply thereto.

Sales of labels, name plates, or price tags to persons who retain them for inventory, statistical, or other business purposes are sales for consumption and the retail sales tax applies to such sales.

The retail sales tax does not apply to sales of so-called premiums to persons who pass title thereto with other articles which are sold by them, when the passing of title to the premiums is not contingent upon the returning of coupons or other evidence of prior purchases of similar articles.

Sales of so-called premiums to persons who do not pass title thereto with other articles which are sold by them, but which are given as an inducement to perform a service, such as the soliciting of subscriptions, or are given upon the returning of coupons or other evidence of prior purchases of similar articles, are sales for consumption, and the retail sales tax applies thereto.

The retail sales tax does not apply to sales of advertising matter sold to persons who enclose the same with articles sold by them, when such advertising matter relates primarily to such articles with which they are enclosed. (For use tax liability on the use of advertising materials, see WAC 458-20-178.)

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-116, filed 3/15/83; Order ET 70-3, § 458-20-116 (Rule 116), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-117 Sales of dunnage.** The word "dunnage" means any material used for the purpose of protecting or holding in place cargo or freight during transportation by any carrier of property, and which is not an integral part of the carrier itself. Dunnage includes such things as wood blocks, stakes, separating strips, timber, double decks, false floors, door shields, bulkheads, and other bracing.

Sales to persons of any material to be used by them as dunnage are retail sales, and the retail sales tax applies thereto. (See WAC 458-20-175 concerning sales to certain interstate and foreign carriers.)

Issued May 1, 1943.

[Order ET 70-3, § 458-20-117 (Rule 117), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-118 Sale or rental of real estate, license to use real estate.** Amounts derived from the sale and rental of real estate are exempt from taxation under the business and occupation tax. However, there is no exemption of amounts derived from engaging in any business wherein a mere license to use or enjoy real property is granted. Further, no exemption is allowed for amounts received as commissions for the sale or rental of real estate (RCW 82.04.390) nor for interest received by persons engaged in the business of selling real estate on time or installment contracts. For purposes of distinguishing the lease or rental of real estate from the granting of a license to use real estate (taxable under various other classifications of the business and occupation tax) the department of revenue will be guided by the following principles.

**LEASE OR RENTAL OF REAL ESTATE.** A lease or rental of real property conveys an estate or interest in a certain designated area of real property with an exclusive right in the lessee of continuous possession against the world, including the owner, and grants to the lessee the absolute right of control and occupancy during the term of the lease or rental agreement. An agreement will not be construed as a lease of real estate unless a relationship of "landlord and tenant" is created thereby. It is presumed that the sale of lodging by a hotel, motel, tourist court, etc., for a continuous period of thirty days or more is a rental of real estate. It is further presumed that all rentals of apartments and leased departments constitute rentals of real estate.

**LICENSE TO USE REAL ESTATE.** A license grants merely a right to use the real property of another but does not confer exclusive control or dominion over the same. Usually, where the grant conveys only a license to use, the owner controls such things as lighting, heating, cleaning, repairing and opening and closing the premises.

It will be presumed that license to use or enjoy real property is granted in the rental of the following:

(1) Hotel rooms (for periods of less than 30 continuous days; see WAC 458-20-166).

(2) Motels, tourist courts and trailer parks (for periods of less than 30 continuous days; see WAC 458-20-166).

(3) Cold storage lockers (see WAC 458-20-133).

(4) Safety deposit boxes.

(5) Storage space (see WAC 458-20-182).

(6) Space within park or fair grounds to a concessionaire.

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-118, filed 3/15/83; Order ET 70-3, § 458-20-118 (Rule 118), filed 5/29/70, effective 7/1/70.]

#### WAC 458-20-119 Sales of meals.

##### BUSINESS AND OCCUPATION TAX

All persons making sales of meals, upon which the retail sales tax applies under the provisions set forth in this ruling, are required to pay the business and occupation tax under the retailing classification upon the gross proceeds derived from such sales.

##### RETAIL SALES TAX

**RESTAURANTS AND OTHER EATING PLACES.** Sales of meals by hotels, restaurants, cafeterias, clubs, boarding houses and other eating places are subject to the retail sales tax. Sales to such eating places of food and beverage products for use in preparing meals are sales for resale and are not subject to the tax.

In the case of boarding houses and American plan hotels the price of meals must be segregated from the charges made for rooms on bills rendered guests and on the books of the taxpayer. (See WAC 458-20-124—Restaurants, etc.)

**RAILROAD, PULLMAN CAR, STEAMSHIP, AIRPLANE, OR OTHER TRANSPORTATION COMPANY DINERS.** Sales of meals by railroad, Pullman car, steamship, airplane, or other transportation companies served at fixed locations in this state, or served upon the carrier itself while within this state, are subject to the retail sales tax.

Where no specific charge is made for meals separate and apart from the transportation charge, the entire amount so charged is deemed a charge for transportation and the retail sales tax is not applicable to any portion thereof. In such case the transportation company will be liable to its vendors for retail sales tax upon the purchase of the food supplies or meals.

**HOSPITALS AND INSTITUTIONS.** The serving of meals by hospitals, rest homes, sanitariums and similar institutions to patients as a part of the service rendered in the conduct of such institutions is not subject to the retail sales tax. In cases where compensation of nurses or attendants employed by hospitals includes the furnishing of meals in addition to the stated cash wage, the same rule applies. Sales of food and beverage products to such institutions for use in preparing such meals are sales for consumption and are subject to the tax.

However, many hospitals have cafeterias or restaurants through which meals are sold for cash or credit to doctors, visitors, nurses and other employees, and certain hospitals have agreements whereby nurses employed are paid a fixed cash wage in full payment for services

rendered, which does not include the charge made for meals. Under those circumstances, all sales of meals to such persons are subject to the retail sales tax.

Since it is impracticable for hospitals, at the time of purchasing food products, to determine the portion that will be used in furnishing the services rendered by them, hospitals may, in lieu of accurate accounting, determine sales tax liability, upon sales of meals served to other than patients, in the following manner:

(1) Retail sales tax should be paid to hospitals' vendors upon all purchases of food products, irrespective of the amount thereof to be served to patients.

(2) Retail sales tax should be collected upon all sales of meals made to doctors and visitors and to nurses and all other employees whose compensation does not include the furnishing of meals.

(3) In computing sales tax liability, hospitals may take a deduction of 50% from the gross sales, in lieu of refund of sales tax paid by them to their vendors upon the original purchase of food used in preparing meals for sale to doctors and visitors and to nurses and others whose compensation does not include the furnishing of meals.

**FRATERNITIES AND SORORITIES.** Fraternities, sororities and other groups of individuals who reside in one place and jointly share the expenses of the household including expense of meals are not considered to be making sales when meals are furnished to members. Sales of food and beverage products to such groups to be used in preparing meals are sales for consumption and are subject to the retail sales tax.

However, when such groups do not provide their own meals, but the meals are provided by caterers or concessionaires, the caterers or concessionaires are making retail sales subject to the tax. Sales to such caterers or concessionaires of food and beverage products for use in preparing meals are sales for resale and are not subject to the tax.

**MEALS FURNISHED TO EMPLOYEES.** Sales of meals by logging companies, mills, contractors, transportation companies and other business and industrial concerns to employees are sales at retail and subject to the retail sales tax. This is true whether individual meals are sold, whether a flat charge is made, or whether meals are furnished as a part of the compensation for services rendered. Where no specific charge is made for each meal, the measure of the tax will be average cost per meal served to each employee, based upon the actual cost of the food. In view of the fact that it is often impracticable to collect the retail sales tax from employees on such sales, persons engaged in the business of furnishing meals to the public may, in lieu of collecting such tax from employees, pay the tax directly to the department of revenue. Where meals furnished are not recorded as sales the tax due on meals shall be presumed to apply according to the following formula for determining meal count: (a) Those employees working shifts up to five hours, one meal; (b) employees working shifts of more than five hours, two meals.

Persons engaged in the business of furnishing meals to the public, generally pay their employees a fixed cash

wage and, in addition thereto, furnish one or more meals per day to such employees, as compensation for their services. The furnishing of such meals constitutes a retail sale, irrespective of whether or not a specific charge is made therefor. Where a specific charge is made, the retail sales tax must be collected and accounted for on the selling price.

**SCHOOL, COLLEGE, OR UNIVERSITY DINING ROOMS.** Public schools, high schools, colleges, universities or private schools operating lunch rooms, cafeterias or dining rooms for the exclusive purpose of providing students and faculty with meals are not considered to be engaged in the business of making retail sales.

Where any such cafeteria, lunch or dining room caters to the public the school, college or university operating it is considered to be making retail sales and the retail sales tax must be collected from all persons to whom the meals are furnished.

**SALES OF MEALS, BEVERAGES, AND FOOD AT PRICES INCLUDING SALES TAX.** Persons who advertise and/or sell meals, alcoholic or other beverages, or any kind of food products upon which retail sales tax is due should refer to WAC 458-20-244 (Food products) and WAC 458-20-107 (Advertised prices including sales tax—Warranties, maintenance agreements, service contracts). Effective on April 15, 1985 the former special provisions of this rule applicable to restaurants, taverns, concessionaires, and sellers of alcoholic beverages, which sell at prices including sales tax were superseded by the provisions of WAC 458-20-107.

**CLASS H LICENSE LOCATIONS.** When an operator elects to sell drinks at a price which, after addition of sales tax is rounded off to an even amount, this pricing method for drinks must be used in all areas of the location. This means that the price posting requirements must be met wherever drinks are sold so that the customer can identify readily the items billed inclusive of tax and those billed exclusive of tax. Therefore, drink totals which include tax and food totals which do not include tax must be shown separately so that all dinner checks involving both food and liquor charges shall be presented to the customer with amounts due shown in the following order: Food, sales tax on food, liquor, total. Persons who elect to post prices to show amounts of tax included but who fail to comply with these requirements are subject to business and occupation tax and retail sales tax measured by the gross bar and cocktail lounge receipts.

**GRATUITIES.** Tips or gratuities representing donations or gifts by customers under circumstances which are clearly voluntary are not part of the selling price subject to tax. However, mandatory additions to the price by the seller, whether labeled service charges, tips, gratuities or otherwise must be included in the selling price and are subject to both the retailing classification of the business and occupation tax and the retail sales tax.

Effective May 1, 1982.

[Statutory Authority: RCW 82.32.300. 86-03-016 (Order ET 86-1), § 458-20-119, filed 1/7/86; 82-16-061 (Order ET 82-7), § 458-20-119, filed 7/30/82. Statutory Authority: RCW 82.01.060(2) and 82-32.300. 78-07-045 (Order ET 78-4), § 458-20-119, filed 6/27/78; Order ET 74-1, § 458-20-119, filed 5/7/74; Order ET 70-3, § 458-20-119 (Rule 119), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-120 Sales of ice.** Sales of ice to fishermen for the purpose of packing and preserving their fish during the trip from the fishing banks to their port of discharge are sales for consumption and are taxable under the retail sales tax.

Sales of ice to persons, other than railroad companies, for use in icing refrigerator cars are sales for consumption and are taxable under the retail sales tax.

The use of ice purchased or manufactured by interstate railroad companies for the purpose of icing within this state perishables or refrigerator cars or car cooling systems, is subject to use tax. (See WAC 458-20-175.)

Sales of ice to persons who sell fish, fruit, vegetables and other commodities are sales for resale and not subject to the retail sales tax when such ice is used for packing during shipment and title thereto passes to the purchaser along with the property sold.

Sales of ice to persons operating restaurants, soda fountains and the like are sales for resale and are not subject to the retail sales tax when such ice is used exclusively as crushed ice in drinks sold by such persons.

Sales of ice to persons operating creameries, beer parlors, restaurants, soda fountains and the like are sales for consumption and are taxable under the retail sales tax when such ice is used primarily for the purpose of cooling food products and is not for resale to customers.

Revised May 1, 1949.

[Order ET 70-3, § 458-20-120 (Rule 120), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-121 Sales of heat.** Persons engaging in the business of operating a plant for the production, extraction, or storage of heat for distribution, for hire or sale, whether such heat is produced by a biomass system, cogeneration, geothermal sources, fossil fuels, or otherwise, are subject to the provisions of the business and occupation tax and are taxable under the service and other business activities classification.

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-121, filed 3/15/83; Order ET 70-3, § 458-20-121 (Rule 121), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-122 Sales of feed, seed, fertilizer and spray materials.** (1) Definitions. As used in this ruling:

(a) The word "feed" means a substance used as food for animals, birds, fish, or insects, and includes whole and processed grains or mixtures thereof, hay and forages or meals made therefrom, mill feeds and feeding concentrates, stock salt, hay salt, bone meal, cod liver oil, double purpose limestone grit, oyster shell and other similar substances used to sustain or improve livestock or poultry. The word does not include substances which do not contribute directly to a resulting agricultural product, such as peat moss or litter, nor does it include hormones or products which are used as medicines rather than as food.

(b) The word "seed" means propagative portions of plants, commonly used for seeding or planting whether true seeds, bulbs, plants, seedlike fruits, seedlings or tubers.

(c) The word "fertilizer" means a substance which increases the productivity of the soil by adding plant foods or nutrients which improve and stimulate plant growth.

(d) The term "spray materials" means materials in liquid, powder or gaseous form used by agricultural producers as described in RCW 82.04.330 for the purpose of controlling or destroying insects, parasites, vermin, animals, fungi, weeds, pests or plants of a similar nature, deleterious to the growth or conservation of horticultural plants, animals, or products derived therefrom. It includes pesticides as defined in RCW 15.58.030(1). It does not include mechanical devices for the elimination of pests nor does it include materials used for spraying forest trees by commercial timber producers.

(e) The word "farmers" as used in this rule means any persons engaged in the business of growing or producing for sale at wholesale upon their own lands, or upon lands in which they have a present right of possession, any agricultural product whatsoever, including milk, eggs, wool, fur, meat, honey, or other substances obtained from animals, birds, or insects. "Farmers" does not mean persons selling such products at retail, persons using such products as ingredients in a manufacturing process, or persons growing or producing such products for their own consumption. It does not mean any person dealing in livestock as an operator of a stockyard, slaughter house, or packing house; nor does it mean any person who is an "extractor" within the meaning of WAC 458-20-135.

(2) Business and occupation tax. Persons engaged in the business of selling feed, seed, fertilizer or spray materials are taxable under either the retailing or wholesaling classification on gross proceeds of sales. Sales of feed, seed, fertilizer, and spray materials to farmers as defined herein are taxable under the wholesaling—other classification: *Provided*, That wholesale sales of certain unprocessed grain and legumes may be taxable at a lower rate under the wholesaling wheat, oats, corn, barley, dry peas, dry beans, lentils, triticale classification (see WAC 458-20-161), even though the sale of such unprocessed grains or legumes is to a farmer for use as feed. Sales of feed, seed, fertilizer, and spray materials to consumers other than farmers are taxable under the retailing classification. Sales of feed for use in the cultivating or raising for sale of fish are taxable under the retailing classification.

(3) Persons engaged in the business of spraying crops for hire are taxable under the service and other business activities classification on the gross income therefrom.

(4) Retail sales tax. The retail sales tax applies to sales of feed, seed, fertilizer, and spray materials to consumers other than "farmers" as defined herein, except as explained below.

(5) The tax applies upon sales of spray materials to persons who spray agricultural crops and other real property for hire, unless purchased for resale to others for a charge separate and apart from charges for the actual spreading of the spray materials.

(6) The sales tax also applies to sales of feed to riding clubs, race track operators, or for feeding pets, work animals, or for raising poultry, eggs, or other products for

personal consumption. Also, the tax applies to sales of seed, fertilizer, and spray materials to persons for use on lawns, gardens, or any other personal use other than resale or the commercial production of agricultural products.

(7) Exemptions. The sales tax does not apply to sales of feed, seed, fertilizer, and spray materials to farmers, as defined herein (RCW 82.04.050).

(8) The tax does not apply to sales of feed to persons for use in cultivating or raising fish for sale, entirely within confined rearing areas on the persons own land or on land in which the person has a present right of possession (RCW 82.08.0294).

(9) The tax does not apply to sales of feed for feeding livestock at public livestock markets (RCW 82.08.0296).

(10) The burden of proving that a sale of any of said articles was not a sale at retail is upon the seller, and all sales will be deemed retail sales unless the seller shall take from the purchaser, whether a registered dealer or a farmer, a resale certificate in accordance with WAC 458-20-102.

(11) Use tax. The use tax does not apply upon the use of feed, seed, fertilizer, and spray materials in this state under such circumstances that the sale of such things is exempt of sales tax as explained earlier herein. In all other cases the use tax applies upon the first use by a consumer of such things if retail sales tax has not been paid upon their acquisition.

[Statutory Authority: RCW 82.32.300, 86-21-085 (Order ET 86-18), § 458-20-122, filed 10/17/86; 86-09-058 (Order ET 86-7), § 458-20-122, filed 4/17/86; Order ET 70-3, § 458-20-122 (Rule 122), filed 5/29/70, effective 7/1/70.]

## WAC 458-20-123 Public and lending libraries.

### DEFINITIONS

The term "public libraries" as used herein means libraries operated by the state or by any governmental unit, as the term is defined by RCW 27.12.010.

The term "lending libraries" as used herein has reference to all libraries other than those operated by the state or by a governmental unit.

### BUSINESS AND OCCUPATION TAX

RETAILING. Lending libraries are taxable under the retailing classification upon the gross proceeds of sales and rentals of all books and periodicals.

For tax liability of public libraries see WAC 458-20-189.

### RETAIL SALES TAX

Lending libraries are not required to pay the retail sales tax upon the purchase of books and periodicals and newspapers loaned by them provided they supply their vendors with resale certificates in the usual form (see WAC 458-20-102). Public libraries are required to pay the retail sales tax on purchases of books and periodicals loaned by them.

Lending libraries are required to collect the retail sales tax from their patrons upon sales and rentals of all books and periodicals (excluding newspapers).

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-123, filed 3/15/83; Order ET 70-3, § 458-20-123 (Rule 123), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-124 Restaurants, soda fountains, cocktail bars, beer parlors, etc.** As used herein, the term "restaurants, soda fountains, cocktail bars, beer parlors, etc.," means every place where prepared foods and beverages are sold and served to individuals, generally for consumption on the premises where sold.

The retail sales tax applies upon all sales of foods and beverages made to consumers by persons operating restaurants, soda fountains, cocktail bars, beer parlors, etc.

**SALES OF ALCOHOLIC BEVERAGES BY CLASS H LICENSEES, TAVERNS, AND CONCESSIONAIRES.** Businesses authorized under license or permit issued by the Washington state liquor control board to sell liquor, beer, and wine by the drink under conditions of business such as to render impracticable the separate collection of the retail sales tax may, upon compliance with the following requirements and conditions, include the retail sales tax in the selling price of the item sold: (1) The establishment must display a chart, in type large enough to be read by customers, posted in a conspicuous place, which separately lists each item by name, the selling price, sales tax, and total charge, and (2) the chart must be posted at a location where the customer can easily read the chart without being required to enter employee work areas or without special request that the chart be furnished to him. This procedure is permissible only for sale of alcoholic beverages and not to sales of meals or other menu items. A list of prices which merely shows number combinations which add up to even nickel or dime amounts does not meet the foregoing requirements. An operator who elects to report sales tax in the manner herein provided but fails to follow the foregoing requirements shall be subject to business and occupation tax and retail sales tax upon gross receipts.

**CLASS H LICENSE LOCATIONS.** When an operator elects pursuant to the foregoing, to sell drinks at a price which, after addition of sales tax is rounded off to an even amount, this pricing method must be used in all areas of the location. This means that the price posting requirements must be met wherever drinks are sold so that the customer can identify readily the items billed inclusive of tax and those billed exclusive of tax. Therefore, drink totals and food totals must be shown separately so that all dinner checks involving both food and liquor charges shall be presented to the customer with amounts due shown in the following order: Food, sales tax on food, liquor, total. Persons who elect to post prices to show amounts of tax included but who fail to comply with these requirements are subject to business and occupation tax and retail sales tax measured by the gross bar and cocktail lounge receipts.

The retail sales tax also applies upon all sales of dishes, kitchen utensils, linens, furniture and fixtures, and the like, made by supply houses to such operators.

The retail sales tax does not apply upon sales of food-stuffs and beverages made by supply houses to persons

operating restaurants, soda fountains, cocktail bars, beer parlors, etc. Likewise, that tax does not apply upon sales to said persons of paper plates, paper cups, paper napkins, toothpicks, or any other articles which are furnished to customers, the first actual use of which renders such articles unfit for further use. (See WAC 458-20-119—Sales of meals.)

**GRATUITIES.** Tips or gratuities representing donations or gifts by customers under circumstances which are clearly voluntary are not part of the selling price subject to tax. However, mandatory additions to the price by the seller, whether labeled service charges, tips, gratuities or otherwise must be included in the selling price and are subject to both the retailing classification of the business and occupation tax and the retail sales tax.

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-124, filed 3/15/83; Order ET 70-3, § 458-20-124 (Rule 124), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-125 Miscellaneous sales for farm use.** Sales of tangible personal property to persons engaging in farming are wholesale sales and not subject to the retail sales tax when such property is purchased for resale or to become an ingredient of products produced for sale or when such property consists of, or will become parts of a container to be resold with such products. Thus, sales of grain sacks which are resold with grain produced, sack twine used in binding such sacks, wire for binding bales of hay and alfalfa which are sold, box shooks, fruit and vegetable wrappers and the like are wholesale sales. (See WAC 458-20-209 for applicability of retail sales tax to sales of these commodities to persons performing farming services for hire.)

Sales of tangible personal property to persons engaging in farming are retail sales and subject to the retail sales tax when such property is not resold, does not become an ingredient of products produced for sale, and does not consist of containers, or component parts thereof, to be resold with such products, except as provided in WAC 458-20-122. Thus the retail sales tax must be collected upon sales to such persons of machinery, tools, binder twine, pea twine, hop wire, cleaning materials, peat moss, litter of all kinds and the ingredients thereof, even though the litter after use is resold to a person engaged in commercial production for use as fertilizer.

The retail sales tax is not applicable to sales of pollen, sales of purebred livestock for breeding purposes where the animals are registered in a nationally recognized breeding association, to sales of beef and dairy cattle used on a farm, to sales of poultry for use in the production for sale of poultry or poultry products, nor to sales of semen for use in the artificial insemination of livestock.

As evidence of entitlement to sales tax exemption upon sale of purebred animals sold for breeding purposes, the seller is required to take from the purchaser a written and signed certificate substantially in the following form:

I, \_\_\_\_\_, certify that my purchase from \_\_\_\_\_ of \_\_\_\_\_, a purebred \_\_\_\_\_, which is registered with the \_\_\_\_\_ breeding association, is being purchased by me for breeding purposes.

Date	Signature
	Address
	City, State, Zip Code

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-125, filed 3/15/83; Order ET 70-3, § 458-20-125 (Rule 125), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-126 Sales of motor vehicle fuel and special fuels.**

**SALES OF MOTOR FUEL AND SPECIAL FUELS**

As used herein the term "vehicle fuel" means motor vehicle fuel as defined in chapter 82.36 RCW and special fuels as defined in chapter 82.38 RCW.

The retail sales tax does not apply to sales of motor vehicle fuel on which the tax of chapter 82.36 RCW is paid, nor to sales of special fuels when sold for use as fuel in propelling motor vehicles upon the public highways in this state and on which the special fuel tax or the annual fee in lieu thereof in the case of certain non-pollutant fuels imposed by chapter 82.38 RCW, is paid.

However, except for the further sales and use tax exemptions explained in this rule, the retail sales tax or use tax applies to sales and uses of motor vehicle fuel or special fuel upon which the taxes of chapter 82.36 or 82.38 RCW have not been paid or such taxes have been refunded.

By reason of special exemptions contained in RCW 82.08.0255 the retail sales tax does not apply to sales of special fuel delivered in this state which is subsequently transported and used outside this state by persons engaged in interstate commerce.

Also, neither the retail sales tax nor use tax applies to sales or uses of motor vehicle fuel or special fuel purchased by private, nonprofit transportation providers certified under chapter 81.66 RCW, who are entitled to fuel tax refund or exemption under chapter 82.36 or 82.38 RCW.

Persons selling special fuels on which the tax of chapter 82.38 RCW is not collected, except special fuel sold for use outside this state by persons engaged in interstate commerce, or fuel sold to exempt certified transportation providers, are required to collect the retail sales tax on retail sales thereof. Purchasers of nonpollutant fuel (including liquid and gaseous propane) who are registered with the department and who take deliveries into bulk storage facilities should get information from an office of the department regarding special provisions for such deliveries.

It is the intent of the law that all vehicle fuels, except special fuel purchased in this state for use outside this state by interstate commerce carriers, or fuels sold to exempt certified transportation providers will be subject

to either the vehicle fuel taxes (chapter 82.36 or 82.38 RCW) or else the sales or use taxes of the Revenue Act (chapter 82.08 or 82.12 RCW). The fuel taxes are applicable to sales of fuel for on-highway consumption. The sales or use tax is applicable to fuel sold for consumption off the highways (e.g., boat fuel, or fuel for farm machinery, construction equipment, etc.).

When persons purchase motor vehicle fuel or special fuel upon which either the fuel taxes of chapter 82.36 or 82.38 RCW have been paid, but the fuel is consumed off the highways, such persons are entitled to a refund of these taxes under the procedures of RCW 82.38.150. However, persons receiving refund of vehicle fuel taxes because of their off-highway consumption of the fuel in this state are subject to payment of the use tax of chapter 82.12 RCW on the value of the fuel. The director of the department of licensing administers the fuel tax refund provisions and will deduct from the amount of any such refunds the amount of use tax due.

[Statutory Authority: RCW 82.32.300. 83-17-099 (Order ET 83-6), § 458-20-126, filed 8/23/83; 83-07-034 (Order ET 83-17), § 458-20-126, filed 3/15/83; Order ET 73-1, § 458-20-126, filed 11/2/73; Order ET 70-3, § 458-20-126 (Rule 126), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-127 Magazines and periodicals.**

**RETAIL SALES TAX**

Sales of magazines and periodicals to the reading public by persons operating news stands, book stores, cigar stores, drug stores and the like are sales at retail and are subject to the retail sales tax. Sales to newsstands or stores which are sales for resale are not subject to the retail sales tax.

When magazines or periodicals are distributed to the final purchaser by a distributor who effects such distribution through organizers or captains, supervising boys, or others selling from house to house or upon the streets, the news company or distributor is the one responsible for the collection and payment of the retail sales tax.

Such news companies or distributors shall collect from the boys or others selling the magazines or periodicals the retail sales tax upon the gross retail selling price of all magazines and periodicals taken by such boys or others.

Registration certificates are not required for organizers or captains or for boys or other persons selling magazines or other periodicals under such circumstances. Branch certificates will be issued to the news company or magazine distributor for each of the local stations operated by such company.

Where subscriptions or renewals of subscriptions are mailed directly by purchasers to publishers outside the state, such subscriptions constitute transactions in interstate commerce of a type which are not subject to the retail sales tax. Because of circumstances peculiar to the magazine publishing industry, the degree of local activity in respect to interstate sales is either difficult or impossible to determine. For this reason, out-of-state vendors of magazines are relieved from liability for collecting either retail sales tax or use tax on sales of magazines or periodicals when such publications are

published outside the state and delivered in interstate commerce to consumers in this state.

This rule does not apply to the sale of newspapers. The law expressly exempts the sale of newspapers from the retail sales tax. (RCW 82.08.0253.) See WAC 458-20-143 for the definition of "newspaper."

#### USE TAX

Where no retail sales tax is paid upon the purchase of, or subscription to, a magazine or periodical, the use tax is subsequently payable upon the use of the magazine or periodical in this state by the purchaser or subscriber.

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-127, filed 3/15/83; Order ET 70-3, § 458-20-127 (Rule 127), filed 5/29/70, effective 7/1/70.]

#### WAC 458-20-128 Real estate brokers and salesmen.

##### DEFINITIONS

As used herein:

The terms "real estate broker" and "real estate salesman" mean, respectively, a person licensed as such under the provisions of chapter 18.85 RCW.

##### BUSINESS AND OCCUPATION TAX

A real estate broker is engaged in business as an independent contractor and is taxable under the service and other activities classification upon the gross income of the business.

The measure of the tax on real estate commissions earned by the real estate broker shall be the gross commission earned by the particular real estate brokerage office including that portion of the commission paid to salesmen or associate brokers in the same office on a particular transaction: *Provided, however*, That where a real estate commission is divided between an originating brokerage office and a cooperating brokerage office on a particular transaction, each brokerage office shall pay the tax only upon their respective shares of said commission; and provided further, that where the brokerage office has paid the tax as provided herein, salesmen or associated brokers within the same brokerage office shall not be required to pay a similar tax upon the same transaction. RCW 82.04.255.

Thus, with the exception of cooperating brokerage offices, no deduction is allowed for commissions, fees or salaries paid by a broker to another broker or salesman, nor for other expenses of doing business.

The term "gross income of the business" includes gross income from commissions, fees and other emoluments however designated which the agent receives or becomes entitled to receive, but does not include amounts held in trust for others. (See also WAC 458-20-111, advances and reimbursements.) No deductions are allowed for dues, charges, and fees paid to multiple listing associations.

Real estate salesmen are presumed to be independent contractors. They are subject to the service and other activities classification of the business and occupation tax on gross income from real estate commissions and fees earned where the brokerage office at which the real

estate salesman's license is posted has not paid the tax on the gross commission.

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-128, filed 3/15/83; Order ET 70-3, § 458-20-128 (Rule 128), filed 5/29/70, effective 7/1/70.]

#### WAC 458-20-129 Gasoline service stations.

##### GASOLINE SERVICE STATIONS BUSINESS AND OCCUPATION TAX

RETAILING. Persons operating gasoline service stations are taxable under the retailing classification upon the gross proceeds of sales of tangible personal property, from services rendered with respect to the cleaning or repair of such property, gross income from towing and gross income from automobile parking and storage. On computing tax there may be deducted from gross proceeds of sales the amount of state and federal gallonage tax on motor vehicle fuel included therein.

##### RETAIL SALES TAX

The retail sales tax applies upon the sale of tangible personal property (except vehicle fuel) on which the tax of either chapters 82.36 or 82.38 RCW is paid and upon charges for towing, automobile parking and storage and the sale of services rendered with respect to the cleaning or repairing of tangible personal property.

Thus the tax applies upon the sale of tires, accessories, etc., upon sales of labor and materials in respect to lubricating, greasing, tire changing, etc., and also upon washing, battery charging and repair work. (See also WAC 458-20-126.)

[Order ET 73-1, § 458-20-129, filed 11/2/73; Order ET 70-3, § 458-20-129 (Rule 129), filed 5/29/70, effective 7/1/70.]

#### WAC 458-20-130 Sales of real property, standing timber, minerals, natural resources.

##### BUSINESS AND OCCUPATION TAX-RETAIL SALES TAX

Amounts derived from the sale of real estate are not subject to tax under the business and occupation tax or the retail sales tax. However, no exemption is allowed where a mere license to use real estate is granted (see WAC 458-20-118). Further, no exemption is allowed for commissions received in connection with sales of real estate nor for interest received by persons engaged in the business of selling real estate on time or installments contracts.

Sales of standing timber, minerals in place, and other natural resources in place are sales of real estate, and are not subject to tax under the business and occupation tax or the retail sales tax.

Timber, minerals, and other natural resources, after being severed from the real estate, lose their identity as real property, and sales thereof after severance are subject to the provisions of the business and occupation tax and the retail sales tax.

Any person who cuts timber, or who mines or quarries minerals, or who takes other natural resources is subject to tax as an extractor under the business and occupation tax. (See WAC 458-20-135.)

## CONVEYANCE TAX

See WAC 458-20-184 for provisions of the conveyance tax.

[Statutory Authority: RCW 82.32.300, 83-07-034 (Order ET 83-17), § 458-20-130, filed 3/15/83; Order ET 70-3, § 458-20-130 (Rule 130), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-131 Merchandising games, games of chance and concessionaires.**

## BUSINESS AND OCCUPATION TAX—RETAIL SALES TAX

**MERCHANDISING GAMES FOR STIMULATING TRADE.** Persons conducting dice games and other games of chance which determine the amount the customer will pay for merchandise that he desires to purchase are taxable as follows: Under the retailing classification with respect to the retail selling price of all merchandise sold to or won by customers, and under the service and other business activities classification upon the "increases" arising from the conduct of such games. As used herein the word "increases" means the winnings, gains or accumulations accruing daily over and above the retail selling price of all merchandise sold or won in any one day through such games. This method of reporting tax liability will be allowed only in those cases where the operator of the games, by proper accounting methods, accurately segregates the receipts accruing from such games. Where no such segregation is made, such persons are taxable under the retailing classification with respect to the entire gross receipts from such games.

Punchboards which offer prizes of merchandise are considered as merchandising games, with the prizes being sold for the gross proceeds from the boards, and the gross income from such boards should therefore be reported under the retailing classification. When such punchboards are consigned to a location under an arrangement for a split of the gross income between the owner of the boards and the person operating the location, the owner of the boards shall be responsible for reporting gross receipts therefrom under the retailing classification. Where the owner of the boards has not paid the tax due, however, the department of revenue may proceed directly against the operator of the location for payment of the tax due.

**GAMES OF CHANCE OTHER THAN MERCHANDISING GAMES.** Persons conducting dice games, card games, bingo or keno games, "pools," or similar games of chance wherein players participate in such games with the opportunity of winning a certain sum of money, scrip or trade checks or a pool which accumulates, are taxable under the service and other business activities classification upon all "increases" arising from the conduct of such games. The word "increases" as used herein means the winnings, gains, or accumulations accruing from any one game over and above the amount put into the game by the operator; and, where redeemable scrip, trade checks, or hickies are issued to winning players, the word "increases" means the excess of the operator's cash income from the game over the amount of redeemable scrip, trade checks, or hickies issued.

It is essential to the classification of such revenues as income from service and other business activities that they be segregated properly from income derived from merchandising games. When the income from games of chance and amusement is not segregated properly from income from merchandising games, the income derived from both types of games will be taxable as income derived from sales at retail.

Punchboards which offer cash prizes are games of chance rather than merchandising games, and the "increases" (as defined above) therefrom should be reported under the service and other business activities classification. When such punchboards are consigned to a location under an arrangement for a split of the gross increases between the owner of the boards and the person operating the location, the owner of the boards shall be responsible for reporting gross increases therefrom under the service and other business activities classification. Where the owner of the boards has not paid the tax due, however, the department may proceed directly against the operator of the location for payment of the tax due.

Each type of game is considered as a separate, taxable transaction. Thus, losses on one type of game may not be deducted from winnings on another type of game.

**BETTING.** "Increases" from bets on events of public interest, such as sporting events, election results, etc., are taxable under the service and other business activities classification, and should be reported as income of the taxing period in which the winner is determined.

**CONCESSIONAIRES.** Persons conducting games of chance at fairs, carnivals, expositions, bazaars, picnics and other similar places in which merchandise is delivered to players in the form of prizes and awards under certain conditions are taxable under the service and other business activities classification upon the gross income received from the operation of such games. The predominant characteristics of the business in such cases is chance and amusement, and the transfers of merchandise in the form of prizes and awards is relatively small and does not constitute sales of such merchandise.

**RAFFLES.** Persons regularly conducting raffles are subject to the business and occupation tax under the classification service and other activities on gross income from the sale of chances.

**REDEMPTION OF SCRIP OR TRADE CHECKS.** When scrip or trade checks are redeemed in exchange for merchandise or for services which are defined by the law as retail sales, the value of the scrip, etc., so redeemed should be reported as income under the retailing classification. When scrip or trade checks are redeemed in exchange for services which are not defined by law as retail sales, e.g., haircuts, manicures, etc., the value of the scrip, etc., so redeemed should be reported as income under the service and other business activities classification.

**MISCELLANEOUS.** Revenues of card rooms, etc., from all activities other than those which are reportable under the retailing classification, must be reported under the service and other business activities classification. Such revenues include income from the furnishing of playing facilities to card players, etc.

## RETAIL SALES TAX

Persons making retail sales of tangible personal property through merchandising games are liable for the payment of the retail sales tax upon the full retail selling price of the merchandise sold to or won by the customer and whether the tax was actually collected from the customer or not. The retail sales tax does not apply to income from games of chance or amusement which are not merchandising games if that income is properly segregated upon the taxpayer's books and records from the income from merchandise sales or merchandising games. Where the income is not so segregated, it is subject to the retail sales tax.

**MERCHANDISING GAMES FOR STIMULATING TRADE.** Persons conducting dice games and other games of chance which determine the amount that the customer will pay for merchandise that he desires to purchase should collect the retail sales tax from the customer, measured by the amount that the customer actually pays for the merchandise as a result of the outcome of the game.

Punchboards which offer prizes of merchandise are considered as merchandising games, with the prizes being sold for the gross proceeds from the boards, and the retail sales tax is therefore payable on those gross proceeds. For practical reasons, the retail sales tax may be absorbed by the operator, at his option, but the latter will be liable nevertheless to the department of revenue for the full tax on the gross income from each punchboard. When such punchboards are consigned to a location under an arrangement for a split of the gross income between the owner of the boards and the person operating the location, the owner of the boards shall be responsible for collecting and reporting to the department the retail sales tax measured by the gross receipts from such boards. Where the owner of the boards has not paid the tax due, however, the department may proceed directly against the operator of the location for the full amount of sales tax measured by the gross receipts from such boards.

When scrip or trade checks are given, the sales tax should be collected when the scrip or trade checks are exchanged for merchandise or for services that are defined by the law as retail sales.

For example:

(a) **MERCHANDISING GAMES.** Dice are rolled for a 15¢ cigar. In the event that the player wins, a cigar is given to the player free of charge; in the event that the house wins, the player receives a cigar but pays 30¢.

When the player wins, no tax is payable. When the player loses and pays 30¢ for a single cigar, the retail sales tax applies to the latter amount.

(b) **PUNCHBOARDS.** The price of each punch is 25¢. The operator may collect the sales tax on each punch, or at his option, may absorb the tax, but he will be required in either event to remit to the department the retail sales tax measured by the gross income from each board.

Sales to persons who conduct merchandising games of the merchandise delivered to persons, such as confections, tobacco, jewelry, radios, etc., are sales for resale,

and, accordingly, the retail sales tax should not be collected thereon by the seller. When merchandise punchboards are sold outright to an operator, together with merchandise that will be offered as prizes, such sales are considered sales for resale of the boards and of the merchandise by the dealer to the operator. The sale of the board is considered incidental to the sale of the merchandise. When merchandise punchboards are sold outright without the merchandise that will be offered as prizes, such sales are sales at retail and are taxable as such. When money punchboards are sold outright, such sales are sales at retail and are taxable as such.

(c) **CARD GAMES.** Persons conducting card games in card rooms, cigar stores, etc., wherein the players participating receive scrip or trade checks which entitle them to the value thereof in merchandise or services shall collect the retail sales tax when such scrip, trade checks, or hickies are exchanged for merchandise or for services defined by the law as retail sales.

**CONCESSIONAIRES AT FAIRS, CARNIVALS, ETC.** Persons conducting games of chance at fairs, carnivals, expositions, bazaars, picnics, or other similar places and delivering merchandise to players in the form of prizes and awards under certain conditions are not making sales of tangible personal property at retail upon which they are required to collect the retail sales tax. The predominant characteristic of the business in such cases is chance and amusement, and the transfers of merchandise in the form of prizes and awards are relatively small and do not constitute sales of such merchandise. Sales to such persons of the merchandise delivered to the players in the form of prizes and awards are sales at retail upon which the retail sales tax must be collected by the seller. Sales to such persons of devices and other equipment used in the conduct of such games are also retail sales upon which the tax must be collected by the seller.

**RAFFLES.** Persons conducting raffles are not deemed to be making retail sales of the merchandise given away. Retail sales tax or use tax must be paid by the operator upon the acquisition of such property. Until the tax has been paid by one party, however, the department may hold both the operator and the winner liable for the tax.

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-131, filed 3/15/83; Order ET 70-3, § 458-20-131 (Rule 131), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-132 Automobile dealers/demonstrator and executive vehicles.** (1) This section accounts for the unique practices of the retail automobile dealer's industry and reflects administrative notice of the customs of this trade. The tax reporting formula explained in this rule represents a compromise of tax liabilities and offsetting deductions. It recognizes that demonstrator and executive used vehicles are actually used for limited periods of time without significantly affecting their marketability or retail selling value, and that such used vehicles have a high trade-in value when returned to inventory for sale.

DEFINITIONS

(2) The terms "demonstration" and "demonstrator," as used in this section, mean the use of automobiles provided by dealers to their employees or other representatives, without charge, for any personal or business reason other than the mere display of such vehicles to prospective purchasers.

(3) The term "display," as used herein, means the showing for sale of vehicles to prospective purchasers, at or near the dealer's premises, including the short term test driving, operating, and examining by prospective purchasers.

(4) The term "executive use vehicle," as used herein, means any vehicle from sales inventory, used by any person associated with the automobile dealership for personal driving, other than for demonstration, when such person does not have a recent model vehicle registered in that person's own name.

BUSINESS AND OCCUPATION TAX

(5) Automobile dealers are taxable under the retailing classification upon sales of automobiles to their employees or other representatives for personal use, including demonstration. The business and occupation tax does not apply upon the transfer of vehicles to employees or other representatives, where no sale occurs, for their personal use, including demonstration.

RETAIL SALES TAX

(6) The retail sales tax applies upon sales of automobiles, parts, and accessories by dealers to their employees or other representatives for the personal use, of such persons including demonstration. The retail sales tax does not apply to the display of automobiles where no sale takes place.

Retail Sales Volume/Preceding Year

x Average Selling Price x

Total Units Sold/Preceding Year

Thus, for example, a dealer with \$3,000,000.00 in gross sales for 1985, who sold 250 units that year derives an average selling price of \$12,000.00. The very first demonstrator use in 1986 will be \$12,000.00 multiplied by the prevailing use tax rate. All subsequent demonstrators reported in 1986, based upon the formula of one demonstrator for each one hundred units sold, will be \$3,000.00 multiplied by the prevailing use tax rate.

(10) The use tax shall be paid as of the date of the first sale in any calendar year and subsequently upon the sale of the one hundred and first automobile or pickup truck.

(11) The foregoing method of computation applies only in respect to demonstrator vehicles operated under dealer plates or private licenses issued to the dealership.

USE TAX

(7) The use tax does not apply to the display of automobiles by dealers, their employees or other representatives. Neither does use tax apply upon the personal use or demonstration of automobiles which have been sold to dealers' employees or other representatives and upon which the retail sales tax has been paid. Also, use tax does not apply upon demonstrator vehicles if no such vehicles are actually used. However, where an automobile dealer purchases a passenger car or pickup truck without paying a retail sales tax in respect thereto, and uses such car or truck for personal use or demonstration purposes, the use tax is applicable irrespective of the fact that such personal car or demonstrator may later be sold by the dealer. As used in this section the phrase "pickup truck" refers only to trucks having a commercial pickup body rated at three-quarter ton capacity or less.

(8) Computation. For practical purposes, automobile dealers may elect to compute the use tax upon the use of demonstrators (but not on service cars) as follows:

(9) The use of demonstrators is subject to the use tax on the basis of one demonstrator for each one hundred new automobiles and pickup trucks, or fractional part of such number, of all makes or models sold at retail including lease transactions during a calendar year. The use tax on each such demonstrator shall be measured by twenty-five percent of the average selling price to be based upon the total selling price, including transportation and factory installed accessories, of all makes and models of passenger cars and pickup trucks sold during the preceding calendar year divided by the number of such units sold: *Provided*, That the first such vehicle reported during any calendar year shall be subject to use tax measured by the full average retail selling price. The computation is as follows:

Use Tax Rate  
(for 1st vehicle reported)

.25 x Use Tax Rate  
(for subsequent vehicles reported)

Demonstrator vehicles which are licensed otherwise than to the dealership are presumed to be used substantially for purposes other than demonstration and are subject to the use tax measured by the actual value of such vehicles.

(12) When an automobile dealer has elected to report the use tax as above provided, or upon the actual number of demonstrators used, it will not be permitted to change the manner of reporting without the written consent of the department of revenue.

(13) When a dealer or a person associated with a dealer (firm executive, corporate officer or partner) does not have a recent model car registered in its own name and regularly uses either one or various new cars from stock for personal driving (whether or not such cars are

also used for demonstration purposes) the use tax will be applicable to the value of one such car for each two calendar years in addition to the tax otherwise applicable to demonstrator use. The term "recent model car" refers to a car of the current model year or of either of the two preceding model years. In such cases, the measure of the use tax shall be the same as the measure herein approved for the computation of use tax on subsequently used demonstrator vehicles, that is, twenty-five percent of the average selling price during the preceding year.

(14) The use tax is applicable to the value of vehicles which are loaned or donated to civic, religious, nonprofit or other organizations for continuous periods of use exceeding 72 hours, and such tax is in addition to the tax on the use of demonstrators as provided herein.

(15) Vehicles removed from inventory and committed to use as service vehicles or parts trucks are not entitled to the special use tax treatment explained in this rule. Full use service vehicles are used by dealers as consumers and are subject to use tax measured by their full value.

#### USED CAR DEALER'S LIABILITY

(16) Used car dealers are not deemed to be using vehicles for demonstration purposes and have no liability for reporting use tax on demonstrators. However, where used car dealers satisfy the criteria for executive car use (no current model vehicle registered in the user's name) they are deemed to be using one executive use vehicle per calendar year. In such cases use tax must be reported under the same formula as for subsequently used new demonstrator cars, that is, measured by twenty-five percent of the average selling price of all used cars sold during the preceding calendar year.

(17) This section and the reporting formulas contained herein are necessary for the consistent and uniform enforcement of the revenue act of this state as contemplated under RCW 82.32.300.

[Statutory Authority: RCW 82.32.300, 86-09-002 (Order ET 86-5), § 458-20-132, filed 4/3/86; 83-07-034 (Order ET 83-17), § 458-20-132, filed 3/15/83; Order ET 70-3, § 458-20-132 (Rule 132), filed 5/29/70, effective 7/1/70.]

#### WAC 458-20-133 Frozen food lockers.

##### BUSINESS AND OCCUPATION TAX

Persons engaged in the business of renting frozen food lockers are taxable under the service and other business activities classification upon the gross income from rentals thereof.

When such persons also engage in the activities of curing, smoking, cutting or wrapping meat of and for consumers, or do any other act through which such meat is altered or improved, they become taxable under the retailing classification upon the gross charges made therefor.

##### RETAIL SALES TAX

The retail sales tax applies upon the charges made for curing, smoking, cutting or wrapping meat of and for consumers, or for any act through which such meat is

altered or improved, and sellers are required to collect such tax from their customers.

The retail sales tax does not apply upon the charges made for the rental of frozen food lockers.

Issued May 1, 1949.

[Order ET 70-3, § 458-20-133 (Rule 133), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-134 Commercial or industrial use.** (1) "The term 'commercial or industrial use' means the following uses of products, including by-products, by the extractor or manufacturer thereof:

(a) Any use as a consumer; and

(b) The manufacturing of articles, substances or commodities." (RCW 82.04.130.)

(2) Following are examples of commercial or industrial use:

(a) The use of lumber by the manufacturer thereof to build a shed for its own use.

(b) The use of a motor truck by the manufacturer thereof as a service truck for itself.

(c) The use by a boat manufacturer of patterns, jigs and dies which it has manufactured.

(d) The use by a contractor building or improving a publicly owned road of crushed rock or pit run gravel which it has extracted.

(3) Business and occupation tax. Persons manufacturing or extracting tangible personal property for commercial or industrial use are subject to tax under the classifications manufacturing or extracting, as the case may be. The tax is measured by the value of the product manufactured or extracted and used. (See WAC 458-20-112 for definition and explanation of value of products.)

(4) Use tax. Persons manufacturing or extracting tangible personal property for commercial or industrial use are subject to use tax on the value of the articles used. (See WAC 458-20-178 for further explanation of the use tax and definition of value of the article used.)

(5) Exemptions. The following uses of articles produced for commercial or industrial use are expressly exempt of use tax.

(a) RCW 82.12.0263 exempts from the use tax the use of fuel by the extractor or manufacturer thereof when used directly in the operation of the particular extractive operation or manufacturing plant which produced or manufactured the same. (Example: The use of hog fuel to produce heat or power in the same plant which produced it.)

(b) Effective April 3, 1986, (chapter 231, Laws of 1986) property produced for use in manufacturing ferrosilicon which is subsequently used to make magnesium for sale is exempt of use tax if the primary purpose is to create a chemical reaction directly through contact with an ingredient of ferrosilicon.

(6) RCW 82.12.010 provides that in the case of articles manufactured for commercial or industrial use by manufacturers selling to the United States Department of Defense, the value of the articles used shall be determined according to the value of the ingredients of such

articles, rather than the full value of the manufactured articles as is normally the case.

[Statutory Authority: RCW 82.32.300. 86-20-027 (Order 86-17), § 458-20-134, filed 9/23/86; 83-07-032 (Order ET 83-15), § 458-20-134, filed 3/15/83; Order ET 70-3, § 458-20-134 (Rule 134), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-135 Extracting natural products.** The word "extractor" means every person who, from the person's own land or from the land of another under a right or license granted by lease or contract, either directly or by contracting with others for the necessary labor or mechanical services, for sale or for commercial or industrial use mines, quarries, takes or produces coal, oil, natural gas, ore, stone, sand, gravel, clay, mineral or other natural resource product, or fells, cuts or takes timber, Christmas trees or other natural products, or takes fish, or takes, cultivates, or raises shellfish, or other sea or inland water foods or products. 'Extractor' does not include persons performing under contract the necessary labor or mechanical services for others or persons cultivating or raising fish entirely within confined rearing areas on the person's own land or on land in which the person has a present right of possession." (RCW 82.04.100.)

The following examples are illustrative of operations which are included within the extractive activity:

(1) Logging operations, including the bucking, yarding, and loading of timber or logs after felling, as well as the actual cutting or severance of trees. It includes other activities necessary and incidental to logging, such as logging road construction, slash burning, slashing, scarification, stream cleaning, miscellaneous cleaning, and trail work, where such activities are performed pursuant to a timber harvest operation: *Provided*, That persons performing such activities must identify in their business records the timber harvest operation of which their work is a part.

(2) Mining and quarrying operations, including the activities incidental to the preparation of the products for market, such as screening, sorting, washing, crushing, etc.

(3) Fishing operations, including the taking of any fish, or the taking, cultivating, or raising of shellfish, or other sea or inland water foods or products (whether on publicly or privately owned beds, and whether planted and cultivated or not) for sale or commercial use. It includes the removal of the meat from the shell, and the cleaning and icing of fish or sea products by the person catching or taking them. It does not include cultivating or raising fish entirely within confined rearing areas under RCW 82.04.100.

#### BUSINESS AND OCCUPATION TAX

**EXTRACTING—LOCAL SALES.** Persons who extract products in this state and sell the same at retail in this state are subject to the business and occupation tax under the classification retailing and those who sell such products at wholesale in this state are taxable under the classification wholesaling—all others. Persons taxable under the classification retailing and wholesaling—all others are not

taxable under the classification extracting with respect to the extracting of products so sold within this state.

**EXTRACTING—INTERSTATE OR FOREIGN SALES.** Persons who extract products in this state and sell the same in interstate or foreign commerce are taxable under the classification extracting upon the value of the products so sold, and are not taxable under retailing or wholesaling—all others in respect to such sales. (See also WAC 458-20-193.)

**EXTRACTING—FOR COMMERCIAL USE.** Persons who extract products in this state and use the same as raw materials or ingredients of articles which they manufacture for sale are not taxable under extracting. (For tax liability of such persons on the sale of manufactured products see WAC 458-20-136, manufacturing, processing for hire, fabricating.)

Persons who extract products in this state for any other commercial or industrial use are taxable under extracting on the value of products extracted and so used. (See WAC 458-20-134 for definition of commercial or industrial use.)

**EXTRACTING FOR OTHERS.** Persons performing under contract, either as prime or subcontractors, the necessary labor or mechanical services for others who are engaged in the business as extractors, are taxable under the extracting for hire classification of the business and occupation tax upon their gross income from such service. If the contract includes the hauling of the products extracted over public roads, such persons are also taxable under the motor transportation classification of the public utility tax upon that portion of their gross income properly attributable to such hauling. However, the hauling for hire of logs or other forest products exclusively upon private roads is taxable under the service classification of the business and occupation tax upon the gross income received from such hauling. (See WAC 458-20-180.)

#### FOREST EXCISE TAX

In addition to all other taxes, a person engaged in business as a harvester of timber is subject to the forest excise tax levied by chapter 84.33 RCW. The word "harvester" means every person who from the person's own land or from the land of another under a right or license granted by lease or contract, either directly or by contracting with others for the necessary labor or mechanical services, fells, cuts, or takes timber for sale or for commercial or industrial use. It does not include persons performing under contract the necessary labor or mechanical services for a harvester.

See chapter 458-40 WAC for detailed provisions, procedures, and other definitions.

#### RETAIL SALES TAX

The retail sales tax applies upon all sales of extracted products made at retail by the extractor thereof, except as provided by WAC 458-20-244, Food products.

## USE TAX

Persons constructing logging roads pursuant to timber harvest operations are subject to use tax on all materials used in such construction, except for materials on which sales tax was paid at the time of purchase.

[Statutory Authority: RCW 82.32.300. 86-09-058 (Order ET 86-7), § 458-20-135, filed 4/17/86; 83-07-034 (Order ET 83-17), § 458-20-135, filed 3/15/83. Statutory Authority: RCW 82.01.060(2) and 82.32.300. 78-07-045 (Order ET 78-4), § 458-20-135, filed 6/27/78; Order ET 70-3, § 458-20-135 (Rule 135), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-136 Manufacturing, processing for hire, fabricating.** (1) Definitions. "The term 'to manufacture' embraces all activities of a commercial or industrial nature wherein labor or skill is applied, by hand or machinery, to materials so that as a result thereof a new, different or useful substance or article of tangible personal property is produced for sale or commercial or industrial use, and shall include the production or fabrication of special made or custom made articles." (RCW 82.04.120.) It means the business of producing articles for sale, or for commercial or industrial use from raw materials or prepared materials by giving these matters new forms, qualities, properties, or combinations. It includes such activities as making, fabricating, processing, refining, mixing, slaughtering, packing, curing, aging, canning, etc. It includes also the preparing, packaging and freezing of fresh fruits, vegetables, fish, meats and other food products, the making of custom made suits, dresses, coats, awnings, blinds, boats, curtains, draperies, rugs, and tanks, and other articles constructed or made to order.

(2) The word "manufacturer" means every person who, from the person's own materials or ingredients manufactures for sale, or for commercial or industrial use any articles, substance or commodity either directly, or by contracting with others for the necessary labor or mechanical services.

(3) However, a nonresident of the state of Washington who owns materials process for hire in this state is not deemed to be a manufacturer because of such processing. Further, any owner of materials from which a nuclear fuel assembly is fabricated in this state by a processor for hire is also not deemed to be a manufacturer because of such processing.

(4) The term "to manufacture" does not include activities which consist of cutting, grading, or ice glazing of seafood which has been cooked, frozen, or canned outside this state; the mere cleaning and freezing of whole fish; or the repairing and reconditioning of tangible personal property for others.

(5) The term "processing for hire" means the performance of labor and mechanical services upon materials belonging to others so that as a result a new, different or useful article of tangible personal property is produced for sale or commercial or industrial use. Thus, a processor for hire is any person who would be a manufacturer if that person were performing the labor and mechanical services upon that person's own materials.

(6) Business and occupation tax. Persons who manufacture products in this state and sell the same at retail in this state are subject to the business and occupation tax under the classification retailing and those who sell such products at wholesale in this state are taxable under the classification wholesaling—all others. Persons taxable under the classification retailing and wholesaling—all others are not taxable under the classification manufacturing with respect to the manufacturing of products so sold within this state.

(7) Manufacturing—interstate or foreign sales. Persons who manufacture products in this state and sell the same in interstate or foreign commerce are taxable under the classification manufacturing upon the value of the products so sold, and are not taxable under retailing or wholesaling—all others in respect to such sales. (See also WAC 458-20-193.)

(8) Manufacturing—special classifications. The law provides several special classifications and rates for activities which constitute "manufacturing" as defined in this rule. These include manufacturing wheat into flour, soybeans into soybean oil, or sunflower seeds into sunflower oil (RCW 82.04.260(2)); splitting or processing dried peas (RCW 82.04.260(3)); manufacturing seafood products which remain in a raw, raw frozen, or raw salted state (RCW 82.04.260(4)); manufacturing by canning, preserving, freezing or dehydrating fresh fruits and vegetables (RCW 82.04.260(5)); manufacturing aluminum pig, ingot, billet, plate, sheet (flat or coiled), rod, bar, wire, cable or extrusions (RCW 82.04.260(6)); and manufacturing nuclear fuel assemblies (RCW 82.04.260(10)). In all such cases the principles set forth in the preceding paragraphs headed manufacturing—local sales and manufacturing—interstate or foreign sales will be applicable. Local sales will be subject to the business and occupation tax only under the classifications retailing or wholesaling—all others at the applicable rates for those classifications, while interstate or foreign sales will be taxable only under the classifications manufacturing wheat into flour, splitting or processing dried peas, manufacturing raw seafood products, manufacturing fresh fruits and vegetables, manufacturing aluminum, and manufacturing nuclear fuel assemblies, as the case may be. Local sales (at either retail or wholesale) of nuclear fuel assemblies by the manufacturer thereof are subject to business and occupation tax.

(9) The special classification and rate for slaughtering, breaking and/or processing perishable meat products and/or selling the same at wholesale (RCW 82.04.260(8)) combines manufacturing and nonmanufacturing activities. As to those activities which constitute "manufacturing" as defined in this rule, the statutory classification and rate are applicable to both local and interstate or foreign sales. As to those activities which involve the mere selling of perishable meat products not manufactured by the vendor, the statutory classification and rate are applicable to local sales only, and interstate or foreign sales are deductible from gross proceeds of sales.

(10) Manufacturing for commercial use. Persons who manufacture products in this state for their own commercial or industrial use are taxable under the classification manufacturing on the value of the products manufactured and used. (See WAC 458-20-134 for definition of commercial or industrial use.)

(11) Processing for hire. Persons processing for hire for consumers or for persons other than consumers are taxable under the processing for hire classification upon the total charge made therefor.

(12) Materials furnished in part by customer. In some instances, the persons furnishing the labor and mechanical services undertakes to produce a new article, substance, or commodity from materials or ingredients furnished in part by them and in part by the customer. In such instances, tax liability is as follows:

(a) The persons furnishing the labor and mechanical services will be presumed to be the manufacturer if the value of the materials or ingredients furnished by them is equal to or exceeds 20% of the total value of all materials or ingredients which become a part of the finished product.

(b) If the person furnishing the labor and mechanical services furnishes materials constituting less than 20% of the value of all of the materials which become a part of the finished product, such person will be presumed to be processing for hire. The person for whom the work is performed is the manufacturer in that situation, and will be taxable as such.

(c) In cases where the person furnishing the labor and mechanical services supplies, sells, or furnishes to the customer, before processing, 20% or more in value of the materials from which the finished product is made, the person furnishing the labor and mechanical services will be deemed to be the owner of the materials and taxable as a manufacturer.

(13) Retail sales tax. Persons taxable as engaging in the business of manufacturing and selling at retail any of the products manufactured and persons manufacturing, fabricating, or processing for hire tangible personal property for consumers shall collect the retail sales tax upon the total charge made to their customers.

(14) Sales to processors for hire and to manufacturers of articles of tangible personal property which do not become an ingredient or component part of a new article produced, or are not chemicals used in processing the same, are retail sales, and the retail sales tax must be collected thereon. (However, see WAC 458-20-113 and 458-20-134 for certain express exemptions.)

(15) Use tax. Manufacturers are taxable under the use tax upon the use of articles manufactured by them for their own use in this state. (See WAC 458-20-113 and 458-20-134 for certain express exemptions.)

(16) See WAC 458-20-244 for sales and use tax on food products.

[Statutory Authority: RCW 82.32.300. 86-20-027 (Order 86-17), § 458-20-136, filed 9/23/86; 83-07-032 (Order ET 83-15), § 458-20-136, filed 3/15/83. Statutory Authority: RCW 82.01.060(2) and 82-32.300. 78-07-045 (Order ET 78-4), § 458-20-136, filed 6/27/78; Order ET 71-1, § 458-20-136, filed 7/22/71; Order ET 70-3, § 458-20-136 (Rule 136), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-137 Articles manufactured and installed.** Persons engaged in the business of manufacturing in this state boilers, cabinets and mill work, cement blocks and pipes, conduits, heating equipment, lighting fixtures, sheet metal articles, venetian blinds, window drapes and shades, or other articles, and who also sell and install such articles after manufacture, are taxable as follows:

#### BUSINESS AND OCCUPATION TAX

Taxable under the retailing classification in respect to the total charge for selling and installing when for consumers.

Taxable under the wholesaling classification in respect to the total charge for selling and installing when for persons other than consumers.

Persons who manufacture articles in this state and install the same for customers in other states are taxable under the manufacturing classification on the value (at the place of manufacture) of the article so installed.

Persons who manufacture articles outside this state and install the same for consumers in this state are taxable under the retailing classification upon the total charge made therefor, irrespective of whether or not a segregation is made between the charge for the article manufactured and the charge for installing the same.

#### RETAIL SALES TAX

The retail sales tax applies upon both the sale and installation of such articles when made to or for consumers.

It is immaterial whether such articles remain personal property after installation or whether the same become a part of real property. In either event, the retail sales tax applies.

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-137, filed 3/15/83; Order ET 70-3, § 458-20-137 (Rule 137), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-138 Personal services rendered to others.** The term "personal services," as used herein, refers generally to the activity of rendering services as distinct from making sales of tangible personal property or of services which have been defined in the law as "sales" or "sales at retail." (See RCW 82.04.040 and 82.04.050.)

The following are illustrative of persons performing personal services which are within the scope of this rule: Attorneys, doctors, dentists, architects, engineers, public accountants, public stenographers, barbers, beauty shop operators. (See also WAC 458-20-224.)

#### BUSINESS AND OCCUPATION TAX

Persons engaged in the business of rendering personal services to others are taxable under the service and other activities classification upon the gross income of such business.

There must be included within gross amounts reported for tax all fees for services rendered and all charges recovered for expenses incurred in connection therewith,

such as transportation costs, hotel, restaurant, telephone and telegraph charges, etc.

#### RETAIL SALES TAX

The retail sales tax does not apply to the amount charged or received for the rendition of personal services to others, even though some tangible personal property in the form of materials and supplies is furnished or used in connection with such services.

Persons performing such services are consumers of all materials and supplies used in connection therewith and must pay the retail sales tax upon the purchase of such material and supplies.

If persons engaged in a personal service business sell articles of tangible personal property apart from the rendition of personal services, the retail sales tax must be collected upon the sale of such articles.

Revised June 1, 1970.

[Order ET 70-3, § 458-20-138 (Rule 138), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-139 Trade shops--Printing plate makers, typesetters, and trade binderies.** (Note: This rule covers all the material previously included in WAC 458-20-139 and 458-20-146.)

The term "printing plate makers" includes, among others, photoengravers, electrotypers, stereotypers, and lithographic plate makers.

#### BUSINESS AND OCCUPATION TAX

Printing plate makers, typesetters and trade binderies (referred to in the trade as "trade shops") are primarily engaged in the business of altering or improving tangible personal property owned by them for sale or altering or improving tangible personal property owned by their customers. In either case the gross proceeds (including the value of any property exchanged by the customer in kind) from sales of, or services rendered to, plates, mats, engravings, type, etc., which are delivered in this state are taxable under retailing if the sale is to a "consumer" or wholesaling—all others if the sale is to one who will resell the property in the regular course of business without intervening "use." (See WAC 458-20-102.) Neither of these classifications is applicable however, if the article sold is delivered to an out-of-state customer at an out-of-state point or if an article is produced for commercial or industrial use (see WAC 458-20-134). In these cases tax is due under the manufacturing classification on the "value of products."

#### RETAIL SALES TAX

Sales to the printing industry and others of tangible personal property, or of services of altering or improving tangible personal property, by printing plate makers, typesetters, and trade binderies are sales at retail and subject to the retail sales tax unless the purchaser resells the article in the regular course of business without any intervening "use." For example, a trade shop must collect and account for the retail sales tax where a printing plate is sold to a printer who uses the plate to produce copy for a customer, even though he subsequently sells

and delivers both the plate and the copy to the customer. In this situation the printer has made "intervening use" of the plate as a printing tool and is a "consumer" liable for payment of the retail sales tax to the trade shop.

Sales of plates, engravings, etc., to advertising agencies are retail sales and subject to the retail sales tax.

Sales by supply houses to trade shops of metal or other materials becoming a component part of an article produced for sale are not subject to the retail sales tax. As evidence of this, trade shops are required to furnish their vendors resale certificates in the usual form. On the other hand, sales to trade shops of items for use such as machinery, equipment, tools, and other articles or materials, including chemicals which are used in the production of plates, mats, engravings, type, etc., are retail sales subject to the retail sales tax.

Revised June 1, 1970.

[Order ET 70-3, § 458-20-139 (Rule 139), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-140 Photofinishers and photographers.**

#### BUSINESS AND OCCUPATION TAX

**RETAILING.** The gross proceeds of all sales taxable under the retail sales tax are taxable under the retailing classification.

**WHOLESALE.** Taxable under the wholesaling classification upon the gross proceeds from sales for resale.

**MANUFACTURING.** Photofinishers who produce negatives, prints, or slides in Washington and who transfer or deliver such articles to points outside this state are subject to business tax under the manufacturing classification upon the value of products (see Rule 112) [WAC 458-20-112] and are not subject to tax under the retailing or wholesaling classification.

**PROCESSING FOR HIRE.** Photofinishers who develop film for others and who make delivery of the film to points outside the state are subject to business tax under the processing for hire classification upon the total charge for the work done. It is immaterial that the customers are located outside the state or that the film was sent in from outside the state for processing.

**SERVICE.** Taxable under the service and other activities classification upon gross income from sales to publishers of newspapers, magazines and other publications of the right to publish photographs.

#### RETAIL SALES TAX

**PHOTOFINISHERS.** Photofinishers developing films and selling to consumers the prints made therefrom are making taxable retail sales, and the retail sales tax must be collected upon the full charge made to the customer. Photofinishers developing films and selling to other than consumers the prints made therefrom are sales for resale and not subject to the retail sales tax.

Sales by supply houses to photofinishers of paper upon which prints are made and of chemicals which are to be used in making the prints are sales for resale and are not taxable under the retail sales tax. Sales by supply houses to photofinishers of equipment and materials which do

not become a component part of the prints are taxable under the retail sales tax.

**PORTRAIT AND COMMERCIAL PHOTOGRAPHERS.** Photographers who make negatives on special order and sell photographs to customers (other than dealers for resale) must collect the retail sales tax upon such sales.

Sales by supply houses to a portrait or commercial photographer of the paper upon which such photographs are printed are not taxable because such material becomes an ingredient of the final product sold for consumption. Sales of chemicals, such as developing agents, fixing solutions, etc., for use in such process are also nontaxable. However, sales to a photographer of materials and equipment used in processing, whenever such materials do not become a component part of the final photograph or are not chemicals used in processing are taxable under the retail sales tax.

Sales to consumers by photographers of pictures, frames, camera films and other articles are subject to the retail sales tax.

Sales by photographers of the right to publish photographs are primarily licenses to use and not sales of tangible personal property. Such sales are not subject to the retail sales tax.

Photographers tinting and coloring pictures or prints belonging to customers are making retail sales upon which the retail sales tax applies to the total charge made therefor. Sales of oil and water colors to a photographer for use in tinting and coloring pictures or prints belonging to a customer are sales for resale and are not subject to the retail sales tax.

[Statutory Authority: RCW 82.32.300, 83-07-034 (Order ET 83-17), § 458-20-140, filed 3/15/83; Order ET 70-3, § 458-20-140 (Rule 140), filed 5/29/70, effective 7/1/70.]

#### **WAC 458-20-141 Duplicating industry and mailing bureaus.**

The phrase "duplicating industry" includes activities involving photostating, blueprinting, xeroxing, and other reproduction processes.

#### **BUSINESS AND OCCUPATION TAX**

Duplicators are taxable under the retailing classification upon the gross proceeds received from sales of photostats, blueprints, copies, etc., to consumers, whether the tangible personal property on which the work is recorded is owned by the duplicator or customer.

The wholesaling-all other classification applies to sales for resale in the regular course of the purchaser's business. The duplicator must secure a resale certificate in the usual form.

Neither of these classifications is applicable, however, if the article sold is delivered to an out-of-state customer at an out-of-state point or if an article is produced for commercial or industrial use (see WAC 458-20-134.) In these cases tax is due under the manufacturing classification on the "value of products."

Mailing bureaus mail material for the publishing industry and also mail folders, bulletins, form letters, advertising publications, flyers, and similar material for other customers. As part of these services, the bureaus

also label, fold, enclose and seal. All of these activities come within the definition of "sale at retail" (RCW 82-.04.050) as constituting "labor and services rendered in respect to . . . the . . . altering, imprinting or improving of tangible personal property of or for consumers."

The gross proceeds received by mailing bureaus from charges made to consumers, whether such charges are itemized or lump sum, are taxable under the retailing classification. The gross proceeds are taxable under the wholesaling-all other classification where charges (lump sum or itemized) are for tangible personal property resold as such to the purchaser or for services rendered to tangible personal property which becomes a component of an article for resale in the regular course of the purchaser's business. In either case mailing bureaus must secure resale certificates in the usual form.

Where a mailing bureau purchases stamps, government postals or stamped envelopes for a customer and the customer is charged therefor, the amount of the postage may be deducted from the measure of the business and occupation tax.

#### **RETAIL SALES TAX**

Sales by duplicators and mailing bureaus of tangible personal property (for example, photostats, blueprints, copies, mailing lists, "Dick" strips, etc.) and/or services rendered to tangible personal property of or for consumers are subject to the retail sales tax. Examples of persons purchasing as "consumers" are, among others, architects, engineers, and advertising agencies.

Where a mailing bureau purchases stamps, government postals or stamped envelopes for a customer and the customer is charged therefor, the amount of the postage may be deducted from the measure of the retail sales tax due.

Vendors selling tangible personal property to duplicators and mailing bureaus which will be resold, without any intervening use, are not required to collect the retail sales tax upon taking a resale certificate in the usual form.

On the other hand, vendors selling to duplicators and mailing bureaus, equipment, supplies or materials which do not become a component part of an article produced for sale, or selling items which are subjected to intervening use before resale, are making retail sales and must collect the retail sales tax.

[Statutory Authority: RCW 82.32.300, 83-07-034 (Order ET 83-17), § 458-20-141, filed 3/15/83; Order ET 70-3, § 458-20-141 (Rule 141), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-142 Photographic equipment and supplies.** Sales of tangible personal property by a photographic supply house to persons who purchase such property for personal consumption or use are subject to the retail sales tax. Illustrative of such sales are the following:

Photographic films, paper, chemicals, frames, repair parts for cameras and other equipment sold to customers for personal use.

X-ray materials and equipment sold to doctors, dentists, hospitals, dental and x-ray laboratories.

Equipment sold to photofinishers, portrait and commercial photographers and photoengravers such as cameras, lenses, backgrounds, graduates, trays, utensils, lamps, retouching dope, leads, pencils and sundry materials which do not become an ingredient or component part of the pictures produced for sale.

Photographic films, chemicals and equipment sold to a newspaper publisher.

Photographic films sold to portrait and commercial photographers for use in their business.

Sales of tangible personal property by a photographic supply house to persons who resell such property in the regular course of business or consume the same in producing for sale a new article of which such property is an ingredient or component, or a chemical used in processing the same, are not subject to the retail sales tax. Illustrative of such sales are the following:

Photographic films, photo mailers, cameras, art-corners, etc., sold to a dealer or photographer for the purpose of resale;

Photographic paper, mounts, frames, adhesives, card board, oil and water colors, India ink sold to a photofinisher, portrait or commercial photographer or photoengraver to be used in producing photographic prints for sale.

Envelopes, paper and twine sold to a photographer or photofinisher for use in delivering photographic prints sold.

Chemicals, such as developing agents, fixing agents, etc., sold to a photofinisher, portrait or commercial photographer or photoengraver, which chemicals are used in producing pictures for sale.

The retail sales tax applies upon the charge made for repairing cameras and other equipment, the retouching or alteration of photographs or films, when done for consumers.

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-142, filed 3/15/83; Order ET 70-3, § 458-20-142 (Rule 142), filed 5/29/70, effective 7/1/70.]

#### **WAC 458-20-143 Publishers of newspapers, magazines, periodicals.**

##### **BUSINESS AND OCCUPATION TAX**

**PRINTING AND PUBLISHING.** Publishers of newspapers, magazines and periodicals are taxable under the printing and publishing classification upon the gross income derived from the publishing business.

Persons who both print and publish books, music, circulars, etc., or any other item, are likewise taxable under the printing and publishing classification. However, persons, other than publishers of newspapers, magazines or periodicals, who publish such things and do not print the same, are taxable under either the wholesaling or retailing classification, measured by gross sales, and taxable under the service classification, measured by the gross income received from advertising.

(1986 Ed.)

##### **RETAIL SALES TAX**

Sales of newspapers, whether by publishers or others, are specifically exempt from the retail sales tax.

However, sales of magazines, periodicals, and all publications other than newspapers are subject to the retail sales tax when made to consumers.

**"NEWSPAPER" DEFINED.** The word "newspaper" means a publication of general circulation bearing a title, issued regularly at stated intervals of at least once every two weeks, and formed of printed paper sheets without substantial binding. It must be of general interest, containing information of current events. The word does not include publications devoted solely to a specialized field. It shall include school newspapers, regardless of the frequency of publication, where such newspapers are distributed regularly to a paid subscription list.

Sales to newspapers, magazine and periodical publishers of paper and printers ink which become a part of the publications sold, and sales by printers of printed publications to publishers for sale, are sales for resale and are not subject to the retail sales tax.

With respect to community newspapers which are distributed free of charge, where the publisher has a contract with his advertisers to distribute the newspaper to the subscriber in consideration for the payments made by the advertisers, it will be construed that the publisher sells the newspaper to the advertiser, and, therefore, the retail sales tax will not apply with respect to the charge made by the printer to the publisher for printing the newspaper or with respect to the purchase of ink and paper when the publisher prints his own newspaper.

Sales to newspaper, magazine or periodical publishers of equipment and of supplies and materials which do not become a part of the finished publication which is sold are subject to the retail sales tax. This includes, among others, sales of engravings, fuel, furniture, lubricants, machinery, negatives and plates used in offset printing, photographs, stationery and writing ink. Sales of engravings to publishers are subject to the retail sales tax unless the publisher resells such engravings without intervening use.

Sales to newspaper, magazine or periodical publishers of baseball bats, bicycles, dolls and other articles of tangible personal property which are to be distributed by the publisher as gifts, premiums or prizes are sales for consumption and subject to the retail sales tax.

So-called "sales" by authors and artists to publishers of the right to publish scripts, paintings, illustrations and cartoons are mere licenses to use, not sales of tangible personal property and, therefore, are not subject to the retail sales tax.

##### **USE TAX**

Publishers of newspapers, magazines and periodicals are subject to tax upon the value of articles printed or produced for use in conducting such business.

[Statutory Authority: RCW 82.32.300. 83-16-053 (Order ET 83-5), § 458-20-143, filed 8/1/83; 83-07-034 (Order ET 83-17), § 458-20-143, filed 3/15/83; Order ET 70-4, § 458-20-143 (Rule 143), filed 6/12/70, effective 7/12/70.]

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**WAC 458-20-144 Printing industry.** (Note: This rule contains the material previously included in WAC 458-20-145 which is not currently incorporated in WAC 458-20-141.)

#### DEFINITION

The phrase "printing industry" includes letterpress, offset-lithography, and gravure processes as well as multigraph, mimeograph, autotyping, addressographing and similar activities.

#### BUSINESS AND OCCUPATION TAX

Printers are subject to the business and occupation tax under the printing and publishing classification upon the gross income of the business.

#### RETAIL SALES TAX

The printing or imprinting of advertising circulars, books, briefs, envelopes, folders, posters, racing forms, tickets, and other printed matter, whether upon special order or upon materials furnished either directly or indirectly by the customer is a retail sale and subject to the retail sales tax, providing the customer either consumes, or distributes such articles free of charge, and does not resell such articles in the regular course of business. The retail sales tax is computed upon the total charge for printing, and the printer may not deduct the cost of labor, author's alterations, or other service charges in performing the printing, even though such charges may be stated or shown separately on invoices.

Where stamped envelopes or government postals are purchased and printed for customers or where stamps are provided, the amount of the postage may be deducted from the total charge to the customer in determining the selling price for business tax and sales tax.

Sales of printed matter to advertising agencies who purchase for their own use or for the use of their clients, and not for resale in the regular course of business, are sales for consumption and subject to the retail sales tax.

Sales of tickets to theater owners, amusement operators, transportation companies and others are sales for consumption and subject to the retail sales tax. Such tickets are not resold by the theater owners or amusement proprietors as tangible personal property but are used merely as a receipt to the patrons for payment and as evidence of the right to admission or transportation.

Sales of school annuals and similar publications by printers to school districts, private schools or student organizations therein are subject to the retail sales tax.

Sales by printers of books, envelopes, folders, posters, racing forms, stationery, tickets and other printed matter to dealers for resale in the regular course of business are wholesale sales and are not subject to the retail sales tax.

Charges made by bookbinders or printers for imprinting, binding or rebinding of materials for consumers are subject to the retail sales tax.

Sales to printers of equipment, supplies and materials which do not become a component part or ingredient of the finished printed matter sold or which are put to "intervening use" before being resold are subject to the retail sales tax. This includes, among others, sales of fuel,

furniture, lubricants, machinery, type, lead, slugs and mats.

Sales to printers of paper stock and ink which become a part of the printed matter sold are sales for resale and are not subject to retail sales tax.

**COMMISSIONS AND DISCOUNTS.** There is a general trade practice in the printing industry of making allowances to advertising agencies of a certain percentage of the gross charge made for printed matter ordered by the agency either in its own name or in the name of the advertiser. This allowance may be a "commission" or may be a "discount."

A "commission" paid by a seller constitutes an expense of doing business and is not deductible from the measure of tax under either business and occupation tax or retail sales tax. On the other hand, a "discount" is a deduction from an established selling price allowed to buyers, and a bona fide discount is deductible under both these classifications.

In order that there may be a definite understanding, printers, advertising agencies and advertisers are advised that tax liability in such cases is as follows:

(1) The allowance taken by an advertising agency will be deductible as a discount in the computation of the printer's liability only in the event that the printer bills the charge on a net basis; i.e., less the discount.

(2) Where the printer bills the gross charge to the agency, and the advertiser pays the sales tax measured by the gross charge, no deduction will be allowed, irrespective of the fact that in payment of the account the printer actually receives from the agency the net amount only; i.e., the gross billing, less the commission retained by the agency. In all cases the commission received is taxable to the agency.

Revised June 1, 1970.

[Order ET 70-4, § 458-20-144 (Rule 144), filed 6/12/70, effective 7/12/70.]

**WAC 458-20-145 Local sales and use tax.** RCW 82.14.030 authorizes counties and cities to levy local sales and use taxes, such local taxes to be collected along with the state tax. By RCW 82.14.045 cities and counties, after voter approval, are authorized to levy an additional tax to finance public transportation, which tax is also to be collected along with the state tax. (See WAC 458-20-237.)

As used herein the term "local tax" shall include either or both the local taxes and transportation sales and/or use taxes. The rule and examples in this administrative rule apply equally to all locally imposed sales and use taxes.

The total tax is to be reported and paid to the state. The local tax portion will be rebated to local governments according to information which retailers show on tax returns. If a business is such that a local tax will be collected for more than one taxing jurisdiction, it is necessary to keep a record of retail sales taxable to each such county or city. Vendors are responsible for determining the appropriate tax rate for each locality in which sales are made and for collecting from their purchasers the correct amount of tax due upon each sale.

"Place of sale" for purposes of local sales tax:

**RULE I.** Retailers of goods and merchandise: The sale occurs at the retail outlet at which or from which delivery is made to the consumer.

**RULE II.** Retailers of labor and services (e.g., construction contractors, repairmen, painters, plumbers, laundries, earth movers, fumigators, house wreckers or movers, tow truck operators, hotels, motels, tourist courts, trailer camps, amusement and recreation businesses listed in WAC 458-20-183; abstract, title insurance, escrow, credit bureau, auto parking, and storage garage businesses): The retail sales occurs where the labor and services are primarily performed.

**RULE III.** Retailers leasing or renting tangible personal property: The sale occurs at the place of first use by the lessee or renter. For practical purposes the place of business of the lessor will be deemed the place of first use for ordinary, short term rentals. If the rental or lease calls for periodic rental payments, then the place of sale is the primary place of use by the lessee or renter for each period covered by each payment.

"Place of use" for purposes of the use tax:

**RULE IV.** Whenever the state use tax is due, the local use tax will also apply where the property is first used in a county or city levying the local tax.

The following illustrates the application of these rules in various situations:

**RULE I.**

(A) This rule applies to retail sales consisting solely of tangible personal property (i.e., goods or merchandise). If retail labor and services are also involved Rule II applies to the entire sale. Secondly, the total tax is determined by the place at which or from which delivery is made. For most retailers the location of his place of business governs the local tax application. He collects the tax if his place of business is in a jurisdiction levying the local tax, even though he may deliver the goods sold to his customer to a location in the state not levying the tax. On the other hand a merchant whose place of business is in a jurisdiction not levying the local tax collects only the state tax, irrespective of whether delivery is made into a jurisdiction levying the local tax.

To sum up this part of the rule: The origin of the goods determines the local tax and destination or fact of delivery elsewhere in the state are immaterial.

(B) Special applications of the rules for goods located outside the state:

(1) When the state business and occupation tax applies to a sale in which the goods are delivered into Washington from a point outside the state this means a local in-state facility, office, outlet, agent or other representative even though not formally characterized as a "salesman" of the seller participated in the transaction in some way, such as by taking the order, then the location of the local facility, etc., will determine the place of sale for purposes of the local sales tax. However, if the seller, his agent or representative maintains no local in-state facility, office, outlet or residence from which business in some manner is conducted, the local tax shall be determined by the location of the customer.

(2) If the state business and occupation tax does not apply because there was no in-state activity in connection with the sale (e.g., an order was sent by a Washington consumer directly to a seller's out-of-state branch) the state tax due is use tax and the destination-address of the consumer-determines the applicable local use tax.

Rule I examples:

(1) A resident of Everett purchases a sofa from a furniture dealer in Seattle. The dealer delivers the sofa to the customer's home in Everett. The Seattle local sales tax applies, being the place from which the goods were delivered.

(2) A resident of Olympia purchases a refrigerator from a merchant in Tekoa. If Tekoa has not levied the local sales tax, the merchant will collect only the state sales tax. Olympia's use tax is not due even though the property will be used there. Reason: The law makes the local tax collectible at time of the taxable event for the state tax.

**RULE II.**

This rule applies to retail sales of labor or services and also applies to sales of tangible personal property when labor and services are rendered in conjunction therewith. The local tax is governed by the place where the labor and services are primarily performed.

(A) Retailers who primarily render their services at their place of business will collect the local sales tax if they are located in a jurisdiction which levies the tax. Examples of retailers normally falling in this class: Auto repair shops, hotels, motels, amusement or recreation businesses, title insurance, credit bureau, escrow businesses, auto parking, storage garages, laundries.

(B) Retailers primarily performing their services at the location of their customers will collect the local sales tax for the jurisdiction in which the customer is located. Examples of this class of retailers are: Construction contractors, painters, plumbers, carpet layers (retailers who install what they sell, as carpet layers often do, fall under Rule II—place where work is done governs the local tax to be applied—if the installation would normally call for an extra charge) earthmovers, house-wreckers.

Examples:

(1) A dealer sells a TV set, delivers it and puts it in working order in his customer's home. This falls under Rule I, not Rule II, because there is normally no extra charge for "installing" a TV set.

(2) A hardware store sells yard fencing at \$5.00 per running foot including installation. This falls under Rule II because fence installation normally would involve an extra charge.

(3) A home furnishings dealer sells carpeting at \$12.00 per yard and agrees to install it for \$2.00 per yard additional. The entire transaction falls under Rule II and the \$14.00 per yard will be subject to the local tax levied by the jurisdiction in which the customer resides. Rule I is limited to retail transactions consisting SOLELY of sales of goods or merchandise.

(C) The primary place of performance for retailers whose services consist largely of moving or transporting

is deemed to be the destination (place where the service is completed). Typical of this class are: Tow truck operators and house movers.

Examples:

(1) A towing service is called to pick up a stalled vehicle just outside the city of Reardan and deliver the vehicle to an automotive repair shop in Spokane. Spokane's local tax applies.

(2) A housemover is hired to move a home from inside the Olympia city limits to a location 4 miles out of town in Thurston County. The housemover will collect only the state tax if Thurston County, the destination, does not levy the local tax.

RULE III.

This covers rentals or leases and has two parts, and it is important to distinguish "periodic rentals" from other rentals to know which part of the rule applies.

DEFINITION. A periodic rental (or lease) is one in which the lessee or renter has contracted to make regular rental payments at specified intervals. These are normally longer term rentals calling for a rental payment monthly on or before a certain date.

(A) The place of sale for the ordinary, nonperiodic rental is the place of first use (the place where the lessee normally takes possession). In the interest of uniformity and simplicity this will be presumed to be the place of business of the lessor.

(B) The place of sale for the periodic rental is the primary place of use during each period covered by each periodic payment.

(1) In the case of business lessees this will be presumed to be the place of business of the lessee. Where the lessee has several places of business, the place of primary use will be deemed to be the place to which assigned or regularly returned.

(2) In the case of rentals to private individuals the place of use will be presumed to be the residence of the lessee or renter.

Examples:

(1) Acme Rent-all Co., located in Walla Walla, rents small tools, garden equipment, scaffolding, and many other kinds of tangible personal property. It charges \$2.00 per day for rental of a roto-tiller. This is not a periodic rental because the lessee merely makes a deposit and pays the full balance of the rent due upon returning the equipment. The lessor will collect the Walla Walla tax on all such rentals, irrespective of where the lessee lives or where the property will be used.

(2) An automobile dealer in Tacoma leases an automobile to a Seattle resident. The agreement calls for \$50.00 per month rental, payable by the 10th of each month. This is a periodic rental, so the place of primary use by the lessee governs collection of the local tax. The Tacoma dealer will collect the Seattle local tax.

RULE IV.

This rule applies only to transactions which are not subject to sales tax under Rule I, and intends that the local use tax shall be payable at the time and place the state use tax is due.

Examples:

(1) A Spokane resident purchases an automobile from a private individual in Seattle. He transfers title at the King County auditor's office and makes payment of the state use tax. The King County auditor will collect Spokane's local use tax at the same time.

(2) A Sumner resident places an order with a catalog mail order outlet in Tacoma. The Tacoma local sales tax is due since the transaction falls under Rule I, not Rule IV.

(3) Same as example 2 except the Sumner resident sends a catalog mail order directly to the Portland warehouse rather than going through the Tacoma catalog store. The vendor will collect Sumner's local use tax along with the state use tax.

The above explanation is intended to cover only the most frequently encountered situations. For more intricate or complicated transactions, call the nearest district office of the department of revenue for assistance.

[Statutory Authority: RCW 82.32.300, 83-07-032 (Order ET 83-15), § 458-20-145, filed 3/15/83; Order ET 75-1, § 458-20-145, filed 5/2/75; Order ET 70-3, § 458-20-145 (Rule 145), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-146 National and state banks, mutual savings banks, savings and loan associations and other financial institutions.**

BUSINESS AND OCCUPATION TAX

Effective March 1, 1970, the legislature repealed RCW 82.04.400 which exempted from the business and occupation tax the gross income of national banks, states banks, mutual savings banks, savings and loan associations and certain other financial institutions. Accordingly, the gross income or gross sales of such institutions will become subject to the business and occupation tax according to the following general principles.

SERVICES AND OTHER ACTIVITIES. Generally, the gross income from engaging in financial businesses is subject to the business and occupation tax under the classification service and other activities. Following are examples of the types of income taxable under this classification: Interest earned (including interest on loans made to nonresidents unless the financial institution has a business location in the state of the borrower's residence which rendered the banking service), commissions earned, dividends earned, fees and carrying charges, charges for bookkeeping or data processing, safety deposit box rentals.

The term "gross income" is defined in the law as follows:

"Gross income of the business" means the value proceeding or accruing by reason of the transaction of the business engaged in and includes gross proceeds of sales, compensation for the rendition of services, gains realized from trading in stocks, bonds, or other evidences of indebtedness, interest, discount, rents, royalties, fees, commissions, dividends, and other emoluments however designated, all without any deduction on account of the cost of tangible property sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes, or

any other expense whatsoever paid or accrued and without any deduction on account of losses.

The law allows certain deductions from gross income to arrive at the taxable amount (the amount upon which the business and occupation tax is computed). Deductible gross income should be included in the gross amount reported and should then be shown as a deduction and explained on the deduction schedules provided on the reverse side of the reporting form. The deductions generally applicable to financial businesses include the following:

(1) Dividends received by a parent from its subsidiary corporations (RCW 82.04.4281).

(2) Interest received on investments or loans primarily secured by first mortgages or trust deeds on nontransient residential properties. (See WAC 458-20-166 for definition of "transient.") (RCW 82.04.4291.)

(3) Interest received on obligations of the state of Washington, its political subdivisions, and municipal corporations organized pursuant to the laws thereof. (RCW 82.04.4292). A deduction may also be taken for interest received on direct obligations of the federal government, but not for interest attributable to loans or other financial obligations on which the federal government is merely a guarantor or insurer.

(4) Gross proceeds from sales or rentals of real estate (RCW 82.04.390). These amounts may be entirely excluded from the gross income reported and need not be shown on the return as a deduction.

**RETAILING.** Sales of tangible personal property and certain services are defined as "retail sales" and are subject to the business and occupation tax under the classification retailing. Such sales are also subject to the retail sales tax which the seller must collect and remit to the department of revenue. Transactions taxable as sales at retail are not subject to tax under service and other activities.

Following are examples of transactions subject to the retailing classification of the business and occupation tax and to the retail sales tax: Sales of meals or confections, sales of repossessed merchandise, sales of promotional material, leases of tangible personal property, sales of check registers, coin banks, personalized checks. (Note: When the financial institution is not the seller of these items but simply takes orders as agent for the supplier, the supplier is responsible for reporting as the retail seller. The financial institution has liability for reporting the retail sales tax on sales made as an agent only if the supplier is an out-of-state firm not registered with the department of revenue), escrow fees, casual sales (occasional sales of depreciated assets such as used furniture and office equipment—subject to retail sales tax but deductible from the business and occupation tax; see WAC 458-20-106).

**RESALE CERTIFICATES.** When a financial institution buys tangible personal property for resale to its customers without intervening use, the sales tax is not applicable. In this case the financial institution should give the vendor a resale certificate containing the number of its certificate of registration and its statement that the

articles purchased are for resale in the course of its business activities. Resale certificates can be given in blanket form covering all future purchases. (See also WAC 458-20-102.)

#### USE TAX

The use tax complements the retail sales tax by imposing a tax of like amount on the use of tangible personal property purchased or acquired without payment of the retail sales tax. Thus, when office equipment or supplies are purchased or leased from an unregistered out-of-state vendor who does not collect the Washington state retail sales tax, the use tax must be paid directly to the department of revenue. Space for the reporting of this tax will be found on the regular excise tax return. (For more information, see WAC 458-20-178.)

**WHEN TAX LIABILITY ARISES.** Tax should be reported during the reporting period in which the financial institution receives, becomes legally entitled to receive, or in accord with the system of accounting regularly employed enters the consideration as a charge against the client, purchaser or borrower. Financial institutions may prepare returns to the department of revenue reporting income in periods which correspond to accounting methods employed by each institution for its normal accounting purposes in reporting to its supervisory authority.

**REPORTING PROCEDURES.** Financial institutions subject to the business and occupation tax, retail sales tax, or use tax must secure a certificate of registration from the department of revenue and pay a registration fee of \$15.00. Form 2401, application for certificate of registration, is available at all district offices of the department of revenue or may be obtained by writing directly to the Department of Revenue, Olympia, Washington, 98504.

Reporting periods will be assigned by the department on the basis of total tax liability incurred. Most financial institutions will be required to report on a monthly basis, although some smaller institutions may qualify for quarterly reporting. Forms for reporting will be mailed shortly before the close of each reporting period and will be due and payable on or before the 15th day of the month following. No penalties will be charged if the return is postmarked on or before the last day of the month in which the due date falls.

[Statutory Authority: RCW 82.32.300, 83-07-032 (Order ET 83-15), § 458-20-146, filed 3/15/83; Order ET 70-3, § 458-20-146 (Rule 146), filed 5/29/70, effective 7/1/70.]

#### WAC 458-20-147 Public stenographers.

##### PUBLIC STENOGRAPHERS BUSINESS AND OCCUPATION TAX

**SERVICE AND OTHER BUSINESS ACTIVITIES.** Public stenographers are taxable under the service and other business activities classification upon the gross income derived from the business of writing letters, corresponding or typing on a per hour or per page basis. (As to tax liability of public stenographers with respect to the business of mimeographing or other types of duplicating,

other than typewriting, see WAC 458-20-141 and 458-20-144.)

#### RETAIL SALES TAX

The retail sales tax does not apply upon the charge made for typing letters, briefs, legal documents, etc.

Sales to public stenographers of letterheads, envelopes, carbon paper and other items of tangible personal property for use in the rendition of services are sales for consumption and subject to the retail sales tax.

[Order ET 73-1, § 458-20-147, filed 11/2/73; Order ET 70-3, § 458-20-147 (Rule 147), filed 5/29/70, effective 7/1/70.]

#### WAC 458-20-148 Barber and beauty shops.

##### BUSINESS AND OCCUPATION TAX

Barber and beauty shops are subject to the business and occupation tax as follows:

**RETAILING.** Taxable under the retailing classification upon charges for styling of wigs or hairpieces and upon the gross proceeds of sales of shoe shines and of packaged cosmetics, etc., sold apart from the rendition of personal services.

**SERVICE AND OTHER BUSINESS ACTIVITIES.** Taxable under the service and other business activities classification upon the gross income from charges for the rendition of personal services, such as hair cutting, shaving, shampooing, tinting, bleaching, setting and the like.

#### RETAIL SALES TAX

Barber and beauty shops primarily render personal services as to hair cutting, shaving, shampooing, tinting, bleaching, setting and the like and, therefore are not required to collect the retail sales tax from the customers paying for such services. Sales by supply houses to barber and beauty shops of such articles of equipment as clippers, razors, barber chairs, hair waving machines, etc., and of such supplies as soaps, hair tonics, lotions, cosmetics, dyes, etc., which are used incidentally in the rendering of such personal services are taxable retail sales upon which the retail sales tax must be collected. Shops must collect retail sales tax upon sales and charges shown as taxable under retailing above.

Sales by barber and beauty shops of packaged cosmetics, hair tonics, lotions and like articles are taxable retail sales when sold apart from the rendition of personal services and are subject to the retail sales tax. Sales of such articles by supply houses to barber and beauty shops are sales for resale and are not taxable under the retail sales tax.

Barber shops operating shoe shine stands are required to collect the retail sales tax upon the charges made for shoe shines rendered to customers. Sales by supply houses of shoe polish, dyes, cleaners, etc., which are resold in rendering a shoe shine service are sales for resale and not taxable under the retail sales tax. However, sales to shoe shine stands of brushes, chairs and other equipment which are not resold in rendering such services are taxable retail sales and the retail sales tax must be collected thereon.

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-148, filed 3/15/83; Order ET 70-3, § 458-20-148 (Rule 148), filed 5/29/70, effective 7/1/70.]

#### WAC 458-20-149 Jewelry repair shops.

##### BUSINESS AND OCCUPATION TAX

Jewelry repair shops are subject to the business and occupation tax, as follows:

**RETAILING.** Taxable under the retailing classification upon the gross proceeds of sales from cleaning and repair services for consumers and from the sale of watches, clocks, etc.

#### RETAIL SALES TAX

Jewelry repair shops repairing, cleaning, etc., watches, clocks and jewelry are required to collect the retail sales tax from the customers for such services. Sales by supply houses to jewelry repair shops of supplies such as springs, crystals, jewel staffs, gold, silver, solder, etc., which become a part of a repaired article are sales for resale upon which the retail sales tax does not apply. Sales by supply houses to jewelry repair shops of machinery and other equipment for use by them, are retail sales and the retail sales tax must be collected thereon.

Revised January 1, 1960.

[Order ET 70-3, § 458-20-149 (Rule 149), filed 5/29/70, effective 7/1/70.]

#### WAC 458-20-150 Optometrists, ophthalmologists, and oculists.

##### BUSINESS AND OCCUPATION TAX

**RETAILING.** Taxable under the retailing classification upon gross proceeds of sales of eye glasses, regular or contact lenses, frames, springs, bows, etc., and upon charges made for repair or replacement thereof. In case a lump sum or single charge is made to a customer or patient for an examination or refraction and the furnishing of glasses, the total charge so made must be included within the gross proceeds of sales.

**SERVICE AND OTHER BUSINESS ACTIVITIES.** Taxable under the service and other business activities classification upon the gross income from charges made for examinations and refractions and upon fees for fitting or adjustment of glasses or contact lenses when such charges are accounted for and billed separate and apart from the selling price of eye glasses or lenses furnished to the patient.

#### RETAIL SALES TAX

Eye examinations, refractions, and the fitting or adjustment of prescription lenses are professional services, the charges for which are not subject to the retail sales tax if billed to a customer or patient separately from the selling price of the glasses.

A deduction is allowed from gross retail sales for sales to patients of prescription lenses by a dispensing optician licensed by chapter 18.34 RCW where such sales are separately stated on invoices and separately accounted for. (See WAC 458-20-188.)

Where examinations, refractions, or fitting or adjustment of prescription lenses are sold together with frames, springs, bows, and similar articles, and single lump sum charge is made therefor, the seller will be liable for retail sales tax on the total charge. However, where separate charges are made on invoices rendered patients for examinations, refractions, or for the fitting or adjustment prescription lenses and each such charge is separately accounted for, the retail sales tax will apply only upon the remaining price charged for the frame, spring, bow, etc.

Sales by optical supply houses to optometrists, ophthalmologists and oculists of eye glasses, lenses, frames, springs, bows and other articles which are resold to customers or patients are sales for resale and not subject to the retail sales tax. On the other hand, sales by supply houses of machinery or equipment, and supplies which are incidental to the rendering of a professional service, are taxable retail sales.

[Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-150, filed 3/15/83; Order 74-2, § 458-20-150, filed 6/24/74; Order ET 70-3, § 458-20-150 (Rule 150), filed 5/29/70, effective 7/1/70.]

#### **WAC 458-20-151 Dentists, dental laboratories and physicians.**

##### **BUSINESS AND OCCUPATION TAX**

Dentists, dental laboratories and physicians are subject to the business and occupation tax as follows:

**SERVICE AND OTHER BUSINESS ACTIVITIES.** Taxable under the service and other business activities classification upon the gross income from charges for the rendition of professional services.

##### **RETAIL SALES TAX**

Dentists, dental laboratories and physicians primarily render professional services and are not required to collect the retail sales tax from clients and others paying for such services. Sales by supply houses to such persons of materials, supplies, and equipment which are used incidentally in the rendering of such professional services are retail sales upon which the retail sales tax must be collected. Such sales include, among others, sales of dental chairs, instruments, x-ray machines, office equipment, stationery; and sales of supplies, such as dressings, bandages, drugs and similar articles. However, the sales tax does not apply to sales of insulin, medically prescribed oxygen, and prosthetic devices. See WAC 458-20-18801 for definition of prosthetic device.

Sales of drugs, medicines, and other substances prescribed by dentists and physicians are deductible by the seller from gross retail sales where the written prescription bearing the signature of the issuing medical practitioner and the name of the patient for whom prescribed is retained, and such sales are separately accounted for. See WAC 458-20-18801.

##### **USE TAX**

The use tax does not apply to the purchase of insulin, medically prescribed oxygen, nor to prosthetic devices or ingredients/components of prostheses.

[Statutory Authority: RCW 82.32.300. 83-07-032 (Order ET 83-15), § 458-20-151, filed 3/15/83; Order 74-2, § 458-20-151, filed 6/24/74; Order ET 70-3, § 458-20-151 (Rule 151), filed 5/19/70, effective 7/1/70.]

#### **WAC 458-20-152 Shoe repairmen and shoe shiners.**

##### **BUSINESS AND OCCUPATION TAX**

Shoe repairmen and shoe shiners are subject to business and occupation tax as follows:

**RETAILING.** Taxable under retailing classification upon the gross proceeds of sales from the rendition of services, and from sales of tangible personal property.

##### **RETAIL SALES TAX**

Shoe repairmen and shoe shiners engaged in the business of repairing, polishing, dyeing and cleaning shoes are required to collect the retail sales tax upon such services. Sales by supply houses to shoe repairmen and shoe shiners of articles of tangible personal property, such as sole leather, rubber heels, nails, thread, laces, wax, dyes and polish, which are resold in rendering such services are sales for resale upon which the retail sales tax does not apply.

However, sales by supply houses of tools and equipment, such as machinery, hand tools, brushes, stationery, furniture and fixtures, etc., are retail sales and the retail sales tax must be collected thereon.

Revised January 1, 1960.

[Order ET 70-3, § 458-20-152 (Rule 152), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-153 Funeral directors.** Funeral directors commonly quote a lump sum price for a standard funeral service, which includes the furnishing of a casket, professional services, care of remains, funeral coach, floral car and the securing of permits.

##### **BUSINESS AND OCCUPATION TAX**

**RETAILING.** The gross amount subject to the retail sales tax as outlined below, is taxable under the retailing classification of the business and occupation tax except that there may be deducted, for purposes of the business tax only, amounts received as reimbursement for expenditures for goods or services supplied by others who are not persons employed by, affiliated, or associated with the funeral home, when such amounts were advanced by the funeral home as an accommodation to the person paying for a funeral; but this deduction is allowed only if such expenditures advanced are billed to the person paying for the funeral at the exact amount of the expenditure advanced and such amounts are separately itemized in the billing statement to such person.

**SERVICE AND OTHER BUSINESS ACTIVITIES.** That portion of the gross income derived from engaging in business as a funeral director which is not taxable under the retailing classification is taxable as service and other business activities.

## RETAIL SALES TAX

Where the funeral director quotes a lump sum price for a standard funeral service, which includes both the sale of tangible personal property and a charge for the rendering of service, the retail sales tax is collected upon one-half of such lump sum price. Clothing, outside case (a concrete or metal box into which the casket is placed) and other tangible personal property furnished in addition to the casket must be billed separately and the retail sales tax collected thereon.

The retail sales tax is not applicable to sales made to funeral directors of tangible personal property which is resold separate and apart from the rendition of professional services, provided the vendor receives from the funeral director a resale certificate in the usual form. The property so purchased includes the casket, clothing, outside case and acknowledgment cards.

The retail sales tax is applicable to sales to funeral directors of tangible personal property which is consumed in the rendition of professional services. The property so purchased includes all preparation room supplies (embalming fluid and other chemicals, solvents, waxes, cosmetics, eye caps, gauze, cotton, etc.). The sales tax is also applicable to sales to such persons of tools and equipment.

## USE TAX

The use tax applies upon the use within this state of all articles of tangible personal property used in the performance of professional services when such articles have been purchased or acquired under conditions whereby the Washington retail sales tax has not been paid.

[Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-153, filed 3/15/83; Order ET 70-3, § 458-20-153 (Rule 153), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-154 Cemeteries, crematories, columbaria.**

## BUSINESS AND OCCUPATION TAX

**RETAILING.** The gross proceeds derived from the sale of tangible personal property taxable under the retail sales tax are also taxable under the retailing classification.

**SERVICE AND OTHER BUSINESS ACTIVITIES.** Income derived from rendition of interment services is taxable under the service and other business activities classification. Sales or transfers of plots, crypts, and niches for interment of human remains, irrespective of whether the document of transfer is called a deed or certificate of ownership, are charges for the right of interment, an interest similar to a license to use real estate, and the entire gross income therefrom is taxable under the service and other activities classification without any deduction for amounts set aside to funds for perpetual care.

## RETAIL SALES TAX

Cemeteries, crematories and columbaria are subject to the provisions of the retail sales tax with respect to retail sales of boxes, urns, markers, vases, plants, shrubs, flowers, and other tangible personal property.

Revised June 1, 1978.

Effective July 1, 1978.

[Statutory Authority: RCW 82.01.060(2) and 82.32.300. 78-06-083 (Order 78-3), § 458-20-154, filed 6/1/78; Order ET 70-3, § 458-20-154 (Rule 154), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-155 Information and computer services.** Persons rendering information or computer services and persons who manufacture, develop, process, or sell information or computer programs are subject to business and occupation taxes and retail sales or use taxes as explained in this rule.

## DEFINITIONS

As used herein:

The term "information services" means every business activity, process, or function by which a person transfers, transmits, or conveys data, facts, knowledge, procedures, and the like to any user of such information through any tangible or intangible medium. The term does not include transfers of tangible personal property such as computer hardware or standard prewritten software programs. Neither does the term include telephone service defined under RCW 82.04.065 and WAC 458-20-245.

The term "computer services" means every method of providing information services through the use of computer hardware and/or software.

\*The term "computer system" means a functional unit, consisting of one or more computers and associated software, that uses common storage for all or part of the data necessary for execution of the program; executes user-written or user-designated programs; performs user-designated data manipulation; including arithmetic operations and logic operations; and that can execute programs that modify themselves during their execution.

\*The term "hardware" means physical equipment used in data processing, as opposed to programs, procedures, rules, and associated documentation.

\*The term "software" means programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system.

The term "custom program" means software which is developed and produced by a provider exclusively for a specific user, and which is of an original, one-of-a-kind nature.

The term "standard, prewritten program," sometimes referred to as "canned" or "off-the-shelf" software, means software which is not originally developed and produced for the user.

The term "provider" means the person who makes available information and computer services to a user.

The term "user" means a person for whom information and/or computer services are provided as a consumer.

## DISTINCTION BETWEEN SALES AND SERVICES

Liability for sales tax or use tax depends upon whether the subject of the sale is a product or a service. If information services, computer services or data processing services are performed, such that the only tangible personal property in the transaction is the paper or medium on which the information is printed or carried, the activity constitutes the rendering of professional services, similar to those rendered by a public accountant, architect, lawyer, etc., and the retail sales tax or use tax is not applicable to such charges. This includes the sales of software in connection with custom programs written to meet a particular customer's specific needs. The programs are considered to be the tangible evidence of a professional service rendered to a client and not subject to retail sales tax or use tax.

If, on the other hand, the sale, lease, or licensing of the computer program is a sale or lease of a product, even though produced through a computer system or process, it is taxable as a retail sale. Standard, prewritten software programs do not constitute professional services rendered to meet the particular needs of specific customers, but rather, are essentially sales of articles of tangible personal property. Articles of this type are no different from a usual inventory of tangible personal property held for sale or lease and, irrespective of any incidental modifications to the program medium or its environment (e.g., adaptation to computer room configuration) to meet a particular customer's needs, the sale or lease of such standard software is a sale at retail subject to retail sales tax or use tax.

## BUSINESS AND OCCUPATION TAX

The terms "sale" (RCW 82.04.040) and "retail sale" (RCW 82.04.050) include any transfer of possession of tangible personal property for a consideration. This includes transfers of computer hardware and standard, prewritten software for a charge, regardless that outright ownership or title may not pass to the user, and regardless of any express or implied restrictions upon the user.

**RETAILING:** All sales, leases, rentals, and licenses to use tangible personal property, including computer systems and all hardware and standard, prewritten software, to users, are subject to the retailing classification of business and occupation tax measured by the gross proceeds of sales derived therefrom. (See RCW 82.04.070.)

**WHOLESALE:** When such transfers of tangible personal property as described in the previous paragraph, are for resale by the customer or client in the regular course of business, without intervening use by such persons, they are subject to wholesaling business and occupation tax measured by gross proceeds of sales.

**SERVICE:** Persons who charge for providing information services or computer services (other than retailing or wholesaling as defined above) are subject to the service and other activities classification of business and occupation tax measured by the gross income of such business. This includes charges for custom program development, charges for on-line information and data,

and charges in the nature of royalties for the reproduction, use, and reuse of patented systems and technological components of hardware or software, whether tangible or intangible.

The tax classifications and distinctions explained above will prevail regardless of how the federal government or other tax jurisdictions may classify these transactions for other tax purposes.

## RETAIL SALES TAX

The retail sales tax applies to all amounts taxable under the retailing classification of business and occupation tax explained earlier. Providers must collect the sales tax from users of computer systems, hardware, equipment, and/or standard, prewritten software and materials delivered in this state. This includes outright sales, leases, rentals, licenses to use, and any other transfer of possession and the right to use such things, however physically packaged, represented, or conveyed.

The retail sales tax also applies to all charges to users for the repair, maintenance, alteration, or modification of hardware, equipment, and/or standard, prewritten software or materials.

## USE TAX

The use tax applies upon the full value of computer systems, hardware, equipment, standard, prewritten software, and materials which are used by consumers in this state and upon which the retail sales tax has not been paid. The person liable for the tax is the user. However, see WAC 458-20-193B for circumstances under which the seller may be required to collect and report the use tax.

Also, the use tax applies upon the full value of such things which are made available to a user without a charge by a provider in the course of rendering any information or computer service. The person liable for the tax is the provider, as a bailor, or the user, as a bailee. See WAC 458-20-178.

## INTERSTATE SALES AND SERVICES

Persons who produce computer systems, hardware, equipment, standard, prewritten software, and materials in this state and who sell, lease, license, or otherwise transfer such things to buyers outside this state and deliver such things outside this state are not subject to either retailing or wholesaling business tax. Such persons are subject to the Manufacturing classification of business and occupation tax. See WAC 458-20-136. The measure of tax is the full value of the product manufactured. See WAC 458-20-112. Retail sales tax does not apply to such interstate deliveries. However, see WAC 458-20-193A for the criteria for perfecting interstate tax exempt sales. Persons who do not themselves produce such things in this state but merely sell such things and deliver outside this state are exempt of business tax and retail sales tax.

Providers of information or computer services in interstate commerce who are taxable under the service business tax classification are governed by the provisions

of WAC 458-20-194 (doing business inside and outside the state).

\*Definitions marked with an asterisk are taken from *Vocabulary for Data Processing, Telecommunications, and Office Systems, IBM*, seventh edition (July, 1981).

[Statutory Authority: RCW 82.32.300. 85-20-012 (Order ET 85-4), § 458-20-155, filed 9/20/85; Order ET 70-3, § 458-20-155 (Rule 155), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-156 Abstract, title insurance and escrow businesses.** The gross receipts of "abstract," "title insurance" and "escrow" businesses include all service charges representing an abstract fee, a charge for a title insurance fee or premium, or an escrow fee or service charge received by "escrow agents."

The term "escrow" means any transaction wherein any person or persons, for the purpose of effecting and closing the sale, purchase, exchange, transfer, encumbrance, or lease of real or personal property to another person or persons, delivers any written instrument, money, evidence of title to real or personal property, or other thing of value to a third person to be held by such third person until the happening of a specified event or the performance of a prescribed condition or conditions, when it is then to be delivered by such third person, in compliance with instructions under which he is to act, to a grantee, grantor, promisee, promisor, obligee, obligor, lessee, lessor, bailee, bailor, or any agent or employee thereof.

"Escrow agent" means any sole proprietorship, firm, association, partnership, or corporation engaged in the business of performing for compensation the duties of the third person referred to in the foregoing definition.

#### BUSINESS AND OCCUPATION TAX

Abstract, title insurance and escrow businesses are taxable under the classification retailing on gross receipts from fees or premiums charged to consumers for abstract, title insurance or escrow services.

The gross income from collection contracts which do not involve an escrow as above defined is subject to tax under the classification service and other activities.

#### RETAIL SALES TAX

The retail sales tax must be collected and reported by abstract, title insurance and escrow businesses on fees or premiums charged for such services. The retail sales tax is applicable to sales to such businesses of forms, office supplies and equipment for use in the conduct of such businesses.

[Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-156, filed 3/15/83; Order ET 70-3, § 458-20-156 (Rule 156), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-157 Producers of poultry and hatching eggs.** (1) Business and occupation tax. Persons engaged in the production and sale of hatching eggs or poultry for use in the production for sale of poultry or poultry products are not subject to the business and occupation tax upon the gross proceeds from such sales (RCW 82.04.410). Persons engaged in the production

and sale for resale of hatching eggs or poultry are also exempt from the business and occupation tax in respect to such sales (RCW 82.04.330). The business and occupation tax is applicable to all sales of poultry or poultry products by persons other than the producer thereof.

(2) Retail sales tax. The retail sales tax is not applicable to sales of poultry for use in the production for sale of poultry or poultry products (RCW 82.08.030(16)).

(3) Sales of equipment and feed. Sales of incubators, brooders, and other equipment or supplies to hatcheries or producers of poultry or poultry products are sales for use or consumption upon which the retail sales tax must be collected by the seller. Sales of poultry feed for use by the purchaser in producing poultry and poultry products are not subject to the retail sales tax. (See also WAC 458-20-122.)

(4) Also, the retail sales tax does not apply to sales of feed for feeding poultry at a public livestock market.

(5) Use tax. The use tax applies to all tangible personal property used as consumers by persons engaged in the production and sale of hatching eggs or poultry under conditions where retail sales tax has not been paid thereon, except poultry feed used by such poultry producers or used to feed poultry at public livestock markets.

Effective July 1, 1978.

[Statutory Authority: RCW 82.32.300. 86-21-085 (Order ET 86-18), § 458-20-157, filed 10/17/86. Statutory Authority: RCW 82.01.060(2) and 82.32.300. 78-07-045 (Order ET 78-4), § 458-20-157, filed 6/27/78; Order ET 70-3, § 458-20-157 (Rule 157), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-158 Florists and nurserymen.** The word "florist" means a person engaged in the business of selling flowers and ornamental trees, shrubs or vines from an established business location, or one who peddles the same.

The word "nurseryman" means a person who grows, propagates or produces for sale upon his own lands or upon land in which he has a present right of possession, any flowers, trees, shrubs or vines.

#### BUSINESS AND OCCUPATION TAX

**RETAILING.** Florists and nurserymen are taxable under the retailing classification upon gross sales made by them to consumers.

**WHOLESALE.** Florists are taxable under the wholesaling classification upon gross sales for resale of articles which were not produced by them as nurserymen. Nurserymen are exempt from business tax with respect to sales at wholesale of articles produced by them in this state, but this exemption does not extend to the taking, cultivating, or raising of Christmas trees or timber.

#### RETAIL SALES TAX

Florists and nurserymen must collect the retail sales tax on sales of cut flowers, bulbs, corsages, bouquets, wreaths, floral designs, displays, potted plants, young trees, shrubs, bushes and other such items of tangible personal property to purchasers for use or consumption. However, sales by nurserymen of fruit and nut trees and

berry slips or vines to farmers who use the same for producing fruit, nuts or berries for sale are wholesale sales and are not subject to the retail sales tax.

**TELEGRAPHIC DELIVERY.** Where, through the Florist's Telegraphic Delivery Association, one florist takes an order pursuant to which he gives telegraphic instructions to a second florist for delivery of flowers, the sending florist is a retailer of flowers and must collect the retail sales tax from the customer who placed the order on the basis of the total charge. The receiving florist is selling the flowers which he delivers, to the sending florist for resale and is not required to collect the retail sales tax. Thus:

(1) On all orders taken by a Washington florist and telegraphed to a second florist, either in Washington or at a point outside the state of Washington, the florist taking the order will be responsible for the collection of the retail sales tax from the customer placing the order.

(2) In cases where a Washington florist receives telegraphic instructions from a second florist located either within or without Washington for the delivery of flowers, the Washington florist receiving the telegraphic instructions is making a sale for resale to the sending florist on which no tax is to be collected.

**TELEPHONE AND TELEGRAPH CHARGES.** The income derived by a florist from telephone and telegraph charges is construed to be an advance for the customer when such charges are paid by the florist and the amount thereof is billed to the customer as a separate item.

**PURCHASE OR SUPPLIES, MATERIALS, EQUIPMENT, ETC.** Sales by supply houses to florists and nurserymen of the following articles are sales for resale upon which the retail sales tax should not be collected:

(1) Sales of paper boxes, wrapping paper, bags, twine, gummed tape or other containers sold to customers along with the flowers, shrubs, etc., sold and contained therein;

(2) Sales of labels, stickers, cards which are permanently affixed to the containers referred to above;

(3) Sales of wire, tin foil, ribbon and other items which are attached to or become a component part of, wreaths, floral displays, bouquets or corsages.

Furthermore, sales to nurserymen of seeds, fertilizers and spray materials for use by them in producing for sale flowers, trees, shrubs or vines, are not subject to the retail sales tax. (See WAC 458-20-122.)

However, sales by supply houses to florists and nurserymen of fuel for heating green houses or for other purposes, and sales of equipment and supplies for use or consumption by them are taxable under the retail sales tax.

Revised June 1, 1965.

[Order ET 70-3, § 458-20-158 (Rule 158), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-159 Consignees, bailees, factors, agents and auctioneers.** A consignee, bailee, factor, agent or auctioneer, as used in this ruling, refers to one who has either actual or constructive possession of tangible personal property, the actual ownership of such property

being in another, or one calling for bids on such property. The term "constructive possession" means possession of the power to pass title to tangible personal property of others.

#### BUSINESS AND OCCUPATION TAX

**RETAILING AND WHOLESALING.** Every consignee, bailee, factor, agent or auctioneer having either actual or constructive possession of tangible personal property, or having possession of the documents of title thereto, with power to sell such tangible personal property in his or its own name and, actually so selling, shall be deemed the seller of such tangible personal property and taxable under the retailing or wholesaling classification of the business and occupation tax, depending upon the nature of the transactions. In such case the consignor, bailor, principal or owner shall be deemed a seller of such property to the consignee, bailee, factor or auctioneer and taxable as a wholesaler with respect to such sales.

The mere fact that consignee, bailee or factor makes a sale raises a presumption that such consignee, bailee or factor actually sold in his or its own name. This presumption is controlling unless rebutted by proof satisfactory to the department of revenue.

**AGENTS AND BROKERS.** Any person who claims to be acting merely as agent or broker in promoting sales for a principal or in making purchases for a buyer, will have such claim recognized only when the contract or agreement between such persons clearly establishes the relationship of principal and agent and when the following conditions are complied with:

(1) The books and records of the broker or agent show the transactions were made in the name and for the account of the principal, and show the name of the actual owner of the property for whom the sale was made, or the actual buyer for whom the purchase was made.

(2) The books and records show the amount of gross sales, the amount of commissions and any other incidental income derived by the broker or agent from such sales.

**SERVICE AND OTHER BUSINESS ACTIVITIES.** Every consignee, bailee, factor, agent or auctioneer who makes a sale in the name of the actual owner, as agent of the actual owner, or who purchases as agent of the actual buyer, is taxable under the service and other business activities classification upon the gross income derived from such business.

#### RETAIL SALES TAX

**CONSIGNEES, BAILEES, FACTORS, AGENTS OR AUCTIONEERS.** Every consignee, bailee, factor, agent or auctioneer authorized, engaged or employed to sell or call for bids on tangible personal property belonging to another, and, so selling or calling, is deemed a seller, and shall collect the retail sales tax upon all retail sales made by him, except sales of certain farm property as hereinafter provided. The tax applies to all such sales even though the sales would have been exempt if made directly by the owner of the property sold.

It shall be the duty of every consignee, bailee, factor, agent or auctioneer to collect and remit the retail sales

tax directly to the department with respect to all retail sales made or called by them: *Provided, however,* That if the owner of the property sold is engaged in the business of selling tangible property and the sale by the consignee, bailee, factor, agent or auctioneer has been made in the owner's name and the owner continues to engage in business, the owner may report and pay the tax collected directly to the department.

If the owner of the property sold discontinues business either before or at the time of the sale, the owner and the consignee, bailee, factor, agent or auctioneer will be held jointly responsible for payment of the tax.

The foregoing does not apply to auction sales made by or through auctioneers of tangible personal property (including household goods) which have been used in conducting a farm activity when the seller thereof is a farmer and the sale is held or conducted upon a farm, since such sales are specifically exempted from the retail sales tax.

Bailees will be relieved from liability for the collection of the sales tax from buyers in those cases where they merely receive a commission on the sale and the entire transaction is closed directly between the owner and the buyer, if such sales are reported to the department by such bailees, within ten days after receipt of the sales commission and such report shows the following:

- (1) Name and address of seller;
- (2) Name and address of buyer;
- (3) Amount for which sold;
- (4) Approximate date of sale;
- (5) Description of property sold.

Those failing to submit such report to the department within the time stated will be held responsible for payment of the sales tax to the state.

Note: For tax liability of certain independent selling agents for the collection of the use tax, see WAC 458-20-221.

[Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-159, filed 3/15/83; Order ET 70-3, § 458-20-159 (Rule 159), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-160 Agricultural commission agents.** Any person whose business consists in selling agricultural products both as a dealer and upon a commission-consignment basis is presumed to be conducting business as a seller of tangible personal property either at wholesale or at retail, unless such person segregates upon his books and records between sales of products purchased and sold as a dealer and those handled strictly upon a commission basis.

**BUSINESS AND OCCUPATION TAX**

**RETAILING.** Dealers are taxable under the retailing classification upon gross proceeds derived from retail sales. Persons selling upon a commission-consignment basis who do not segregate upon their books and records between sales made as a dealer and those handled upon a commission basis are taxable as sellers upon gross proceeds of all sales.

**WHOLESALE.** Dealers are taxable under the wholesaling classification upon gross proceeds derived from wholesale sales. Persons selling upon a commission-

consignment basis who do not segregate upon their books and records between wholesale sales made as a dealer and those handled on a commission basis are taxable as sellers upon gross proceeds of all sales.

**SERVICE AND OTHER BUSINESS ACTIVITIES.** A person may be classified as engaging in service and other business activities with respect to bona fide commission-consignment sales, even though such consigned sales are credited to the "sales" account, providing he has complied with the Commission Merchants' Law of the state of Washington and has prepared and kept the following records supplementary to the regular books of account:

- (1) Lot sheets, cards or similar subsidiary records upon which consigned sales are regularly recorded;
- (2) An analysis sheet showing the date, lot number, gross proceeds of sales of consigned goods, remittances to consignor, advances, commissions, other charges and taxable amount with respect to consigned accounts. This sheet shall contain a complete analysis of all consigned sales showing the distribution made from lot sheets, cards or similar subsidiary records. Entries in the consigned sales analysis record shall be made as of the date that final distribution is made on lot sheet, card or similar record;
- (3) A detailed record of deductions claimed with respect to sales of products purchased. Such records shall show the date of sale, the lot number and the nature of the deductions claimed.

The subsidiary analysis of consigned accounts and record of deductions shall be kept substantially in the following form:

PRINCIPAL ACCOUNTS				
Date	Lot Number	Interstate Sales	Other Deductions	Total Deductions

COMMISSION ACCOUNTS							
Date	Lot No.	Gross Proceeds of Sales	Remittances	Advances	Commission Charged	Other Charges	Taxable Amount

**RETAIL SALES TAX**

Persons engaged in the business of selling agricultural products at retail either as dealers or upon a commission-consignment basis are required to collect the retail sales tax upon all retail sales made by them.

Revised May 1, 1939.

[Order ET 70-3, § 458-20-160 (Rule 160), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-161 Persons buying or producing wheat, oats, dry peas, corn, barley, dry beans, lentils and triticale and making sales thereof.**

**BUSINESS AND OCCUPATION TAX**

**RETAILING.** Taxable under the retailing classification upon the gross proceeds from all retail sales of such products.

**WHOLESALE.** Persons buying manufactured or processed wheat, oats, dry peas, dry beans, lentils, triticale, corn and barley, and selling the same at wholesale, are taxable under the wholesaling classification upon their gross proceeds of sales. The tax imposed under this classification does not apply to persons producing wheat, oats, dry peas, corn, barley, dry beans, lentils and triticale and selling the same at wholesale.

**WHEAT, OATS, DRY PEAS, CORN, BARLEY, DRY BEANS, LENTILS AND TRITICALE.** Persons buying wheat, oats, dry peas, dry beans, lentils, triticale, corn and barley, and selling the same at wholesale as such and not as a manufactured or processed product thereof, are taxable under the wheat, oats, corn, barley, dry peas, dry beans, lentils, and triticale classification upon their gross proceeds of sales.

[Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-161, filed 3/15/83. Statutory Authority: RCW 82.01.060(2) and 82.32.300. 78-07-045 (Order ET 78-4), § 458-20-161, filed 6/27/78; Order ET 70-3, § 458-20-161 (Rule 161), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-162 Stockbrokers and security houses.** With respect to stockbrokers and security houses, "gross income of the business" means the total of gross income from interest, gross income from commissions, gross income from trading and gross income from all other sources: *Provided*, That:

(1) Gross income from each account is to be computed separately and on a monthly basis;

(2) Loss sustained upon any earnings account may not be deducted from or offset against gross income upon any other account, nor may a loss sustained upon any earnings account during any month be deducted from the gross income upon any account for any other month;

(3) No deductions are allowed on account of salaries or commissions paid to employees or salesmen, rent, or any other overhead or operating expenses paid or incurred, or on account of losses other than under "2" above;

(4) No deductions are allowed from commissions received from sales of securities which are delivered to buyers outside the state of Washington.

**GROSS INCOME FROM INTEREST.** Gross income from interest includes all interest received upon bonds or other securities held for sale or otherwise, excepting only direct obligations of the federal government and of the state of Washington. No deduction is allowed for interest paid out even though such interest may have been paid to banks, clearing houses or others upon amounts

borrowed to carry debit balances of customers' margin accounts.

Interest accrued upon bonds or other securities sold shall be included in gross income where such interest is carried in an interest account and not as part of the selling price. Conversely, interest accrued upon bonds or other securities at the time of purchase may be deducted from gross income where such interest is carried in an interest account and not as a part of the purchase price.

**GROSS INCOME FROM COMMISSIONS.** Gross income from commissions is the amount received as commissions upon transactions for the accounts of customers over and above the amount paid to other established security houses associated in such transactions: *Provided, however*, That no deduction or offset is allowed on account of salaries or commissions paid to salesmen or other employees.

**GROSS INCOME FROM TRADING.** Gross income from trading is the amount received from the sale of stocks, bonds and other securities over and above the cost or purchase price of such stocks, bonds and other securities. In the case of short sales gross earnings shall be reported in the month during which the transaction is closed, that is, when the purchase is made to cover such sales or the short sale contract is forfeited.

**GROSS INCOME FROM ALL OTHER SOURCES.** Gross income from all other sources includes all income received by the taxpayer, other than from interest, commissions and trading, such as dividends upon stocks, fees for examinations, fees for reorganizations, etc.

**SERVICES INSIDE AND OUTSIDE THE STATE-APPORTIONMENT.** Stockbrokers and security houses rendering services and maintaining places of business both inside and outside the state may, in computing tax, apportion to this state that portion of the gross income which is derived from services rendered or activities conducted inside this state. Where such apportionment cannot be made accurately by separate accounting methods, the taxpayer shall apportion to this state that portion of his total income which the cost of doing business inside the state bears to the total cost of doing business both inside and outside the state.

[Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-162, filed 3/15/83; Order ET 70-3, § 458-20-162 (Rule 162), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-163 Insurance companies, including surety companies, fraternal benefit societies, fraternal fire insurance associations and beneficiary corporations or societies.** The provisions of the business and occupation tax do not apply to:

(1) Any person with respect to insurance business upon which a tax based on gross premiums is paid to the state of Washington. (RCW 82.04.320.) It should be noted, however, that the statute provides expressly that this exemption does not extend to "any person engaging in the business of representing any insurance company, whether as general or local agent or acting as broker for such companies," or to "any bonding company . . . with respect to gross income derived from the completion of any contract as to which it is a surety, or as to

any liability as successor to the liability of the defaulting contractor." In addition, the exemption does not apply to any business engaged in by an insurance company other than its insurance business.

(2) Fraternal benefit societies or fraternal fire insurance associations as described in chapter 48.36 RCW, and beneficiary corporations or societies organized under and existing by virtue of Title 24 RCW, if such beneficiary corporations or societies provide in their bylaws for the payment of death benefits. This exemption, however, is limited to gross income from premiums, fees, assessments, dues or other charges directly attributable to the insurance or death benefits provided by such persons.

#### RETAIL SALES TAX AND USE TAX

Insurance companies are subject to the retail sales tax or use tax upon retail purchases or articles acquired for their own use.

[Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-163, filed 3/15/83; Order ET 70-3, § 458-20-163 (Rule 163), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-164 Insurance agents, brokers and solicitors.** The words "agent," "broker," and "solicitor," as used herein mean respectively, a person licensed as such under the provisions of chapter 48.17 RCW.

#### BUSINESS AND OCCUPATION TAX

Every person acting in the capacity of agent, broker, or solicitor is presumed to be engaging in business and is taxable under the insurance agents and brokers classification upon the gross income of the business unless such person is a bona fide employee. The burden is upon such person to establish the fact of his status as an employee. (See WAC 458-20-105 Employees.) Gross income of the business is determined by the amount of gross commissions received or retained, not by the gross premiums paid by the insured.

The term "gross income of the business" includes gross income from commissions, fees or other emoluments however designated which the agent, broker, or solicitor receives or becomes entitled to receive but does not include amounts held in trust for the insurer or the client. (See also WAC 458-20-111 - Advances and reimbursements.)

No deduction is allowed for commissions, fees, or salaries paid to other agents, brokers, or solicitors nor for other expenses of doing business.

Where an insurance association, licensed as a broker, agent or solicitor negotiates with a public body for the placement of its insurance coverage and arranges for the servicing of such insurance through a broker, agent or solicitor and there is an agreement between the association and the broker, agent or solicitor and the prospective insured that the commission on the policy premium will be shared, the entity receiving the commission need only include in gross income its share of the commission. It need not include in gross income the portion of the commission earned by the other broker, agent and/or

solicitor nor need the other broker, agent and/or solicitor include in gross income the portion retained by the entity which first receives payment.

(For tax liability of insurance adjusters, see WAC 458-20-212.)

**SPECIAL CLASSIFICATION FOR CERTAIN MANAGING GENERAL AGENTS.** Under RCW 82.04.280(5) persons representing and performing services for fire or casualty insurance companies as independent resident managing general agents are subject to tax at the prevailing rate upon the gross income of the business. In view of the small number of persons falling in this special category, no separate classification line on excise tax returns (Form 2406) has been provided for reporting this income; it should be shown on line 1 of the return with the explanatory note: "Income for insurance managing general agent taxable under RCW 82.04.280(5)."

Any person claiming to fall within this tax classification must demonstrate:

(1) That he is licensed as a resident general agent by the insurance commissioner; and

(2) That he performs the following independent manager functions:

(a) Pays all sales and/or production expense; including salaries of special field representatives, underwriters, and inspectors as well as all office expenses of rent, supplies, secretarial help, etc.

(b) Bills all premiums for the company so represented.

(c) Directly contracts for or hires all selling agents.

(d) Exercises final responsibility with respect to selecting risks and underwriting matters.

(e) Makes all arrangements for reinsurance.

(f) Handles all claims adjustments directly with the insured (by his own staff or through hiring an independent adjuster).

Persons wishing to claim qualification for this special insurance agent classification should request forms from the department of revenue to make application therefor.

Revised December 12, 1968.

[Statutory Authority: RCW 82.32.300. 83-17-099 (Order ET 83-6), § 458-20-164, filed 8/23/83; Order 70-5, § 458-20-164 (Rule 164), filed 6/22/70.]

**WAC 458-20-165 Laundries, dry cleaners, laundry agents, self service laundries and dry cleaners.**

#### LAUNDRIES, DRY CLEANERS, LAUNDRY AGENTS, SELF SERVICE LAUNDRIES AND DRY CLEANERS

The term "laundry or dry cleaning business" applies to (1) the business of operating a plant or establishment for laundering, cleaning, dyeing, pressing and incidentally repairing such articles as clothing, linens, bedding, towels, curtains, drapes, rugs, etc.; (2) so-called "laundrettes," "washettes," "cleanettes" or similar self service businesses wherein laundry or dry cleaning facilities are provided for hire; it includes the operation of both coin and noncoin operated equipment, and (3) one who, under his own name, operates a place of business or pickup and delivery system for the collection and distribution of such articles, holding himself out to the public as performing such services, even though such person

owns no plant and contracts with another for a part or all of the services rendered. This does not apply, however, to a person holding himself out as an agent for a particular laundry or dry cleaning plant.

The term "laundry agent" applies to any person who, under his own name, operates a place of business or pickup and delivery system for the collection and distribution of articles to be laundered, cleaned, dyed or pressed, holding himself out as agent for some particular establishment and acting as an independent contractor rather than as an employee.

The term "laundry or linen supply service" means the business of contracting to provide customers with a supply of clean linen, uniforms, towels, etc., whether ownership of such property is in the person operating the laundry or linen supply service or in the customer. Such services may include the providing of cabinets and other toilet equipment, paper towels, soap and similar consumable supplies.

#### BUSINESS AND OCCUPATION TAX

**RETAILING.** Persons operating laundry or dry cleaning businesses, including self service or coin operated laundry or dry cleaning businesses, but not including coin operated laundry facilities when such facilities are situated in an apartment house, hotel, motel, rooming house or trailer camp for the exclusive use of the tenants, are taxable under the retailing classification upon the gross proceeds of sales which are subject to the retail sales tax as hereinafter provided, without any deduction on account of commissions allowed or amounts paid to another for the performance of all or part of the laundry or dry cleaning service rendered.

Persons operating self service or coin operated laundries or dry cleaning businesses are taxable under the retailing classification upon the gross proceeds of sales of starch, soap, blueing or any other article sold to customers.

Laundries in Washington which provide linen supply services are making retail sales in this state even though their customers may be located outside this state. Gross income from such services is subject to tax because the charge is for laundering which takes place in this state, rather than being a true rental of property (uniforms, linen, etc.) to nonresidents.

**WHOLESALE.** Tax is due under the wholesaling classification upon the gross proceeds of sales derived from laundry or dry cleaning services rendered for other laundry and dry cleaning establishments.

**SERVICE AND OTHER ACTIVITIES.** Persons operating coin operated laundry facilities which are situated in an apartment house, hotel, motel, rooming house or trailer camp for the exclusive use of the tenants are taxable under service and other activities on the gross income from such facilities. Laundry agents are taxable under this classification upon the gross commissions received by them. Nonprofit associations composed exclusively of nonprofit hospitals are taxable under the service and other activities classification upon laundry services to such members.

#### RETAIL SALES TAX

Laundry and dry cleaning businesses (including so-called "launderettes," "washettes," "cleanettes" and self service or coin operated laundries or dry cleaners), laundry agents and persons operating laundry or linen supply services are required to collect the retail sales tax upon the total charge made to the customer for laundry and dry cleaning service or laundry supply service rendered by them. The tax is not applicable to gross receipts from coin operated laundry facilities when such facilities are situated in an apartment house, hotel, motel, rooming house or trailer camp for the exclusive use of the tenants.

Laundries, dry cleaning businesses and laundry agents who pay agency commissions or maintain commission drivers must account for the retail sales tax upon such operations as follows:

(1) Where agency commissions are allowed hotels, apartments, etc., on laundry or dry cleaning done for their guests, the retail sales tax must be collected by the laundry or dry cleaner upon the full retail charge to the final consumer.

(2) Commission drivers operating in the name of the laundry or cleaning establishment must collect the retail sales tax on the total charge made to the customer, remitting the same on each settlement to the plant, which in turn is responsible for the payment of the tax to the state.

Sales by supply houses to laundries, dry cleaners and persons operating laundry or linen supply services of soaps, cleaning solvents and other articles or substances which are used in rendering a laundry, laundry supply or cleaning service are retail sales and are subject to the retail sales tax. Sales to such persons of dyes, starches and similar articles or substances, the primary purpose of which is to become ingredients of the articles cleaned, are sales at wholesale and are not subject to the retail sales tax. Similarly, sales to persons operating laundry or linen supply services of linen, uniforms, towels, cabinets, hand soap and similar property rented or supplied to customers as a part of the service rendered are wholesale sales. Sales by supply houses to laundries, dry cleaners and operators of laundry or linen supply services of equipment and supplies such as machinery, hand tools, spotting brushes, stationery, etc., are retail sales and the retail sales tax must be collected thereon.

Generally, sales by supply houses to persons operating self service or coin operated laundries, of soaps or other articles which are furnished by such persons to their customers, the charge for which is included within the charge for use of facilities, are wholesale sales, and supply houses need not collect the retail sales tax thereon upon receipt of a resale certificate from the customer. However, sales of such supplies to persons operating coin operated laundry facilities which are situated in an apartment house, hotel, motel, rooming house or trailer camp for the exclusive use of the tenants are retail sales upon which the retail sales tax must be collected. Sales to all operators of laundry or dry cleaning establishments of equipment such as washing machines, ironers, furniture, etc., are retail sales subject to the sales tax.

[Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-165, filed 3/15/83; Order ET 73-1, § 458-20-165, filed 11/2/73; Order ET 70-3, § 458-20-165 (Rule 165), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-166 Hotels, motels, boarding houses, rooming houses, resorts, summer camps, trailer camps, etc.** A hotel, motel, boarding house, rooming house, apartment hotel, resort lodge, auto or tourist camp, and bunkhouse, as used in this ruling, includes all establishments which are held out to the public as an inn, hotel, public lodging house, or place where sleeping accommodations may be obtained, whether with or without meals or facilities for preparing the same. The foregoing does not include establishments in the business of renting real estate, such as apartments, nor does it include hospitals, sanitariums, nursing homes, rest homes, and similar institutions. Further, the foregoing does not include private lodging houses, dormitories, bunkhouses, etc., operated by or on behalf of business and industrial firms solely for the accommodation of employees of such firms, and which are not held out to the public as a place where sleeping accommodations may be obtained. The terms do not include guest ranches or summer camps which, in addition to supplying meals and lodging, offer special recreation facilities and instruction in sports, boating, riding, outdoor living, etc.

A boarding house, as used in this ruling, is an establishment selling meals on the average to five or more persons, exclusive of members of the immediate family. Where meals are furnished to less than five persons, exclusive of members of the immediate family, the establishment will not be considered as engaging in the business of operating a boarding house.

A trailer camp as used in this ruling is an establishment making a charge for the rental of space to transients for locating or parking house trailers, campers, mobile homes, tents and the like which provide sleeping or living accommodations for the occupants. Additional charges for utility services will be deemed part of the charge made for the rental.

It will be presumed that the above establishments are conferring a license to use real estate, as distinguished from a rental of real estate, where the occupant is a transient. Conversely, where the occupant who receives lodging is or has become a nontransient, it will be conclusively presumed that the occupancy is under a rental or lease of real property.

Where lodging is furnished a transient, as that term is hereinafter defined, the charge therefor is subject to the retail sales tax and to the business and occupation tax under the retailing classification. Where the lodging is furnished a nontransient, the transaction is deemed a rental of real estate and is exempt from tax.

The term "transient" as used in this rule means: Any guest, resident, or other occupant to whom lodging and other services are furnished under a license to use real property and who does not continuously occupy the premises for a period of one month. Where such occupant remains in continuous occupancy for more than one month, he shall be deemed a transient as to his first month of occupancy, unless he has contracted in advance

to remain one month. In cases where such person has so contracted in advance and does so remain in continuous occupancy for one month, he will be deemed a nontransient from the start of his occupancy.

An occupant does not become entitled to a refund of retail sales tax paid for lodging as a transient by reason of having remained one month and having thereby qualified as a nontransient.

The tax liability of hotels, motels, boarding houses, rooming houses, resorts, summer camps, trailer camps, etc., is as follows:

#### BUSINESS AND OCCUPATION TAX

**RETAILING.** Amounts derived from the charge made to transients for the furnishing of lodging; charges for such services as the rental of radio and television sets and the rental of rooms, space and facilities not for lodging, such as ballrooms, display rooms, meeting rooms, etc., and including automobile parking or storage; also amounts derived from the sale of tangible personal property at retail are taxable under this classification. See "retail sales tax" below for a more detailed explanation of the charges included herein as retailing.

**SERVICE AND OTHER BUSINESS ACTIVITIES.** Taxable under this classification are amounts derived from the rental of sleeping accommodations by private lodging houses, and by dormitories, bunkhouses, etc., operated by or on behalf of business and industrial firms and which are not held out to the public as a place where sleeping accommodations may be obtained; commissions received from acting as a laundry agent for guests (see WAC 458-20-165) and commissions received for the use of telephone facilities. Summer camps, guest ranches and similar establishments making an unsegregated charge for meals, lodging, instruction and the use of recreational facilities must report the gross income from such charges under this classification. This classification is also applicable to gross income from charges for the use of coin operated laundry facilities when such facilities are situated in an apartment house, hotel, motel, rooming house or trailer camp for the exclusive use of the tenants. (See WAC 458-20-165 for information regarding the tax liability of laundry services generally.)

Charges for lodging and related services described above are subject to tax even though they may be denominated or characterized as membership fees or dues.

#### RETAIL SALES TAX

All sales and rentals of tangible personal property by such persons are subject to the retail sales tax.

The charge made for the furnishing of lodging and other services to transients is subject to the retail sales tax. Included is the charge made by a trailer camp for the furnishing of space and other facilities. Charges for automobile parking and storage are also subject to the retail sales tax.

Except as to guest ranches and summer camps as described herein, when a lump sum is charged for lodging to nontransients and for meals furnished, the retail sales tax must nevertheless be paid upon the fair selling price of such meals, and unless accounts are kept showing

such fair selling price, the tax will be computed upon double the cost of the meals served; and the cost shall include the price paid for food and drinks served, the cost of preparing and serving meals, and all other costs incidental thereto, including an appropriate portion of overhead expenses. The retail sales tax is not applicable to charges for the use of coin operated laundry facilities when such facilities are situated in an apartment house, hotel, motel, rooming house or trailer camp for the exclusive use of the tenants.

All sales of tangible personal property to such persons, except such property as is to be resold as tangible personal property are subject to the retail sales tax. In this regard, all sales of tangible personal property for use in the furnishing of lodging and related services are subject to the retail sales tax, the charge made for lodging being for services rendered and not for the sale of any tangible property as such; included are items such as soap, towels, linens, laundry, laundry supply services and furnishings. See WAC 458-20-244 (Rule 244) for sales to persons operating guest ranches and summer camps of food supplies for use in the preparation of meals served to guests when such persons make an unsegregated charge for meals, lodging, and services and report such charges under the classification service and other activities as herein provided.

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-166, filed 3/15/83. Statutory Authority: RCW 82.01.060(2) and 82.32.300, 78-07-045 (Order ET 78-4), § 458-20-166, filed 6/27/78; Order ET 70-3, § 458-20-166 (Rule 166), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-167 Educational institutions, school districts, student organizations, private schools.** As used herein: An "educational institution" means only those institutions defined as such in WAC 458-20-114; the term "private school" means all schools which are excluded from said definition.

#### BUSINESS AND OCCUPATION TAX

Persons operating private schools are taxable under the service and other business activities classification upon gross income derived from tuition fees, rental of rooms and equipment and other service income.

Such persons are also taxable under the retailing classification upon gross retail sales of articles of tangible personal property sold by them, when the charge therefor is specified and is not included within the charge made for tuition.

Educational institutions, school districts and student organizations are not subject to the business and occupation tax with respect to activities directly connected with the educational program, such as operation of a common dining room, sale of lab supplies, etc. Charges made for the operating of privately operated kindergartens are exempt from business tax.

#### RETAIL SALES TAX

The retail sales tax applies upon all sales of tangible personal property made by educational institutions, private schools, and student organizations, when the charge therefor is specific and not included within the charge

made for tuition. However, the sales tax does not apply to sales of tangible personal property made by agencies or institutions of the state of Washington, such as the University of Washington and the community colleges.

#### CERTIFICATES OF REGISTRATION

Persons engaged in the business of operating private schools are required to obtain a certificate of registration in accordance with the provisions of WAC 458-20-101.

Educational institutions other than agencies or institutions of the state of Washington making taxable retail sales of tangible personal property are also required to apply for and obtain from the department of revenue a certificate of registration.

[Statutory Authority: RCW 82.32.300, 83-07-032 (Order ET 83-15), § 458-20-167, filed 3/15/83; Statutory Authority: RCW 82.01.060(2) and 82.32.300, 78-07-045 (Order ET 78-4), § 458-20-167, filed 6/27/78; Order ET 70-3, § 458-20-167 (Rule 167), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-168 Hospitals.** The term "hospital" means only institutions defined as hospitals in chapter 70.41 RCW. The term "nursing home" means only institutions defined as nursing homes in chapter 18.51 RCW.

#### BUSINESS AND OCCUPATION TAX

The gross income of hospitals for medical services is subject to business and occupation tax under the service and other activities classification. The retailing business and occupation tax applies to sales of tangible personal property other than prescription drugs sold and billed separately from hospital services rendered.

In computing business tax liability of hospitals, there may be deducted from the measure of the tax the following:

(1) Amounts derived as compensation for services rendered or to be rendered to patients or from sales of prescription drugs as defined by RCW 82.08.0281 furnished as an integral part of services rendered to patients by a hospital as defined in chapter 70.41 RCW when such hospital is operated by the United States of America or any of its instrumentalities or by the state of Washington or any of its political subdivisions.

(2) Amounts derived as compensation for services rendered to patients or from sales of prescription drugs as defined by RCW 82.08.0281 furnished as an integral part of services rendered to patients by a hospital as defined in chapter 70.41 RCW when such hospital is operated as a nonprofit corporation but only if no part of the net earnings received by such an institution inures, directly or indirectly, to any person other than the institution entitled to deduction hereunder.

No deduction will be allowed under "2" above, unless written evidence be submitted to the department of revenue showing that the hospital building is entitled to exemption from taxation under the property tax laws of this state.

In computing business tax liability of nursing homes and homes for unwed mothers there may be deducted from the measure of tax the following. Amounts derived as compensation for services rendered to patients by

nursing homes and homes for unwed mothers operated as religious or charitable organizations but only if no part of the net earnings received by such nursing homes or homes for unwed mothers inures, directly or indirectly, to any person other than the institution entitled to deduction hereunder.

Persons operating hospitals, nursing homes, convalescent homes, clinics, rest homes, health resorts and similar institutions which are not operated as above provided are taxable under the classification service and other activities upon the gross income received from personal or professional services.

In computing tax liability there may be deducted from gross income so much thereof as was derived from bona fide contributions, donations and endowment funds. (See WAC 458-20-114.)

#### RETAIL SALES TAX

Gross retail sales by hospitals which are subject to retailing business tax, as provided above, are subject to retail sales tax. However, sales of drugs, medicines, prescription lenses, orthotic devices, medical oxygen, or other substances, prescribed by medical practitioners are deductible from gross retail sales where the written prescription bearing the signature of the issuing medical practitioner and the name of the patient for whom prescribed is retained, and such sales are separately accounted for. Also deductible are sales of prosthetic devices and ostomic items whether or not prescribed. See WAC 458-20-188.

Sales of medical supplies, equipment, and consumables of the like, but excluding prosthetic devices and ostomic items, to hospitals and nursing homes are subject to the retail sales tax, irrespective of whether or not such hospitals or nursing homes are subject to the business tax.

(For tax liability of hospitals on sales of meals, see WAC 458-20-119 and 458-20-244.)

[Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-168, filed 3/15/83. Statutory Authority: RCW 82.01.060(2) and 82.32.300. 78-07-045 (Order ET 78-4), § 458-20-168, filed 6/27/78; Order ET 74-2, § 458-20-168, filed 6/24/74; Order ET 70-3, § 458-20-168 (Rule 168), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-169 Religious, charitable, benevolent, nonprofit service organizations, and sheltered workshops.** Religious, charitable, benevolent, and nonprofit service organizations are subject to the excise taxes imposed by the Revenue Act of 1935 with the following exceptions only:

Religious, charitable, benevolent, and nonprofit service organizations serving meals for fund raising purposes are not engaged in the business of making sales at retail and are not required to collect the retail sales tax upon such sales, nor pay the business and occupation tax, unless such meals are served more frequently than once every two weeks. Religious, charitable, benevolent, and nonprofit service organizations conducting bazaars or rummage sales who are not generally engaged in the business of making sales at retail are not required to collect the retail sales tax nor pay the business and occupation tax where such bazaars or rummage sales are

conducted no more than twice per year and do not extend over a period of more than two days each, if the gross receipts from each such bazaar or rummage sale is \$1,000 or less. Similarly, when such organizations make retail sales in the course of annual fund raising drives, or make such sales through concessions operated intermittently and for short periods of time for the support of various benevolent, athletic, recreational, or cultural programs, the retail sales tax and business and occupation tax need not be accounted for.

Neither the retail sales tax nor the use tax applies to prepared meals provided to senior citizens, disabled persons, or low-income persons by not-for-profit organizations organized under chapter 24.03 or 24.12 RCW.

However, in every case where such organizations conduct business activities other than as outlined above, the retail sales tax and business and occupation tax are fully applicable to the gross sales made and merchandise may be purchased for resale without paying the retail sales tax by furnishing vendors with resale certificates as prescribed in published WAC 458-20-102.

**SHELTERED WORKSHOPS.** The gross income received by nonprofit organizations from the operation of "sheltered workshops" is exempt from the business and occupation tax. "Sheltered workshops" is defined by the law to mean "rehabilitation facilities, or that part of rehabilitation facilities, where any manufacture or handiwork is carried on and which is operated for the primary purpose of (1) providing gainful employment or rehabilitation services to the handicapped as an interim step in the rehabilitation process for those who cannot be readily absorbed in the competitive labor market or during such time as employment opportunities for them in the competitive labor market do not exist; or (2) providing evaluation and work adjustment services for handicapped individuals."

**HEALTH OR SOCIAL WELFARE SERVICES.** In computing business tax there may be deducted amounts received from the United States or any instrumentally thereof or from the state of Washington or any municipal corporation or political subdivision thereof as compensation for, or to support, health or social welfare services rendered by a health or social welfare organization or by a municipal corporation or political subdivision.

The term "health or social welfare organization" means an organization which renders health or social welfare services as defined below, which is a not-for-profit corporation under chapter 24.03 RCW and which is managed by a governing board of not less than eight individuals none of whom is a paid employee or the organization or which is a corporation sole under chapter 24.12 RCW. In addition a corporation in order to be exempt under RCW 82.04.4297 shall satisfy the following conditions:

(a) No part of its income may be paid directly or indirectly to its members, stockholders, officers, directors, or trustees except in the form of services rendered by the corporation in accordance with its purposes and bylaws;

(b) Salary or compensation paid to its officers and executives must be only for actual services rendered, and

at levels comparable to the salary or compensation of like positions within the public service of the state;

(c) Assets of the corporation must be irrevocably dedicated to the activities for which the exemption is granted and, on the liquidation, dissolution, or abandonment by the corporation, may not inure directly or indirectly to the benefit of any member or individual except a nonprofit organization, association, or corporation which also would be entitled to the exemption;

(d) The corporation must be duly licensed or certified where licensing or certification is required by law or regulation;

(e) The amounts received qualifying for exemption must be used for the activities for which the exemption is granted;

(f) Services must be available regardless of race, color, national origin, or ancestry; and

(g) The director of revenue shall have access to its books in order to determine whether the corporation is entitled to this exemption.

The term "health or social welfare services" includes and is limited to:

(a) Mental health, drug, or alcoholism counseling or treatment;

(b) Family counseling;

(c) Health care services;

(d) Therapeutic, diagnostic, rehabilitative, or restorative services for the care of the sick, aged, or physically, developmentally, or emotionally-disabled individuals;

(e) Activities which are for the purpose of preventing or ameliorating juvenile delinquency or child abuse, including recreational activities for those purposes;

(f) Care of orphans or foster children;

(g) Day care of children;

(h) Employment development, training, and placement; and

(i) Legal services to the indigent.

[Statutory Authority: RCW 82.32.300, 86-02-039 (Order ET 85-8), § 458-20-169, filed 12/31/85; 83-07-033 (Order ET 83-16), § 458-20-169, filed 3/15/83. Statutory Authority: RCW 82.01.060(2) and 82.32.300, 78-07-045 (Order ET 78-4), § 458-20-169, filed 6/27/78; Order ET 70-3, § 458-20-169 (Rule 169), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-170 Constructing and repairing of new or existing buildings or other structures upon real property.**

**DEFINITIONS**

As used herein:

The term "prime contractor" means a person engaged in the business of performing for consumers, the constructing, repairing, decorating or improving of new or existing buildings or other structures under, upon or above real property, either for the entire work or for a specific portion thereof. The term includes persons who rent or lease equipment to property owners for use in respect to constructing, repairing, etc., buildings or structures upon such property, when the equipment is operated by the lessor.

The word "subcontractor" means a person engaged in the business of performing a similar service for persons

other than consumers, either for the entire work or for a specific portion thereof. The term includes persons who rent or lease equipment to prime contractors or subcontractors for use in respect to constructing, repairing, etc., when such equipment is operated by the lessor. When equipment or other tangible personal property is rented without an operator to contractors, subcontractors or others, the transaction is a sale at retail (see RCW 82-.04.040 and 82.04.050).

The terms "prime contractor" and "subcontractor" include persons performing labor and services in respect to the moving of earth or clearing of land, cleaning, fumigating, razing, or moving of existing buildings or structures even though such services may not be done in connection with a contract involving the constructing, repairing, or altering of a new or existing building or structure. The terms also include persons constructing streets, roads, highways, etc., owned by the state of Washington.

The term "buildings or other structures" means everything artificially built up or composed of parts joined together in some definite manner and attached to real property. It includes not only buildings in the general and ordinary sense, but also tanks, fences, conduits, culverts, railroad tracts, tunnels, overhead and underground transmission systems, monuments, retaining walls, piling and privately owned bridges, trestles, parking lots, and pavements for foot or vehicular traffic, etc.

The term "constructing, repairing, decorating or improving of new or existing buildings or other structures," in addition to its ordinary meaning, includes the installing or attaching of any article of tangible personal property in or to real property, whether or not such personal property becomes a part of the realty by virtue of installation, the clearing of land and the moving of earth, and the construction of streets, roads, highways, etc., owned by the state of Washington. The term includes the sale of or charge made for all service activities rendered in respect to such constructing, repairing, etc., regardless of whether or not such services are otherwise defined as "sale" by RCW 82.04.040 or "sales at retail" by RCW 82.04.050. Hence, for example, such service charges as engineering fees, architectural fees or supervisory fees are within the term when the services are included within a contract for the construction of a building or structure. The fact that the charge for such services may be shown separately in bid, contract or specifications does not establish the charge as a separate item in computing tax liability.

**SPECULATIVE BUILDERS.** As used herein the term "speculative builder" means one who constructs buildings for sale or rental upon real estate owned by him. The attributes of ownership of real estate for purposes of this rule include but are not limited to the following: (1) The intentions of the parties in the transaction under which the land was acquired; (2) the person who paid for the land; (3) the person who paid for improvements to the land; (4) the manner in which all parties, including financiers, dealt with the land. The terms "sells" or "contracts to sell" include any agreement whereby an

immediate right to possession or title to the property vests in the purchaser.

Amounts derived from the sale of real estate are exempt from the business and occupation tax. (RCW 82.04.390.) Consequently, the proceeds of sales by speculative builders of completed buildings are not subject to such tax. Neither does the sales tax apply to such sales, since such a sale involves no charge made for construction for a consumer but the price paid is for the sale of real estate.

However, when a speculative builder sells or contracts to sell property upon which he is presently constructing a building, all construction done subsequent to the date of such sale or contract constitutes a retail sale and that portion of the sales price allocable to construction done after the agreement shall be taxed accordingly. Consequently the builder must pay business and occupation tax under the retailing classification on that part of the sales price attributable to construction done subsequent to the agreement, and shall also collect sales tax from the buyer on such allocable part of the sales price.

Speculative builders must pay sales tax upon all materials purchased by them and on all charges made by their subcontractors. Deductions for such tax paid with respect to materials used or charges made for that part of the construction done after the contract to sell the building should be claimed by the speculative builder on his tax returns in accordance with WAC 458-20-102, subheading purchases for dual purposes.

Persons, including corporations, partnerships, sole proprietorships, and joint ventures, among others who perform construction upon land owned by their corporate officers, shareholders, partners, owners, co-venturers, etc., are constructing upon land owned by others and are taxable as sellers under this rule, not as "speculative builders."

#### BUSINESS AND OCCUPATION TAX

Prime contractors are taxable under the retailing classification, and subcontractors under the wholesaling classification upon the gross contract price.

Where no gross contract price is stated in any contract or agreement between the builder and the property owner, then the measure of business and occupation tax is the total amount of construction costs, including any charges for licenses, fees, permits, etc., required for the construction and paid by the builder.

#### RETAIL SALES TAX

Prime contractors are required to collect from consumers the retail sales tax measured by the full contract price. Where no gross contract price is stated, the measure of sales tax is the total amount of construction costs including any charges for licenses, fees, permits, etc., required for construction and paid by the builder.

The retail sales tax does not apply to charges made for janitorial services nor for the mere leveling of land used in commercial farming or agriculture. The tax does apply, however, in respect to contracts for cleaning septic tanks or the exterior walls of buildings, as well as to earth moving, land clearing and the razing or moving of

structures, whether or not such services are performed as incidents of a contract to construct, repair, decorate, or improve buildings or structures.

Sales to prime contractors and subcontractors of materials such as concrete, tie rods, lumber, finish hardware, etc., which become part of the structure being built or improved are sales for resale and are not subject to the retail sales tax. Sales of form lumber to such contractors are sales for resale provided that such lumber is used or to be used first by such persons for the molding of concrete in a single contract, project or job and the form lumber is thereafter incorporated into the product of that same contract project or job as an ingredient or component thereof. Sales of form lumber not so incorporated as an ingredient or component are sales at retail.

The retail sales tax applies upon sales and rentals to prime contractors and subcontractors of tools, machinery and equipment, and consumable supplies, such as hand and machine tools, cranes, air compressors, bulldozers, lubricating oil, sandpaper and form lumber which are primarily for use by the contractor rather than for resale as a component part of the finished structure.

The retail sales tax applies upon sales to speculative builders of all tangible personal property, including building materials, tools, equipment and consumable supplies and upon sales of labor, services and materials to speculative builders by independent contractors.

#### USE TAX

The use tax applies generally to the use by prime contractors and subcontractors of tools, machinery, equipment and consumable supplies acquired by them primarily for their own use and upon which the retail sales tax has not been paid. This includes equipment and supplies purchased in a foreign state for use or consumption in performing contracts in this state. The use tax applies generally to the use by speculative builders of all tangible personal property, including building materials, purchased or acquired by them without payment of the retail sales tax (see also WAC 458-20-178).

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-170, filed 3/15/83; Order ET 71-1, § 458-20-170, filed 7/22/71; Order ET 70-3, § 458-20-170 (Rule 170), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-17001 Government contracting--Construction, installations, or improvements to government real property.** (1) Special business and occupation tax applications and special sales/use tax applications pertain for prime and subcontractors who perform certain construction, installation, and improvements to real property of or for the United States, its instrumentalities, or a county or city housing authority created pursuant to chapter 35.82 RCW. These specific construction activities are excluded from the definition of "sale at retail" under RCW 82.04.050. All other sales to the United States, its agencies or instrumentalities are taxable as retail sales or wholesale sales, as appropriate. See WAC 458-20-190.

(2) The definitions of terms and general provisions contained in WAC 458-20-170 apply equally for this rule, as appropriate. In addition, the terms, "clearing

land" and "moving earth" include well drilling, core drilling, and hole digging, whether or not casing materials are installed and any grading or clearing of land, including the razing of buildings or other structures.

#### BUSINESS AND OCCUPATION TAX

(3) Amounts derived from constructing, repairing, decorating, or improving new or existing buildings or other structures, including installing or attaching tangible personal property therein or thereto, and clearing land or moving earth, of or for the United States, its instrumentalities, or county or city housing authorities of chapter 35.82 RCW are taxable under the government contracting classification of business and occupation tax. The measure of the tax is the gross contract price.

(4) Government contractors who manufacture or produce any tangible personal property for their own commercial or industrial use as consumers in performing government contracting activities are subject to the manufacturing classification of business and occupation tax measured by the value of the property manufactured or produced. See also, WAC 458-20-134. The manufacturing tax applies even though the property manufactured or produced for commercial use may be subsequently incorporated into buildings or other structures under the government contract and may thereby enhance the gross contract price.

#### RETAIL SALES TAX

(5) The retail sales tax does not apply to the gross contract price, or any part thereof, for any business activities taxable under the government contracting classification. Prime and subcontractors who perform such activities are themselves included within the statutory definition of "consumer" under RCW 82.04.190 and are required to pay retail sales tax upon all purchases of materials, including prefabricated and precast items, equipment, and other tangible personal property which is installed, applied, attached, or otherwise incorporated in their government contracting work. This applies for all such purchases of tangible personal property for installation, etc., even though the full purchase price of such property will be reimbursed by the government or housing authority in the gross contract price. It also applies notwithstanding that the contract may contain an immediate title vesting clause which provides that the title to the property vests in the government or housing authority immediately upon its acquisition by the contractor.

(6) Also, the retail sales tax must be paid by government contractors upon their purchases and leases or rentals of tools, consumables, and other tangible personal property used by them as consumers in performing government contracting.

#### USE TAX

(7) The use tax applies upon the value of all materials, equipment, and other tangible personal property purchased at retail, acquired as a bailee or donee, or

manufactured or produced by the contractor for commercial or industrial use in performing government contracting and upon which no retail sales tax has been paid by the contractor, its bailor or donor.

(8) Thus the use tax applies to all property provided by the federal government to the contractor for installation or inclusion in the contract work as well as to all government provided tooling.

(9) The use tax is to be reported and paid by the government contractor who actually installs or applies the property to the contract. Where the actual installing contractor pays the tax, no further use tax is due upon such property by any other contractor.

(10) Note to contractors: The United States Supreme Court has sustained the government contracting tax applications for this state, even though the ultimate economic burden of the tax is borne by the United States Government (*Washington v. US*, 75 L.Ed 2d 264, 1983).

(11) This rule does not apply to public road construction. See WAC 458-20-171.

[Statutory Authority: RCW 82.32.300, 86-10-016 (Order ET 86-9), § 458-20-17001, filed 5/1/86.]

**WAC 458-20-171 Building, repairing or improving streets, roads, etc., which are owned by a municipal corporation or political subdivision of the state or by the United States and which are used primarily for foot or vehicular traffic.**

#### DEFINITIONS

As used herein:

The word "contractor" means a person engaged in the business of building, repairing or improving any street, place, road, highway, easement, right of way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle which is owned by a municipal corporation or political subdivision of the state or by the United States and which is used or to be used primarily for foot or vehicular traffic, either as a prime contractor or as a subcontractor. It does not include persons who merely sell or deliver road materials to such contractors or to the public authority whose property is being improved. It also does not include persons who construct streets, roads, etc. *owned by the state of Washington*. (See WAC 458-20-170 for the tax liability of such persons.)

The term "street, place, road, highway, etc." is used in the ordinary sense that the combination of such words implies. It includes docks used primarily by ferry boats operated in connection with a street, road or highway, but does not include railroads, wharves, moorings, hallways, catwalks, or runways, aprons or taxiways for the landing, take-off or movement of airplanes within airports or landing fields; nor does it include ferry boats, even though the ferry be operated in connection with a street, road or highway. It includes roads and walks which are not open to the public generally, but which may be restricted to use by the military or by employees of a department or instrumentality of the United States.

The word "place" means only an area similar to a street or pedestrian walk, such as thoroughfares in various cities designated "places" for the purpose of preserving the continuity of street names or house numbers; generally, a street of shorter length than others.

The term "building, repairing or improving of a publicly owned street, place, road, etc.," includes clearing, grading, graveling, oiling, paving and the cleaning thereof; the constructing of tunnels, guard rails, fences, walks and drainage facilities, the planting of trees, shrubs and flowers therein, the placing of street and road signs, the striping of roadways, and the painting of bridges and trestles; it also includes the mining, sorting, crushing, screening, washing and hauling of sand, gravel, and rock taken from a public pit or quarry. It also includes the constructing of road and street lighting systems, even though portions of such systems also are used for purposes other than street and road lighting; also the constructing of a drainage system in streets and roads, even though such system is also used for the carrying of sewage: *Provided*, That the drainage facilities are sufficient for disposal of the normal runoff of surface waters from the particular streets and roads in which the system is constructed or an ordinance authorizing the construction of a combined sewer system is incorporated by reference in the contract and the contract or specifications clearly indicate that the system is designed and intended for the disposal of the normal runoff of surface waters from the streets and roads in which the system is constructed.

The term includes any contract for the readjustment, reconstruction or relocation of the facilities of any public, private or cooperatively owned utility or railroad in the course of building, repairing or improving a street, place, road, etc., which is owned by a municipal corporation or political subdivision of the state or by the United States, the cost of which readjustment, reconstruction, or relocation is the responsibility of the public authority whose street, place, road, etc., is being built, repaired or improved. It also includes building or repairing mass transportation facilities owned by a municipal corporation or political subdivision of the state or by the United States.

Except as provided above, the term does not include the constructing of water mains, telephone, telegraph, electrical power, or other conduits or lines in or above streets or roads, unless such power lines become a part of a street or road lighting system as aforesaid; nor does it include the constructing of sewage disposal facilities, nor the installing of sewer pipes for sanitation, unless the installation thereof is within, and a part of, a street or road drainage system.

#### BUSINESS AND OCCUPATION TAX

Such contractors are taxable under the public road construction classification upon their total contract price.

The business and occupation tax does not apply to the cost of or charge made for labor and services performed in respect to the mining, sorting, crushing, screening, washing, hauling, and stockpiling of sand, gravel, and

rock, when such sand, gravel, or rock is taken from a pit or quarry which is owned by or leased to a county or city and such sand, gravel or rock is

(a) stockpiled in said pit or quarry for placement on the street, road, or highway by the county or city itself using its own employees, or

(b) placed on the street, road, or highway by the county or city itself using its own employees, or

(c) sold by the county or city at actual cost to another county or city for road use.

#### RETAIL SALES TAX

The retail sales tax applies upon the sale to such contractors of all materials including prefabricated and precast items, equipment and supplies used or consumed in the performance of such contracts.

The retail sales tax does not apply upon any portion of the charge made by such contractors.

The sales tax does not apply to charges made for labor and services which are exempt from business tax as indicated above.

#### USE TAX

The use tax applies to the use by all contractors of all materials including prefabricated and precast items, equipment and supplies upon which the retail sales tax has not been paid. This tax also applies in respect to articles produced or manufactured by them for commercial use. (See WAC 458-20-134.)

The use tax does not apply in respect to the use of any sand, gravel, or rock to the extent of the cost of or charges made for labor and services performed in respect to the mining, sorting, crushing, screening, washing, hauling, and stockpiling such sand, gravel, or rock, when such sand, gravel, or rock is taken from a pit or quarry which is owned by or leased to a county or a city, and such sand, gravel, or rock is either (1) stockpiled in said pit or quarry for placement or is placed on the street, road, place, or highway of the county or city by the county or city itself (i.e., by its own employees), or (2) sold by the county or city to a county or a city at actual cost for placement on a street, road, place, or highway owned by the county or city. This exemption shall not apply to the use of such material to the extent of the cost of or charge made for such labor and services, if the material is used for other than public road purposes or is sold otherwise than as here indicated.

(For lien of unpaid taxes on the retained percentage withheld on public improvement contract, see WAC 458-20-217.)

[Order ET 71-1, § 458-20-171, filed 7/22/71; Order ET 70-3, § 458-20-171 (Rule 171), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-172 Clearing land, moving earth, cleaning, fumigating, razing or moving existing buildings, and janitorial services.** Persons engaged in performing well drilling, contracts for the grading or clearing of land or the moving of earth, and which do not involve the building, repairing or improving of any streets, roads, etc. which are owned by a municipal corporation or political subdivision of the state or by the United

States (see WAC 458-20-171); and persons engaged in performing contracts which involve the cleaning, fumigating, razing or moving of existing buildings or structures and persons performing janitorial services are taxable as follows:

#### BUSINESS AND OCCUPATION TAX

Taxable under the classification retailing upon gross income from contracts to perform such services for consumers, but excluding gross income from contracts providing solely for the performance of janitorial services the mere core drilling of or testing of soil samples, or the mere leveling of land for agricultural purposes.

Taxable under the classification wholesaling—all others upon gross income from subcontracts to perform such services for resale.

Taxable under the classification service and other activities upon gross income from contracts to perform janitorial services the mere core drilling of or testing of soil samples, or the mere leveling of land for agricultural purposes.

The term "janitorial services" includes activities performed regularly and normally by commercial janitor service businesses. Generally, these activities include the washing of interior and exterior window surfaces, floor cleaning and waxing, the cleaning of interior walls and woodwork, the cleaning in place of rugs, drapes and upholstery, dusting, disposal of trash, and cleaning and sanitizing bathroom fixtures. The term "janitorial services" does not include, among others, cleaning the exterior walls of buildings, the cleaning of septic tanks, special clean up jobs required by construction, fires, floods, etc., painting, papering, repairing, furnace or chimney cleaning, snow removal, sandblasting, or the cleaning of plant or industrial machinery or fixtures.

#### RETAIL SALES TAX

Persons engaged in performing contracts for the grading or clearing of land, the moving of earth or the cleaning, fumigating, razing or moving of existing buildings or structures must collect the retail sales tax upon the full contract price when the work is performed for consumers. The retail sales tax is not applicable to charges for janitorial services or the mere leveling of land for agricultural purposes.

The retail sales tax applies upon the sales to such contractors of equipment and supplies used or consumed in the performance of such contracts and which are not resold as a component part of the work.

#### USE TAX

The use tax applies to the use by such contractors of equipment and supplies upon which the retail sales tax has not been paid.

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-172, filed 3/15/83; Order ET 71-1, § 458-20-172, filed 7/22/71; Order ET 70-3, § 458-20-172 (Rule 172), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-173 Installing, cleaning, repairing or otherwise altering or improving personal property of consumers.**

#### BUSINESS AND OCCUPATION TAX

**RETAILING.** Persons installing, cleaning, decorating, beautifying, repairing or otherwise altering or improving tangible personal property of consumers or for consumers are taxable under the retailing classification upon the gross proceeds received from sales of tangible personal property and the rendition of services.

**WHOLESALEING.** Persons who sell tangible personal property to, or render any of the above services for others than consumers, are taxable under the wholesaling classification upon the gross proceeds of sales received therefrom.

There must be included within gross amounts reported for tax all fees for services rendered and all charges recovered for expenses incurred in connection therewith, such as transportation costs, hotel, restaurant, telephone and telegraph charges, etc.

#### RETAIL SALES TAX

Persons engaged in the business of installing, cleaning, decorating, beautifying, repairing or otherwise altering or improving tangible personal property of consumers or for consumers are required to collect the retail sales tax upon the total charge made for the rendition of such services, even though no tangible personal property in the form of materials or supplies is sold or used in connection with such services. Where tangible personal property in the form of materials and supplies is sold or used in connection with such services, the retail sales tax applies to the total charges made for the sale of the materials and supplies and the services rendered in connection therewith.

The following are illustrative of services upon which the retail sales tax applies to the total charge made to consumers:

- Laundrying, dyeing and cleaning;
- Automobile repairing, washing and painting;
- Boat repairing (see WAC 458-20-175 and 458-20-176 for certain exemptions); shoe repairing and shining;
- Altering or repairing wearing apparel.

In general, the repairing of any personal property, such as radios, refrigerators, machines, watches and jewelry and other articles.

The retail sales tax does not apply to sales to such persons of materials which are resold as a part of the articles of tangible personal property being repaired, altered or improved. Therefore, upon giving a resale certificate the retail sales tax will not apply to purchases such as:

- (1) Parts or paint by an automotive repairman;
- (2) Lumber, chandlery, etc., by a boat repairman;
- (3) Shoe findings, thread, nails, polish and dyes by a shoe repairman;
- (4) Solder, wire, condensers, etc., by a radio or television repairman.

On the other hand the retail sales tax does apply to the purchase of all other supplies which may be consumed and utilized by such persons in the rendition of such services, such as fuel, lubricant, machines, hand tools, stationery and other supplies and equipment.

REPAIRS FOR OUT-OF-STATE PERSONS. Persons residing outside this state may ship into this state articles of tangible personal property for the purpose of having the same repaired, cleaned or otherwise altered, and thereafter returned to them. The retail sales tax is not applicable to the charge made for labor and/or materials, provided the seller, as a requirement of the agreement, delivers the property to the purchaser at a point outside this state or delivers the property to a common or bona fide private carrier consigned to the purchaser at a point outside this state. Proof of exempt sales will be the same as that required for sales of tangible personal property in interstate commerce. WAC 458-20-193, Part A. No deduction is allowed, however, under the business and occupation tax.

For taxability of warranty, service, or maintenance contracts, see WAC 458-20-107.

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-173, filed 3/15/83; Order ET 70-3, § 458-20-173 (Rule 173), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-174 Sales to motor carriers operating in interstate or foreign commerce of motor vehicles, trailers, parts, etc.**

**BUSINESS AND OCCUPATION TAX**

In computing tax liability under the retailing classification, persons engaged in the business of selling motor vehicles, trailers, parts and accessories, and persons engaged in the business of installing, cleaning, repairing or otherwise altering or improving such vehicles or parts are not permitted any deduction by reason of the fact that such sales or services are made to or for persons for use in conducting interstate or foreign commerce. Insofar as concerns the tax liability of vendors of such property or services it is immaterial that the purchaser may be entitled to a statutory exemption from payment of the retail sales tax.

**RETAIL SALES TAX**

(1) Sales of motor vehicles and trailers. Under RCW 82.08.0263 of the law, sales of motor vehicles and trailers to be used for the purpose of transporting therein persons or property for hire in interstate or foreign commerce whether such use is by the owner or whether such motor vehicles and trailers are leased to the user with or without driver, are not subject to the retail sales tax when delivery is made to the purchaser in this state: *Provided*, both of the following requirements are met:

(a) The purchaser or user is the holder of a carrier permit issued by the Interstate Commerce Commission; and

(b) Said vehicle will move upon the highways of this state from the point of delivery in this state to a point outside the state under the authority of a trip permit issued by the director of motor vehicles pursuant to the provisions of RCW 46.16.160.

In order to qualify for this exemption from the retail sales tax such buyers must furnish to their vendors the number of the permit issued to the carrier by the Interstate Commerce Commission and must have affixed to

the vehicle before it leaves the premises of the dealer the necessary trip permit. In addition, and as evidence of the exempt nature of such sales, the seller is required to obtain from the buyer an exemption certificate, to which he must append his own certification, all reading substantially to the following effect:

**EXEMPTION CERTIFICATE**

The undersigned hereby certifies that is is the holder of carrier permit No. \_\_\_\_\_, issued by the Interstate Commerce Commission; that the vehicle this date purchased from you being a (specify truck or trailer and make) \_\_\_\_\_, Motor No. \_\_\_\_\_, Serial No. \_\_\_\_\_, will move on the highways of this state from (point of origin in state) \_\_\_\_\_ to (out of state destination) \_\_\_\_\_, under the authority of a trip permit dated \_\_\_\_\_, issued by the director of motor vehicles through the agency of the Washington State Patrol Office located at \_\_\_\_\_; and that the sale of this vehicle is entitled to exemption from the Retail Sales Tax under the provisions of RCW 82.08.0263.

Dated \_\_\_\_\_  
-----  
(name of carrier-purchaser)  
By \_\_\_\_\_  
(title)  
-----  
(address)

**CERTIFICATE OF DEALER**

I hereby certify that upon the delivery of the above described vehicle to said purchaser there was affixed thereto trip permit No. \_\_\_\_\_, and that the same authorized the transit of this vehicle between the points of origin and destination as hereinabove set forth.

-----  
(name of dealer)  
-----  
(title)

In all other cases where the purchaser takes delivery of the vehicle in this state the retail sales tax is applicable to the sale and must be collected from the purchaser.

(2) Sales of component parts of motor vehicles and trailers and charges for repairs, etc. RCW 82.08.0262 exempts from the application of the retail sales tax sales of tangible personal property which becomes a component part (as that term is hereinafter defined) of motor vehicles and trailers whether owned by or leased with or without drivers and used by the holder of a carrier permit issued by the Interstate Commerce Commission authorizing transportation by motor vehicle across the boundaries of this state, in the course of constructing, repairing, cleaning, altering, or improving the same, also sales of or charges made for labor and services rendered in respect to such constructing, repairing, cleaning, altering, or improving. In applying this statutory exemption it is important that both sellers and buyers notice the distinction between this and the exemption provided for in RCW 82.08.0263 of the law (see 1 above). This

exemption is not open to all motor carriers operating under a permit issued by the Interstate Commerce Commission, but only to those whose permits authorize actual transportation across the state boundaries.

The term "component part" is construed to mean all tangible personal property which is attached to and becomes an integral part of the motor vehicle or trailer. It includes such items as motors, motor and body parts, batteries and tires. The term also includes spare parts which are designed and intended for ultimate attachment to the carrier vehicle. It does not include equipment or tools which may be used in connection with the operation of the truck or trailer as a carrier of persons or goods but which will not become permanently attached to and an integral part of the same, nor does it include consumable supplies, such as lubricants and ice.

Buyers claiming sales tax exemption under this statutory section are required to furnish to their vendors the number of the permit issued to the carrier by the Interstate Commerce Commission authorizing transportation across the boundaries of the state and, as evidence of the exempt nature of such sales, sellers must take from the buyer an exemption certificate reading in substance, as follows:

EXEMPTION CERTIFICATE

The undersigned hereby certifies that it is the holder of a carrier permit, No. ...., issued by the Interstate Commerce Commission authorizing transportation by motor vehicle across the boundaries of this state, and that the motor truck or trailer to be constructed, repaired, cleaned, altered, or improved by you, or to which the subject matter of this purchase is to become a component part, will be used in direct connection with the business of conducting interstate or foreign commerce by transporting persons or property for hire across the boundaries of this state; and that such sale and/or charges are exempt from the Retail Sales Tax under the provisions of RCW 82.08.0262.

Dated .....

-----  
(name of carrier-purchaser)

(address)

By .....

(title)

The retail sales tax does apply to the sale of all other accessories, supplies and equipment to motor carriers operating under permits authorizing transportation across the boundaries of the state.

Furthermore, the retail sales tax applies to the sale of all tangible personal property, irrespective of whether or not the same may be construed to be a "component part" of a truck or trailer, and the sale of or charge made for labor and services rendered in respect to the constructing, operating, cleaning, altering or improving of motor vehicles and trailers where the Interstate Commerce Commission permit held by the operator of such vehicles does not authorize transportation across the boundaries of this state.

The exemption certificates referred to in this rule must be retained by the seller in his files as a part of his permanent records subject to audit by the department of revenue. As to any sales transactions claimed to be exempt from the retail sales tax under the provisions of RCW 82.08.0262 and 82.08.0263, where no exemption certificate has been secured and retained as required herein, or where the exemption certificate does not substantially comply with the essentials set out in the foregoing forms, the seller will bear the burden of proving its tax exempt status.

USE TAX

The use tax applies upon the actual use within this state of all articles of tangible personal property purchased at retail and upon the acquisition of which the retail sales tax has not been paid to this state, unless such use is exempt from use tax under the provisions of chapter 82.12 RCW. Pursuant to RCW 82.12.0254 the use tax does not apply to the following uses:

(a) The use by the holder of a carrier permit issued by the Interstate Commerce Commission of any motor vehicle or trailer whether owned by or leased with or without driver to the permit holder and used in substantial part in the normal and ordinary course of the user's business for transporting persons or property for hire across the boundaries of this state if the first use within this state is actual use in conducting interstate or foreign commerce.

(b) The use of tangible personal property which becomes a component part of any motor vehicle or trailer used by the holder of a carrier permit issued by the Interstate Commerce Commission authorizing transportation by motor vehicle across the boundaries of this state whether such motor vehicle or trailer is owned by or leased with or without driver to the permit holder.

(c) The use of any motor vehicle or trailer while being operated under the authority of a trip permit issued by the director of motor vehicles pursuant to RCW 46.16-.160 and moving upon the highways from the point of delivery within this state to a point outside this state.

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-174, filed 3/15/83; Order ET 71-1, § 458-20-174, filed 7/22/71; Order 70-3, § 458-20-174 (Rule 174), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-175 Persons engaged in the business of operating as a private or common carrier by air, rail or water in interstate or foreign commerce.** The term "private carrier" means every carrier, other than a common carrier, engaged in the business of transporting persons or property for hire.

The term "watercraft" includes every type of floating equipment which is designed for the purpose of carrying therein or therewith persons or cargo. It includes tow boats, but it does not include floating dry docks, dredges or pile drivers, or any other similar equipment.

The term "carrier property" means airplanes, locomotives, railroad cars or water craft, and component parts of the same.

The term "component part" includes all tangible personal property which is attached to and a part of carrier

property. It also includes spare parts which are designed for ultimate attachment to carrier property. The said term does not include furnishings of any kind which are not attached to the carrier property nor does it include consumable supplies. For example, it does not include, among other things, bedding, linen, table and kitchen ware, tables, chairs, ice for icing perishables or refrigerator cars or cooling systems, fuel or lubricants.

"Such persons," and "such businesses" mean the persons and businesses described in the title of this rule.

**BUSINESS AND OCCUPATION TAX, PUBLIC UTILITY TAX**

Persons engaged in such businesses are not subject to business tax or utility tax with respect to operating income received for transporting persons or property in interstate or foreign commerce. (See WAC 458-20-193.)

When such persons also engage in intrastate business activities they become taxable at the rates and in the manner stated in WAC 458-20-179, 458-20-181 and 458-20-193. For example, such persons are taxable under the retailing business tax classification upon the gross proceeds of sales of tangible personal property, including sales of meals, when such sales are made within this state.

Persons selling tangible personal property to, or performing services for, others engaged in such businesses, are taxable to the same extent as they are taxable with respect to sales of property or services made to other persons in this state. However, on July 1, 1985, a statutory business and occupation tax deduction became effective for sales of fuel for consumption outside the territorial waters of the United States by vessels used primarily in foreign commerce. In order to qualify for this deduction sellers must take a certificate signed by the buyer or the buyer's agent stating: The name of the vessel for which the fuel is purchased; that the vessel is primarily used in foreign commerce; and, the amount of fuel purchased which will be consumed outside of the territorial waters of the United States. Sellers must exercise good faith in accepting such certificates and are required to add their own signed statement to the certificate to the effect that to the best of their knowledge the information contained in the certificate is correct. The following is an acceptable certificate form:

**FOREIGN FUEL EXEMPTION CERTIFICATE**

SELLER: \_\_\_\_\_ VESSEL: \_\_\_\_\_

WE HEREBY CERTIFY that this purchase of (kind and amount of product) from (seller) will be consumed as fuel outside the territorial waters of the United States by the above-named vessel. We further certify that said vessel is used primarily in foreign commerce and that none of the fuel purchased will be consumed within the territorial boundaries of the State of Washington.

DATED \_\_\_\_\_, 19\_\_\_\_

\_\_\_\_\_  
Purchaser

\_\_\_\_\_  
Purchaser's Agent

By: \_\_\_\_\_

\_\_\_\_\_  
Title or Office

When a completed certification such as this is taken in good faith by the seller, the sale is exempt of business and occupation tax, whether made at wholesale or retail, and even though the fuel is delivered to the buyer in this state.

**RETAIL SALES TAX**

Sales of meals (including those sold to employees, see WAC 458-20-119) and retail sales of other tangible personal property, made by such persons, are subject to the retail sales tax when such sales are made within this state.

By reason of specific exemptions contained in RCW 82.08.0261 and 82.08.0262 the retail sales tax does not apply upon the following sales:

(1) Sales of airplanes, locomotives, railroad cars, or watercraft for use in conducting interstate or foreign commerce by transporting therein or therewith property and persons for hire;

(2) Sales of tangible personal property which becomes a component part of such carrier property in the course of constructing, repairing, cleaning, altering or improving the same;

(3) Sales of or charges made for labor or services rendered with respect to the constructing, repairing, cleaning, altering or improving of such carrier property;

(4) Sales of any tangible personal property other than the type referred to in 1 and 2 above, for use by the purchaser in connection with such businesses, provided that any actual use thereof in this state shall, at the time of actual use, be subject to the use tax.

Except as to sales of or charges made for labor or services rendered with respect to the constructing, repairing, cleaning, altering or improving of carrier property, the foregoing exemptions are limited to sales of tangible personal property. Hence the retail sales tax applies upon the sales of or charges made for labor or services rendered in respect to (1) the installing, repairing, cleaning, altering, imprinting or improving of any other type of tangible personal property; and in respect to (2) the constructing, repairing, decorating or improving of new or existing buildings or other structures. Thus the retail sales tax applies upon the charge made for repairing within this state of such things as switches, frogs, office equipment, or any other property which is not carrier property. It also applies upon the charge made for laundering linen and bedding. The tax also applies upon the charge made for constructing buildings, such as depots, wharves and hangars, or for repairing, decorating or improving the same.

However, the cost of installing, repairing, cleaning, altering, imprinting or improving of tangible personal

property prior to its initial use by the carrier is considered as part of the initial cost of the property involved and therefore exempt from the sales tax. Thus, for example, the treating of railroad ties prior to their initial use is considered as part of the original cost of the ties and therefore exempt from the sales tax under RCW 82.08.0261.

EXEMPTION CERTIFICATES REQUIRED. Persons selling tangible personal property or performing services which come within any of the foregoing exemptions are required to obtain from the purchaser, or his authorized agent, a certificate evidencing the exempt nature of the transaction. This certificate must identify the operator of the carrier by name and by its department of revenue registration number, if registered, and if not registered, by address.

The certificate may be in blanket form—that is, may certify as to all future purchases, or individual certificates may be made for each purchase. Also the certificate may be incorporated in or stamped upon the purchase order.

The certificate should be in substantially the following form:

EXEMPTION CERTIFICATE

WE HEREBY CERTIFY that all the tangible personal property to be purchased from you will be for use in connection with our business of operating as a (private or common) carrier by (air, rail or water) in (interstate or foreign) commerce; that all (airplanes, locomotives, railroad cars or water craft) or component parts thereof, to be constructed, repaired, cleaned, altered or improved by you, will be used in conducting (interstate or foreign) commerce; and that all such sales are entitled to exemption from the Retail Sales Tax under the provisions of RCW 82.08.0261 and 82.08.0262.

Dated -----, 19--  
-----  
(Purchaser)  
By -----  
(Title—Officer or Agent)  
Address -----  
-----

Department of Revenue Registration No.  
-----

USE TAX

The use tax does not apply upon the use of airplanes, locomotives, railroad cars or watercraft, including component parts thereof, which are used primarily in conducting such businesses.

"Actual use within this state," as used in RCW 82.08.0261 does not include use of durable goods aboard carrier property while engaged in interstate or foreign commerce. Thus the use tax does not apply upon the use of furnishings and equipment (whether attached to the

carrier or not) intended for use aboard carrier property while operating partly within and partly without this state. Included herein are such items as bedding, table linen and wares, kitchen equipment, tables and chairs, hand tools, hawsers, life preservers, parachutes, and other durable goods which are necessary, convenient or desirable for the proper operation of such carrier property.

The use tax does apply upon the actual use within this state of all other types of tangible personal property purchased at retail and upon which the sales tax has not been paid. Included herein are all consumable goods for use on and placed aboard carrier property while within this state, but only to the extent of that portion consumed herein. Thus the tax applies upon the use of the amount consumed in this state of ice, fuel and lubricants which are placed aboard in this state, and upon food supplies or catered meals placed aboard carrier property in this state and served to customers in this state by transportation companies when the meals so served are included in the charge for transportation. (The retail sales tax must be collected upon separate sales within this state of meals or other tangible personal property.) The tax does not apply upon the use within this state of any part of consumable goods for use on carrier property and placed aboard outside this state.

Liability for the use tax arises at the time of actual use thereof in this state.

Due to the difficulty in many cases of determining at the time of purchase whether or not the property purchased or a part thereof will be put to use in this state and due to the resulting accounting problems involved, persons engaged in the business of operating as private or common carriers by air, rail or water in interstate or foreign commerce will be permitted to pay the use tax directly to the department of revenue rather than to the seller, and such sellers are relieved of the liability for the collection of such tax. This permission is limited, however, to persons duly registered with the department. The registration number given on the certificate which will be furnished to the seller ordinarily will be sufficient evidence that the purchaser is properly registered.

As to persons operating in interstate or foreign commerce as carriers by air, rail or water who are not registered with the department and who, therefore, are not regularly filing tax returns with the department, sellers of durable goods must either collect the use tax at the time of the sale or require from such purchasers a further certificate to the effect that no part of the subject matter of the sale is for actual use in this state.

Similarly, where consumable goods, such as ice, bunker fuel, or lubricants are purchased by or for carriers not registered with the department, and delivered on board a carrier regularly engaged in interstate or foreign commerce for consumption while both within and without the territorial boundaries of the state of Washington, the seller is required to collect from the buyer the amount of use tax applicable to that portion of the products sold which will be consumed within this state.

It will be presumed that the entire amount of the goods purchased will be consumed within this state unless the seller obtains from the buyer a certificate certifying as to the amount thereof which will be consumed while within the territorial boundaries hereof.

The certificate shall be made by the master or chief engineer of the carrier, or by some other person known by the seller to be competent to make the same, and shall be substantially in the following form:

CERTIFICATE

----- Seller -----	----- Purchaser -----
----- Name of Carrier -----	----- Name of Owner or Agent -----

The undersigned does hereby certify as follows:

(1) The purchaser has this day purchased from the seller in the State of Washington certain amounts of (type of goods purchased), and has taken delivery thereof aboard said carrier for its exclusive use while regularly engaged in transporting persons or property for profit in interstate or foreign commerce.

(2) While the said carrier is within the territorial boundaries of the state of Washington, it will consume the following amounts of the commodities purchased:

- barrels of fuel oil
- gallons of lubricants
- pounds of grease
- other consumable goods

Dated -----, 19...

-----  
Name  
-----  
Office or Title

[Statutory Authority: RCW 82.32.300, 86-07-005 (Order ET 86-3), § 458-20-175, filed 3/6/86; 83-07-033 (Order ET 83-16), § 458-20-175, filed 3/15/83; Order ET 70-3, § 458-20-175 (Rule 175), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-176 Persons engaged in the business of conducting commercial deep sea fishing operations outside the territorial waters of Washington. As used herein:**

The terms "such persons" and "such businesses" mean the persons and businesses described in the title of this rule.

The terms do not include sport fishermen nor persons operating charter boats for sport fishing. (See WAC 458-20-183 for tax liability of such persons.) Nor do the terms include persons who operate or purchase watercraft for kelping, purse seining, or gill netting, because such fishing methods can be legally engaged in only within the territorial waters of the state (the three-mile limit). Therefore, watercraft rigged for fishing by any of these methods will be deemed for use in other than commercial deep sea fishing.

The term "watercraft" means every type of floating equipment which is designed for the purpose of carrying therein or therewith fishing gear, fish catch or fishing

crews, and used primarily in commercial deep sea fishing operations outside the territorial waters of the state of Washington.

The term "component part" includes all tangible personal property which is attached to and a part of a watercraft. It includes dories, gurdies and accessories, bait tanks, baiting tables and turntables. It also includes spare parts which are designed for ultimate attachment to a watercraft. The said term does not include equipment or furnishings of any kind which are not attached to a watercraft, nor does it include consumable supplies. Thus it does not include, among other things, bedding, table and kitchen wares, fishing nets, hooks, lines, floats, hand tools, ice, fuel or lubricants.

BUSINESS AND OCCUPATION TAX

Such persons are not taxable under the extracting classification with respect to catches obtained outside the territorial waters of this state.

Such persons are taxable under either the retailing or the wholesaling classification with respect to sales made within this state, unless entitled to exemption by reason of the commerce clauses of the federal constitution. (See WAC 458-20-193.)

RETAIL SALES TAX

By reason of the exemption contained in RCW 82.08.030(11), the retail sales tax does not apply upon sales of watercraft (including component parts thereof) which are primarily for use in conducting commercial deep sea fishing operations outside the territorial waters of this state, nor does said tax apply to sales of or charges made for labor and services rendered in respect to the constructing, repairing, cleaning, altering or improving of such property.

The retail sales tax applies upon sales made to such persons of every other type of tangible personal property and upon sales of or charges made for labor and services rendered in respect to the construction, repairing, cleaning, altering or improving of such other types of property. Thus the retail sales tax applies upon sales to such persons of such things as fishing nets, hooks, lines, floats and bait; table and kitchen wares; hand tools, ice, fuel, and lubricants for use or consumption, except only sales of watercraft and component parts thereof. For sales of food products see WAC 458-20-119 and 458-20-244.

EXEMPTION CERTIFICATES REQUIRED

Persons selling watercraft or component parts thereof to such persons or performing services with respect to the same, are required to obtain from the purchaser a certificate evidencing the exempt nature of the transaction. This certificate must identify the purchaser by name and address, and by name of the watercraft with respect to which the purchase is made, and must contain a statement to the effect that the property purchased or repaired is for use primarily in commercial deep sea fishing operations.

The certificate should be in substantially the following form:

## EXEMPTION CERTIFICATE

I HEREBY CERTIFY that the \_\_\_\_\_ this day ordered from or purchased from you, will be used primarily in commercial deep sea fishing operations outside the territorial waters of the State of Washington; that the vessel is not for fishing inside such territorial waters, and is not rigged or equipped for such fishing; that the registered name of the water craft to which said purchase applies is \_\_\_\_\_ (name of fishing boat); that said sale is entitled to exemption under the provisions of RCW 82.08.0262.

Dated \_\_\_\_\_, 19...

\_\_\_\_\_  
(Name of Purchaser)

By \_\_\_\_\_  
(Name of officer or agent)

Address \_\_\_\_\_

Incidental use within the waters of this state of fishing boats which are used primarily in deep sea fishing operations, will not deprive the owners thereof of the statutory exemption from the retail sales tax.

In the event the fishing boat with respect to which an exemption is claimed is of a type used in the waters of Puget Sound or the Columbia River and the tributaries thereof, and is not practical for use in deep sea fishing, sellers should collect the retail sales tax upon all sales of such boats and component parts thereof and upon charges made for the repair of the same.

It is a gross misdemeanor for a buyer to make a false certificate of exemption for the purpose of avoiding the tax.

## USE TAX

The use tax does not apply upon the use of watercraft or component parts thereof.

The use tax does apply upon the actual use within this state of all other types of tangible personal property purchased at retail and upon which the sales tax has not been paid (see WAC 458-20-178).

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-176, filed 3/15/83. Statutory Authority: RCW 82.01.060(2) and 82.32.300, 78-07-045 (Order ET 78-4), § 458-20-176, filed 6/27/78; Order ET 70-3, § 458-20-176 (Rule 176), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-177 Sales of motor vehicles, campers, and trailers to nonresidents.** The scope of this rule is limited to sales by dealers in this state of motor vehicles, campers, and trailers to nonresidents of the state for use outside the state.

For the purposes of this rule, members of the armed services (but not including civilian military employees) who are temporarily stationed in the State of Washington pursuant to military orders will be presumed to be nonresidents unless such persons were residents of this state at the time of their induction; the term "vehicle" as used herein refers to motor vehicles, campers, and trailers.

## BUSINESS AND OCCUPATION TAX

In computing the tax liability of persons engaged in the business of selling vehicles no deduction is allowed by reason of sales made to nonresidents for use outside this state but who take delivery in Washington, and irrespective of the fact that such buyers may be entitled to a statutory exemption from the retail sales tax.

A deduction from gross proceeds of sales will be allowed when, as a necessary incident of the contract of sale, the seller agrees to, and does, deliver the vehicle to the buyer at a point outside the state, or delivers the same to a common carrier consigned to the purchaser outside the state.

The foregoing deduction, however, will be allowed only when the seller has secured and retains in his files satisfactory proof:

(a) That under the terms of the sales agreement the seller was required to deliver the vehicle to the buyer at a point outside this state; and

(b) That such out-of-state delivery was actually made by the seller or by a common carrier acting as his agent.

For forms of proof acceptable to the department of revenue see below under retail sales tax-out-of-state delivery. For "interstate commerce" deductions, generally, refer to WAC 458-20-193A.

## RETAIL SALES TAX

(1) Sales to nonresidents. Under RCW 82.08.0264 the retail sales tax does not apply to sales of vehicles to nonresidents of Washington for use outside this state, even though delivery be made within this state, but only when either one of the following conditions is met:

(a) Said vehicle will be taken from the point of delivery in this state directly to a point outside this state under the authority of a trip permit issued by the department of licensing pursuant to the provisions of RCW 46.16.160; or

(b) Said vehicle will be registered and licensed immediately (at the time of delivery) under the laws of the state of the purchaser's residence, will not be used in this state more than three months, and will not be required to be registered and licensed under the laws of this state.

Thus, in determining whether or not this particular exemption from the retail sales tax is applicable the dealer must establish the facts, first, that the purchaser is a bona fide nonresident of Washington and that the vehicle is for use outside this state and, second, that the vehicle is to be driven from his premises under the authority of either (a) a trip permit, or (b) valid license plates issued to that vehicle by the state of the purchaser's residence, with such plates actually affixed to the vehicle at the time of final delivery.

As evidence of the exempt nature of the sales transaction the seller, at the time of sale, is required to take an affidavit from the buyer giving his name, the state of his residence, his address in that state, the name, year and motor or serial number of the vehicle purchased, the date of sale, his declaration that the described vehicle is being purchased for use outside this state and, finally, that the vehicle will be driven from the premises of the dealer under the authority of a trip permit (giving the

number) or that the vehicle has been registered and licensed by the state of his residence and will be driven from the premises of the dealer with valid license plates (giving the number) issued by that state affixed thereto. If the vehicle being sold is already licensed with valid Washington plates and the nonresident purchaser wishes to qualify for exemption by transporting the vehicle out of state under authority of a trip permit, the dealer is required to remove the Washington plates prior to delivery of the vehicle and retain evidence of such removal to avoid liability for collection and payment of the retail sales tax. The seller must himself certify by appending a certification to the affidavit, to the fact that the vehicle left his premises under the authority of a trip permit or with valid license plates issued by the state of the buyer's residence affixed thereto. The buyer's affidavit and the dealer's certificate must be in the following form:

AFFIDAVIT

For use by a NONRESIDENT buyer of a vehicle transporting the same outside this state under the authority of

- (a) [ ] Trip permit
(b) [ ] Nonresident license plates (check appropriate box)

STATE OF WASHINGTON }
COUNTY of \_\_\_\_\_ } ss.

(Purchaser), being first duly sworn on oath, deposes and says:

That he is a bona fide resident of the State of \_\_\_\_\_ and that his address is (street and number or rural route), (city, town or post office), (state); That on this date he has purchased from (dealer) the following described vehicle, to-wit:

Make \_\_\_\_\_ Model \_\_\_\_\_
Year \_\_\_\_\_ (Motor Number)
(Serial No.) \_\_\_\_\_

and that said vehicle is being purchased for use outside this state and that the same will be driven from the premises of the dealer under the authority of (a) a trip permit numbered \_\_\_\_\_ which has been issued to him authorizing the transit of said vehicle, or, (b) that said vehicle is being purchased for use outside this state and will not be used in the State of Washington for more than three months; and

That the affiant has licensed said vehicle in the state of \_\_\_\_\_ and has had issued to him by that state license plates numbered \_\_\_\_\_ which are valid until (expiration date of license) and that said plates have been affixed to said vehicle prior to the time it has left the premises of the dealer.

Dated at \_\_\_\_\_, Washington, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

(Signature)

Service No. if Member of Armed Services

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

Notary Public in and for the State of Washington, residing at \_\_\_\_\_

CERTIFICATE OF DEALER

I hereby certify that before final delivery of the vehicle described in the foregoing affidavit (a) I have examined trip permit No. \_\_\_\_\_ which authorizes transit of the vehicle described, or (b) that license plates numbered \_\_\_\_\_, issued to said vehicle by the state of \_\_\_\_\_ and expiring \_\_\_\_\_, were affixed thereto. I further certify that I have personally examined two or more of the following items of documentary evidence showing the purchaser's residency in the state of \_\_\_\_\_:

- \_\_\_\_\_ Driver's license
\_\_\_\_\_ Voter's registration
\_\_\_\_\_ Fishing or hunting license
\_\_\_\_\_ Income tax returns
\_\_\_\_\_ Other (specify) \_\_\_\_\_

I further certify that if the vehicle sold was already licensed with valid Washington plates, they were physically removed by \_\_\_\_\_, agent of the seller.

(Signature of dealer or representative)

(Title- Officer or Agent)

Failure to take this affidavit and to complete the dealer's certification, in full, at the time of delivery of the vehicle will negate any exemption from the buyer's duty to pay and the dealer's duty to collect the retail sales tax under RCW 82.08.0264. Furthermore, a copy of the completed affidavit and certification must be attached to the dealer's excise tax report submitted for the reporting period in which any such vehicles were sold. Such filing is a procedural requirement and does not conclusively establish the buyer's or seller's right to exemption.

The foregoing affidavit will be prima facie evidence that sales of vehicles to nonresidents have qualified for the sales tax exemption provided in RCW 82.08.0264 when there are no contrary facts which would negate the presumption that the seller relied thereon in complete good faith. The burden rests upon the seller to exercise a reasonable degree of prudence in accepting statements relative to the nonresidence of buyers. Lack of good faith on the part of the seller or lack of the exercise of the degree of care required would be indicated, for example, if the seller has knowledge that the buyer is living or is employed in Washington, if for the purpose of financing the purchase of the vehicle the buyer gives a local address, if at the time of sale arrangements are made for future servicing of the vehicle in the seller's

shop and a local address is shown for the shop customer, or if the seller has ready access to any other information which discloses that the buyer may not be in fact a resident of the state which he claims. A nonresident permit issued by the department of revenue may be accepted as prima facie evidence of the out of state residence of the buyer, but does not relieve the seller from obtaining the affidavit and completing the certificate required by this rule.

Members of the armed services who are temporarily stationed in Washington pursuant to military orders will be presumed to be nonresidents unless such persons were residents of this state at the time of their induction. This presumption is not applicable in respect to civilian employees of the armed services.

In all other cases where delivery of the vehicle is made to the buyer in this state, the retail sales tax applies and must be collected at the time of sale. The mere fact that the buyer may be or claims to be a nonresident or that he intends to, and actually does, use the vehicle in some other state are not in themselves sufficient to entitle him to the benefit of this exemption. In every instance where the vehicle is licensed or titled in Washington by the purchaser the retail sales tax is applicable.

(2) Out-of-state deliveries. Out-of-state deliveries to buyers who are bona fide nonresidents are exempt from the retail sales tax when the seller, as a necessary incident to the contract of sale, delivers possession of vehicles to such buyers at points outside Washington and such vehicles are not licensed or titled in this state. If the vehicle being sold bears valid Washington plates and the nonresident wishes to qualify for exemption by taking delivery from the dealer at a point outside the state, the dealer is required to remove the Washington plates prior to delivery and retain evidence of such removal to avoid liability for collection and payment of the retail sales tax.

In such cases, as evidence of the exempt nature of the transaction, the seller must take from the buyer a certificate of out-of-state delivery which shall give the purchaser's name and address, the name, model, year and motor number of the vehicle purchased, and contain the buyer's statement that he is a bona fide resident of the named state, that the vehicle was purchased for use outside Washington state and that under the terms of the sales agreement the dealer was required to and did deliver the vehicle to a named point outside the state of Washington. The certificate shall be signed by the buyer at the place of delivery. Attached to this certificate and made a part thereof shall be a certification by the seller that he delivered the vehicle to the purchaser named at the named place of delivery.

These certificates shall be substantially in the following form:

CERTIFICATE OF OUT-OF-STATE DELIVERY

(To be obtained from the purchaser at the time delivery is made to him at a point outside Washington)

The undersigned hereby certifies that he is a *bona fide* resident of the State of \_\_\_\_\_ and that his address is (street and number or rural route), (city, town or post office), (state); That on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_, he purchased from (Dealer) the following described vehicle to-wit:

Make \_\_\_\_\_ Model \_\_\_\_\_  
 Year \_\_\_\_\_ (Motor Number) \_\_\_\_\_  
 (Serial No.) \_\_\_\_\_

and that said vehicle was purchased for use outside Washington state;

That under the terms of the sales agreement the dealer was required to, and did on this day, deliver said vehicle to him at (Place of delivery).

Dated at \_\_\_\_\_, \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_.

\_\_\_\_\_  
 (Signature)

Service No. if Member of Armed Services \_\_\_\_\_

CERTIFICATION OF DEALER

I hereby certify that I have this day delivered the vehicle hereinabove described to (Name of purchaser), at (Place of delivery).

Dated \_\_\_\_\_

\_\_\_\_\_  
 (Signature of dealer or representative)

\_\_\_\_\_  
 (Title- Officer or Agent)

When such out-of-state delivery is made by a common carrier acting as agent of the seller then, as evidence of the exempt nature of the transaction, the seller shall retain in his files a signed copy of the bill of lading issued by the carrier in which the seller is shown as the consignor and by which the carrier agrees to transport the vehicle to a point outside the state.

The retail sales tax applies upon sales at retail made by local dealers to local residents for use by them in this state, even though delivery may be taken by the purchaser at the factory or other point outside this state, or that shipment may be made direct from outside this state to the purchaser in this state. However, where delivery is taken by local residents in foreign countries the vehicles will be deemed not to be for use in this state and local dealers will not be required to collect the retail sales tax.

(3) Records to be retained by seller. The affidavits and certificates referred to in this rule must be retained by the seller in his files as a part of his permanent records subject to audit by the department of revenue. In the absence of such proof, claims that transactions were exempt from tax will be disallowed.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-177, filed 3/30/83; Order ET 70-3, § 458-20-177 (Rule 177), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-178 Use tax.** (1) Nature of the tax. The use tax supplements the retail sales tax by imposing a tax of like amount upon the use within this state as a consumer of any article of tangible personal property purchased at retail or acquired by lease, gift, repossession, or bailment, or extracted, produced or manufactured by the person so using the same, where the user, donor or bailor has not paid retail sales tax under chapter 82.08 RCW with respect to the property used.

(2) In general, the use tax applies upon the use of any tangible personal property, the sale or acquisition of which has not been subjected to the Washington retail sales tax. Conversely, it does not apply upon the use of any property if the sale to the present user or to the present user's donor or bailor has been subjected to the Washington retail sales tax, and such tax has been paid thereon. Thus, these two methods of taxation stand as complements to each other in the state revenue plan, and taken together, provide a uniform tax upon the sale or use of all tangible personal property, irrespective of where it may have been purchased or how acquired.

(3) When tax liability arises. Tax liability imposed under the use tax arises at the time the property purchased, received as a gift, acquired by bailment, or extracted or produced or manufactured by the person using the same is first put to use in this state. The terms "use," "used," "using," or "put to use" include any act by which a person takes or assumes dominion or control over the article and shall include installation, storage, withdrawal from storage, or any other act preparatory to subsequent actual use or consumption within the state. Tax liability arises as to that use only which first occurs within the state and no additional liability arises with respect to any subsequent use of the same article by the same person. As to lessees of tangible personal property who have not paid the retail sales tax to their lessors, liability for use tax arises as of the time rental payments fall due and is measured by the amount of such rental payments.

(4) Persons liable for the tax. The person liable for the tax is the purchaser, the extractor or manufacturer who commercially uses the articles extracted or manufactured, the bailor or donor and the bailee or donee if the tax is not paid by the bailor or donor, and the lessee (to the extent of the amount of rental payments to a lessor who has not collected the retail sales tax). A lessor who leases equipment with an operator is deemed a user and is liable for the tax on the full value of the equipment.

(5) The law provides that the term "sale at retail" means, among other things, every sale of tangible personal property to persons taxable under the classifications of public road construction, government contracting, and service and other business activities of the business and occupation tax. Hence, persons engaged in such businesses are liable for the payment of the use tax with respect to the use of materials purchased by them for the performance of those activities, when the Washington retail sales tax has not been paid on the purchase thereof, even though title to such property may be transferred to another either as personal or as real

property. Persons engaged in the types of businesses referred to in this paragraph are expressly included within the statutory definition of the word "consumer." (See RCW 82.04.190.) Also liable for tax is any person who distributes or displays or causes to be distributed or displayed any article of tangible personal property, the primary purpose of which is to promote the sale of products and services except newspapers and except printed materials over which the person has taken no direct dominion and control. (See RCW 82.12.010(5).)

(6) Lessors and lessees. Any use tax liability with respect to leased tangible personal property will be that of the lessee and is limited to the amount of rental payments paid or due the lessor. However, when boats, motor vehicles, equipment and similar property are rented under conditions whereby the lessor itself supplies an operator or crew, the lessor itself is the user and the use tax is applicable to the value of the property so used.

(7) Exemptions. Persons who purchase, produce, manufacture, or acquire by lease or gift tangible personal property for their own use or consumption in this state, are liable for the payment of the use tax, except as to the following uses which are exempt under RCW 82.12.0251 through 82.12.034 of the law:

(a) The use of tangible personal property brought into the state of Washington by a nonresident thereof for use or enjoyment while temporarily within the state, unless such property is used in conducting a nontransitory business activity within the state; or

(b) The use by a nonresident of a motor vehicle or trailer which is currently registered or licensed under the laws of the state of the nonresident's residence and which is not required to be registered or licensed under the laws of this state, including motor vehicles or trailers exempt pursuant to a declaration issued by the department of licensing under RCW 46.85.060; or

(c) The use of household goods, personal effects, and private automobiles by a bona fide resident of this state or nonresident members of the armed forces who are stationed in this state pursuant to military orders, if such articles were acquired and used by such person in another state while a bona fide resident thereof and such acquisition and use occurred more than ninety days prior to the time such person entered this state.

(i) Use by a nonresident. The exemptions set forth in (a) and (b) of this subsection, do not extend to the use of articles by a person residing in this state irrespective of whether or not such person claims a legal domicile elsewhere or intends to leave this state at some future time, nor do they extend to the use of property brought into this state by a nonresident for the purpose of conducting herein a nontransitory business activity.

(ii) The term "nontransitory business activity" means and includes the business of extracting, manufacturing, selling tangible and intangible property, printing, publishing, and performing contracts for the constructing or improving of real or personal property. It does not include the business of conducting a circus or other form of amusement when the personnel and property of such business regularly moves from one state into another,

nor does it include casual or incidental business done by a nonresident lawyer, doctor or accountant.

(d) The use of any article of tangible personal property purchased at retail or acquired by lease, by bailment or by gift if the sale thereof to or the use thereof by the present user or its bailor or donor has already been subjected to retail sales tax or use tax and such tax has been paid by the present user or by its bailor or donor; or in respect to the use of property acquired by bailment when tax has been paid by the bailee or any previous bailee, based on reasonable rental value as provided by RCW 82.12.060, equal to the amount of tax multiplied by the value of the article used at the time of first use, at the tax rate then applicable, or in respect to the use by a bailee of property acquired prior to June 9, 1961, by a previous bailee from the same bailor for use in the same general activity.

(e) The use of any article of tangible personal property the sale of which is specifically taxable under the public utility tax.

(f) In respect to the use of any airplane, locomotive, railroad car, or water craft used primarily in conducting interstate or foreign commerce by transporting therein or therewith property and persons for hire or used primarily in commercial deep sea fishing operations outside the territorial waters of the state, and;

(g) In respect to the use of tangible personal property which becomes a component part of any such airplane, locomotive, railroad car, or water craft, and in respect to the use by a nonresident of this state of any motor vehicle or trailer used exclusively in transporting persons or property across the boundaries of this state and in intrastate operations incidental thereto when such motor vehicle or trailer is registered and licensed in a foreign state; also in respect to the use by a nonresident of this state of any motor vehicle or trailer so registered and licensed and used within this state for a period not exceeding fifteen consecutive days when the user has furnished the department of revenue with a written statement containing the following information:

- (i) Name of registered owner.
- (ii) Name of the foreign state in which motor vehicle or trailer is registered.
- (iii) License number.
- (iv) Make and model.
- (v) Purpose of use in Washington.
- (vi) Date of first use in Washington.
- (vii) Date last used in Washington.

(h) For reasons approved by the department of revenue, fifteen additional days may be granted consecutive to the original period of use. Application for such additional use must be made in writing in advance of the expiration of the original period of use and must set out the justification for and the reason why such additional time should be allowed.

(i) This exemption is not available to persons performing construction or service contracts in this state but is limited to casual or isolated use by a nonresident for servicing of its own facilities.

(j) For the purpose of this exemption the term "nonresident" shall include a user who has one or more

places of business in this state as well as in one or more other states, but the exemption for nonresidents shall apply only to those vehicles which are most frequently dispatched, garaged, serviced, maintained, and operated from the user's place of business in another state, and;

(k) In respect to the use by the holder of a carrier permit issued by the Interstate Commerce Commission of any motor vehicle or trailer used in substantial part in the normal and ordinary course of the user's business for transporting therein persons or property for hire across the boundaries of this state if the first use of which within this state is actual use in conducting interstate or foreign commerce. Also in respect to use by subcontractors to such interstate carriers, (i.e., persons operating their own vehicles under leases with operator) and;

(l) In respect to the use of any motor vehicle or trailer while being operated under the authority of a trip permit issued by the department of motor vehicles pursuant to RCW 46.16.160 and moving upon the highways from the point of delivery in this state to a point outside this state, and;

(m) In respect to the use of tangible personal property which becomes a component part of any motor vehicle or trailer used by the holder of a carrier permit issued by the Interstate Commerce Commission authorizing transportation by motor vehicle across the boundaries of this state. Also in respect to use by subcontractors to such interstate carriers (i.e., persons operating their own vehicles under leases with operator).

(n) The use of any article of tangible personal property which the state is prohibited from taxing under the constitution of the state or under the constitution or laws of the United States;

(o) The use of motor vehicle fuel used in aircraft by the manufacturer thereof for research, development, and testing purposes, and special fuel purchased in this state upon which a refund is obtained as provided in RCW 82.38.180(2), and motor vehicle and special fuel if:

(i) The fuel is used for the purpose of public transportation and the purchaser is entitled to a refund or an exemption under RCW 82.36.275 or 82.38.080(9); or

(ii) The fuel is purchased by a private, nonprofit transportation provider certified under chapter 81.66 RCW and the purchaser is entitled to a refund or an exemption under RCW 82.36.285 or 82.38.080(8); or

(iii) The fuel is taxable under chapter 82.36 or 82.38 RCW: *Provided*, That the use of motor vehicle and special fuel upon which a refund of the applicable fuel tax is obtained shall not be exempt under this subsection, and the director of licensing shall deduct from the amount of such tax to be refunded the amount of use tax due and remit the same each month to the department of revenue.

(p) In respect to the use of any article of tangible personal property included within the transfer of the title to the entire operating property of a publicly or privately owned public utility, or a complete operating integral section thereof by the state or a political subdivision thereof in conducting any business defined in RCW 82.16.010 (1) through (11).

(q) The use of tangible personal property (including household goods) which has been used in conducting a farm activity, but only when that property was purchased from a farmer at an auction sale held or conducted by an auctioneer upon a farm and not otherwise.

(r) The use of tangible personal property by corporations which have been incorporated under any act of the Congress of the United States of America and whose principal purposes are to furnish volunteer aid to members of the armed forces of the United States and also to carry on a system of national and international relief and to apply the same in mitigating the sufferings caused by pestilence, famine, fire, floods, and other national calamities, and to devise and carry on measures for preventing the same. (The Red Cross is the only existing organization that qualifies for this exemption.)

(s) The use of purebred livestock for breeding purposes where said animals are registered in a nationally recognized breed association, and in respect to the use of cattle and milk cows used on the farm.

(t) The use of poultry in the production for sale of poultry or poultry products.

(u) The use of fuel by the extractor or manufacturer thereof when used directly in the operation of the particular extractive operation or manufacturing plant which produced or manufactured the same.

(v) The use of motor vehicles, equipped with dual controls, which are loaned to accredited schools and used in connection with their driver training programs.

(w) The use by a bailee of any article of tangible personal property which is entirely consumed in the course of research, development, experimental and testing activities conducted by the user, provided the acquisition or use of such articles by the bailor was not subject to sales or use tax.

(x) The use by residents of this state of motor vehicles and trailers acquired outside this state and used while such persons are members of the armed services and are stationed outside this state pursuant to military orders, but this exemption does not apply to the use of motor vehicles or trailers acquired less than thirty days prior to the discharge or release from active duty of such person from the armed services. This exemption is not permitted to persons called to active duty for training periods of less than six months.

(y) The use of sand, gravel, or rock to the extent of the cost of or charges made for labor and services performed in respect to the mining, sorting, crushing, screening, washing, hauling, and stockpiling such sand, gravel, or rock, when such sand, gravel, or rock is taken from a pit or quarry which is owned by or leased to a county or a city, and such sand, gravel, or rock is (a) either stockpiled in said pit or quarry for placement or is placed on the street, road, place or highway of the county or city by the county or city itself (i.e., by its own employees), or (b) sold by the county or city to a county or a city at actual cost for placement on a publicly owned street, road, place, or highway. This exemption shall not apply to the use of such material to the extent

of the cost of or charge made for such labor and services, if the material is used for other than public road purposes or is sold otherwise than as here indicated.

(z) The use of form lumber by any person engaged in the construction, repairing, decorating or improving of new or existing buildings or other structures under, upon or above real property of or for consumers: *Provided*, That such lumber is used or to be used first by such person for the molding of concrete in a single such contract, project or job and is thereafter incorporated into the product of that same contract, project or job as an ingredient or component thereof.

(aa) The use of wearing apparel only as a sample for display for the purpose of effecting sales of goods represented by such sample.

(bb) The use of tangible personal property held for sale and displayed in single trade shows for a period not in excess of thirty days, the primary purpose of which is to promote the sale of products or services.

(cc) The use of pollen.

(dd) The use of the personal property of one political subdivision by another political subdivision directly or indirectly arising out of or resulting from the annexation or incorporation of any part of the territory of one political subdivision by another.

(ee) The use of prescription drugs, including the use by the state or a political subdivision or municipal corporation thereof of drugs to be dispensed to patients by prescription without charge.

(ff) The use of returnable containers for beverages and foods, including but not limited to soft drinks, milk, beer, and mixers.

(gg) The use of insulin, prosthetic devices, or orthotic devices prescribed for an individual by a chiropractor, osteopath, or physician, ostomic items, medically prescribed oxygen, and hearing aids which are prescribed or are dispensed and fitted by a licensee under chapter 18-.35 RCW.

(hh) The use of food products for human consumption (see WAC 458-20-244), including the use of livestock for personal consumption as food.

(ii) The use of ferry vessels of the state of Washington or of local governmental units in the state of Washington in transporting pedestrian or vehicular traffic within and outside the territorial waters of the state. Also, the use of tangible personal property which becomes a component part of any such ferry vessel.

(jj) Alcohol that is sold in this state for use solely as fuel in motor vehicles, farm implements and machines, or implements of husbandry. This exemption expires December 31, 1986.

(kk) The use of vans used regularly as ride sharing vehicles, as defined in RCW 46.74.010(3), by not less than seven persons, including passengers and driver, if the vans are exempt under the motor vehicle excise tax for thirty-six consecutive months beginning within thirty days of application for exemption under the use tax. This exemption expires January 1, 1988.

(ll) The use of used mobile homes as defined in RCW 82.45.032 and the use of mobile homes acquired by

renting or leasing for more than thirty days, except for short term transient lodging.

(mm) The use of special fuel purchased in this state upon which a refund of special fuel tax is obtained as provided in RCW 82.38.180(2), by reason of such fuel having been purchased for use by interstate commerce carriers outside this state. Also, the use of motor vehicle fuel or special fuel by private, nonprofit transportation providers who are entitled to fuel tax refund or exemption under chapter 82.36 or 82.38 RCW.

(nn) The lease of irrigation equipment if:

(i) The irrigation equipment was purchased by the lessor for the purpose of irrigating land controlled by the lessor;

(ii) The lessor has paid tax under RCW 82.08.020 or 82.12.020 in respect to irrigation equipment;

(iii) The irrigation equipment is attached to the land in whole or in part; and

(iv) The irrigation equipment is leased to the lessee as an incidental part of the lease of the underlying land to the lessee and is used solely on such land.

(oo) The use of computers, computer components, computer accessories, or computer software irrevocably donated to any public or private school or college, as defined in chapter 84.36 RCW, in this state.

(pp) The use of semen in the artificial insemination of livestock.

(qq) The use of feed by persons for the cultivating or raising for sale of fish entirely within confined rearing areas on the persons own land or on land in which the person has a present right of possession.

(rr) The use by artistic or cultural organizations of:

(i) Objects of art;

(ii) Objects of cultural value;

(iii) Objects to be used in the creation of a work of art, other than tools; or

(iv) Objects to be used in displaying art objects or presenting artistic or cultural exhibitions or performances.

(ss) The use of used floating homes as defined in RCW 82.45.032 upon which sales tax or use tax has once been paid.

(tt) The use of feed, seed, fertilizer, and spray materials by persons raising agricultural or horticultural products for sale at wholesale including the use of feed in feeding animals at public livestock markets.

(uu) The use of prepared meals or food products used in prepared meals provided to senior citizens, disabled persons, or low income persons by not-for-profit organizations organized under chapter 24.03 or 24.12 RCW.

(vv) The use of property to produce ferrosilicon for further use in the production of magnesium for sale, where such property directly reacts chemically, with ingredients of the ferrosilicon.

(ww) In respect to lease payments by a seller/lessee to a purchaser/lessor after April 3, 1986, under a sale/leaseback agreement covering property used by the seller/lessee primarily in the business of canning, preserving, freezing, or dehydrating fresh fruits, vegetables, and fish; nor in respect to the purchase amount paid by

the lessee pursuant to an option to purchase such property at the end of the lease term: *Provided*, That the seller/lessee paid the retail sales tax or use tax at the time of its original acquisition of the property.

(8) In addition to the exemptions listed earlier, the use tax does not apply to the value of tangible personal property traded in on the purchase of tangible personal property of like kind used in this state. (See WAC 458-20-247.) Also, the use tax does not apply to the use of precious metal bullion or monetized bullion acquired under such conditions that the retail sales tax would not apply to such things in this state. (See WAC 458-20-248.)

(9) See WAC 458-20-24001 and 458-20-24002 for provisions for certain use tax deferrals on materials, labor, and services rendered in the construction of qualified buildings, machinery, and equipment used in new manufacturing and research/development facilities.

(10) RCW 82.08.0251 provides expressly that the exemption therein with respect to casual sales shall not be construed as exempting from the use tax the use of any article of tangible personal property acquired through a casual sale. Thus, while casual sales made by persons who are not registered with the department of revenue are exempt from the retail sales tax (for the obvious reason that the procedure for collection of that tax is impractical in those cases), the use of property acquired through such sales is not exempt from the use tax, except as provided in RCW 82.12.0251 through 82.12.034.

(11) See also WAC 458-20-106 regarding the use tax on the use of articles purchased at a casual sale.

(12) Credit. When property purchased elsewhere is brought into this state for use or consumption the use tax will apply upon the use thereof, but a credit is allowed for the amount of sales or use tax paid by the user or its bailor or donor on such property to any other state or political subdivision thereof, the District of Columbia, or any foreign country, prior to the use of the property in this state.

(13) Value of the article used. The tax is levied and collected on an amount equal to the value of the article used by the taxpayer. The term "value of the article used" is defined by the law as being the total of the consideration paid or given by the purchaser to the seller for the article used plus any additional amounts paid by the purchaser as tariff or duty with respect to the importation of the article used. In case the article used was extracted or produced or manufactured by the person using the same or was acquired by gift or was sold under conditions where the purchase price did not represent the true value thereof, the value of the article used must be determined as nearly as possible according to the retail selling price, at the place of use, of similar products of like quality, quantity and character. In case the articles used are acquired by bailment, the value of the use of the articles so used shall be in an amount representing a reasonable rental for the use of the articles so bailed, determined as nearly as possible according to the value of such use at the places of use of similar products of like quality and character. In case the articles used are acquired by lease or rental, use tax liability is measured

by the amount of rental payments to a lessor who has not collected the retail sales tax.

(14) In the case of an article manufactured or produced for purposes of serving as a prototype for the development of a new or improved product, the value of the article used shall be determined by: (a) The retail selling price of such new or improved product when first offered for sale; or (b) the value of materials incorporated into the prototype in cases in which the new or improved product is not offered for sale. See: RCW 82-04.450, WAC 458-20-112.

(15) In the case of articles owned by a user engaged in business outside the state which are brought into the state for no more than ninety days in any period of three hundred sixty-five consecutive days and which are temporarily used for business purposes by the person in this state, the value of the article used shall be an amount representing a reasonable rental for the use of the articles, unless the person has paid tax under this chapter or chapter 82.08 RCW upon the full value of the article used.

(16) Returns and registration. Persons subject to the payment of the use tax, and who are not required to register or report under the provisions of chapters 82.04, 82.08, 82.16, or 82.28 RCW, are not required to secure a certificate of registration as provided under WAC 458-20-101. As to such persons, returns must be filed with the department of revenue on or before the fifteenth day of the month succeeding the end of the period in which the tax accrued. Forms and instructions for making returns will be furnished upon request made to the department at Olympia or to any of its branch offices.

(17) See WAC 458-20-221 for liability of certain selling agents for collection of use tax.

[Statutory Authority: RCW 82.32.300, 87-01-050 (Order ET 86-19), § 458-20-178, filed 12/16/86; Order ET 71-1, § 458-20-178, filed 7/22/71; Order ET 70-3, § 458-20-178 (Rule 178), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-179 Public utility tax.** (1) Introduction. Persons engaged in certain public service businesses are taxable under the public utility tax, and are exempt from tax under the business and occupation tax with respect to such businesses. However, many persons taxable under the public utility tax are also engaged in some other business which is taxable under the business and occupation tax. For example, a light and power company engaged in operating a plant or system for distribution of electrical energy for sale, may also be engaged in selling at retail various electrical appliances. Such a company would be taxable under the public utility tax with respect to its last distribution of electric energy, and also taxable under the business and occupation tax with respect to its sale of electrical appliances.

(2) Persons who are taxable under the public utility tax, which is applied to gross income, are those engaged in the following businesses: Railroad, express, railroad car, water distribution, sewerage collection, refuse collection, light and power, telegraph, gas distribution, urban transportation and common carrier vessels under 65

feet in length, motor transportation, tugboat businesses, and all public service businesses other than those heretofore mentioned.

(3) The rates of tax for each business activity are imposed under RCW 82.16.020 and set forth on appropriate lines of the combined excise tax return forms.

(4) The term "public service businesses" includes any of the businesses defined in RCW 82.16.010 (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), and (12) or any business subject to control by the state, or having the powers of eminent domain and the duties incident thereto, or any business declared by the legislature to be of a public service nature, irrespective of whether eminent domain powers are had or state control is exercised. It includes, among others, without limiting the scope thereof: Airplane transportation, boom, dock, ferry, log patrol, pipe line, toll bridge, toll logging road, water transportation and wharf businesses.

(5) The term "subject to control by the state" means control by the utilities and transportation commission or any other state department required by law to exercise control of business of a public service nature as to rates charged or services rendered. However, businesses may be taxed under the public utility tax as public service businesses whether or not they are or have been regulated by the state.

(6) The term "gross income" means "the value proceeding or accruing from the performance of the particular public service or transportation businesses involved, including operations incidental thereto, but without any deduction on account of the cost of the commodity furnished or sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses." The term "gross income" of a light and power business means those amounts or value accruing to a taxpayer from the "last distribution" of electrical energy which is a taxable event within this state. RCW 82.16.010(13).

(7) Light and power business - special provisions. RCW 82.16.010(5) defines "light and power business" to mean the business of operating a plant or system for the generation, production, or distribution of electrical energy for hire or sale. It is the intent of the law that, except as provided below, all electrical energy generated, or produced, or distributed within this state shall be subject to the uniform tax rate for light and power business, but only at the time of its "last distribution" within this state.

(8) The term "last distribution" means the final transmission or transfer of electrical energy before it is consumed in this state or before it is transmitted or transferred for sale to any point outside of this state. Thus, the taxable last distribution of electrical energy consumed within this state is the transmission or transfer of such energy to the consumer. The taxable last distribution of electrical energy for sale outside of this state is the transmission or transfer of such energy to the transmission system from which it will be directly further transmitted or transferred to points outside this state whether under any wheeling arrangement or through the

distributor's own transmission system or the transmission system of any out-of-state person. When a light and power business within this state delivers electric energy to an entity outside of this state in consideration of such entity's agreement to deliver electric energy to such business for consumption within this state, the taxable last distribution of such electrical energy is the transmission or transfer of energy to such business' consumers in this state.

(9) An "exchange" of electrical energy or the rights thereto is not the last distribution of such energy. An exchange is a transaction involving a delivery or transfer of energy or the rights thereto by one party to another for which the second party agrees, subject to the terms and conditions of the agreement, to deliver electrical energy at the same or another time. Examples of nontaxable exchange transactions include, but are not limited to, the following:

(a) The residential exchange of electric power entered into between a light and power business and the administrator of the Bonneville Power Administration pursuant to the Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501, Sec. 5(c), 16 U.S.C. 839(c) (Supp. 1982);

(b) The exchange of electric power for electric power between one light and power business and another light and power business;

(c) The transmission or transfer of electric power by one light and power business to another light and power business pursuant to the agreement for coordination of operations among power systems of the Pacific Northwest executed as of September 15, 1964;

(d) The Bonneville Power Administration's acquisition of electric power for resale to its Washington customers in the light and power business.

(10) Any consideration received in addition to or in excess of exchange power constitutes taxable consideration.

(11) The taxpayer liable for the payment of public utility tax under the light and power business classification is the "person" (as defined by RCW 82.04.030) who last distributes electrical energy within this state as explained above. Electrical energy generated or transmitted by the United States Army Corps of Engineers, United States Bureau of Reclamation, or the Bonneville Power Administration is not subject to this tax unless and until it is transferred by such federal entity to another person engaged in the light and power business within this state and then only upon the last distribution of such energy by such light and power business.

(12) For purposes of measuring the public utility tax liability, the "amount or value derived from the last distribution of electrical energy" (RCW 82.16.010(13) definition of "gross income") is the total consideration in terms of money or other value, however designated, received by or accruing to the taxpayer: *Provided*, That the tax measure is the cost of production but not to exceed the fair market value of the electrical energy at the time it is generated in this state for any of the following:

(a) For electrical energy generated in this state and transmitted or transferred by the person who generated

the same to points outside this state without prior sale; and (b) for electrical energy sold pursuant to an agreement which requires the purchaser to pay certain costs of the generating facility without regard to the amount of electrical energy produced by such facility.

(13) In distinguishing gross income taxable under the public utility tax from gross income taxable under the business and occupation tax, the department of revenue will be guided by the uniform system of accounts established for the specific type of utility concerned. However, because of differences in the uniform systems of accounts established for various types of utility businesses, such guides will not be deemed controlling for the purposes of classifying revenue under the Revenue Act.

(14) Volume exemption. Persons subject to the public utility tax are exempt from the payment of this tax for any reporting period in which taxable income reported under the combined total of all public utility tax classifications does not equal or exceed the minimum taxable amount for the reporting periods assigned to such persons according to the following schedule:

Monthly reporting basis . . . . .	\$500 per month
Quarterly reporting basis . . . . .	\$1500 per quarter
Annual reporting basis . . . . .	\$6000 per annum

(15) Deductions. Amounts derived from the following sources do not constitute taxable income in computing tax under the public utility tax:

(a) Amounts derived by municipally owned or operated public services businesses directly from taxes levied for the support thereof, but not including service charges which are spread on the property tax rolls and collected as taxes.

(b) Amounts derived by persons engaged in the water distribution, or gas distribution business, from the sale of commodities to persons in the same public service business for resale as such within this state.

(c) Amounts actually paid by a taxpayer to another person taxable under chapter 82.16 RCW as the latter's portion of the consideration due for services jointly furnished by both. This includes the amount paid to a ferry company for the transportation of a vehicle and its contents (but not amounts paid to state owned or operated ferries) when such vehicle is carrying freight or passengers for hire and is being operated by a person engaged in the business of urban transportation or motor transportation. It does not include amounts paid for the privilege of moving such vehicles over toll bridges.

(d) Amounts derived from the distribution of water through an irrigation system, solely for irrigation purposes.

(e) Amounts derived from the transportation of commodities from points of origin in this state to final destination outside this state, or from points of origin outside this state to final destination in this state with respect to which the carrier grants to the shipper the privilege of stopping the shipment in transit at some point in this state for the purpose of storing, manufacturing, milling, or other processing, and thereafter forwards the same commodity, or its equivalent, in the same or converted

form, under a through freight rate from point of origin to final destination; and amounts derived from the transportation of commodities from points of origin in the state to an export elevator, wharf, dock or shipside on tidewater or navigable tributaries thereto from which such commodities are forwarded, without intervening transportation, by vessel, in their original form, to interstate or foreign destination: *Provided*, That no deduction will be allowed when the point of origin and the point of delivery to such export elevator, wharf, dock, or shipside are located within the corporate limits of the same city or town.

(f) Amounts or value paid or contributed to any county, city, town, political subdivision, or municipal or quasi municipal corporation of the state of Washington representing payments of special assessments or installments thereof and interests and penalties thereon, charges in lieu of assessments, or any other charges, payments or contributions representing a share of the cost of capital facilities constructed or to be constructed or for the retirement of obligations and payment of interest thereon issued for capital purposes. The business and occupation tax is likewise inapplicable to such amounts. Service charges shall not be included in this exemption even though used wholly or in part for capital purposes.

(g) Amounts derived from the distribution of water by a nonprofit water association which are used for capital improvements by that association.

(h) Amounts received by cities, counties, towns, or municipal corporations as payment of a share of the cost of capital facilities, but excluding charges for utility services which may be used for capital purposes.

(i) Amounts received for providing commuter share riding or ride sharing for the elderly and the handicapped in accordance with RCW 46.74.010.

(j) Amounts expended to improve consumers' efficiency of energy end use or to otherwise reduce the use of electrical energy or gas by the consumer. (For details see WAC 458-20-17901.)

(k) Amounts equal to the cost of production at the plant for consumption in this state of:

(i) Electrical energy produced from cogeneration as defined in RCW 82.35.020; and

(ii) Electrical energy or gas produced from renewable energy resources (e.g., solar, wind, hydro, geothermal, wood, wastes, and end-use waste heat. (For details see WAC 458-20-17901.)

(16) Income derived from any of the foregoing sources is to be included within the reported gross income, and the applicable deductions may be taken in computing tax liability.

(17) Contributions in aid of construction not falling within item "6" above are subject to public utility tax, except that amounts received for line extensions, connection fees, and other charges for services rendered prior to the receipt of utility services by the customer against whom the charges are made are subject to business and occupation tax under the service and other activities classification rather than the public utility tax.

(18) In addition to the foregoing deductions there also may be deducted from the reported gross income (if included therein), the following:

(a) The amount of cash discount actually taken by the purchaser or customer.

(b) The amount of credit losses actually sustained.

(c) Amounts received from insurance companies in payment of losses.

(d) Amounts received from individuals and others in payment of damages caused by them to the utility's plant or equipment.

(19) For specific rules pertaining to the classifications of "urban transportation" and "motor transportation," see WAC 458-20-180.

(20) Notice—Refuse and sewerage collection businesses. The specific provisions of this section, respecting refuse and sewerage collection businesses have been repealed, retroactively to July 1, 1985. The new express provisions for taxability of such businesses from July 1, 1985, forward are now set forth in WAC 458-20-250 (Refuse collection business) and WAC 458-20-251 (Sewerage collection business).

[Statutory Authority: RCW 82.32.300. 86-18-069 (Order 86-16), § 458-20-179, filed 9/3/86; 85-22-041 (Order 85-6), § 458-20-179, filed 11/1/85; 83-01-059 (Order ET 82-13), § 458-20-179, filed 12/15/82; Order ET 71-1, § 458-20-179, filed 7/22/71; Order ET 70-3, § 458-20-179 (Rule 179), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-17901 Public utility tax—Energy conservation and cogeneration deductions.** In chapter 149, Laws of 1980 (RCW 80.28.024, 80.28.025, and 82.16.055), the legislature finds and declares that the potential for meeting future energy needs through conservation measures, including energy conservation loans, energy audits, and the use of renewable resources, such as solar energy, wind energy, wood, wood waste, municipal waste, agricultural products and wastes, hydroelectric energy, geothermal energy, and end-use waste heat, may not be realized without incentives to public and private utilities.

The legislature has implemented its intent by adding a new section to chapter 82.16 RCW, codified as RCW 82.16.055, for deductions relating to energy conservation or production from renewable resources, as follows:

(1) In computing tax under this chapter there shall be deducted from the gross income:

(a) An amount equal to the cost of production at the plant for consumption within the state of Washington of:

(i) Electrical energy produced or generated from cogeneration as defined in RCW 82.35.020; and

(ii) Electrical energy or gas produced or generated from renewable energy resources such as solar energy, wind energy, hydroelectric energy, geothermal energy, wood, wood wastes, municipal wastes, agricultural products and wastes, and end-use waste heat; and

(b) Those amounts expended to improve consumers' efficiency of energy end-use or to otherwise reduce the use of electrical energy or gas by the consumer.

(2) This section applies only to new facilities for the production or generation of energy from cogeneration or renewable energy resources or measures to improve the efficiency of energy end-use on which construction or

installation is begun after June 12, 1980, and before January 1, 1990.

(3) Deductions under subsection (1)(a) of this section shall be allowed for a period not to exceed thirty years after the project is placed in operation.

(4) Measures or projects encouraged under this section shall at the time they are placed in service be reasonably expected to save, produce, or generate energy at a total incremental system cost per unit of energy delivered to end-use which is less than or equal to the incremental system cost per unit of energy delivered to end-use from similarly available conventional energy resources which utilize nuclear energy or fossil fuels and which the gas or electric utility could acquire to meet energy demand in the same time period.

(5) The department of revenue, after consultation with the utilities and transportation commission in the case of investor-owned utilities, and the governing bodies of locally regulated utilities, shall determine the eligibility of individual projects and measures for deductions under this section.

The department of revenue has complied with the consultation requirements of RCW 82.16.055(5). The provisions of subsection (1)(a)(i) through (ii) of this section, deal with new facilities designed and intended for the production of energy. The department will rule upon eligibility of such facilities and the attendant cost of energy production for purposes of determining deductibility from the public utility tax upon an individual project basis using the cost figures reported on the appropriate Federal Energy Regulatory Commission (FERC) schedules that are required to be filed by public and private electric utilities and by private gas utilities. The allowable deductions consist of production expenses, eligible fuel costs and book depreciation of capital costs. Eligible fuel costs are all fuels if used for cogeneration or nonfossil fuel costs if not a cogeneration facility. Plans for the construction of such facilities and pertinent details, including energy production and production costs projections relative to the planned facility or construction details and energy production costs for facilities already in service must be submitted to the department for determination of eligibility for tax deductions.

Subsection (1)(b) and (4) of this section are applicable to projects conducted by utilities which are designed and projected to result in a reduction in the amount of electrical energy or gas used by the consumer.

Pursuant to subsection (5) of this section, the department of revenue has determined the eligibility of individual measures to improve consumers' efficiency of energy end-use or otherwise reduce the use of electrical energy or gas by the consumer. Such measures include residential and commercial buildings weatherization programs as well as energy end-user conservation programs, however designated and however funded or financed.

Under the general rules of statutory construction, tax exemption provisions must be strictly construed against the person claiming the exemption and in favor of imposing tax. Also, under such general rules the words and

terms used in statutes must be given their common and ordinary meaning. By the terms of RCW 82.16.055 (1)(b) deductions are restricted to amounts expended for programs and measures which have as their purpose some reduction of energy use by utilities' customers. Some incidental and generally related costs which may be incurred in the development and implementation of energy conservation measures may be too remote from the purpose of improving energy efficiency or reducing consumers' energy consumption. For these reasons and pursuant to RCW 82.16.055(5) the department has consulted with publicly and privately operated utilities to determine the kinds of costs which will satisfy the statutory intent by achieving the purpose of reducing energy consumption.

Accordingly, the term "amounts expended to improve consumers' efficiency of energy end-use" means the costs incurred by public and private utilities which are exclusively attributable to the development and implementation of energy end-use conservation projects and measures. This term does not include the costs attributable to the operation of a public or private utility business which were incurred before, or are incurred separate from the development and implementation of energy conservation programs. A portion of expenditures for personnel and facilities serving both energy conservation purposes and other utility purposes may be deducted if the portion attributable to energy conservation is supported by direct cost accounting records prepared during the tax reporting period for which such energy conservation expenditures are claimed for deduction. However, merely estimating an allocable portion of costs or apportioning some percentage of total overhead expense claimed to be related to energy conservation projects or measures will not support a deduction. The accounting should be based on actual experience. For example, expenditures for personnel or such facilities as computers could be accounted for on a time-use basis. However the expenses are accounted for, the burden rests upon the utility company to clearly show the direct relationship between any costs claimed for deduction and the energy conservation projects or measures claimed to have generated such costs.

#### ELIGIBLE COSTS.

Under the remoteness test, the department has determined the following specific costs to be eligible for tax deduction:

1. CONSTRUCTION AND INSTALLATION. All costs actually incurred by a utility representing the value of materials and labor applied or installed in any facility of or for an energy end-user, whether provided by the utility itself or by third party prime or subcontractors. Such eligible costs include, but are not limited to:

a. Insulation for floors, ceilings, walls, water pipes and the complete installation thereof.

b. Weatherstripping, caulking, batting, and any similar materials applied for weatherization of facilities and the complete installation thereof.

c. Storm windows, insulated and other weather resistant glass or similar materials and installation.

d. Electric or gas thermostatic controls and installation.

e. Water heater wraps, shower head restrictors, and all similar devices installed to reduce heat loss or reduce the actual units of energy consumed, and the installation thereof.

f. Energy efficient lighting and installation.

2. ENERGY AUDITS AND POST INSTALLATION INSPECTION. All direct costs actually incurred for providing:

a. Energy audit training.

b. Auditor payroll.

c. Auditor uniforms.

d. Special tools and equipment specifically needed for carrying out audit programs.

e. Auditor and inspector private vehicle mileage allowance.

f. Post installation inspection, labor, and materials costs.

3. ADMINISTRATION. All administrative, clerical, professional, and technical salary and payroll costs actually and directly incurred for:

a. Conservation program management and supervision including but not limited to audit, BPA buy-back, commercial, solar, and loan programs.

b. Secretarial and clerical expense.

c. Data entry and information processing operators.

d. Engineering.

e. Outside legal expense and inhouse legal expense which is directly cost accounted.

f. General energy conservation employee training.

g. Conservation programs accounting and auditing.

h. Separate telephone and third party provided services separately billed.

4. CONSUMABLE SUPPLIES AND EQUIPMENT. The cost of consumable materials and equipment utilized in energy conservation programs and directly cost accounted or separately billed, including but not limited to:

a. Equipment rental.

b. Custom software programs.

c. Computer lease time.

d. Computer print-out paper.

e. Special conservation program stationery, program instruction and installation manuals and office clerical supplies.

f. Periodic costs of capital equipment and rolling stock if:

(i) Such equipment and rolling stock are attributable to an energy end-user conservation program; and

(ii) Such costs are incurred during the duration of such program.

g. Direct costs of repair and maintenance of the above items.

5. FINANCING. Deduction is allowed for all direct financing and loan expenses relative to:

a. Loan manager, supervisor, inspectors, secretaries, and clerks payroll which is directly cost accounted.

b. Net interest differential (loans to consumers at lower than the utilities' interest rates on such acquired funds).

6. ADVERTISING AND EDUCATION.

a. Information, dissemination, and advertising charges for radio, television, newspaper services, bill stuffers, brochures, handouts, displays, and related costs of producing and presenting such advertising materials, which are exclusively dedicated to promoting energy conservation projects and measures.

b. Community education and outreach efforts conducted for the exclusive purpose of promoting energy conservation and achieving reduction of end-user energy consumption.

#### INELIGIBLE COSTS.

The department has determined the following specific costs as being ineligible for tax deduction for the reason that they are too remote from the purpose of improving energy efficiency and reducing end-user's consumption:

a. Legislative services.

b. Dues, memberships and subscriptions.

c. Information, dissemination, and advertising charges for radio, television, newspaper services, bill stuffers, brochures, handouts, displays, and related costs of producing advertising materials which are not exclusively for the purpose of encouraging or promoting energy conservation.

d. Experimental programs. Caveat: If and when experimental programs and the facilities, projects, or measures developed through such experimentation, research, and development are actually placed in service or placed in the rate base, and upon written approval of eligibility by the department, the total of expenditures for such facilities, projects, or measures including experimental stage costs may be allowed for deduction.

e. Community education and outreach efforts which are not exclusively dedicated to energy conservation projects and measures.

f. Allocated facility costs which are not directly cost accounted.

g. Allocated vehicle rolling stock costs which are not directly cost accounted.

h. Convention, meals, and entertainment expense.

i. Out-of-state travel expenses, except that the percentage of such expenses allocable to miles traveled within this state will be allowed for deduction.

Utilities may deduct from the measure of public utility tax deductible expenses as set forth in this rule at the time such costs are actually incurred and may include such deductions on excise tax returns covering the period during which the costs were actually incurred. For purposes of reporting public utility tax liability, utilities must include and report Bonneville Power Administration (BPA) and other providers' cash grants, reimbursements, and buy-back payments attributable to energy conservation programs as gross income of the business when it is received. "Gross income of the business" shall also include the value of electrical energy units from BPA for performing approved energy conservation services.

Any recurring costs determined to be eligible for deduction under this rule shall cease to be eligible in whole

or in part at time of termination of any energy conservation measure or project which originally authorized the deduction under RCW 82.16.055.

The question of the deductibility of any expenditures not expressly covered in this rule must be submitted to the department in writing for an express ruling before deduction may be taken.

[Statutory Authority: RCW 82.32.300. 86-01-077 (Order 85-7), § 458-20-17901, filed 12/18/85.]

**WAC 458-20-180 Motor transportation, urban transportation.** The term "motor transportation business" means the business (except urban transportation business) of operating any motor propelled vehicle by which persons or property of others are conveyed for hire, and includes, but is not limited to the operation of any motor propelled vehicle as an auto transportation company (except urban transportation business), common carrier or contract carrier as defined by RCW 81.68.010 and 81.80.010.

It includes the business of hauling for hire any extracted or manufactured material, over the highways of the state and over private roads but does not include the transportation of logs or other forest products exclusively upon private roads.

It does not include the hauling of any earth or other substance excavated or extracted from or taken to the right of way of a publicly owned street, place, road or highway, by a person taxable under the classification of public road construction of the business and occupation tax. (See WAC 458-20-171.)

The term "urban transportation business" means the business of operating any vehicle for public use in the conveyance of persons or property for hire, insofar as (A) operating entirely within the corporate limits of any city or town, or within five miles of the corporate limits thereof, or (B) operating entirely within and between cities and towns whose corporate limits are not more than five miles apart or within five miles of the corporate limits of either thereof. Included herein, but without limiting the scope thereof, is the business of operating passenger vehicles of every type and also the business of operating cartage, pickup or delivery services, including in such services the collection and distribution of property arriving from or destined to a point within or without the state, whether or not such collection or distribution be made by the person performing a local or interstate line-haul of such property.

It does not include the business of operating any vehicle for the conveyance of persons or property for hire when such operating extends more than five miles beyond the corporate limits of any city (or contiguous cities) through which it passes. Thus an operation extending from a city to a point which is more than five miles beyond its corporate limits does not constitute urban transportation, even though the route be through intermediate cities which enables the vehicle, at all times to be within five miles of the corporate limits of some city.

The terms "motor transportation" and "urban transportation" include the business of renting or leasing

trucks, trailers, busses, automobiles and similar motor vehicles to others for use in the conveyance of persons or property when as an incident of the rental contract such motor vehicles are operated by the lessor or by an employee of the lessor. These terms include the business of operating taxicabs, armored cars, and contract mail delivery vehicles, but do not include the businesses of operating auto wreckers or towing vehicles (taxable as sales at retail or wholesale under RCW 82.04.050), school busses, ambulances, nor the collection and disposal of refuse and garbage (taxable under the business and occupation tax classification, service and other activities). Amounts received for providing commuter share riding or ride sharing for the elderly and the handicapped in accordance with RCW 46.74.010 are not subject to tax.

#### RETAIL SALES TAX

Persons engaged in the business of motor transportation or urban transportation are required to collect the retail sales tax upon gross retail sales of tangible personal property sold by them. The retail sales tax must also be collected upon retail sales of services defined as "sales" in RCW 82.04.040 and "sales at retail" in RCW 82.04.050, including charges for the rental of motor vehicles or other equipment without an operator.

Persons engaged in the business of motor transportation or urban transportation must pay the retail sales tax to their vendors when purchasing motor vehicles, trailers, equipment, tools, supplies and other tangible personal property for use in the conduct of such businesses. (See WAC 458-20-174 for limited exemptions allowed in the act for motor carriers operating in interstate or foreign commerce.) Persons buying motor vehicles, trailers and similar equipment solely for the purpose of renting or leasing the same without an operator are making purchases for resale and are not required to pay the retail sales tax to their vendors.

#### BUSINESS AND OCCUPATION TAX

**RETAILING.** Persons engaged in either of said businesses are taxable under the retailing classification upon gross retail sales of tangible personal property sold by them and upon retail sales of services defined as "sales" in RCW 82.04.040 or "sales at retail" in RCW 82.04.050.

**SERVICE AND OTHER BUSINESS ACTIVITIES.** Persons engaged in either of said businesses are taxable under the service and other activities classification upon gross income received from checking service, packing and crating, the mere loading or unloading for others, commissions on sales of tickets for other lines, travelers' checks and insurance, etc. and the transportation of logs and other forest products exclusively over private roads.

#### PUBLIC UTILITY TAX

Persons engaged in the business of urban transportation are taxable under the urban transportation classification upon the gross income from such business.

Persons engaged in the business of motor transportation are taxable under the motor transportation classification upon the gross income from such business.

Persons engaged in the business of both urban and motor transportation are taxable under the motor transportation classification upon gross income, unless a proper segregation of such revenue is shown by the books of account of such persons. (See WAC 458-20-193 for interstate and foreign commerce.)

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-180, filed 3/15/83; Order ET 70-3, § 458-20-180 (Rule 180), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-181 Vessels, including log patrols, tugs and barges, operating upon waters in the state of Washington.**

**BUSINESS AND OCCUPATION TAX**

**RETAILING.** Persons engaged in the business of operating such vessels and tugs are taxable under the retailing classification upon the gross sales of meals (including meals to employees) and other tangible personal property taxable under the retail sales tax.

**SERVICE AND OTHER BUSINESS ACTIVITIES.** The business of operating lighters is a service business taxable under the service and other business activities classification upon the gross income from such service. Also taxable under this classification is gross income from operation of vessels to provide scenic cruises.

**RETAIL SALES TAX**

Sales of meals and other tangible personal property by persons operating such vessels and tugs are sales at retail and the retail sales tax must be collected thereon. For applicability of retail sales tax where meals are furnished to members of the crew or to other employees as a part of their compensation for services rendered, see WAC 458-20-119.

Sales of foodstuff and other articles to such operators for resale aboard ship are not subject to retail sales tax.

Sales to all such operators of fuel, lubricants, machinery, equipment and supplies which are not resold are sales at retail and the retail sales tax must be paid thereon, unless exempt by law.

Charges made by others for the repair of any boat or barge are also sales at retail and the retail sales tax must be paid upon the total charge made for both labor and materials.

Charges made for drydocking are not subject to the retail sales tax provided such charges are shown as an item separate from charges made for repairing.

**USE TAX**

The use tax applies upon the use within this state of all articles of tangible personal property purchased at retail and upon which the retail sales tax has not been paid, unless exempt by law.

**PUBLIC UTILITY TAX**

The business of operating upon waters wholly within the state of Washington vessels which are common carriers regulated by the utilities and transportation commission is taxable under the public utility tax as follows:

(1) Vessels under sixty-five feet in length, taxable under the classification vessels under sixty-five feet upon gross income.

(2) Vessels sixty-five feet or more in length, taxable under the classification other public service business upon gross income.

The other public service classification of the public utility tax applies to the business of operating tugs, barges, and log patrols.

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-181, filed 3/15/83; Order ET 70-3, § 458-20-181 (Rule 181), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-182 Warehouses.** The term "warehouse" means every structure wherein facilities are offered for the storage of tangible personal property.

The gross operating revenue of the business of a warehouse includes all income from the storing, handling, sorting, weighing or measuring of tangible personal property.

Where a grain warehouseman purchases or owns grain stored in such warehouse, there shall be included in gross operating revenue (a) an amount equal to the charges at the customary rate for all services rendered in connection with such grains up to the time of purchase by the warehouseman, and (b) the amount of any charges for services that are rendered during the period of the warehouseman's ownership thereof billed and stated, as such, separately from the price of the grains on the invoice to the purchaser at the time of the sale by the warehouseman.

**BUSINESS AND OCCUPATION TAX**

Persons engaged in the business of operating cold storage warehouses are taxable under the classification cold storage warehousing upon the gross income received from such business. This classification does not include gross income from the rental of cold storage lockers.

Persons engaged in the business of renting cold storage lockers are taxable under the classification service and other activities upon the gross income received from such business.

**PUBLIC UTILITY TAX**

Persons engaged in the business of operating any type of warehouse other than a cold storage warehouse are taxable under the classification other public service business upon the gross income from such business.

Revised May 3, 1974.

[Order ET 74-1, § 458-20-182, filed 5/7/74; Order ET 70-3, § 458-20-182 (Rule 182), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-183 Amusement and recreation activities and businesses.** The term "sale at retail" is defined by RCW 82.04.050 to include the sale of or charge made by persons engaging in certain business activities,

including "amusement and recreation businesses." The statute indicates the type of activities and business intended to be taxed under this classification; i.e., "including but not limited to golf, pool, billiards, skating, bowling, ski lifts and tows, and others." Thus, while certain activities are specifically included within the statutory definition (golf, pool, etc.) it is clear that the types of activities and businesses intended to be taxed under the retail sales tax classification are those in which payment is for participation.

The term "sale at retail" includes all activities wherein a person pays for the right to actively participate in an amusement or recreation activity. The term does not include the sale of or charge made for providing facilities where a person is merely a spectator or passive participant in the activity, such as movies, concerts, sports events, and the like. Nor does the term include activities of an instructional nature, even though the person is physically participating in the activity.

Health and fitness activities are distinguishable from amusement and recreation activities. Thus, health and fitness activities such as body building, exercise rooms and classes, weight lifting, nautilus facilities, saunas, massages, and the like are not taxable as retail sales, even though they may involve some active participation.

Coin operated amusement devices are not governed by this section. See WAC 458-20-187.

The term "sale at retail" also includes the sale of or charge made for providing camping and other outdoor living facilities regardless of whether or not additional recreation facilities of the type mentioned above are available for use.

Local governmental agencies which provide recreational, social, educational, health and fitness, and similar public programs are generally not making retail sales. Registration fees, league fees, and similar charges collected by such agencies may be taxable or exempt of business and occupation tax depending upon the nature of the programs and services provided. In any case, the taxability of such agencies and charges is governed by WAC 458-20-189, rather than this section on "amusement and recreation businesses."

#### BUSINESS AND OCCUPATION TAX

Gross receipts from the kind of amusement and recreation activities and businesses involving active participation as described above are taxable under the classification retailing.

Such persons are also taxable under the retailing classification upon gross receipts from sales of meals, drinks, tobacco, or other property sold by them.

Gross receipts from instruction and passive participation in amusement and recreation activities and businesses are taxable under the classification service and other activities.

#### RETAIL SALES TAX

The retail sales tax must be collected upon charges for admissions and the use of facilities by persons engaged in the amusement and recreation activities and businesses involving active participation as described above.

The retail sales tax must also be collected upon sales of cigarettes and other merchandise by persons engaging in such businesses. See WAC 458-20-244 for sales of food products.

When the charge for merchandise is included within a charge for admission which is not a "sale at retail" as defined herein, the retail sales tax applies to the charge made for both merchandise and admission, unless a proper segregation of such charge is made upon the books of account of the seller.

The retail sales tax applies upon the sale or rental of all equipment and supplies to persons conducting places of amusement and recreation, except merchandise which is resold by them.

The retail sales tax does not apply to the charge made for instruction or passive participation in an amusement or recreation activity. Neither does the sales tax apply to charges or fees for health and fitness activities as described in this section. For the sales tax liability of governmental agencies, see WAC 458-20-189.

Revised March 27, 1984.

Effective July 1, 1984.

[Statutory Authority: RCW 82.32.300. 84-12-046 (Order ET 84-2), § 458-20-183, filed 6/1/84. Statutory Authority: RCW 82.01.060(2) and 82.32.300. 78-07-045 (Order ET 78-4), § 458-20-183, filed 6/27/78; Order ET 70-3, § 458-20-183 (Rule 183), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-184 Tax on conveyances, general provisions.** The provisions of the conveyance tax impose a tax upon conveyances (deed, instrument or writing) whereby any lands, tenements or other realty sold are granted, transferred or otherwise conveyed to, or vested in, a purchaser or any other person by his direction. The tax is paid by means of stamps to be affixed to the instrument, document or paper conveying the property, by the person making, signing, issuing or accepting any such instrument. When the consideration or value of the interest or property conveyed, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale and not removed by the sale, exceeds \$100.00, the tax is imposed at the rate of 50¢ for each \$500.00 or fractional part thereon.

**METER STAMPING MACHINES.** In addition to the documentary stamps customarily sold and used for payment of the conveyance tax, stamps produced by stamp meter machines may be used when authorized and approved by the director of revenue. A stamp printed directly on a document by an authorized meter machine is considered cancelled provided the printing on such stamp contains the date of such printing and a number which identifies the machine printing the stamp.

The tax applies to:

- (1) Deeds dated prior to May 1, 1935, but delivered after that date;
- (2) Deeds in escrow upon delivery to the grantee, unless deposited before May 1, 1935.

The tax does not apply to:

- (1) Any instrument or writing given to secure a debt;
- (2) Deeds dated and delivered prior to May 1, 1935, even though recorded after that date;

(3) Deeds deposited in escrow before May 1, 1935; (the presumption is that a deed was not deposited in escrow prior to May 1, 1935.)

(4) Transfers without a valuable consideration in property or money;

(5) Instruments conveying personal property only, or to instruments that do not convey a fee estate in real property, such as leases, contracts, options, etc.;

(6) Deeds by savings and loan associations to a holding corporation made pursuant to chapter 33.04 RCW;

(7) Deeds executed by county and city treasurers conveying realty sold for nonpayment of taxes or assessments;

(8) Deeds to the state of Washington, its departments and institutions.

**TAX—HOW COMPUTED.** In calculating the amount of stamps which must be affixed to a deed of conveyance, the tax is computed upon the full value of the property conveyed less all encumbrances which rest on the property before the sale and are not removed by the sale. Encumbrances placed on the property in connection with, and as a result of, the sale or transfer, as well as notes for deferred payments, cannot be deducted in determining the amount upon which the tax is calculated. For example:

(a) B, the owner of certain real estate, sold it to C for a consideration of \$4,000. C paid \$2,500 in cash, leaving a balance due of \$1,500. B accepted C's note for the balance and gave C a deed to the property. The tax should be computed upon \$4,000.

Where the property conveyed is encumbered, the tax is computed according to the following examples:

(b) B, for a consideration of \$5,000, conveys to C land on which there is an encumbrance of \$1,000 at the time of sale. At the time of sale B signs a contract agreeing to pay off the encumbrance at a later date. The deed of conveyance from B to C is subject to tax on \$5,000.

(c) B conveys land to C on which there is a mortgage of \$1,000. C pays B \$2,000 in consideration for the transfer and assumes, or agrees to pay, the mortgage. The deed of conveyance from B to C is subject to tax on \$2,000.

**CONVEYANCE BY A MORTGAGOR TO A MORTGAGEE.** A conveyance by a defaulting mortgagor to a mortgagee in consideration of the cancellation of the mortgage debt is subject to a conveyance tax calculated on the amount of the mortgage debt, plus unpaid accrued interest. A deed of trust is in legal effect only a form of mortgage, so that a conveyance accomplished by foreclosing the lien of a deed of trust is subject to the conveyance tax. For example:

B holds a mortgage upon C's property for \$5,000. C pays \$2,000 on the mortgage, leaving a balance due of \$3,000. In order to avoid the expense of a foreclosure sale B and C enter into an agreement whereby C conveys the property to B in consideration of the cancellation of the mortgage debt. The deed of conveyance is subject to tax on \$3,000 plus any unpaid accrued interest.

**ACTUAL VALUE AT TIME OF CONVEYANCE THE MEASURE OF THE TAX.** Where the consideration for a conveyance of lands, tenements, or other real property is left open, to be fixed by future contingencies, the actual value at the time of conveyance is the measure of the tax upon the deed, instrument, or writing whereby the conveyance is made.

**DEEDS CONVEYING PROPERTY SOLD UNDER FORECLOSURE OR EXECUTION.** Deeds executed by sheriffs, clerks of courts, etc., to cover transfers of property sold under a judgment of foreclosure or execution are subject to the conveyance tax. The grantee or vendee is required to pay the tax.

The conveyance tax does not attach when the sheriff's certificate of sale is issued, since such certificate does not vest title to the property. The tax attaches when the sheriff's confirmatory deed is issued.

A deed to real estate, executed by a sheriff to a mortgagee who bids in property at a foreclosure sale to satisfy a mortgage lien, is likewise subject to the conveyance tax, the tax to be computed upon the amount bid for the property.

**DEEDS EXPRESSING A NOMINAL CONSIDERATION.** All deeds in which the stated consideration is less than \$100 are presumed not to be subject to the conveyance tax, unless the conditions in respect to the conveyance indicate otherwise.

**GIFTS.** A deed issued to cover a bona fide gift of real property from one individual to another is not taxable.

**SALES OF STANDING TIMBER, MINERALS IN PLACE OR OTHER NATURAL RESOURCE PRODUCTS.** Where standing timber, minerals in place and other natural resources in place are sold and conveyed by deed or other written instrument, the provisions of the conveyance tax apply if the consideration or value of the interest or property conveyed, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, and not removed by the sale, exceeds \$100.00.

**DEEDS ON EXCHANGE OF PROPERTIES.** In the case of an exchange of two properties, the deeds transferring title to each are subject to tax, which should in each case be computed on the basis of the actual value of the interest or property conveyed, the amount of any pre-existing lien or encumbrance which is not removed by the sale being deductible.

**ASSIGNMENT OF REAL ESTATE CONTRACTS.** The vendee's interest in a real estate contract is real property and therefore the transfer of such an interest is a transfer of real estate which is subject to the conveyance tax. However, a vendor's interest in a real estate contract is personal property and the tax does not apply to the transfer of such an interest.

**STAMPS, WHERE PROCURED.** Stamps to denote payment of the tax imposed upon conveyances have been issued by the department of revenue in denominations of 50¢, \$1.00, \$2.00, \$5.00, \$10.00, \$50.00, \$100.00 and \$500.00. Conveyance stamps may be obtained from the office of the department of revenue in Olympia, or from any of its branch offices or from any county auditor.

**WHO SHALL AFFIX STAMPS.** The act requires that the person who makes, signs, or issues any instrument taxable thereunder shall affix and cancel the revenue stamps. It also prohibits any person from accepting such instruments unless they are properly stamped.

**CANCELLATION OF STAMPS.** The person using or affixing conveyance stamps upon any instrument, document or paper shall write or stamp the initials of his name and the date upon which the stamp is affixed or used.

**DEEDS TO AND BY THE UNITED STATES AND THE STATE OF WASHINGTON AND ITS POLITICAL SUBDIVISIONS.** The provisions of the conveyance tax do not apply to a conveyance of real estate sold to or by the United States government or any instrumentality thereof. Furthermore, the tax does not apply to a conveyance of real estate sold by the state of Washington or any political subdivision thereof exercising essential governmental functions, nor does it apply to any conveyance to the state of Washington itself, or to its departments or institutions.

However, a conveyance of real estate sold to any political subdivision of the state of Washington is subject to the tax and the proper amount of conveyance stamps must be affixed thereto by the person making, signing or issuing such instrument. The law provides that it shall be a gross misdemeanor for any person to make, sign, issue or accept or cause to be made, signed, issued or accepted any instrument without the full amount of the tax thereon being duly paid. Therefore, any officer, agent or employee of any political subdivision of the state of Washington, before accepting any such instrument on its behalf, must require that the proper amount of stamps be affixed thereto.

[Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-184, filed 3/15/83; Order ET 70-3, § 458-20-184 (Rule 184), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-185 Tax on tobacco products--Definitions.** "Tobacco products" means all tobacco products except cigarettes (see WAC 458-20-186 for cigarette excise taxes). The term includes cigars, cheroots, stogies, periques; granulated, plug cut, crimp cut, ready rubbed or other smoking tobacco; snuff, snuff flour, cavendish, plug, twist, fine cut, or other chewing tobacco; shorts, refuse scraps, clippings, cuttings, sweepings, or other kinds or forms of tobacco.

"Distributor" means

(a) Any person engaged in the business of selling tobacco products in this state who brings or causes to be brought into this state from without state any tobacco products for sale, or

(b) Any person who makes, manufactures, or fabricates tobacco products in state for sale in this state, or

(c) Any person engaged in the business of selling tobacco products without this state who ships or transports tobacco products to retailers in this state.

"Subjobber" means any person, other than a tobacco manufacturer or distributor, who buys tobacco products from a distributor and sells them to persons other than the ultimate consumers.

"Sale" means any transfer, exchange, or barter, in any manner or by any means whatsoever by any person

for a consideration. It includes all gifts by persons selling tobacco products.

"Wholesale sales price" means the established manufacturer's price to the distributor, exclusive of any discount or other reduction.

"Business" means any trade, occupation, activity, or enterprise engaged in for the purpose of selling or distributing tobacco products in this state.

**NATURE OF TAX.** RCW 82.26.020(1) levies an excise tax at the rate of 48.15% of the wholesale sales price on all tobacco products sold, used, consumed, handled, or distributed within the state. The tax is to be paid by the distributor at the time the distributor brings or causes to be brought into this state from without the state tobacco products for sale.

**BOOKS AND RECORDS.** Since the tobacco products tax is paid on returns as computed by the taxpayer rather than by affixing of stamps or decals, the law contains stringent provisions requiring that accurate and complete records be maintained and preserved for 5 years for examination by the department of revenue.

The records to be kept by distributors include itemized invoices of tobacco products held, purchased, manufactured, brought in or caused to be brought in from without the state or shipped or transported to retailers in this state, and of all sales (including customers' names and addresses) of tobacco products except retail sales. All other pertinent papers and documents relating to purchase, sale, or disposition of tobacco products must likewise be so retained.

Retailers and subjobbers must secure and retain legible and itemized invoices of all tobacco products purchased, showing name and address of the seller and the date of purchase.

Records of all deliveries or shipments (including ownership, quantities) of tobacco products from any public warehouse of first destination in this state must be kept by the warehouse.

**REPORTS AND RETURNS.** The tax is reported on the combined excise tax return, Form REV 40 2406, to be filed according to the reporting frequency assigned by the department. Detailed instructions for preparation of these returns may be secured from the department.

Out-of-state wholesalers or distributors selling directly to retailers in Washington should apply for a certificate of registration, and the department will furnish returns for reporting the tax.

**INTERSTATE AND SALES TO U.S.** The tax does not apply to tobacco products sold to federal government agencies, nor to deliveries to retailers or wholesalers outside the state for resale by such retailers or wholesalers, and a credit may be taken for the amount of tobacco products tax previously paid on such products.

**RETURNED OR DESTROYED GOODS.** A credit may also be taken for tobacco products destroyed or returned to the manufacturer on which tax was previously paid, but returns on which such credits are claimed must be accompanied by appropriate affidavits conforming to those illustrated below:

AFFIDAVIT OF TAXPAYER

Claim for Credit on Tobacco Products Tax Merchandise Destroyed

State of \_\_\_\_\_ }
County of \_\_\_\_\_ } ss.

The undersigned being first duly sworn, upon oath deposes and says:

That he is (Position) of the (Company), a dealer in tobacco products; that said dealer has destroyed merchandise unfit for sale, said tobacco products having a wholesale sales price of \$-----; that tobacco tax had been paid on such tobacco products; that said tobacco products were destroyed in the following manner and in the presence of an authorized agent of the department of revenue:

(State date and manner of destruction)

Attested to:
By \_\_\_\_\_
Authorized Agent Name of Affiant

DEPARTMENT OF REVENUE
OF THE
STATE OF WASHINGTON

Date-----

Position with Dealer
Dealer
Address of Dealer

AFFIDAVIT OF MANUFACTURER

Claim for Credit on Tobacco Products Tax Merchandise Returned

State of \_\_\_\_\_ }
County of \_\_\_\_\_ } ss.

The undersigned being first duly sworn, upon oath deposes and says:

That he is (Position) of the (Name of Manufacturer) a manufacturer of tobacco products; that the said manufacturer has received from (Dealer), (Address) a dealer in tobacco products within the State of Washington, certain tobacco products which were unfit for sale, said tobacco products having a wholesale sales price of \$-----; that

said tobacco products were destroyed in the following manner:

(State date and manner of destruction)

Credit issued on Memo No. \_\_\_\_\_
Name of Affiant
Name of Manufacturer
Address

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 19---

Date \_\_\_\_\_
Notary Public in and for the state of \_\_\_\_\_, residing at \_\_\_\_\_

[Statutory Authority: RCW 82.32.300, 83-07-032 (Order ET 83-15), § 458-20-185, filed 3/15/83; Order ET 71-1, § 458-20-185, filed 7/22/71; Order ET 70-3, § 458-20-185 (Rule 185), filed 5/29/70, effective 7/1/70.]

WAC 458-20-186 Tax on cigarettes. The Washington state cigarette tax is imposed in the total amount of 23 cents upon each package of 20 cigarettes by the following statutes:

- (1) RCW 82.24.020, which imposes a tax of ten mills per cigarette (20¢ per package of 20);
(2) RCW 82.24.025, which imposes a tax of 1 mill per cigarette (2¢ per package of 20);
(3) RCW 28A.47.440, which imposes a tax of 1/2 mill per cigarette to provide for financing the state school construction bond program (1¢ per package of 20).

This tax is payable by the first person who sells, uses, consumes, handles or distributes the cigarettes in this state. Payment is made through the purchase of stamps from the department of revenue or its authorized agent.

EXEMPTIONS. The cigarette tax does not apply upon cigarettes sold to persons licensed as cigarette distributors in other states when, as a condition of the sale, the seller either delivers the cigarettes to such a buyer at a point outside this state, or delivers the same to a common carrier with the shipment consigned by the seller to such a buyer at a location outside this state. Any person engaged in making sales to licensed distributors in other states or making export sales (see WAC 458-20-193A and 458-20-193C) or in making sales to the federal government or to the established governing bodies of an Indian tribe recognized as such by the United States Department of the Interior and who are authorized by Rule 192 WAC 458-20-192 to receive unstamped cigarettes who furnishes surety bond in a sum satisfactory to the department of revenue, may set aside such part of his stock as may be necessary for the conduct of such business without affixing cigarette tax stamps. Such unstamped stock must be kept separate and apart from any stamped stock.

Cigarettes, other than those above mentioned, are not exempt from the tax by reason of their sale either to an

Indian or for resale on an Indian reservation (see WAC 458-20-192). Permission to maintain an unstamped stock of cigarettes for sale to a specified Indian tribe may be revoked when it appears that sales to unauthorized purchasers are being, or have been, made.

**COLLECTION.** Stamps indicating the payment of the cigarette tax must be affixed prior to any sale of the cigarettes. The stamp must be applied to the smallest container or package, unless the department determines that it is impractical to do so.

Every wholesaler or retailer in the state shall stamp within 72 hours after receipt, any of the articles taxed herein. Stamps must be of the heat applied "fuson" type. The use of meter stamping machines for use in imprinting packages, in lieu of attaching stamps, is not authorized by the department. The use of water "decalcomania" type stamps by such vendors is not authorized.

Persons other than wholesalers or retailers, upon holding, owning, possessing or controlling cigarettes in this state, must affix stamps on or before the close of the first business day following receipt of the cigarettes.

Prior to the receipt or transportation of cigarettes in this state such persons must file with a district office of the department of revenue a notice of intent to possess unstamped cigarettes in the state of Washington. A copy of this notice, validated by an agent of the department of revenue, must be in the possession of any such person who is in possession of unstamped cigarettes in this state.

Persons who have filed the aforementioned notice must bring the cigarettes to a district office of the department of revenue and there affix the required stamps within the time limitation provided above.

Any unstamped cigarettes in the possession of persons (other than wholesalers or retailers) who have either failed to file a notice of intent to possess unstamped cigarettes in the state of Washington or who have failed to affix stamps within the time limitation provided above will be deemed contraband and subject to seizure and sale under the provisions of RCW 82.24.130.

The "fuson" type stamps are available, in rolls of 30,000 stamps, from an authorized bank. Payment for stamps may be made either at the time of sale, or deferred until later, although the latter form of payment is available only to vendors who meet the requirements of the department and who have furnished a surety bond equal to the proposed total monthly credit limit, or in the amount of \$6,900.00, whichever is greater. In addition, purchases on a deferred payment plan may be made only by the cigarette seller himself or by an agent authorized by him to do so. This authorization may be in the form of a signature card, filed with the bank, from which stamps are usually obtained, and kept current by the vendor. Payments under a deferred plan are due within 30 days following the purchase, and are to be paid at the outlet from which the stamps were obtained, and may be paid by check payable to the department of revenue. Cigarette dealers, either retail or wholesale, who purchase stamps under either plan are allowed, as compensation for their services in affixing stamps, an

amount equal to \$1.85 per thousand stamps, which may be offset against the purchase price.

**BOOKS AND RECORDS.** An accurate set of records, showing all transactions had with reference to the purchase, sale or distribution of articles subject to the cigarette tax must be retained. These records may be combined with those required in connection with the tobacco products tax, by WAC 458-20-185, provided there is a segregation therein the amount involved. All such records must be preserved for 5 years from the date of the transaction.

In particular, persons shipping or delivering any of the articles taxed herein to a point outside of this state shall transmit to the miscellaneous tax section, not later than the 15th of the following calendar month, a true duplicate invoice showing full and complete details of the interstate sale or delivery.

**REPORTS AND RETURNS.** The department of revenue may require any person dealing with cigarettes, in this state, to complete and return forms, as furnished, setting forth sales, inventory and other data required by the department to maintain control over trade in the articles taxed herein.

Manufacturers selling these articles shall, before the 15th day of each month, transmit to the miscellaneous tax section a complete record of sales of cigarettes in this state during the preceding month.

**REFUNDS.** Any person may request a refund of the face value of the stamps, less the affixing discount when cigarettes to which they are affixed are:

- (1) Damaged, or unfit for sale, and as a result are destroyed or returned to the manufacturer or distributor.
- (2) Sold and shipped to a registered dealer regularly making sales of cigarettes in another state.

In either case, the claim for refund, (a form which is provided by the department, Form REV 372063) must be accompanied by an affidavit, in the first instance, of the receipt by the manufacturer and, in the second instance, of the receipt by the buyer of cigarettes bearing stamps from this state.

[Statutory Authority: RCW 82.32.300, 83-07-032 (Order ET 83-15), § 458-20-186, filed 3/15/83; Order ET 75-1, § 458-20-186, filed 5/2/75; Order ET 73-2, § 458-20-186, filed 11/9/73; Order ET 71-1, § 458-20-186, filed 7/22/71; Order ET 70-3, § 458-20-186 (Rule 186), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-187 Coin operated vending machines, amusement devices and service machines.** (1) Definitions. As used herein the term "vending machines" means machines which, through the insertion of a coin will return to the patron a predetermined specific article of merchandise or provide facilities for installing, repairing, cleaning, altering, imprinting, or improving of tangible personal property of or for consumers. It includes machines which vend photographs, toilet articles, cigarettes and confections as well as machines which provide laundry and cleaning services.

(2) The term "amusement devices" means those devices and machines which, through the insertion of a coin, will permit the patron to play a game. It includes slot and pinball machines and those machines or devices

which permit the patron to see, hear or read something of interest.

(3) The term "service machines" means any coin operated machines other than those defined as "vending machines" or "amusement devices." It includes, for example, scales and luggage lockers, but does not include coin operated machines used in the conduct of a public utility business, such as telephones and gas meters; also excluded are shuffleboards and pool games.

(4) Business and occupation tax. Persons operating vending machines are engaged in a retailing business and must report and pay tax under the retailing classification with respect to the gross proceeds of sales.

(5) Persons operating amusement devices, except shuffleboard, pool, and billiard games, are taxable under the service and other business activities classification on the gross receipts therefrom.

(6) Persons engaged in operating shuffleboards or games of pool or billiards are taxable under the retailing classification on the gross receipts therefrom and are responsible for collecting and reporting to the department the retail sales tax measured by the gross receipts therefrom.

(7) Persons operating service machines are taxable under the service and other business activities classification upon the gross income received from the operation of such machines.

(8) When coin operated machines are placed at a location owned or operated by a person other than the owner of the machines, under any arrangement for compensation to the operator of the location, the person operating the location has granted a license to use real property and will be responsible for reporting and paying tax upon his gross compensation therefor under the service classification.

(9) Where the owner of amusement devices which are placed at the location of another has failed to pay the gross receipts tax and/or retail sales tax due, the department may proceed directly against the operator of the location for full payment of all tax due.

(10) Retail sales tax. The retail sales tax applies to the sale of merchandise through vending machines and persons owning and operating such machines are liable for the payment of such tax. (However, see WAC 458-20-244 for vending machine sales of food.) For practical purposes such persons are authorized to absorb the amount of the tax on the individual sales and to pay directly to the department the retail sales tax on the total amount received from such machines.

(11) Effective March 11, 1986, on all retail sales through vending machines the tax need not be stated separately from the selling price or collected separately from the buyer. (See RCW 82.08.050.) The seller may deduct the tax from the total amount received in the machines to arrive at the net amount which becomes the measure of the tax.

(12) Where a vending machine is designed or adjusted so that single sales are made exclusively in amounts less than the minimum sale on which a 1¢ tax may be collected from the purchaser, and the kind of merchandise sold through such machines is not sold by the operator

over the counter or other than through vending machines at that location, the selling price for purposes of the retail sales tax shall be 60% of the gross receipts of the vending machine through which such sales are made. This 60% basis of reporting is available only to persons selling tangible personal property through vending machines.

(13) In order to qualify for the foregoing reduction in the measure of the retail sales tax, the books and records of the operator must show for each vending machine for which such reduction is claimed: (a) The location of the machine, (b) the selling price of sales made through the machine, (c) the type and brands of merchandise vended through the machine and (d) the gross receipts from that machine. The foregoing records may be maintained for each location, rather than for each machine, in cases where several machines are maintained by the same operator at the same location, provided that all of such machines make sales exclusively in amounts less than the minimum sale on which a 1¢ tax may be collected. The reduction will be disallowed in any instance where sales made through vending machines in such amounts are not clearly and accurately segregated from other sales by the operator and the burden is on the operator to make sales under such conditions and to maintain such records as to demonstrate absolute compliance with this requirement.

(14) Every operator or owner of a vending machine, before taking a deduction from gross sales through certain vending machines, shall file with the department annually an addendum to his application for registration with the department, on a form provided by the department, which form shall contain the following information:

(a) Number of vending machines in his ownership making sales under the above minimum.

(b) Value of such sales in the most recent calendar year.

(c) A statement that no sales are made by the owner or operator at any machine location of articles or products sold through such machines, except by vending machines and no provision is made either through the machine or otherwise, for multiple sales under circumstances where the tax may legally be collected from the buyer.

(15) The department will require a bond sufficient to assure recovery of any disallowed discount of tax due in any instance of registration where the department has reason to feel such recovery could be in jeopardy.

(16) Sales of vending machines, service machines and amusement devices to persons who will operate the same are sales at retail and the retail sales tax is applicable to all such sales.

(17) Use tax. The use tax applies to all tangible personal property used by persons making sales through vending machines, upon which the retail sales tax has not been paid, except inventory items resold through such machines.

Revised April 28, 1978.

Effective July 1, 1978.

[Statutory Authority: RCW 82.32.300. 86-18-022 (Order ET 86-15), § 458-20-187, filed 8/26/86. Statutory Authority: RCW 82.01.060(2)

and 82.32.300. 78-07-045 (Order ET 78-4), § 458-20-187, filed 6/27/78; Order ET 73-1, § 458-20-187, filed 11/2/73; Order ET 71-1, § 458-20-187, filed 7/22/71; Order ET 70-3, § 458-20-187 (Rule 187), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-18801 Prescription drugs, prosthetic and orthotic devices, and ostomic items.**

**BUSINESS AND OCCUPATION TAX**

The business and occupation tax applies to all sales of drugs, medicines, prescription lenses, or other substances used for diagnosis, cure, mitigation, treatment, or prevention of disease or other ailment, except that the business tax does not apply to:

(a) Sales of prescription drugs furnished as an integral part of services rendered by a hospital or other entity which meets all the conditions for exemption for services generally under RCW 82.04.4289 (see WAC 458-20-168); or

(b) Sales of prescription drugs furnished as an integral part of services rendered by a hospital as defined by chapter 70.41 RCW, when such hospital is operated by the United States government, the state, or a political subdivision of the state.

**RETAIL SALES TAX**

A deduction is allowed from gross retail sales for sales to patients of drugs, medicines, prescription lenses, or other substances, but only when

- (a) Dispensed by a licensed dispensary
- (b) Pursuant to a written prescription
- (c) Issued by a medical practitioner
- (d) For diagnosis, cure, mitigation, treatment, or prevention of disease or other ailment in humans.

This deduction does not apply to sales of food. Thus, dietary supplements or dietary adjuncts do not qualify for the deduction even though prescribed by a physician.

The retail sales tax does not apply to sales of prosthetic and orthotic devices prescribed by physicians, osteopaths, or chiropractors, nor to sales of ostomic items.

Sales claimed deductible under this rule must be separately accounted for. As proof of entitlement to the deduction, sellers must retain in their files the written prescription bearing the signature of the medical practitioner who issued the prescription and the name of the patient for whom prescribed. See also WAC 458-20-150 Optometrists, ophthalmologists, and oculists; 458-20-151 Dentists, dental laboratories and physicians; and 458-20-168 Hospitals.

**USE TAX**

The use tax does not apply to the articles and products deductible for sales tax as specified herein.

**DEFINITIONS:**

(1) **Prescription** means a formula or recipe or an order therefor written by a medical practitioner for the composition, preparation and use of a healing, curative or diagnostic substance, and also includes written directions and specifications by physicians or optometrists for the preparation, grinding, and fabrication of lenses intended to aid or correct visual defects of anomalies of humans.

(2) **Other substances** means products such as catalytics, hormones, vitamins, and steroids, but the term does not include devices, instruments, equipment, and similar articles.

(3) **Food** means any substance the chief general use of which is for human nourishment.

(4) **Medical practitioner** means a person within the scope of RCW 18.64.011(9) who is authorized to prescribe drugs, but excluding veterinarians, and for the purposes of this rule includes also persons licensed by chapter 18.53 RCW to issue prescriptions for lenses.

(5) **Licensed dispensary** means a drug store, pharmacy or dispensary licensed by chapter 18.64 RCW or a dispensing optician licensed by chapter 18.34 RCW.

(6) **Prosthetic devices** are artificial substitutes which replace missing parts of the human body, such as a limb, bone, joint, eye, tooth, or other organ or part thereof, and materials which become ingredients or components of prostheses.

(7) **Orthotic devices** are fitted surgical apparatus designed to activate or supplement a weakened or atrophied limb or function. They include braces, collars, casts, splints, and other specially fitted apparatus as well as parts thereof. Orthotic devices do not include durable medical equipment such as wheelchairs, crutches, walkers, and canes nor consumable supplies such as elastic stockings, arch pads, belts, supports, bandages, and the like, whether prescribed or not.

(8) **Ostomic items** are medical supplies used by colostomy, ileostomy, and urostomy patients. These include bags, tapes, tubes, adhesives, deodorants, soaps, jellies, creams, germicides, and sundry related supplies.

[Statutory Authority: RCW 82.32.300. 83-07-032 (Order ET 83-15), § 458-20-18801, filed 3/15/83. Statutory Authority: RCW 82.01.060(2) and 82.32.300. 78-07-045 (Order ET 78-4), § 458-20-18801 (Rule 188), filed 6/27/78; Order 74-2, § 458-20-188 (codified as WAC 458-20-18801), filed 6/24/74.]

**WAC 458-20-189 Sales to and by the state of Washington, counties, cities, school districts and other municipal subdivisions.** (1) Business and occupation tax. No deduction is allowed a seller in computing tax under the provisions of the business and occupation tax with respect to sales to the state of Washington, its departments and institutions or to counties, cities, school districts, or other municipal subdivisions thereof.

(2) The state of Washington, its departments and institutions, as distinct from its corporate agencies or instrumentalities, are not subject to the provisions of the business and occupation tax. Counties, cities, and other municipal subdivisions are not subject to the business and occupation tax upon amounts derived from license and permit fees, inspection fees, fees for copies of public records, reports and studies, processing fees involving fingerprinting and environmental impact statements, and taxes, fines or penalties, and interest thereon.

(3) Counties, cities and other municipal subdivisions are taxable with respect to amounts derived, however designated, from any "utility or enterprise activity" for which a specific charge is made.

(4) Utility activities. "Utility activities," which are taxable under the public utility tax, include water and

electrical energy distribution, public transportation services, and sewer collection services. (See WAC 458-20-179.)

(5) Enterprise activity. An "enterprise activity," for the purposes of this rule, is an activity financed and operated in a manner similar to private business enterprises. The term includes activities which are generally in competition with private business enterprises and are over fifty percent funded by user fees. The term does not include activities which are exclusively governmental.

(6) Amounts derived from enterprise activities consisting of or from admission fees to special events, user fees (lockers, checkrooms), moorage fees (less than thirty days), cemetery and crematory fees, the granting of media broadcasting rights, and the granting of a license to use real property are taxable under the service and other activities classification of the business and occupation tax.

(7) Amounts derived from enterprise activities consisting of or from fees for participation in amusement or recreation (pay for play), user fees for off-street parking and garages, and charges for sale and rental of tangible personal property are taxable under the retailing classification of the business and occupation tax.

(8) Under RCW 82.04.419, amounts derived from an activity which is not a "utility or enterprise activity" are tax exempt. Such tax exempt amounts include admission fees other than to special events, fees for on-street metered parking and parking permits, instruction fees, health program fees, athletic team registration fees, and interagency and intergovernmental charges for services rendered.

(9) All counties, cities and other municipal subdivisions engaging in utility or enterprise activities and all corporate agencies or instrumentalities of the state of Washington engaging in business activities are subject to tax as follows:

(a) Extracting or manufacturing – taxable upon the value of products manufactured or extracted.

(b) Retailing or wholesaling – taxable upon gross proceeds of sales.

(c) Persons taxable under either the retailing or wholesaling classifications are not taxable under either extracting or manufacturing in respect to sales of articles extracted or manufactured by them in this state.

(d) Service and other business activities – taxable under the service and other business activities classification upon the gross income derived from services rendered by them.

(e) Public utility activities – taxable upon the gross income of the business (see WAC 458-20-179 and 458-20-17901).

(10) Counties and cities are not subject to the business and occupation tax on the cost of labor and service in the mining, sorting, crushing, screening, washing, hauling and stockpiling of sand, gravel and rock taken from a pit or quarry owned by or leased to the county or city when these materials are sold at cost to another county or city for use on public roads. (See also WAC 458-20-171.)

(11) For operation of hospitals by the state or its political subdivisions see WAC 458-20-168 and 458-20-188.

(12) The business and occupation tax does not apply to the value of materials printed solely for their own use by school districts, educational service districts, counties, cities, towns, libraries, or library districts.

(13) Retail sales tax. The retail sales tax applies to all retail sales made to the state of Washington, its departments and institutions and to counties, cities, school districts and all other municipal subdivisions of the state. The retail sales tax does not apply to sales to city or county housing authorities which were created under the provisions of the Washington housing authorities law, chapter 35.82 RCW. An exemption is also allowed municipal corporations, the state and all political subdivisions thereof for that portion of the selling price of contracts for watershed protection or flood control which is reimbursed by the United States government according to the provisions of the Watershed Protection and Flood Prevention Act, Public Law 566, as amended. The retail sales tax does not apply to sales of the entire operating property of a publicly or privately owned public utility, or of a complete operating integral section thereof, to the state or a political subdivision thereof for use in conducting any public utility enterprise except a tugboat business (RCW 82.08.0256).

(14) Where tangible personal property or taxable services are purchased by the state of Washington, its departments or institutions for the purpose of resale to any other department or institution of the state of Washington, or for the purpose of consuming the property purchased in manufacturing or producing for use or for resale to any other department or institution of the state of Washington a new article of which such property is an ingredient or component part, the transaction is deemed a purchase at retail and the retail sales tax must be paid by the state of Washington to its vendors. So-called sales between a department or institution of the state of Washington and any other such department or institution constitute interdepartmental charges (see WAC 458-20-201) and the retail sales tax is not applicable.

(15) The state of Washington, its departments and institutions and all counties, cities, and other municipal subdivisions are required to collect the retail sales tax on all retail sales of tangible personal property or services classified as retail sales, including sales of equipment or other capital assets. The retail sales tax is not applicable to charges for the production, searching, or copying of public records or documents by such public agencies charged with the responsibility to keep and provide such information. However, the tax does apply to charges for the sale of books, rules, regulations, and other materials sold from an inventory of such things, even though the charge is required by law or covers only the costs of production and distribution of such materials. The retail sales tax is not applicable to the cost of labor and services in the mining, sorting, crushing, screening, washing, hauling and stockpiling of sand, gravel and rock taken from a pit or quarry owned by or leased to the

county or city when these materials are sold at cost to another county or city for use on public roads. (See also WAC 458-20-171.)

(16) The sales tax does not apply to sales to the state or a local governmental unit thereof of ferry vessels, component parts thereof, nor labor and services in respect to construction or improvement of such vessels.

(17) Use tax. The state of Washington, its departments and institutions and all counties, cities, school districts, and other municipal subdivisions are required to report the use tax upon the use of all tangible personal property purchased or acquired under conditions whereby the Washington retail sales tax has not been paid.

(18) Counties and cities are not subject to use tax upon the cost of labor and services in the mining, sorting, crushing, screening, washing, hauling, and stockpiling of sand, gravel, and rock taken from a pit or quarry owned or leased to a county or city when the materials are for use on public roads.

(19) The use tax does not apply to the use of ferry vessels or component parts thereof by the state or local governmental units.

(20) Public utility tax. No deduction in computing tax liability under the provisions of the public utility tax is allowed to any person or firm by reason of the fact that sales are to the state of Washington or any of its municipal subdivisions.

(21) Counties, cities and other municipal subdivisions of the state operating public utilities or public service businesses are subject to the provisions of the public utility tax.

(22) Neither the public utility tax nor the business tax apply to amounts or value paid or contributed to any county, city, town, political subdivision, or municipal or quasi municipal corporation of the state of Washington representing payments of special assessments or installments thereof and interests and penalties thereon, charges in lieu of assessments, or any other charges, payments or contributions representing a share of the cost of capital facilities constructed or to be constructed or for the retirement of obligations and payment of interest thereon issued for capital purposes. Service charges shall not be included in this exemption even though used wholly or in part for capital purposes (see WAC 458-20-179).

(23) Where there is doubt as to the tax consequences applicable to any activity or transaction, the question should be submitted to the department of revenue for determination.

[Statutory Authority: RCW 82.32.300. 86-18-069 (Order 86-16), § 458-20-189, filed 9/3/86; 85-22-041 (Order 85-6), § 458-20-189, filed 11/1/85; 85-04-016 (Order 85-1), § 458-20-189, filed 1/29/85; 83-07-033 (Order ET 83-16), § 458-20-189, filed 3/15/83; Order ET 70-3, § 458-20-189 (Rule 189), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-190 Sales to and by the United States, its departments, institutions and instrumentalities--Sales to foreign governments.**

(1986 Ed.)

#### BUSINESS AND OCCUPATION TAX

The United States, its departments, institutions and instrumentalities, including corporate instrumentalities, are not subject to tax under chapter 82.04 RCW.

In computing business tax liability of others, no deduction from value of products, gross sales or gross income is allowed in respect to business transacted with the United States, its departments, institutions or instrumentalities.

#### RETAIL SALES TAX

The retail sales tax does not apply to sales to the United States, its departments, institutions and instrumentalities, except sales to such institutions as have been chartered or created under federal authority, but which are not directly operated and controlled by the government for the benefit of the public generally.

Departments, instrumentalities or agencies which are directly operated and controlled by the federal government for the benefit of the public generally include, among others, the departments of Agriculture, Commerce, Interior (including the Bonneville Power Administration and the Tennessee Valley Authority), Justice, Labor, Post office, State, and Treasury, also the National Military Establishment which includes the departments of the Army, the Navy and the Air Force. Also, the following federal agencies are exempt from payment of sales tax either by reason of congressional exemption in the course of their establishment or by reason of specific federal statutory exemption: The Civil Service Commission, Farm Credit Administration, Federal Housing Administration (including Housing and Urban Development), Federal Land Banks, Federal Reserve Banks, Home Owner's Loan Corporation, Interstate Commerce Commission, Rural Electrification Administration, Social Security Board, United States Maritime Commission, Veterans' Administration, and federally chartered credit unions, federal home loan banks, farm credit banks, export-import bank, Federal Savings and Loan Insurance Corporation, Federal Deposit Insurance Corporation, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Federal National Mortgage Association, Farm Loan Associations, and Central Banks for Cooperatives, the stock of which is owned by the United States.

The retail sales tax does not apply to sales made by the United States, or any instrumentality thereof, or by voluntary unincorporated organizations of Army or Navy personnel to authorized purchasers within a federal area. The term "authorized purchasers" means civil employees and members of the armed forces of the United States who are permitted to purchase from such organizations under regulation by the secretaries of Navy, Army, Air Force, or Defense.

Sales to persons in the Army or Navy service of the United States, including civilian employees in such service, are not exempt from the retail sales tax, except where such sales are made to them as authorized purchasers by an instrumentality of the United States operating exclusively within a federal area. Furthermore, no

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exemption is permitted with respect to sales to or by voluntary unincorporated organizations of Army or Navy personnel which are not instrumentalities of the United States, national banking associations, persons licensed to engage in private businesses under federal statutes, or contractors engaged in performing contracts for the United States government. Likewise, the retail sales tax applies upon the sales made to the department of employment security of the state of Washington, irrespective of whether or not such department is reimbursed therefor with federal funds.

Sales to federal employees or representatives of the federal government are subject to sales tax, even though the federal government may reimburse them for all or a part of such expenses. Direct purchases by the federal government are sales tax exempt, but purchases by others whether with federal funds or through a reimbursement arrangement are fully subject to the retail sales tax.

**FOREIGN GOVERNMENTS.** The retail sales tax does not apply to sales to a foreign government or to any department thereof.

#### USE TAX

The use tax does not apply upon the use of any article by the United States, its departments, institutions and instrumentalities, except institutions chartered or created under federal authority, but which are not directly operated and controlled by the government for the benefit of the public generally, nor does said tax apply upon the use of any article by a foreign government.

#### PUBLIC UTILITY TAX

In computing the public utility tax no deduction is allowed with respect to gross operating revenue derived from services supplied or furnished to the United States, its departments, institutions or instrumentalities.

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-190, filed 3/15/83; Order ET 75-1, § 458-20-190, filed 5/2/75; Order ET 70-3, § 458-20-190 (Rule 190), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-191 Federal reservations.** The state of Washington has jurisdiction and authority to levy and collect taxes under the provisions of the Revenue Act of 1935, as amended, upon persons residing within, or with respect to business transactions conducted upon federal reservations: *Provided however*, That no tax may be levied upon or collected from the United States, its departments, institutions and instrumentalities or from any authorized purchaser therefrom. (See WAC 458-20-190.)

A concessionaire, operating within a federal area under a grant or permit issued by the United States or by a department or instrumentality thereof, is not exempt from state excise taxes, but is taxable to the same extent as any private operator engaging in a similar business outside a federal area and without specific authority from the United States.

The term "federal reservation," as used herein, means any land or premises within the exterior boundaries of the state of Washington which are held or acquired by

and for the use of the United States, its departments, institutions or instrumentalities.

#### BUSINESS AND OCCUPATION TAX

**RETAILING AND WHOLESALING.** Persons making retail or wholesale sales to persons residing within or conducting business upon federal reservations are taxable upon gross proceeds of sales under the retailing or wholesaling classification.

With respect to the tax liability of sales to the United States, its departments, institutions or instrumentalities under these classifications, see WAC 458-20-190.

**SERVICE AND OTHER BUSINESS ACTIVITIES.** Persons performing services within federal reservations are taxable under the service and other business activities classification upon the gross income derived therefrom, irrespective of the fact that such services are rendered for the United States, its departments, institutions or instrumentalities, or for military personnel.

#### RETAIL SALES TAX

The retail sales tax applies to all retail sales made to or by persons residing within or conducting business upon federal reservations, excepting sales made to the United States, and also excepting sales made by the United States or an instrumentality thereof to authorized purchasers.

The retail sales tax applies upon retail sales made by concessionaires to military personnel and others.

#### USE TAX

Persons residing within or conducting business upon federal reservations who produce or manufacture tangible personal property for commercial use or who purchase tangible personal property under conditions wherein the Washington retail sales tax has not been paid are subject to the provisions of the use tax.

The use tax does not apply to the use of property by the United States or any instrumentality thereof nor to the use of property sold by the United States or any instrumentality thereof to any authorized purchaser for use in such reservation. The term "authorized purchaser," as used herein, means and includes those persons who are permitted to purchase from voluntary unincorporated organizations of military personnel operating exclusively within federal reservations and authorized by the Secretary of Defense.

#### CIGARETTE TAX

Washington cigarette tax stamps must be affixed to all cigarettes sold to persons residing within or conducting business upon federal reservations: *Provided however*, That such stamps need not be affixed to cigarettes sold to the United States or any instrumentality thereof including voluntary organizations of military personnel authorized by the Secretary of Defense or the Secretary of the Navy or by the United States or any instrumentality thereof to authorized purchasers, for use in such reservation.

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-191, filed 3/15/83; Order ET 75-1, § 458-20-191, filed

5/2/75; Order ET 70-3, § 458-20-191 (Rule 191), filed 5/29/70, effective 7/1/70.]

### WAC 458-20-192 Indians--Indian reservations.

#### DEFINITIONS

The term "Indian reservation," as used herein, means all lands, notwithstanding the issuance of any patent, within the exterior boundaries of areas set aside by the United States for the exclusive use and occupancy of Indian tribes by treaty, law, or executive order and which are areas currently recognized as "Indian reservations" by the United States Department of the Interior.

The following Washington reservations are the only "Indian reservations" currently recognized as such by the United States Department of Interior: Chehalis, Colville, Hoh, Kalispell, Lower Elwha, Lummi, Makah, Muckleshoot, Nisqually, Nooksack, Ozette, Port Gamble, Port Madison, Puyallup, Quileute, Quinault, Shoalwater, Skokomish, Spokane, Squaxin Island, Swinomish, Tulalip, and Yakima.

The term "Indian tribe," as used herein, means any organized Indian nation, tribe, band, or community recognized as an "Indian tribe" by the United States Department of the Interior.

The term "Indian," as used herein, means a person duly registered on the tribal rolls of the Indian tribe occupying an Indian reservation.

Note: For purposes of this rule, with respect to determining tax liability regarding any economic transaction or activity, the term "Indian tribe" includes only an Indian tribe upon and within whose Indian reservation such transaction or activity occurs, and the term "Indian" includes only a person duly registered on the tribal rolls of the Indian tribe upon and within whose Indian reservation such transaction or activity occurs.

Under the revenue laws of the state of Washington, the tax liability of Indians and of persons conducting business with Indians is as follows:

#### BUSINESS AND OCCUPATION TAX

Indians and Indian tribes are not taxable with respect to business conducted by them within an Indian reservation.

No deduction is allowed to others by reason of business conducted with Indians or Indian tribes within an Indian reservation.

#### RETAIL SALES TAX

Indians and Indian tribes are not subject to the sales tax upon sales to them of tangible personal property made, or otherwise taxable services rendered, within an Indian reservation.

Sales of tangible personal property to Indians or Indian tribes by off-reservation persons are subject to the retail sales tax except where the seller makes actual delivery of the property sold to a point within an Indian reservation.

Sales of taxable services to Indians or Indian tribes are subject to the retail sales tax except where the services are rendered within an Indian reservation.

Sales to persons other than Indians are subject to the retail sales tax irrespective of where delivery or rendition

of services takes place. Thus, Indian and Indian tribal retailers are required to collect and remit to the state the retail sales tax upon each taxable sale made by them within an Indian reservation to persons other than Indians.

In order to substantiate the tax-exempt status of a retail sale made within an Indian reservation to an Indian purchaser, unless the purchaser is personally known to the retailer as an enrolled Indian, the retailer shall require presentation of a tribal membership card identifying the purchaser as duly registered on the tribal rolls of an Indian tribe under such lawful criteria as the tribal organization has established. A record shall be retained by the retailer of all tax-exempt sales to support the sales tax deduction on returns filed with the department, identifying the dollar amount of the sale and indicating the name of the purchaser, tribal affiliation of the purchaser, the Indian reservation to which or within which delivery or rendition of services was made, and the date of sale.

#### USE TAX

Indians and Indian tribes are not subject to the use tax upon the use of tangible personal property within an Indian reservation. However, Indians and Indian tribes will become liable for the use tax when any such property is placed into actual use outside the Indian reservation, irrespective of the fact that the first use of the property may have been within the reservation.

SPECIAL APPLICATION OF RETAIL SALES TAX AND USE TAX WITH RESPECT TO SALES OF MOTOR VEHICLES OR TRAILERS TO INDIANS AND INDIAN TRIBES. When motor vehicles or trailers sold to Indians or Indian tribes are licensed by the state of Washington at the time of sale, or at any time thereafter, a presumption is raised that such motor vehicles or trailers are for use on the highways of the state of Washington outside the reservation. When motor vehicles or trailers are licensed prior to delivery, dealers are required to collect the retail sales tax in every instance when valid plates remain on the vehicle or trailer, regardless of delivery point. County auditors must collect the use tax when Indians or Indian tribes apply for a license or transfer of registration unless the applicant can show that retail sales tax or use tax has previously been paid on the sale or use of the vehicle or trailer by the applicant.

#### CIGARETTE TAX

Sales of cigarettes to non-Indians by Indians or Indian tribes are subject to the cigarette tax, since the tax is levied upon the non-Indian purchaser and the vendor is obligated to make precollection of the tax. Therefore, Indian or tribal vendors making, or intending to make, sales to non-Indian customers must purchase a stock of cigarettes with Washington state cigarette tax stamps affixed for the purpose of making such sales. However, Indians and Indian tribes may make purchases of unstamped cigarettes from licensed cigarette distributors for resale to qualified purchasers. For purposes of this

rule, "qualified purchaser" means (1) an Indian purchasing for resale within the reservation to other Indians, and (2) an Indian purchasing solely for his or her use other than for resale.

Delivery or sale and delivery by any person of unstamped cigarettes to Indians or tribal vendors for sale to qualified purchasers may be made only in such quantity as is approved in advance by the department of revenue. Approval for delivery will be based upon evidence of a valid purchase order of a quantity reasonably related to the probable demand of qualified purchasers in the trade territory of the vendor. Evidence submitted may also consist of verified record of previous sales to qualified purchasers, the probable demand as indicated by average cigarette consumption for the number of qualified purchasers within a reasonable distance of the vendor's place of business, records indicating the percentage of such trade that has historically been realized by the vendor, or such other statistical evidence submitted in support of the proposed transaction. In the absence of such evidence the department may restrict total deliveries of unstamped cigarettes to any reservation or to any Indian or tribal vendor thereon to a quantity reasonably equal to the national average cigarette consumption per capita, as compiled for the most recently completed calendar or fiscal year by the Tobacco Tax Institute, multiplied by the resident enrolled membership of the affected tribe. Any delivery, or attempted delivery, of unstamped cigarettes to an Indian or tribal vendor without advance approval by the department will result in the treatment of those cigarettes as contraband and subject to seizure and in addition the person making or attempting such delivery will be held liable for payment of the cigarette tax and penalties. Approval for sale or delivery to Indian or tribal vendors of unstamped cigarettes will be denied where the department finds that such Indian or tribal vendors are or have been making sales in violation of this rule.

Delivery of unstamped cigarettes by a licensed distributor to Indians or Indian tribes must be by bonded carrier or the distributor's own vehicle to the Indian reservation. Delivery of unstamped cigarettes at the distributor's dock or place of business or any other off-reservation location is prohibited.

Revised November 14, 1980.

[Statutory Authority: RCW 82.32.300. 80-17-026 (Order ET 80-3), § 458-20-192, filed 11/14/80; Order ET 76-4, § 458-20-192, filed 11/12/76; Order ET 74-5, § 458-20-192, filed 12/16/74; Order ET 70-3, § 458-20-192 (Rule 192), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-193A Sales of goods originating in Washington to persons in other states.**

WAC 458-20-193 deals with interstate and foreign commerce and is published in four separate parts:

- Part A. Sales of goods originating in Washington to persons in other states.
- Part B. Sales of goods originating in other states to persons in Washington.

Part C. Imports and exports: Sales of goods from or to persons in foreign countries.

Part D. Transportation, communication, public utility activities, or other services in interstate or foreign commerce.

Part A.

**BUSINESS AND OCCUPATION TAX**

**RETAILING AND WHOLESALING.** Where tangible personal property in Washington is delivered to the purchaser in this state, the sale is subject to tax under the retailing or wholesaling classification, even though the purchaser intends to and thereafter does transport or send the property out of state for use or resale there, or for use in conducting interstate or foreign commerce. It is immaterial that the contract of sale or contract to sell is negotiated and executed outside the state, that the purchaser resides outside the state, or that the purchaser is a carrier.

Where the seller agrees to and does deliver the goods to the purchaser at a point outside the state, neither retailing nor wholesaling business tax is applicable. Such delivery may be by the seller's own transportation equipment or by a carrier for hire. In either case for proof of entitlement to exemption the seller is required to retain in his records documentary proof (1) that there was such an agreement and (2) that delivery was in fact made outside the state. Acceptable proof will be:

(a) The contract or agreement AND

(b) If shipped by a for hire carrier, a waybill, bill of lading or other contract of carriage by which the carrier agrees to transport the goods sold, at the risk and expense of the seller, to the buyer at a point outside the state; or

(c) If sent by the seller's own transportation equipment, a tripsheet signed by the person making delivery for the seller and showing the (1) buyer's name and address, (2) time of delivery to the buyer, together with (3) signature of the buyer or his representative acknowledging receipt of the goods at the place designated outside the state of Washington.

**EXTRACTING, MANUFACTURING.** Persons engaged in these activities in Washington and who transfer or make delivery of articles produced to points outside the state are subject to business tax under the extracting or manufacturing classification and are not subject to tax under the retailing or wholesaling classification. See also WAC 458-20-135 and 458-20-136. The activities taxed occur entirely within the state, are inherently local, and are conducted prior to the commercial journey. The tax is measured by the value of products as determined by the selling price. See WAC 458-20-112. It is immaterial that the value so determined includes an additional increment of value because the sale occurs outside the state.

**EXTRACTING OR PROCESSING FOR HIRE, PRINTING AND PUBLISHING, REPAIR OR ALTERATION OF PROPERTY FOR OTHERS.** These activities when performed in Washington are also inherently local and the gross income or total

charge for work performed is subject to business tax, since the operating incidence of the tax is upon the business activity performed in the state. No deduction is permitted even though the articles produced, imprinted, repaired or altered are delivered to persons outside the state. It is immaterial that the customers are located outside the state, that the work was negotiated or contracted for outside the state, or that the property was shipped in from without the state for such work.

RETAIL SALES TAX

The retail sales tax is imposed upon all retail sales made within this state. The legal incidence of the tax is upon the buyer and the seller is obligated to collect and remit the tax to the state upon civil and criminal penalties. The retail sales tax applies to all sales to consumers of goods located in the state when delivery is made in Washington, irrespective of the fact that the purchaser may use the property elsewhere. However, see WAC 458-20-174, 458-20-175, 458-20-176, 458-20-177, 458-20-238 and 458-20-239 for certain statutory exemptions.

The retail sales tax does not apply when, as a necessary incident to the contract of sales, the seller agrees to, and does, deliver the property to the buyer at a point outside the state, or delivers the same to a for hire carrier consigned to the purchaser outside the state. The facts must disclose that the carrier is the agent of the seller and the seller must retain proof of exemption as outlined above under retailing and wholesaling.

A statutory exemption (RCW 82.08.0269) is allowed in respect to sales for use in states, territories and possessions of the United States which are not contiguous to any other state (Alaska, Hawaii, etc.), but only when, as a necessary incident to the contract of sale, the seller delivers the property to the purchaser or his designated agent at the usual receiving terminal of the carrier selected to transport the goods, under such circumstance that it is reasonably certain that the goods will be transported directly to a destination in such noncontiguous states, territories and possessions.

As proof of exemption, the vendor must retain the following as part of his permanent sales records:

(a) A certification of the buyer that the goods being purchased will not be used in the state of Washington and are intended for use in the specified noncontiguous state, territory or possession.

(b) Written instructions signed by the buyer directing delivery of the goods to a dock, depot, warehouse, airport or other receiving terminal of the transportation agency designated by him for transportation of the goods to their place of ultimate use. Where the buyer is also the carrier, delivery may be to a warehouse receiving terminal or other facility maintained by the buyer when the circumstances are such that it is reasonably certain that the goods will be transported directly to their place of ultimate use.

(c) A dock receipt, memorandum bill of lading, trip sheet, cargo manifest or other document evidencing actual delivery to such dock, depot, warehouse or receiving terminal.

As to persons whose purchases from a vendor are primarily for use in states, territories and possessions which are not contiguous to any other state and are delivered as herein provided, the requirements of "a" and "b" above may be complied with through the use of a blanket exemption certificate as follows:

EXEMPTION CERTIFICATE

We hereby certify that all of the goods which we have purchased and which we will purchase from you will not be used in the State of Washington but are for use in the state, territory or possession of -----.

You are hereby directed to deliver all such goods to the dock, depot, warehouse or other receiving terminal of the following transportation agency or agencies:

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for the transportation of those goods to their place of ultimate use.

This certificate shall be considered a part of each order that we have given you and which we may hereafter give to you, unless otherwise specified, and shall be valid until revoked by us in writing.

DATED-----

-----  
-----  
(Purchaser)

By -----  
(Officer or Agent)

Address -----

No deduction is allowed under the business and occupation tax of the gross proceeds of sales made in the manner hereinabove described.

See WAC 458-20-173 for explanation of sales tax exemption in respect to charges for labor and materials in the repair, cleaning or altering of tangible personal property for nonresidents when the repaired property is delivered to the purchaser at an out-of-state point.

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-193A, filed 3/15/83; Order ET 70-3, § 458-20-193A (Rule 193 Part A), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-193B Sales of goods originating in other states to persons in Washington.**

WAC 458-20-193 deals with interstate and foreign commerce and is published in four separate parts:

- Part A. Sales of goods originating in Washington to persons in other States.
- Part B. Sales of goods originating in other states to persons in Washington.
- Part C. Imports and exports: Sales of goods from or to persons in foreign countries.
- Part D. Transportation, communication, public utility activities, or other services in interstate or foreign commerce.

## Part B.

## BUSINESS AND OCCUPATION TAX

RETAILING, WHOLESALING. Sales to persons in this state are taxable when the property is shipped from points outside this state to the buyer in this state and the seller carries on or has carried on in this state any local activity which is significantly associated with the seller's ability to establish or maintain a market in this state for the sales. If a person carries on significant activity in this state and conducts no other business in this state except the business of making sales, this person has the distinct burden of establishing that the instate activities are not significantly associated in any way with the sales into this state. The characterization or nature of the activity performed in this state is immaterial so long as it is significantly associated in any way with the seller's ability to establish or maintain a market for its products in this state. The essential question is whether the instate services enable the seller to make the sales.

Applying the foregoing principles to sales of property shipped from a point outside this state to the purchaser in this state, the following activities are examples of sufficient local nexus for application of the business and occupation tax:

(1) The seller's branch office, local outlet or other place of business in this state is utilized in any way, such as in receiving the order, franchise or credit investigation, or distribution of the goods.

(2) The order for the goods is given in this state to an agent or other representative connected with the seller's branch office, local outlet, or other place of business.

(3) The order for the goods is solicited in this state by an agent or other representative of the seller.

(4) The delivery of the goods is made by a local outlet or from a local stock of goods of the seller in this state.

(5) Where an out-of-state seller, either directly or by an agent or other representative, performs significant services in relation to establishment or maintenance of sales into the state, the business tax is applicable, even though (a) the seller may not have formal sales offices in Washington or (b) the agent or representative may not be formally characterized as a "salesman."

(6) Where an out-of-state seller either directly or by an agent or other representative in this state installs its products in this state as a condition of the sale, the installation services shall be deemed significant services for establishing or maintaining a market in this state for such installed products and the gross proceeds from the sale and installation are subject to business tax.

Under the foregoing principles, sales transactions in which the property is shipped directly from a point outside the state to the purchaser in this state are exempt only if there is and there has been no participation whatsoever in this state by the seller's branch office, local outlet, or other local place of business, or by an agent or other representative of the seller. A franchise or credit investigation of a prospective purchaser and/or recommendation or approval by a local office upon

which subsequent transactions are based is such a utilization of the local office as to render such subsequent transactions taxable.

CONSTRUCTION, REPAIR. Construction or repair of buildings or other structures, public road construction, repair of tangible personal property and similar contracts performed in this state are inherently local business activities subject to tax even though materials involved may have been delivered from outside the state or the contracts may have been negotiated outside the state and notwithstanding the fact that the work may be done by foreign vendors who performed preliminary services outside the state with respect thereto.

RENTING OR LEASING OF TANGIBLE PERSONAL PROPERTY. Persons outside this state who rent or lease tangible personal property for use in this state are subject to tax upon their gross proceeds from such rentals, irrespective of the fact that possession to the property leased may have passed to the lessee outside the state or that the lease agreement may have been consummated outside the state.

## SALES AND USE TAX

Retail sales tax must be collected and accounted for in every case where business and occupation tax is due as outlined above.

The following sets forth the conditions under which out-of-state vendors are required to collect and remit the retail sales tax or use tax on deliveries to customers in this state. It conforms to the recommended jurisdiction standards of the multistate tax commission.

JURISDICTION STANDARD. A vendor is required to pay or collect and remit the tax imposed by chapter 82.08 or 82.12 RCW if within this state he directly or by any agent or other representative:

(1) Has or utilizes an office, distribution house, sales house, warehouse, service enterprise or other place of business; or

(2) Maintains a stock of goods; or

(3) Regularly solicits orders whether or not such orders are accepted in this state, unless the activity in this state consists solely of advertising or of solicitation by direct mail; or

(4) Regularly engages in the delivery of property in this state other than by common carrier or U.S. mail; or

(5) Regularly engages in any activity in connection with the leasing or servicing of property located within this state.

All vendors who are registered with the department of revenue are required to collect use tax or sales tax from all persons to whom goods are sold for use in this state irrespective of the absence of local activity on any given sale.

Every person who engages in this state in the business of acting as an independent selling agent for unregistered principals, and who receives compensation by reason of sales of tangible personal property of such principals for use in this state, is required to collect the use tax from purchasers, and remit the same to the department of revenue, in the manner and to the extent set forth in WAC 458-20-221.

The use tax is imposed upon the use, including storage, of all tangible personal property acquired for any use or consumption in this state unless specifically exempt by statute.

[Statutory Authority: RCW 82.32.300, 83-07-033 (Order ET 83-16), § 458-20-193B, filed 3/15/83; Order ET 74-1, § 458-20-193B, filed 5/7/74; Order ET 70-3, § 458-20-193B (Rule 193 Part B), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-193C Imports and exports--Sales of goods from or to persons in foreign countries.**

WAC 458-20-193 deals with interstate and foreign commerce and is published in four separate parts:

- Part A. Sales of goods originating in Washington to persons in other states.
- Part B. Sales of goods originating in other states to persons in Washington.
- Part C. Imports and exports: Sales of goods from or to persons in foreign countries.
- Part D. Transportation, communication, public utility activities, or other services in interstate or foreign commerce.

Part C.

FOREIGN COMMERCE

Foreign commerce means that commerce which involves the purchase, sale or exchange of property and its transportation from a state or territory of the United States to a foreign country, or from a foreign country to a state or territory of the United States.

**IMPORTS.** An import is an article which comes from a foreign country (not from a state, territory or possession of the United States) for the first time into the taxing jurisdiction of a state.

Taxation of such goods is impermissible while the goods are still in the process of importation, i.e., while they are still in import transportation. Further, such goods are not subject to taxation if the imports are merely flowing through this state on their way to a destination in some other state.

**EXPORTS.** An export is an article which originates within the taxing jurisdiction of the state destined for a purchaser in a foreign country. Thus ships stores and supplies are not exports.

BUSINESS AND OCCUPATION TAX

WHOLESALE AND RETAILING.

**IMPORTS.** Sales of imports by an importer or his agent are not taxable and a deduction will be allowed with respect to the sales of such goods, if at the time of sale such goods are still in the process of import transportation. Immunity from tax does not extend: (1) To the sale of imports to Washington customers by the importer thereof or by any person after completion of importation whether or not the goods are in the original unbroken package or container; nor (2) to the sale of imports subsequent to the time they have been placed in use in this

state for the purpose for which they were imported; nor (3) to sales of products which, although imports, have been processed or handled within this state or its territorial waters.

**EXPORTS.** A deduction is allowed with respect to export sales when as a necessary incident to the contract of sale the seller agrees to, and does deliver the goods (1) to the buyer at a foreign destination; or (2) to a carrier consigned to and for transportation to a foreign destination; or (3) to the buyer at shipside or aboard the buyer's vessel or other vehicle of transportation under circumstances where it is clear that the process of exportation of the goods has begun, and such exportation will not necessarily be deemed to have begun if the goods are merely in storage awaiting shipment, even though there is reasonable certainty that the goods will be exported. The intention to export, as evidenced for example, by financial and contractual relationships does not indicate "certainty of export" if the goods have not commenced their journey abroad; there must be an actual entrance of the goods into the export stream.

In all circumstances there must be (a) a certainty of export and (b) the process of export must have started.

It is of no importance that title and/or possession of the goods pass in this state so long as delivery is made directly into the export channel. To be tax exempt upon export sales, the seller must document the fact that he placed the goods into the export process. That may be shown by the seller obtaining and keeping in his files any one of the following documentary evidence:

(1) A bona fide bill of lading in which the seller is shipper/consignor and by which the carrier agrees to transport the goods sold to the foreign buyer/consignee at a foreign destination; or

(2) A copy of the shipper's export declaration, showing that the seller was the exporter of the goods sold; or

(3) Documents consisting of:

(a) Purchase orders or contracts of sale which show that the seller is required to get the goods into the export stream, e.g., "f.a.s. vessel;" and

(b) Local delivery receipts, tripsheets, waybills, warehouse releases, etc., reflecting how and when the goods were delivered into the export stream; and

(c) When available, United States export or customs clearance documents showing that the goods were actually exported; and

(d) When available, records showing that the goods were packaged, numbered, or otherwise handled in a way which is exclusively attributable to goods for export.

Thus, where the seller actually delivers the goods into the export stream and retains such records as above set forth, the tax does not apply. It is not sufficient to show that the goods ultimately reached a foreign destination; but rather, the seller must show that he was required to, and did put the goods into the export process.

Sales of tangible personal property, of ships stores, and supplies to operators of steamships, etc., are not deductible irrespective of the fact that the property will be consumed on the high seas, or outside the territorial jurisdiction of this state, or by a vessel engaged in conducting foreign commerce. However, on July 1, 1985, a

statutory business and occupation tax deduction became effective for sales of fuel for consumption outside the territorial waters of the United States by vessels used primarily in foreign commerce. In order to qualify for this deduction sellers must take a certificate signed by the buyer or the buyer's agent stating: The name of the vessel for which the fuel is purchased; that the vessel is primarily used in foreign commerce; and, the amount of fuel purchased which will be consumed outside of the territorial waters of the United States. Sellers must exercise good faith in accepting such certificates and are required to add their own signed statement to the certificate to the effect that to best of their knowledge the information contained in the certificate is correct. The following is an acceptable certificate form:

FOREIGN FUEL EXEMPTION CERTIFICATE

SELLER: \_\_\_\_\_ VESSEL: \_\_\_\_\_

WE HEREBY CERTIFY that this purchase of (kind and amount of product) from (seller) will be consumed as fuel outside the territorial waters of the United States by the above-named vessel. We further certify that said vessel is used primarily in foreign commerce and that none of the fuel purchased will be consumed within the territorial boundaries of the State of Washington.

DATED \_\_\_\_\_, 19\_\_\_\_

\_\_\_\_\_  
Purchaser

\_\_\_\_\_  
Purchaser's Agent

By: \_\_\_\_\_

\_\_\_\_\_  
Title or Office

When a completed certification such as this is taken in good faith by the seller, the sale is exempt of business and occupation tax, whether made at wholesale or retail, and even though the fuel is delivered to the buyer in this state.

EXTRACTING, MANUFACTURING. Persons engaged in these activities in Washington and who transfer or make delivery of articles produced to points outside the state are subject to business tax under the extracting or manufacturing classification and are not subject to business tax under the retailing or wholesaling classification. See also WAC 458-20-135 and 458-20-136. The activities taxed occur entirely within the state, are inherently local, and are conducted prior to the commercial journey. The tax is measured by the value of products as determined by the selling price. See WAC 458-20-112. It is immaterial that the value so determined includes an additional increment of value because the sale occurs outside the state.

RETAIL SALES TAX

The same principles apply to the retail sales tax as are set forth for business and occupation tax above, except that certain statutory exemptions may apply. (See WAC 458-20-174, 458-20-175, 458-20-176, 458-20-177, 458-20-238 and 458-20-239.)

USE TAX

The use tax is imposed upon the use, including storage, of all tangible personal property acquired for any use or consumption in this state unless specifically exempt by statute.

[Statutory Authority: RCW 82.32.300. 86-07-005 (Order ET 86-3), § 458-20-193C, filed 3/6/86; 83-07-033 (Order ET 83-16), § 458-20-193C, filed 3/15/83; Order ET 76-3, § 458-20-193C, filed 8/31/76; Order ET 70-3, § 458-20-193C (Rule 193 Part C), filed 5/29/70, effective 7/1/70.]

WAC 458-20-193D Transportation, communication, public utility activities, or other services in interstate or foreign commerce.

WAC 458-20-193 deals with interstate and foreign commerce and is published in four separate parts:

- Part A. Sales of goods originating in Washington to persons in other states.
- Part B. Sales of goods originating in other states to persons in Washington.
- Part C. Imports and Exports: Sales of goods from or to persons in foreign countries.
- Part D. Transportation, communication, public utility activities, or other services in interstate or foreign commerce.

Part D.

BUSINESS AND OCCUPATION TAX, PUBLIC UTILITY TAX

In computing tax there may be deducted from gross income the amount thereof derived as compensation for performance of services which in themselves constitute interstate or foreign commerce to the extent that that a tax measured thereby constitutes an impermissible burden upon such commerce. A tax does not constitute an impermissible burden upon interstate or foreign commerce unless the tax discriminates against that commerce by placing a burden thereon that is not borne by intrastate commerce, or unless the tax subjects the activity to the risk of repeated exactions of the same nature from other states. Transporting across the state's boundaries is exempt, whereas supplying such transporters with facilities, arranging accommodations, providing funds and the like, by which they engage in such commerce is taxable.

EXAMPLES OF EXEMPT INCOME:

- (1) Income from those activities which consist of the actual transportation of persons or property across the state's boundaries is exempt.
- (2) That portion of commissions received by local brokers or commission merchants for interstate or foreign sales which was paid to out-of-state independent agents is exempt.
- (3) Income from services rendered by an out-of-state branch or office of the taxpayer regularly maintained outside the state is exempt. (See WAC 458-20-194.)

## EXAMPLES OF TAXABLE INCOME:

(1) Compensation received by persons engaged in business within this state for performance of business activities which are only ancillary to transportation across the state's boundaries is taxable.

(2) Compensation received by merchandise brokers or commission merchants for services rendered within this state to principals engaged in interstate or foreign commerce is taxable.

(3) Compensation received by contracting, stevedoring or loading companies for services performed within this state is taxable.

Persons engaged in stevedoring and associated activities involving the movement of goods and commodities in waterborne interstate or foreign commerce are subject to business tax at the rate .0033 upon the gross proceeds from such activities. Stevedoring and associated activities means all activities of a labor, service, or transportation nature whereby cargo is loaded or unloaded to or from vessels or barges, passing over, onto, or under a wharf, pier, or similar structure, including also the moving of cargo to a warehouse or similar holding or storage yard or area to await further movement in import or export; also the movement to a consolidation freight station to be stuffed, unstuffed, containerized, separated or otherwise segregated or aggregated for delivery or loading on any mode of transportation for delivery to its consignee. Specific activities included in this definition are: Wharfage, handling, loading, unloading, moving of cargo to a convenient place of delivery to the consignee or a convenient place for further movement to export mode; documentation services in connection with the receipt, delivery, checking, care, custody and control of cargo required in the transfer of cargo; imported automobile handling prior to delivery to consignee; terminal stevedoring and incidental vessel services, including but not limited to plugging and unplugging refrigerator service to containers, trailers, and other refrigerated cargo receptacles, and securing ship hatch covers.

Persons engaging in business as an international steamship agent, international customs house broker, international freight forwarder, vessel and/or cargo charter broker in foreign commerce, or international air cargo agent are subject to business tax at the rate .0033 upon gross income with respect to such international activities.

In computing public utility tax, there may be deducted from gross income so much thereof as is derived from actually transporting persons or property or transmitting communications or electrical energy, from this state to another state or territory or to a foreign country and vice versa.

Persons, including dock companies or wharfage companies, are permitted no deduction from gross income of amounts received for services performed in this state consisting of the handling of cargo or freight even though such cargo or freight has moved or will move across the state's boundaries.

No deduction is permitted with respect to gross income derived from activities which are ancillary to

transportation across the state's boundaries, such as income received by a wharf company or warehouse company for the storage of goods. The mere ownership or operation of facilities by means of which others engage in foreign or interstate commerce is an activity ancillary to such commerce and any income received therefrom is taxable.

Insofar as the transportation of goods is concerned, the interstate movement of cargo or freight ceases when the goods have arrived at the destination to which it was billed by the out-of-state shipper, and no deduction is permitted of the gross income derived from transporting the same from such point of destination in this state to another point within this state. Thus, freight is billed from San Francisco, or a foreign point, to Seattle. After arrival in Seattle it is transported to Spokane. No deduction is permitted of the gross income received for the transportation from Seattle to Spokane. Again, freight is billed from San Francisco, or a foreign point, to a line carrier's terminal, or a public warehouse in Seattle. After arrival in Seattle it is transported from the line carrier's terminal or public warehouse to the buyer's place of business in Seattle. No deduction is permitted of the gross income received as transportation charges from the line carrier's terminal or public warehouse to the buyer's place of business in Seattle.

The interstate movement of cargo or freight begins when the goods are committed to a carrier for transportation out of the state, which carrier will start the transportation to a point outside the state.

[Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-193D, filed 3/15/83; Order ET 74-1, § 458-20-193D, filed 5/7/74; \*Emergency Order ET 74-6, filed 9/30/74 and Emergency Order ET 74-7, filed 10/3/74, effective 1/1/75; Order ET 70-3, § 458-20-193D (Rule 193 Part D), filed 5/29/70, effective 7/1/70.]

\*Reviser's note: Order ET 74-1 was filed in the office of the code reviser on 5/7/74 and became effective 6/6/74. Emergency Order ET 74-6, filed 9/30/74 and Emergency Order ET 74-7, filed 10/3/74, superseded the effective date of WAC 458-20-193D and delayed the effective date to 1/1/75. By the terms of RCW 34.04.030 emergency orders are effective for ninety days.

**WAC 458-20-194 Doing business inside and outside the state.** Persons domiciled outside this state who (1) sell or lease personal property to buyers or lessees in this state, or (2) perform construction or installation contracts in this state, or (3) render services to others herein, are doing business in this state, irrespective of the domicile of such persons and irrespective of whether or not such persons maintain a permanent place of business in this state.

Persons domiciled in and having a place of business in this state, who (1) sell or lease personal property to buyers or lessees outside this state, or (2) perform construction or installation contracts outside this state, or (3) render services to others outside this state, are doing business both inside and outside this state. Whether or not such persons are subject to business tax under the law depends upon the kind of business and the manner in which it is transacted. The following general principles govern in determining tax liability or tax immunity.

## BUSINESS AND OCCUPATION TAX

When the business involves a transaction in or related to interstate or foreign commerce, see WAC 458-20-193.

When the business involves a construction or installation contract in this state, no deduction from the measure of the tax is permitted, even though the contractor is domiciled outside this state and maintains a place of business outside this state which may contribute to the contract performed in this state. See WAC 458-20-137, 458-20-170, 458-20-171 and 458-20-172.

When the business involves a construction or installation contract outside this state, the tax does not apply to any part of the income derived therefrom (except such part of the income as may be applicable to the manufacture in this state by the contractor of articles used or incorporated in such construction or installation), even though the contractor is domiciled in this state and maintains a place of business herein which may contribute to the contract performed outside this state. See WAC 458-20-136.

When the business involves a transaction taxable under the classification service and other business activities, the tax does not apply upon any part of the gross income received for services incidentally rendered to persons in this state by a person who does not maintain a place of business in this state and who is not domiciled herein. However, the tax applies upon the income received for services incidentally rendered to persons outside this state by a person domiciled herein who does not maintain a place of business within the jurisdiction of the place of domicile of the person to whom the service is rendered.

For example, persons domiciled herein, but having no place of business outside this state, are taxable upon the following types of income:

- (1) An insurance agency upon commissions received for insurance placed without the state.
- (2) An attorney upon fees received from persons without the state, even though a portion of his services were necessarily performed without the state.
- (3) A collection agency upon income received from clients without the state or with respect to collections made from persons without the state.
- (4) An accountant upon income received from persons for services performed without the state.
- (5) A financial business upon income received from loans placed without the state.
- (6) A commodity broker upon commissions received from persons without the state.
- (7) An advertising agency upon income received from advertising solicited and secured from firms without the state.
- (8) An employment agency upon income received for securing employees for firms without the state.
- (9) A physician upon income received from the treatment of patients without the state.
- (10) A purchasing agency upon commissions received from clients without the state or with respect to purchases made without the state.

Persons engaged in a business taxable under the service and other business activities classification and who maintain places of business both inside and outside this state which contribute to the performance of a service, shall apportion to this state that portion of gross income derived from services rendered by them in this state. Where it is not practical to determine such apportionment by separate accounting methods, the taxpayer shall apportion to this state that proportion of total income which the cost of doing business within this state bears to the total cost of doing business both within and without this state.

For purposes of apportionment under RCW 82.04.460 and this rule the term "place of business" generally means a location at which regular business of the taxpayer is conducted and which is either owned by the taxpayer or over which the taxpayer exercises legal dominion and control. The term does not include locations or facilities at which the taxpayer acquires merely transient lodging nor does it include mere telephone number listings or telephone answering services.

## PUBLIC UTILITY TAX

Persons engaged in a public service business in this state are not taxable with respect to gross income derived from conducting business outside this state, nor in respect to conducting business in interstate or foreign commerce.

[Statutory Authority: RCW 82.32.300, 83-08-026 (Order ET 83-1), § 458-20-194, filed 3/30/83; Order ET 70-3, § 458-20-194 (Rule 194), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-195 Taxes, deductibility.** (A) **DEDUCTIBILITY, GENERALLY.** In computing tax liability, the amount of certain taxes may be excluded or deducted from the gross amount reported as the measure of tax under the business and occupation tax, the retail sales tax and the public utility tax. Such taxes may be deducted provided they (1) have been included in the gross amount reported under the classification with respect to which the deduction is sought, and (2) have not been otherwise deducted through inclusion in the amount of an allowable deduction taken under such classification for another reason, i.e., interstate commerce, etc.

The amount of taxes which are not allowable as deductions or exclusions must in every case be included in the gross amount reported.

(B) **MOTOR VEHICLE FUEL TAXES.** So much of the sale price of motor vehicle fuel as constitutes the amount of tax imposed by the state of Washington or the United States government upon the sale thereof may be deducted by every seller thereof from the gross proceeds of sales reported under the business and occupation tax.

(C) **OTHER TAXES.** The amount of taxes collected by a taxpayer, as agent for the state of Washington or its political subdivisions, or for the federal government, may be deducted from the gross amount reported. Such taxes are deductible under each tax classification of the Revenue Act under which the gross amount from such sales or services must be reported.

This deduction applies only where the amount of such taxes is received by the taxpayer as collecting agent and is paid by the agent directly to the state, its political subdivisions, or to the federal government. When the taxpayer is the person upon whom a tax is primarily imposed, no deduction or exclusion is allowed, since in such case the tax is a part of the cost of doing business. The mere fact that the amount of tax is added by the taxpayer as a separate item to the price of goods he sells, or to the charge for services he renders, does not in itself, make such taxpayer a collecting agent for the purpose of this deduction.

**SPECIFIC TAXES, DEDUCTIBLE.** The deductions under paragraphs B and C above apply to the following excise taxes among others:

**Federal—**

- Tax on gasoline . . . . . 26 U.S.C.A. Sec. 4081;
- Tax on telegraph, telephone, radio and cable messages . . . . . 26 U.S.C.A. Sec. 4251;
- Tax on transportation of persons . . . . . 26 U.S.C.A. Sec. 4261;
- Tax on transportation of property . . . . . 26 U.S.C.A. Sec. 4271;

**State—**

- Leasehold excise tax collected from lessees, chapter 82.29A RCW;
- Motor vehicle fuel tax, chapter 82.36 RCW;
- Retail sales tax collected from buyers, chapter 82.08 RCW;
- Use tax collected from buyers, chapter 82.12 RCW;

**Municipal—**

- City admission tax (imposed by city ordinance pursuant to RCW 35.21.280);
- County admissions and recreations tax (imposed by county ordinance pursuant to chapter 36.38 RCW).

**Specific taxes—Nondeductible.** No deduction is allowed with respect to the following licenses and taxes, among others:

**Federal—**

- A.A.A. compensating tax . . . . . 7 U.S.C.A. Sec. 615(e);
- A.A.A. processing tax . . . . . 7 U.S.C.A. Sec. 609;
- Employment taxes . . . . . 26 U.S.C.A. chapter 21-25;
- Estate taxes . . . . . 26 U.S.C.A. chapter 11;
- Gift taxes . . . . . 26 U.S.C.A. chapter 12;
- Income taxes . . . . . 26 U.S.C.A. Subtitle A;
- Liquor taxes . . . . . 26 U.S.C.A. chapter 51;
- Manufacturers' and importers of sugar tax . . . . . 26 U.S.C.A. Sec. 4501;
- Manufacturers' excise and import taxes . . . . . 26 U.S.C.A. chapter 32;
- Automobiles, etc. . . . . 26 U.S.C.A. Sec. 4061;
- Firearms, shells and cartridges . . . . . 26 U.S.C.A. Sec. 4181;
- Taxes imposed by Revenue Act of 1954 . . . . . 26 U.S.C.A. chapter 32;
- Sporting goods . . . . . 26 U.S.C.A. Sec. 4161;
- Lubricating oils . . . . . 26 U.S.C.A. Sec. 4091;
- Tires and inner tubes . . . . . 26 U.S.C.A. Sec. 4071;
- Narcotics tax . . . . . 26 U.S.C.A. chapter 39;
- Occupation taxes:
  - Importers, manufacturers and dealers in firearms . . . . . 26 U.S.C.A. Sec. 5801;
  - Insurance policies issued by foreign insurers . . . . . 26 U.S.C.A. Sec. 4371;
  - Sale and transfer of firearms tax . . . . . 26 U.S.C.A. Sec. 5811;
  - Tobacco excise taxes . . . . . 26 U.S.C.A. chapter 52;
  - Wagering taxes . . . . . 26 U.S.C.A. chapter 35;

**State and Municipal—**

- Ad valorem property taxes . . . . . Title 84 RCW;
- Alcoholic beverages licenses and stamp taxes . . . . . chapter 66.24 RCW; (Breweries, distillers, distributors and wineries)
- Boxing and wrestling licenses and tax . . . . . chapter 67.08 RCW;
- Business and occupation tax . . . . . chapter 82.04 RCW;
- Cigarette tax . . . . . chapter 82.24 RCW;
- Conveyance tax . . . . . chapter 82.20 RCW;
- Gift and inheritance taxes . . . . . Title 83 RCW;
- Local license fees
- Parimutuel tax . . . . . RCW 67.16.100;
- Public utility tax . . . . . chapter 82.16 RCW;
- Real estate excise tax . . . . . chapter 28A.45 RCW;
- Regulatory fees
- State license fees
- Tobacco products tax . . . . . chapter 82.26 RCW
- Use tax when not collected as agent for state . . . . . chapter 82.12 RCW.

The question of the right to exclude or deduct the amount of any tax other than those authorized herein should be submitted to the department of revenue for determination.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-195, filed 3/30/83; Order ET 70-3, § 458-20-195 (Rule 195), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-196 Credit losses, bad debts, recoveries.**

**BUSINESS AND OCCUPATION TAX**

In computing business and occupation tax there may be deducted by taxpayers whose regular books of accounts are kept upon an accrual basis, the amount of business credit losses actually sustained, providing that such deduction will be allowed only with respect to transactions upon which a tax has been previously paid and providing that the amount thereof has not been otherwise deducted and that credits have not been issued with respect thereto.

Bad debt deductions must be taken by the taxpayer during the tax reporting period during which such bad debts were actually charged off on the taxpayer's books of account.

In cases where the amount of bad debts legitimately charged off in a particular reporting period exceeds the gross income for such period, the excess of the amount of the bad debts charged off during such period may be deducted from the gross income of the subsequent tax reporting period.

A dishonored (bad) check which proves to be uncollectible is a bad debt, to the extent it was taken as payment for goods or services on which business tax was previously reported and paid.

**EXTRACTING OR MANUFACTURING, SPECIAL APPLICATION.** Bad debt deductions will be allowed under the extracting or manufacturing classifications only when the value of products is computed on the basis of gross proceeds of sales.

## RETAIL SALES TAX

A seller is entitled to a credit or refund for sales taxes previously paid on debts which are deductible, on and after January 1, 1983, as worthless for federal income tax purposes.

## PUBLIC UTILITY TAX

In computing public utility tax credit losses may be deducted under the same conditions set out under the business and occupation tax. However, the special provisions set out for the extracting and manufacturing classifications are not applicable to the public utility tax.

**METHODS OF DETERMINING CREDIT LOSSES.** The amount of credit losses actually sustained must be determined in accordance with one of the following methods:

(1) Specific charge-off method. The amount which is charged off within the tax reporting period with respect to debts ascertained to be worthless.

(a) Worthlessness of a debt is usually evidenced when all the surrounding and attending circumstances indicate that legal action to enforce payment would result in an uncollectible judgment.

(b) A "charge-off" of a debt, either wholly or in part, must be evidenced by entry in the taxpayer's books of account.

(2) Reserve method. In the discretion of the department of revenue a reasonable addition to a reserve for bad debts will be authorized to taxpayers who charge off credit losses at the end of their taxable year but who desire to apportion such losses on a monthly basis.

(a) This will be permitted, in lieu of the specific charge-off method, only to taxpayers who have established or are allowed by the internal revenue service to use for federal income tax purposes, the reserve method of treating bad debts, or who, upon securing permission from the department adopt that method.

(b) What constitutes a reasonable addition to a reserve for bad debts must be determined in light of the facts and will vary between classes of business and with conditions of business prosperity. The addition to the reserve allowed as a deduction by the internal revenue service for federal income tax purposes, in the absence of evidence to the contrary, will be presumed reasonable.

If the taxpayer actually determines and charges off bad debts on a tax reporting period basis, the amount so charged off each period shall be considered prima facie as a proper deduction for such period.

When bad debt losses are ascertained annually upon specific charge-off method, the deduction must be taken against the gross amount reported for the period in which the bad debts were actually charged off.

When the reserve method is employed in taking deductions for bad debts on returns and the amount of debts actually ascertained to be wholly or partially worthless and charged against the reserve account during the taxable year and reported do not agree with the amount of reserve set up therefor, adjustment of the amount of loss deducted shall be made to make the total amount claimed for the tax year coincide with the amount of loss actually sustained.

**RECOVERIES.** Amounts subsequently received on account of a bad debt or on account of a part of such debt previously charged off and allowed as a deduction for business tax purposes, must be included in gross proceeds of sales (including value of products when measured by gross proceeds of sales) or gross income of the business reported for the taxable period in which received. This is true even though the recoveries during such period exceed the amount of the bad debt charge-off.

[Statutory Authority: RCW 82.32.300. 83-07-032 (Order ET 83-15), § 458-20-196, filed 3/15/83; Order ET 70-3, § 458-20-196 (Rule 196), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-197 When tax liability arises.** Gross proceeds of sales and gross income shall be included in the return for the period in which the value proceeds or accrues to the taxpayer. For the purpose of determining tax liability of persons making sales of tangible personal property, a sale takes place when the goods sold are delivered to the buyer in this state. With respect to leases or rentals of tangible personal property, liability for retail sales tax arises as of the time the rental payments fall due (see WAC 458-20-211).

**ACCRUAL BASIS.** When returns are made upon the accrual basis, value proceeds or accrues to a taxpayer as of the time the taxpayer actually receives, becomes legally entitled to receive or in accord with the system of accounting regularly employed enters as a charge against the purchaser, customer, or client the amount of the consideration agreed upon, whether payable immediately or at a definitely determined future time.

As to amounts actually received, however, such amounts do not constitute value proceeding to the taxpayer in the period in which received if the gross proceeds of sales or gross income of the contract or transaction by virtue of which such amounts are received, pursuant to the foregoing, constitute value accruing to the taxpayer during another period. It is immaterial whether the act or service out of which the consideration proceeds or accrues is performed or rendered, in whole or in part, during a period other than the one for which return is made, the controlling factor in this case being the time as of which the taxpayer received, or takes credit for, the agreed consideration.

**CASH RECEIPTS BASIS.** When returns are made upon cash receipts and disbursements basis, value proceeds or accrues to a taxpayer as of the time the taxpayer receives, either actually or constructively, the consideration promised. It is immaterial that the contract is performed, in whole or in part, during a period other than the one in which payment is received. (But see WAC 458-20-199 for limitation as to persons who may report on the cash receipts basis.)

**SPECIAL APPLICATION, CONTRACTORS.** In the case of building and construction contractors value proceeds or accrues to the taxpayer as follows:

(1) When the taxpayer maintains his accounting records on the accrual basis, as of the time the contractor becomes entitled to compensation under the contract:

(a) If by the terms of the contract the taxpayer becomes entitled to compensation only upon the completion of the work, value accrues thereunder as of the time of completion;

(b) If by the terms of the contract the taxpayer becomes entitled to compensation upon estimates as the work progresses, value, to the extent of such estimates, accrues as of the time that each estimate is made and the balance at the time of the completion of the work or of the final estimate.

(2) When the taxpayer maintains his accounting records on the cash receipts basis, as of the time that the consideration or compensation is received, but provided that the contractor shall make an annual adjustment of accounts receivable according to the procedure set forth in method three of WAC 458-20-199, accounting methods.

**WAREHOUSEMEN.** In the case of warehousemen value proceeds or accrues to the taxpayer as follows:

(1) When the taxpayer is reporting upon the accrual basis (whether the consideration for storage is at a fixed rate per unit per month or other period or at a flat charge regardless of the length of time and whether payable periodically or at the time of withdrawal) as of the time the charge is entered against the owner of the goods stored in accordance with the terms of the contract between the parties and the regular system of accounting employed by the taxpayer. Thus, where a warehouseman, keeping books on accrual basis, customarily enters as a charge to the owner of the goods and a credit to storage income the full amount of a flat storage charge as of the time the goods are received, even though the time for payment is deferred until withdrawal of the goods, value accrues as of the time the goods are received. However, if the warehouseman customarily does not enter such charge until the time of withdrawal, value accrues as of such later date.

(2) When the taxpayer is reporting upon a cash receipts basis, value proceeds or accrues as of the time the consideration or compensation for storage is received.

For effect of rate changes, see WAC 458-20-235.

[Order ET 70-3, § 458-20-197 (Rule 197), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-198 Conditional and installment sales, method of reporting.**

#### BUSINESS AND OCCUPATION TAX

Persons making conditional sales or other installment sales of tangible personal property must report the total selling price of such sales in the tax reporting period in which the sale is made.

A deduction from gross proceeds of sales as a credit loss is allowed to such sellers for the amount of the unpaid balance of the contract price on any installment sale if and when the property purchased is repossessed upon default by the buyer.

#### RETAIL SALES TAX, USE TAX

Persons making conditional sales or other installment sales of tangible personal property must report the total selling price of such sales in the tax period in which the sale is made.

The foregoing is true irrespective of the fact that such sellers arrange to receive payment of tax in installments or that a contract may be discounted or pledged with or sold to a finance company. In the latter case, although as a part of the agreement with the seller the finance company actually makes collection of the tax from the buyer as the installments fall due, the finance company should not report to the department of revenue the amount of tax collected since the total tax already has been reported by the seller.

Revised July 1, 1956.

[Statutory Authority: RCW 82.32.300. 83-07-032 (Order ET 83-15), § 458-20-198, filed 3/15/83; Order ET 70-3, § 458-20-198 (Rule 198), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-199 Accounting methods.** In computing tax liability under the business and occupation tax and the retail sales tax, one of the following accounting methods should be used. The amount reported under the retailing classification under the gross amount must be the same under the business and occupation tax and the retail sales tax.

Persons making taxable and nontaxable sales of tangible personal property must segregate such sales for the purpose of computing tax liability.

**METHOD ONE, CASH BASIS.** Only persons engaged in a strictly cash business will be permitted to make returns on a cash receipts basis. Certain small businesses which occasionally make a sale without receiving cash and which do not keep any file, record or general ledger account of such sales may be considered as doing a cash business, providing the volume of such sales never exceeds 5% of the gross volume of business. Under this method it is not necessary to make any adjustment at the end of the year with respect to accounts receivable.

**METHOD TWO, ACCRUAL BASIS.** Persons operating their business on the accrual basis must report under the business and occupation tax and the retail sales tax for each tax reporting period the gross proceeds from all cash sales made during such period, together with the total amount of charge sales during such period.

**METHOD THREE, CASH RECEIPTS, ACCOUNTS RECEIVABLE ADJUSTMENT.** Persons doing a charge business who do not record such charges as sales at the time the sale is made may report for tax purposes under method three.

Persons may report and pay the tax on the amount received as cash sales plus all cash received on accounts during each period. If this method is adopted, an adjustment shall be made at the end of the calendar year to add to cash received the amount of accounts receivable at the end of the year (not previously reported) to be reported along with cash receipts. A statement should accompany the return indicating the amount of accounts receivable so added. A deduction may be taken on subsequent returns filed in periods when cash is received

upon accounts receivable so reported. Such receipts should be included in column 2 (gross amount) and then listed as a deduction in column 3 of the excise tax return and explained on the reverse of the return as "cash received upon accounts receivable reported as of December 31, 19..."

Persons engaged in service business activities who are not liable for the collection of the retail sales tax are not required to adjust accounts receivable at the end of the tax year.

Where bad debts are charged off during any taxable year the amount thereof must be added to the accounts receivable outstanding at the end of the year before making adjustments provided for in method three.

[Statutory Authority: RCW 82.32.300, 83-07-032 (Order ET 83-15), § 458-20-199, filed 3/15/83; Order ET 70-3, § 458-20-199 (Rule 199), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-200 Leased departments.** Any person leasing departments of the business conducted may include in his tax returns the business done and sales made by the lessee where such lessor keeps the books for the lessee and makes collection on the latter's account: *Provided, however,* That each lessee must apply for and obtain from the department of revenue a certificate of registration, as provided under WAC 458-20-101.

When the business of such leased department is included in the return made by the lessor, a statement shall be submitted to the department showing the name of the lessee of each such department, a description of the department operated, and a statement that the lessor will make returns for each of the departments so included and assume liability for the tax accruing against the lessees of such departments; but the lessee shall not be relieved from his liability for taxes in case the lessor fails to make the proper return or fails to pay taxes due. A statement of any change occurring in the ownership or status of such leased departments must be submitted to the department, showing the date of such change and all facts relative thereto.

#### BUSINESS AND OCCUPATION TAX AND RETAIL SALES TAX

Any taxpayer making returns for any leased department shall report the total tax liability thereof under both the business and occupation tax and the retail sales tax, including therein all cash and charge sales. The leased department in such case is not entitled to the taxable minimum provided in WAC 458-20-104.

Where the lessor receives a flat monthly rental or a percentage of sales as rental for a leased department, such income is from the rental of real estate and is not taxable. Where, however, the rental received by the lessor includes amounts for credit and accounting services, the entire amount received is taxable under the classification service and other activities unless the lessor segregates and bills separately the charge for rental and the charge for credit and accounting services.

Revised April 14, 1960.

[Order ET 70-3, § 458-20-200 (Rule 200), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-201 Interdepartmental charges.** The term "interdepartmental charges" means amounts credited to the sales account or other gross income account of a taxpayer for goods, materials or services furnished by one department or branch of a business organization to another department or branch of the same business concern or firm.

Tax may be due upon interdepartmental charges covering transfers of goods from a central location to two or more retail outlets. See WAC 458-20-231, Tax on internal distributions. Tax is also due upon the value of products extracted or manufactured by one branch or department of a business for commercial or industrial use of another branch or department of the same business. See WAC 458-20-134. In other cases amounts representing interdepartmental charges may be excluded in computing tax due. This does not permit the exclusion or deduction of charges against or income derived from an affiliated corporation or other affiliated association.

Municipal corporations are entitled to an exclusion of interdepartmental charges in computing tax whether or not the charges represent an actual transfer of money or merely a bookkeeping entry (see WAC 458-20-189).

[Statutory Authority: RCW 82.32.300, 83-08-026 (Order ET 83-1), § 458-20-201, filed 3/30/83; Order ET 70-3, § 458-20-201 (Rule 201), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-202 Pool purchases.** The term "pool purchase" means the joint purchase by two or more persons, engaging in independent business activities, of commodities in carload or truck load quantities for the purpose of obtaining a purchase price or freight rate which is less than when purchased or delivered in smaller quantities.

The term "principal member" means that member of the pool to whom the goods are charged by the vendor of the commodities purchased.

In computing tax liability of the principal member under chapter 82.04 RCW, there may be deducted from gross proceeds of sales the amount received by him from other members of the pool of their proportionate share of the cost thereof of the commodities purchased.

This deduction is allowed only when all of the following conditions are met:

- (1) The amount received is included in gross proceeds of sales.
- (2) The pool purchase agreement was entered into prior to the time of placing the order for the commodities purchased.
- (3) The pool purchase agreement provides that each member shall accept a specific portion of the shipment.
- (4) Division of the shipment is made prior to warehousing of the commodities by a member of the pool.

In no event will a "pool purchase" deduction be allowed when an agreement relative to the amount of the share to be distributed to any member is made after the date of the purchase order, or where one member of a pool pays an amount for his portion in excess of the proportionate amount paid by another member.

Revised June 1, 1970.

[Order ET 70-3, § 458-20-202 (Rule 202), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-203 Corporations, Massachusetts trusts.** Each separately organized corporation is a "person" within the meaning of the law, notwithstanding its affiliation with or relation to any other corporation through stock ownership by a parent corporation by the same group of individuals.

Each corporation shall file a separate return and include therein the tax liability accruing to such corporation. This applies to each corporation in an affiliated group, as the law makes no provision for filing of consolidated returns by affiliated corporations or for the elimination of intercompany transactions from the measure of tax.

Each unincorporated association organized under the Massachusetts Trust Act of 1959 (chapter 23.90 RCW) is likewise taxable in the same way as are separate corporations.

Revised June 20, 1959.

[Order ET 70-3, § 458-20-203 (Rule 203), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-204 Outdoor advertising and advertising display services.** The term "outdoor advertising" means the business of rendering an advertising service to others by posting or painting advertising copy upon billboards owned or controlled by the outdoor advertiser.

The term "advertising display service" means the business of installing and maintaining advertising displays upon property of others, when title to the property used in the display is retained by the person engaged in such business.

#### BUSINESS AND OCCUPATION TAX

**SERVICE AND OTHER BUSINESS ACTIVITIES.** Taxable under the service and other business activities classification upon the gross income from advertising services.

#### RETAIL SALES TAX

Persons engaged in the business of outdoor advertising or advertising display services are performing an advertising service, and are not required to collect the retail sales tax. Persons purchasing or producing tangible personal property for use in the performance of advertising services are required to pay the retail sales tax upon purchasing such property, or the use tax upon the value of the property produced and used in the performance of such services.

Revised May 1, 1943.

[Order ET 70-3, § 458-20-204 (Rule 204), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-205 Sales of utility services by building companies.** When building companies, apartment house owners or other real estate owners or lessors furnish utility services such as heat and electrical energy to their own tenants of office buildings, apartment houses and storerooms under circumstances indicating it is a part of the normal and customary landlord-tenant relationship and the charge made therefor is the cost of this

utility service to the owner or lessor prorated among his tenants based upon the use or consumption of such services, the income derived therefrom is construed to be incidental to and a part of gross income from the renting or leasing of real estate and not subject to the provisions of the business and occupation tax. This is true whether the charge therefor is included in a lump sum rental or is billed separately. However, when the furnishing of utility services is not in accordance with the foregoing, the income derived therefrom is considered to be a separate business activity and is taxable under the appropriate chapter of the Revenue Act.

Revised June 1, 1970.

[Order ET 70-3, § 458-20-205 (Rule 205), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-206 Use tax, fuel oil, oil products, other extracted products.** The use tax applies to the use of any oil products (except motor vehicle fuel for highway use) or other extracted products used within the state by the producer or extractor thereof, whether such products have been produced or extracted within or without the state, except when used as a fuel directly in the operation of the particular extractive operation or manufacturing plant which produced the same. (RCW 82.12.0263.)

Distributors who are consumers of fuel oil, are subject to the use tax with respect to the use of such fuel oil, unless the sale of such oil has been subjected to the retail sales tax and the tax paid thereon by such distributor.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-206, filed 3/30/83; Order ET 70-3, § 458-20-206 (Rule 206), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-207 Attorneys.** The word "attorney" as used herein means an individual engaged in the practice of law. The term shall also include a professional service corporation organized under chapter 18.100 RCW for the purpose of engaging in the practice of law.

#### BUSINESS AND OCCUPATION TAX

Attorneys are taxable under the service and other activities classification upon the gross income of the business. Gross income of the business means the value proceeding or accruing by reason of the transaction of the business engaged in and includes compensation for the rendition of services, all without any deduction on account of expenses or losses. (See RCW 82.04.070.) Value proceeding or accruing means consideration actually received or accrued. (See RCW 82.04.090.) Thus, under these statutes, the measure of the tax for attorneys includes compensation or consideration for the rendition of legal service.

Attorneys are bound by the rules of professional conduct. RPC 1.8e prohibits an attorney from financing the expenses of contemplated or pending litigation unless the client remains ultimately liable for such expenses. An attorney therefore normally acts solely as agent for the client when financing litigation. Accordingly, amounts received from a client for certain expenses of litigation

do not constitute income to the attorney. Thus, such amounts are not part of the business and occupation tax measure.

Sometimes in the regular course of business an attorney may receive amounts from a client for expenses of third party providers incurred in connection with a legal matter other than litigation. Such amounts are also excluded from the business and occupation tax, but only if the attorney has no obligation for payment other than as agent for the client or equivalent commitment for their payment.

Thus, the following kinds of expenses are not subject to the business and occupation tax where the above requirements are satisfied.

- A. Filing fees and court costs.
- B. Process server and messenger fees.
- C. Court reporter fees.
- D. Expert witness fees.
- E. Costs of associate counsel.
- F. Costs of third party service providers (for example, accountants, appraisers, architects, artists, draftsmen, economists, engineers, investigators, physicians, surveyors, etc.) who provide services to the client which the attorney does not or cannot render, and to whom the attorney has no obligation for payment other than as agent for the client.

G. Registration, licensing or maintenance fees.

H. Title and other insurance premiums.

I. Escrow fees paid to third party escrow agents.

In order to support the exclusion from taxable gross income of any of the foregoing expenses, the attorney must maintain records which indicate the amount of the payment received from the client, the name of the client, the name of the person to whom the attorney has made payment, and a description of the item for which payment was made. If the foregoing expenses are incurred outside the context of litigation or contemplated litigation, the attorney must maintain records which indicate the amount of the payment received, the name of the client, and the person to whom the attorney makes payment. In addition, the attorney must provide the person to whom payment is made with written notice that (1) payment is made, or will be made on behalf of a named client, and (2) the attorney assumes no liability for payment, other than as agent for the named client.

General overhead costs are includable in the tax measure even though an attorney may allocate those costs among particular clients. Likewise, any other costs for which the attorney assumes personal liability other than as stated above are includable in the tax measure.

Thus, amounts received to compensate for the following costs are fully subject to tax, even though they may be separately stated on the billings or expressly denominated as costs of the client:

- A. Photocopy or other reproduction charges.
- B. Long distance telephone tolls.
- C. Secretarial expenses.
- D. Travel, meals and lodging.
- E. Third party service providers (for example, accountants, appraisers, architects, artists, draftsmen, economists, engineers, investigators, physicians, etc.) to

whom the attorney assumes personal liability for payment.

#### RETAIL SALES TAX

Attorneys primarily render professional legal services and are not required to collect the retail sales tax from clients and others paying for such services. This is so even though the legal services rendered by attorneys may include abstract, title insurance, and escrow business activities which are "retail sales" under the law when performed by persons other than attorneys.

Sales of tangible personal property to attorneys for use in rendering professional services are retail sales upon which the retail sales tax must be collected. Such sales include, among others, sales of office furniture and equipment, stationery, office supplies, law books, and reference materials.

#### USE TAX

The use tax applies upon the use within this state of all articles of tangible personal property used in the performance of professional services when such articles have been purchased or acquired under conditions whereby the Washington retail sales tax has not been paid.

[Statutory Authority: RCW 82.32.300, 85-20-012 (Order ET 85-4), § 458-20-207, filed 9/20/85; Order ET 70-3, § 458-20-207 (Rule 207), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-208 Accommodation sales.** The term "accommodation sales" means only sales for resale by persons regularly engaged in the business of making sales of the type of property so sold to other persons similarly engaged in the business of selling such property where (1) the amount paid by the buyer does not exceed the amount paid by the seller to his vendor in the acquisition of the article and (2) the sale is made as an accommodation to the buyer to enable him to fill a bona fide existing order of a customer or is made within fourteen days to reimburse in kind a previous accommodation sale by the buyer to the seller.

The "amount paid by the seller to his vendor" may under some circumstances include certain actual costs incurred by the seller and billed as such to the buyer in addition to the invoice cost of the article sold at an accommodation sale. The facts concerning such added costs must be submitted to the department of revenue for specific rulings. The "amount paid by the seller to his vendor" shall not be reduced by the amount of any manufacturer's holdbacks or discounts received after an article has been sold at an accommodation sale even though such holdbacks or discounts may be retained by the seller.

#### BUSINESS AND OCCUPATION

In computing tax under the wholesaling—Other classification, there may be deducted from the reported gross amount so much as represents receipts from accommodation sales. Each seller claiming this deduction must retain as a part of his sales records sufficient evidence to prove the nature of the transactions.

Revised June 1, 1970.

[Order ET 70-3, § 458-20-208 (Rule 208), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-209 Farming operations performed for hire.** Persons engaging in the business of threshing grain, baling hay, cutting or binding hay or grain, tilling the land or performing for hire other services connected with farming activities are taxable under the service and other business activities classification of the business and occupation tax upon the gross income received from the performance of such services.

The extent to which the above functions are performed for others is determinative of whether or not a person is engaged in a taxable business in respect thereto. In other words, a person is not construed as being engaged in a taxable business when his activities are casual and incidental, such as a farmer owning baling equipment or threshing equipment which is used primarily for baling hay or threshing grain produced by himself but who may occasionally accommodate neighboring farmers by baling small quantities of hay or threshing small quantities of grain produced by them. On the other hand, persons owning baling equipment or threshing outfits whose primary business is baling hay or threshing grain for others are engaged in business and taxable with respect thereto, irrespective of the amount or extent of such business and are required to pay the retail sales tax upon the purchase of materials and equipment used in the performance of such services.

In cases where doubt exists in determining whether or not a person is engaging in the business of performing the aforementioned services, all pertinent facts should be submitted to the department of revenue for a specific ruling.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-209, filed 3/30/83; Order ET 70-3, § 458-20-209 (Rule 209), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-210 Sales of agricultural products by persons producing the same.** (1) The term "agricultural products" as used herein means any agricultural or horticultural produce or crop, including any animal, bird, fish, or insect, or the milk, eggs, wool, fur, meat, honey, or other substance obtained therefrom: *Provided*, That "fish" as used herein means fish which are cultivated and raised entirely within confined rearing areas on land owned by the person so raising the same or on land in which the person has a present right of possession.

(2) Persons engaging in the business of making retail sales of agricultural products produced by them are required to apply for and obtain a certificate of registration. The certificate shall remain valid as long as the person remains in business.

(3) Business and occupation tax. Persons making wholesale sales of agricultural products produced by them upon land owned by or leased to them are not subject to the business and occupation tax. This exemption does not extend to sales of manufactured or extracted products (see WAC 458-20-135 and 458-20-136).

(1986 Ed.)

(4) Retail sales of agricultural products by persons producing the same are subject to tax under the retailing classification of the business and occupation tax. Thus, tax is due by any such person who holds himself out to the public as a seller by:

(a) Conducting a roadside stand or a stand displaying agricultural products for sale at retail;

(b) Posting signs on his premises, or through other forms of advertising soliciting sales at retail;

(c) Operating a regular delivery route from which agricultural products are sold from door to door; or

(d) Maintaining an established place of business for the purpose of making retail sales of agricultural products.

(5) Persons selling agricultural products not produced by them, should obtain information from the department of revenue with respect to their tax liability.

(6) Retail sales tax. Persons selling agricultural products produced by them are required to collect the retail sales tax upon all retail sales made by them, except sales of food products exempt under WAC 458-20-244. The sales tax exemption for food products also applies to sales of livestock sold for personal consumption as food.

(7) The retail sales tax applies to all sales of tangible personal property to persons for use as consumers in producing agricultural products, except for certain expressly tax exempt items (see WAC 458-20-122 and 458-20-157).

(8) Use tax. The use tax applies upon the value of all tangible personal property used as consumers by producers of agricultural products where the retail sales tax has not been paid, except for those items which are expressly exempt of retail sales tax.

[Statutory Authority: RCW 82.32.300. 86-21-085 (Order ET 86-18), § 458-20-210, filed 10/17/86; 86-07-005 (Order ET 86-3), § 458-20-210, filed 3/6/86; 83-08-026 (Order ET 83-1), § 458-20-210, filed 3/30/83. Statutory Authority: RCW 82.01.060(2) and 82.32.300. 78-07-045 (Order ET 78-4), § 458-20-210, filed 6/27/78; Order ET 70-3, § 458-20-210 (Rule 210), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-211 Leases or rentals of tangible personal property, bailments.** The terms "leasing" and "renting" are used interchangeably and refer generally to the act of granting to another the right of possession to and use of tangible personal property for a consideration. The term "bailment" refers to the act of granting to another the right of possession to and use of tangible personal property without consideration. The terms do not include rental agreements pursuant to which the owner or lessor operates the equipment or supplies an employee operator, whether or not such employee operator works under the supervision or control of the lessee.

#### BUSINESS AND OCCUPATION TAX

The renting or leasing of tangible personal property constitutes a "sale" (RCW 82.04.040) and persons engaged in renting or leasing such property to users or consumers are taxable under the retailing classification upon the gross income from rentals as of the time the rental payments fall due. Persons renting or leasing tangible personal property to persons who will rent or lease

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such property to others are taxable under the classification wholesaling.

Persons who rent equipment or other tangible personal property and, in addition, operate the equipment or supply an employee to operate the same, are subject to the business and occupation tax (or public utility tax) according to the classification of the activities performed by the equipment and operator. Thus, the charge made to a construction contractor for equipment with operator used in the construction of a building would be taxable under wholesaling—other and a similar charge to a contractor for use in the construction of a publicly owned road would be taxable under public road construction.

#### RETAIL SALES TAX

Persons who rent or lease tangible personal property to users or consumers are required to collect from their lessees the retail sales tax measured by gross income from rentals as of the time the rental payments fall due.

The retail sales tax does not apply upon the rental or lease of motor vehicles and trailers to nonresidents of this state for use exclusively in transporting persons or property across the boundaries of this state and in intrastate operations incidental thereto when the motor vehicle or trailer is registered and licensed in a foreign state. For purposes of this exemption, the term "nonresident" shall apply to a renter or lessee who has one or more places of business in this state as well as in one or more other states but the exemption for nonresidents shall apply only to those vehicles which are most frequently dispatched, garaged, serviced, maintained and operated from the renter's or lessee's place of business in another state.

The retail sales tax does not apply upon sales of tangible personal property to persons who purchase the same solely for the purpose of renting or leasing such property. However, the retail sales tax applies upon sales to persons who rent such property with operator or who intend to make some use of the property other than or in addition to renting or leasing.

#### USE TAX

Consumers who rent or lease tangible personal property from others and who have not paid the retail sales tax to their lessors are liable for the use tax on the amount of the rental payments as of the time the payments fall due.

The value of tangible personal property held or used under bailment is subject to tax if the property was purchased or acquired under conditions whereby the retail sales tax was not paid by the bailor. Tax liability is that of the bailor, or of the bailee if the bailor has not paid the tax. The measure of the use tax for articles acquired by bailment is the reasonable rental for such articles to be determined as nearly as possible according to the rental price at the place of use of similar products of like quality and character. In the absence of rental prices for similar products the reasonable rental may be computed by prorating the retail selling price over the period of

possession had by a bailee and payable in monthly installments. No further use tax is due upon property acquired by bailment after tax has been paid by the bailee or any previous bailee upon the full original value of the article. Use tax does not apply to use by a bailee of any article of tangible personal property which is entirely consumed in the course of research, development, experimental, and testing activities conducted by the user, providing the acquisition or use of such articles by the bailor are exempt from sales or use tax.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-211, filed 3/30/83; Order ET 71-1, § 458-20-211, filed 7/22/71; Order ET 70-3, § 458-20-211 (Rule 211), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-212 Insurance adjusters.** The word "adjuster," as used herein, means a person licensed as such under the provisions of chapter 48.17 RCW.

#### BUSINESS AND OCCUPATION TAX

Persons engaged in business as insurance adjusters are taxable under the service and other business activities classification upon the gross income of the business.

There must be included within gross income all fees received for services rendered, and all charges recovered for expenses incurred in performing services, such as transportation costs, hotel, restaurant, telephone and telegraph charges, etc.

In computing tax liability, there may be deducted from gross income (if included therein) money or credits received as reimbursement of advances made for towing, storage of and repairs to damaged automobiles, or advances for doctor, hospital, and ambulance fees and charges, and other such expenditures made with respect to damaged property or injured persons, payment of which was the obligation of the insurer or the insured.

Revised May 1, 1947.

[Order ET 70-3, § 458-20-212 (Rule 212), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-213 Oil company bulk station agents.** Persons operating oil company bulk stations under a commission agency agreement, billing in the name of the company they represent, hiring and paying employees or assistants, providing and maintaining trucks or other equipment are considered independent agents engaging in the business of distributing gas and oil rather than employees and are taxable under the service and other business activities classification of the business and occupation tax upon gross commissions.

Such persons are required to obtain a separate certificate of registration even though a branch certificate has been obtained for them by the oil company they represent, due to the fact that the oil company reports the wholesale sales made by such persons. Persons operating bulk stations under a commission agency agreement, who bill in their own name rather than in the name of the company they represent, are taxable as sellers either at wholesale or at retail, depending on the nature of the sales made.

Revised May 1, 1943.

[Order ET 70-3, § 458-20-213 (Rule 213), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-214 Cooperative marketing associations and independent dealers acting as agents of others with respect to the sale of fruit and produce.** Persons engaged in the business of buying and selling fruit or produce, as agents of others, and also in the business of washing, sorting, packing, or otherwise preparing for sale the fruit and produce of others, and activities incidental thereto, are taxable under the provisions of the business and occupation tax and the retail sales tax. Tax is due on the business activities of such persons, irrespective of whether the business is conducted as a cooperative marketing association or as an independent produce agent, as follows:

#### BUSINESS AND OCCUPATION TAX

**RETAILING.** Taxable with respect to the sale of ladders, picking bags, and similar equipment, sold for consumption.

**WHOLESALING.** Taxable with respect to:

(1) The sale of boxes, nails, labels and similar supplies sold to growers for their use in packing fruit and produce for sale;

(2) The sale of insecticides used as spray for fruits and produce;

**COLD STORAGE WAREHOUSING.** Taxable with respect to gross income from cold storage warehousing, but not including the rental of cold storage lockers.

**SERVICE.** Taxable under the service and other business activities classification with respect to:

(1) Commissions for buying or selling;

(2) Charges made for interest, no deduction being allowed for interest paid;

(3) Charges for handling;

(4) Charges for receiving, washing, sorting, and packing of fresh perishable horticultural products and the material and supplies used therein, when performed for persons other than the grower thereof;

(5) Rentals of cold storage lockers; and

(6) Other miscellaneous charges, including analysis fees, but excepting actual charges made for foreign brokerage and bona fide charges for receiving, washing, sorting and packing fresh perishable horticultural crops and the materials and supplies used therein when performed for the grower, either as agent or independent contractor.

Where a seller performs packing services for the grower and furnishes the materials and supplies used therein, the amount of the charge therefor is deductible, even though the boxes and other packing material are loaned or charged to the grower prior to the time the fruit or produce is received for packing, provided that the boxes and packing materials are returned by the grower to the seller for use in packing fruit and produce for the grower.

#### RETAIL SALES TAX

The retail sales tax applies to sales of ladders, picking bags, and other equipment sold to consumers, whether sold by associations to members, or by agents to their

principals. See WAC 458-20-244 for sales of food products.

#### USE TAX

The use tax applies upon the use by consumers of any article of tangible personal property, unless the user paid the Washington retail sales tax upon the sale of the property to him.

#### PUBLIC UTILITY TAX

**WAREHOUSING.** Charges for warehousing are taxable under the public utility tax. See WAC 458-20-182.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-214, filed 3/30/83. Statutory Authority: RCW 82.01.060(2) and 82.32.300. 78-07-045 (Order ET 78-4), § 458-20-214, filed 6/27/78; Order ET 70-3, § 458-20-214 (Rule 214), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-215 Auditing out-of-state business.** Whenever the department of revenue determines that an audit of the books and records of an out-of-state taxpayer is necessary, the taxpayer may elect one of the following methods for the audit:

(1) If complete records are maintained by each branch of the taxpayer within the state of Washington or at Portland, Oregon, the audit may be made by auditing each of such branches and, if this method is elected, letters of authorization to the department of revenue for each branch should be supplied.

(2) If complete books and records are not maintained within the state of Washington or at Portland, Oregon, the taxpayer's books and records may be brought from without the state to either the Olympia, Seattle, Spokane, Tacoma, Vancouver, Bellingham, or Walla Walla offices of the department of revenue, and the audit will be made at one of these offices. In the event this election is made, the taxpayer must set a definite time for submitting the books and records and advise to which office he will submit them.

(3) If complete books and records are not maintained within the state of Washington or at Portland, Oregon, and the taxpayer does not desire to submit such books and records for audit at any of the department offices specified, the taxpayer may elect to have the audit made by an agent designated by the department at the place where such books and records are kept.

In the event the taxpayer elects to have the audit made as provided under method "3," he should so advise the department and signify his willingness to cooperate with the department in order that audits of other taxpayers located in or near the same locality may be grouped.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-215, filed 3/30/83; Order ET 70-3, § 458-20-215 (Rule 215), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-216 Successors, quitting business.** Whenever any taxpayer quits business, sells out, exchanges or otherwise disposes of his business or his stock of goods, any tax payable hereunder shall become immediately due and payable, and such taxpayer shall, within ten days thereafter, make a return and pay the

tax due. Any person who becomes a successor to such business shall become liable for the full amount of the tax and withhold from the purchase price a sum sufficient to pay any tax due from the taxpayer until such time as the taxpayer shall produce a receipt from the department of revenue showing payment in full of any tax due or a certificate that no tax is due. If the tax is not paid by the taxpayer within ten days from the date of sale, exchange or disposal, the purchaser or successor shall become liable for the payment of the full amount of tax. The payment thereof by the purchaser or successor shall, to the extent thereof, be deemed a payment upon the purchase price. If such payment is greater in amount than the purchase price, the amount of the difference shall become a debt due the purchaser or successor from the taxpayer.

A successor shall not be liable for any tax due from the person from whom he has acquired a business or stock of goods, if he gives written notice to the department of such acquisition and no assessment is issued by the department within six months of receipt of such notice against the former operators of the business and a copy thereof mailed to such successors.

The word "successor" means any person who shall, through direct or mesne conveyance, purchase or succeed to the business, or portion thereof, or the whole or any part of the stock of goods, wares, merchandise or fixtures or any interest therein of a taxpayer quitting, selling out, exchanging or otherwise disposing of his business. Any person obligated to fulfill the terms of a contract shall be deemed a successor to any contractor defaulting in the performance of any contract as to which such person is a surety or guarantor.

The work "successor" includes all persons who acquire the taxpayer's equipment or merchandise in bulk, whether they operate the business or not, unless the property is acquired through insolvency proceedings or regular legal proceedings to enforce a lien, security interest, judgment, or repossession under a security agreement. The following factual situations illustrate the application of the foregoing:

(1) Taxpayer sells business and stock of goods. Purchaser is the successor.

(2) Taxpayer sells stock of goods in bulk. Purchaser is the successor, even though taxpayer continues in business through purchase of new stock.

(3) Taxpayer sells business, including fixtures, good will, etc., to one party and his stock of goods to another. Both purchasers are successors.

(4) Taxpayer sells one branch of the business and stock of goods, and continues to carry on his business at other locations. Purchaser is successor to the portion of the business purchased and liable for any tax incurred in the operation of that business.

(5) Taxpayer leaves business, including fixtures and stock of goods, which his landlord holds for unpaid rent. The landlord will be a successor unless he proceeds to foreclose his landlord's lien by posting notice and holding a sale by the sheriff.

(a) If the landlord, instead of foreclosing his lien, takes a bill of sale to all of the taxpayer's interest in the

business or stock of goods in satisfaction of rent, he is a successor.

(b) If the landlord fails to foreclose his lien and sells the fixtures or stock of goods and the purchaser continues the business or a similar business, the purchaser is a successor.

(c) If the taxpayer does not leave any fixtures or stock of goods and the landlord engages in a like business in the same location or rents to a third person, neither the landlord nor the third person is a successor.

(6) Taxpayer purchases business, equipment, or stock of goods under a security agreement and the property is repossessed by the vendor, the vendor is not a successor.

(a) If the vendor sells to a third person who continues the business, the third person is not a successor.

(b) If the taxpayer sells his equity under the security agreement to a third person, the third person is a successor.

(c) If the property is not repossessed and the vendor buys back the interest of the taxpayer, the vendor is a successor, and any third person who purchases the same from such vendor and continues the business is also a successor.

(7) Taxpayer dies or becomes bankrupt, goes into receivership, or makes an assignment for the benefit of creditors.

(a) The executor, administrator, trustee, receiver, or assignee is not a successor but stands in the place of the taxpayer and is responsible for payment of tax out of the proceeds derived upon disposition of the assets.

(b) A purchaser from the executor, administrator, trustee, receiver, or assignee is not a successor, unless under the terms of the purchase agreement he assumes and agrees to pay taxes and/or lien claims.

(8) Taxpayer is a contractor and is required to post a bond to insure completion of the contract. Taxpayer defaults on the contract and the bonding company completes it. The bonding company is a successor to the contractor to the extent of the contractor's liability for that particular contract and is also liable for taxes incurred in the completion of the contract.

**BULK TRANSFERS.** Under chapter 62A.6 RCW persons whose principal business is the sale of merchandise from stock (including manufacturers) who transfer

(1) A major part of the materials, supplies, merchandise or other inventory of the business; or

(2) All or substantially all of the equipment of the business are required to furnish to the transferee a sworn list of all creditors, showing their names, addresses, and amounts owed. The parties (both the transferor and transferee) are then required to prepare a schedule of property being transferred, the schedule to be sworn to by the transferor. The list of creditors and schedule of property must be

(a) Preserved by the transferee for 6 months available for inspection and copying by any creditor,

(b) Filed by the transferee with the county auditor, and

(c) Served by the transferee on the department of revenue.

In addition to the foregoing, the transferee must, at least 10 days prior to taking possession of the goods or making payment for them, give notice of the transfer to

- (1) All persons shown on the list of creditors,
- (2) Any other persons known to hold or assert claims against the transferor, and
- (3) The department of revenue.

The notice to creditors must also be filed with the county auditor and shall state

- (1) That a bulk transfer is about to be made,
- (2) Names and business addresses of the transferor and transferee,
- (3) Whether debts of the transferor will be paid in full as they fall due and if so (a) the location and general description of the property to be transferred, (b) the estimated total of the transferor's debts, and (c) certain other information specified by RCW 62A.6-107.

Revised June 1, 1970.

[Order ET 70-3, § 458-20-216 (Rule 216), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-217 Lien for taxes.** Any tax due and unpaid, and all increases and penalties thereon, constitute a debt to the state and may be collected by court proceedings in the same manner as any other debt, which remedy is in addition to any and all other remedies.

#### TAX WARRANTS

When a warrant issued under RCW 82.32.210 and 82.32.220 has been filed with the clerk of the superior court and entered in the judgment docket, the warrant becomes a specific lien upon all goods, wares, merchandise, fixtures, equipment or other personal property used in the conduct of the business of the taxpayer, including property owned by third persons who have a beneficial interest, direct or indirect in the operation thereof, and no sale or transfer of such personal property in any way affects the lien. However, the lien is not superior to bona fide interests of third persons which had vested prior to the filing of the warrant when such third persons do not have a beneficial interest, direct or indirect, in the operation of the business, other than securing the payment of a debt or the receiving of a regular rental on equipment; provided that "bona fide interest of third persons" shall not include any mortgage of real or personal property or any other credit transaction that results in the mortgagee or the holder of the security acting as the trustee for unsecured creditors of the taxpayer mentioned in the warrant who executed such chattel or real property mortgage or the document evidencing such credit transaction.

Thus, where an oil company leases a filling station and other equipment to an operator under conditions whereby the operator is required to sell, or does sell, the products of the lessor, the lien will attach to the personal property leased by the oil company. Likewise, where the owner of a tavern grants to another a concession to operate the lunch counter therein, the lien for unpaid

taxes, increases, and penalties with respect to the operation of the lunch counter will attach to any equipment, fixtures, or other personal property owned by the tavern keeper but used by the concessionaire in the conduct of the business. Similarly, the lien attaches to a stock of merchandise supplied to a dealer by a distributor, manufacturer, bank or finance company whether on consignment or under a security agreement where it appears that the distributor, manufacturer, bank or finance company has financed the dealer by means of capital loans or has in any other way aided or assisted in maintaining the dealer in business. The amount of the warrant also becomes a lien upon the title to and interest in all other real and personal property of the taxpayer against whom it is issued and is the same as a judgment in a civil case docketed in the office of the clerk.

Warrants so docketed are sufficient to support the issuance of writs of garnishment in favor of the state, provided the taxpayer has not been denied an opportunity to be heard regarding the assessment.

#### WITHHOLD AND DELIVER

The department of revenue is authorized to issue to any person, or to any political subdivision or department of the state, a notice and order to withhold and deliver property of any kind whatsoever when there is reason to believe that there is in the possession of such person, political subdivision or department, property which is or shall become due, owing or belonging to any taxpayer against whom a warrant has been filed. The notice and order to withhold and deliver shall constitute a continuing levy on such property until the department shall issue its release of such levy.

The notice and order to withhold and deliver may be served by the sheriff of the county wherein service is made, or by his deputy, or by any authorized representative of the department of revenue. Persons upon whom service has been made are required to answer the notice within twenty days exclusive of the day of service. The answer must be under oath and in writing. If such answer states that it cannot be presently ascertained whether, in fact, any property is or shall become due, owing, or belonging to such taxpayer, the persons served herein are required to further answer when such fact can be ascertained with reasonable certainty.

Property which may be subject to the claim of the department must be delivered forthwith to the department or its duly authorized representative upon demand, to be held in trust by the department for application on the indebtedness involved, or for return, without interest, in accordance with final determination of liability. In the alternative, there must be furnished a good and sufficient bond satisfactory to the department conditioned upon final determination of liability.

Failure of any person to make answer to an order to withhold and deliver within the prescribed time permits the court to render a judgment by default for the full amount claimed by the department in the notice to withhold and deliver, together with costs.

PROBATE, INSOLVENCY, ASSIGNMENT FOR THE  
BENEFIT OF CREDITORS, OR BANKRUPTCY

In all the above cases the claim of the state for unpaid taxes and increases and penalties thereon is a lien upon all real and personal property of the taxpayer, and the mere existence of such cases or conditions is sufficient to create the lien without any prior or subsequent action by the state, and in all such cases it is the duty of all administrators, executors, guardians, receivers, trustees in bankruptcy or assignees for the benefit of creditors, to notify the department of the existence thereof within thirty days from the date of their appointment and qualification. In the event such notice is not timely given, such persons become personally liable for the payment of the taxes and all increases and penalties.

The lien attaches as of the date of assignment or of the initiation of court proceedings, but shall not affect the validity or priority of any earlier lien that may have attached previously in favor of the state under any other provision of the Revenue Act.

PUBLIC IMPROVEMENT CONTRACTS

The amount of all taxes, increases and penalties due or to become due under any chapter of the Revenue Act from a contractor or his successors or assignees with respect to a public improvement contract wherein the contract price is \$20,000 or more is a lien prior to all other liens upon the amount of the retained percentage withheld by the disbursing officers, and the amount of all other taxes, increases and penalties due and owing from the contractor is a lien upon the balance of such retained percentage after all other statutory lien claims have been paid.

Any state, county or municipal officer charged with the duty of disbursing or authorizing the payment of public funds, before making final payment of the retained percentage to any person performing any such contract, or to his successors or assignees, must require the person to secure from the department a certificate that all taxes, increases and penalties due from such person, and all taxes to become due with respect to such contract have been paid in full or that they are, in the department's opinion, readily collectible without recourse to the lien and that said lien is therefore released.

[Order ET 71-1, § 458-20-217, filed 7/22/71; Order ET 70-3, § 458-20-217 (Rule 217), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-218 Advertising agencies.** Advertising agencies are primarily engaged in the business of rendering professional services, but may also make sales of tangible personal property to their clients or others or make purchases of such articles as agents in behalf of their clients. Articles acquired or produced by advertising agencies may be for their own use in connection with the rendition of an advertising service or may be for resale as tangible personal property to their clients.

BUSINESS AND OCCUPATION TAX

The gross income received for advertising services, including commissions or discounts received upon articles purchased as agents in behalf of clients, is taxable under

the service and other business activities classification. (See WAC 458-20-144 for discounts or commissions allowed by printers.) Included in this classification are amounts attributable to sales of tangible personal property, unless charges for such articles are separately stated in billings rendered to clients.

The retailing or wholesaling classification applies to articles of tangible personal property sold to persons for whom no advertising service is rendered and also to charges to clients for such articles if separately stated from charges for advertising services in billings rendered.

The manufacturing classification applies to articles manufactured for sale or commercial or industrial use (see WAC 458-20-134), and also to interstate sales of manufactured articles separately stated from advertising services. (General principles covering sales or services to persons in other states are contained in WAC 458-20-193.)

RETAIL SALES TAX

The retail sales tax applies upon all sales of plates, engravings, electrotypes, etchings, mats, and other articles to advertising agencies for use by them in rendering an advertising service and not resold to clients.

The retail sales tax must be paid by advertising agencies to vendors upon retail purchases made by them as agent in behalf of clients.

Advertising agencies are required to collect the retail sales tax upon charges taxable under the retailing classification as indicated hereinabove, and resale certificates may be given by advertising agencies in respect to purchases of such articles.

USE TAX

The use tax applies upon the use of articles purchased or manufactured for use in rendering an advertising service. Articles acquired without payment of retail sales tax which are resold to clients, but not separately stated from charges for advertising service, are also subject to use tax.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-218, filed 3/30/83; Order ET 70-3, § 458-20-218 (Rule 218), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-219 Patronage dividends of cooperative associations, not deductible.** Patronage dividends declared by co-operative selling associations or corporations and paid from the earnings of such associations or corporations are not deductible in computing tax liability under business and occupation tax, public utility tax, or retail sales tax.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-219, filed 3/30/83; Order ET 70-3, § 458-20-219 (Rule 219), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-220 Painting, paper hanging, and sign painting.** The term "sign painting" means the business of painting signs upon metal, wood, paper, cloth, etc., and of lettering names or painting signs on doors, windows, buildings, walls, etc. It does not include the business of outdoor advertising, as defined in WAC 458-20-204.

## BUSINESS AND OCCUPATION

Persons engaged in the business of painting, paper hanging, and sign painting are taxable under the retailing classification upon gross sales.

## RETAIL SALES TAX

The retail sales tax is due upon the total charge made for work done for consumers.

The retail sales tax is not due upon sales of paint, paper and other materials resold in painting, paper hanging and sign painting.

Sales to such persons of brushes, ladders, drop cloths and all other tools and equipment used by them are retail sales and the retail sales tax applies thereto.

## USE TAX

Persons operating retail stores and also performing painting or paper hanging contracts are required to pay the use tax upon the use of all tools and equipment taken from stock and used in performing such contracts. The measure of the tax is the selling price of such articles.

Revised June 1, 1970.

[Order ET 70-3, § 458-20-220 (Rule 220), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-221 Collection of use tax by retailers and selling agents.** Every person who has obtained a certificate of registration (see WAC 458-20-101) is required to collect the use tax from retail buyers in this state, and to report and remit the same to the department of revenue.

RCW 82.12.040 of the law provides, among other things, as follows:

"Every person who engages in this state in the business of acting as an independent selling agent for persons who do not hold a valid certificate of registration, and who receives compensation by reason of sales of tangible personal property of his principals made for use in this state, shall, at the time such sales are made, collect from the purchasers the tax imposed under this chapter, and for that purpose shall be deemed a retailer as defined in this chapter." (For exceptions as to sale to certain persons engaged in interstate or foreign commerce see WAC 458-20-175.)

However, in those cases where the agent receives compensation by reason of a sale made pursuant to an order given directly to his principal by the buyer, and of which the agent had no knowledge at the time of sale, the said agent will be relieved of all liability for the collection of or payment of the tax. Furthermore, in other cases where payment is made by the buyer direct to the principal and the agent is unable to collect the tax from the buyer, the agent will be relieved from all liability for the collection of the tax from the buyer and for payment of the tax to the department, provided that within ten days after receipt of commission on any such sale, the agent shall forward to the department a written statement showing the following: Name and address of purchaser, date of sale, type of goods sold, and selling price. (Agents may avoid all liability for collection of this tax,

provided their principals obtain a certificate of registration.)

The use tax is computed upon the value of the property sold. At the time of making a sale of tangible personal property, the use of which is taxable under the use tax, the seller must collect the tax from the purchaser and upon request give to the purchaser a receipt therefor. This receipt need not be in any particular form, and may be an invoice which identifies the property sold, shows the sale price thereof and the amount of the tax.

The law provides that the tax required to be collected shall be deemed to be held in trust until paid to the department and shall be available for payment on the due date thereof, and that the tax shall not be absorbed by the retailer but shall be collected as a separate item and that the retailer shall be personally liable for any tax which he fails to collect. (See WAC 458-20-178.)

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-221, filed 3/30/83; Order ET 70-3, § 458-20-221 (Rule 221), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-222 Veterinarians.** Veterinarians are primarily engaged in the business of rendering professional services, although many veterinarians, in addition to such services, also sell medicines and supplies for use in the care of animals.

## BUSINESS AND OCCUPATION TAX

Taxable under the retailing classification upon gross sales of medicine and supplies when such articles are sold for a specific charge and not used by the veterinarian in the rendition of services.

Taxable under the service and other business activities classification upon gross income derived from the rendition of professional services and from the boarding and training of animals.

## RETAIL SALES TAX

Veterinarians purchase medicines, bandages, splints and other supplies primarily for use by them in rendering professional services. Sales of such articles to veterinarians are retail sales and the retail sales tax applies thereto.

However, veterinarians are required to collect the retail sales tax when such articles are sold by them for a specific charge and not in connection with the rendition of a professional service.

Sales of semen for use in the artificial insemination of livestock are exempt from sales tax.

(See WAC 458-20-102 on resale certificates, particularly that portion under the heading purchases for dual purpose.)

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-222, filed 3/30/83; Order ET 70-3, § 458-20-222 (Rule 222), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-223 Persons performing contracts on the basis of time and material, or cost-plus-fixed-fee.**

## BUSINESS AND OCCUPATION TAX

Such persons are subject to business tax in accordance with the principles laid down in the department of revenue's published rules, as follows:

As to manufacturing or processing for hire, WAC 458-20-136;

As to constructing and repairing of new or existing buildings, WAC 458-20-170;

As to building or improving of publicly-owned roads, etc., WAC 458-20-171;

As to contracts involving only the grading and clearing of land, WAC 458-20-172;

As to service and other business activities, WAC 458-20-224.

The measure of the tax under each of the foregoing types of contracts is the amount of profit or fixed fee received, plus the amount of reimbursements or prepayments received on account of sales of materials and supplies, on account of labor costs, on account of taxes paid, on account of payments made to subcontractors, and on account of all other costs and expenses incurred by the contractor, plus all payments made by his principal direct to a creditor of the contractor in payment of a liability incurred by the latter.

## RETAIL SALES TAX

The retail sales tax applies upon sales made to or by contractors to the extent set forth in said WAC 458-20-136, 458-20-170, 458-20-171, 458-20-172 and 458-20-224.

[Statutory Authority: RCW 82.32.300, 83-08-026 (Order ET 83-1), § 458-20-223, filed 3/30/83; Order ET 70-3, § 458-20-223 (Rule 223), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-224 Service and other business activities.** (1) Chapter 82.04 RCW imposes a tax upon every person for the privilege of engaging in business in this state. Persons engaged in the certain specifically named business activities are subject to a tax rate set out in the statute which is measured by value of products, gross sales or gross income, e.g.: Extracting, manufacturing, retailing, wholesaling, printing and publishing, and building and repairing of publicly owned streets and roads.

(2) Persons engaged in any business activity, other than or in addition to those for which a specific rate is provided in the statute, are taxable under a classification known as service and other business activities, and so designated upon return forms. In general, it includes persons rendering professional or personal services to persons (as distinguished from services rendered to personal property of persons) such as accountants, aerial surveyors and map makers, agents, ambulances, appraisers, architects, assayers, attorneys, automobile brokers, barbers, baseball clubs, beauty shop owners, brokers, chemists, chiropractors, collection agents, community television antenna owners, court reporters, dentists, detectives, employment agents, engineers, financiers, funeral directors, refuse collectors, hospital owners, janitors, kennel operators, laboratory operators, landscape architects, lawyers, loan agents, music teachers,

oculists, orchestra or band leaders contracting to provide musical services, osteopathic physicians, physicians, real estate agents, school bus operators, school operators, sewer services other than collection, stenographers, warehouse operators who are not subject to other specific statutory tax classifications, teachers, theater operators, undertakers, veterinarians, and numerous other persons.

(3) It does not include persons engaged in the business of cleaning, repairing, improving, etc., the personal property of others, such as automobile, house, jewelry, radio, refrigerator and machinery repairmen, laundry or dry cleaners. Also, it does not include certain personal and professional services specifically included within the definition of the term "sale at retail" in RCW 82.04-.050, such as amusement and recreation businesses of a participatory nature (see WAC 458-20-183); abstract, title insurance and escrow businesses, credit bureau businesses and automobile parking and storage garage businesses. Furthermore, it does not include persons who render services to others in the capacity of employees as distinguished from independent contractors. (See WAC 458-20-105.)

(4) Business and occupation tax. Persons engaged in any business activity, other than or in addition to those for which a specific rate is provided in chapter 82.04 RCW, are taxable under the service and other business activities classification upon gross income from such business.

(5) Persons engaged in a public service business taxable under chapter 82.16 RCW (see WAC 458-20-179) are exempt from business tax under chapter 82.04 RCW with respect to such businesses.

(6) Retail sales tax. The retail sales tax applies upon all sales of tangible personal property made to persons for use or consumption in performing a business activity which is taxable under the service and other business activities classification of chapter 82.04 RCW.

[Statutory Authority: RCW 82.32.300, 86-18-069 (Order 86-16), § 458-20-224, filed 9/3/86; 83-17-099 (Order ET 83-6), § 458-20-224, filed 8/23/83; 83-07-032 (Order ET 83-15), § 458-20-224, filed 3/15/83; Order ET 70-3, § 458-20-224 (Rule 224), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-225 Pattern makers.**

## BUSINESS AND OCCUPATION TAX

**MANUFACTURING.** Pattern makers are taxable under the manufacturing classification with respect to making patterns.

## RETAIL SALES TAX

Sales by pattern makers of their products to foundries, machine shops, machinery or equipment manufacturers, inventors or other persons who use or consume the patterns in producing, or in having produced, articles for sale or use are retail sales upon which the retail sales tax must be collected, irrespective of whether, after such use, such patterns are sold or title transferred along with the articles produced.

Sales by supply houses to pattern makers of lumber, nails, glue, steel, shellac or other materials becoming a

component part of the patterns are sales for further processing. Accordingly, the retail sales tax is not collected on such sales by the supply houses.

On the other hand, sales by supply houses to pattern makers of machinery, equipment, tools and other articles or materials which are used in the production of the patterns, but do not become a component part thereof, are retail sales upon which the retail sales tax must be collected.

Revised June 1, 1970.

[Order ET 70-3, § 458-20-225 (Rule 225), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-226 Landscape gardeners.** The business of landscape gardening ordinarily includes one or more of the following activities:

(a) The performance of contracts for grading, filling, leveling and planting of yards, lawns, and grounds.

(b) The sale, rental, or planting of ornamental trees, plants, shrubs, etc.

(c) The performance of contracts for the construction of structures, such as walks, pools, fences or trellises, rockeries and retaining walls.

(d) The maintenance of lawns, plants, or gardens, including grass cutting, hedge trimming, watering, and the pruning of trees and shrubs.

#### BUSINESS AND OCCUPATION TAX

Landscape gardeners are taxable under the classification retailing upon gross proceeds of sales of tangible personal property at retail and upon gross income from performing contracts of types (a), (b), and (c) for consumers. Landscape gardeners are taxable under the classification wholesaling on gross proceeds of sales for resale and upon gross income from performing contracts of types (a), (b), and (c) for other contractors for resale. Such persons are taxable under the classification service and other activities upon gross income from activities of type (d).

#### RETAIL SALES TAX AND USE TAX

Landscape gardeners must collect and report the retail sales tax upon the full contract price when performing contracts of types (a), (b), and (c) for consumers. Such persons must pay the retail sales tax to their vendors when purchasing tools, equipment and supplies which are not resold, either directly or as a component part of the finished work. The use tax must be paid upon the value of any such property purchased or acquired without payment of the Washington retail sales tax. Landscape gardeners may give resale certificates to their vendors and are not liable for payment of the retail sales tax upon purchases of plants, shrubs, seed, ornamental trees, fertilizer, peat moss, building materials and any other tangible personal property which is resold either directly or as a component part of the finished work in the course of performing contracts of types (a), (b), and (c) for consumers. Retail sales tax or use tax is due with respect to articles or products used by landscape gardeners in the course of performing contracts of type (d).

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-226, filed 3/30/83; Order ET 70-3, § 458-20-226 (Rule 226), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-227 Community antenna television services.** Persons furnishing community antenna television (CATV) services operate a central television receiving station or antenna from which cables are run to individual locations. The cost of the service to the subscriber consists of a flat fee for installation plus a monthly charge for the maintenance of the service. Title to the cable extensions remains at all times in the person furnishing the reception service.

Persons engaging in this business are subject to the business tax under the classification service and other activities upon the gross income of the business. "Gross income," in this instance, includes both the charge made for installation and the monthly rental or service fee.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-227, filed 3/30/83; Order ET 70-3, § 458-20-227 (Rule 227), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-228 Returns, remittances, penalties, extensions, inventory tax credit applications, stay of collection.** The taxes imposed under chapter 82.20 RCW (Tax on conveyances) and under chapter 82.24 RCW (Tax on cigarettes) are collected through sales of revenue stamps.

As to taxes imposed under chapter 82.04 RCW (Business and occupation tax), chapter 82.08 RCW (Retail sales tax), chapter 82.12 RCW (Use tax), chapter 82.14 RCW (Local sales and use taxes) chapter 82.16 RCW (Public utility tax), and chapter 82.26 RCW (Tobacco products tax), returns and remittances are to be filed with the department of revenue by the taxpayer. Returns are filed monthly, quarterly or annually. Reporting periods are assigned by the department of revenue on the basis of the amount of tax liability. Returns shall be made upon forms prepared by the department, which forms are forwarded by mail to all registered taxpayers approximately ten days prior to the due date of the tax.

Remittances in payment of tax may be made by uncertified bank check, but if any such check or remittance, other than legal tender, is not honored by the bank on which drawn, the taxpayer shall remain liable for the payment of the tax and for all legal penalties thereon. The department may refuse to accept any check which, in its opinion, would not be honored by the bank on which such check is drawn. The remittance covered by any check which is so refused will be deemed not to have been made and the taxpayer will remain liable for the tax due and for the applicable penalties.

For monthly reporting taxpayers, the tax returns are due as shown in the following schedule:

BUSINESS ACTIVITY DURING:	TAX RETURN IS DUE:
October 1981 through March 1982	25th of the following month
April 1982 through March 1983	20th of the following month
April 1983 through March 1985	15th of the following month
April 1985 and thereafter	25th of the following month

If the tax return is not filed by the due date shown above, a 5% penalty will apply; a 10% penalty will apply

if the return is not filed within 30 days of the due date; and a 20% penalty will apply if the return is still delinquent 60 days from the due date.

As to taxpayers reporting quarterly or annually, the tax return is due on or before the last day of the month following the period covered by the tax return. If payment of any tax due is not received by the department by the last day of the month in which the tax becomes due, there shall be assessed a penalty of five percent of the amount of the tax; and if the tax is not received within thirty days of the last day of the month in which the due date falls, there shall be assessed a total penalty of ten percent of the amount of the tax; and if the tax is not received within sixty days of the last day of the month in which the due date falls, there shall be assessed a total penalty of twenty percent of the amount of the tax.

The department may refuse to accept any return which is not accompanied by a remittance of the tax shown to be due thereon, and if not accepted, the taxpayer shall be deemed to have failed or refused to file a return, and shall be subject to the foregoing penalties.

Under the law, none of the penalties referred to above may be less than two dollars. The aggregate of penalties for failure to file a return, late payment of any tax, increase or penalty, or issuance of a warrant may not exceed twenty-five percent of the tax due, or seven dollars, whichever is greater.

The department shall apply the payment of the taxpayer first against penalties and interest, and then upon the tax, without regard to any direction of the taxpayer.

The department will waive or cancel the penalties imposed under RCW 82.32.090 and interest imposed under RCW 82.32.050 upon finding that the failure of a taxpayer to pay any tax by the due date was due to circumstances beyond the control of the taxpayer. The department has no authority to cancel penalties or interest for any other reason.

The following situations will constitute the only circumstances under which a cancellation of penalties will be considered by the department:

1. The return was filed on time but inadvertently mailed to another agency.
2. The delinquency was due to erroneous information given the taxpayer by a department officer or employee.
3. The delinquency was caused by death or serious illness of the taxpayer or his immediate family, or illness or death of his accountant or in the accountant's immediate family, prior to the filing date.
4. The delinquency was caused by unavoidable absence of the taxpayer, prior to the filing date.
5. The delinquency was caused by the destruction by fire or other casualty of the taxpayer's place of business or business records.
6. The taxpayer, prior to the time for filing the return, made timely application to the Olympia or district office, in writing, for proper forms and these were not furnished in sufficient time to permit the completed return to be paid before its delinquent date.
7. The delinquent tax return was received under the following circumstances:

a. The return was received by the department with full payment of tax due within 30 days after the due date; i.e., within the five percent penalty period prescribed by RCW 82.32.090, and

b. The taxpayer has never been delinquent filing a tax return prior to this occurrence, unless the penalty was excused under one of the preceding six circumstances, and

c. The delinquency was the result of an unforeseen and unintentional circumstance, not immediately known to the taxpayer, which circumstances will include the error or misconduct of the taxpayer's employee or accountant, confusion caused by communications with the department, failure to receive return forms timely, and delays or losses related to the postal service.

d. The delinquency will be waived under this circumstance on a one-time basis only.

A request for a waiver or cancellation of penalties must be in letter form and should contain all pertinent facts and be accompanied by such proof as may be available. Petition for cancellation of penalties must be made within the period for filing under RCW 82.32.160 (within 20 days after the issuance of the original notice of the amount thereof or within the period covered by any extension of the due date thereof granted by the department). In all such cases the burden of proving the facts is upon the taxpayer.

The following situations will constitute circumstances under which a waiver or cancellation of interest upon assessments pursuant to RCW 82.32.050 will be considered by the department:

1. The failure to pay the tax prior to issuance of the assessment was the direct result of written instructions given the taxpayer by the department.
2. Extension of the due date for payment of an assessment was not at the request of the taxpayer and was for the sole convenience of the department.

#### STAY OF COLLECTION

RCW 82.32.200 provides, "When any assessment or additional assessment (of taxes) has been made, the taxpayer may obtain a stay of collection, under such circumstances and for such periods as the department may by general regulation provide, of the whole or any part thereof, by filing with the department a bond in an amount, not exceeding twice the amount on which stay is desired, and with sureties as the department deems necessary, conditioned for the payment of the amount of the assessments, collection of which is stayed by the bond, together with the interest thereon at the rate of one percent of the amount of such assessment for each thirty days or portion thereof from the due date until paid."

(Note: RCW 82.32.190 authorizes issuance of an order by the department holding in abeyance tax collection during pendency of litigation. Such tax might be that due on excise tax returns or tax due for unaudited periods for which no assessment has been issued. If, however, an assessment has been issued and is unpaid, RCW 82.32.200, not RCW 82.32.190, is the operative statute

for stay of collection with respect to such an assessment.)

The department will give consideration to a request that it grant a stay of collection if:

1. Written request for the stay is made prior to the due date for payment of the tax assessment, and
2. Payment of any unprotested portion of the assessment and other taxes due is timely made, and
3. The requested stay is accompanied by an offer of a cash bond, or the offer of a security bond, the conditions of which are guaranteed by a specified authorized surety insurer; in either case the amount of the bond will ordinarily be set in an amount equal to the assessment or portion thereof for which stay is requested together with interest thereon at the rate of one percent per month, but in appropriate cases the department may require a bond in an increased amount not to exceed twice the amount for which stay is requested.

The department will grant a stay of collection only when it is satisfied and determines that it is in the best interests of the state to do so. Factors which it will consider in making this determination include: The existence of 1. a constitutional issue to be litigated by the taxpayer the resolution of which is uncertain; 2. a matter of first impression for which the department has little precedent in administrative practice; and 3. an issue affecting other similarly situated taxpayers for whom the department would be willing to stay collection of the tax.

Claims of financial hardship or threat of litigation are not grounds which would justify the granting of a stay of collection. However, the department will consider a claim of significant financial hardship as grounds for staying collection procedures, but this will be done only if a partial payment agreement is executed and kept in accordance with the department's procedures and with such security as the department deems necessary.

If the department grants a stay of collection, the stay will be for a period of no longer than two calendar years from the date of acceptance of the taxpayer request therefor or thirty days following a decision not appealed from by a tribunal or court of competent jurisdiction upholding the validity of the tax assessed, whichever date occurs first. The department may extend the period of a stay originally granted, but only for good cause shown.

#### EXTENSIONS

The department, for good cause, may extend the due date for filing any return. Any permanent extension, and any temporary extension in excess of thirty days, must be conditional upon deposit by the taxpayer with the department of an amount equal to the estimated tax liability for the reporting period or periods for which the extension is granted. This deposit is credited to the taxpayer's account and may be applied to the taxpayer's liability upon cancellation of the permanent extension or upon reporting of the tax liability where a temporary extension of more than thirty days has been granted.

The amount of the deposit is subject to departmental approval. The amount will be reviewed from time to time, and a change may be required at any time that the

department concludes that such amount does not approximate the tax liability for the reporting period or periods for which the extension was granted.

#### INVENTORY TAX CREDIT

A credit against business and occupation tax for property tax on business inventories paid before delinquency (i.e., paid on or before the time specified in RCW 84.56.020) is authorized by RCW 82.04.442. However, the credit may be allowed notwithstanding that the property tax was not paid by the due date for such payment upon a finding by the department of revenue that the delinquency was due to extenuating circumstances. Extenuating circumstances are those which are beyond the control of the taxpayer, namely:

1. The payment was mailed timely, but was inadvertently addressed incorrectly.
2. The delinquency was caused by death or serious illness of the taxpayer or his immediate family, or death or serious illness of his accountant or his immediate family.
3. The delinquency was caused by unavoidable absence of the taxpayer.
4. The delinquency was caused by the destruction by fire or other casualty of the taxpayer's place of business or business records.

[Statutory Authority: RCW 82.32.300. 85-04-016 (Order 85-1), § 458-20-228, filed 1/29/85; 83-16-052 (Order ET 83-4), § 458-20-228, filed 8/1/83; Order ET 74-1, § 458-20-228, filed 5/7/74; Order ET 71-1, § 458-20-228, filed 7/22/72; Order ET 70-3, § 458-20-228, filed 5/29/70, effective 7/1/70.]

**WAC 458-20-229 Refunds.** If upon written application for a refund or an audit of his records, or upon examination of the returns or records of any taxpayer, it is determined by the department of revenue that within the four calendar years immediately preceding the receipt by the department of such an application, or within the four calendar years immediately preceding the completion by the department of such an examination, a tax has been paid in excess of that properly due, the excess amount paid within said period will be credited to the taxpayer's account or will be refunded to him.

No refund or credit may be made for taxes paid more than four years prior to the beginning of the calendar year in which refund application is made or examination of records by the department is completed.

Notwithstanding the foregoing limitation, there will be refunded or credited to taxpayers engaged in the performance of United States government contracts or sub-contracts the amount of any tax paid, measured by that portion of the amounts received from the United States which the taxpayer is required by contract or applicable federal statute to refund or credit to the United States, if claim for such refund or credit is filed with the department within one year of the date that the amount of refund or credit due to the United States is finally determined, and such claim is filed with the department within four years of the date on which the tax was paid. No interest will be allowed on such refunds to said contractors.

All refunds are made by means of vouchers signed by the taxpayer and approved by the department pursuant

to which there is issued to taxpayers state warrants drawn upon and payable from such funds as the legislature may provide.

Any judgment entered by a court of competent jurisdiction, not appealed from, for recovery of any tax, penalty and interest which were paid by the taxpayer, and costs, shall be paid in like manner, upon the filing with the department of a certified copy of the judgment.

Interest at the rate of 3% per annum will be allowed by the department and by any court on the amount of any refund allowed to a taxpayer for taxes, penalties or interest paid by him and interest at the same rate is allowed on any judgment recovered by a taxpayer for taxes, penalties or interest paid.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-229, filed 3/30/83; Order ET 70-3, § 458-20-229 (Rule 229), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-230 Statutory limitations on assessments.** No assessment or correction of an assessment for additional taxes due may be made by the department of revenue more than four years after the close of the tax year, except:

(1) Against a taxpayer who has not registered as required by chapter 82.32 RCW.

(2) Upon a showing of fraud or of misrepresentation of a material fact by the taxpayer.

(3) Where the taxpayer has executed a written waiver of such limitation.

(4) Sales tax collected by a seller upon retail sales. Such tax shall be deemed to be held in trust until paid to the department. (RCW 82.08.050.)

Revised June 1, 1965.

[Order ET 70-3, § 458-20-230 (Rule 230), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-231 Tax on internal distribution.** Persons engaged in the business of distributing in this state articles of tangible personal property owned by them from their own warehouse or other central location in this state to two or more of their own retail stores or outlets, though no change in title or ownership to such property occurs, are taxable under the internal distribution classification of the business and occupation tax on the value of the articles so distributed, the intent being to impose a tax equal to the wholesaler's tax upon persons performing functions essentially comparable to those of a wholesaler, but not actually making sales. The internal distribution tax is applicable to transfers of merchandise from a central location which were preordered for a receiving retail outlet even if there is no inspection or opening of cartons or boxes at or by the central location. The tax may also be applicable to transfers by a retail outlet to two or more other retail outlets which are under the same ownership.

#### WAREHOUSE OR OTHER CENTRAL LOCATION

The term "warehouse or other central location" generally means any facility regardless of the type of activity conducted there, which is operated in this state by a person who distributed tangible personal property from

that facility to two or more of his own retail stores or outlets.

The said term includes any retail outlet irrespective of how the distributed goods may be inventoried or stored at such outlet. The term includes any facility, central distributing point, building, loading platform and adjacent areas operated by the taxpayer where articles of tangible personal property are received and from which they are distributed. Such facilities, distributing points, buildings, platforms and areas are included within the term regardless of how long such property may remain at such places and regardless of the nature of the activity performed at such places with respect to such property.

The said term also includes any manufacturing or processing facility operated by the taxpayer from which such distribution is made. The term does not include facilities operated by other persons at which team truck deliveries are made into trucks for distribution to retail outlets nor does it include any individual trucks owned by the taxpayer from which deliveries are made at facilities or places not owned by the taxpayer to other trucks for distribution to retail outlets.

#### TWO OR MORE RETAIL STORES OR OUTLETS

The term "two or more of their own retail stores or outlets" means two or more retail stores operated within this state separate and apart from any "warehouse or other central location." The term does not include a retail store or retail outlet, a part of which is operated as a warehouse from which distribution is made. However, a retail store or outlet will be counted as separate and apart, even though it may be located within the same premises or under the same roof as a warehouse or central location, if it is operated separately, as evidenced for example by separate employee payrolls, accounting records, inventory control, or clearly defined work and retail sale areas. The term does not include delivery trucks or vans. The term "retail store or outlet" does not include vending machines or similar devices through which sales are activated by coin deposits. However, the term includes business establishments retailing diversified goods primarily through the use of such devices.

#### ARTICLES OF TANGIBLE PERSONAL PROPERTY

The term "articles of tangible personal property" means all commodities distributed from a warehouse or central location for sale, including particular articles which may be distributed to only one of two or more retail stores or outlets.

#### TAXABLE DISTRIBUTIONS

In cases where the taxpayer sells at both wholesale and retail, the internal distribution tax will not be applicable with respect to articles distributed for sale at wholesale and upon the sale of which tax will be due under the classification wholesaling—other. Further, the internal distribution tax will not be applicable where the person liable for the tax can show by proper invoice, or by certification from his vendor that he has purchased

such property from a wholesaler who has paid the business and occupation tax to the state upon the sale of such property to such person. The tax is applicable, however, to transfers of merchandise purchased from manufacturers in this state, as defined in RCW 82.04.110, even though the manufacturer may have paid business and occupation tax on the manufacture and sale of such merchandise. When transfers of all merchandise purchased from a particular vendor will be exempt from the internal distribution tax under the conditions set forth above, certification by the vendor may be in blanket form covering all prior and subsequent transactions between the taxpayer and the certifying vendor. In such case, the certificate should be in substantially the following form:

**CERTIFICATE OF VENDOR—INTERNAL DISTRIBUTION TAX**

The undersigned vendor hereby certifies that he is registered with the department of revenue of the State of Washington under Certificate No. \_\_\_\_\_ and that he has paid, or will pay, the applicable Business and Occupation Tax (chapter 82.04 RCW) upon all sales heretofore or hereafter made to \_\_\_\_\_. The undersigned vendor further certifies that he is not a "manufacturer" in this state, as the term is defined in RCW 82.04.110, in respect to any of the commodities sold or to be sold to the above named purchaser.

Date \_\_\_\_\_

Signed \_\_\_\_\_  
 For \_\_\_\_\_  
 Position or Title \_\_\_\_\_

Articles distributed from independent manufacturers or distributors directly to the taxpayer's retail customers are not taxable distributions by the taxpayer. Articles distributed from independent manufacturers or distributors directly to the taxpayer's retail stores or outlets are not taxable distributions by the taxpayer. Only the first distribution of seasonal or other goods from a warehouse or central location is taxable, whether or not such goods were originally received in a retail store and later transferred to the warehouse or central location from which taxable distribution is later made.

**DETERMINATION OF THE VALUE OF THE ARTICLES DISTRIBUTED**

The value of articles distributed shall correspond as nearly as possible to gross proceeds of sales at wholesale in this state by other taxpayers of similar articles of like quality and character and in similar quantities. Taxpayers may determine the value of articles distributed by one of the following methods:

**METHOD 1. COST.**

(A) **COST OF PRODUCTION.** The value of articles distributed may be computed upon the basis of the cost of manufacturing or producing such articles. In such case there shall be included every item of cost attributable to the particular article or articles manufactured or produced, including cost of transportation to the local distribution point. In such event tax liability accrues during the period in which the articles are distributed.

(B) **PURCHASE PRICE.** The value of articles distributed may be computed upon the basis of purchase price including delivery costs of such articles delivered at the local distribution point. The purchase price must include the amount of state and federal excise taxes imposed upon the distributor for the sale, handling or distribution of the articles distributed, whether such taxes are paid by the distributor to his vendor, or are paid by him directly to the taxing body. In such event tax liability accrues during the period in which the articles were purchased, even though the particular articles purchased may not be distributed until a later date. (Not available to those who manufacture or produce the articles distributed.)

**METHOD 2. INVOICE PRICE TO RETAIL STORE.** The value of articles distributed may be computed upon the basis of charges or memorandum invoices rendered to the retail stores at the time the articles are distributed, providing the amount of such charges or invoices is not less than the cost price of such articles. In computing the cost price, there must be included the amount of state and federal excise taxes imposed upon the distributor for the sale, handling or distribution of the articles distributed, whether such taxes are paid by the distributor to his vendor, or are paid by him directly to the taxing body. In such event tax liability accrues during the period in which the articles are distributed.

**METHOD 3. RETAIL SELLING PRICE LESS 15%.** The value of articles distributed may be computed upon the basis of the retail selling price less 15%. In such event tax liability accrues during the period in which the articles are sold at retail.

**METHOD 4. CORRESPONDING WHOLESALE SALES.** The value of articles distributed may be determined according to the gross proceeds of sales of similar articles of like quality, character and quantity where bona fide wholesale sales are made during the same period, either by the taxpayer or by others, and providing a general standard price is established for such articles during said period. In such event tax liability accrues during the period in which the articles are distributed.

A taxpayer may elect to report upon the basis of any one of the four above methods, providing that the method elected shall be applied to all articles distributed, and after such election is made such taxpayer shall not be permitted to change to any other method without securing the written consent of the department of revenue. A taxpayer may use both method 1A and 1B if conditions warrant. Intricate or unusual problems concerning determination of the value of articles distributed should be submitted to the department for special ruling.

The statute provides that the internal distributions tax may not be assessed twice to the same person for the same article. In lieu of separate accounting for articles upon which the tax has or has not been paid, determination may be based upon the percentage formula computed according to a factual segregation of articles distributed for a test period of at least two representative months. Any such formula is subject to approval by the department.

[Statutory Authority: RCW 82.32.300, 83-08-026 (Order ET 83-1), § 458-20-231, filed 3/30/83; Order ET 70-3, § 458-20-231 (Rule 231), filed 5/29/70, effective 7/1/70.]

### WAC 458-20-232 Sales of intoxicating liquor.

#### SALES OF INTOXICATING LIQUOR

Intoxicating liquor as covered by this rule means spirits, wine, beer and strong beer as those terms are defined in chapter 66.04 RCW.

#### BUSINESS AND OCCUPATION TAX

Persons selling intoxicating liquor to consumers by the drink, opened bottle or unopened bottle are subject to the business and occupation tax under the retailing classification upon the gross proceeds of sales. No deduction is allowable for the special liquor sales taxes levied on these commodities.

Persons selling intoxicating liquor, mixers, ice, etc., for resale are subject to the business and occupation tax under the wholesaling—others classification upon the gross proceeds of sales.

**LIQUOR AGENCIES.** Persons operating liquor agencies on a commission basis are employees of the Washington state liquor control board and are not subject to business and occupation tax on income from this activity.

#### SPECIAL LIQUOR SALES TAXES

These taxes are imposed by RCW 82.08.150 and are collected and administered by the Washington state liquor control board.

#### GENERAL RETAIL SALES TAXES OF CHAPTER 82.08 RCW (STATE SALES TAX) AND CHAPTER 82.14 RCW (LOCAL SALES TAX)

Sales of wine and beer to consumers by the drink, opened bottle or unopened bottle, and sales of spirits by the drink, are subject to the retail sales taxes imposed by chapters 82.08 and 82.14 RCW. These taxes are also collectible by the Washington state liquor control board and its agencies on sales of wine and beer. The measure of the tax is the gross selling price without deduction for special liquor sales taxes. Sales of spirits and strong beer in the original package by the Washington state liquor control board and its agencies are not subject to these retail sales taxes. For sales tax collection instructions with respect to sales of alcoholic beverages by Class H licensees, Taverns, and the like, see WAC 458-20-119.

[Statutory Authority: RCW 82.32.300, 83-08-026 (Order ET 83-1), § 458-20-232, filed 3/30/83; Order ET 73-1, § 458-20-232, filed 11/2/73; Order ET 71-1, § 458-20-232, filed 7/22/71; Order ET 70-3, § 458-20-232 (Rule 232), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-233 Tax liability of medical and hospital service bureaus and associations and similar health care organizations.** All medical service bureaus, medical service corporations, hospital service associations and similar health care organizations engaging in business within this state are subject to the provisions of the business and occupation tax and are taxable under the service and other business activities classification upon their gross income. The term "gross income" as defined

in RCW 82.04.080 is construed to include the total contributions, fees, premiums or other receipts paid in by the members or subscribers. Insofar as tax liability is concerned it is immaterial that such organizations may be incorporated as charitable or nonprofit corporations.

Certain of these organizations operate under contracts by the terms of which the bureau or association acts solely as the agent of a physician, hospital, or ambulance company in offering to its members or subscribers medical and surgical services, hospitalization, nursing, and ambulance services. In computing tax liability such bureaus and associations, therefore, will be entitled to deduct from their gross income the amounts paid to member physicians, hospitals and ambulance companies. No deduction will be allowed with respect to amounts retained as surplus or reserve accounts or to amounts expended for the purchase of supplies or for any other expense of the bureau or association other than as provided herein.

Under contracts wherein these organizations furnish to their members medical and surgical, hospitalization and ambulance services as a principal and not as an agent, no such deduction is allowed.

Revised July 1, 1956.

[Order ET 70-3, § 458-20-233 (Rule 233), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-234 Business tax on flour millers, manufacturers of soybean or sunflower oil.** RCW 82.04.260(2) imposes business and occupation tax upon the manufacture of wheat into flour, soybean oil, or sunflower oil as follows:

"Upon every person engaging within this state in the business of manufacturing wheat into flour, soybeans into soybean oil, or sunflower seeds into sunflower oil; as to such persons the amount of tax with respect to such business shall be equal to the value of the flour or oil manufactured, multiplied by the rate of one-eighth of one percent."

This special classification for flour millers is limited strictly to those manufacturing "wheat into flour" and does not apply to the milling of any other type of grain; nor does it apply to the manufacture of any other product from wheat than flour. The term "flour" shall have its ordinary meaning and includes flours such as wheat, wholewheat, cracked wheat, entire wheat graham, bulgar, and rolled wheat but excluding such by-products as bran and shorts. Insofar as such other products are concerned, the tax under the general manufacturing classification (RCW 82.04.240) will apply.

Accordingly a miller milling wheat into flour will be taxable under manufacturing wheat into flour on the value of the flour manufactured and manufacturing—other on the value of the offal produced as a result of the milling process.

Persons making sales in this state of flour, soybean oil, or sunflower oil which they have manufactured are subject to business tax under either the retailing or wholesaling—all others classification and are not subject to tax under the classification manufacturing wheat into flour. (RCW 82.04.440.)

[Statutory Authority: RCW 82.32.300, 83-08-026 (Order ET 83-1), § 458-20-234, filed 3/30/83; Order ET 70-3, § 458-20-234 (Rule 234), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-235 Effect of rate changes on prior contracts and sales agreements.** The term "retail sales tax" as used herein means the state sales tax of chapter 82.08 RCW as well as the local sales taxes of chapter 82.14 RCW. The following principles govern the applicability of changes in the rates of tax imposed under the Revenue Act with respect to contracts and sales agreements made prior to the effective date of the change:

When an unconditional contract to sell tangible personal property is entered into prior to the effective date of a rate change, and the goods are delivered after that date, the new rates will be applicable to the transaction. When an unconditional contract to sell tangible property is entered into prior to the effective date, and the goods are delivered prior to that date, the tax rates in effect for the prior period will be applicable.

When a contract to sell tangible personal property contains a specific provision to pass title at some time prior to delivery of the goods, such a specific provision will be deemed controlling and the tax rates in effect at that time will be applicable.

The retail sales tax and business and occupation tax due on conditional and installment sales must be wholly reported during the period in which the sale is made (see WAC 458-20-198), irrespective of the fact that the seller may elect to receive payment of the sales tax in installments. Therefore, sellers who receive installment payments after the effective date of a rate change on conditional and installment sales made prior to that date must collect the sales tax due on such installments at the rate applicable when the contract was written and the sale was made.

Lessors who lease tangible personal property are required to collect from their lessees the retail sales tax measured by the gross income from rentals as of the time the rental payments fall due (WAC 458-20-211). Lessors must collect the retail sales tax and pay the business and occupation tax at the new rates on all rental payments which fall due on and after the effective date of a rate change, including rental payments on leases entered into prior to that date.

Persons installing, repairing, cleaning, altering, imprinting or improving tangible personal property for others, or constructing, repairing, decorating or improving buildings or other structures upon the real property of others will collect retail sales tax and pay the business and occupation tax at the new rates with respect to all such services performed and billed on and after the effective date of a rate change. With respect to contracts requiring the above services or construction which were executed prior to the effective date of a change in rates, the new rates will be applicable to the full contract price unless the contract work is completed and accepted prior to the effective date. If, however, under the terms of the contract, the seller is entitled to periodic payments which amounts are calculated to compensate the seller for the work completed to the date of payment, the applicable tax rates upon such payments (including, in the

case of public works contracts, the percentage retained by the public agency pursuant to the provisions of RCW 60.28.010) will be those in effect at the time the contractor becomes entitled to receive said payments.

Taxpayers filing returns on the cash basis (i.e., reporting charge sales at the time payment is received rather than at the time of sale) must make an accounts receivable adjustment (see WAC 458-20-199) at the time of a change in tax rates. For example, if a change of tax rate becomes effective July 1, a cash basis taxpayer should report along with the June cash receipts all accounts receivable outstanding as of June 30.

Intricate questions should be submitted in writing to the department of revenue for specific rulings.

[Statutory Authority: RCW 82.32.300, 83-07-032 (Order ET 83-15), § 458-20-235, filed 3/15/83; Order ET 70-3, § 458-20-235 (Rule 235), filed 5/29/70, effective 7/1/70.]

### **WAC 458-20-236 Baseball clubs and other sport organizations.**

#### **BUSINESS AND OCCUPATION TAX**

Baseball clubs and other sport organizations are taxable under the classification of service and other business activities upon the total income derived from games for which such clubs are the sponsors or hosts, even though a fixed amount or a certain percentage of such income is paid to another team or club.

Conversely, amounts received by baseball clubs or other sport organizations as their share of the proceeds from games for which they are not the sponsor or host may be excluded from the measure of tax.

Issued July 1, 1956.

[Order ET 70-3, § 458-20-236 (Rule 236), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-237 Retail sales tax collection schedules.** Under the provisions of section 6, chapter 7, Laws of 1983 the state retail sales tax was increased to 6.5% effective March 1, 1983, except that the retail sales tax levied and collected in the "border counties" (as defined in section 3, chapter 7, Laws of 1983, i.e., Clark, Cowlitz, Klickitat, and Skamania) remains at 5.4%. For purposes of the state retail sales tax, where a retail sale occurs is to be determined under RCW 82.14.020 and WAC 458-20-145.

RCW 82.14.030 (1) and (2) authorizes counties and cities to levy a local sales and use tax of .5% and an additional local option sales and use tax of up to .5%, such local taxes to be collected along with the 6.5% or 5.4% state tax. By RCW 82.14.045 all cities and counties, after voter approval, are authorized to levy an additional sales and use tax of .1%, .2%, or .3%, and, in the case of a Class AA county, .4%, .5%, or .6%, to finance public transportation systems, which tax is also to be collected along with the state tax.

Under the authority of RCW 82.08.060 and 82.14.070, the department of revenue has published schedules to govern the collection of retail sales tax on all retail sales. The schedules are in the amounts 5.9%, 6.2%, 6.4%, 6.5%, 7.2%, 7.3%, 7.5%, 7.6%, 7.7%, 7.8%, 7.9%,

and 8.1%. These schedules have been distributed to all retailers registered with the department of revenue. Additional copies of the schedules may be obtained by writing to Department of Revenue, Office Operations, 4th Floor, General Administration Building, Olympia, Washington 98504 or by contacting one of the local department of revenue district offices listed below.

- |  |  |
|--|--|
| 2700 Simpson Avenue<br>P.O. Box 1018<br>ABERDEEN 98520<br>(206) 533-9312                           | 919 SW Grady Way<br>P.O. Box 877<br>RENTON 98057<br>(206) 382-6100                   |
| 2500 Elm Street, Suite C<br>P.O. Box 1176<br>BELLINGHAM 98227<br>(206) 676-2114                    | 710 Second Avenue<br>901 Dexter Horton Bldg.<br>SEATTLE 98104<br>(206) 464-6827      |
| 245 4th Street Bldg.<br>Rm. 408<br>BREMERTON 98310<br>(206) 4784961                                | 300 Northtown Office Bldg.<br>North 4407 Division<br>SPOKANE 99207<br>(509) 456-3140 |
| 2020 35th Street<br>P.O. Box 6<br>EVERETT 98206<br>(206) 259-8566                                  | Professional Bldg., Rm. 207<br>705 South 9th<br>TACOMA 98405<br>(206) 593-2874       |
| 711 Vine Street<br>P.O. Box 240<br>KELSO 98626<br>Longview/Kelso Office<br>(206) 577-2015          | 311 West 11th<br>P.O. Box 787<br>VANCOUVER 98666<br>(206) 696-6151                   |
| 1024 Cleveland, Suite B<br>P.O. Box 278<br>MOUNT VERNON 98273<br>(206) 336-9616                    | 1815 Portland Avenue<br>WALLA WALLA 99362<br>(509) 527-4412                          |
| 9th and Columbia Bldg.<br>P.O. Box 448<br>OLYMPIA 98504<br>(206) 753-5510                          | 1139 Princeton<br>WENATCHEE 98801<br>(509) 663-9714                                  |
| 2110 West Henry<br>PASCO 99301<br>(509) 545-2442   | 214 Washington<br>Mutual Bldg.<br>YAKIMA 98907<br>(509) 575-2783.                    |
| 1601 East Front Street<br>Bldg. 2, Suite A<br>P.O. Box 400<br>PORT ANGELES 98362<br>(206) 457-8503 |  |

[Statutory Authority: RCW 82.32.300. 83-09-028 (Order ET 83-2), § 458-20-237, filed 4/15/83; 82-16-061 (Order ET 82-7), § 458-20-237, filed 7/30/82. Statutory Authority: RCW 82.32.300 and 82.08-.060. 82-06-020 (Order 82-1), § 458-20-237, filed 2/24/82. Statutory Authority: RCW 82.08.060 and 82.14.070. 81-01-099 (Order 80-5), § 458-20-237, filed 12/23/80. Statutory Authority: RCW 82.08-.060, 82.14.070 and 82.32.300. 79-06-036 (Order ET 79-1), § 458-20-237, filed 5/17/79, effective 7/1/79; Order ET 76-2, § 458-20-237, filed 5/19/76; Order ET 72-3, § 458-20-237, filed 11/30/72; Order ET 70-3, § 458-20-237 (Rule 237), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-238 Sales to nonresidents of watercraft requiring Coast Guard registration or documentation.** The term "Coast Guard registration," in addition to its ordinary meaning, will include registration numbering by the state of principal use when this function has been assumed by the state under the Federal Boating Act of 1958.

**BUSINESS AND OCCUPATION TAX**

In computing tax under the retailing classification, no exemption or deduction is allowed by reason of the fact that watercraft requiring Coast Guard registration are sold to nonresidents for use outside this state.

**RETAIL SALES TAX**

Under RCW 82.08.0266 an exemption from retail sales tax is allowed in respect to sales to nonresidents of this state for use outside of this state of watercraft requiring Coast Guard registration, even though delivery be made within this state, but only when (a) the watercraft will not be used within this state for more than forty-five days and (b) the seller receives from the buyer an exemption certificate as hereafter provided, and examines acceptable proof that the buyer is a resident of a state other than the state of Washington. The exemption certificate should be in substantially the following form, one copy to be filed with the department of revenue with the regular excise tax return and a duplicate to be retained by the dealer as a part of his records.

**EXEMPTION CERTIFICATE**

I, (printed or typed name of purchaser), hereby certify: That I am a bona fide resident of the state of \_\_\_\_\_ and my address is (street and number or route), (city, town or post office), (state). That on this date I have purchased from (dealer) the following described watercraft:

Make and Model ----- Length -----  
How propelled: Inboard ----- Outboard -----  
Horsepower -----

I further certify that this water craft will be registered or documented with the (Coast Guard or State of principal use), will not be used in the state of Washington for more than forty-five days and is exempt from Washington State Retail Sales Tax under RCW 82.08.0266.

I hereby declare, under penalty of perjury, that the above statements are true and correct to the best of my knowledge and belief.

Date ----- Signature -----

**CERTIFICATION OF DEALER**

I hereby certify that I personally examined the following items of documentary evidence submitted by the above purchaser to establish his residence in the state of \_\_\_\_\_:



addition to the tax credit benefits of this program, specific financial incentives to employers who locate or expand business facilities in this state are administered by the Washington state employment security department. The provisions of this section, however, apply only for manufacturing or research and development activities conducted at specific business facilities in announced eligible areas of this state.

(2) Effective April 1, 1986, persons engaged in manufacturing or research and development activities, who otherwise qualify, will receive credits against their business and occupation tax due under chapter 82.04 RCW. Those credits amount to one thousand dollars for each qualified employment position directly created in an eligible business project, as those terms are defined in this section.

(3) Definitions. For purposes of the tax credits program the following definitions will apply.

(a) "Applicant" means a person applying for tax credit under this program.

(b) "Department" means the department of revenue.

(c) "Eligible area" means a county in which the average level of unemployment for the three years before the year in which an application is filed exceeds the average state unemployment for those years by twenty percent.

The department will publish a list of such eligible areas by May 1 of each year during the life of this program.

(d) "Eligible business project" means manufacturing or research and development activities which are conducted by an applicant in an eligible area at a specific facility: *Provided*, That in order to qualify as an eligible business project, the applicant's average full-time qualified employment positions at the specific facility will be at least fifteen percent greater in the year for which credit is being sought than they were at the same facility in the immediately preceding year.

(e) The term "eligible business project" defined earlier, does not include any of the following:

(i) Any business project undertaken by a light and power business;

(ii) Any portion of a business project creating employment positions outside an eligible area;

(iii) Any business projects of persons who are receiving sales tax deferrals under chapter 82.61 RCW (see WAC 458-20-24002).

(f) "Manufacturing" has the meaning given in RCW 82.04.110 and WAC 458-20-136. For purposes of this section the term also includes computer programming, the production of computer software, and other computer-related services, and the activities of research and development and commercial testing laboratories.

(g) "Research and development" means the development, refinement, testing, marketing, and commercialization of a product, services, or process before commercial sales have begun.

(h) "Qualified employment position" means a permanent full-time employee, employed in an eligible business project during the entire tax year: *Provided*, That,

(i) Once a full-time position is established and filled it will continue to qualify for tax credit purposes so long

as it is filled by any person or, during any period of vacancy, the employer is training or actively recruiting a replacement employee;

(ii) A position will not be deemed to be filled in order to qualify for tax credit if it is vacant for any period in excess of thirty consecutive days;

(iii) The requirement for employment during the "entire" tax year will be satisfied if the full-time position is filled for a period of twelve consecutive months.

(i) "Permanent full-time employee" means a person who works for the recipient on a paid basis, at least thirty-five hours per week. It does not include independent contractors, independent representatives, persons compensated exclusively on a commissioned basis, or seasonal and similar employment personnel who work for the recipient for only a part of the year.

(j) "Tax year" means the calendar year in which taxes are due.

(k) "Recipient" means a person receiving tax credits under this program.

(l) "Credit computation year" means the tax year for which credits are being sought. The first credit computation year for which any person can seek and qualify for credit approval under this program is tax year 1987.

(m) "Base year" means the entire calendar year immediately preceding the credit computation year. The first base year under this program is 1986.

(4) Application procedures. Application for tax credits under this program must be made using the prescribed application for B & O tax credit on new employees. These forms are available from the department on request. The completed application must be submitted to the department before the actual hiring of qualified employment positions for which credit is sought.

(5) The department will determine if the information contained on the application qualifies the applicant for tax credits and will either approve or disapprove the application within sixty days. If approved, the department will issue a credit approval notice which will notify the recipient in writing of the dollar amount of tax credits available for use and the credit taking procedures. If disapproved, the department will notify the applicant in writing of the specific reasons for disapproval. The applicant may seek administrative review of any credit disapproval pursuant to the provisions of WAC 458-20-100.

(6) Under the law, tax credits may be received only for the creation of qualified employment positions at specific facilities within "eligible areas" as defined earlier. For purposes of making application for tax credits the state-wide and county unemployment statistics last published by the department will be used to determine eligible areas. The department will publish such statistics and a list of eligible areas by county, on May 1 of each year.

(7) A separate application must be submitted for each credit computation year.

(8) Qualifying for credit. There are three qualifying tests, all of which must be met, in order to receive approval for tax credits under this program.

(a) The applicant must be a "manufacturing" business as defined earlier; and

(b) The specific facility at which the manufacturing activities are being conducted must be within an eligible area as defined earlier; and

(c) The average full-time qualified employment positions at the specific facility during the credit computation year must be at least fifteen percent greater than such employment average for the preceding year.

(9) Because chapter 116, Laws of 1986 includes an emergency effective date of April 1, 1986, and because the stated intent is to stimulate the economy and create employment opportunities, this tax credits program is effective immediately. Full-time employees expected to be hired after any application for credits is submitted but before January 1, 1987, will be deemed to be employed as of January 1, 1987. They will be includable within the qualified employment position computation for that year. Thus, credits may be available for all positions hired after the effective date of the law if they otherwise qualify and within the dollar limits explained later.

(10) The threshold, fifteen percent employment increase test (qualifying test number three) is met by:

(a) Stating in the application the actual average number of full-time employment positions which existed at the facility during the base year;

(b) Stating the projected number of new positions to be filled during the credit computation year;

(c) Stating the average number of full-time employment positions for the credit computation year including the new projected positions;

(d) Achieving an increase of at least fifteen percent of (c) over (a) above.

(i) Examples. Applicant has no employees at the facility for base year 1986 and intends to hire ten persons, some in 1986 and some in 1987. Because for first year implementation of the program the 1986 hires will be deemed to be hired January 1, 1987, the applicant's base year average remains zero. Thus, its credit computation year average will always meet the fifteen percent increase test, even if only one new position is hired.

(ii) Applicant has an average employment of ten positions in base year 1986 and intends to hire two more persons, one yet in 1986 and one in 1987. This applicant must achieve a 1.5 position increase in 1987 to meet the fifteen percent threshold test. Since its new 1986 hiree will be attributed to January 1, 1987, it must project to hire the other new position by July 1, 1987, in order to meet the fifteen percent increase average of 1.5 for that credit computation year.

(iii) Applicant has an average employment of fifty positions in base year 1986 and intends to hire five more persons by January 1, 1987. This applicant will not qualify for 1987 tax credits because its 1987 average (fifty-five positions) is not at least fifteen percent greater than its base year 1986. In order to qualify for any credits this applicant would have to project hiring of at least eight new positions (a 1987 average of at least 57.5 employment positions) to meet the needed percentage increase.

(iv) The applicant in the previous example intends to hire ten new positions, five yet in 1986 and the other five sometime in 1987. Since the 1986 hires will be attributed to January 1, 1987 hiring, this applicant must hire the other five new positions early enough in 1987 to be able to compute a 1987 average of at least 57.5 for that year. Thus, the additional five 1987 hirings would have to be projected to be hired by at least July 1, 1987 in order to qualify for credits.

(11) Note. The department will be able to advise applicants of their minimum number of hiring needs and the latest time within the credit computation year that the positions must be filled to qualify for credits, based upon the information provided in the application.

(12) The carry-over of positions hired in 1986 into 1987 is a first year carry-over only. After 1986, all hiring increases must occur during the computation year for purposes of meeting the fifteen percent threshold test. Thus, applications for the 1988 credits computation year will be tested only by the average increase of 1988 employment positions over the 1987 base year average.

(13) In simplest terms, qualification for tax credits depends upon whether enough new positions are expected to be hired early enough to meet the fifteen percent average increase test.

(14) The fifteen percent threshold test to qualify for tax credits is a "lookahead" test which has no relationship to the dollar amount of credits which may be available. Also, the test for qualifying for approval of tax credits is unrelated to the end-of-year reporting and verification of credits, the "look-back" test explained later in this section. Rather, the fifteen percent test is a credits qualification test only.

(15) Applications for tax credits under this program must include the applicant's expected hirings for the full credit computation year for which credits are sought. After an application is approved and tax credits are granted, no adjustment or amendment of the credits approval will be possible for that credit computation year.

(16) Credits approval and use. Tax credits approved by the department may be used to offset current business and occupation tax liability if the recipient has incurred any such liability during the credit computation year. The credits may be used as soon as actual hiring of the projected qualified employment positions begin. For example, if a recipient has been approved for \$10,000.00 of tax credits based upon projections to hire ten new positions, that recipient may use each \$1,000.00 of tax credit at the time it hires each new employee.

(17) The law provides that the tax credits available under this program must be used to offset business and occupation tax which has been paid during the same tax year. However, rather than paying the tax and then seeking a refund in the amount of credits available, the recipient will take the available credits against current tax liability as it accrues.

(18) The tax credits approved under this program will be taken by the recipients on their regular combined excise tax return for their regular assigned tax reporting period. The amount of credit taken should be filled in on the front of the return form, with a copy of the credit

approval notice issued to the recipient attached to that return.

(19) Credits may be used as hiring is done or may accrue until they are most beneficial for the recipient's use. This is true even for first year credits available for hiring new positions in 1986. As soon as credits are approved and hiring begins, credits may be used, even during the remainder of 1986. No tax refunds will be made for any tax credits which exceed actual tax liability during the life of this program. Under no circumstances may tax credits exceed tax liability.

(20) If tax credits derived from qualified hiring exceed the recipients' business and occupation tax liability in any one calendar year under this program, they may be carried forward to the next calendar year.

(21) The tax credits approved for a recipient under this program may be used to offset business and occupation tax liability which the recipient owes because of business activity anywhere in this state. The liability for which the credit is used does not have to be incurred or flow from business engaged in at the specific facility in the eligible area.

(22) Tax credits available in any credit computation year may be used to offset business and occupation tax due on the fourth quarterly return or last monthly return of the tax year, even though that return is not actually filed with the department until January 25 of the following year.

(23) Credit and program limitations. This is essentially a two year tax credit program. Unless it is extended by law, the credit application and approval provision will expire on July 1, 1988. However, credits which become available under approved applications may be used after July 1, 1988, as actual hiring is done.

(24) No recipient is eligible for tax credits in excess of three hundred thousand dollars during the entire life of this program.

(25) The total of credits approved for all applicants under this program will not exceed fifteen million dollars per biennium. Any application for credits which is otherwise qualified but which is denied in whole or in part for a biennium because of this total program credit limit, will carry over for approval in the next biennium. However, once the total program credit limit has been met for the next biennium as well, no further tax credits will be approved.

(26) The law provides that no recipient may use tax credits approved under this program to decertify a union or to displace existing jobs in any community of the state. Thus, the average expected increase of qualified employment positions at the specific facility for which application is made must reflect a gross increase in the applicant's employment of persons at all locations in this state. Transfers of personnel from existing positions outside of an eligible area to new positions at the specific facility within an eligible area will not be allowed for purposes of approving tax credits. Also, layoffs or terminations of employment by the recipient at locations outside an eligible area for the purpose of hiring new positions within an eligible area will result in the withdrawal of any credits taken or approved.

(27) Perfecting approved credits. In order to perfect its entitlement to any credits approved and legally use such credits against business and occupation tax due, a recipient must actually hire the required number of qualified employment positions to comply with the application upon which tax credits were approved. Such created positions must be maintained for a continuous period of twelve consecutive months. (See the definition of "qualified employment position" at subsection (3)(h) of this section.) The law establishes a "look-back" test at the end of the credit computation year to determine that the tax recipient has complied.

For purposes of administering this program the department will consider a period of twelve consecutive months of employment to satisfy the definition of "qualified employment position," to perfect the entitlement to tax credits used.

(28) Reporting and monitoring. All recipients of tax credits under this program must file an annual report with the department reporting their employment activities through December 31 of each credit computation year. This report must be submitted by January 31 of the following year. Based upon this report the department will verify that the recipient is perfecting its entitlement to any tax credits approved by actually employing the required number of new qualified employment positions as represented in the recipient's credit application.

(29) Because this program is being fully implemented in mid-year 1986, the annual report due on December 31, 1986, will be an informational report only. No tax credits approved, whether actually used in 1986 or not, will be withdrawn or denied based upon this 1986 report. The annual report due on December 31, 1987, will be the first report which may result in tax credits being withdrawn.

(30) The law provides that if any recipient fails to submit a report or submits an inadequate report, the department may declare the amount of taxes for which credit has been used to be immediately assessed and payable. An inadequate report is one which fails to provide any information in the possession of a recipient which is necessary to confirm that the requisite number of employment positions have been created and maintained for twelve consecutive months. As credits are approved, the department will advise all recipients of the nature of information to be included on their annual reports.

(31) The department will monitor credit applications and annual reports on an ongoing basis over the life of this credit program. The department will maintain a running tabulation of credits approved for individual recipients as well as program credit totals and will advise applicants and recipients in writing of the program credit limitations which may affect their entitlement.

(32) Noncompliance—Withdrawal of credits. The law provides that if the department finds that a recipient is not eligible for tax credits for any reason other than failure to create the required number of qualified employment positions, the amount of taxes for which any

credit has been used shall be immediately due. No interest or penalty will be assessed in such cases.

(33) However, if the department finds that a recipient has failed to create the specified number of qualified employment positions, the department shall assess interest, but not penalties, on the taxes against which the credit has been used. This interest assessment is mandatory and will be assessed at the statutory rate under RCW 82.32.050, retroactively to the date the tax credit was used. Such interest will accrue until the taxes for which the credit was used are fully repaid.

(34) The administrative review and appeal provisions of chapter 83.32 RCW are available for any actions of the department, under this program, by which any applicant or recipient is adversely affected.

[Statutory Authority: RCW 82.32.300, 86-14-019 (Order ET 86-13), § 458-20-240, filed 6/24/86; 83-08-026 (Order ET 83-1), § 458-20-240, filed 3/30/83; Order ET 71-1, § 458-20-240, filed 7/22/71; Order ET 70-3, § 458-20-240 (Rule 240), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-24001 Sales and use tax deferral--Manufacturing and research/development facilities in distressed areas.** (1) Introduction. Chapter 82.60 RCW establishes a sales and use tax deferral program. The purpose of the program is to promote economic stimulation, create employment opportunities, and reduce poverty in certain distressed areas of the state. Thus, the legislature established this tax deferral program to be effective solely in those distressed areas and under circumstances where the deferred tax payments are for investments or costs that result in the creation of a specified minimum number of jobs. In general, the deferral applies to sales and use taxes on materials, labor, and services rendered in the construction of qualified buildings, machinery, and equipment.

(2) In addition to the tax deferral benefits of this program, the department of employment security administers economic incentives and funding programs which encourage "first source contract" hiring of unemployed persons and state public assistance recipients. The employment security department should be contacted directly for information concerning such nontax-related programs.

(3) Definition of terms. For purposes of this section:

(a) "Applicant" means a person applying for a tax deferral under chapter 82.60 RCW.

(b) "Person" has the meaning given in RCW 82.04.030. It means any individual, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, copartnership, joint venture, club, company, joint stock company, business trust, municipal corporation, political subdivision of the state of Washington, corporation, association, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit, or otherwise and the United States or any instrumentality thereof. For purposes of this section the relationship of landlord and tenant between separate persons, at arms length, shall not be considered as any of the types of relationships which are identified above as "persons."

(c) "Certificate holder" means an applicant to whom a tax deferral certificate has been issued.

(d) "Recipient" means a person who has been granted a tax deferral under this program.

(e) "Department" means the department of revenue.

(f) "Eligible area" means a county in which the average level of unemployment for the three calendar years preceding the year in which an application is filed exceeds the average state unemployment for those years by twenty percent; i.e., the average unemployment rate for the county must be twenty percent above the average unemployment rate for the state in the preceding three calendar years. In determining an eligible area the department may compare the county's average unemployment rate in the prior three years to one hundred twenty percent of the state's average unemployment rate based on official unemployment figures published by the department of employment security.

(g) "Eligible investment project" means that portion of an investment project which:

(i) Is directly utilized to create at least one new full time qualified employment position for each three hundred thousand dollars of investment on which a deferral is requested; and

(ii) Either initiates a new operation or expands or diversifies a current operation by expanding or renovating an existing building with costs in excess of twenty-five percent of the true and fair value of the plant complex prior to the improvement.

(h) For the purposes of the above paragraph the following definitions will apply:

(i) "Qualified employment position" means a permanent, full time employee employed in the eligible investment project during the entire tax year following the operational completion of the project. In the event an employee is either voluntarily or involuntarily separated from employment the employment position will be considered filled if the employer is either training or actively recruiting a replacement employee so long as the position is not actually vacant for any period in excess of thirty consecutive days.

(ii) The requirement for employment during the "entire tax year," for purposes of this tax deferral program, will be satisfied if the full time position is filled for a period of twelve consecutive months.

(iii) An "improvement" shall mean the physical alteration by expansion, modernization, or renovation of an existing building where the cost exceeds 25 percent of the true and fair value of the existing plant complex prior to the initiation of construction. The term "improvement" is further defined to include those portions of an existing building which do not increase the usable floor space, but is limited to the renovation, modernization, or any other form of alteration or addition and the equipment and machinery installed therein during the course of construction.

(iv) "True and fair value" means the value listed on the assessment rolls as determined by the county assessor for the land, buildings, or equipment for ad valorem property tax purposes at the time of application.

(v) "Plant complex" shall mean land, machinery, and buildings adapted to industrial, computer, warehouse, or research and development use as a single functional or operational unit for the designing, assembling, processing, or manufacturing of finished or partially finished products from raw materials or fabricated parts.

(vi) "Eligible investment project" does not include either an investment project undertaken by a light and power business as defined in RCW 82.16.010(5), or investment projects which have already received deferrals under chapter 82.60 RCW.

(i) "Investment project" means an investment in qualified buildings and qualified machinery and equipment, including labor and services rendered in the planning, installation, and construction of the project. A person who does not build or remodel its own building, but leases from a third party, is eligible for sales and use tax deferral provided that an investment in qualified machinery and equipment is made by such person and a new structure used to house the manufacturing activities is constructed. The lessor/owner of the structure is not eligible for deferral unless the underlying ownership of the buildings, machinery, and equipment vests in the same persons.

(j) "Manufacturing" has the meaning given in RCW 82.04.110 and WAC 458-20-136 now and as hereafter amended. Manufacturing, for purposes of this section, shall also include computer programming, the production of computer-related service, and the activities performed by research and development laboratories and commercial testing laboratories.

(k) "Qualified buildings" means new structures used to house manufacturing activities as defined above and includes plant offices, warehouses, or other facilities for the storage of raw material and finished goods if such facilities are essential or an integral part of a manufacturing operation. The term also includes parking lots, landscaping, sewage disposal systems, cafeterias, and the like, which are attendant to the initial construction of an eligible investment project. The term "new structures" means either a newly constructed building or a building newly purchased by the certificate holder. A preowned or existing building is eligible for deferral provided that the certificate holder expands, modernizes, renovates, or remodels the preowned or existing building by physical alteration thereof.

(l) "Qualified machinery and equipment" means all new industrial and research fixtures, equipment, and support facilities that are an integral and necessary part of a manufacturing operation, as defined above. "Qualified machinery and equipment" includes, but is not limited to, computers, software, data processing equipment, laboratory equipment; manufacturing components such as belts, pulleys, shafts and moving parts; molds, tools and dies; operating structures and all equipment used to control or operate machinery. It also includes machinery and equipment acquired under the terms of a long or short term lease by the recipient. The tax deferral applies to equipment purchased outright by the recipient (or the transfer of machinery and equipment into the state of Washington) and leased equipment. Acquisition

of spare parts for machinery, equipment, etc., in excess of normal operating levels shall not be eligible for deferral.

(m) "New machinery and equipment" means either new to the taxing jurisdiction of the state or new to the certificate holder. Used equipment is eligible for deferral provided that the certificate holder either brings the machinery or equipment into Washington for the first time or purchases it at retail in Washington.

(n) "Initiation of construction," for purposes of applying for the investment tax deferral relating to the construction of new buildings, shall mean the date upon which on-site construction work commences.

(o) "Initiation of construction," for purposes of applying for the investment tax deferral relating to a major improvement of existing buildings, shall mean the date upon which the new construction by renovation, modernization, or expansion, by physical alteration, begins.

(p) "Operationally complete" means the eligible investment project is constructed or improved to the point of being fully and functionally useable for its intended purpose as described in the application.

(4) Application procedure. An application for sales and use tax deferral under this program must be made prior to the initiation of construction, as defined above. Application forms will be supplied to the applicant by the department upon request. The completed application is to be sent in duplicate to the following address:

State of Washington  
Department of Revenue  
Audit Procedures & Review  
Olympia, WA 98504  
Mail Stop AX-02

(5) The department will verify the information contained in the application and either approve or disapprove the application within sixty days. If approved, a tax deferral certificate shall be issued effective as of the date the application was received by the department. If disapproved, the department shall notify the applicant as to the reason(s) for disapproval. The applicant may seek administrative review of the department's refusal to issue a certificate pursuant to the provisions of WAC 458-20-100, within twenty days from the date of notice of the department's refusal, or within any extension of such time granted by the department.

(6) For purposes of making application for tax deferral and of approving such applications, the state-wide and county unemployment statistics last published by the department will be used to determine eligible areas. The department will publish a list of eligible areas by county, on May 1 of each year.

(7) Use of the certificate. A tax deferral certificate issued under this program shall be for the use of the recipient thereof for deferral of sales and use taxes due on each eligible investment project. Deferral is limited only to investment in qualified buildings and qualified machinery and equipment as defined in this section. Thus, sales and use taxes cannot be deferred on items which do not become part of the qualified buildings, machinery, and equipment.

(8) The tax deferral certificate shall be used in a manner similar to that of a resale certificate as set forth in WAC 458-20-102. The certificate holder shall provide its vendors with a copy of the tax deferral certificate at the time goods or services are purchased. The seller or vendor shall be relieved of the responsibility for collection of the sales or use tax upon presentation of the certificate. The seller or vendor shall retain a copy of the certificate as part of its permanent records. A blanket certificate may be provided by the certificate holder and accepted by the seller covering all such purchases relative to the eligible project. The seller or vendor is liable for reporting business and occupation tax on all tax deferral sales.

(9) Audit procedure. An applicant must provide the department with the estimated cost of the investment project at the time the application is made. Following approval of the application and issuance of a sales and use tax deferral certificate, a certificate holder must notify the department, in writing, when the value of the investment project reaches the estimated cost as stated on the tax deferral certificate. At that time the certificate holder may not utilize the certificate further. If a certificate holder has reached its level of estimated costs and the project is not operationally complete, the certificate holder may apply for a supplemental certificate stating a revised amount upon which the deferral of sales and use taxes is requested. The certificate holder shall amend the original application to account for the additional costs. The department will grant or deny the amended application on the same basis as original applications.

(10) The certificate holder shall notify the department in writing when the construction project is operationally complete. Upon receipt of such notification or other information, the department shall conduct a final audit of the investment project. The certificate holder shall open its books and records to the department and make available the final cost figures for the investment project. The department may request reasonable supporting documentation and other proof to justify the final cost of the project.

(11) Upon completion of the audit the department shall certify the amount of sales and use taxes subject to deferral and the date on which the project was operationally complete. The recipient shall be notified in writing of the total amount of deferred taxes, the date(s) upon which the deferred taxes shall be paid, and any reports required to be submitted in the subsequent years. If the department disallows all or any portion of the amount of sales and use taxes requested for deferral, the recipient may seek administrative review of the department's action pursuant to the provisions of WAC 458-20-100, within twenty days from the date of the notice of disallowance.

(12) The department shall keep a running total of all deferral certificates granted during each fiscal biennium.

(13) The deferral is allowable only in respect to investment in the construction of a new plant complex or the enlargement or improvement of an existing plant

complex directly used in manufacturing activities, as defined above. Where a plant complex is used partly for manufacturing and partly for purposes which do not qualify for deferral under this section and it is not possible to identify the nonqualifying items through separate accounting, the applicable tax deferral shall be determined by apportionment according to the ratio which the construction cost per square foot of that portion of the plant complex directly used for manufacturing purposes bears to the construction cost per square foot of the total plant complex.

(14) The amount of tax deferral allowable for leased equipment shall be calculated upon that amount of the consideration paid by the lessee/recipient to the lessor:

(a) Over the initial term of the lease, excluding any period of extension or option to renew, where the lease term ends on or before the last date for repayment of the deferred taxes; or

(b) Over that portion of the lease term to the last date for repayment of deferred taxes as provided hereinafter, where the lease term, excluding any period of extension or option to renew extends beyond such repayment date.

(15) After that date the lessee/recipient shall pay the appropriate sales taxes to the lessor for the remaining term of the lease.

(16) No taxes may be deferred under this section prior to July 1, 1985. No applications for deferral of taxes will be accepted after May 1, 1991 nor will sales or use tax deferral certificates be issued on or after July 1, 1991. In tabulating the total amount of deferrals granted under this law there shall be considered a total of three fiscal biennia within which applications shall be accepted.

(17) Reporting and monitoring procedure. Each recipient of sales and use tax deferral shall submit a report to the department on December 31st of each year during the repayment period until all taxes are repaid. The first report shall be submitted in the third year after the date on which the construction project has been operationally complete to coincide with the first payment of deferred taxes. The report shall contain information from which the department may determine whether the recipient is meeting the requirements of the deferral law.

(18) The report shall be made to the department in a form and manner prescribed by the department. The report shall contain information regarding the recipient's average employment in the state for the prior three years, the actual employment related to the project, the actual wages of the employees related to the project, and any other information required by the department. If the recipient fails to submit a report or submits an inadequate or falsified report, the department may declare the amount of deferred taxes outstanding to be immediately assessed and payable. An inadequate or falsified report is one that contains material omissions or contains knowingly false statements and information.

(19) The department shall notify the department of employment security of the names of all recipients of tax deferrals under this program. On or before December 31st of each year a deferral is in effect, the department shall request information on each recipient's employment

in the state for that year, including employment related to the deferral project, and the wages of such employees. The department of employment security shall make, and certify to the department, all determinations of employment and wages required under this subsection.

(20) If, on the basis of the recipient's annual report or other information including that submitted by the department of employment security, the department finds that an investment project is not eligible for tax deferral, the department will (a) declare the amount of deferred taxes outstanding to be immediately due or (b) assess interest on the deferred taxes for the project.

(21) If the department finds that an investment project has been operationally complete for three years and has failed to create the required number of qualified employment positions, the department shall assess interest, but not penalties, on the deferred taxes. The interest shall be assessed at the rate of nine percent per annum, shall be assessed retroactively to the date of deferral, and shall accrue until the deferred taxes are paid. A recipient of deferred taxes shall have from the date on which the construction project was certified as operationally complete to December 31st of the first year of repayment in which to create the required number of employment positions under this law.

(22) If the department finds that the investment project is not eligible for tax deferral for reasons other than failure to create the required number of qualified employment positions, the amount of deferred taxes outstanding for the project shall be immediately due. The reasons for disqualification include, but are not limited to, the following:

(a) The facility is not used for a manufacturing, warehouse, computer, or research and development operations;

(b) The recipient has not made an investment in qualified buildings, machinery, and equipment.

(23) Any action taken by the department to assess interest or disqualify a recipient for tax deferral shall be subject to administrative review pursuant to the provisions of WAC 458-20-100.

(24) The law expressly excuses the obligation for repayment of sales or use tax upon the value of labor directly applied in the construction of an investment project for which deferral has been granted, *Provided:*

(a) That deferral has been granted after June 11, 1986; and

(b) That eligibility for the granted tax deferral has been perfected by actually meeting all of the eligibility requirements, based upon the recipient's annual December 31 reports and any other information available to the department.

(25) The recipient must establish, by clear and convincing evidence, the value of all construction and installation labor for which repayment of sales tax is sought to be excused. Such evidence must include, but is not limited to: A written, signed, and dated itemized billing from construction/installation contractors or independent third party labor providers which states the value of labor charged separately from the value of materials.

(26) The above information must be maintained in the recipient's permanent records for the department's review and verification at the time of the final audit of the investment project.

(27) In the absence of such itemized billings in its permanent records, no recipient may be excused from repayment of sales tax on the value of labor in an amount exceeding thirty percent of its gross construction or installation contract charges.

(28) The value of labor for which an excuse from repayment of sales or use tax may be received will not exceed the value which is subject to such taxes under the general provisions of chapters 82.08 and 82.12 RCW.

(29) Payment procedures. The recipient of sales and use tax deferral under this program shall begin paying the deferred taxes in the third year after the date certified by the department as the date on which the construction project was operationally complete. The first payment will be due on December 31st of the third calendar year after such certified date, with subsequent annual payments due on December 31st of the following four years, with amounts of payment scheduled as follows:

Repayment Year	Percentage of Deferred Tax Repaid
1	10%
2	15%
3	20%
4	25%
5	30%

(30) The department may authorize an accelerated repayment schedule upon request of the recipient. Interest shall not be charged on any taxes deferred under this rule during the period of deferral, although other penalties and interest applicable to delinquent excise taxes may be assessed and imposed for any delinquent payments during the repayment period pursuant to chapter 82.32 RCW. The debt for deferred taxes shall not be extinguished by insolvency or other failure of the recipient nor shall the debt for the deferred taxes be extinguished by the sale, exchange, or other disposition of the recipient's business. Any person who becomes a successor (see WAC 458-20-216) to such investment project shall be liable for the full amount of any unpaid, deferred taxes under the same terms and conditions as the original recipient.

[Statutory Authority: RCW 82.32.300, 86-14-019 (Order ET 86-13), § 458-20-24001, filed 6/24/86; 85-21-013 (Order ET 85-5), § 458-20-24001, filed 10/7/85.]

**WAC 458-20-24002 Sales and use tax deferral—New manufacturing and research/development facilities.**

(1) Introduction. Chapter 82.61 RCW, as amended, establishes a sales and use tax deferral program for certain manufacturing or research and development investment projects. The deferral will be granted only to persons not currently engaged in manufacturing or research and development activities in the state of Washington on June 14, 1985, the effective date of the deferral program. Applications for the tax deferral may be accepted up

through June 30, 1988; a holder of a tax deferral certificate must initiate construction of the investment project within one hundred eighty days of receiving approval from the department and issuance of the tax deferral certificate. In general, the deferral applies to the construction of new buildings and the acquisition of related machinery and equipment.

(2) In addition to the tax deferral benefits of this program, the department of employment security administers economic incentives and funding programs which encourage "first source contract" hiring of unemployed persons and state public assistance recipients. The employment security department should be contacted directly for information concerning such nontax-related programs.

(3) Definition of terms. Unless the context clearly requires otherwise, the definitions in this section apply throughout this rule.

(4) "Applicant" means a person applying for a tax deferral under this rule.

(5) "Person" has the meaning given in RCW 82.04-.030. It means any individual, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, copartnership, joint venture, club, company, joint stock company, business trust, municipal corporation, political subdivision of the state of Washington, corporation, association, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit, or otherwise and the United States or any instrumentality thereof. For purposes of this rule the relationship of landlord and tenant between separate persons, at arms length, shall not be considered as any of the types of relationships which are identified above as "persons".

(6) "Eligible investment project" means construction of new buildings and the acquisition of related machinery and equipment when the buildings, machinery, and equipment are to be used for either manufacturing or research and development activities, which construction is commenced prior to December 31, 1988.

(7) "Manufacturing" means all activities of a commercial or industrial nature wherein labor or skill is applied, by hand or machinery, to materials so that as a result thereof a new, different, or useful substance or article of tangible personal property is produced for sale or commercial or industrial use and includes the production or fabrication of specially made or custom-made articles.

(8) "Research and development" means the development, refinement, testing, marketing, and commercialization of a product, service, or process before commercial sales have begun.

(9) "Buildings" means only those new structures used for either manufacturing or research and development activities, including plant offices and warehouses or other facilities for the storage of raw materials or finished goods if such facilities are an essential or integral part of a factory, mill, plant, or laboratory used for manufacturing or research and development purposes. If a building is used partly for manufacturing or research and development purposes and partly for other purposes,

the applicable tax deferral shall be determined by apportionment of the costs of construction under this rule.

(10) "Machinery and equipment" means all new industrial and research fixtures, equipment, and support facilities that are an integral and necessary part of a manufacturing or research and development operation.

(11) "Qualified machinery and equipment" includes computers; software; data processing equipment; laboratory equipment; manufacturing components such as belts, pulleys, shafts, and moving parts; molds, tools, and dies; operating structures; and all equipment used to control or operate the machinery. For purposes of this definition, new machinery and equipment means either new to the taxing jurisdiction of the state or new to the certificate holder. Used machinery and equipment are eligible for deferral if the certificate holder either brings the machinery and equipment into Washington for the first time or makes a retail purchase of the machinery and equipment in Washington.

(12) "Acquisition of equipment and machinery" shall have the meaning given to the term "sale" in RCW 82-.04.040. It means any transfer of the ownership of, title to, or possession of, tangible personal property for a valuable consideration. A sale takes place when the goods sold are actually or constructively delivered to the buyer in this state.

(13) "Recipient" means a person receiving a tax deferral under this chapter.

(14) "Certificate holder" means an applicant to whom a tax deferral certificate has been issued.

(15) "Operationally complete" means that the eligible investment project is constructed or improved to the point of being fully and functionally useable for the intended purpose as described in the application.

(16) "Initiation of construction" means that date upon which on-site construction commences.

(17) "Plant complex" shall mean land, machinery, and buildings adapted to commercial, industrial, or research and development use as a single functional or operational unit for the designing, assembling, processing or manufacturing of finished or partially finished products from raw materials or fabricated parts.

(18) "Investment project" means an investment in qualified buildings and qualified machinery and equipment, including labor and services rendered in the planning, installation, and construction of the project. A person who does not build its own building, but leases from a third party, is eligible for sales and use tax deferral provided that an investment in qualified machinery and equipment is made by such person and a new structure used to house the manufacturing activities is constructed. The lessor/owner of the structure is not eligible for deferral unless the underlying ownership of the buildings, machinery, and equipment vests in the same persons. An eligible investment project does not include any project which or person who have previously been the recipient of a tax deferral under Washington law.

(19) Application procedures. An application for sales and use tax deferral under this program must be made prior to either the initiation of construction or the acquisition of equipment or machinery, as defined above,

whichever occurs first. Application forms will be supplied to the applicant by the department upon request. The completed application is to be sent in duplicate to the following address:

State of Washington  
Department of Revenue  
Audit Procedures & Review  
Olympia, WA 98504  
Mail Stop AX-02

(20) The application shall contain information regarding the location of the investment project, estimated or actual costs, time schedules for completion and operation, and other information required by the department, including information relating to employment at the investment project.

(21) The department will examine and verify the information contained in the application and either approve or disapprove the application within sixty days. If approved, a tax deferral certificate will be issued effective as of the date the application was received by the department. If disapproved, the department shall notify the applicant as to the reason(s) for disapproval. The applicant may seek administrative review of the department's refusal to issue a certificate pursuant to the provisions of WAC 458-20-100 within twenty days from the date of notice of the department's refusal, or within any extension of such time granted by the department. A certificate holder shall initiate construction of the investment project within one hundred eighty days of receiving approval from the department and issuance of the tax deferral certificate.

(22) A tax deferral certificate shall only be issued to persons who, on June 14, 1985, are not engaged in manufacturing or research and development activities within this state. For purposes of this section, a person shall not be considered to be engaged in manufacturing or research and development activities where the only activities performed by such person in this state are sales, installation, repair, or promotional activities in respect to products manufactured outside this state. Any person who has succeeded by merger, consolidation, incorporation, or any other form or change of identity to the business of a person engaged in manufacturing or research and development activities in this state on June 14, 1985 and any person who is a subsidiary of a person engaged in manufacturing or research and development activities in this state on June 14, 1985 shall also be eligible to receive a tax deferral certificate.

(23) No application for deferral of taxes shall be accepted after June 30, 1988. For purposes of this regulation, the time of receipt of an application shall be determined by the date shown by the post office cancellation mark stamped upon the envelope containing the application if transmitted by the United States Postal Service, the date stamped on the envelope if transmitted by another carrier, or the date of receipt if hand delivered to an office of the department.

(24) Use of the certificate. A tax deferral certificate issued under this program shall be for the use of the recipient thereof for deferral of sales and use taxes due on

each eligible investment project. Deferral is limited only to investment in qualified buildings, machinery, and equipment as defined in this section. Thus, sales and use taxes cannot be deferred on items which do not become part of the qualified buildings, machinery, and equipment.

(25) The tax deferral certificate shall be used in a manner similar to that of a resale certificate as set forth in WAC 458-20-102. The certificate holder shall provide its vendors with a copy of the tax deferral certificate at the time goods or services are purchased. The seller or vendor shall be relieved of the responsibility for collection of the sales or use tax upon presentation of the certificate. The seller or vendor shall retain a copy of the certificate as part of its permanent records. A blanket certificate may be provided by the certificate holder and accepted by the seller covering all such purchases relative to the eligible project. The seller or vendor is liable for reporting business and occupation tax on all deferral sales.

(26) Audit procedures. The certificate holder shall notify the department in writing when the construction project is operationally complete. Upon receipt of such notification or other information, the department shall conduct a final audit of the investment project. The certificate holder shall open its books and records to the department and make available the final cost figures for the investment project. The department may request reasonable supporting documentation and other proof to justify the final cost of the project.

(27) Upon completion of the audit the department shall certify the amount of sales and use taxes subject to deferral and the date on which the project was operationally complete. The recipient shall be notified in writing of the total amount of deferred taxes, the date(s) upon which the deferred taxes shall be paid, and any reports required to be submitted in the subsequent years. If the department disallows all or any portion of the amount of sale and use taxes requested for deferral, the recipient may seek administrative review of the department's action pursuant to the provisions of WAC 458-20-100, within twenty days from the date of the notice of disallowance.

(28) The deferral is allowable only in respect to investment in the construction of a new plant complex used in manufacturing or research and development activities, as defined above. Where a plant complex is used partly for manufacturing or research and development purposes and partly for purposes which do not qualify for deferral under this section and it is not possible to identify the nonqualifying items through separate accounting, the applicable tax deferral shall be determined by apportionment according to the ratio which the construction cost per square foot of that portion of the plant complex directly used for manufacturing purposes bears to the construction cost per square foot of the total plant complex.

(29) The amount of tax deferral allowable for leased equipment shall be calculated upon that amount of the consideration paid by the lessee/recipient to the lessor:

(a) Over the initial term of the lease, excluding any period of extension or option to renew, where the lease term ends on or before the last date for repayment of the deferred taxes; or

(b) Over that portion of the lease term to the last date for repayment of deferred taxes as provided hereinafter, where the lease term, excluding any period of extension or option to renew extends beyond such repayment date.

(30) After that date the lessee/recipient shall pay the appropriate sales tax to the lessor for the remaining term of the lease.

(31) No taxes may be deferred under this section prior to June 14, 1985. No applications for deferral of taxes will be accepted after June 30, 1988, nor will sales or use tax deferral certificates be issued after August 29, 1988. A certificate holder must commence construction of the investment project within one hundred eighty days of receiving approval from the department and issuance of the tax deferral certificate but no later than December 31, 1988.

(32) Reporting and monitoring procedure. An applicant must provide the department with the estimated cost of the investment project at the time the application is made. The applicant shall also provide information relative to the number of jobs contemplated to be created by the project.

(33) The department and the department of trade and economic development shall jointly make two reports to the legislature about the effect of this deferral law on new manufacturing and research and development activities and projects in Washington. The report shall contain information concerning the number of deferral certificates granted, the amount of state and local sales and use taxes deferred, the number of jobs created, and other information useful in measuring such effects. The departments shall submit their joint reports to the legislature by January 1, 1986 and by January 1 of each year through 1989.

(34) Any recipient of a sales and use tax deferral may be asked to submit reports to the department or department of trade and economic development during any period of time the recipient is receiving benefits under this deferral law. The report shall be made to the department in a form and manner prescribed by the department. The recipient may be asked to report information regarding the actual average employment related to the project, the actual wages of the employees related to the project, and any other information required by the department. If the recipient fails to submit a report, the department may not impose any penalties or sanctions against the recipient.

(35) Payment procedures. The recipient of sales and use tax deferral under this program shall begin paying the deferred taxes in the third year after the date certified by the department as the date on which the construction project was operationally complete. The first payment will be due on December 31st of the third calendar year after such certified date, with subsequent annual payments due on December 31st of the following four years, with amounts of payment scheduled as follows:

Repayment Year	Percentage of Deferred Tax Repaid
1	10%
2	15%
3	20%
4	25%
5	30%

(36) The department may authorize an accelerated repayment schedule upon request of the recipient. Interest shall not be charged on any taxes deferred under this program during the period of deferral, although other penalties and interest applicable to delinquent excise taxes may be assessed and imposed for any delinquent payments during the repayment period pursuant to chapter 82.32 RCW. The debt for deferred taxes shall not be extinguished by insolvency or other failure of the recipient nor shall the debt for the deferred taxes be extinguished by the sale, exchange, or other disposition of the recipient's business. Any person who becomes a successor (see WAC 458-20-216) to such investment project shall be liable for the full amount of any unpaid, deferred taxes under the same terms and conditions as the original recipient.

[Statutory Authority: RCW 82.32.300, 86-14-019 (Order ET 86-13), § 458-20-24002, filed 6/24/86; 85-21-013 (Order ET 85-5), § 458-20-24002, filed 10/7/85.]

#### WAC 458-20-241 Radio and television broadcasting. For the purpose of this rule:

"Broadcast" or "broadcasting" includes both radio and television commercial broadcasting stations unless it clearly appears from the context to refer only to radio or television.

"Local advertising" means all broadcast advertising other than national, network, or regional advertising as herein defined.

"National advertising" means broadcast advertising paid for by sponsors which supply goods or services on a national or international basis.

"Network advertising" means broadcast advertising originated by national or regional broadcast networks from outside the state of Washington, the broadcast advertising being supplied by national or regional network broadcasting companies.

"Regional advertising" means broadcast advertising paid for by sponsors which supply goods or services on a regional basis over two or more states.

#### BUSINESS AND OCCUPATION TAX

**RADIO AND TELEVISION BROADCASTING.** Taxable on gross income from the sale of radio or television advertising, and any other gross income from broadcasting, excluding sales to other broadcasters of the right to broadcast material on processed film, sound recorded magnetic tape, and other transcriptions (see service and other activities).

#### DEDUCTIONS FROM GROSS INCOME FROM ADVERTISING:

(1) **AGENCY FEES.** It is a general trade practice in the broadcasting industry to make allowances to advertising agencies in the form of the deduction or exclusion of a

certain percentage of the gross charge made for advertising ordered by the agency for the advertiser. This allowance will be deductible as a discount in the computation of the broadcaster's tax liability in the event that the allowance is shown as a discount or price reduction in the billing or that the billing is on a net basis, i.e., less the discount.

(2) GROSS RECEIPTS FROM NATIONAL, NETWORK, AND REGIONAL ADVERTISING. The taxpayer may deduct either actual gross receipts from national, network, and regional advertising as herein defined, as included in the gross amount reported under radio and television broadcasting, or may take a "standard deduction" as provided by RCW 82.04.280, as amended by chapter 149, Laws of 1967 ex. sess., which will be a percentage arrived at annually for all broadcast stations in the state of Washington which use the standard deduction method. This percentage will be determined by dividing the total broadcast advertising receipts in the nation from network, national, and regional advertising by the total broadcast advertising receipts in the nation.

This standard deduction will be based on the most current figures published at the beginning of the calendar year and shall be used throughout that calendar year notwithstanding the publishing of the following year's figures within that calendar year. Previously the Federal Communications Commission published the figures used to compute the standard deduction. The Federal Communications Commission no longer publishes these figures and henceforth it will be the responsibility of the industry to annually provide these figures to the department of revenue. The figures used will be subject to verification by the department.

Example of computation:

The standard deduction for persons engaged in radio and television broadcasting was 64% for the calendar year 1970. The deduction was computed as follows:

1. Total radio advertising receipts 1968	\$1,076,300,000
2. Total television advertising receipts 1968	2,087,600,000
3. Total broadcast advertising receipts	3,163,900,000
4. Total national, network, regional advertising receipts, radio, 1968	379,200,000
5. Total national, network, regional advertising receipts, television, 1968	1,635,100,000
6. Total broadcast advertising receipts from national, network, and regional advertising	2,014,300,000
7. Standard deduction for 1970 will be the quotient of line 6 divided by line 3 or	64%

(3) INTERSTATE BUSINESS, ALLOCATION. It is recognized that radio and television broadcasting is an interstate business and that under the Constitution of the United States a tax is prohibited upon so much of the revenue of a radio or television broadcasting station as is derived from the service of broadcasting to persons in other states or foreign countries. Accordingly, revenues from local advertising shall be allocated to remove from the tax base the gross income from advertising which is intended to reach potential customers of the advertiser who are located outside the state of Washington.

It will be presumed that the entire gross income of radio and television stations located within the state of Washington from local advertising as herein defined is subject to tax unless and until the taxpayer submits proof to the department of revenue that some portion of such income is exempt according to the principles set forth herein and until a specific allocation formula has been approved by the department.

METHOD OF ALLOCATION. When the total daytime listening area of a radio or television station extends beyond the boundaries of the state of Washington, the allowable deduction is that portion of revenue represented by the out-of-state audience computed as a ratio to the station's total audience as measured by the 100 microvolt signal strength and delivery by wire, if any. The out-of-state audience may therefore be determined by delivery "over the air" and by community antenna television systems. However, community antenna television audiences may not be claimed by a station in the same area in which it claims an audience served over the air, thus eliminating a claim for double exemption.

The most current United States and Canadian census figures will be used to determine the in-state and out-of-state audience.

An engineer holding at least a first class operator's license from the Federal Communications Commission must compute the 100 microvolt contour for the station claiming the exemption. The 100 microvolt contour will be applicable to all broadcasting stations, whether standard (AM), frequency modulation (FM), or television (TV), and the applicable contour will be the daytime ground-wave contour. The computation must be submitted to the department of revenue in map form, showing the scale used in miles, with the contour drawn on the map and the counties or cities within the contour indicated. The map must be certified as being correct by the personal signature of the engineer making the computation. The type of license held by the engineer should be indicated. The map must have attached to it the population covered both within and without the state according to the applicable United States and Canadian census.

In the event that cable antenna television subscribers are claimed as part of the out-of-state audience, the name of the systems, the location, and the number of subscribers must also be attached to the map. The number of subscribers will be multiplied by a factor of 3, representing the average size household family.

The foregoing exhibits must be forwarded to the Department of Revenue, Olympia, Washington 98504, and

must be approved by the department before any deduction is allowable.

**SERVICE AND OTHER ACTIVITIES.** Taxable on gross income from personal or professional services, including gross income from producing and making custom commercials or special programs, fees for providing writers, directors, artists and technicians, charges for the granting of a license to use facilities (as distinct from the leasing or renting of tangible personal property, see WAC 458-20-211), and charges to other broadcasters for the mere right to broadcast material on processed film, sound recorded magnetic tape, and other transcriptions when the material is returned to the original broadcaster.

**RETAILING OR WHOLESALING.** Taxable on gross proceeds of sales of tangible personal property, including gross proceeds from sales of films and tape produced for general distribution and from sales of copies of commercials, programs, films, etc., even though the original was not subjected to sales tax. The sale of custom-made programs, commercials, films, etc., is not taxable under this classification. (See subheading SERVICE AND OTHER ACTIVITIES above.)

**MANUFACTURING.** Taxable on the cost to produce special programs, such as public affairs, religious, travelogues, and other general programming, which are vended to other broadcasters under a lease or contract granting a mere license to use. This tax does not apply to a recording made for the broadcaster's own use, including news, delayed programs, commercials and promotions, special and syndicated programming, and "entire day" programming.

**RETAIL SALES TAX.** Sales to broadcasters of equipment, supplies and materials for use and not for resale are subject to the retail sales tax. This includes sales of raw or unprocessed film or magnetic tape and other transcription material as well as processed film, recorded magnetic tape or other transcriptions unless vended under a lease or contract granting a mere license to use.

If the tapes, films, etc., upon which the sales tax has been paid are later sold by the broadcaster in the regular course of business, the provisions of WAC 458-20-102 concerning purchases for dual purposes will apply.

Sales to broadcasters of the right to broadcast the material on processed film, sound recorded magnetic tape, and other transcriptions under a right or license granted by lease or contract are not retail sales and the retail sales tax is not applicable.

The broadcaster must collect retail sales tax on sales of packaged films, programs, etc., produced for general distribution, including training and industrial films, and also on sales of copies of films, commercials, programs, etc., even though the original was not subjected to sales tax.

**USE TAX.** Acquisition or exercise of the right to broadcast processed film, recorded magnetic tape or other transcriptions under a right or license granted by lease or contract is not the use of tangible personal property by the broadcaster and the use tax is not applicable.

Broadcasters of radio and television programs are subject to use tax on the value of articles manufactured or produced by them for their own use (excluding custom produced commercials or special programs which includes, but is not necessarily limited to, recordings of news, delayed programs, commercials and promotions, special and syndicated programming, and "entire day" programming) and on the use of tangible personal property purchased or acquired under conditions whereby the retail sales tax has not been paid. The broadcaster is liable for use tax on the value (cost of production) of processed film, sound recorded magnetic tape, and other transcriptions when the broadcaster vends merely the right to broadcast such material under a right or license granted by lease or contract.

Effective September 1, 1982.

[Statutory Authority: RCW 82.32.300. 83-08-026 (Order ET 83-1), § 458-20-241, filed 3/30/83; Order ET 70-3, § 458-20-241 (Rule 241), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-242A Pollution control exemption and/or credits for single purpose facilities added to existing production plants to meet pollution control requirements and which are separately identifiable equipment principally for pollution control.** Rule 242 deals with pollution control facilities and is published in two parts:

- Part A. Single purpose facilities added to existing production plants as separately identifiable equipment principally for pollution control and which are not designed for production of products other than recovered products which but for the facility would be released as pollutants.
- Part B. Dual purpose facilities which consist of new plant equipment which achieves pollution control in the process of production of the plant's products rather than through the add on of a pollution device to existing plant equipment at some point in processing or upon completion of processing.

#### DEFINITION OF TERMS

For purposes of this rule:

(1) "Facility" shall mean an "air pollution control facility" or a "water pollution control facility" as herein defined:

(a) "Air pollution control facility" includes any treatment works, control devices and disposal systems, machinery, equipment, structures, property or any part or accessories thereof, installed or acquired for the primary purpose of reducing, controlling or disposing of industrial waste which if released to the outdoor atmosphere could cause air pollution. "Air pollution control facility" shall not mean any motor vehicle air pollution control devices used to control the emission of air contaminants from any motor vehicle.

(b) "Water pollution control facility" includes any treatment works, control device or disposal system, machinery, equipment, structures, property or any accessories thereof installed or acquired for the primary purpose of reducing, controlling or disposing of sewage and industrial waste, which if released to a water course could cause water pollution; provided, that the word "facility" shall not be construed to include any control device, machinery, equipment, structure, disposal system or other property installed or constructed for a municipal corporation or for the primary purpose of connecting any commercial establishment with the waste collecting facilities of public or privately owned utilities.

(c) For purposes of this exemption or credit, the terms "commercial establishment" and "other commercial establishment" do not include contractors or their suppliers who install pollution control equipment in facilities of and for another person.

(2) For the purpose of tax credit or exemption, "cost" shall be limited to capital expenditures directly related to the acquisition and installation of the control facility as described in the application. For the purposes of this definition, capital expenditures may include engineering, architecture, legal fees, overhead and other costs which may be directly attributed to the control facility.

(3) "Net commercial value of recovered products" shall mean the value of recovered products less the costs incurred in processing, including overhead costs, and costs attributable to their sale, or other disposition for value. The term shall not include a deduction for the cost or the depreciation of the facility.

(4) "Certificate" shall mean a pollution control tax exemption and credit certificate for which application has been timely made.

(5) "Appropriate control agency" shall mean the state department of ecology; or the operating local or regional air pollution control agency within whose jurisdiction a facility is or will be located.

(6) For the purposes of this rule "depreciation" shall be determined by the straight line method. That is, the cost of the facility, less the salvage or residual value, divided by months of useful life yields the amount by which the facility is depreciated monthly. In computing depreciation for purposes of obtaining a certificate, depreciation shall be computed through the last full month prior to the month in which the application for certificate is filed.

(7) "Department" shall mean the Washington state department of revenue.

#### FILING APPLICATION AND ISSUANCE OF CERTIFICATES

An application for a certificate will be made available by the department to cover the following conditions:

(1) Existing facilities, to provide the basis for a tax credit and for sales tax paid.

(2) Proposed facilities

(a) To provide the basis for a tax exemption on the purchase of material and equipment;

(b) To provide the basis for a tax credit.

The application must show the cost of the facility, specifically stating costs of materials and equipment incorporated into it. When the certificate is for the purposes referred to in "2" above, estimated costs must be shown. The certificate issued on an application based on estimated costs will not permit the holder to claim the credit referred to in "2b" above until an application showing actual costs has been filed and a supplement to the certificate issued.

Applications showing actual costs must also show the total depreciation which is applicable to the facility to the date of the application, the net commercial value of all materials recovered or captured by the facility during the entire period of operation prior to the date of application, and the amount of federal tax credit taken on federal tax returns filed prior to the date of application.

If, subsequent to the issuance of a certificate for a facility, a determination is made to modify or replace such facility, the certificate holder may file an application for a new or a supplemental certificate covering the modification or replacement following the same procedures provided for making application for original certificate. After the issuance by the department of any new certificate or supplement, all subsequent tax exemption and credits for the modified replacement facility shall be based thereon.

The application will be submitted to the department which will forward it to the appropriate control agency within ten days of its receipt from the applicant. The determination that a facility is designed and operated or is intended to be operated primarily for the control, capture and removal of pollutants from the air, or for the control and reduction of water pollution, and that the facility is suitable and reasonably adequate, and meets the intent and purposes of chapter 70.94 RCW (air pollution) or chapter 90.48 RCW (water pollution) will be made by the appropriate control agency. The control agency will notify the department of its findings within thirty days of the date the application was received for approval. The department will make the final determination of cost.

In making a determination, the appropriate control agency will afford to the applicant an opportunity for a hearing. If the local or regional air pollution control agency fails to act or if the applicant feels aggrieved by the action of the local board, the applicant may appeal to the department of ecology pursuant to rules and regulations established by that department.

Upon notification of the action taken by the control agency the department will issue a certificate or notice of denial within thirty days of the receipt of the application from the control agency. The department will send a certificate or supplement, when issued, by certified mail. Notice of refusal to issue a certificate will likewise be sent by certified mail.

TIME LIMITATIONS. Application must be made no later than December 31, 1969, except that with respect solely to a facility required to be installed in an industrial, manufacturing, waste disposal, utility, or other commercial establishment which is in operation or under construction as of July 30, 1967, such application will be

deemed timely if made within one year after the effective date of specific requirements for such facility promulgated by the appropriate control agency; whether or not the determination is made before or after the limitation date of December 31, 1969. The "effective date of specific requirements" refers to the compliance order's date for completion of engineering.

**REVOCAION OF CERTIFICATE.** The department may revoke an issued certificate upon subsequent discovery that it was improperly issued for reason of illegality, fraud, mistake, or the ineligibility of the applicant.

#### UTILIZATION OF EXEMPTION AND CREDIT

**SALES TAX EXEMPTION.** The original acquisition of a facility, or the modification (meaning a substantial improvement resulting from added capacity in the removal of pollutants from the air or water) of an existing facility by the holder of a certificate shall be exempt from sales tax imposed by chapter 82.08 RCW and use tax subsequent to the effective date of the certificate. For applications filed subsequent to January 1, 1975 certificate holders shall receive credit for sales and use tax paid on acquisition of the facility prior to receiving certification. This exemption does not extend to servicing, maintenance, repairs or replacement parts after a facility is complete and placed in service.

Subsequent to July 30, 1967, a certificate holder may elect to pay sales or use tax on the acquisition and installation of a control facility and, subsequently, take a credit against future liability under business and occupation, use, or public utility tax to the extent of the foregoing exemption, except that a person so electing may not take any further manufacturing tax credit as provided in RCW 82.04.435 on the same facility.

**BUSINESS AND OCCUPATION, USE, OR PUBLIC UTILITY TAX CREDIT.** With respect to a facility which has been placed in operation and for which a certificate has been issued, a tax credit not exceeding 2 percent of the cost of a new facility or of the depreciated cost of an existing facility may be taken for each year the certificate is in force. Such credit may be claimed against business and occupation, use, or public utility tax liability; however, it shall not exceed 50 percent of the tax liability for any reporting period for which it is claimed nor shall the cumulative amount of credit allowed for any facility exceed 50 percent of the cost of the facility.

**CREDITS TO BE REDUCED.** Credits claimed will be reduced by the net commercial value of materials captured or recovered by the pollution control facility. The value of such material shall first reduce the credit available in the current reporting period and then be applied against the cumulative credit balance which has been established but which may not be currently available to the certificate holder. Applicants and certificate holders shall provide the department with information required to establish the net commercial value of recovered or captured material and will be required to make books and records available to the department to verify the correctness of information furnished. The cumulative credit will also be reduced by the amount of federal investment

tax credit or other federal tax credits allowed to the certificate holder which are applicable to the facility. The federal tax credits shall be taken as an offset against a pollution control tax credit claimed in the first reporting period following the date of filing the tax return on which the federal tax credit was taken, and thereafter as an offset against a credit hereunder as it becomes available to the certificate holder. The applicant shall advise the department of adjustments to the federal tax credits, either increase or decrease, resulting from either an audit by the internal revenue service, or otherwise. Adjustments to the credit allowable under this rule will be made by the department accordingly.

The department will issue instructions and forms to the certificate holder covering the accounting for the credit for which the certificate holder is eligible. Where a certificate holder is also eligible for manufacturing tax credit, the department may issue special instructions covering the separate accounting for the tax credits.

Credit will be allowable only in any period in which a certificate is in force.

[Statutory Authority: RCW 82.32.300, 83-08-026 (Order ET 83-1), § 458-20-242A, filed 3/30/83; Order ET 77-1, § 458-20-242A, filed 12/8/77 (formerly codified WAC 458-20-242); Order ET 70-3, § 458-20-242 (Rule 242), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-242B Pollution control exemption and/or credits for dual purpose facilities which are constructed to meet pollution control requirements and which achieve pollution control in the process of production of the plant's products.** Rule 242 deals with pollution control facilities and is published in two parts:

- Part A. Single purpose facilities added to existing production plants as separately identifiable equipment principally for pollution control and which are not designed for production of products other than recovered products which but for the facility would be released as pollutants.
- Part B. Dual purpose facilities which consist of new plant equipment which achieves pollution control in the process of production of the plant's products rather than through the add on of a pollution device to existing plant equipment at some point in processing or upon completion of processing.

This rule sets out instructions for determining pollution control tax exemption and/or credit for a dual purpose pollution control facility.

A dual purpose pollution control facility is defined as a single, integrated facility which is installed to meet standards for air or water pollution, or both, and which is also necessary to the manufacture of products. It refers to a facility in which the portion of the total facility to be identified as for the purpose of pollution control is so integrated into the total facility that physical separation into identifiable component parts—that is, that which is for manufacturing and that which is for pollution control—is not possible. If these criteria are met,

the following net cost approach shall be used to determine tax exemption and/or credit.

The application for certification shall be filed with the department of revenue in accordance with chapter 82.34 RCW and WAC 458-20-242A. Upon approval by the appropriate control agency, subject to the qualification that the facility described in the application is a dual purpose facility and that all requirements outlined in chapter 82.34 RCW are met, an exemption/credit certificate shall be issued. To determine the net cost attributable to the pollution control element of the dual function facility, the computations described in the following steps are required.

(1) Obtain cost estimates (for facilities under construction) and final cost figures (for completed facilities) directly related to the new dual function facility. (Actual allowable credits will be based on final costs of completed facilities.) Add to this final cost the amount of unrecovered depreciation on existing equipment replaced, if any. Subtract from this the salvage value of the replaced equipment, if any. Sales and use tax paid shall not be included as part of the facility cost.

(2) Determine the percentage that actual production capacity per unit of time of the existing plant equipment (before installation of the control facility) is of the actual capacity per unit of time of the new dual purpose facility. If the percentage so obtained is equal to or greater than 100 percent, use the figure obtained in step (1) for calculations commencing at step (3).

If the percentage so obtained is less than 100 percent, multiply that percentage times the figure derived in step (1) above. This figure represents the gross cost of constructing the new facility which meets pollution control requirements and obtains productive capacity of the existing plant. Productive capacity shall include all production of commercial or industrial value other than recovered or captured materials deductible from credits under provisions of RCW 82.34.060.

(3) All computations used to adjust the gross cost (as determined in step (2) above) shall be expressed in terms of current dollars at the start up date as defined in this step (3). To this end, a discount rate suitable for determining the present value of future income or expenditures is required. The basis of the discount rate will be the average cost of borrowed capital based on Aa Industrial Bonds as reported in Moody's Bond Record and the cost of equity capital as established by the price earnings ratio for the particular industry class as reported in the value line. This will be the average of amounts so reported for the 12 months preceding and 12 months succeeding the start up date. This date is the first date the new dual purpose facility is both in operation and in compliance with the requirements of the appropriate pollution control agency.

The discount rate to be applied will be a combination of these rates. The two rates shall be weighted 50/50. The same discount rate shall be used for all adjustments to the gross cost.

(4) The next step in the procedure is to calculate the present value of future capital that will not be spent at some specific future date due to the expenditure now of

the amount determined in (2) above. This "specific future date" is the date determined by the department as the date of projected replacement of the existing plant absent the need to meet pollution control requirements. This will be the amount of expenditure calculated in (2) above multiplied by the discount factor (as determined by use of the discount rate as calculated in (3) above) which will equal the present worth of that amount of money received or expended on the date representing the end of the useful life of the existing plant by the new installation (the date of "projected replacement"). This calculated amount shall be reduced by the present value, if any, of the undepreciated balance that would remain after the end of the depreciation period for the new facility if construction had been delayed to the date used as the end of the useful life of the facility replaced. This net calculation is then subtracted from the amount computed as the "gross cost" in (2).

(5) From the amount determined in (4) deduct the present value, after deduction of a percentage equal to the maximum corporate federal income tax rate as of the start up date, of operating savings expected to accrue to the date of projected replacement used in (4) applying the discount factor for annual savings based on the discount rate calculated in (3). Operating savings shall not include the net commercial value of materials captured or recovered by virtue of the new installation deductible under RCW 82.34.060 (2)(b).

(6) The next step is to deduct from the balance as computed in (5) the present net value of federal income tax savings to be derived from depreciation of the gross cost of the dual purpose facility due to its construction sooner than at the date of projected replacement using straight line depreciation over the useful life of the facility. The determination of net present value of federal income tax reductions due to depreciation allowances will consist of three steps.

(a) Calculate the present value of depreciation allowances from date of completion of the new facility using straight line depreciation to the projected replacement date.

(b) Deduct from (a) the present value to depreciation that would have been allowable after the date of full depreciation of the new facility had been delayed until the projected replacement date of the existing facility.

(c) Multiply the result of (a) minus (b) by the maximum corporate federal income tax rate as of the start up date.

(The net amount of federal tax benefits arrived at in (c) shall then be deducted from the balance determined in step (5).

(7) The remaining amount from that calculated in (2) after adjustments provided for in steps (3) through (6) is the "net cost" of pollution control equipment to be used as the base for calculation of credits.

#### Calculation of credits

(A) Determine 2 percent of the amount computed in step 7. This is the gross annual credit.

(B) Multiply the amount shown in step (7) by 50 percent to determine maximum total credit allowable.

(C) The gross credit allowable per year must first be reduced by the net commercial value of captured or recovered materials. Captured or recovered materials means materials which, but for compliance with pollution control requirements, would be discharged into the air or water and which discharge is required to be reduced or eliminated by requirements of the appropriate pollution control agency. The result is the *net* credit allowable per year.

(The formula for "C" is the value of materials captured or recovered from the new plant less the value of materials which would have been captured or recovered over a comparable period of time from the existing plant, but for compliance with pollution control requirements, multiplied by the percentage derived by dividing net cost (step 7) by total cost (step 1).

(If the net commercial value of recovered materials exceeds the gross credit allowable per year, the excess must be carried forward for purposes of reducing credits for future years. The amount of the net commercial value of recovered materials reduces both the annual and total credit allowable.

(D) Determine the total amount of Federal Investment Tax Credit or other federal tax credit actually received. Then multiply this tax credit by the percentage which the net cost portion (step 7) is to the total cost of the facility (step 1) to arrive at the portion of the tax credit applicable to the pollution control element of the dual purpose facility.

(E) Deduct the amount determined in step (D) from the amount determined in step (C) until total federal tax credits are totally offset. This is to be an annual calculation.

(F) If the annual amount of net credit to be taken after computation through step (E) exceeds 50 percent of the firm's tax liability under chapters 82.04, 82.12, and 82.16 RCW, it must be reduced to 50 percent of such tax liability.

(Adopted December 8, 1977.

[Order ET 77-1, § 458-20-242B (Rule 242 Part B), filed 12/8/77.]

**WAC 458-20-243 Litter tax.** RCW 70.93.120 levies an annual litter assessment upon manufacturers, wholesalers, and retailers of certain products. The rate of this special tax is .00015 (.015%) and it applies to sales within this state made on and after May 21, 1971.

The tax is to be computed on and paid with the last return for the calendar year. A designated space on this return is to be used for reporting the litter tax.

The measure of the tax is the gross proceeds of the sales of the business and will apply to places of business on sales of products falling into the thirteen categories listed in RCW 70.93.130 which are defined as follows:

(1) **Food for human or pet consumption** means any substance, except drugs, the chief general use of which is for human or pet nourishment, including candy, chewing gum, and condiments. It includes sales of meals, snacks, lunches, or other food by restaurants, drive-ins, snack bars, concessions, and taverns. Drugs means substances

or products appearing in the latest listing of United States pharmacopoeia or national formulary the chief general use of which is as medicine for treating disease, healing, or relieving pain, but excluding devices, apparatus, instruments, prostheses and the like.

(2) **Groceries** means all products, except drugs, sold by persons in a place of business selling food for off premises consumption, but excluding building materials, clothing, furniture, and appliances.

(3) **Cigarettes and tobacco products** include all of the products subject to the excise taxes of chapters 82.24 and 82.26 RCW.

(4) **Soft drinks and carbonated waters** means all beverages, excluding liquor as defined by Title 66 RCW or rules and regulations of the Washington state liquor control board, but including fruit juices, milk, and all mixtures or dilutions of nonalcoholic beverages.

(5) **Beer and other malt beverages** means all beverages defined as beer or malt liquor by Title 66 RCW or rules and regulations of the Washington state liquor control board.

(6) **Wine** means all alcoholic beverages defined as wine in Title 66 RCW or rules and regulations of the Washington state liquor control board.

(7) **Newspapers and magazines** means all daily and periodical publications.

(8) **Household paper and paper products** means materials or substances made into sheets or leaves from natural organic or synthetic fibrous material for home or other personal use. It includes also products or articles made from such sheets or leaves for home or other personal use.

(9) **Glass containers** means articles made wholly or in substantial part of processed silicates which can be, or are, used to hold other things within themselves.

(10) **Metal containers** means articles made wholly or in substantial part of materials such as iron, steel, tin, aluminum, copper, zinc, lead, silver and any alloys thereof and which can be, or are, used to hold other things within themselves.

(11) **Plastic or fiber containers made of synthetic material** means articles which can be, or are, used to hold other things within themselves and which are made of synthetically produced ethylene derivatives, resins, waxes, adhesives, or polymers or by synthesis of fiber materials with adhesives, polymers, waxes, resins, or other materials. It includes containers made of paper, pasteboard, or cardboard in which the container materials consists of fibrous substances synthesized with other materials. Synthetic material means that produced by synthesis which is the process of making or building up by a composition or union of simpler parts or elements as distinguished from the process of extraction or refinement.

(12) **Cleaning agents** means all soaps, detergents, solvents, or other cleansing substances used for cleaning buildings, places, persons, animals, or other things.

**Toiletries** means all substances such as soap, powder, cologne, perfume, cosmetics, toothpaste, etc., used in connection with personal dressing or grooming.

(13) **Nondrug drugstore sundry products** means all products, goods, or articles, except drugs, sold by persons in a place of business selling drugs, but excluding building materials, clothing, furniture, and appliances.

"Place of business" for purposes of this rule means any location, department, or division even though it be a part of a larger business operation provided it is separate from such other or additional business physically, operationally, and in its books and records. Thus, a department store which consists of a grocery department and a clothing department, each with its own space and having separate employees, cash registers, and accounting records would not be subject to the groceries litter tax on the sales of its clothing department merely because it was located in the same building and under the same ownership as the grocery department.

"Gross proceeds of the sales of the business" means the value proceeding or accruing from the sale of tangible personal property and/or for services rendered without any deduction for costs or expenses. In the case of publishers of newspapers and magazines the measure of the litter tax is the same as specified in WAC 458-20-143 for business and occupation tax; i.e., gross income from the publishing business including advertising income.

The law intends that the tax be limited to sales within this state and therefore there may be deducted from the measure of the tax sales to persons in other states or transfers to points outside the state without sale. Out of state firms making sales in or into Washington will be subject to the litter tax under the principles set out for business and occupation tax in WAC 458-20-193B.

Persons operating drugstores may report and pay the litter tax measured by 50% of total sales in lieu of separately accounting for sales of drugstore sundry products. Persons operating grocery stores may report and pay the litter tax measured by 95% of total sales in lieu of separately accounting for grocery and nongrocery products sold.

[Statutory Authority: RCW 82.32.300, 83-08-026 (Order ET 83-1), § 458-20-243, filed 3/30/83; Order ET 71-2, § 458-20-243, filed 10/27/71.]

**WAC 458-20-244 Food products.** (1) RCW 82.08-.0293 and 82.12.0293 exempt certain food products for human consumption away from the retailer's premises from retail sales tax and use tax. There is no food products exemption for business and occupation tax. The effective date of these exemptions is July 1, 1983. The word "tax" as used hereafter in this section means retail sales tax. "Food products" include generally those products normally ingested by humans for nourishment. The term also includes livestock sold for personal consumption as food. The term excludes seeds, seedlings, trees, and the like, for home gardens, as well as breeding stock of animals, birds, insects, and other animate creatures.

(2) The law exempts most, but not all, food products from tax, but even the food products qualified for exemption are made subject to tax by the law if any one of the following circumstances is present:

(a) The food products are furnished, prepared, or served for consumption at tables, chairs, or counters or from trays, glasses, dishes, or other tableware whether provided by the seller or by a person with whom the retailer contracts to furnish, prepare, or serve food products to others, except for food products furnished as meals (i) under a state administered nutrition program for the aged as provided for in the Older Americans Act (PL 95-478 Title III) and RCW 74.38.040(6) or (ii) which are provided to senior citizens, disabled persons, or low-income persons by a not-for-profit organization organized under chapter 24.03 or 24.12 RCW;

OR,

(b) The food products are ordinarily sold for immediate consumption on or near a location at which parking facilities are provided primarily for the use of patrons in consuming the products purchased at the location. Where such facilities are provided the tax applies even if the food products are sold on a "take out" or "to go" order and it is immaterial that the products are actually packaged or wrapped and that they are in fact taken from the premises of the retailer;

OR,

(c) The food products are sold for consumption within a place (except national or state parks or monuments), the entrance to which is subject to an admission charge. But, even if the admission-charged place is a national or state park or monument such that the admission charge does not negate the exemption, the tax will apply if either circumstances (a) or (b) of this subsection are present.

(3) Vendors who are required to collect tax.

(a) Sales of food products are subject to tax when sold by cafes, caterers, restaurants, pizza parlors, food drive-ins, and businesses which are operated in such a way as to invite or permit consumption of the food at or near the premises where the food is sold. This circumstance is presumed to occur where customers are provided facilities for immediate consumption of food sold, such as tables, chairs, or counters; trays, glasses, dishes, or tableware (whether reusable or not); or a nearby parking area available for immediate use of customers in consuming the food. It is the intent of the law that tax be charged by retailers who sell food products ready for consumption at or near the premises of the vendor by furnishing cups, spoons, straws, or the like to facilitate immediate consumption. If such facilities are provided the tax applies even though the food is sold, packaged, or wrapped "to go" and even if the food is in fact removed from the premises of the retailer and is consumed elsewhere. The test is not where the food is actually consumed but whether the customer is provided any of the described facilities for consumption of the food. In the case of vending machine operators, the sale of food products is subject to tax. The selling price of food products sold by vending machine operators is fifty-seven percent of the gross receipts, except for hot prepared food products for which the selling price is one hundred percent of the gross receipts. Vending machine operators

are not required to collect the tax from buyers or to separately state the tax.

(b) Sales by theaters, fair grounds concessions, athletic arena concessions, and any other businesses selling food products within a place to which an admission price is charged are taxable. The only exceptions as to admission-charged areas are national or state parks or monuments, but even sales of food products within such state or national areas are taxable if customers are provided facilities for consumption as described in (a) of this subsection.

(4) Exempt and taxable sales. The following are lists of exempt and taxable items normally sold by grocery stores, supermarkets, and similar businesses. The examples are meant to be illustrative and are not all inclusive. The exempt products listed are exempt when sold for off premises consumption but are taxable if sold for immediate consumption at the seller's premises as described earlier.

#### EXEMPT IF CONSUMPTION FACILITIES NOT PROVIDED

Baby foods	Marshmallows
Bakery products	Mayonnaise
Baking soda	Meat, meat products
Bouillon cubes	Milk, milk products
Candy	Mustard
Cereal products	Noncarbonated soft drinks
Chocolate	Nuts
Cocoa	Oleomargarine
Coffee and coffee substitutes	Olives, olive oil
Condiments	Peanut butter
Crackers	Popcorn
*Diet food	Popsicles
Eggs, egg products	Potato chips
Extracts and flavoring for food	Powdered drink mixes
Fish, fish products	Sandwich spreads
Flour	Sauces
Food coloring	Sherbet
Frozen foods	Shortening
Fruit, fruit products	Soup
Gelatin	Sugar, sugar products, sugar substitutes
*Health foods	Syrups
Honey	Tea
Ice cream, toppings	Vegetables, vegetable products
Jam, jelly, jello	Yeast

The products listed as taxable are subject to tax however sold or prepared.

#### SPECIFIC CLASSES OF ITEMS TAXABLE IN ALL CASES

Alcoholic beverages	First aid products
Aspirin	Ice, bottled water
Beer or wine making supplies	(mineral or otherwise)
Calcium tablets	Mouthwashes
Carbonated beverages	Nonedible cake decorations
Chewing tobacco	Nonprescription medicines
Cod liver oil	Patent medicines
Cough medicines (liquid or lozenge)	Pet food and supplies
*Dietary supplements or adjuncts	Seeds and plants for gardens
	Tonics, vitamins
	Toothpaste

\*Note: Sales of dietary supplements which are subject to regulation by the United States Federal Drug Administration are subject to tax. Regulated dietary supplements are those preparations which provide fifty percent or more of the United States Recommended Daily Allowance (U.S. RDA) of essential vitamins and minerals per serving. Health foods or dietary preparations containing less than fifty percent of U.S. RDAs per serving may be sold tax exempt as

food and FDA regulations (21 CFR, chapter I, Part 80) adopted October 12, 1976, effective January 1, 1978, prohibit any claim that such preparations are "dietary supplements." Dietary supplements do not include any food in its raw or natural state, which means that nothing has been done to the product, other than superficial treatment (such as washing its surface), to change the product physically or chemically before marketing.

Dietary adjuncts are vitamin/mineral preparations taken to meet special vitamin or mineral needs occasioned by drug therapy. Dietary adjuncts are not tax exempt food products. For more information concerning sales of dietary supplements, see Excise Tax Bulletin 514.08.244.

(5) Retailers of food products are required to keep adequate records to demonstrate that any sales claimed tax exempt actually qualify for exemption under this rule and the law.

(6) Combination business. Persons operating a combination of two businesses at one location, one of which provides facilities for consumption on the premises (see subsection (3) of this section, "Vendors who are required to collect tax"), such as a lunch counter along with a grocery store or a cafe along with a bakery, are required to keep their accounting records and sales receipts segregated between the two businesses. If the two businesses are commingled in accounting, all sales will be deemed subject to tax.

(7) Combination packages. When a package consists of both food and nonfood products, such as a holiday or picnic basket containing beer and pretzels, cups or glasses containing food items, or carbonated beverages along with cheese and crackers, the food portion may be tax exempt if its price is stated separately; if the price is a lump sum, the tax applies to the entire price.

(8) However, promotional give-aways of nonfood items to enhance food sales, such as coffee sold in a decorative apothecary container or cheese sold in a serving dish are not taxable and are not deemed combination packages where it is clear that the container or dish is simply a gift furnished as a sales inducement for the food. In the same way, promotional give-aways of food items as an inducement for sales of nonfood items are not exempt (e.g., the sale of fancy crystal ware containing candy or nuts is fully subject to sales tax).

(9) Commissaries or grocery shops in institutions or other restricted (not open to the public) areas. Food products sold by commissaries which restrict sales generally to residents, inmates, or a similarly limited group of customers are tax exempt if the food products are for consumption away from the general area reserved for merchandizing such products.

(10) Other food vendors. Special provisions govern certain food vendors, as follows:

(a) Restaurants and transportation companies (e.g., air, rail, water), and businesses furnishing meals to employees, see WAC 458-20-119.

(b) Hotels, motels, boarding or rooming houses, resorts, and trailer camps, see WAC 458-20-166.

(c) Religious, charitable, benevolent, and nonprofit service organizations, see WAC 458-20-169.

(11) Certain persons, groups, or institutions purchase food products for purposes of serving meals to individuals and historically have been required to pay sales tax

as consumers on such purchases because of a unique relationship between the food purchases and the nature of the services rendered by such groups. Food sales taxed in this way were the following:

(a) Furnishing of meals by hospitals, rest homes, sanitariums, and similar institutions to patients as a part of the service rendered in the conduct of such institutions.

(b) Serving of meals to members by fraternities, sororities, and other similar groups who reside in one place and jointly share the expenses of the household including expenses of meals provided by them.

(c) Providing of meals by public schools, high schools, colleges, universities, or private schools operating lunch rooms, cafeterias, or dining rooms for the exclusive purpose of providing students and faculty with meals as a part of the educational program.

(d) Providing of meals by guest ranches or summer camps which, in addition to supplying meals and lodging, offer special recreation facilities and instruction in sports, boating, riding, outdoor living, etc., and which make an unsegregated charge for meals, lodging, and services, and report such charges under the service classification as provided by WAC 458-20-166.

(12) Since purchase of food products in any of these four situations has been subject to sales tax in the past, the food products exemption applies to these purchases of food products for human consumption. However, sales of meals by such groups in circumstances other than furnishing them in connection with services in the four situations described above are governed by WAC 458-20-119. Further, when such groups do not provide their own meals, but the meals are purchased from caterers or concessionaires, the caterers or concessionaires are making retail sales subject to the tax.

(13) Special food sales situations. For unique situations involving food sales for home or office delivery, sales from vending vans, certain combination businesses, and food sales at shopping malls, see Excise Tax Bulletin 528.08.244.

(14) Use tax. All of the foregoing provisions of this rule dealing with sales tax are equally applicable with respect to the use tax of chapter 82.12 RCW.

Effective July 1, 1983.

[Statutory Authority: RCW 82.32.300. 86-21-085 (Order ET 86-18), § 458-20-244, filed 10/17/86; 86-02-039 (Order ET 85-8), § 458-20-244, filed 12/31/85; 83-17-099 (Order ET 83-6), § 458-20-244, filed 8/23/83; 82-16-061 (Order ET 82-7), § 458-20-244, filed 7/30/82. Statutory Authority: RCW 82.01.060(2) and 82.32.300. 78-05-041 (Order ET 78-1), § 458-20-244 (Rule 244), filed 4/21/78, effective 7/1/78.]

**WAC 458-20-245 Telephone business, telephone service.** Under the provisions of various sections of chapter 3, Laws of 1983 2nd Ex. Sess., the retail sales tax is extended to "telephone service." The effective date is July 1, 1983 and the tax applies to all sales of "telephone service" billed on or after that date, whether or not such service was rendered before that date.

Persons engaged in the "telephone business" or rendering "telephone service" are taxable under the retailing

of wholesaling classification of the business and occupation tax, whichever is applicable, on total gross revenues, as described herein. Such persons who are taxable under retailing must also collect retail sales tax from consumers, subject to certain exemptions explained more fully herein.

#### DEFINITIONS

As used herein: The term "telephone service" includes competitive telephone service and network telephone service.

The term "telephone business" means the business of providing network telephone service and includes cooperative or farmers line telephone companies or associations operating an exchange.

The term "competitive telephone service" means the providing by any person of telecommunications equipment or apparatus, or service related to that equipment or apparatus such as installation, repair, or maintenance services, if the equipment or apparatus is of a type which can be provided by persons that are not subject to regulation as telephone companies under Title 80.

The term "network telephone service" means the providing by any person of access to a local telephone network, switching service, toll service, or coin telephone services, or the providing of telephonic, video, data, or similar communication or transmission for hire, over a local telephone network, toll line or channel, cable, microwave, or similar communication or transmission system. "Network telephone service" includes interstate service, including toll service, originating from or received on telecommunications equipment or apparatus in this state if the charge for the service is billed to a person in this state. "Network telephone service" does not include the providing of competitive telephone service, the providing of cable television service, nor the providing of broadcast services by radio or television stations.

The term "residential customer" means an individual subscribing to a residential class of telephone service.

The term "toll service" means the charge for services outside the local telephone network except customer access line charges for access to a toll calling network.

The term "telephone company" means a person engaged in the telephone business or rendering telephone service.

#### BUSINESS AND OCCUPATION TAX

**RETAILING AND WHOLESALING.** Persons making retail sales of telephone service to consumers are taxable upon the gross proceeds of sales under the retailing classification. Persons making sales of telephone services for resale in the regular course of business are taxable upon the gross proceeds of sales under the wholesaling classification. The tax shall apply to the gross income from all sales of competitive telephone service and network telephone service, as described more fully below.

For purposes of applying the business and occupation tax to telephone service, a sale takes place in Washington when a call originates from or is received on any telephone or other telecommunications equipment, instrument, or apparatus in Washington and the cost for

the telephone service is charged to that equipment, instrument, or apparatus, regardless of where the actual billing invoice is sent.

The business and occupation tax shall apply to the gross proceeds of sales of competitive telephone service to customers. The tax shall be measured by total gross billings to such customers. The business and occupation tax shall also apply to the gross proceeds of sales of network telephone service, other than interstate and intrastate toll service, measured by total gross billings to customers. The tax as applied to interstate and intrastate service, including toll service, shall be determined under the apportionment guidelines set forth in the following paragraph.

With respect to interstate and intrastate toll service, the business and occupation tax shall apply to the income received from the interstate or intrastate division of revenue pool. The income subject to tax shall include amounts received for expenses incurred in furnishing the interstate or intrastate services plus any amounts received as return. Persons who are not members of the interstate or intrastate division of revenue pool but who receive shared interstate or intrastate revenues through a member of the division of revenue pool, are liable for business and occupation tax on the income received.

Persons engaged in the telephone business or rendering telephone service shall report on the combined excise tax return their total gross income received from billings to customers under column 2 of the appropriate classification line on the return (wholesaling or retailing). An adjustment may be made under column 3 of the excise tax return for revenues received from providing interstate and intrastate toll service, as described in the previous paragraph. On the reverse side of the return it should be explained that such adjustment was the result of income received from the interstate or intrastate division of revenue pool. The reported gross income under column 2 shall be the same under the retailing business and occupation tax and retail sales tax classifications, with appropriate adjustments and deductions noted under column 3.

**SERVICE.** Persons engaged in the telephone business or rendering telephone service are taxable under the service and other activities classification on their income from services which are not included within the definition of the terms "sale at retail" in RCW 82.04.050 or "competitive telephone service" and "network telephone service," as defined herein. Included under this classification are, among others, gross income from the sale of advertising in telephone directories, gross income from charges made for processing NSF checks, and any other miscellaneous income.

#### RETAIL SALES TAX

The retail sales tax applies to all sales of competitive telephone service provided to both residential and business (nonresidential) customers. The retail sales tax also applies to all sales of network telephone service provided to business (nonresidential) customers.

The retail sales tax applies upon sales to a telephone company of all tangible personal property used as a consumer in providing telephone service. A consumer is liable for retail sales tax on all telephone service, as described herein, in situations where the tax was not paid to a telephone company as a result of a billing or other invoice rendered by that company.

The retail sales tax must be collected and accounted for in every case where retailing business and occupation tax is due as outlined herein, except for the following. The retail sales tax shall not apply to sales of network telephone service, other than toll service, provided to residential customers nor to sales of network telephone service paid for by inserting coins in coin-operated telephones.

The retail sales tax does not apply to sales of network telephone service, other than toll service, provided to residential customers. The retail sales tax does not apply to sales of network telephone service which is paid for by inserting coins in coin-operated telephones. However, the retail sales tax does apply if the network telephone service is provided through a coin-operated telephone, the service originates from or is received on equipment in this state, and the charge for the service is billed to a telephone or other telecommunications equipment, instrument, or apparatus which is located in Washington.

The sales tax does not apply to network telephone service which is merely billed to a telephone or other telecommunications equipment, instrument, or apparatus whose situs is in Washington if the service neither originated from nor was received on equipment in this state.

#### USE TAX

The use tax applies to telephone or other telecommunications equipment, instrument, or apparatus purchased at retail and upon which the sales tax has not been paid. (See WAC 458-20-178.) A telephone company is liable for use tax on all tangible personal property purchased at retail and upon which the sales tax has not been paid. A telephone company is not liable for use tax on its own use as a consumer of its own network telephone service.

#### SPECIAL SITUATIONS

Persons making sales of telephone service for resale in the regular course of business must follow the provisions of WAC 458-20-102 concerning resale certificates.

The local retail sales tax applies to sales of telephone services as described herein. (See WAC 458-20-145.)

Persons engaged in telephone business or rendering telephone service are not taxable under the public utility tax, except with respect to gross income from engaging in telegraph or any other public service business as defined in WAC 458-20-179.

All retail telephone services including sales of equipment are taxable at the same state retail sales tax rate of 6.5 percent, regardless that such sales may be made in a border county. (See WAC 458-20-237.)

[Statutory Authority: RCW 82.32.300. 83-17-099 (Order ET 83-6), § 458-20-245, filed 8/23/83.]

**WAC 458-20-246 Sales to or through a direct seller's representative.** Under RCW 82.04.423, the business and occupation tax does not apply to any out-of-state person in respect to the gross income derived from the business of making sales in this state of "consumer products" at wholesale or retail to or through a "direct seller's representative," subject to certain requirements explained more fully below. The effective date of this exemption is August 23, 1983. For an outline of the tax liability of persons making sales of goods which originate in other states to customers in Washington, other than sales to or through a "direct seller's representative," see WAC 458-20-193B.

#### DEFINITIONS

For purposes of the exemption explained herein, the following definitions shall apply:

The term "consumer product" means any article of tangible personal property, or component part thereof, of the type sold for personal use or enjoyment. The term includes only those kinds of items of tangible personal property which are customarily sold at stores, shops, and retail outlets open to the public in general. It includes such things as home furnishings, clothing, personal effects, household goods, food products, and similar items purchased for personal use or consumption. The term does not include commercial equipment, manufacturing items, industrial use products, and the like, including component parts thereof. However, if a product is primarily used for personal use or enjoyment, it remains a "consumer product" within this definition notwithstanding that a portion of the product's distribution is for commercial, industrial, or manufacturing purposes.

A "direct seller's representative" is a person who (a) buys "consumer products" on a buy-sell basis or a deposit-commission basis for resale, by the buyer or any other person, in the home or other than in a permanent retail establishment or (b) sells or solicits the sale of, "consumer products" in the home or other than in a permanent retail establishment. In order to be considered a "direct seller's representative" a person must also show that:

1. Substantially all of the remuneration paid, whether or not paid in cash, for the performance of services is directly related to sales or other output, including the performance of services, rather than the number of hours worked; and

2. The services performed are performed pursuant to a written contract between such person and the person for whom the services are performed and such contract provides that the person will not be treated as an employee with respect to such services for federal tax purposes.

#### BUSINESS AND OCCUPATION TAX

**WHOLESALING AND RETAILING.** The business and occupation tax does not apply to an out-of-state seller making wholesale or retail sales to or through a "direct seller's representative." The out-of-state seller must show that it is represented in this state by a "direct seller's representative," as defined above. In addition, the out-of-state seller must also show that it:

1. Does not own or lease real property within this state;

2. Does not regularly maintain a stock of tangible personal property in this state for sale in the ordinary course of business;

3. Is not a corporation incorporated under the laws of this state; and

4. Makes sales in this state exclusively to or through a "direct seller's representative."

Thus, a representative who solicits sales of "consumer products" in this state, other than in a permanent retail establishment, and also meets the other requirements of the law as set forth above, qualifies as a "direct seller's representative." If the out-of-state seller and the in-state representative can factually establish compliance with all of the above listed requirements, the out-of-state seller is exempt from business and occupation tax.

The exemption is available only where an out-of-state seller is present in this state and represented exclusively by a "direct seller's representative." If an out-of-state seller makes wholesale or retail sales of "consumer products" in Washington to or through a "direct seller's representative" and also has a branch office, local outlet, or other local place of business, or is represented by any other employee, agent, or other representative, no portion of the sales are exempt from business and occupation tax.

The business and occupation tax likewise applies to the gross income of a "direct seller's representative" who buys "consumer products" for resale and does in fact resell the products. The measure of the business and occupation tax is the gross proceeds of sales.

**SERVICE.** The law provides no similar business and occupation tax exemption with regard to the compensation paid to the "direct seller's representative." Thus, the representative will remain subject to the business and occupation tax on all commissions or other compensation earned.

#### SALES AND USE TAX

An out-of-state vendor is required to pay or collect and remit the tax imposed by chapter 82.08 or 82.12 RCW if the vendor regularly solicits or makes retail sales of "consumer products" in this state through a "direct seller's representative," as defined above, even though such sales are exempt from business and occupation tax pursuant to RCW 82.04.423.

Every person who engages in this state in the business of acting as a "direct seller's representative" for unregistered principals, and who receives compensation by reason of sales of "consumer products" of such principals for use in this state, is required to collect the use tax from purchasers, and remit the same to the department of revenue, in the manner and to the extent set forth in WAC 458-20-221.

[Statutory Authority: RCW 82.32.300. 84-24-028 (Order 84-3), § 458-20-246, filed 11/30/84.]

**WAC 458-20-247 Trade-ins, selling price, sellers' tax measures.** Initiative Measure No. 464, approved November 6, 1984 amended RCW 82.08.010(1), the

statutory definition of "selling price," by excluding from that term the value of "trade-in property of like kind." The effective date of this exclusion is December 6, 1984. As a result, the retail sales tax measure on trade-in sales is reduced by the value of the property traded in. Thus, on and after the effective date, the value of "trade-in property" may be excluded from the measure of retail sales tax to be collected and reported by the seller who accepts the trade-in property as payment for new or used property sold. Actual delivery of the property to the buyer determines when the sale is made (see WAC 458-20-103). The initiative applies only to sales where the property is delivered to the purchaser on or after December 6, 1984.

Under RCW 82.08.010, as amended by the initiative, "the term 'selling price' means the consideration, whether money, credits, rights, or other property **except trade-in property of like kind**, expressed in terms of money, paid or delivered by a buyer to a seller, all without any deduction, on account of the cost of tangible property sold, the cost of materials used, labor costs, interest, discounts, delivery costs, taxes other than taxes imposed under this chapter if the seller advertises the price as including the tax or that the seller is paying the tax, or any other expense whatsoever paid or accrued and without any deduction on account of losses." (Amendatory language underscored.)

#### DEFINITIONS

Unless otherwise stated, the terms "tax," "taxable," and "nontaxable," as used in this rule, refer to retail sales tax only.

The terms, "trade-in," "traded-in," and "property traded-in" have their ordinary and common meaning. They mean property of like kind to that acquired in a retail sale which is applied, in whole or in part, toward the selling price.

The term "property of like kind" means articles of tangible property of the same generic classification. It refers to the class and kind of property, not to its grade or quality. The term includes all property within a general classification rather than within a specific category in the classification. Thus, as examples, it means furniture for furniture, motor vehicles for motor vehicles, licensed recreational land vehicles for licensed recreational land vehicles, appliances for appliances, auto parts for auto parts, audio/video equipment for audio/video equipment, and the like. These general classifications are determined by the nature of the property and its function or use. It may be that some kinds of property fit within more than one general classification. For example, a motor home is both a motor vehicle and a licensed recreational land vehicle. Thus, for purposes of this rule, a motor home may be taken as a trade-in on a travel trailer, truck, camper, or a truck with camper attached, and vice versa. Similarly, a travel trailer may be taken as trade-in on a motor home even though a travel trailer is not a motor vehicle; both are licensed recreational land vehicles. Conversely, a utility trailer may not be taken as trade-in on a travel trailer, for purposes of this rule, because a utility trailer is neither a

motor vehicle nor a licensed recreational land vehicle. Similarly, a car may not be taken as trade-in on a camper and vice versa.

Under these definitions it is not required that a car be traded-in exclusively on another car in order to get the trade-in reduction of the tax measure. It could, as well, be traded-in as part payment for a truck, motorcycle, motor home, or any other qualifying motor vehicle. Similarly, a sofa for a recliner chair, a pistol for a rifle, a sailboat for a motorboat, or a gold chain for a wrist watch are the kinds of generic trade-in transfers which would qualify. However, the exclusion of the value of property traded-in does not include such things as a motorcycle for a boat, a diamond ring for a television set, a battery for lumber, or farm machinery (including tractors and self propelled combines) for a car.

**VALUE OF PROPERTY TRADED-IN** — The seller and buyer establish the value of property traded-in. However, the parties may not overstate the value of the property traded-in in order to artificially lower the amount of sales of use tax due. Absent proof of a higher value, the property traded-in must be determined by the fair market value of similar property of like quality, quantity, and age, sold or traded under comparable conditions. It is the substance of the actual sale and trade-in transaction which will control the retail sales tax measure, regardless of any subsequent accounting adjustments to the seller's inventory records or books of account.

**RECORD KEEPING** — RCW 82.32.070 requires every person liable for any tax to keep and preserve records from which true tax liability can be determined. Before any exclusion from the selling price for the value of property traded-in will be allowed, the property traded-in must be specifically identified and clearly indicated as "trade-in," by model, serial number and year of manufacture where applicable, and the full trade-in value must be shown on the sales agreement or invoice given to the purchaser, with a copy retained in the seller's permanent sales records.

For example:

Less "trade-in" — 1983 G.E. Refrigerator/Freezer  
Model No. GE-RF0001, Serial No. 0001, \$300.

**ENCUMBERED PROPERTY TRADED-IN** — Sellers are allowed to consider as nontaxable the value of property traded-in even though ownership of the property may be encumbered by a conditional sale, retail installment contract, or security interest; provided that, the property traded-in must be actually transferred to the seller of the new or used property for which it is traded-in.

**CASUAL OR ISOLATED SALES** — The retail sales tax applies to all casual or isolated retail sales made by any person who is engaged in business activity, that is, a person required to be registered and reporting tax to the state. Persons who are not engaged in business activity, i.e., private persons, are not required to be registered and are not required to collect sales tax on their casual or isolated sales (see WAC 458-20-106). Registered persons who make casual or isolated sales (e.g., a law firm which sells its law books) may reduce the taxable

selling price by the value of the property traded-in. The same record keeping requirements apply as explained earlier in this rule.

**RETAIL SERVICES** — The exclusion of the value of property traded-in from the selling price tax measure applies only to sales involving tangible property traded-in for tangible property sold. It does not apply to any transactions involving services which have been statutorily included as "sales at retail" (see RCW 82.04.050). Thus, for example, a construction contractor may not accept part payment in tangible property to thereby reduce the sales tax measure of the construction contract selling price. Similarly, a seller of tangible personal property may not accept retail services as part payment to thereby reduce the selling price tax measure. Such transfers neither qualify as trade-in transfers of tangible property nor "in-kind" transfers.

**TRADE-IN FOR RENTAL PROPERTY** — Under RCW 82.04.050, rentals or leases of tangible personal property are "retail sales." The term "selling price" as amended by Initiative 464 is also the tax measure for such rentals and leases. Thus, where tangible property is traded-in as part payment for the rental or lease of property of like kind (e.g., a used computer against the rental of a new one) the sales tax will apply to all payments after the value of the property traded-in has been depleted or consumed and the lessor of the property actually begins making charges for the lease or rental of tangible property.

When tangible personal property is rented or leased, the "selling price" includes all charges to the renter or lessee for the use of the property rented or leased, including charges designated as insurance, interest and other costs recovered stated separately from the regular rental fee. When tangible personal property is rented or leased under circumstances that the consideration paid does not represent a reasonable rental for the use of the articles so rented or leased, the "selling price" must be determined as nearly as possible according to the value of such use at the places of use of similar products of like quality and character. In cases of doubt, all of the pertinent facts should be submitted to the department of revenue for an advisory determination.

**REAL PROPERTY TRANSFERS** — The trade-in exclusion does not apply to sales of real property. It also does not apply where real property is traded-in for tangible personal property.

#### BUSINESS AND OCCUPATION TAX

The trade-in exclusion affects only the measure of retail sales tax to be collected and paid. There is no trade-in exclusion for business and occupation tax. Thus, the gross receipts to be reported under the retailing classification of business and occupation tax continues to be the total value proceeding or accruing from the sale, including the value of property traded-in.

RCW 82.04.070 provides, "The term 'gross proceeds of sales' means the value proceeding or accruing from the sale of tangible personal property . . . without any deduction on account of the cost of property sold, the

cost of materials used, labor costs, interest, discount paid, delivery costs, taxes or any other expense whatsoever paid or accrued and without any deduction on account of losses."

Also, the terms "selling price" and "gross proceeds of sales" include items of cost which are the direct obligation of the seller but which the seller may invoice separately to the purchaser. Examples of such costs are the cost of the contractor's performance bond, the cost of city or state business and occupation taxes of public utility taxes, the cost of insurance protecting the seller and the cost of freight in. The selling price can be payable in money or otherwise. If it is payable in whole or in part in property, each party is a seller of the property being transferred.

#### USE TAX

RCW 82.12.010 defines the measure of the use tax as the "value of the article used." Under certain circumstances that value is determined by the "selling price" of the article or property used. Also, this use tax statute provides that the meaning of words in chapter 82.08 RCW (retail sales tax) shall have full force as well with respect to the use tax chapter. Thus, the Initiative 464 amendment of the definition of "selling price" will apply equally for use tax purposes. Therefore, the measure of the use tax for tangible property upon which no retail sales tax has been paid (e.g., if it were purchased in another state with no sales tax) is the same "selling price" as defined for retail sales tax purposes. In such cases the value of the property traded-in will be excluded from the use tax measure.

The consumer-user, or any out-of-state seller who is registered in this state and collects this state's use tax, must retain the sales records reflecting property "traded-in," as explained earlier in this rule.

#### PREPARING TAX RETURNS

The gross amounts reported under column 2 on the combined excise tax return should be the same amounts under the retailing business and occupation tax (line 18) and the retail sales tax (line 19). The reduction of the "selling price" tax measure for property traded-in should be reflected as a deduction only under the retail sales tax (column 3, line 19). Until return forms are amended, this sales tax deduction should be shown on the back side of the form (line 19) under "other deductions" and explained as "traded-in sales."

[Statutory Authority: RCW 82.32.300, 86-04-024 (Order 86-2), § 458-20-247, filed 1/28/86; 85-02-006 (Order ET 84-6), § 458-20-247, filed 12/21/84.]

**WAC 458-20-248 Sales of precious metal bullion and monetized bullion.** Effective July 1, 1985, amounts derived from sales of precious metal bullion and monetized bullion as defined herein, are not subject to business and occupation tax under either the wholesaling or retailing classification or to retail sales tax. Statutory law expressly excludes such sales from the definitions of the terms, "wholesale sale," "sale at wholesale," "retail sale," and "sale at retail."

The term, "precious metal bullion" is statutorily defined to mean any precious metal which has been put through a process of smelting or refining, including, but not limited to, gold, silver, platinum, rhodium, and palladium, and which is in such state or condition that its value depends upon its contents and not upon its form.

The term, "monetized bullion" means coin or other forms of money manufactured from gold, silver, or other metals and heretofore, now, or hereafter used as a medium of exchange under the laws of this state, the United States, or any foreign nation, but does not include coins or money sold to be manufactured into jewelry or works of art.

Thus, sales of processed or refined precious metal valued solely upon the content thereof, whatever its form, are not subject to tax in this state. This includes processed nuggets, bars, sticks, dust, and other processed forms of precious metal. For example, sales of gold or silver in raw, refined forms to dentists, laboratories, jewelers, and other persons, for their own consumption or for resale are not taxable. However, sales of precious metal which has been manufactured or further processed into any form which determines or adds to the value thereof are fully taxable. For example, sales of jewelry items, medallions, artworks, and other items, the value of which is dependent upon more than the mere content of precious metal therein, are subject to wholesaling or retailing business and occupation tax, whichever is applicable, and retail sales tax as appropriate.

Sales of metal money, in coined or other form, which is recognized as a medium of exchange in the financial marketplace, are not taxable. However, sales of coin or money, whether or not recognized as a medium of exchange, to jewelers or other persons for the purpose of manufacturing jewelry or artworks therefrom are fully taxable. For example, sales of coins for necklaces or to be used as buttons or in paintings or painting frames, etc., are taxable.

It is presumed that all sales of coin and metal money are entitled to tax exemption: *Provided*, That in order to be exempt of tax persons who knowingly sell such things to buyers who are regularly engaged in the business of manufacturing jewelry or works of art must take a written, signed, and dated statement from such buyers that the coins or metal money are not being purchased for use in manufacturing jewelry or works of art. Artistic or cultural organizations which purchase such things are exempt of retail sales tax as provided in WAC 458-20-249.

The tax exclusions explained herein apply equally to sales of precious metal bullion or monetized bullion transferred through documents of ownership, certificates, confirmation slips, or other indicia of ownership.

#### TAXABLE COMMISSIONS

Amounts received as commissions upon sales of precious metals by dealers, brokers, and other selling and/or buying agents who sell or buy precious metal bullion or monetized bullion for the accounts of customers are subject to the service and other activities classification of business and occupation tax. The amount of

any shared commission or fee paid to other dealers or commissioned agents associated in such transactions are deductible from the measure of this tax. However, no deduction is allowed for any of the dealer's or commissioned agent's own costs of doing business, including salaries or commissions paid to their own salespersons or other employees. Similarly, persons who receive any part of shared commissions derived from having been associated in transactions for the purchase or sale of precious metal or monetized bullion for the account of others, are themselves subject to service business tax measured by such amounts received.

#### USE TAX

The use tax does not apply upon the use of precious metal bullion or monetized bullion in this state under such circumstances that the sale of such bullion to the user would not be taxable if made in this state as explained earlier herein. In all other cases the use tax applies upon the first use by a consumer of precious metals in this state if retail sales tax has not been paid. See WAC 458-20-178.

[Statutory Authority: RCW 82.32.300. 86-09-016 (Order ET 86-6), § 458-20-248, filed 4/9/86.]

#### WAC 458-20-249 Artistic or cultural organizations.

For purposes of business and occupation tax deduction and certain retail sales tax and use tax exemptions, RCW 82.04.4328 expressly defines the term "artistic or cultural organizations" in pertinent part as follows:

". . . the term "artistic or cultural organization" means an organization which is organized and operated exclusively for the purpose of providing artistic or cultural exhibitions, presentations, or performances or cultural or art education programs, . . . for viewing or attendance by the general public. The organization must be a not-for-profit corporation under chapter 24.03 RCW and managed by a governing board of not less than eight individuals none of whom is a paid employee of the organization or by a corporation sole under chapter 24.12 RCW. In addition, to qualify for deduction or exemption from taxation . . . the corporation shall satisfy the following conditions:

(a) No part of its income may be paid directly or indirectly to its members, stockholders, officers, directors, or trustees except in the form of services rendered by the corporation in accordance with its purposes and bylaws;

(b) Salary or compensation paid to its officers and executives must be only for actual services rendered, and at levels comparable to the salary or compensation of like positions within the state;

(c) Assets of the corporation must be irrevocably dedicated to the activities for which the exemption is granted and, on the liquidation, dissolution, or abandonment by the corporation, may not inure directly or indirectly to the benefit of any member or individual except a nonprofit organization, association, or corporation which also would be entitled to the exemption;

(d) The corporation must be duly licensed or certified when licensing or certification is required by law or regulation;



## USE TAX

Under RCW 82.12.031, the use tax does not apply to the use of any objects for the purposes explained earlier in this rule, and upon which the retail sales tax would be exempt if the objects were purchased in this state. The use tax applies upon all other items of tangible personal property used by artistic or cultural organizations upon which retail sales tax has not been paid.

[Statutory Authority: RCW 82.32.300. 86-07-006 (Order ET 86-4), § 458-20-249, filed 3/6/86.]

**WAC 458-20-250 Refuse collection business.** (1) Introduction. Chapter 282, Laws of 1986, effective June 11, 1986, establishes for tax purposes, and defines the specific business activity of the "refuse collection business." Under 1985 law (chapter 471, Laws of 1985) this activity had been included as a "public service business" and given a special tax rate under the public utility tax of chapter 82.16 RCW. The 1986 law removes refuse collection activities from the public utility tax on gross receipts and imposes a "refuse collection tax" similar in nature to retail sales tax. The burden of this tax is upon the ultimate consumer of the refuse collection service. The tax rate is three and six tenths percent (.036), and the tax measure is the total consideration charged to the consumer-customer for the services.

(2) The 1986 law does not expressly establish a specific business tax classification for the gross receipts of persons engaged in the refuse collection business. Thus, because of the provisions of RCW 82.04.290, such persons are subject to the service or other activities classification of business and occupation tax.

(3) For purposes of this section the following terms will apply.

(a) "Refuse collection business" means every person who receives waste for transfer, storage, or disposal including but not limited to all collection services, public or private dumps, transfer stations, and similar operations.

(b) "Person" shall have the meaning given in RCW 82.04.030 or any later, superseding section.

(c) "Waste" means garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use. The term does not include hazardous or toxic waste nor does it include material collected primarily for recycling or salvage.

(d) "Taxpayer" means that person upon whom the refuse collection tax is imposed, that is, the private or commercial consumer-customer.

(e) "Department" means the department of revenue.

(f) "Consideration charged for the services" means the total amount billed to a taxpayer as compensation for refuse collection services, without any deduction for any costs of doing business or any other expense whatsoever, paid or accrued, *Provided*, That the term does not include the refuse collection tax itself whether separately itemized or not, nor any similar utility taxes or consumer taxes, imposed by the state or any political subdivision thereof or any municipal corporation, directly upon the consumer-taxpayer and separately itemized on the taxpayer's billing. Also, the term does not

include late charges or penalties which may be imposed for non-timely payment by taxpayers.

(4) The person who collects the charges for refuse collection services from the taxpayer is responsible for collecting the refuse collection tax and remitting it to the state.

(5) The law provides that if any person charged with collecting the tax fails to bill the taxpayer for it, or to notify the taxpayer in writing that the tax is due, then that person shall be personally liable for the tax. Thus, unlike the retail sales tax, the refuse collection tax may be included within the gross refuse fee or charge billed to taxpayers and need not be separately itemized on such billings, but only if such taxpayers are notified in writing that the tax has been imposed and is being collected. Nothing prevents any refuse collection business from separately itemizing the tax on customer billings, at its option.

(6) Furthermore, if any person collects that tax from the taxpayer and fails to pay it to the department in the manner provided in this section, for any reason whatever, that person shall be personally liable for the tax.

(7) The refuse collection tax is due from the taxpayer within twenty-five days from the date the taxpayer is billed for the refuse collection services.

(8) The tax is due to be remitted to the department by the person collecting it at the end of the tax reporting period in which the tax is received by that person.

(9) If a taxpayer makes only a partial payment of the amount billed for the services and tax, the amount paid must first be used to remit the refuse collection tax to the department. This tax has first priority over all other claims against the amount paid by the taxpayer.

(10) The federal government, its agencies and instrumentalities, and all refuse service contracts with such federal entities are not subject to the refuse collection tax. There are no other taxpayers expressly exempted from paying the refuse collection tax. Any other taxpayer claiming exemption of this tax for any reason whatsoever must provide the refuse collection business with proof of its entitlement to exemption. The department will verify such claims upon request.

(11) To prevent pyramiding or multiple taxation of single transactions, the refuse collection tax does not apply to any person other than the taxpayer. It is a tax upon the ultimate consumer-customer of the refuse service.

(12) Persons who collect the refuse collection tax and who, themselves, utilize the further services of others for the transfer, storage, or disposal of the waste collected are not required to again pay the tax to such other service providers. However, in order to be exempt of such tax payment a refuse collection business must provide other refuse service providers with a refuse collector's exemption certificate in the following form:

(a) We hereby certify that we are engaged in the refuse collection business and are registered with the state department of revenue to collect and report the refuse collection tax imposed under chapter 282, Laws of 1986. We certify further that the refuse collection tax due with respect to the refuse collection business being

performed under this certificate has been or will be collected and paid and that we are exempt of further payment of such tax on charges for any refuse collection services being procured by us.

Business Name \_\_\_\_\_ Authorized Signature \_\_\_\_\_

Business Address \_\_\_\_\_ Date \_\_\_\_\_

Revenue Registration No. \_\_\_\_\_

U.T.C. Certificate of Public Necessity No. \_\_\_\_\_

If not regulated by U.T.C., please check here \_\_\_\_

(b) Blanket certificates may be provided in advance by refuse collectors or other persons who collect the customer charges for refuse collection and who are liable for collecting and remitting the refuse collection tax.

(c) Refuse collection businesses which provide services for the transfer, storage, or disposal of waste, and who accept completed certifications in good faith are not required to collect and remit the refuse collection tax and will not be held personally liable for it.

(13) Persons engaged in the refuse collection business by operating facilities for the transfer, storage, or disposal of waste, including public and private dumps, and who provide such services directly to taxpayers for a charge, are liable for the collection of the refuse collection tax on such charges.

(14) Examples of taxable and tax exempt transactions are:

(a) A private person or commercial customer hauls its own waste to a dump site for disposal and pays a fee – the fee is subject to the 3.6 percent refuse collection tax.

(b) A refuse collection company picks up and hauls residential or commercial waste to a dump for disposal – this company bills the customer for the tax and need not pay the tax upon any further charge made by the dump site operator, by providing a refuse collector's certificate.

(c) A city provides refuse collection services to its residents through an independent hauler under a negotiated contract, and uses a county operated land fill. The city bills the residents on their utility bills. The 3.6 percent applies to the refuse portion of the utility bill. This tax does not apply to any charge paid by the city to the hauling company, nor to any charge made by the county to the city for dumping services. The city must provide the hauler and the county with a refuse collector's certificate.

(15) The refuse collection tax is imposed in much the same manner as retail sales tax; that is, it is payable by the refuse consumer to the refuse service provider who does the customer billing. Likewise, other refuse service providers up the chain of transactions from the billing provider are treated in the same manner as wholesalers and need not collect the tax if the appropriate certificate is taken.

(16) Business and occupation tax. There is no exemption from business and occupation tax measured by gross income of any person engaged in the refuse collection business. Such persons are subject to the service classification of business and occupation tax measured by their gross receipts. (See RCW 82.04.290.) Also, there is no general provision under the law for the nonpyramiding

effect of the business and occupation tax. Thus, each refuse collection business is separately liable for this tax on its total gross receipts without any deduction for any costs of doing business or any amounts paid over to other refuse service providers. Also, all amounts designated as late charges or penalties are included within this business tax measure.

(17) The refuse collection business is an "enterprise activity," as defined in WAC 458-20-189, when it is funded over fifty percent by user fees. Thus, the amounts derived from this activity are not exempt of business and occupation tax even though they may be charged by governmental entities. (See RCW 82.04.419.)

(18) The exemption of refuse collection tax for the federal government, its agencies and instrumentalities, does not apply for business and occupation tax. Thus, refuse collection businesses who charge such federal entities for services, under contract or otherwise, must pay the business and occupation tax upon such gross receipts.

(19) Persons engaged in the refuse collection business may be entitled to certain express deductions or exemptions from business and occupation tax for specific reasons unrelated to the nature of their refuse business activity. (See RCW 82.04.419 and 82.04.4291.)

(20) Refuse collection businesses which provide waste receptacles, containers, dumpsters, and the like to their customers for a charge, separate from any charge for collection of the waste, are engaged in the business of renting tangible personal property taxable separate and apart from the refuse collection business. Charges for such rentals, however designated, are subject to retailing business and occupation tax when they are billed separately or are line itemized on customer billings. Such businesses are engaged in more than one taxable kind of business activity and are separately taxable on each. (See RCW 82.04.440.)

(21) Retail sales tax. Persons who separately charge and bill customers for waste receptacles, as explained earlier, must collect and remit the retail sales tax on the itemized rental price, fee, or other consideration, however designated, charged for the receptacles.

(22) Refuse collection businesses are themselves the consumers of all tangible personal property purchased for their own use in conducting such business, other than items for resale or renting to customers, e.g., rented receptacles. Retail sales tax must be paid to materials suppliers and providers of such tangible consumables. (See RCW 82.04.050.)

(23) Use tax. The use tax is due upon all tangible personal property used as consumers by refuse collection businesses, upon which the retail sales tax has not been paid. (See RCW 82.12.020.)

[Statutory Authority: RCW 82.32.300. 86-15-064 (Order ET 86-14), § 458-20-250, filed 7/22/86.]

**WAC 458-20-251 Sewerage collection business.** (1) Introduction. Under the provisions of chapter 471, Laws of 1985, the "sewerage collection business" was reclassified for tax purposes from the service classification of

business and occupation tax to the public service business – sewer collection classification of public utility tax. To implement this change in law the department of revenue amended and adopted WAC 458-20-179, on November 1, 1985, which subjected gross receipts from all sewerage services to the higher rated public utility tax classification, as of the effective date of chapter 471, Laws of 1985, July 1, 1985.

(2) The department has determined that, within the intent of the law, only the portion of gross receipts from customer billings attributable to the "collection" portion of services rendered should be taxed under the public utility tax classification. Thus, this section now supersedes and effectively repeals the specific provisions of WAC 458-20-179 pertaining to sewerage collection businesses. The provisions of this new section have retroactive effect from July 1, 1985 forward.

(3) Definitions. For purposes of this section the following terms will apply.

(a) "Sewerage collection business" means the activity of receiving sewage deposited into and carried off by a system of sewers, drains, and pipes to a common point, or points, for disposal or for transfer to treatment for disposal, but does not include such transfer, treatment, or disposal of sewage.

(i) This term does not include the activity of receiving, collecting, or disposing of toxic or hazardous waste materials regardless of the system employed for collection of such substances.

(b) "Sewage" means the waste matter carried off by sewer drains and pipes.

(c) "Gross receipts" of the sewerage collection business means only that portion of income from customer billings which is allocable to the collection of sewage by a sewerage collection business as defined herein.

(i) "Gross receipts," as defined here, is the public utility tax measure. It does not include any charges of any kind attributable to sewerage services other than collection.

(ii) The term does not include late charges or penalties which may be imposed for non-timely payment by customers.

(d) "Person" has the meaning given in RCW 82.04.030 or any later, superseding section.

(4) Persons engaged in the sewerage collection business may also be engaged in related business activities involving the interception, transfer, storage, treatment, and/or disposal of sewage, or any of these activities. If so, such persons are engaged in both public utility taxable activities (sewerage collection) and business and occupation taxable activities (other sewer services). See RCW 82.16.060 and 82.04.310.

(5) Public utility tax. Persons engaged in the sewerage collection business, as defined herein, are subject to the public utility tax under the classification, sewer collection, measured by "gross receipts" of the collection business as explicitly defined herein, at the currently prescribed rate. (See RCW 82.16.020 (1)(a).)

(6) In order to determine the "gross receipts" of the collection business there are two alternative methods.

(a) If customer billings are itemized to show the actual charge for sewerage "collection," that amount is the "gross receipts" tax measure: *Provided*, That such amount shall not be less than the actual cost of providing the collection service.

(b) If collection services are provided jointly with other, related sewer services provided by the sewerage collection business or any other person, and the actual charge for sewerage "collection" is not itemized on customer billings, a simple cost-of-doing-business formula must be used to derive the "gross receipts," public utility tax measure.

(i) The totality of all business costs incurred in rendering all sewer services, including collection, is to be divided into the costs of providing sewerage collection services. The resulting percentage is to be multiplied by gross income from customer billings (all sewerage related charges). The result is the "gross receipts" public utility tax measure from engaging in the sewerage collection business.

(ii) The formula looks like this:

Sewerage collection costs (Annualized)	=	% x gross billings =	Public Utility Tax Measure
Total sewer service costs (Annualized)			

(iii) All costs of operation of the sewer services business must be included in the denominator, including but not limited to capitalized equipment, labor, direct and indirect overhead, and administration.

(iv) The standard cost accounting records of the sewerage collection business will be used for this purpose.

(v) For the purpose of annualizing its costs, the sewerage collection business may use the previous calendar year costs or its budget allocations for the current tax year. In either case, however, it must make an end of year adjustment to its reporting based upon actual costs incurred during the current year.

(7) Business and occupation tax. Persons engaged in providing other sewer services, in addition to or separate from the "sewerage collection business" as defined herein, are subject to the business and occupation tax under the classification, service and other business activities. The measure of this tax is the gross income derived from such other services. It does not include any amount reported for public utility tax under the sewer collection classification.

(8) The service business and occupation tax on sewer services is not intended to have a pyramiding effect. RCW 82.04.432 thus provides a deduction from the tax measure for amounts paid by municipal sewerage utilities and other public corporations to any other municipal corporation or governmental agency for sewage interception, treatment, or disposal. This deduction results in each one of several sewer service providers being taxable only on the amounts actually received and retained by them as their respective share of gross customer billings for the totality of all services.

(9) Under the law, depending upon the arrangement for providing the totality of all sewer services, it may be that a person will report tax under both the public utility

tax (on collection services income) and business and occupation tax (on other related services income), as appropriate, upon respective portions of that person's retained share of income from customer billings.

(10) The "sewerage collection business" and many other sewer services are "enterprise activities" as defined in WAC 458-20-189, when funded over fifty percent by user fees. Thus, the amounts derived from these business activities are not exempt of tax even though they may be provided and charged for by governmental entities. (See RCW 82.04.419.)

(11) Persons engaged in providing sewer services other than sewerage collection, such as the transfer, storage, treatment, and/or disposal of sewage, may be entitled to certain express deductions or exemptions from business and occupation tax for specific reasons unrelated to the nature of their sewer service activities. (See RCW 82.04.419 and RCW 82.04.4291.) These deductions and exemptions are not available for "sewerage collection businesses" upon their income subject to public utility tax.

(12) Retail sales tax. Persons engaged in the "sewerage collection business" and/or engaged in providing other related sewer services are themselves the consumers of all tangible personal property purchased for their own use in conducting such activities, other than items held for resale in the ordinary course of business. Retail sales tax must be paid to materials suppliers and providers of all such tangible consumables. (See RCW 82.04.050.)

(13) Use tax. The use tax is due upon all tangible personal property used as consumers by "sewerage collection businesses" and sewer service providers, upon which the retail sales tax has not been paid. (See RCW 82.12.020.)

(14) Retroactivity - procedures for refund. Because of the provisions of WAC 458-20-179 relating to sewer services, which were effective from July 1, 1985 and have been retroactively repealed, some persons providing sewer services after that date may have overreported their tax liability. Any such persons who reported and paid public utility tax measured by gross customer billings income or measured by income allocable to the transfer, treatment, and/or disposal of sewage are entitled to a refund or credit. Such refunds or credits will be in the amount of the difference between the public utility tax rate (.03852) and the service business tax rate (.015) on the income reported. The refund or credit may be obtained by timely providing amended copies of past reporting documents to the Taxpayer Accounts Administration Section of the Department of Revenue, Olympia, Washington. (See RCW 82.32.170.) Similarly, persons who have discontinued reporting tax liability on income from any sewer services, on or after July 1, 1985, will have additional tax liability to report.

[Statutory Authority: RCW 82.32.300, 86-18-069 (Order 86-16), § 458-20-251, filed 9/3/86.]

## WAC 458-20-99999 Appendix--The Buck Act.

### APPENDIX--BUCK ACT

#### AN ACT OF CONGRESS COMMONLY KNOWN AS THE BUCK ACT H. R. 6687

AN ACT TO PERMIT THE STATES TO EXTEND THEIR SALES, USE, AND INCOME TAXES TO PERSONS RESIDING OR CARRYING ON BUSINESS, OR TO TRANSACTIONS OCCURRING, IN FEDERAL AREAS, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled:

#### Section 1.

a. That no person shall be relieved from liability for payment of, collection of, or accounting for any sales or use tax levied by any State, or by any duly constituted taxing authority therein, having jurisdiction to levy such a tax, on the ground that the sale or use, with respect to which such tax is levied, occurred in whole or in part within a Federal area; and such State or taxing authority shall have full jurisdiction and power to levy and collect any such tax in any Federal area within such State to the same extent and with the same effect as though such area was not a Federal area.

b. The provisions of subsection "a" shall be applicable only with respect to sales or purchases made, receipts from sale received, or storage or use occurring, after December 31, 1940.

#### Section 2.

a. No person shall be relieved from liability for any income tax levied by any State, or by any duly constituted taxing authority therein, having jurisdiction to levy such a tax by reason of his residing within a Federal area or receiving income from transactions occurring or services performed in such area; and such State or taxing authority shall have full jurisdiction and power to levy and collect such tax in any Federal area within such State to the same extent and with the same effect as though such area was not a Federal area.

b. The provisions of subsection "a" shall be applicable only with respect to income or receipts received after December 31, 1940.

#### Section 3.

a. The provisions of sections 1 and 2 of this Act shall not be deemed to authorize the levy or collection of any tax on or from the United States or any instrumentality thereof, or the levy or collection of any tax with respect to sale, purchase, storage, or use of tangible personal property sold by the United States or any instrumentality thereof to any authorized purchaser.

b. A person shall be deemed to be an authorized purchaser under this section only with respect to purchases which he is permitted to make from commissaries, ship's stores, or voluntary unincorporated organizations of Army or Navy personnel, under regulations promulgated by the Secretary of War or the Secretary of the Navy.

## Section 4.

The provisions of the Act shall not for the purposes of any other provision of law be deemed to deprive the United States of exclusive jurisdiction over any Federal area over which it would otherwise have exclusive jurisdiction or to limit the jurisdiction of the United States over any Federal area.

## Section 5.

Nothing in sections 1 and 2 of this Act shall be deemed to authorize the levy or collection of any tax on or from any Indian not otherwise taxed.

## Section 6.

As used in this Act:

a. The term "person" shall have the meaning assigned to it in section 3797 of the Internal Revenue Code.

b. The term "sales or use tax" means any tax levied on, with respect to, or measured by, sales, receipts from sales, purchases, storage, or use of tangible personal property, except a tax with respect to which the provisions of section 10 of the Federal Highway Act, approved June 16, 1936, are applicable.

c. The term "income tax" means any tax levied on, with respect to, or measured by, net income, gross income, or gross receipts.

d. The term "State" includes any Territory or possession of the United States.

e. The term "Federal area" means any lands or premises held or acquired by or for the use of the United States or any department, establishment, or agency of the United States, and any Federal area, or any part thereof, which is located within the exterior boundaries of any State shall be deemed to be a Federal area located within such State.

## Section 7.

a. Subsection "a" of section 10 of the Federal Highway Act, approved June 16, 1936, is amended (1) by striking out the words "upon sales of gasoline and other motor vehicle fuels" and inserting in lieu thereof the words "upon, with respect to, or measured by, sales, purchases, storage, or use of gasoline or other motor vehicle fuels;" and (2) by striking out the words "upon such fuels" and inserting in lieu thereof the words "with respect to such fuels."

b. Subsection "b" of such section 10 is amended by striking out the words "not sold for the exclusive use of the United States during" and inserting in lieu thereof the words "with respect to which taxes are payable under subsection "a" for."

Passed by the 76th Congress and signed by the President on October 9, 1940.

## Chapter 458-24 WAC

UNFAIR CIGARETTE SALES BELOW COST ACT  
RULES AND REGULATIONS

WAC  
458-24-010 General.

(1986 Ed.)

458-24-020	Unlawful practices.
458-24-030	Licenses, bond.
458-24-040	Legal action, remedies.
458-24-050	Administrative remedies.
458-24-060	Form and contents of complaint.
458-24-070	Penalties.
458-24-080	Cigarette wholesalers and retailers—Determination of cost.
458-24-090	Basic cost of cigarettes—How calculated.

**WAC 458-24-010 General.** Chapter 19.91 RCW (chapter 286, Laws of 1957, as amended) defines certain unlawful practices by wholesalers and retailers of cigarettes, prescribes penalties for violations, provides remedies for persons injured by competitors violating provisions of the chapter, and requires payment of special annual license fees by wholesalers and retailers of cigarettes.

These rules are intended to summarize certain of the provisions of chapter 19.91 RCW and to promulgate rules and regulations authorized by RCW 19.91.130 and 19.91.180.

[Order ET 72-2, § 458-24-010, filed 9/29/72.]

**WAC 458-24-020 Unlawful practices.** (1) It is unlawful for any retailer or wholesaler of cigarettes with intent to injure competitors, destroy or substantially lessen competition to:

- (a) Advertise, offer, or sell at less than cost;
- (b) Offer or give a rebate in price, the effect of which would be a sale at less than cost; or
- (c) Offer or give a concession of any kind, the effect of which would be a sale at less than cost.

(2) It is unlawful for a cigarette retailer with intent to injure competitors, destroy or substantially lessen competition to:

- (a) Purchase or attempt to purchase cigarettes at less than cost to wholesalers; or
- (b) Get or attempt to get a rebate or concession, the effect of which would be a purchase at less than cost to wholesalers.

(3) It is unlawful to engage in the business of purchasing, selling, consigning or distributing cigarettes without holding a current and valid cigarette wholesalers or retailers license issued by the department of licensing.

(4) Commission of any of the unlawful practices proscribed by RCW 19.91.020 is a misdemeanor and, in addition, the law provides for a fine up to \$500 for each offense.

[Statutory Authority: RCW 82.32.300. 82-19-028 (Order ET 82-9), § 458-24-020, filed 9/10/82; Order ET 72-2, § 458-24-020, filed 9/29/72.]

**WAC 458-24-030 Licenses, bond.** (1) "Wholesaler" means any person who:

- (a) Purchases cigarettes directly from the manufacturer; or
- (b) Purchases cigarettes from others for sale to persons who will resell such cigarettes in the regular course of business; or
- (c) Services retail outlets through an established place of business for the purchase, warehousing, and distribution of cigarettes.

[Title 458 WAC—p 205]

Each wholesaler shall renew or make application for a wholesale cigarette dealer's license on forms supplied by the department of licensing and remit therewith the annual license fee of \$650 to the department of licensing. If the wholesaler sells, or intends to sell, cigarettes at more than one place of business, whether temporary or established, a separate license with a license fee of \$115 shall be required for each additional place of business. Each license shall be exhibited in the place of business for which it is issued. "Place of business" means any location where business is transacted with, or sales are made to, customers. It includes any vehicle, truck, vessel, or the like at which sales are made.

Each licensed wholesaler shall file a bond with the department of revenue in an amount determined by the department of revenue, which amount shall not be less than \$5,000. The bond shall be executed by the wholesaler as principal, and by a corporation approved by the department of revenue and authorized to engage in business as a surety company in this state, as surety. The bond shall run concurrently with the wholesaler's license.

(2) "Retailer" means any person who makes sales of cigarettes at retail whether by operation of a store, stand, booth, concession, vending machine or other manner whatsoever.

Each retailer shall renew or make application for a retail cigarette dealer's license on forms supplied by the department of licensing and remit therewith the annual license fee of \$10 to the department of licensing. Retailers operating cigarette vending machines are required to pay an additional annual license fee of \$1 for each such vending machine.

(3) Persons may sell cigarettes both at retail and wholesale only if appropriate licenses are first secured for both such capacities.

[Statutory Authority: RCW 82.32.300, 82-19-028 (Order ET 82-9), § 458-24-030, filed 9/10/82; Order ET 72-2, § 458-24-030, filed 9/29/72.]

**WAC 458-24-040 Legal action, remedies.** (1) A criminal action may be filed for commission of any of the unlawful practices listed in RCW 19.91.020.

(2) A civil action may be maintained under RCW 19.91.110 in any court of equitable jurisdiction by any person injured because of any violation of chapter 19.91 RCW in order to prevent, restrain, or enjoin such violation and for recovery of costs, attorney's fees, and damages. Under RCW 19.91.060(2) an injured party may elect not to seek injunctive relief but upon proof of actual damages, may recover the same plus costs and attorney's fees. If injunctive relief is sought the same may be awarded upon establishment of violation, whether or not damages are alleged or proved.

[Order ET 72-2, § 458-24-040, filed 9/29/72.]

**WAC 458-24-050 Administrative remedies.** (1) Any licensed cigarette retailer or wholesaler, believing that a competitor is violating any provision of chapter 19.91 RCW or chapter 458-24 WAC, may file with the Department of Revenue, Excise Tax Division, Olympia, Washington 98504, a complaint in writing setting forth

the basis upon which it believes the competitor is violating the provisions of chapter 19.91 RCW. The complaint shall conform to the requirements of WAC 458-24-060 as to form and contents.

(2) Upon receipt of a complaint the department will determine if it is frivolous or unsubstantiated, and if so found, shall promptly notify the complaining party that there is no basis upon which the department will act.

(3) If the department determines that the complaint is not frivolous or unsubstantiated, the department shall notify the complaining party of its intent to investigate the matter. The complaining party will not receive any other notification of departmental action in the case unless requested. The department shall notify the party complained against that a complaint has been filed and that an investigation will commence in order to determine whether violations of chapter 19.91 RCW or chapter 458-24 WAC have occurred.

(4) The party complained against shall make available to the department of revenue, upon request, all business records pertaining to its operations and sales of cigarettes. All such business records will be subject to review and verification by the department as it may by law conduct.

(5) The department of revenue shall notify the party complained against of the result of its investigation in a written report. If the department determines that a violation of any provision of chapter 19.91 RCW has occurred, a hearing will be scheduled to consider the pending license revocation or suspension of the party complained against (hereinafter known as petitioner).

(6) All such hearings will be held before the director of the interpretation and appeals division in the department's Olympia offices unless otherwise specified in the notice of hearing. The department of revenue will schedule the hearing within thirty days of the issuance of its written report, or any extension requested by the petitioner and granted by the department.

(7) The hearing will be conducted in accordance with the provisions of chapter 34.04 RCW. The petitioner will be given an opportunity to present evidence and argument in opposition to the written report and pending license revocation or suspension. The right to appear in a representative capacity in such hearings shall be limited to:

(a) Individuals, officers, or employees of the business;  
(b) Attorneys duly qualified and entitled to practice in the courts of the state of Washington; or

(c) Attorneys entitled to practice before the highest court of record of any other state, if attorneys licensed in Washington state are permitted to appear before the courts of such other state in a representative capacity.

(8) Following the hearing, the director of interpretation and appeals will issue an order in accordance with the provisions of chapter 19.91 RCW, chapter 458-24 WAC, and RCW 34.04.120. The order shall state the penalties (see WAC 458-24-070), if any, to be imposed against the petitioner. The department shall mail a copy of its order to the petitioner. The order shall represent the official position of the department of revenue and shall be binding unless timely appealed.

(9) Appeals from orders of the department of revenue may be taken to the superior court of Thurston county.

[Statutory Authority: RCW 82.32.300. 82-19-028 (Order ET 82-9), § 458-24-050, filed 9/10/82; Order ET 72-2, § 458-24-050, filed 9/29/72.]

**WAC 458-24-060 Form and contents of complaint.**

(1) The complaint shall set forth the following:

(a) The name and address of the complaining party;

(b) The name and address of the person against whom the complaint is made;

(c) The nature of the complaint in clear and concise language with sufficient detail to notify the department of the specific violation or violations which constitute the subject matter of the complaint; and

(d) Those facts which complainant alleges as of his own knowledge and those facts that are alleged on information and belief.

(2) The complaint shall be signed by the party making the complaint and the facts alleged in the complaint, except those facts alleged to be on information and belief, shall be sworn to by the complaining party.

[Statutory Authority: RCW 82.32.300. 82-19-028 (Order ET 82-9), § 458-24-060, filed 9/10/82; Order ET 72-2, § 458-24-060, filed 9/29/72.]

**WAC 458-24-070 Penalties.** The department shall revoke or suspend the license or permit of any wholesale or retail cigarette dealer found to have violated the provisions of chapter 19.91 RCW or chapter 458-24 WAC. Upon a finding by the department of a failure to comply with the provisions of chapter 19.91 RCW or chapter 458-24 WAC, it shall:

(1) For the first offense, suspend the license or licenses of the offender for a period of not less than thirty consecutive business days;

(2) In the case of a second or plural offender, suspend the license or licenses of the offender for not less than ninety consecutive business days nor more than twelve months;

(3) In the event of finding the offender guilty of wilful and persistent violations, revoke the offender's license or licenses.

[Statutory Authority: RCW 82.32.300. 82-19-028 (Order ET 82-9), § 458-24-070, filed 9/10/82.]

**WAC 458-24-080 Cigarette wholesalers and retailers--Determination of cost.** (1) RCW 19.91.020(1) forbids sales of cigarettes by wholesalers at less than cost. The law specifies that the "cost to the wholesaler" is to be computed by adding the "basic cost of cigarettes" (RCW 19.91.010(8) and WAC 458-24-090) to the "cost of doing business by the wholesaler" (RCW 19.91.010(9)). It shall be presumed that the "cost of doing business by the wholesaler" is at least four percent of the "basic cost of cigarettes" to the wholesaler. If the wholesaler performs or pays for the cartage to the retail outlet, it shall be presumed that the cartage costs are at least one-half of one percent of the "basic cost of cigarettes" to the wholesaler and shall be added to the "cost of doing business."

(1986 Ed.)

(2) If the wholesaler of cigarettes believes that its cost of doing business is less than four percent of the "basic cost of cigarettes" to the wholesaler or that its cost of cartage to the retail outlet is less than one-half of one percent of the "basic cost of cigarettes" to the wholesaler, the wholesaler must file a letter with the department of revenue stating its intention to sell cigarettes at a cost less than that presumed under RCW 19.91.010(9) and setting forth proof of a lesser cost of doing business.

(3) RCW 19.91.020 (1) and (2) forbid sales of cigarettes by retailers at less than cost. The law specifies that the "cost to the retailer" is to be computed by adding the "basic cost of cigarettes" (RCW 19.91.010(8) and WAC 458-24-090) to the "cost of doing business by the retailer" (RCW 19.91.010(10)). Any retailer who, in connection with its purchase, receives cash discounts ordinarily allowed upon purchases by a wholesaler shall, in determining "cost to the retailer," add the "cost of doing business by the wholesaler" to the "basic [cost of cigarettes" to said retailer, as well as the "]cost of doing business by the retailer." It shall be presumed that the "cost of doing business by the retailer" is at least twelve and one-half percent of the "basic cost of cigarettes" to the retailer. In the case of a retailer who receives the cash discounts ordinarily allowed upon purchases by a wholesaler, the "cost of doing business by the retailer" shall be presumed to be twelve and one-half percent of the sum of the "basic cost of cigarettes" and the "cost of doing business by the wholesaler."

(4) If the retailer of cigarettes believes that its cost of doing business is less than twelve and one-half percent of the "basic cost of cigarettes" to the retailer or that its cost of doing business is less than twelve and one-half percent of the sum of the "basic cost of cigarettes" and the "cost of doing business by the wholesaler" (where the retailer [receives] [received] the cash discounts ordinarily allowed upon purchases by a wholesaler), the retailer must file a letter with the department of revenue stating its intention to sell cigarettes at a cost less than that presumed under RCW 19.91.010(10) and setting forth proof of a lesser cost of doing business.

(5) The department of revenue shall examine the wholesaler's or retailer's proof and verify its accuracy. The verification may include review of the wholesaler's or retailer's accounting records to determine the "cost of doing business by the wholesaler" as defined by RCW 19.91.010(9) or "cost of doing business by the retailer" as defined by RCW 19.91.010(10).

(6) If the department finds that the wholesaler or retailer has presented satisfactory proof of a lesser cost of doing business, it shall issue a letter of approval stating that prices may be lowered in accordance with the letter.

(7) If the department finds that the wholesaler or retailer has not presented satisfactory proof of a lesser cost of doing business, it shall issue a letter denying the wholesaler's or retailer's request for lower costs and stating the reasons therefore.

(8) The wholesaler or retailer may petition the department of revenue in writing for a review of the denial of the use of a lesser cost. Petitions should be addressed:

[Title 458 WAC—p 207]

State of Washington, Department of Revenue, Interpretation and Appeals Division, Olympia, Washington 98504.

(9) The petition must be received by the department of revenue within twenty days after the issuance of the denial letter. An extension of thirty days will be granted if additional time is required for preparation of the petition and such extension is requested prior to expiration of the twenty-day period. If no petition is filed within these time periods, the department's denial letter shall become final.

(10) The department shall grant a conference for review of all denial letters if the wholesaler or retailer has filed a timely petition. Such conferences will be conducted by the director of the interpretation and appeals division. All conferences will be conducted informally and will be held at the departmental offices in Olympia.

(11) The wholesaler or retailer shall receive written notice of the assistant director's determination. The determination shall represent the official position of the department of revenue and shall be binding upon the wholesaler or retailer.

[Statutory Authority: RCW 19.91.180(1), 85-01-061 (Order ET 84-5), § 458-24-080, filed 12/17/84. Statutory Authority: RCW 82.32-.300, 82-24-028 (Order ET 82-11), § 458-24-080, filed 11/23/82.]

**Reviser's note:** RCW 34.04.058 requires the use of underlining and deletion marks to indicate amendments to existing rules, and deems ineffectual changes not filed by the agency in this manner. The bracketed material in the above section does not appear to conform to the statutory requirement.

**WAC 458-24-090 Basic cost of cigarettes—How calculated.** The term "basic cost of cigarettes," as used in RCW 19.91.010 and amended by chapter 173, Laws of 1984, means the invoice price of cigarettes to the retailer or wholesaler, as the case may be, or the replacement cost of cigarettes to the retailer or wholesaler, as the case may be, in the quantity last purchased, whichever is lower, to which must be added the full face value of any stamps which may be required by any cigarette tax act of this state and by ordinance of any municipality thereof, presently in effect or hereafter enacted, if not already included by the manufacturer in its price list.

The law further provides that in computing the "basic cost of cigarettes" a wholesaler who actually receives a manufacturer's cash discount may, at the discretion of the wholesaler, pass along all or any portion of the discount to the retailer.

The term "cash discount" under the Unfair Cigarette Sales Below Cost Act (chapter 19.91 RCW) and these regulations shall be given the same definition as that provided in RCW 82.04.160, which is defined to mean a deduction from the invoice price of goods or charge for services allowed if the bill is paid on or before a specific date. For purposes of these rules, cash discount includes any anticipatory discount, anticipation allowance, anticipatory discount, or any similar discount or allowance.

[Statutory Authority: RCW 19.91.180(1), 85-01-061 (Order ET 84-5), § 458-24-090, filed 12/17/84.]

## Chapter 458-28 WAC TAXATION OF FINANCIAL BUSINESSES BY CITIES OR TOWNS

### WAC

458-28-010	Scope of rule.
458-28-020	Gross income defined.
458-28-030	Deductions.
458-28-040	Branch locations, division of income.

**WAC 458-28-010 Scope of rule.** Chapter 134, Laws of 1972 ex. sess., authorizes cities and towns to impose a license fee or tax on financial institutions. Financial institutions having business locations in cities and towns which levy a tax upon gross income or gross receipts for the privilege of engaging in business shall divide their gross income for purposes of computing income earned in the cities, towns or unincorporated areas in which such places of business are located in accordance with these rules.

[Order ET 72-1, § 458-28-010, filed 9/29/72.]

**WAC 458-28-020 Gross income defined.** "Gross income of the business" means the value proceeding or accruing by reason of the transaction of the business engaged in and includes gross proceeds of sales, compensation for the rendition of services, gains realized from trading in stocks, bonds, or other evidences of indebtedness, interest, discount, rents, royalties, fees, commissions, dividends, and other emoluments however designated, all without any deduction on account of the cost of tangible property sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses.

Other examples of gross income are receipts from carrying charges, service charges, credit cards, safety deposit box rentals, bookkeeping or data processing, overdraft fees, flooring fees, and penalty fees.

[Order ET 72-1, § 458-28-020, filed 9/29/72.]

**WAC 458-28-030 Deductions.** In arriving at income taxable to a city or town from activities of a place of business located therein, financial institutions may deduct from gross income:

(1) Dividends received by a parent from a subsidiary corporation.

(2) Interest received on investments or loans primarily secured by first mortgages or trust deeds on nontransient residential properties.

(3) Interest received on obligations of the State of Washington, its political subdivisions, and municipal corporations. A deduction may also be taken for interest received on direct obligations of the Federal government, but not for interest attributable to loans or other financial obligations on which the Federal government is merely a guarantor or insurer.

(4) Gross proceeds from the sale or rental of real estate.

[Order ET 72-1, § 458-28-030, filed 9/29/72.]

**WAC 458-28-040 Branch locations, division of income.** Financial institutions having more than one place of business shall divide total taxable gross income so as to attribute taxable income to each location in the ratio of total interest earned (whether taxable or not) on loans originated at each location during the period covered by the tax return. The location at which a loan is originated is the place of business of the financial institution at which the customer deals with the financial institution to obtain the loan. Financial institutions having time or demand deposits may compute the ratio of total deposits at each location as a basis for approximating gross income of each location, provided the financial institution can demonstrate that the taxable income so computed will not differ by more than \$10,000 in any one calendar year as to any one business location from the amount computed using the ratio of interest earned on loans originated at each location.

[Order ET 72-1, § 458-28-040, filed 9/29/72.]

### Chapter 458-30 WAC

#### OPEN SPACE TAXATION ACT RULES

##### WAC

458-30-005	Definitions.
458-30-010	Classified lands.
458-30-015	Agreement.
458-30-020	Application.
458-30-025	Application fee.
458-30-030	Withdrawal—Change of use.
458-30-045	Removal of a portion.
458-30-050	Removal of classification.
458-30-055	Notification upon removal.
458-30-056	Additional tax.
458-30-057	Penalty.
458-30-060	Additional tax—Date due.
458-30-070	Agreement may be abrogated by legislature.
458-30-075	Assessor.
458-30-080	Assessor to act on agricultural classification.
458-30-085	Assessor to determine value.
458-30-090	Assessor may require reports—Failure to comply.
458-30-095	Assessor to note classification on assessment and tax roll.
458-30-100	Assessor to record agreement and other notices.
458-30-105	Notice of withdrawal to be filed with assessor—Assessor to withdraw.
458-30-110	Assessor to notify owner of value change.
458-30-115	Granting authority.
458-30-120	Granting authority's action on application.
458-30-125	Owner applicant.
458-30-130	Treasurer.
458-30-135	Advisory committee.
458-30-140	Basis for assessment.
458-30-145	Valuation procedures.
458-30-146	Valuation cycle.
458-30-150	Change of timber land classification to chapter 84.33 RCW.
458-30-155	Reclassification of farm and agricultural land under 1973 amendatory act.
458-30-160	Training.

**Reviser's note:** The former codification of Order 71-2, filed 3/26/71 and amended by Order 71-3, filed 4/29/71, showing related histories, was published in the Washington Administrative Code in Supp. #8 (4/1/71) and Supp. #9 (9/1/71). The sections showing captions and histories thereto are as follows:

##### Sections

458-30-005	Definitions. [Order 71-3, § 458-30-005, filed 4/29/71; Order 71-2, § 458-30-005, filed 3/26/71.]
458-30-010	Classified lands. [Order 71-2, § 458-30-010, filed 3/26/71.]
458-30-015	Agreement. [Order 71-2, § 458-30-015, filed 3/26/71.]
458-30-020	Application. [Order 71-2, § 458-30-020, filed 3/26/71.]
458-30-025	Application fee. [Order 71-2, § 458-30-025, filed 3/26/71.]
458-30-030	Withdrawal—Breach. [Order 71-2, § 458-30-030, filed 3/26/71.]
458-30-035	Assessor. [Order 71-2, § 458-30-035, filed 3/26/71.]
458-30-040	Granting authority. [Order 71-2, § 458-30-040, filed 3/26/71.]
458-30-045	Owner Applicant. [Order 71-2, § 458-30-045, filed 3/26/71.]
458-30-050	Treasurer. [Order 71-2, § 458-30-050, filed 3/26/71.]
458-30-055	Basis for assessment. [Order 71-3, § 458-30-055, filed 4/29/71; Order 71-2, § 458-30-055, filed 3/26/71.]
458-30-060	Valuation procedures. [Order 71-3, § 458-30-060, filed 4/29/71.]
458-30-065	Training. [Order 71-3, § 458-30-065, filed 4/29/71.]

Order PT 73-9, filed 10/30/73 adopts amended sections which are, in some respects, unrelated to former codification and adopts as new sections formerly codified rules which have been published in the Washington Administrative Code under another section number. Prior histories have been codified as part of a history where a similar subject has been amended. Please consult the above list, as filed by Order PT 73-9, for clarification.

#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

458-30-035	Additional tax. [Order PT 73-9, § 458-30-035, filed 10/30/73.] Repealed by 78-07-027 (Order PT 78-3), filed 6/16/78. Statutory Authority: RCW 84.34.141.
458-30-040	Breach—Change of use. [Order PT 73-9, § 458-30-040, filed 10/30/73.] Repealed by 78-07-027 (Order PT 78-3), filed 6/16/78. Statutory Authority: RCW 84.34.141.
458-30-065	Conditions where additional tax not imposed. [Order PT 73-9, § 458-30-065, filed 10/30/73.] Repealed by 78-07-027 (Order PT 78-3), filed 6/16/78. Statutory Authority: RCW 84.34.141.

**WAC 458-30-005 Definitions.** "Additional tax" shall mean the difference between the property tax paid as "open space land", "farm and agricultural land" or "timber land" and the amount of property tax otherwise due and payable for the seven years last past had the land not been so classified plus interest upon the amounts of such additional tax paid at the same statutory rate charged on delinquent property taxes from the dates on which such additional tax could have been paid without penalty if the land had been assessed without regard to classification.

"Approval" means a determination by the granting authority or county assessor that the land qualifies for classification under chapter 84.34 RCW.

"Assessment year" shall mean the year in which the property is listed and assessed by the county assessor which shall be the year prior to the year the tax is due and payable.

"Classified lands," within the meaning of these rules, shall mean those lands that have been qualified through use of the appropriate procedure for taxation under the "Open Space Taxation Act."

"Commercial purposes," shall mean presently being used in a continuous and regular effort and with an intent to obtain a monetary profit by raising, harvesting, and selling crops or by the feeding, breeding, management, and sale of or products of livestock, poultry, fur-bearing animals, or honey bees, or for dairying and sale of dairy products of any other agricultural or horticultural use of animal husbandry or any combination thereof. The determination of qualifications of a commercial purpose will be determined by the use of the farm in the past or by submission of a farm management plan.

"Conjunction" will have as its ordinary meaning parcels of land containing appurtenances which are separated from or contiguous with farm and agricultural land which parcel in itself could not qualify because of size or income but is being used in association with the farm and agricultural land.

"Contiguous" means land adjoining and touching other property held by the same ownership. Land divided by a public road, railroad, public right of way, or waterway, but otherwise an integral part of a farming operation, shall be considered contiguous.

"Current" or "currently" means as of the date on which property is to be listed and valued by the county assessor.

"Farm woodlots" land areas of 5 to 20 acres within the farm and agricultural land classification not devoted to agricultural purpose but devoted to the growth and harvest of forest crops. Farm woodlots shall be valued at the agricultural land value.

"Net cash rental" shall mean earning or productive capacity.

"Parcel of land" shall mean any contiguous ownership.

"Principle or primary use" shall mean the classified use of a parcel of land such that it limits or excludes other uses. In other words, a "principle" or "primary" use is a use that would be reflected in the total character of a designated parcel of land in such a manner that effectively excludes other unrelated uses.

"Qualification" of land shall mean that application for classification has been approved either by (1) the granting authority in the case of open space and timber land and that an open space taxation agreement has been signed and returned to the granting authority, or by (2) the county assessor in the case of farm and agricultural land.

The term "power of eminent domain" as used in RCW 84.34.080, applies to the exercise of that power by any entity, public or private, which has authority to use it.

[Order PT 73-9, § 458-30-005, filed 10/30/73; Order 71-3, § 458-30-005, filed 4/29/71; Order 71-2, § 458-30-005, filed 3/26/71.]  
[See reviser's note following chapter digest.]

**WAC 458-30-010 Classified lands.** Land shall be classified under one of three categories described as:

(1) "Open space land" means

(a) Any land area so designated by an official comprehensive land use plan adopted by any city or county and zoned accordingly or

(b) Any land area, the preservation of which in its present use would

(i) Conserve and enhance natural or scenic resources, or

(ii) Protect streams or water supply, or

(iii) Promote conservation of soils, wetlands, beaches or tidal marshes, or

(iv) Enhance the value to the public of abutting or neighboring parks, forest, wildlife preserves, natural reservations or sanctuaries or other open space, or

(v) Enhance recreation opportunities, or

(vi) Preserve historic sites, or

(vii) Retain in its natural state tracts of land of not less than five acres situated in an urban area and open to public use on such conditions as may be reasonably required by the legislative body granting the open space classification.

Open space land, with no current use, shall not receive an assessed valuation less than that which would result if the land was to be assessed for agricultural uses.

(2) "Farm and agricultural land" means either

(a) Land in any contiguous ownership of twenty or more acres devoted primarily to the production of livestock or agricultural commodities for commercial purposes; or

(b) Any parcel of land five acres or more but less than twenty acres devoted primarily to agricultural uses, which has produced a gross income from agricultural uses equivalent to one hundred dollars or more per acre per year for three of the five calendar years preceding the date of application for classification under this act; or

(c) Any parcel of land of less than five acres devoted primarily to agricultural uses which has produced a gross income of one thousand dollars or more per year for three of the five calendar years preceding the date of application for classification under this act.

Agricultural lands shall also include farm woodlots of less than twenty and more than five acres and the land on which appurtenances necessary to the production, preparation or sale of the agricultural products exist in conjunction with the lands producing such products.

Agricultural lands shall also include any parcel of land of one to five acres, which is not contiguous but which otherwise constitutes an integral part of farming operations being conducted on land qualifying under this section as "farm and agricultural lands."

(3) "Timber land" means land in any contiguous ownership of five or more acres which is devoted primarily to the growth and harvest of forest crops and which is not classified as reforestation land pursuant to chapter 84.28 RCW. Timber land means the land only.

The acreage and gross income requirements for farm and agricultural lands are conditions precedent for

classification. Thereafter no part of the land can be devoted to any other purpose. It is not necessary that the income requirements be maintained after classification but the use of all the acreage must be so maintained.

Once land has been classified as farm and agricultural land, or as open space, or as timber land, the owner cannot change it from one use to the other. Different factors for each separate use must be considered by the granting authority before land can qualify for classification. Land classified as timber land does not mean that it would necessarily qualify as farm and agricultural, or open space land. Land that has been classified shall not be used for any purpose other than that for which it was classified.

A mining claim on the land sought to be classified would not necessarily prevent the land from being primarily used for one of the stated purposes. The granting authority must consider the effect of the claim on the land and whether it was of such a nature as to seriously interfere with its other use. If a mining claim is obtained after classification, the same determination must be made to decide whether the classified use had been materially changed.

If application is made to classify land where zoning exists, the zoning ordinance must effect. For example, if land is zoned against agriculture, land within that area could not be classified for agricultural use.

[Order PT 73-9, § 458-30-010, filed 10/30/73; Order 71-2, § 458-30-010, filed 3/26/71.] [See reviser's note following chapter digest.]

**WAC 458-30-015 Agreement.** The open space taxation agreement is a document prescribed by the state department of revenue containing conditions and requirements of open space and timberland as defined in RCW 84.34.020 (1) and (3) and as determined by the granting authority.

Upon approval of the application, in whole or in part, by the granting authority, that body shall send the signed Open Space Taxation Agreement to the applicant for his signature within five days of the approval date, showing the land classification and conditions imposed.

The applicant may accept or reject the agreement. If the applicant accepts, he must sign and return the agreement to the granting authority.

All parties having a fee interest in the land, or all vendees in a real estate contract shall sign the Open Space Taxation Agreement.

In the event the interests are community property, the agreement shall be signed by both husband and wife.

The granting authority shall assume the agreement has been rejected by the applicant if the agreement is not signed and returned to the granting authority within twenty-five days after the mailing of the agreement by the granting authority.

The agreement shall be effective commencing upon the date the granting authority receives the signed agreement from the property owner.

When land has been classified as "open space" or "timber land" under this act, it shall remain under such classification and shall not be applied to other use for at least ten years from the date of classification and shall

continue under such classification until and unless withdrawn from classification after notice or request for withdrawal shall be made by the owner.

The agreement shall run with the land described in the agreement and the conditions and requirements shall be binding upon the heirs, successors and assigns of the parties thereto.

[Order PT 73-9, § 458-30-015, filed 10/30/73; Order 71-2, § 458-30-015, filed 3/26/71.] [See reviser's note following chapter digest.]

**WAC 458-30-020 Application.** Application for classification as open space land, farm and agricultural land, and timber land shall be made from January 1 to December 31 (both dates inclusive) for classification and assessment to begin on January 1 in the year following application.

The department of revenue shall supply the county assessor with application forms for farm and agricultural land and open space land and timber land.

(A) Applications for classification as farm and agricultural land shall be made directly to the assessor, who shall act on such applications.

Parcels of land of one to five acres, which is not contiguous, but which otherwise constitutes an integral part of farming operations being conducted on land qualifying for classification may be included in the application submitted for that farm and agricultural land.

(B) Applications for classification as open space or timber land shall be made directly to the county legislative authority, which shall forward the application to the appropriate granting authority who acts on such applications. If land is to be classified into open space and timber land only one application form is necessary; however, they must be separated by description and must be judged separately on their merits by the granting authority.

(C) The following shall be applicable to all classifications:

(1) Land that lies in the jurisdiction of more than one granting authority shall require a separate application to be submitted for each portion of the land in each jurisdiction.

(2) Once an application is denied, an application covering the same land may not be submitted before one year has elapsed from the date of the original application.

[Order PT 73-9, § 458-30-020, filed 10/30/73; Order 71-2, § 458-30-020, filed 3/26/71.] [See reviser's note following chapter digest.]

**WAC 458-30-025 Application fee.** A reasonable fee, for processing the application, may be established by the city or county legislative authority.

The fee, if established, shall not exceed thirty dollars, a portion of which shall be used to pay the initial auditor's filing fee. The application fee shall accompany the application and shall be made payable to the county treasurer which fee shall, upon approval of the application for classification, be deposited in the general fund of the county. The treasurer shall forward the filing fee or portion thereof to the city if the land is located within a city.

If the application is denied, then the application fee shall be returned to the applicant. The application fee shall not be returned if the application is approved in part or the property owner does not return the signed agreement.

[Order PT 73-9, § 458-30-025, filed 10/30/73; Order 71-2, § 458-30-025, filed 3/26/71.] [See reviser's note following chapter digest.]

**WAC 458-30-030 Withdrawal--Change of use.** Land classified for current use tax purposes as open space, agricultural land, or timber land, shall remain under such classification and shall not be applied to any other use for at least ten years from the date of classification.

After the land has been in classification for eight years, the owner may file a request for withdrawal with the county assessor. The request for withdrawal may be on all or a portion of the land. The request for withdrawal shall be irrevocable.

When the county assessor receives the request for withdrawal, he shall, within seven days, transmit one copy of the request to the city or county legislative authority.

[Order PT 73-9, § 458-30-030, filed 10/30/73; Order 71-2, § 458-30-030, filed 3/26/71.] [See reviser's note following chapter digest.]

**WAC 458-30-045 Removal of a portion.** Should the use of a part of the parcel be changed, the remainder of the parcel shall be removed from classification and will be subject to the additional tax and penalty if it does not satisfy the requirements under which the entire parcel was originally classified.

If only a part of the parcel is withdrawn from classification using the proper withdrawal procedure, the remaining portion must satisfy the requirements of original classification.

Land shall be subject to the additional tax and penalty if the mandatory ten years have elapsed and the use is changed without filing a request for withdrawal with the assessor, or if the use is changed prior to two years following the request for withdrawal.

If the use of the land is changed before the mandatory ten years have elapsed, the owner shall notify the assessor of the county or counties within sixty days of the change.

[Order PT 73-9, § 458-30-045, filed 10/30/73.]

**WAC 458-30-050 Removal of classification.** When land has once been classified as open space land, agricultural land or timber land, a notation of such designation shall be made each year upon the assessment and tax rolls. Such land shall be valued pursuant to the provisions of chapter 84.34 RCW and these rules until removal of all or a portion of such classification by the assessor upon the occurrence of any of the following:

(a) Receipt of notice from the owner to remove all or a portion of such classification;

(b) Passage of sixty days following the sale or transfer of all or a portion of such land to a new owner without receipt of a notice of compliance from the new owner. Notice of compliance forms shall be prepared by the

state department of revenue and supplied by the county assessor. Said notice shall contain a statement that the new owner is aware of the use classification of the land and of the potential tax liability involved when such land ceases to be designated as open space land, agricultural land, or timber land;

(c) Sale or transfer to an ownership making all or a portion of such land exempt from ad valorem taxation;

(d) Determination by the assessor, after giving the owner written notice and an opportunity to be heard, that all or a portion of such land is no longer primarily devoted to and used for the purposes under which it was granted classification.

[Order PT 73-9, § 458-30-050, filed 10/30/73.]

**WAC 458-30-055 Notification upon removal.** Within thirty days after such removal of all or a portion of such land from current use classification, the assessor shall notify the owner in writing, setting forth the reasons for such removal. The owner may appeal such removal to the next regular July meeting of the county board of equalization.

Unless the removal is reversed on appeal, the assessor shall revalue the affected land with reference to full market value on the date of removal from classification. The assessed valuation before and after the removal classification shall be listed and taxes shall be allocated according to that part of the year to which each assessed valuation applies.

[Order PT 73-9, § 458-30-055, filed 10/30/73.]

**WAC 458-30-056 Additional tax.** (1) Land which is removed from classification shall be subject to an additional tax, unless the removal resulted solely from:

(a) Transfer to a government entity in exchange for other land located within the state of Washington;

(b) A taking through the exercise of the power of eminent domain, or sale or transfer to an entity having the power of eminent domain in anticipation of the exercise of such power;

(c) Sale or transfer of land within two years after the death of the owner of at least a fifty percent interest in such land;

(d) A natural disaster such as a flood, windstorm, earthquake, or other such calamity rather than by virtue of the act of the landowner changing the use of such property;

(e) Official action by an agency of the state of Washington or by the county or city within which the land is located which disallows the present use of such land;

(f) Transfer to a church and such land would qualify for property tax exemption pursuant to RCW 84.36.020. These conditions shall apply to the affected land only and shall not relieve any portion not so affected from the potential tax liability.

(2) The additional tax shall be equal to the sum of:

(a) The difference between the tax that was levied as classified lands and the tax that would have been levied for the last seven years, had the land not been classified; plus

(b) Interest at the statutory rate charged on delinquent property taxes (RCW 84.56.020) from April 30 of the year the tax would have been paid without penalty to the date the additional tax is paid.

[Statutory Authority: RCW 84.34.141. 78-07-027 (Order PT 78-3), § 458-30-056, filed 6/16/78.]

**WAC 458-30-057 Penalty.** A penalty of twenty percent shall be added to the additional tax specified in WAC 458-30-056 unless the removal was the result of a notice from the owner to remove the land from classification, providing such notice was:

(1) Submitted after the land had been classified for not less than eight years; and

(2) Submitted not less than two years before the removal or change of use.

[Statutory Authority: RCW 84.34.141. 78-07-027 (Order PT 78-3), § 458-30-057, filed 6/16/78.]

**WAC 458-30-060 Additional tax--Date due.** The additional tax shall be imposed which shall be due and payable to the county treasurer on or before April 30 of the following year. The assessor shall compute the amount of such additional tax and the treasurer shall mail notice to the owner of the amount thereof and the date on which payment is due.

Any additional tax and penalty unpaid on its due date shall thereupon become delinquent and together with applicable interest thereon, shall as of said date become a lien on such land which shall have priority to and shall be fully paid and satisfied before any recognizance, mortgage, judgment debt, obligation or responsibility to or with which such land may become charged or liable. Such lien may be foreclosed upon expiration of the same period after delinquency and in same manner provided by law, for foreclosure of liens for delinquent real property taxes as provided in RCW 84.64.050 now or as amended. From the date of delinquency until paid, interest shall be charged at the same rate applied by law to delinquent ad valorem property taxes.

[Order PT 73-9, § 458-30-060, filed 10/30/73.]

**WAC 458-30-070 Agreement may be abrogated by legislature.** The agreement to tax by use shall not be considered to be a contract and can be abrogated at any time by the legislature in which event no additional tax or penalty shall be imposed.

[Order PT 73-9, § 458-30-070, filed 10/30/73.]

**WAC 458-30-075 Assessor.** The assessor shall have application forms for land classification available and shall supply them upon request.

[Order PT 73-9, § 458-30-075, filed 10/30/73; Order 71-2, § 458-30-035, filed 3/26/71.] [See reviser's note following chapter digest.]

**WAC 458-30-080 Assessor to act on agricultural classification.** The assessor shall act on all applications for farm and agricultural classification with due regard to all relevant evidence. These applications shall be deemed to have been approved unless, prior to the first of May of the year after such application was mailed or

delivered to the assessor, he shall notify the applicant in writing to the extent to which the application is denied.

Except to the extent allowed by law, such as qualification requirements, the county assessor cannot impose conditions upon the approval of classification as farm and agricultural land.

[Order PT 73-9, § 458-30-080, filed 10/30/73.]

**WAC 458-30-085 Assessor to determine value.** The assessor shall determine the true and fair value of farm and agricultural land according to the procedures outlined in these rules. In determining the true and fair value of open space land and timber land, which have been classified as such under the provisions of this act, the assessor shall consider only the use to which such property and improvements is currently applied and shall not consider potential uses of such property; provided, that the value of open space land shall not be less than the value of that land as if it were under a farm and agricultural classification.

[Order PT 73-9, § 458-30-085, filed 10/30/73.]

**WAC 458-30-090 Assessor may require reports--Failure to comply.** The assessor shall, at all times, be authorized to require owners of classified land to report data regarding the use of the land, productivity of typical crops, and other information pertinent to continued classification and appraisal of the land. If the owner shall fail after ninety days notice in writing by certified mail sent to the address specified for notices given pursuant to RCW 84.40.045, to comply with such demand, the assessor may immediately withdraw the land from classification and apply the penalty provided in RCW 84.34.080.

[Order PT 73-9, § 458-30-090, filed 10/30/73.]

**WAC 458-30-095 Assessor to note classification on assessment and tax roll.** The assessor shall, as to any classified land, make a notation each year on the assessment list and the tax roll showing the assessed value of such land for current use, and in addition, shall note the assessed value of such land as though it were not so classified. The assessor shall also file notice of both such values with the county treasurer who shall record such notice in the place or manner provided for recording delinquent taxes.

[Order PT 73-9, § 458-30-095, filed 10/30/73.]

**WAC 458-30-100 Assessor to record agreement and other notices.** Within ten days following receipt of the executed open space taxation agreement from the granting authority that such land qualifies under the act as either "open space" or "timber land" and within ten days following the assessor's approval of an application for farm and agricultural classification, the assessor shall submit such agreements and notices of approval to the county auditor for recording in the place and manner provided for the public recording of state tax liens on real property.

After recording, the auditor shall return the agreement or notification of approval to the assessor.

The county auditor shall also record all notices of withdrawal or of breach which shall be received from the county assessor.

[Order PT 73-9, § 458-30-100, filed 10/30/73.]

**WAC 458-30-105 Notice of withdrawal to be filed with assessor--Assessor to withdraw.** During any year, after eight years of the initial ten-year classification period have elapsed, notice of request for withdrawal, which shall be irrevocable, may be given by the owner to the county assessor of the county in which such land is situated.

Although the agreement shall be effective commencing upon the date the granting authority receives the signed agreement from the property owner, classification shall begin on January 1 of the year following the year the application was filed by the property owner.

Land shall remain in classification for ten assessment years before it can be removed from classification without being subjected to the penalty as provided in RCW 84.34.080.

Application for withdrawal may be made during any year after the eighth assessment year has elapsed (this shall be during or after the ninth assessment year). The withdrawal time shall be calculated from the January 1 assessment date of the year in which the notice of withdrawal was received by the county assessor.

After two assessment years have elapsed, including the assessment year when the notice of withdrawal was filed with the assessor, the assessor shall remove the land from classification and shall value the land without regard to classification.

To comply with the provisions of the law, the land shall be classified for current use value and assessed as such for ten assessment years.

[Order PT 73-9, § 458-30-105, filed 10/30/73.]

**WAC 458-30-110 Assessor to notify owner of value change.** The county assessor shall report to the owner of classified lands any change in his determination of true and fair value and/or current use value in the same manner as prescribed in RCW 84.40.045.

[Order PT 73-9, § 458-30-110, filed 10/30/73.]

**WAC 458-30-115 Granting authority.** "Granting authority" shall mean the county legislative body in all unincorporated areas and a combination of three members of the county legislative body and three members of the city legislative body in all incorporated areas, for open space and timber land classifications. The county assessor shall act on applications for farm and agricultural land classification.

[Order PT 73-9, § 458-30-115, filed 10/30/73; Order 71-2, § 458-30-040, filed 3/26/71.] [See reviser's note following chapter digest.]

**WAC 458-30-120 Granting authority's action on application.** With comprehensive plan: An application for classification shall be acted upon in a city or county

which has a comprehensive plan, in the same manner in which an amendment to the comprehensive plan is processed.

Without a comprehensive plan: The application shall be acted upon in a city or county without a comprehensive plan after a public hearing, and after a notice of the hearing shall have been given by one publication in a newspaper of general circulation in the city or county at least ten days before the hearing. In either event, the owner shall be notified of the hearing.

The granting authority shall consider applications for open space or timber land classification and shall approve or disapprove those applications within six months of receiving the application as provided by law. The assessment of the land at current use value shall begin on January 1 of the year following the year of the application. Except, if the application is approved on or after July 1 in the year following the year of application, then the assessment of the land at current use value shall begin on January 1 of the year following the date of approval of the application.

The granting authority may approve all or part of an application and an applicant may withdraw his application if a part of it is rejected. The granting authority may require conditions to be met including, but not limited to, the granting of easements by the owner. Any conditions imposed shall be in consideration of the benefits to the general public and shall be for the length of the agreement only. Owner shall mean vendor.

Upon qualification of the land, the granting authority shall send one copy of the executed agreement to the assessor within ten days of the receipt of the signed agreement by the granting authority.

Upon the applicant's showing of good cause for the delay, the granting authority may accept agreements which have not been returned to it within twenty-five days.

If the application is disapproved, the granting authority shall immediately notify the applicant.

The granting authority shall keep a record of each application, agreement and records relating to each agreement until a notice of withdrawal is received from the assessor.

[Statutory Authority: RCW 84.34.141, 78-07-027 (Order PT 78-3), § 458-30-120, filed 6/16/78; Order PT 73-9, § 458-30-120, filed 10/30/73.]

**WAC 458-30-125 Owner applicant.** "Owner" means (a) party having the fee interest in land, except when the land is subject to a real estate contract, or (b) the vendee when the land is subject to a real estate contract.

The applicant must be the owner of the land as designated on the application, and must use the forms prepared or approved by the State Department of Revenue and available from the county assessor. An application for current use assessment shall be signed by the owner (both husband and wife in the case of community property), notarized, and delivered to the proper authority as stated on the application form together with any required application fee.

If classified land is put to some use contrary to the Open Space Taxation Act, RCW 84.34.080 provides for the imposition of additional taxes, interest and penalties. The owner may contest the determination of a breach of the agreement or classified use by appeal to the county board of equalization at its next July meeting.

The owner of classified lands shall have the right of appeal as provided for in RCW 84.48.010 on both the current use value and actual value assessments as established by the county assessor.

The owner (new purchaser) of classified land shall file a notice of compliance with the county assessor within 60 days of sale or transfer of all or a portion of such land. Failure to file such notice of compliance shall constitute grounds for removal of classification as open space, farm and agricultural or timber land.

[Order PT 73-9, § 458-30-125, filed 10/30/73; Order 71-2, § 458-30-045, filed 3/26/71.] [See reviser's note following chapter digest.]

**WAC 458-30-130 Treasurer.** Upon receipt of the notice of the current use value and the market value, which shall be sent by the assessor, the county treasurer shall record those values in the place and manner provided for recording delinquent taxes.

Upon receipt of a notice of withdrawal from the assessor, the treasurer shall levy tax for the past seven years in an amount equal to the difference between the current use value tax and the market value tax. The treasurer shall impose interest upon the amounts of such additional tax at the rate charged on delinquent property taxes from the dates such tax could have been paid without penalty had the land been assessed according to market value.

The additional taxes and interest provided for in case of withdrawal accrue only when the lands are removed from classification at the request of the owner. The treasurer shall compute the amount of tax to which the land is subject and notify the owners of the amount due and due date.

Upon receipt of a breach of agreement notice the treasurer shall levy a tax in an amount equal to the difference between the property tax paid as "open space land," "farm and agricultural land," or "timber land" and the amount of property taxes from the dates due and payable for the seven years last past had the land not been so classified; plus, interest upon the amounts of such additional tax paid at the same statutory rate charged on delinquent property taxes from the dates on which such additional tax could have been paid without penalty if land had not been assessed as a current use land. Also, the land shall be subject to a penalty equal to twenty per cent of the additional tax.

All additional tax interest and penalties shall be due on or before April 30 of the year following the year of removal from classification.

Such additional taxes, penalties and interest provided for in event of withdrawal or breach when collected shall be distributed by the county treasurer in the same manner in which current taxes applicable to the subject land are distributed. The treasurer shall handle overdue accounts in the same manner as delinquent taxes.

[Order PT 73-9, § 458-30-130, filed 10/30/73; Order 71-2, § 458-30-050, filed 3/26/71.] [See reviser's note following chapter digest.]

**WAC 458-30-135 Advisory committee.** The county legislative authority shall appoint a five-member advisory committee representing the active farming community to advise the county assessor in implementing assessment guidelines as established by the department of revenue for "farm and agricultural," "open space" and "timber land."

The term of each member of the advisory committee shall be for one year following appointment by the county legislative authority. Members may be removed from the advisory committee by majority vote of the county legislative authority.

The advisory committee shall not give advice as to the valuation or assessment of specific pieces of property. However, they shall supply the assessor with advice on typical crops, land quality, and net cash rental so that the assessor can make more knowledgeable assessments.

The committee shall meet at its own discretion or at the request of the county assessor and shall elect its own chairman.

[Order PT 73-9, § 458-30-135, filed 10/30/73.]

**WAC 458-30-140 Basis for assessment.** A land capability classification system shall be used as a guide for determining the productive capacity of agricultural lands as provided in chapter 84.34 RCW. Soils may be classified into five capability classes based on their potential to produce crops most typically grown in the area averaged over a (5)-year period.\*

- Class I – Soils have few limitations that restrict their use.
- Class II – Soils have some limitations that reduce the choice of plants or require moderate conservation practices.
- Class III – Soils have severe limitations that reduce the choice of plants or require special conservation practices, or both.
- Class IV – Soils have very severe limitations that restrict the choice of plants, require very careful management, or both.
- Class V – Soils limited in use and generally not suited to cultivation.

\*In establishing the soil classification, the department of revenue has conformed to soil classification as established by the soil conservation service.

Where agricultural lands have not been classified by the soil conservation service, the assessor shall use all available information to determine the soil classification of such agricultural land. If the information available is insufficient to determine the property classification, the basis for valuing agricultural lands shall be on an acre-unit value using valuation procedures as provided in chapter 84.34 RCW and these rules.

[Order PT 73-9, § 458-30-140, filed 10/30/73; Order 71-3, § 458-30-055, filed 4/29/71; Order 71-2, § 458-30-055, filed 3/26/71.]  
[See reviser's note following chapter digest.]

**WAC 458-30-145 Valuation procedures.** In determining the current use value of farm and agricultural land and the current use value of open space land with no current use, the assessor shall value each class of soil by the capitalization of income method in the following manner:

(1) The net cash rental to be capitalized shall be determined as follows:

(a) The assessor will use leases of land which are currently leased or have been available for lease for the last three years. If leases do not meet this requirement, they will not be used. The lease payments will be averaged as follows:

(i) Each annual lease payment (or rent) will be averaged for the typical crops within that area; and

(ii) The typical average cash rental for each year will be averaged over the immediate past five years. The typical cash rental shall include all income including subsidies. Payments in lieu of production may be included as income, in which case the acreage kept out of production because of those payments will be included in total acreage valued by capitalization of income. If payments in lieu of production are not included as income, the values computed for the land in production shall be extended to that acreage held out of production at the same value per acre. A deduction will be allowed for those production costs which are customarily (or typically) paid by the land owner.

(b) When there is an insufficient number of leases available to adequately determine net cash rental, then the net cash rental shall be determined by using the following:

(i) The cash value of the typical or usual crops grown in a typical area will be determined each year; and

(ii) The standard costs of production will be deducted;

or  
(iii) The landlord's share of the crops cash value will be determined. The landlord's typical production expenses will be deducted.

This amount will then be averaged over the immediate past five years.

(c) Where the land being valued is not capable of producing agricultural income or is not being used to produce agricultural income or where sufficient information is not available by which agricultural income can be determined, the assessor shall impute, on its estimated capability to the land, a reasonable amount to be capitalized as income.

(2) The capitalization rate to be used in valuing land shall be the sum of the following component parts:

(a) An interest component to be determined by the department of revenue and certified to the county assessor on or before January 1st of each year, and shall be comparable to interest rates charged on long-term loans secured by mortgages on farms or agricultural lands averaged over the last five years, plus;

(b) A component for property taxes which shall be determined by:

(i) Dividing the total assessed value of the county into the total taxes levied within the county for the year previous to the assessment; and

(ii) Multiplying the dividend by one hundred percent.

(3) The value of the agricultural land shall be the net cash rental of the land divided by the capitalization rate determined in subsection (2).

(4) The department's determination of the interest rate established in (2)(a) may be appealed to the state board of tax appeals by any owner of farm or agricultural land or the assessor of any county containing farm and agricultural land.

(5) Land which is being used as a residential building site, which shall constitute one acre, shall be valued at true and fair value in accordance with WAC 458-12-301. Land upon which migratory farm labor accommodations, bunkhouses, stockyards, barns, machine sheds, and similar type structures are located shall not be considered residential building sites.

[Statutory Authority: RCW 84.34.141. 86-09-088 (Order PT 86-1), § 458-30-145, filed 4/23/86; 78-07-027 (Order PT 78-3), § 458-30-145, filed 6/16/78; Order PT 73-9, § 458-30-145, filed 10/30/73. Prior: Order 71-3, § 458-30-060, filed 4/29/71.] [See reviser's note following chapter digest in 1977 edition of the Washington Administrative Code.]

**WAC 458-30-146 Valuation cycle.** In the determination of the true and fair value and the current use value of classified lands, the assessor shall follow a definite valuation cycle that adheres to the requirements contained in WAC 458-12-335 through 458-12-339, as now or hereafter amended. The cycle used shall be the same as that used for other real property in the county and shall be in an orderly manner, pursuant to a regular plan, and in a manner which is not arbitrary, capricious, or intentionally discriminatory. (See *Sator v. Dept. of Revenue* 89 Wn.2d 338 (1977).)

[Statutory Authority: RCW 84.34.141. 78-07-027 (Order PT 78-3), § 458-30-146, filed 6/16/78.]

**WAC 458-30-150 Change of timber land classification to chapter 84.33 RCW.** Land classified under the provisions of chapter 84.34 RCW as timber land, which meets the definition of forest land under the provisions of chapter 84.33 RCW, shall be designated as forest land under chapter 84.33 RCW by the county assessor, provided a request for such change is made by the owner to the county assessor.

The change of classification shall be made without additional tax, penalty or other requirements of chapter 84.34 RCW. After this change in classification the land shall be fully subject to the provisions of chapter 84.33 RCW.

[Order PT 73-9, § 458-30-150, filed 10/30/73.]

**WAC 458-30-155 Reclassification of farm and agricultural land under 1973 amendatory act.** Land classified under the provisions of chapter 84.34 RCW prior to May 1, 1973 which meets the definition of farm and agricultural land under the provisions of chapter 212, Laws of 1973 1st ex. sess., upon request for such change made by the owner to the county assessor, shall be reclassified

by the county assessor under the provisions of chapter 212, Laws of 1973 1st ex. sess. This change in classification shall be made without additional tax, penalty or other requirements. After such reclassification, the land shall be fully subject to the provisions of chapter 84.34 RCW, as now or hereafter amended.

Each county assessor shall on or before March 1, 1974 notify each owner of land classified under the provisions of chapter 84.34 RCW of this provision for reclassification and to send the necessary forms for reclassification.

[Order PT 73-9, § 458-30-155, filed 10/30/73.]

**WAC 458-30-160 Training.** The department of revenue shall provide the guidelines and necessary training for land valuation and administration to permit effective operation of this act.

Members of the advisory committee and members of any granting authority may attend the training sessions provided in this rule.

[Order PT 73-9, § 458-30-160, filed 10/30/73; Order 71-3, § 458-30-065, filed 4/29/71.] [See reviser's note following chapter digest.]

### Chapter 458-40 WAC

#### TAXATION OF FOREST LAND AND TIMBER

##### WAC

458-40-500	Property tax, forest land—Statement of purpose.
458-40-510	Property tax, forest land—Definitions.
458-40-520	Property tax, forest land—Classification, designation, removal by assessor, compensating taxes.
458-40-530	Property tax, forest land—Land grades.
458-40-535	Property tax, forest land—Operability classes.
458-40-540	Property tax, forest land—Forest land values—1987.
458-40-600	Timber excise tax—Statement of purpose.
458-40-610	Timber excise tax—Definitions.
458-40-620	Timber excise tax—Tax liability—Harvester as taxpayer, harvester defined.
458-40-622	Timber excise tax—Tax liability—Government entity as harvester.
458-40-624	Timber excise tax—Tax liability—Reclassified reforestation lands.
458-40-626	Timber excise tax—Tax liability—Private timber, tax due when timber harvested.
458-40-628	Timber excise tax—Tax liability—Public timber, tax due when billed by the seller.
458-40-630	Timber excise tax—Stumpage value—General definition.
458-40-632	Timber excise tax—Taxable stumpage value—Private timber.
458-40-634	Timber excise tax—Taxable stumpage value—Small harvester option.
458-40-636	Timber excise tax—Taxable stumpage value—Public timber.
458-40-640	Timber excise tax—Stumpage value area (map).
458-40-650	Timber excise tax—Timber quality codes defined.
458-40-660	Timber excise tax—Stumpage value tables.
458-40-670	Timber excise tax—Stumpage value adjustments.
458-40-680	Timber excise tax—Volume harvested—Approved scaling and grading methods.
458-40-682	Timber excise tax—Volume harvested—Sample scaling.
458-40-684	Timber excise tax—Volume harvested—Conversions to Scribner Decimal C Scale for Western Washington.
458-40-686	Timber excise tax—Volume harvested—Conversions to Scribner Decimal C Scale for Eastern Washington.

458-40-690 Timber excise tax—Credit for property tax.

#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

458-40-010	Definitions. [Order 71-4, § 458-40-010, filed 10/8/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-020	Forest land grading rules. [Order 71-4, § 458-40-020, filed 10/8/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-025	Forest land values. [Order 72-6, § 458-40-025, filed 6/28/72; Order PT 72-2, § 458-40-025, filed 2/18/72.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-026	Forest land values—1973. [Order PT 72-14, § 458-40-026, filed 11/29/72.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-027	Forest land values—1974. [Order PT 73-9, § 458-40-027, filed 11/30/73.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-028	Forest land values—1975. [Order FT 74-1, § 458-40-028, filed 11/22/74.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-029	Forest land values—1976. [Order FT 75-6, § 458-40-029, filed 12/1/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-030	Forest land designation. [Order FT 75-3, § 458-40-030, filed 6/5/75; Order 71-4, § 458-40-030, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-040	Definitions. [Order FT 75-3, § 458-40-040, filed 6/5/75; Order 71-4, § 458-40-040, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-050	Forest land application. [Order FT 75-3, § 458-40-050, filed 6/5/75; Order 71-4, § 458-40-050, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-060	Forest management plan. [Order FT 75-3, § 458-40-060, filed 6/5/75; Order 71-4, § 458-40-060, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-070	Notification by assessor of denial of application, appeals. [Order FT 75-3, § 458-40-070, filed 6/5/75; Order 71-4, § 458-40-070, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-080	Notification by assessor of removal of designated forest land, appeals. [Order FT 75-3, § 458-40-100 (codified as WAC 458-40-080), filed 6/5/75; Order 71-4, § 458-40-080, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-090	Notation on assessment and tax rolls of designated forest land. [Order FT 75-3, § 458-40-080 (codified as WAC 458-40-090), filed 6/5/75; Order 71-4, § 458-40-090, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-100	Removal from designation. [Order FT 75-3, § 458-40-090 (codified as WAC 458-40-100), filed 6/5/75; Order 71-4, § 458-40-100, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
458-40-10001	Compensating tax liability and rate. [Order FT 75-3, § 458-40-110 (codified as WAC 458-40-10001),

- filed 6/5/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-110 Definitions. [Order 71-4, § 458-40-110, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-120 Timber roll—Preparation and use. [Order 71-4, § 458-40-120, filed 12/17/71 and 1/13/72.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-121 Timber roll—Correction affecting timber factor. [Order 73-5, § 458-40-121, filed 8/13/73.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-130 Reconstruction of 1970 timber value. [Order 71-4, § 458-40-130, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-140 Timber—Assessed valuation. [Order 71-4, § 458-40-140, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-150 Determining millage. [Order 71-4, § 458-40-150, filed 12/17/71.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-160 Stumpage value areas. [Order 72-13, § 458-40-160, stumpage value area map, filed 11/28/72.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-161 Stumpage value areas. [Order PT 73-8, § 458-40-161, filed 11/1/73.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-162 Stumpage value areas. [Order FT 74-2, § 458-40-162, filed 11/27/74.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-163 Stumpage value areas. [Order FT 76-2, § 458-40-163, filed 7/1/76; Order FT 75-7, § 458-40-163, filed 12/1/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-164 Stumpage value areas. [Order FT 76-2, § 458-40-164, filed 7/1/76.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-165 Hauling distance zones. [Order 72-13, § 458-40-165, filed 11/28/72.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-166 Hauling distance zones. [Order PT 73-8, § 458-40-166, filed 11/1/73.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-167 Hauling distance zones. [Order FT 74-2, § 458-40-167, filed 11/27/74.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-168 Hauling distance zones. [Order FT 76-2, § 458-40-168, filed 7/1/76; Order FT 75-7, § 458-40-168, filed 12/1/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-169 Hauling distance zones. [Order FT 76-2, § 458-40-169, filed 7/1/76.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-170 Stumpage values. [Order 72-13, § 458-40-170 and Stumpage Tables, filed 11/28/72.] Decodified.
- 458-40-171 Stumpage values. [Order PT 74-3, § 458-40-171, filed 3/21/74; Order PT 73-8, § 458-40-171, filed 11/1/73.] Decodified.
- 458-40-172 Stumpage values. [Order 75-5, § 458-40-172, filed 8/8/75; Emergency Order FT 75-4, § 458-40-172, filed 7/1/75; Order FT 74-2, § 458-40-172, filed 11/27/74.] Decodified.
- 458-40-173 Stumpage values. [Order FT 76-2, § 458-40-173, filed 7/1/76; Order FT 75-7, § 458-40-173, filed 12/1/75.] Decodified.
- 458-40-174 Stumpage values. [Order FT 76-2, § 458-40-174, filed 7/1/76.] Decodified.
- 458-40-175 Adjustments. [Order 72-13, § 458-40-175 and Adjustment Tables, filed 11/28/72.] Decodified.
- 458-40-176 Adjustments. [Order PT 73-8, § 458-40-176, filed 11/1/73.] Decodified.
- 458-40-177 Adjustments. [Order 75-2, § 458-40-177, filed 5/12/75; Order FT 74-2, § 458-40-177, filed 11/27/74.] Decodified.
- 458-40-178 Adjustments. [Order FT 76-2, § 458-40-178, filed 7/1/76; Order FT 75-7, § 458-40-178, filed 12/1/75.] Decodified.
- 458-40-179 Adjustments. [Order FT 76-2, § 458-40-179, filed 7/1/76.] Decodified.
- 458-40-180 Quality classes. [Order 72-13, § 458-40-180 and Quality Class Tables, filed 11/28/72.] Decodified.
- 458-40-181 Quality classes. [Order PT 74-3, § 458-40-181, filed 3/21/74; Order PT 73-8, § 458-40-181, filed 11/7/73 and 11/1/73.] Decodified.
- 458-40-182 Quality classes. [Order FT 74-2, § 458-40-182, filed 11/27/74.] Decodified.
- 458-40-183 Quality classes. [Order FT 76-2, § 458-40-183, filed 7/1/76; Order FT 75-7, § 458-40-183, filed 12/1/75.] Decodified.
- 458-40-184 Quality classes. [Order FT 76-2, § 458-40-184, filed 7/1/76.] Decodified.
- 458-40-185 Stumpage index definition. [Order FT 75-1, § 458-40-185, filed 2/21/75.] Repealed by Order FT 76-2, filed 7/1/76.
- 458-40-18600 General. [Statutory Authority: Chapter 84.33 RCW. 85-02-026 (Order FT-84-7), § 458-40-18600, filed 12/28/84. Statutory Authority: RCW 82.01.060 and 1984 c 204. 84-14-049 (Order FT-84-4), § 458-40-18600, filed 6/29/84. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-18600, filed 12/30/83. Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-18600, filed 6/30/83, effective 6/30/83. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-18600, filed 12/30/82. Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-18600, filed 6/30/82; 82-02-035 (Order FT-81-4), § 458-40-18600, filed 12/31/81; 81-14-047 (Order FT 81-2), § 458-40-18600, filed 6/30/81; 81-02-007 (Order FT 80-6), § 458-40-18600, filed 12/30/80; 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-18600, filed 6/30/80, effective 6/30/80; 80-01-091 (Order FT 79-40), § 458-40-18600, filed 12/31/79; Order 76-5, § 458-40-18600, filed 12/31/76.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18601 Definitions. [Order 76-5, § 458-40-18601, filed 12/31/76.] Decodified.
- 458-40-18602 Stumpage value areas—Map for 1/1/77 through 6/30/77. [Order 76-5, § 458-40-18602, filed 12/31/76.] Decodified.
- 458-40-18603 Hauling distance zones—Maps for 1/1/77 through 6/30/77. [Order 76-5, § 458-40-18603, filed 12/31/76.] Decodified.
- 458-40-18604 Timber quality code numbers—Tables for 1/1/77 through 6/30/77. [Order 76-5, § 458-40-18604, filed 12/31/76.] Decodified.
- 458-40-18605 Stumpage values—Tables for 1/1/77 through 6/30/77. [Order 76-5, § 458-40-18605, filed 12/31/76.] Decodified.

- 458-40-18606 Harvest adjustments—Tables for 1/1/77 through 6/30/77. [Order 76-5, § 458-40-18606, filed 12/31/76.] Decodified.
- 458-40-18607 Definitions for 7/1/77 through 12/31/77. [Order 77-2, § 458-40-18607, filed 6/29/77.] Decodified.
- 458-40-18608 Stumpage value areas—Map for 7/1/77 through 12/31/77. [Order 77-2, § 458-40-18608, filed 6/29/77.] Decodified.
- 458-40-18609 Hauling distance zones—Maps for 7/1/77 through 12/31/77. [Order 77-2, § 458-40-18609, filed 6/29/77.] Decodified.
- 458-40-18610 Timber quality code numbers—Tables for 7/1/77 through 12/31/77. [Order 77-2, § 458-40-18610, filed 6/29/77.] Decodified.
- 458-40-18611 Stumpage values—Tables for 7/1/77 through 12/31/77. [Order 77-2, § 458-40-18611, filed 6/29/77.] Decodified.
- 458-40-18612 Harvest adjustments—Tables for 7/1/77 through 12/31/77. [Order 77-2, § 458-40-18612, filed 6/29/77.] Decodified.
- 458-40-18613 Definitions for 1/1/78 through 6/30/78. [Order FT 77-5, § 458-40-18613, filed 12/30/77.] Decodified.
- 458-40-18614 Stumpage value areas—Map for 1/1/78 through 6/30/78. [Order FT 77-5, § 458-40-18614, filed 12/30/77.] Decodified.
- 458-40-18615 Hauling distance zones—Maps for 1/1/78 through 6/30/78. [Order FT 77-5, § 458-40-18615, filed 12/30/77.] Decodified.
- 458-40-18616 Timber quality code numbers—Tables for 1/1/78 through 6/30/78. [Order FT 77-5, § 458-40-18616, filed 12/30/77.] Decodified.
- 458-40-18617 Stumpage values—Tables for 1/1/78 through 6/30/78. [Order FT 77-5, § 458-40-18617, filed 12/30/77.] Decodified.
- 458-40-18618 Harvester adjustments—Tables for 1/1/78 through 6/30/78. [Order FT 77-5, § 458-40-18618, filed 12/30/77.] Decodified.
- 458-40-18619 Definitions for 7/1/78 through 12/31/78. [Statutory Authority: RCW 82.04.291. 78-07-065 (Order FT 78-2), § 458-40-18619, filed 6/30/78.] Decodified.
- 458-40-18620 Stumpage value areas—Map for 7/1/78 through 12/31/78. [Statutory Authority: RCW 82.04.291. 78-07-065 (Order FT 78-2), § 458-40-18620, filed 6/30/78.] Decodified.
- 458-40-18621 Hauling distance zones—Maps for 7/1/78 through 12/31/78. [Statutory Authority: RCW 82.04.291. 78-07-065 (Order FT 78-2), § 458-40-18621, filed 6/30/78.] Decodified.
- 458-40-18622 Timber quality code numbers—Tables for 7/1/78 through 12/31/78. [Statutory Authority: RCW 82.04.291. 78-07-065 (Order FT 78-2), § 458-40-18622, filed 6/30/78.] Decodified.
- 458-40-18623 Stumpage values—Tables for 7/1/78 through 12/31/78. [Statutory Authority: 1979 c 6 § 1. 79-08-014 (Order FT 79-37), § 458-40-18623, filed 7/10/79. Statutory Authority: RCW 82.04.291. 78-07-065 (Order FT 78-2), § 458-40-18623, filed 6/30/78.] Decodified.
- 458-40-18624 Harvestable adjustments—Tables for 7/1/78 through 12/31/78. [Statutory Authority: RCW 82.04.291. 78-07-065 (Order FT 78-2), § 458-40-18624, filed 6/30/78.] Decodified.
- 458-40-18625 Definitions for 1/1/79 through 6/30/79. [Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-18625, filed 12/29/78.] Decodified.
- 458-40-18626 Stumpage value areas—Map for 1/1/79 through 6/30/79. [Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-18626, filed 12/29/78.] Decodified.
- 458-40-18627 Hauling distance zones—Maps for 1/1/79 through 6/30/79. [Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-18627, filed 12/29/78.] Decodified.
- 458-40-18628 Timber quality code numbers—Tables for 1/1/79 through 6/30/79. [Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-18628, filed 12/29/78.] Decodified.
- 458-40-18629 Stumpage values—Tables for 1/1/79 through 6/30/79. [Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-18629, filed 12/29/78.] Decodified.
- 458-40-18630 Harvester adjustments—Tables for 1/1/79 through 6/30/79. [Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-18630, filed 12/29/78.] Decodified.
- 458-40-18631 Definitions for 7/1/79 through 12/31/79. [Statutory Authority: RCW 82.01.060 and 1979 c 6 § 1. 79-07-083 and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-18631, filed 6/29/79, effective 6/29/79.] Decodified.
- 458-40-18632 Stumpage value areas—Map for 7/1/79 through 12/31/79. [Statutory Authority: RCW 82.01.060 and 1979 c 6 § 1. 79-07-083 and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-18632, filed 6/29/79, effective 6/29/79.] Decodified.
- 458-40-18633 Hauling distance zones—Maps for 7/1/79 through 12/31/79. [Statutory Authority: RCW 82.01.060 and 1979 c 6 § 1. 79-07-083 and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-18633, filed 6/29/79, effective 6/29/79.] Decodified.
- 458-40-18634 Timber quality code numbers—Tables for 7/1/79 through 12/31/79. [Statutory Authority: RCW 82.01.060 and 1979 c 6 § 1. 79-07-083 and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-18634, filed 6/29/79, effective 6/29/79.] Decodified.
- 458-40-18635 Stumpage values—Tables for 7/1/79 through 12/31/79. [Statutory Authority: RCW 82.01.060 and 1979 c 6 § 1. 79-07-083 and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-18635, filed 6/29/79, effective 6/29/79.] Decodified.
- 458-40-18636 Harvester adjustments—Tables for 7/1/79 through 12/31/79. [Statutory Authority: RCW 82.01.060 and 1979 c 6 § 1. 79-07-083 and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-18636, filed 6/29/79, effective 6/29/79.] Decodified.
- 458-40-18637 Definitions for 1/1/80 through 6/30/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-01-091 (Order FT 79-40), § 458-40-18637, filed 12/31/79.] Decodified.
- 458-40-18638 Stumpage value areas—Map for 1/1/80 through 6/30/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-01-091 (Order FT 79-40), § 458-40-18638, filed 12/31/79.] Decodified.
- 458-40-18639 Hauling distance zones—Maps for 1/1/80 through 6/30/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-01-091 (Order FT 79-40), § 458-40-18639, filed 12/31/79.] Decodified.
- 458-40-18640 Timber quality code numbers—Tables for 1/1/80 through 6/30/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-01-091 (Order FT 79-40), § 458-40-18640, filed 12/31/79.] Decodified.
- 458-40-18641 Stumpage values—Tables for 1/1/80 through 6/30/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-01-091 (Order FT 79-40), § 458-40-18641, filed 12/31/79.] Decodified.
- 458-40-18642 Harvestable adjustments—Tables for 1/1/80 through 6/30/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-01-091 (Order FT 79-40), § 458-40-18642, filed 12/31/79.] Decodified.
- 458-40-18643 Definitions for 7/1/80 through 12/31/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-18643, filed 6/30/80, effective 6/30/80.] Decodified.

- 458-40-18644 Stumpage value areas—Map for 7/1/80 through 12/31/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-18644, filed 6/30/80, effective 6/30/80.] Decodified.
- 458-40-18645 Hauling distance zones—Maps for 7/1/80 through 12/31/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-18645, filed 6/30/80, effective 6/30/80.] Decodified.
- 458-40-18646 Timber quality code numbers—Tables for 7/1/80 through 12/31/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-18646, filed 6/30/80, effective 6/30/80.] Decodified.
- 458-40-18647 Stumpage values—Tables for 7/1/80 through 12/31/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-18647, filed 6/30/80, effective 6/30/80.] Decodified.
- 458-40-18648 Harvester adjustments—Tables for 7/1/80 through 12/31/80. [Statutory Authority: RCW 82.01.060 and 84.33.071. 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-18648, filed 6/30/80, effective 6/30/80.] Decodified.
- 458-40-18649 Definitions for 1/1/81 through 6/30/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-02-007 (Order FT 80-6), § 458-40-18649, filed 12/30/80.] Decodified.
- 458-40-18650 Stumpage value areas—Map for 1/1/81 through 6/30/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-02-007 (Order FT 80-6), § 458-40-18650, filed 12/30/80.] Decodified.
- 458-40-18651 Hauling distance zones—Maps for 1/1/81 through 6/30/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-02-007 (Order FT 80-6), § 458-40-18651, filed 12/30/80.] Decodified.
- 458-40-18652 Timber quality code numbers—Tables for 1/1/81 through 6/30/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-02-007 (Order FT 80-6), § 458-40-18652, filed 12/30/80.] Decodified.
- 458-40-18653 Stumpage values—Tables for 1/1/81 through 6/30/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-02-007 (Order FT 80-6), § 458-40-18653, filed 12/30/80.] Decodified.
- 458-40-18654 Harvester adjustments—Tables for 1/1/81 through 6/30/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-02-007 (Order FT 80-6), § 458-40-18654, filed 12/30/80.] Decodified.
- 458-40-18655 Definitions for 7/1/81 through 12/31/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-14-047 (Order FT 81-2), § 458-40-18655, filed 6/30/81.] Decodified.
- 458-40-18656 Stumpage value areas—Map for 7/1/81 through 12/31/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-14-047 (Order FT 81-2), § 458-40-18656, filed 6/30/81.] Decodified.
- 458-40-18657 Hauling distance zones—Maps for 7/1/81 through 12/31/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-14-047 (Order FT 81-2), § 458-40-18657, filed 6/30/81.] Decodified.
- 458-40-18658 Timber quality code numbers—Tables for 7/1/81 through 12/31/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-14-047 (Order FT 81-2), § 458-40-18658, filed 6/30/81.] Decodified.
- 458-40-18659 Stumpage values—Tables for 7/1/81 through 12/31/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-14-047 (Order FT 81-2), § 458-40-18659, filed 6/30/81.] Decodified.
- 458-40-18660 Harvester adjustments—Tables for 7/1/81 through 12/31/81. [Statutory Authority: RCW 82.01.060 and 84.33.071. 81-14-047 (Order FT 81-2), § 458-40-18660, filed 6/30/81.] Decodified.
- 458-40-18661 Definitions for 1/1/82 through 6/30/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-02-035 (Order FT-81-4), § 458-40-18661, filed 12/31/81.] Decodified.
- 458-40-18662 Stumpage value areas—Map for 1/1/82 through 6/30/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-02-035 (Order FT-81-4), § 458-40-18662, filed 12/31/81.] Decodified.
- 458-40-18663 Hauling distance zones—Maps for 1/1/82 through 6/30/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-02-035 (Order FT-81-4), § 458-40-18663, filed 12/31/81.] Decodified.
- 458-40-18664 Timber quality code numbers—Tables for 1/1/82 through 6/30/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-02-035 (Order FT-81-4), § 458-40-18664, filed 12/31/81.] Decodified.
- 458-40-18665 Stumpage values—Tables for 1/1/82 through 6/30/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-02-035 (Order FT-81-4), § 458-40-18665, filed 12/31/81.] Decodified.
- 458-40-18666 Harvester adjustments—Tables for 1/1/82 through 6/30/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-02-035 (Order FT-81-4), § 458-40-18666, filed 12/31/81.] Decodified.
- 458-40-18667 Small harvester option for 1/1/82 through 6/30/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-02-035 (Order FT-81-4), § 458-40-18667, filed 12/31/81.] Decodified.
- 458-40-18668 Definitions for small harvester option for 1/1/82 through 6/30/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-02-035 (Order FT-81-4), § 458-40-18668, filed 12/31/81.] Decodified.
- 458-40-18669 Taxable stumpage value for 1/1/82 through 6/30/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-02-035 (Order FT-81-4), § 458-40-18669, filed 12/31/81.] Decodified.
- 458-40-18670 Definitions for 7/1/82 through 12/31/82. [Statutory Authority: RCW 82.01.060, 84.33.030 and 84.33.071 as amended by 1982 2nd ex.s. c 4. 82-19-011 (Order FT-82-5), § 458-40-18670, filed 9/7/82. Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-18670, filed 6/30/82.] Decodified.
- 458-40-18671 Stumpage value areas—Map for 7/1/82 through 12/31/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-18671, filed 6/30/82.] Decodified.
- 458-40-18672 Hauling distance zones—Maps for 7/1/82 through 12/31/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-18672, filed 6/30/82.] Decodified.
- 458-40-18673 Timber quality code numbers—Tables for 7/1/82 through 12/31/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-18673, filed 6/30/82.] Decodified.
- 458-40-18674 Stumpage values—Tables for 7/1/82 through 12/31/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-18674, filed 6/30/82.] Decodified.
- 458-40-18675 Harvester adjustments—Tables for 7/1/82 through 12/31/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-18675, filed 6/30/82.] Decodified.
- 458-40-18676 Small harvester option for 7/1/82 through 12/31/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-18676, filed 6/30/82.] Decodified.
- 458-40-18677 Definitions for small harvester option for 7/1/82 through 12/31/82. [Statutory Authority: RCW 82.01.060, 84.33.030 and 84.33.071 as amended by 1982 2nd ex.s. c 4. 82-19-011 (Order FT-82-5), § 458-40-18677, filed 9/7/82. Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order

- FT-82-3), § 458-40-18677, filed 6/30/82.] Decodified.
- 458-40-18678 Taxable stumpage value for 7/1/82 through 12/31/82. [Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-18678, filed 6/30/82.] Decodified.
- 458-40-18679 Definitions for January 1 through June 30, 1983. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-18679, filed 12/30/82.] Decodified.
- 458-40-18680 Stumpage value areas—Map for January 1 through June 30, 1983. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-18680, filed 12/30/82.] Decodified.
- 458-40-18681 Hauling distance zones—Maps for January 1 through June 30, 1983. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-18681, filed 12/30/82.] Decodified.
- 458-40-18682 Timber quality code numbers—Tables for January 1 through June 30, 1983. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-18682, filed 12/30/82.] Decodified.
- 458-40-18683 Stumpage values—Tables for January 1 through June 30, 1983. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-18683, filed 12/30/82.] Decodified.
- 458-40-18684 Harvestable adjustments—Tables for January 1 through June 30, 1983. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-18684, filed 12/30/82.] Decodified.
- 458-40-18685 Small harvester option for January 1 through June 30, 1983. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-18685, filed 12/30/82.] Decodified.
- 458-40-18686 Definitions for small harvester option for January 1 through June 30, 1983. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-18686, filed 12/30/82.] Decodified.
- 458-40-18687 Taxable stumpage value for January 1 through June 30, 1983. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-18687, filed 12/30/82.] Decodified.
- 458-40-18688 Definitions for July 1 through December 31, 1983. [Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-18688, filed 6/30/83, effective 6/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18689 Stumpage value areas—Map for July 1 through December 31, 1983. [Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-18689, filed 6/30/83, effective 6/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18690 Hauling distance zones—Maps for July 1 through December 31, 1983. [Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-18690, filed 6/30/83, effective 6/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18691 Timber quality code numbers—Tables for July 1 through December 31, 1983. [Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-18691, filed 6/30/83, effective 6/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18692 Stumpage values—Tables for July 1 through December 31, 1983. [Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-18692, filed 6/30/83, effective 6/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18693 Harvester adjustments—Tables for July 1 through December 31, 1983. [Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-18693, filed 6/30/83, effective 6/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18694 Small harvester option for July 1 through December 31, 1983. [Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-18694, filed 6/30/83, effective 6/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18695 Definitions for small harvester option for July 1 through December 31, 1983. [Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-18695, filed 6/30/83, effective 6/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18696 Taxable stumpage value for July 1 through December 31, 1983. [Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-18696, filed 6/30/83, effective 6/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18700 Definitions. [Statutory Authority: Chapter 84.33 RCW. 86-14-064 (Order FT-86-2), § 458-40-18700, filed 6/30/86; 86-02-045 (Order FT-85-5), § 458-40-18700, filed 12/31/85; 85-02-026 (Order FT-84-7), § 458-40-18700, filed 12/28/84. Statutory Authority: RCW 82.01.060 and 1984 c 204. 84-14-049 (Order FT-84-4), § 458-40-18700, filed 6/29/84. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-18700, filed 12/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18701 Small harvester option. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-18701, filed 12/30/83.] Repealed by 84-14-049 (Order FT-84-4), filed 6/29/84. Statutory Authority: RCW 82.01.060 and 1984 c 204.
- 458-40-18702 Definitions for small harvester option. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-18702, filed 12/30/83.] Repealed by 84-14-049 (Order FT-84-4), filed 6/29/84. Statutory Authority: RCW 82.01.060 and 1984 c 204.
- 458-40-18703 Taxable stumpage value for small harvester option. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-18703, filed 12/30/83.] Repealed by 84-14-049 (Order FT-84-4), filed 6/29/84. Statutory Authority: RCW 82.01.060 and 1984 c 204.
- 458-40-18704 Stumpage value areas and hauling distance zone—Map. [Statutory Authority: Chapter 84.33 RCW. 86-14-064 (Order FT-86-2), § 458-40-18704, filed 6/30/86; 85-02-026 (Order FT-84-7), § 458-40-18704, filed 12/28/84. Statutory Authority: RCW 82.01.060 and 1984 c 204. 84-14-049 (Order FT-84-4), § 458-40-18704, filed 6/29/84. Statutory

- Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-18704, filed 12/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18705 Hauling distance zones—Maps. [Statutory Authority: RCW 82.01.060 and 1984 c 204. 84-14-049 (Order FT-84-4), § 458-40-18705, filed 6/29/84. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-18705, filed 12/30/83.] Repealed by 85-02-026 (Order FT-84-7), filed 12/28/84. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18706 Timber quality code numbers—Tables. [Statutory Authority: Chapter 84.33 RCW. 86-14-064 (Order FT-86-2), § 458-40-18706, filed 6/30/86; 86-02-045 (Order FT-85-5), § 458-40-18706, filed 12/31/85; 85-02-026 (Order FT-84-7), § 458-40-18706, filed 12/28/84. Statutory Authority: RCW 82.01.060 and 1984 c 204. 84-14-049 (Order FT-84-4), § 458-40-18706, filed 6/29/84. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-18706, filed 12/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18711 Stumpage values—Tables for January 1 through June 30, 1984. [Statutory Authority: RCW 82.01.060 and 84.33.071. 84-08-020 (Order FT-84-1), § 458-40-18711, filed 3/28/84. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-18711, filed 12/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18712 Harvester adjustments—Tables for January 1 through June 30, 1984. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-18712, filed 12/30/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18713 Stumpage values—Tables for July 1 through December 31, 1984. [Statutory Authority: RCW 82.01.060 and 1984 c 204. 84-14-049 (Order FT-84-4), § 458-40-18713, filed 6/29/84.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18714 Harvester adjustments—Tables for July 1 through December 31, 1984. [Statutory Authority: RCW 82.01.060 and 1984 c 204. 84-14-049 (Order FT-84-4), § 458-40-18714, filed 6/29/84.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18715 Stumpage values—Tables for January 1 through June 30, 1985. [Statutory Authority: Chapter 84.33 RCW. 85-02-026 (Order FT-84-7), § 458-40-18715, filed 12/28/84.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18716 Harvester adjustments—Tables for January 1 through June 30, 1985. [Statutory Authority: Chapter 84.33 RCW. 85-02-026 (Order FT-84-7), § 458-40-18716, filed 12/28/84.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18717 Stumpage values—Tables for July 1 through December 31, 1985. [Statutory Authority: Chapter 84.33 RCW. 85-14-048 (Order FT-85-2), § 458-40-18717, filed 6/28/85.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18718 Harvester adjustments—Tables for July 1 through December 31, 1985. [Statutory Authority: Chapter 84.33 RCW. 85-14-048 (Order FT-85-2), § 458-40-18718, filed 6/28/85.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18719 Stumpage values—Tables for January 1 through June 30, 1986. [Statutory Authority: Chapter 84.33 RCW. 86-02-045 (Order FT-85-5), § 458-40-18719, filed 12/31/85.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18720 Harvester adjustments—Tables for January 1 through June 30, 1986. [Statutory Authority: Chapter 84.33 RCW. 86-02-045 (Order FT-85-5), § 458-40-18720, filed 12/31/85.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18721 Stumpage values—Tables for July 1 through December 31, 1986. [Statutory Authority: Chapter 84.33 RCW. 86-14-064 (Order FT-86-2), § 458-40-18721, filed 6/30/86.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-18722 Harvester adjustments—Tables for July 1 through December 31, 1986. [Statutory Authority: Chapter 84.33 RCW. 86-14-064 (Order FT-86-2), § 458-40-18722, filed 6/30/86.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19000 Timber pole volume table for west of Cascade summit. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-19000, filed 12/30/83. Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-19000, filed 6/30/83, effective 6/30/83. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-19000, filed 12/30/82. Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-19000, filed 6/30/82; 82-02-035 (Order FT-81-4), § 458-40-19000, filed 12/31/81; 81-14-047 (Order FT 81-2), § 458-40-19000, filed 6/30/81; 81-02-007 (Order FT 80-6), § 458-40-19000, filed 12/30/80; 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-19000, filed 6/30/80, effective 6/30/80; 80-01-091 (Order FT 79-40), § 458-40-19000, filed 12/31/79; 79-07-083 and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-19000, filed 6/29/79, effective 6/29/79. Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-19000, filed 12/29/78; 78-07-065 (Order FT 78-2), § 458-40-19000, filed 6/30/78; Order 77-2, § 458-40-19000, filed 6/29/77; Order 76-5, § 458-40-19000, filed 12/31/76.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19001 Timber piling volume table for west of Cascade summit. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-19001, filed 12/30/83. Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-19001, filed 6/30/83, effective 6/30/83. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-19001, filed 12/30/82. Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-19001, filed 6/30/82; 82-02-035 (Order FT-81-4), § 458-40-19001, filed 12/31/81; 81-14-047 (Order FT 81-2), § 458-40-19001, filed 6/30/81; 81-02-007 (Order FT 80-6), § 458-40-19001, filed 12/30/80; 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-19001, filed 6/30/80, effective 6/30/80; 80-01-091 (Order FT 79-40), § 458-40-19001, filed 12/31/79; 79-07-083

- and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-19001, filed 6/29/79, effective 6/29/79. Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-19001, filed 12/29/78; 78-07-065 (Order FT 78-2), § 458-40-19001, filed 6/30/78; Order 77-2, § 458-40-19001, filed 6/29/77; Order 76-5, § 458-40-19001, filed 12/31/76.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19002 Timber pole volume table for east of Cascade summit. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-19002, filed 12/30/83. Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-19002, filed 6/30/83, effective 6/30/83. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-19002, filed 12/30/82. Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-19002, filed 6/30/82; 82-02-035 (Order FT-81-4), § 458-40-19002, filed 12/31/81; 81-14-047 (Order FT 81-2), § 458-40-19002, filed 6/30/81; 81-02-007 (Order FT 80-6), § 458-40-19002, filed 12/30/80; 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-19002, filed 6/30/80, effective 6/30/80; 80-01-091 (Order FT 79-40), § 458-40-19002, filed 12/31/79; 79-07-083 and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-19002, filed 6/29/79, effective 6/29/79. Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-19002, filed 12/29/78; 78-07-065 (Order FT 78-2), § 458-40-19002, filed 6/30/78; Order FT 77-5, § 458-40-19002, filed 12/30/77; Order 77-2, § 458-40-19002, filed 6/29/77; Order 76-5, § 458-40-19002, filed 12/31/76.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19003 Timber piling volume table for east of Cascade summit. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-19003, filed 12/30/83. Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-19003, filed 6/30/83, effective 6/30/83. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-19003, filed 12/30/82. Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-19003, filed 6/30/82; 82-02-035 (Order FT-81-4), § 458-40-19003, filed 12/31/81; 81-14-047 (Order FT 81-2), § 458-40-19003, filed 6/30/81; 81-02-007 (Order FT 80-6), § 458-40-19003, filed 12/30/80; 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-19003, filed 6/30/80, effective 6/30/80; 80-01-091 (Order FT 79-40), § 458-40-19003, filed 12/31/79; 79-07-083 and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-19003, filed 6/29/79, effective 6/29/79. Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-19003, filed 12/29/78; 78-07-065 (Order FT 78-2), § 458-40-19003, filed 6/30/78; Order FT 77-5, § 458-40-19003, filed 12/30/77; Order 77-2, § 458-40-19003, filed 6/29/77; Order 76-5, § 458-40-19003, filed 12/31/76.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19004 Conversion definitions and factors. [Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 84-02-041 (Order FT-83-7), § 458-40-19004, filed 12/30/83. Statutory Authority: RCW 84.33.071. 83-14-039 and 83-14-040 (Emergency Order FT-83-4 and Permanent Order FT-83-3), § 458-40-19004, filed 6/30/83, effective 6/30/83. Statutory Authority: RCW 82.01.060, 84.33.071, 84.33.073 and 84.33.074. 83-02-033 (Order FT-82-7), § 458-40-19004, filed 12/30/82. Statutory Authority: RCW 82.01.060 and 84.33.071. 82-14-037 (Order FT-82-3), § 458-40-19004, filed 6/30/82; 82-02-035 (Order FT-81-4), § 458-40-19004, filed 12/31/81; 81-14-047 (Order FT 81-2), § 458-40-19004, filed 6/30/81; 81-02-007 (Order FT 80-6), § 458-40-19004, filed 12/30/80; 80-08-042 and 80-08-041 (Emergency Order FT 80-1 and Permanent Order FT 80-2), § 458-40-19004, filed 6/30/80, effective 6/30/80; 80-01-091 (Order FT 79-40), § 458-40-19004, filed 12/31/79; 79-07-083 and 79-07-084 (Emergency Order FT 79-34 and Permanent Order FT 79-35), § 458-40-19004, filed 6/29/79, effective 6/29/79. Statutory Authority: RCW 82.04.291. 79-01-065 (Order FT 78-7), § 458-40-19004, filed 12/29/78; 78-07-065 (Order FT 78-2), § 458-40-19004, filed 6/30/78; Order FT 77-5, § 458-40-19004, filed 12/30/77; Order 77-2, § 458-40-19004, filed 6/29/77; Order 76-5, § 458-40-19004, filed 12/31/76.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19005 Timber excise tax credit for personal property tax. [Statutory Authority: RCW 84.33.077. 84-08-021 (Order FT-84-2), § 458-40-19005, filed 3/28/84.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19100 Forest land values for year 1977. [Statutory Authority: RCW 84.33.120. 79-01-005 (Order FT 78-5), § 458-40-19100, filed 12/8/78; Order 76-3, § 458-40-19100, filed 12/1/76.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19101 Forest land values amended for western Washington for year 1978. [Statutory Authority: RCW 84.33.120. 83-05-013 (Order FT-83-2), § 458-40-19101, filed 2/8/83; 79-08-015 (Order FT 79-36), § 458-40-19101, filed 7/10/79; Order 77-3, § 458-40-19101, filed 11/30/77.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19102 Forest land values—1979. [Statutory Authority: RCW 84.33.120. 78-12-036 (Order FT 78-3), § 458-40-19102, filed 11/22/78.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19103 Forest land values—1980. [Statutory Authority: RCW 84.33.120. 79-12-061 (Order FT 79-38), § 458-40-19103, filed 11/29/79.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19104 Forest land values—1981. [Statutory Authority: RCW 84.33.120. 80-18-029 (Order FT 80-3), § 458-40-19104, filed 12/1/80.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19105 Forest land values—1981. [Statutory Authority: RCW 84.33.120. 80-18-030 (Order FT 80-4), § 458-40-19105, filed 12/1/80.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19106 Forest land values—1982. [Statutory Authority: RCW 84.33.120 as amended by chapter 148, Laws of 1981. 81-24-039 (Order FT 81-2), § 458-40-19106, filed 11/30/81.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19107 Forest land values—1983. [Statutory Authority: RCW 84.33.120 as amended by chapter 148, Laws of 1981. 82-24-030 (Order FT 82-6), § 458-40-19107, filed 11/23/82.] Repealed by 87-02-023 (Order 86-

- 4), filed 12/31/86. Statutory Authority: Chapter 84-33 RCW.
- 458-40-19108 Forest land values—1984. [Statutory Authority: RCW 84.33.120 as amended by 1981 c 148, 83-23-027 (Order FT 83-5), § 458-40-19108, filed 11/8/83.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19109 Forest land values—1985. [Statutory Authority: RCW 84.33.120 as amended by 1984 c 204, 84-24-011 (Order FT 84-5), § 458-40-19109, filed 11/27/84.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19110 Forest land values—1986. [Statutory Authority: RCW 84.33.120, 85-24-036 (Order FT-85-3), § 458-40-19110, filed 11/27/85.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-19300 Private forest land grades according to species and site index. [Statutory Authority: RCW 84.33.120, 82-07-086 (Order FT 82-1), § 458-40-19300, filed 3/24/82; 80-18-030 (Order FT 80-4), § 458-40-19300, filed 12/1/80.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-300 Forest land classification. [Order FT 75-3, § 458-40-300, filed 6/5/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-310 Definitions. [Order FT 75-3, § 458-40-310, filed 6/5/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-320 Application for forest land classification. [Order FT 75-3, § 458-40-320, filed 6/5/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-330 Notation on assessment and tax rolls of classified forest land. [Order FT 75-3, § 458-40-330, filed 6/5/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-340 Removal of forest land classification. [Order FT 75-3, § 458-40-340, filed 6/5/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-350 Removal from classification—Compensating tax not imposed. [Order FT 75-3, § 458-40-350, filed 6/5/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-360 Notification to owner of removal. [Order FT 75-3, § 458-40-360, filed 6/5/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-370 Compensating tax liability and rate. [Order FT 75-3, § 458-40-370, filed 6/5/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.
- 458-40-380 Appeals procedure for classification of forest lands. [Order FT 75-3, § 458-40-380, filed 6/5/75.] Repealed by 87-02-023 (Order 86-4), filed 12/31/86. Statutory Authority: Chapter 84.33 RCW.

**WAC 458-40-500 Property tax, forest land—Statement of purpose.** The purpose of the rules contained in WAC 458-40-500 through 458-40-540 is to prescribe policies and procedures for the classification, designation, grading and assessment of forest lands for purposes of ad valorem taxation as required by RCW 84.33.100 through 84.33.170. WAC 458-40-500 through 458-40-599 replace WAC 458-40-010 through 458-40-380 which pertain to forest land.

[Statutory Authority: Chapter 84.33 RCW, 87-02-023 (Order 86-4), § 458-40-500, filed 12/31/86.]

**WAC 458-40-510 Property tax, forest land—Definitions.** Unless the context clearly requires otherwise, the definitions in this section apply to WAC 458-40-500 through 458-40-540.

(1) Department. The department of revenue of the state of Washington.

(2) Forest land. Synonymous with timberland and means all land in any contiguous ownership of twenty or more acres which is primarily devoted to and used for growing and harvesting timber and means land only.

(3) Legal description. A description of an area of land using government lots and standard general land office subdivision procedures. If the boundary of the area is irregular, the physical boundary shall be described by metes and bounds or by other means that will clearly identify the property.

(4) Site index. The productive quality of forest land, determined by the total height reached by the dominant and codominant trees on a particular site at a given age.

[Statutory Authority: Chapter 84.33 RCW, 87-02-023 (Order 86-4), § 458-40-510, filed 12/31/86.]

**WAC 458-40-520 Property tax, forest land—Classification, designation, removal by assessor, compensating taxes. (Reserved.)**

[Statutory Authority: Chapter 84.33 RCW, 87-02-023 (Order 86-4), § 458-40-520, filed 12/31/86.]

**WAC 458-40-530 Property tax, forest land—Land grades.** The following shall constitute the conversion of species and site indices to forest land grades:

WASHINGTON STATE PRIVATE FOREST LAND GRADES

SPECIES	SITE INDEX	LAND GRADE
<b>WESTSIDE</b>		
Douglas	136 ft. and over	1
Fir	118-135 ft.	2
	99-117 ft.	3
	84-98 ft.	4
	under 84 ft.	5
Western	136 ft. and over	1
Hemlock	116-135 ft.	2
	98-115 ft.	3
	83-97 ft.	4
	68-82 ft.	5
	under 68 ft.	6
Red	117 ft. and over	6
Alder	under 117 ft.	7
	MFP	7 or 8 *2
	NC	8 *3

SPECIES	SITE INDEX	LAND GRADE	
<b>EASTSIDE</b>			
Douglas Fir	140 ft. and over	3	*1
&	120-139 ft.	4	*1
Ponderosa	96-119 ft.	5	*1
Pine	70-95 ft.	6	*1
	under 70 ft.	7	*1
	MFP	7 or 8	*2
	NC	8	*3

\*1. These are the site indices for one hundred percent stocked stands. Stands with lower stocking levels would require higher site indices to occur in the same land grade.

\*2 (MFP) Marginal forest productivity will be land grade 7 operability class 3, in the following townships. All MFP in other townships will be land grade 8.

**WESTERN WASHINGTON**

Whatcom County - all townships east of Range 6 East, inclusive.

Skagit County - all townships east of Range 7 East, inclusive.

Snohomish County - all townships east of Range 8 East, inclusive.

King County - all townships east of Range 9 East, inclusive.

Pierce County - T15N, R7E; T16N, R7E; T17N, R7E; T18N, R7E; T19N, R9E; T19N, R10E; T19N, R11E.

**EASTERN WASHINGTON**

Chelan County - all townships west of Range 17 East, inclusive.

Kititas County - all townships west of Range 15 East, inclusive.

Yakima County - all townships west of Range 14 East, inclusive.

\*3 (NC) Noncommercial

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-530, filed 12/31/86.]

**WAC 458-40-535 Property tax, forest land--Operability classes.** Operability classes are established according to intrinsic characteristics of soils and geomorphic features. The criteria for each class apply state-wide.

(1) Class 1--Favorable. Stable soils that slope less than thirty percent. Forest operations do not significantly impact soil productivity and soil erosion. Forest operations, such as roading and logging, are carried out with minimal limitations.

(2) Class 2--Average. Stable soils that slope less than thirty percent, but on which significant soil erosion, compaction, and displacement may occur as a result of forest operations.

(3) Class 3--Difficult. Soils with one or both of the following characteristics:

(a) Stable soils that slope between thirty and sixty-five percent; and

(b) Soils that slope between zero and sixty-five percent, but display evidence that rapid mass movement may occur as a direct result of forest operations.

(4) Class 4--Extreme. All soils that slope more than sixty-five percent.

(5) Variations. Unique conditions found in any one geographic area may impact forest operations to a greater degree than the above classes permit. With documented evidence, the department may place the soil in a more severe class.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-535, filed 12/31/86.]

**WAC 458-40-540 Property tax, forest land--Forest land values--1987.** The true and fair values, per acre, for each grade of forest land for the 1987 assessment year are determined to be as follows:

1987 WASHINGTON FOREST LAND VALUES		
LAND GRADE	OPERABILITY CLASS	VALUE PER ACRE
1	1	\$135
	2	130
	3	125
	4	91
2	1	113
	2	109
	3	105
	4	76
3	1	89
	2	86
	3	83
	4	64
4	1	67
	2	65
	3	64
	4	50
5	1	49
	2	45
	3	44
	4	29
6	1	25
	2	24
	3	24
	4	22

1987

## WASHINGTON FOREST LAND VALUES

LAND GRADE	OPERABILITY CLASS	VALUE PER ACRE
7	1	12
	2	12
	3	11
	4	11
8		1

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-540, filed 12/31/86.]

**WAC 458-40-600 Timber excise tax--Statement of purpose.** The purpose of the rules contained in WAC 458-40-600 through 458-40-690 is to prescribe the policies and procedures for the taxation of timber harvested from public and private forest lands as required by RCW 84.33.010 through 84.33.096. WAC 458-40-600 through 458-40-690 replace those portions of WAC 458-40-010 through 458-40-380 which pertain to the taxation of timber.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-600, filed 12/31/86.]

**WAC 458-40-610 Timber excise tax--Definitions.** Unless the context clearly requires otherwise, the definitions in this section apply to WAC 458-40-600 through 458-40-690.

(1) **Codominant trees.** Trees whose crowns form the general level of the crown cover and receive full light from above, but comparatively little light from the sides.

(2) **Competitive sales.** The offering for sale of timber which is advertised to the general public for sale at public auction under terms wherein all qualified potential buyers have an equal opportunity to bid on the sale, and the sale is awarded to the highest qualified bidder. The term "competitive sales" includes making available to the general public permits for the removal of forest products.

(3) **Department.** The department of revenue of the state of Washington.

(4) **Dominant trees.** Trees whose crowns are higher than the general level of the canopy and which receive full light from the sides as well as from above.

(5) **Harvest unit.** An area of timber harvest having the same forest excise tax permit number, stumpage value area, hauling distance zone, harvest adjustments, and harvester. It may include more than one section: *Provided*, A harvest unit may not overlap a county boundary.

(6) **Hauling distance zone.** An area with specified boundaries as shown on the state-wide stumpage value area and hauling distance zone maps contained in WAC 458-40-640, having similar accessibility to timber markets.

(7) **Lump sum sale.** Also known as a cash sale or an installment sale, it is a sale of timber wherein the total sale price is dependent upon an estimate of the total volume of timber in the sale rather than the actual volume harvested.

(8) **MBF.** One thousand board feet measured in Scribner Decimal C Log Scale Rule.

(9) **Noncompetitive sales.** Sales of timber in which the purchaser has a preferential right to purchase the timber or a right of first refusal.

(10) **Other consideration.** Value given in lieu of cash as payment for stumpage, such as improvements to the land that are required by contract by the seller and are of a permanent nature. It may include, but is not limited to, the construction of permanent roads and the installation of permanent bridges.

(11) **Permanent road.** A road built as part of the harvesting operation which is intended to have a useful life subsequent to the completion of the harvest.

(12) **Private timber.** All timber harvested from privately owned lands, including timber on reclassified reforestation land under chapters 84.28 and 84.33 RCW.

(13) **Public timber.** Timber harvested from federal, state, county, municipal, or other government owned lands.

(14) **Remote island.** An area of land which is totally surrounded by water at normal high tide and which has no bridge or causeway connecting it to the mainland.

(15) **Sale price.** The amount paid for timber in cash or other consideration.

(16) **Scale sale.** A sale of timber in which the sale price is the product of the actual volume harvested and the unit price at the time of harvest.

(17) **Species.** A grouping of timber based on biological or physical characteristics. In addition to the designations of species or subclassifications defined in Agriculture Handbook No. 451 Checklist of United States Trees (native and naturalized) found in the state of Washington, the following shall be considered separate species for the purpose of harvest classification used in the stumpage value tables:

(a) **Other conifer.** All conifers not separately designated in the stumpage value tables. See WAC 458-40-660.

(b) **Other hardwood.** All hardwoods not separately designated.

(c) **Conifer utility.** All conifer logs graded as utility.

(d) **Hardwood utility.** All hardwood logs graded as utility or number four sawmill as defined by the current edition of the "Official Log Scaling and Grading Rules" as developed and authored by the Northwest Log Rules Advisory Group.

(e) **Special forest products.** The following are considered to be separate species of special forest products: Christmas trees (various species), posts (various species), western redcedar flatsawn and shingle blocks, western redcedar shake blocks and boards.

(18) **Stumpage.** Standing or fallen trees, live or dead, having commercial value which have not been severed from the stump.

(19) Stumpage value area (SVA). An area with specified boundaries which contains timber having similar growing, harvesting and marketing conditions.

(20) Thinning. Timber removed from a harvest unit meeting all the following conditions:

(a) Located in Western Washington;

(b) The total volume removed is less than forty percent of the total merchantable volume of the harvest unit prior to harvest;

(c) Not more than forty percent of the total volume removed is from the dominant and codominant trees;

(d) The trees removed in the harvest operation shall be distributed over the entire harvest unit.

(21) Timber. Forest trees, standing or down, on privately or publicly owned land, and except as provided in RCW 84.33.170, includes Christmas trees.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-610, filed 12/31/86.]

**WAC 458-40-620 Timber excise tax--Tax liability--Harvester as taxpayer, harvester defined.** For purposes of determining which person is the timber harvester and, therefore, the person liable for payment of the tax imposed under RCW 84.33.041, and except as provided under WAC 458-40-622 and 458-40-624, the harvester of timber shall be that person or persons who own the timber at the time the quantity by species is first definitely determined (at the time the logs are scaled). In cases where the ownership of the timber at the time of scaling is in doubt, the department shall consider the owner of the land from which the timber was harvested to be the harvester and the one liable for paying the tax.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-620, filed 12/31/86.]

**WAC 458-40-622 Timber excise tax--Tax liability--Government entity as harvester.** Whenever a government entity as defined in RCW 84.33.035 harvests timber and retains title to the timber until it is scaled, the harvester shall be the first person or persons who obtain title to the timber or exclusive possessory interest in such timber, and such person or persons shall be liable for paying the taxes due under RCW 84.33.041.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-622, filed 12/31/86.]

**WAC 458-40-624 Timber excise tax--Tax liability--Reclassified reforestation lands.** As provided in RCW 84.33.055, when timber is harvested from reclassified reforestation lands, as defined in RCW 84.28.205, the tax imposed under RCW 84.33.041 and 84.33.055 shall be paid by the owner of such lands.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-624, filed 12/31/86.]

**WAC 458-40-626 Timber excise tax--Tax liability--Private timber, tax due when timber harvested.** For purposes of determining the proper calendar quarter in which to pay tax on timber harvested from private land—including reclassified reforestation lands—the tax

shall be due and payable on the last day of the month following the end of the calendar quarter in which the timber was harvested.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-626, filed 12/31/86.]

**WAC 458-40-628 Timber excise tax--Tax liability--Public timber, tax due when billed by the seller.** For purposes of determining the proper quarter in which to pay taxes on timber harvested from public land, the taxes due under RCW 84.33.041 shall be due and payable on the last day of the month following the quarter in which the purchaser is billed by the seller for the timber harvested: *Provided*, That if payments are made to the seller before any harvest, road construction or other work has begun on the timber sale contract, taxes may be deferred until the quarter in which harvest or other contract work begins. In the quarter that harvest commences, taxes shall become due and payable on all payments made to the seller in all prior quarters as well as the current quarter.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-628, filed 12/31/86.]

**WAC 458-40-630 Timber excise tax--Stumpage value--General definition.** The term stumpage value shall mean the true and fair market value of timber for purposes of immediate harvest. Taxable stumpage value shall be the value of timber as defined in RCW 84.33.035(5), and this chapter.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-630, filed 12/31/86.]

**WAC 458-40-632 Timber excise tax--Taxable stumpage value--Private timber.** Except as provided under WAC 458-40-634 for small harvesters, the taxable stumpage value shall be the appropriate value for the species of timber harvested as set forth in the stumpage value tables adopted under this chapter.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-632, filed 12/31/86.]

**WAC 458-40-634 Timber excise tax--Taxable stumpage value--Small harvester option.** A small harvester is any harvester who harvests timber from privately owned land in an amount of less than five hundred thousand board feet in a calendar quarter and not more than one million board feet in a calendar year. Small harvesters may elect to calculate the excise tax in the manner provided by RCW 84.33.073 and 84.33.074. The taxable stumpage value shall be determined by one of the following methods as appropriate:

(1) Sale of logs. Timber which has been severed from the stump, bucked into various lengths and sold in the form of logs shall have a taxable stumpage value equal to the actual gross receipts for the logs, less any costs associated with harvesting and marketing the timber. Harvesting and marketing costs shall include only those costs directly and exclusively associated with harvesting the timber from the land and delivering it to the buyer, and may include the costs of slash disposal. Harvesting

and marketing costs shall not include the costs of reforestation, permanent road construction, or any other costs not directly and exclusively associated with the harvesting and marketing of the timber. The actual harvesting and marketing costs must be used in all instances where documented records are available. When the taxpayer is unable to provide documented proof of such costs, the deduction for harvesting and marketing costs shall be fifty percent of the gross receipts from the sale of the logs.

(2) Sale of stumpage. Timber which is sold as stumpage and harvested within twelve months of the date of sale shall have a taxable stumpage value equal to the actual gross receipts for the stumpage for the most recent sale prior to harvest. If a harvester purchases stumpage from another, harvests the timber and sells the logs more than twelve months after purchase of the stumpage, the taxable value shall be computed as in subsection (1) of this section for sale of logs.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-634, filed 12/31/86.]

**WAC 458-40-636 Timber excise tax--Taxable stumpage value--Public timber.** The taxable stumpage value for public timber sales shall be determined as follows:

(1) Competitive sales. The taxable value shall be the actual purchase price in cash or other consideration.

(2) Noncompetitive sales. The taxable value shall be determined using the department's stumpage value tables as set forth in this chapter.

(3) Sale of logs. The taxable value for public timber sold in the form of logs shall be the actual purchase price for the logs in cash or other consideration less appropriate deductions for costs of felling, bucking, and

yarding the logs to the point of sale. Cost deductions shall be the actual costs when documented proof is available. In the absence of verifiable actual cost data, cost deductions shall be based on the costs as appraised by the seller, if available; or an estimate of such costs based on the best available information from the sale of similar timber under similar harvesting conditions.

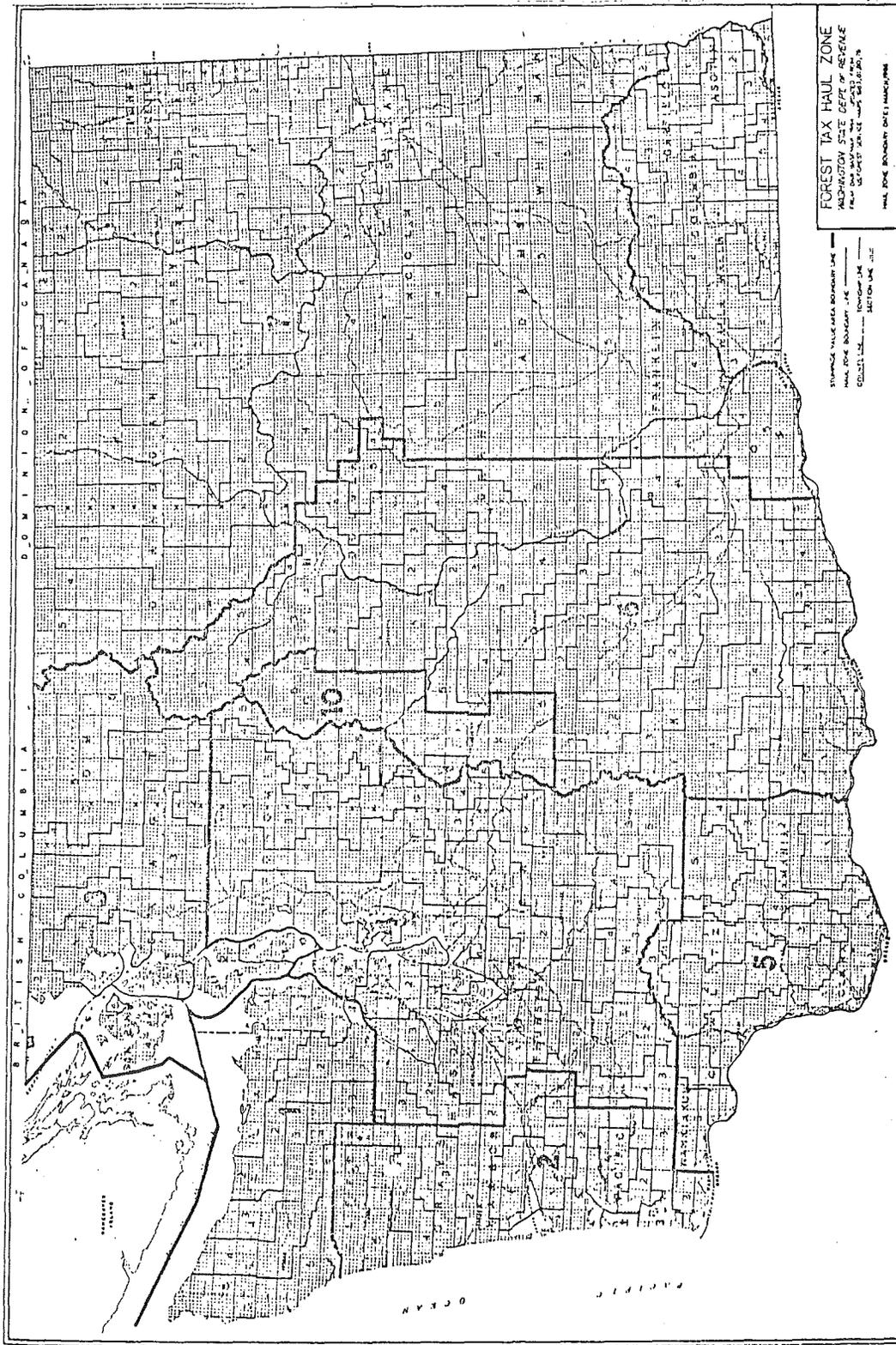
(4) Transitional sales. Sales in which the harvest began before July 1, 1984, and continued after that date. On such sales, the volume harvested prior to July 1, 1984, shall be taxed using the department's stumpage value tables as set forth in this chapter. For volume harvested on or after July 1, 1984, the taxable stumpage value shall be determined by actual payments for stumpage in cash or other consideration.

(5) Defaulted sales and uncompleted contracts. In the event of default on a public timber sale contract, wherein the taxpayer has made partial payment for the timber but has not removed timber, no tax shall be due. If part of the sale is logged and the purchaser fails to complete the harvesting, taxes shall be due on the amount the purchaser has been billed by the selling agency for the volume removed to date.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-636, filed 12/31/86.]

**WAC 458-40-640 Timber excise tax--Stumpage value area (map).** The stumpage value area and hauling distance zone map contained in this section shall be used to determine the proper stumpage value table and haul zone to be used in calculating the taxable stumpage value of timber harvested from private land.

458-40-640. STUMPAGE VALUE AREA AND HAULING DISTANCE ZONE--MAP. Harvesters may obtain a larger scale map by writing to the Washington State Department of Revenue, Forest Tax Section, Mail Stop AX-02, Olympia, WA 98504; or by calling (206) 753-7086.



[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-640, filed 12/31/86.]

for each species of timber shown in the stumpage value tables contained in this chapter are defined as follows:

**WAC 458-40-650 Timber excise tax--Timber quality codes defined.** The timber quality code numbers

**TABLE 1--Timber Quality Code Table  
Stumpage Value Areas 1, 2, 3, 4, and 5**

WESTERN WASHINGTON MERCHANTABLE SAWTIMBER

Timber Quality Code Number	Species	Log Grade Specifications <sup>1</sup>
1	Douglas-fir & Spruce	Over 50% No. 2 Sawmill & better log grade and over 40% Special Mill, No. 1 Sawmill & better log grade
	Western Redcedar & Alaska-cedar	Over 30% No. 2 Sawmill & better log grade and over 15% Special Mill, No. 1 Sawmill, Peeler & better log grade
	Western Hemlock, True Firs & Other Conifer	Over 50% No. 2 Sawmill & better log grade and over 25% Special Mill, No. 1 Sawmill & better log grade
	Hardwoods	All No. 3 Sawmill logs & better log grades
2	Douglas-fir & Spruce	Over 50% No. 2 Sawmill & better log grade and 15-40% inclusive Special Mill, No. 1 Sawmill & better log grade
	Western Redcedar & Alaska-cedar	Over 30% No. 2 Sawmill & better log grade and less than 15% Special Mill, No. 1 Sawmill, Peeler & better log grade
3	Douglas-fir & Spruce	Over 50% No. 2 Sawmill & better log grade and less than 15% Special Mill, No. 1 Sawmill & better log grade
	Western Redcedar & Alaska-cedar	5-30% inclusive No. 2 Sawmill & better log grade
4	Western Hemlock, True Firs & Other Conifer	Over 50% No. 2 Sawmill & better log grade and less than 5% Special Mill, No. 1 Sawmill & better log grade
	Douglas-fir & Spruce	25-50% inclusive No. 2 Sawmill & better log grade
5	Western Redcedar & Alaska-cedar	Less than 5% No. 2 Sawmill & better log grade
	Western Hemlock & Other Conifer	25-50% inclusive No. 2 Sawmill & better log grade
	Douglas-fir & Spruce	5% to but not including 25% No. 2 Sawmill & better log grade

**TABLE 1--cont.**

Timber Quality Code Number	Species	Log Grade Specifications <sup>1</sup>
5	Western Hemlock & Other Conifer, except Western Redcedar & Alaska-cedar	5% to but not including 25% No. 2 Sawmill & better log grade
	Conifer Utility	All conifer logs graded as utility log grade
	Hardwood Utility	All No. 4 Sawmill log grade and all hardwood logs graded as utility
6	Douglas-fir, Spruce, Western Hemlock & Other Conifer, except Western Redcedar & Alaska-cedar	Less than 5% No. 2 Sawmill & better log grade

<sup>1</sup> For detailed descriptions and definitions of approved log scaling, grading rules, and procedures see WAC 458-40-680.

**TABLE 2--Timber Quality Code Table  
Stumpage Value Areas 6 and 7**

EASTERN WASHINGTON MERCHANTABLE SAWTIMBER

Timber Quality Code Number	Species	Log Grade Specifications
1	Ponderosa Pine	Less than 10 logs 16 feet long per thousand board feet Scribner scale
	All Conifers Other than Ponderosa Pine	All log sizes
	Hardwoods	Sawlogs only
2	Ponderosa Pine	10 or more logs 16 feet long per thousand board feet Scribner scale
5	Utility	All logs graded as utility

**TABLE 3--Timber Quality Code Table  
Stumpage Value Area 10**

EASTERN WASHINGTON MERCHANTABLE SAWTIMBER

Timber Quality Code Number	Species	Log Grade Specifications
1	Ponderosa Pine & Other Conifers	Less than 5 logs 16 feet long per MBF net log Scribner scale
	Hardwoods	All logs graded as sawlogs
2	Ponderosa Pine	5 to 9 logs inclusive 16 feet long per MBF net log Scribner scale
	Other Conifer	5 to 12 logs inclusive 16 feet long per MBF net log scale

TABLE 3--cont.

Timber Quality Code Number	Species	Log Grade Specifications
3	Ponderosa Pine	More than 9 logs 16 feet long per MBF net log Scribner scale
	Other Conifer	More than 12 logs 16 feet long per MBF net log Scribner scale
5	Utility	All logs graded as utility

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-650, filed 12/31/86.]

**WAC 458-40-660 Timber excise tax--Stumpage value tables.** The following stumpage value tables are hereby adopted for use in reporting the taxable value of stumpage harvested during the period January 1 through June 30, 1987:

TABLE 1--Stumpage Value Table  
Stumpage Value Area 1  
January 1 through June 30, 1987

WESTERN WASHINGTON MERCHANTABLE SAWTIMBER  
Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-fir	DF	1	\$203	\$196	\$189	\$182	\$175
		2	178	171	164	157	150
		3	158	151	144	137	130
		4	147	140	133	126	119
		5	123	116	109	102	95
		6	118	111	104	97	90
Western Redcedar <sup>2</sup>	RC	1	241	234	227	220	213
		2	218	211	204	197	190
		3	161	154	147	140	133
		4	138	131	124	117	110
Sitka Spruce	SS	1	222	215	208	201	194
		2	188	181	174	167	160
		3	118	111	104	97	90
		4	114	107	100	93	86
		5	95	88	81	74	67
		6	94	87	80	73	66
Western Hemlock <sup>3</sup>	WH	1	135	128	121	114	107
		2	106	99	92	85	78
		3	105	98	91	84	77
		4	98	91	84	77	70
		5	76	69	62	55	48
		6	72	65	58	51	44
Other Conifer	OC	1	135	128	121	114	107
		2	106	99	92	85	78
		3	105	98	91	84	77
		4	98	91	84	77	70
		5	76	69	62	55	48
		6	72	65	58	51	44
Red Alder	RA	1	36	29	22	15	8
Black Cottonwood	BC	1	50	43	36	29	22
Other Hardwood	OH	1	72	65	58	51	44
Hardwood Utility	HU	5	17	17	17	17	17
Conifer Utility	CU	5	6	6	6	6	6

(1986 Ed.)

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.  
<sup>2</sup> Includes Alaska-cedar.  
<sup>3</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

TABLE 2--Stumpage Value Table  
Stumpage Value Area 1  
January 1 through June 30, 1987

WESTERN WASHINGTON SPECIAL FOREST PRODUCTS

Stumpage Values per Product Unit

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Western Redcedar Shake Blocks & Boards <sup>1</sup>	RCS	1	\$113	\$106	\$99	\$92	\$85
Western Redcedar Flatsawn & Shingle Blocks <sup>1</sup>	RCF	1	47	40	33	26	19
Western Redcedar & Other Posts <sup>2</sup>	RCP	1	0.47	0.47	0.47	0.47	0.47
Douglas-fir Christmas Trees <sup>3</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
True Fir & Other Christmas Trees <sup>3</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup> Stumpage value per MBF net Scribner Scale. See conversion methods WAC 458-40-684 and 458-40-686.  
<sup>2</sup> Stumpage value per 8 lineal feet or portion thereof.  
<sup>3</sup> Stumpage value per lineal foot.

TABLE 3--Stumpage Value Table  
Stumpage Value Area 2  
January 1 through June 30, 1987

WESTERN WASHINGTON MERCHANTABLE SAWTIMBER

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-fir	DF	1	\$199	\$192	\$185	\$178	\$171
		2	181	174	167	160	153
		3	179	172	165	158	151
		4	154	147	140	133	126
		5	103	96	89	82	75
		6	98	91	84	77	70
Western Redcedar <sup>2</sup>	RC	1	255	248	241	234	227
		2	238	231	224	217	210
		3	160	153	146	139	132
		4	114	107	100	93	86
Sitka Spruce	SS	1	226	219	212	205	198
		2	184	177	170	163	156
		3	116	109	102	95	88
		4	114	107	100	93	86
		5	95	88	81	74	67
		6	94	87	80	73	66
Western Hemlock <sup>3</sup>	WH	1	134	127	120	113	106
		2	109	102	95	88	81
		3	100	93	86	79	72

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**TABLE 3--cont.**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
		4	98	91	84	77	70
		5	74	67	60	53	46
		6	70	63	56	49	42
Other Conifer	OC	1	134	127	120	113	106
		2	109	102	95	88	81
		3	100	93	86	79	72
		4	98	91	84	77	70
		5	74	67	60	53	46
		6	70	63	56	49	42
Red Alder	RA	1	44	37	30	23	16
Black Cottonwood	BC	1	50	43	36	29	22
Other Hardwood	OH	1	72	65	58	51	44
Hardwood Utility	HU	5	17	17	17	17	17
Conifer Utility	CU	5	6	6	6	6	6

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Alaska-cedar.

<sup>3</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

**TABLE 4--Stumpage Value Table  
Stumpage Value Area 2**

January 1 through June 30, 1987

WESTERN WASHINGTON SPECIAL FOREST PRODUCTS

Stumpage Values per Product Unit

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Western Redcedar Shake Blocks & Boards <sup>1</sup>	RCS	1	\$113	\$106	\$99	\$92	\$85
Western Redcedar Flatsawn & Shingle Blocks <sup>1</sup>	RCF	1	47	40	33	26	19
Western Redcedar & Other Posts <sup>2</sup>	RCP	1	0.47	0.47	0.47	0.47	0.47
Douglas-fir Christmas Trees <sup>3</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
True Fir & Other Christmas Trees <sup>3</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup> Stumpage value per MBF net Scribner Scale. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>3</sup> Stumpage value per lineal foot.

**TABLE 5--Stumpage Value Table  
Stumpage Value Area 3**

January 1 through June 30, 1987

WESTERN WASHINGTON MERCHANTABLE SAWTIMBER

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-fir <sup>2</sup>	DF	1	\$246	\$239	\$232	\$225	\$218
		2	173	166	159	152	145
		3	170	163	156	149	142
		4	158	151	144	137	130
		5	116	109	102	95	88
		6	111	104	97	90	83
Western Redcedar <sup>3</sup>	RC	1	182	175	168	161	154
		2	162	155	148	141	134
		3	155	148	141	134	127
		4	154	147	140	133	126
Western Hemlock <sup>4</sup>	WH	1	134	127	120	113	106
		2	114	107	100	93	86
		3	102	95	88	81	74
		4	89	82	75	68	61
		5	81	74	67	60	53
		6	77	70	63	56	49
Other Conifer	OC	1	134	127	120	113	106
		2	114	107	100	93	86
		3	102	95	88	81	74
		4	89	82	75	68	61
		5	81	74	67	60	53
		6	77	70	63	56	49
Red Alder	RA	1	40	33	26	19	12
Black Cottonwood	BC	1	50	43	36	29	22
Other Hardwood	OH	1	72	65	58	51	44
Hardwood Utility	HU	5	17	17	17	17	17
Conifer Utility	CU	5	6	6	6	6	6

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

**TABLE 6--Stumpage Value Table  
Stumpage Value Area 3**

January 1 through June 30, 1987

WESTERN WASHINGTON SPECIAL FOREST PRODUCTS

Stumpage Values per Product Unit

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Western Redcedar-Shake Blocks & Boards <sup>1</sup>	RCS	1	\$113	\$106	\$99	\$92	\$85
Western Redcedar Flatsawn & Shingle Blocks <sup>1</sup>	RCF	1	47	40	33	26	19
Western Redcedar & Other Posts <sup>2</sup>	RCP	1	0.47	0.47	0.47	0.47	0.47

**TABLE 6--cont.**  
Stumpage Values per Product Unit

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-fir Christmas Trees <sup>3</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
True Fir & Other Christmas Trees <sup>3</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup>Stumpage value per MBF net Scribner Scale. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup>Stumpage value per 8 lineal feet or portion thereof.

<sup>3</sup>Stumpage value per lineal foot.

**TABLE 7--Stumpage Value Table**  
Stumpage Value Area 4  
January 1 through June 30, 1987

WESTERN WASHINGTON MERCHANTABLE SAWTIMBER  
Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-fir <sup>2</sup> 01	DF	1	\$229	\$222	\$215	\$208	\$2
		2	212	205	198	191	184
		3	156	149	142	135	128
		4	153	146	139	132	125
		5	108	101	94	87	80
		6	103	96	89	82	75
Western Redcedar <sup>3</sup>	RC	1	169	162	155	148	141
		2	168	161	154	147	140
		3	134	127	120	113	106
		4	128	121	114	107	100
Western Hemlock <sup>4</sup>	WH	1	142	135	128	121	114
		2	124	117	110	103	96
		3	119	112	105	98	91
		4	108	101	94	87	80
		5	77	70	63	56	49
		6	60	53	46	39	32
Other Conifer	OC	1	142	135	128	121	114
		2	124	117	110	103	96
		3	119	112	105	98	91
		4	108	101	94	87	80
		5	77	70	63	56	49
		6	60	53	46	39	32
Red Alder	RA	1	44	37	30	23	16
Black Cottonwood	BC	1	50	43	36	29	22
Other Hardwood	OH	1	72	65	58	51	44
Hardwood Utility	HU	5	17	17	17	17	17
Conifer Utility	CU	5	6	6	6	6	6

<sup>1</sup>Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup>Includes Western Larch.

<sup>3</sup>Includes Alaska-cedar.

<sup>4</sup>Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

**TABLE 8--Stumpage Value Table**  
Stumpage Value Area 4  
January 1 through June 30, 1987

WESTERN WASHINGTON SPECIAL FOREST PRODUCTS  
Stumpage Values per Product Unit

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Western Redcedar Shake Blocks & Boards <sup>1</sup>	RCS	1	\$113	\$106	\$99	\$92	\$85
Western Redcedar Flatsawn & Shingle Blocks <sup>1</sup>	RCF	1	47	40	33	26	19
Western Redcedar & Other Posts <sup>2</sup>	RCP	1	0.47	0.47	0.47	0.47	0.47
Douglas-fir Christmas Trees <sup>3</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
True Fir & Other Christmas Trees <sup>3</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup>Stumpage value per MBF net Scribner Scale. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup>Stumpage value per 8 lineal feet or portion thereof.

<sup>3</sup>Stumpage value per lineal foot.

**TABLE 9--Stumpage Value Table**  
Stumpage Value Area 5  
January 1 through June 30, 1987

WESTERN WASHINGTON MERCHANTABLE SAWTIMBER  
Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-fir <sup>2</sup>	DF	1	\$225	\$218	\$211	\$204	\$197
		2	207	200	193	186	179
		3	173	166	159	152	145
		4	118	111	104	97	90
		5	115	108	101	94	87
		6	110	103	96	89	82
Western Redcedar <sup>3</sup>	RC	1	199	192	185	178	171
		2	167	160	153	146	139
		3	159	152	145	138	131
		4	114	107	100	93	86
Western Hemlock <sup>4</sup>	WH	1	161	154	147	140	133
		2	140	133	126	119	112
		3	139	132	125	118	111
		4	109	102	95	88	81
		5	59	52	45	38	31
		6	55	48	41	34	27
Other Conifer	OC	1	161	154	147	140	133
		2	140	133	126	119	112
		3	139	132	125	118	111
		4	109	102	95	88	81
		5	59	52	45	38	31
		6	55	48	41	34	27
Red Alder	RA	1	65	58	51	44	37
Black Cottonwood	BC	1	50	43	36	29	22

**TABLE 9--cont.**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Other Hardwood	OH	1	72	65	58	51	44
Hardwood Utility	HU	5	17	17	17	17	17
Conifer Utility	CU	5	6	6	6	6	6

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

**TABLE 10--Stumpage Value Table  
Stumpage Value Area 5**

January 1 through June 30, 1987

WESTERN WASHINGTON SPECIAL FOREST PRODUCTS

Stumpage Values per Product Unit

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Western Redcedar Shake Blocks & Boards <sup>1</sup>	RCS	1	\$113	\$106	\$99	\$92	\$85
Western Redcedar Flatsawn & Shingle Blocks <sup>1</sup>	RCF	1	47	40	33	26	19
Western Redcedar & Other Posts <sup>2</sup>	RCP	1	0.47	0.47	0.47	0.47	0.47
Douglas-fir Christmas Trees <sup>3</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
True Fir & Other Christmas Trees <sup>3</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

<sup>1</sup> Stumpage value per MBF net Scribner Scale. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>3</sup> Stumpage value per lineal foot.

**TABLE 11--Stumpage Value Table  
Stumpage Value Area 6**

January 1 through June 30, 1987

EASTERN WASHINGTON MERCHANTABLE SAWTIMBER

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-fir <sup>2</sup>	DF	1	\$99	\$93	\$87	\$81	\$75
Engelmann Spruce	ES	1	78	72	66	60	54
Lodgepole Pine	LP	1	67	61	55	49	43
Ponderosa Pine	PP	1	174	168	162	156	150
		2	103	97	91	85	79

**TABLE 11--cont.**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Western Redcedar <sup>3</sup>	RC	1	137	131	125	119	113
True Firs <sup>4</sup>	WH	1	81	75	69	63	57
Western White Pine	WP	1	176	170	164	158	152
Hardwoods	OH	1	23	17	11	5	1
Utility	CU	5	1	1	1	1	1

<sup>1</sup> Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

**TABLE 12--Stumpage Value Table  
Stumpage Value Area 6**

January 1 through June 30, 1987

EASTERN WASHINGTON SPECIAL FOREST PRODUCTS

Stumpage Values per Product Unit

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Western Redcedar Flatsawn & Shingle Blocks <sup>1</sup>	RCF	1	\$54	\$48	\$42	\$36	\$30
Lodgepole Pine & Other Posts <sup>2</sup>	LPP	1	0.22	0.22	0.22	0.22	0.22
Pine Christmas Trees <sup>3</sup>	PX	1	0.25	0.25	0.25	0.25	0.25
Douglas-fir & Other Christmas Trees <sup>4</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25

<sup>1</sup> Stumpage value per MBF net Scribner Scale. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>3</sup> Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.

<sup>4</sup> Stumpage value per lineal foot.

**TABLE 13--Stumpage Value Table  
Stumpage Value Area 7**

January 1 through June 30, 1987

EASTERN WASHINGTON MERCHANTABLE SAWTIMBER

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-fir <sup>2</sup>	DF	1	\$78	\$72	\$66	\$60	\$54
Engelmann Spruce	ES	1	68	62	56	50	44
Lodgepole Pine	LP	1	58	52	46	40	34

**TABLE 13--cont.**  
Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Ponderosa Pine	PP	1	132	126	120	114	108
		2	84	78	72	66	60
Western Redcedar <sup>3</sup>	RC	1	130	124	118	112	106
True Firs <sup>4</sup>	WH	1	70	64	58	52	46
Western White Pine	WP	1	170	164	158	152	146
Hardwoods	OH	1	23	17	11	5	1
Utility	CU	5	1	1	1	1	1

<sup>1</sup>Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup>Includes Western Larch.

<sup>3</sup>Includes Alaska-cedar.

<sup>4</sup>Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

**TABLE 14--Stumpage Value Table**  
Stumpage Value Area 7  
January 1 through June 30, 1987

EASTERN WASHINGTON SPECIAL FOREST PRODUCTS

Stumpage Values per Product Unit

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Western Redcedar Flatsawn & Shingle Blocks <sup>1</sup>	RCF	1	\$54	\$48	\$42	\$36	\$30
Lodgepole Pine & Other Posts <sup>2</sup>	LPP	1	0.22	0.22	0.22	0.22	0.22
Pine Christmas Trees <sup>3</sup>	PX	1	0.25	0.25	0.25	0.25	0.25
Douglas-fir & Other Christmas Trees <sup>4</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25

<sup>1</sup>Stumpage value per MBF net Scribner Scale. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup>Stumpage value per 8 lineal feet or portion thereof.

<sup>3</sup>Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.

<sup>4</sup>Stumpage value per lineal foot.

**TABLE 15--Stumpage Value Table**  
Stumpage Value Area 10  
January 1 through June 30, 1987

EASTERN WASHINGTON MERCHANTABLE SAWTIMBER

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-fir <sup>2</sup>	DF	1	\$129	\$123	\$117	\$111	\$105
		2	89	83	77	71	65
		3	78	72	66	60	54

**TABLE 15--cont.**  
Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Engelmann Spruce	ES	1	130	124	118	112	106
		2	84	78	72	66	60
		3	83	77	71	65	59
Lodgepole Pine	LP	1	242	236	230	224	218
		2	160	154	148	142	136
		3	72	66	60	54	48
Ponderosa Pine	PP	1	276	270	264	258	252
		2	240	234	228	222	216
		3	123	117	111	105	99
Western Redcedar <sup>3</sup>	RC	1	146	140	134	128	122
		2	108	102	96	90	84
		3	90	84	78	72	66
True Firs <sup>4</sup>	WH	1	121	115	109	103	97
		2	97	91	85	79	73
		3	80	74	68	62	56
Western White Pine	WP	1	258	252	246	240	234
		2	210	204	198	192	186
		3	207	201	195	189	183
Hardwoods	OH	1	23	17	11	5	1
Utility	CU	5	1	1	1	1	1

<sup>1</sup>Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup>Includes Western Larch.

<sup>3</sup>Includes Alaska-cedar.

<sup>4</sup>Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

**TABLE 16--Stumpage Value Table**  
Stumpage Value Area 10  
January 1 through June 30, 1987

EASTERN WASHINGTON SPECIAL FOREST PRODUCTS

Stumpage Values per Product Unit

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Western Redcedar Flatsawn & Shingle Blocks <sup>1</sup>	RCF	1	\$54	\$48	\$42	\$36	\$30
Lodgepole Pine & Other Posts <sup>2</sup>	LPP	1	0.22	0.22	0.22	0.22	0.22
Pine Christmas Trees <sup>3</sup>	PX	1	0.25	0.25	0.25	0.25	0.25
Douglas-fir & Other Christmas Trees <sup>4</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25

<sup>1</sup>Stumpage value per MBF net Scribner Scale. See conversion methods WAC 458-40-684 and 458-40-686.

<sup>2</sup>Stumpage value per 8 lineal feet or portion thereof.

<sup>3</sup>Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.

<sup>4</sup>Stumpage value per lineal foot.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-660, filed 12/31/86.]

**WAC 458-40-670 Timber excise tax--Stumpage value adjustments.** Harvest value adjustments relating to the various logging and harvest conditions shall be allowed against the stumpage values as set forth in WAC 458-40-660 for the designated stumpage value areas with the following limitations:

(1) No harvest adjustment shall be allowed against conifer utility, hardwood utility, or any of the special forest products.

(2) Stumpage value rates for conifer and hardwoods shall be adjusted to a value no lower than one dollar per MBF.

(3) Timber harvesters planning to remove timber from areas having damaged timber may apply to the department for adjustment in stumpage values. Such applications should contain a map with the legal descriptions of the area, a description of the damage sustained by the timber, and a list of estimated costs to be incurred. Such applications shall be sent to the department before the harvest commences. Upon receipt of such application, the department will determine the amount of adjustment allowed, and notify the harvester. Such amount may be taken as a credit against tax liabilities or, if harvest is terminated, a refund may be authorized. In the event the extent of such timber damage or additional costs are not known at the time the application is filed, the harvester may supplement the application not later than ninety days following completion of the harvest unit.

The following harvest adjustment tables are hereby adopted for use during the period of January 1 through June 30, 1987:

**TABLE 1--Harvest Adjustment Table  
Stumpage Value Areas 1, 2, 3, 4, and 5  
January 1 through June 30, 1987**

**WESTERN WASHINGTON MERCHANTABLE SAWTIMBER**

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
<b>I. Volume per acre</b>		
Class 1	Harvest of more than 40 thousand board feet per acre.	\$0.00
Class 2	Harvest of 20 thousand board feet to 40 thousand board feet per acre.	-\$4.00
Class 3	Harvest of 10 thousand board feet to but not including 20 thousand board feet per acre.	-\$7.00
Class 4	Harvest of 5 thousand board feet to but not including 10 thousand board feet per acre.	-\$9.00
Class 5	Harvest of less than 5 thousand board feet per acre.	-\$10.00
<b>II. Logging conditions</b>		
Class 1	Favorable logging conditions and easy road construction. No significant rock outcrops or swamp barriers. Generally flat to gentle slopes under 40%.	\$0.00
Class 2	Average logging conditions and average road construction. Some rock outcrops or swamp barriers. Generally slopes between 40% to 60%.	-\$10.00

**TABLE 1--cont.**

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
Class 3	Difficult logging and road building conditions because of numerous rock outcrops and bluffs. Generally rough, broken ground with slopes in excess of 60%.	-\$21.00
Class 4	For logs which are yarded from stump to landing by helicopter. This does not include special forest products.	-\$99.00
<b>III. Remote island adjustment:</b>		
	For timber harvested from a remote island	-\$50.00
<b>IV. Thinning (see WAC 458-40-610 (20))</b>		
Class 1	Average log volume of 50 board feet or more.	-\$25.00
Class 2	Average log volume of less than 50 board feet.	-\$35.00

**TABLE 2--Harvest Adjustment Table  
Stumpage Value Areas 6, 7, and 10  
January 1 through June 30, 1987**

**EASTERN WASHINGTON MERCHANTABLE SAWTIMBER**

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
<b>I. Volume per acre</b>		
Class 1	Harvest of more than 8 thousand board feet per acre.	\$0.00
Class 2	Harvest of 3 thousand board feet to 8 thousand board feet per acre.	-\$7.00
Class 3	Harvest of less than 3 thousand board feet per acre.	-\$10.00
<b>II. Logging conditions</b>		
Class 1	Favorable logging conditions and easy road construction. No significant rock outcrops or swamp barriers. Generally flat to gentle slopes under 40%.	\$0.00
Class 2	Average logging conditions and average road construction. Some rock outcrops or swamp barriers. Generally slopes between 40% to 60%.	-\$9.00
Class 3	Difficult logging and road building conditions because of numerous rock outcrops and bluffs. Generally rough, broken ground with slopes in excess of 60%.	-\$25.00
Class 4	For logs which are yarded from stump to landing by helicopter. This does not include special forest products.	-\$113.00
<b>III. Remote island adjustment:</b>		
	For timber harvested from a remote island	-\$50.00

**TABLE 3--DOMESTIC MARKET ADJUSTMENT**

Harvest of timber not sold by a competitive bidding process which is prohibited under the authority of state or federal law from foreign export may be eligible for the domestic market adjustment. The adjustment may be applied only to those species of timber which must be

processed domestically. According to type of sale, the adjustment may be applied to the following species:

Federal Timber Sales: All species except Alaska yellow cedar. (Stat. Ref. - 36 CFR 223.10)

State Timber Sales: Western red cedar only. (Stat. Ref. - 50 USC appendix 2406.1)

The adjustment amounts shall be as follows:

Class 1: All eligible species in Western Washington (SVA's 1 through 5) - \$7.00 per MBF

Class 2: All eligible species in Eastern Washington (SVA's 6, 7, and 10) - \$9.00 per MBF

Note: The adjustment will not be allowed on conifer utility, hardwood utility or special forest products.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-670, filed 12/31/86.]

**WAC 458-40-680 Timber excise tax--Volume harvested--Approved scaling and grading methods.** (1) Acceptable log scaling and grading rules--Western Washington: The acceptable log scaling and grading rule shall be the Scribner Decimal C log rule as described in the most current edition of the "Official Log Scaling and Grading Rules" handbook developed and authored by the Northwest Log Rules Advisory Group. These are the official rules for the following log scaling and grading bureaus: Columbia River, Grays Harbor, Northern California, Puget Sound, Southern Oregon, and Yamhill.

(2) Acceptable log scaling rule--Eastern Washington: For Eastern Washington, the acceptable log scaling rule shall be the Scribner Decimal C log rule described in the most current edition of the "National Forest Log Scaling Handbook" (FSH 2409.11) as published by the United States Forest Service. Provided, the maximum scaling length is twenty feet and maximum trim allowance shall be six inches for logs eight to twenty feet in length.

(3) Utility grade defined: For both Western and Eastern Washington, utility grade is defined as logs that do not meet the minimum requirements of peeler or sawmill grades as defined in the handbook published by the Northwest Log Rules Advisory Group, but are suitable for the production of firm usable pulp chips to an amount of not less than fifty percent of the gross scale; and meeting the following minimum requirements:

- Minimum gross diameter--six inches.
- Minimum gross length--twelve feet.
- Minimum recovery requirements--one hundred percent of adjusted gross scale in firm useable pulp chips.

(4) Special services scaling: Special services scaling as described in the Northwest Log Rules Advisory Group handbook shall not be used for tax reporting purposes without prior written approval of the department; and all measurements and grades must be converted to standard Scribner Decimal C log rules as they are described in the handbook.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-680, filed 12/31/86.]

**WAC 458-40-682 Timber excise tax--Volume harvested--Sample scaling.** Sample scaling shall not be used for tax reporting purposes without prior written approval of the department. To be approved, sample scaling must be in accordance with the following guidelines:

(1) Sample selection, scaling, and grading must be conducted on a continuous basis as the unit is harvested.

(2) The sample must be taken in such a manner to assure random, unbiased measurements in accordance with accepted statistical tests of sampling.

(3) The sample used to determine total volume, species, and quality of timber harvested for a given reporting period must have been taken during that period.

(4) Sample frequency shall be large enough to meet board foot variation accuracy limits of plus or minus two and five-tenths percent standard error at the ninety-five percent confidence level.

(5) Harvesters must maintain sufficient supporting documentation to allow the department to verify source data, and test statistical reliability of sample scale systems.

(6) Exceptions: Sampling designs and accuracy standards other than those described herein may only be used with the prior written approval of the department of revenue.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-682, filed 12/31/86.]

**WAC 458-40-684 Timber excise tax--Volume harvested--Conversions to Scribner Decimal C Scale for Western Washington.** The following definitions, tables, and conversion factors shall be used in determining taxable volume for timber harvested that was not originally scaled by the Scribner Decimal C Log Rule. Conversion methods, other than those listed are not to be used for tax reporting purposes without prior written approval of the department.

(1) WEIGHT MEASUREMENT. If the original unit of measure was by weight, and the harvester has not applied for approval of sample scaling (WAC 458-40-682); the following table shall be used for converting to Scribner Decimal C. Harvesters must keep records to substantiate the species and quality codes reported. For tax reporting purposes, a ton equals 2,000 pounds.

(Stumpage Value Areas 1, 2, 3, 4, & 5)

BOARD FOOT WEIGHT SCALE FACTORS (TONS/MBF)

Quality Code	DF*	WH**	Species code			
			RC	RA	HU	CU
1	4.5	5.25	4.5	7.0	---	---
2	5.0	6.0	5.0	---	---	---
3	6.0	6.5	6.5	---	---	---
4	6.5	7.5	7.0	---	---	---
5	7.0	8.0	---	---	8.5	***
6	7.5	8.25	---	---	---	---

\*Includes Douglas-fir, and Sitka Spruce.

\*\*Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, Subalpine Fir, and other conifers not separately designated. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

\*\*\*Contact the department for converting the weight of utility logs to Scribner volume.

(2) CORD MEASUREMENT. A cord is a measure of wood with dimensions of 4 feet by 4 feet by 8 feet (128 cubic feet).

(a) Logs with an average scaling diameter of 8 inches and larger shall be converted to Scribner volume using 400 board feet per cord. Logs having an average scaling diameter of less than 8 inches shall be converted to Scribner volume using 330 board feet per cord.

(b) A cord of Western Redcedar shake or shingle blocks shall be converted to Scribner volume using 600 board feet per cord.

(3) CANTS OR LUMBER FROM PORTABLE MILLS. To convert from lumber tally to Scribner volume, multiply the lumber tally for the individual species by 75% and round to the nearest one thousand board feet (MBF).

(4) EASTERN, WESTERN LOG SCALE CONVERSION. Timber harvested in stumpage value areas 1, 2, 3, 4, and 5 and which has been scaled by methods and procedures published in the "National Forest Log Scaling Handbook" (FSH 2409.11) shall have the volumes reported reduced by eighteen percent to reflect the difference between eastern and western scaling practices.

(5) TIMBER POLE VOLUME TABLE. Harvesters of poles in stumpage value areas 1, 2, 3, 4, and 5 shall use the following table to determine the Scribner board foot volume for each pole length and class:

Pole Length	Pole Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length by Pole Class <sup>2</sup>	
30'	1	110	
	2	70	
	3	60	
	4	60	
	5	50	
	6	50	
	7	40	
	9	40	
	H2	160	
	H1	160	
35'	1	130	
	2	100	
	3	80	
	4	80	
	5	60	
	6	60	
	7	50	
40'	H4	240(240)	
	H3	200(200)	
	H2	180	
	H1	180	
	1	150	
	2	120	
	3	120	
	4	90	
	5	70	
	6	60	
45'	H6	380(380)	
	H5	340(340)	
	H4	340(340)	
	H3	280(270)	
	H2	230(130)	
	H1	230(130)	
	1	190(110)	
	2	150	
	3	120	
	4	120	
50'	5	90	
	6	90	
	H6	430(430)	
	H5	370(370)	
	H4	370(370)	
	H3	300(300)	
	H2	260(260)	
	H1	260(150)	
	1	210(120)	
	2	160	
20'	3	140	
	4	140	
	5	140	
	6	140	
	7	140	
	9	30	
	10	30	
	25'	1	60
		2	60
		3	50
4		50	
5		40	
6		40	
7		30	
9		30	
10		30	

Taxation of Forest Land And Timber

458-40-684

Pole Length	Pole Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length by Pole Class <sup>2</sup>	Pole Length	Pole Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length by Pole Class <sup>2</sup>
55'	H6	470(470)	80'	H6	820(820)
	H5	410(410)		H5	700(700)
	H4	410(410)		H4	700(700)
	H3	330(330)		H3	600(600)
	H2	280(160)		H2	600(600)
	H1	280(160)		H1	540(360)
	1	230(130)		1	440(290)
	2	180		2	360(240)
	3	150		3	290(200)
	4	150			
60'	H6	540(540)	85'	H6	910(910)
	H5	470(470)		H5	800(800)
	H4	470(470)		H4	800(800)
	H3	410(410)		H3	660(660)
	H2	340(210)		H2	660(660)
	H1	340(210)		H1	660(520)
	1	290(180)		1	570(450)
	2	220(150)		2	490(340)
	3	190		3	360(200)
	4	190			
65'	H6	610(610)	90'	H6	1080(1080)
	H5	520(520)		H5	930(930)
	H4	520(520)		H4	930(930)
	H3	420(420)		H3	820(820)
	H2	380(230)		H2	820(820)
	H1	380(230)		H1	690(560)
	1	320(190)		1	590(480)
	2	260(160)		2	490(420)
	3	210		3	400(210)
	4	210			
70'	H6	650(650)	95'	H6	1170(1170)
	H5	560(560)		H5	1000(1000)
	H4	560(560)		H4	1000(1000)
	H3	480(480)		H3	870(870)
	H2	400(240)		H2	870(870)
	H1	400(240)		H1	750(600)
	1	350(210)		1	640(510)
	2	270(170)		2	540(440)
	3	230			
	4	230			
75'	H6	700(700)	100'	H6	1190(1190)
	H5	600(600)		H5	1030(1030)
	H4	600(600)		H4	1030(1030)
	H3	520(520)		H3	900(900)
	H2	520(520)		H2	900(900)
	H1	520(330)		H1	760(610)
	1	440(270)		1	660(530)
	2	290(180)		2	550(450)
	3	250			
75'	H6	700(700)	105'	H6	1310(1310)
	H5	600(600)		H5	1160(1160)
	H4	600(600)		H4	1160(1160)
	H3	520(520)		H3	1000(1000)
	H2	520(520)		H2	1000(1000)
	H1	520(330)		H1	860(700)
	1	440(270)		1	740(600)
	2	290(180)		2	610(510)
	3	250			

Pole Length	Pole Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length by Pole Class <sup>2</sup>	Piling Length	Piling Class <sup>1</sup>	Total Scribner Board Foot Volume by Piling Length by Piling Class <sup>2</sup>
110'	H6	1370(1370)	20'	A	80
	H5	1220(1220)		B	70
	H4	1220(1220)	25'	A	100
	H3	1050(1050)		B	90
	H2	1050(1050)	30'	A	130
	H1	910(740)		B	110
	1	780(640)	35'	A	130
	2	650(540)		B	110
115'	H6	1440(1440)	40'	A	150
	H5	1280(1280)		B	120
	H4	1280(1280)	45'	A	150
	H3	1100(1100)		B	120
	H2	1100(1100)	50'	A	160
	H1	960(780)		B	140
	1	860(670)	55'	A	180
	2	680(570)		B	150
120'	H6	1660(1660)	60'	A	190
	H5	1460(1460)		B	160
	H4	1460(1460)	65'	A	210
	H3	1300(1300)		B	180
	H2	1300(1300)	70'	A	230
	H1	1140(960)		B	190
	1	970(820)	75'	A	230
	2	820(700)		B	200
125'	H6	1840(1840)	80'	A	250
	H5	1600(1600)		B	210
	H4	1600(1600)	85'	A	260(140)
	H3	1410(1410)		B	210
	H2	1410(1410)	90'	A	260(150)
	H1	1250(1100)		B	220
	1	1080(940)	95'	A	290(150)
	2	930(830)		B	240
130'	H6	1920(1920)	100'	A	310(160)
	H5	1680(1680)		B	250
	H4	1680(1680)	105'	A	330(170)
	H3	1490(1490)		B	270
	H2	1490(1490)	110'	A	380(220)
	H1	1310(1160)		B	300(180)
	1	1120(990)	115'	A	400(230)
	2	970(870)		B	310(190)
			120'	A	500(290)
				B	400(240)

<sup>1</sup> Pole class definitions taken from American National Standard specifications and dimensions for wood poles as approved August 7, 1976 under American National Standard Institute, Inc. codified ANSI 05.1-1972.

<sup>2</sup> The number, enclosed in parenthesis after the total Scribner pole volume for each pole length and class, is the volume per pole for Number 2 Sawmill and better log grade, where applicable.

(6) TIMBER PILING VOLUME TABLE. Harvesters of piling in stumpage value areas 1, 2, 3, 4, and 5 shall use the following table to determine the Scribner board foot volume for each piling length and class:

<sup>1</sup> Piling class definitions as per American Society for Testing and Materials for "round timber piles." As the designation: D 25-58 (reapproved 1964).

<sup>2</sup>The number, enclosed in parenthesis after the total Scribner board foot volume for each piling length and class, is the volume per piling for Number 2 Sawmill and better log grade, where applicable.

(7) Harvesters who wish to use a method of conversion other than those listed above must obtain written approval from the department before harvesting.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-684, filed 12/31/86.]

**WAC 458-40-686 Timber excise tax--Volume harvested--Conversions to Scribner Decimal C Scale for Eastern Washington.** The following definitions, tables, and conversion factors shall be used in determining taxable volume for timber harvested that was not originally scaled by the Scribner Decimal C Log Rule. Conversion methods, other than those listed are not to be used for tax reporting purposes without prior written approval of the department.

(1) **WEIGHT MEASUREMENT.** If the original unit of measure was by weight, and the harvester has not applied for approval of sample scaling (WAC 458-40-682); the following table shall be used for converting to Scribner Decimal C. Harvesters must keep records to substantiate the species and quality codes reported. For tax reporting purposes, a ton equals 2,000 pounds.

(Stumpage Value Areas 6, 7, & 10)  
BOARD FOOT WEIGHT SCALE FACTORS

Species	Tons/MBF
Ponderosa Pine (quality code 1)	5.0
Ponderosa Pine (quality code 2)	6.5
Douglas-fir*	5.5
Lodgepole Pine	6.0
Western Hemlock**	5.5
Englemann Spruce	4.5
Western Redcedar***	4.5

\*Includes Western Larch.

\*\*Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

\*\*\*Includes Alaska-cedar.

(2) **CORD MEASUREMENT.** A cord is a measure of wood with dimensions of 4 feet by 4 feet by 8 feet (128 cubic feet).

(a) Logs with an average scaling diameter of 8 inches and larger shall be converted to Scribner volume using 470 board feet per cord. Logs having an average scaling diameter of less than 8 inches shall be converted to Scribner volume using 390 board feet per cord.

(b) A cord of Western Redcedar shake or shingle blocks shall be converted to Scribner volume using 600 board feet per cord.

(3) **CANTS OR LUMBER FROM PORTABLE MILLS.** To convert from lumber tally to Scribner volume, multiply the lumber tally for the individual species by 88% and round to the nearest one thousand board feet (MBF).

(4) **EASTERN, WESTERN LOG SCALE CONVERSION.** Timber harvested in stumpage value areas 6, 7, and 10 and which has been scaled by methods and procedures published in the "Official Log Scaling and Grading Rules" handbook, developed and authored by the Northwest log rules advisory group, shall have the volumes reported increased by eighteen percent to reflect the difference between eastern and western scaling practices.

(5) **TIMBER POLE VOLUME TABLE.** Harvesters of poles in stumpage value areas 6, 7, and 10 shall use the following table to determine the Scribner board foot volume for each pole length and class. The timber quality code number shall be determined in accordance with the log grade specifications outlined in WAC 458-40-650.

Length	Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length and Pole Class <sup>2</sup>	
20'	1	70	
	2	60	
	3	50	
	4	50	
	5	30	
	6	30	
	7	20	
	9	20	
	10	20	
	25'	1	80
2		70	
3		50	
4		50	
5		40	
6		40	
7		30	
9		30	
10		20	
30'		1	110
	2	90	
	3	60	
	4	60	
	5	50	
	6	50	
	7	50	
	9	40	
	35'	H2	190
		H1	160
1		140	
2		100	
3		100	
4		70	
5		60	
6	60		
7	50		

Length	Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length and Pole Class <sup>2</sup>	Length	Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length and Pole Class <sup>2</sup>
40'	H3	240	65'	H6	650
	H2	240		H5	570
	H1	200		H4	570
	1	170		H3	490
	2	120		H2	480
	3	110		H1	410
45'	4	100	1	350	
	5	70	2	280	
	6	70	3	220	
	H6	390	4	220	
	H5	330	H6	750	
	H4	330	H5	650	
	H3	270	H4	650	
	H2	270	H3	550	
	H1	220	H2	470	
	1	180	H1	470	
	2	150	1	410	
	3	110	2	320	
4	110	3	260		
5	80	4	260		
6	70	75'	H6	810	
H6	460		H5	700	
H5	390		H4	700	
H4	390		H3	600	
H3	340		H2	600	
H2	340		H1	500	
H1	280		1	440	
1	240		2	340	
2	190		3	270	
3	150		H6	960	
4	150		H5	830	
5	120		H4	830	
50'	H6	510	H3	710	
	H5	430	H2	710	
	H4	430	H1	610	
	H3	370	1	510	
	H2	360	2	420	
	H1	300	3	340	
	1	250	80'	H6	1020
	2	190		H5	870
	3	150		H4	870
	4	150		H3	760
	H6	610		H2	760
	H5	530		H1	640
H4	530	1		550	
H3	440	2		450	
H2	440	3		360	
H1	380	85'		H6	1020
1	310			H5	870
2	240			H4	870
3	200		H3	760	
4	200	H2	760		
60'			H1	640	
			1	550	
			2	450	
			3	360	

Length	Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length and Pole Class <sup>2</sup>	Length	Class <sup>1</sup>	Total Scribner Board Foot Volume by Pole Length and Pole Class <sup>2</sup>
90'	H6	1110	120'	H6	1880
	H5	970		H5	1680
	H4	970		H4	1680
	H3	840		H3	1480
	H2	840		H2	1480
	H1	720		H1	1290
	1	620		1	1130
	2	500		2	950
	3	420		H6	1910
95'	H6	1160	125'	H5	1690
	H5	1010		H4	1690
	H4	1010		H3	1490
	H3	870		H2	1490
	H2	870		H1	1140
	H1	740		1	970
	1	640		2	810
	2	510		H6	2170
				H5	1920
100'	H6	1380	130'	H4	1920
	H5	1210		H3	1710
	H4	1210		H2	1710
	H3	1060		H1	1510
	H2	1060		1	1320
	H1	910		2	1140
	1	780			
	2	650			
105'	H6	1430			
	H5	1250			
	H4	1250			
	H3	1100			
	H2	1100			
	H1	940			
	1	820			
	2	690			
110'	H6	1580			
	H5	1390			
	H4	1390			
	H3	1220			
	H2	1220			
	H1	1070			
	1	920			
	2	770			
115'	H6	1660			
	H5	1470			
	H4	1470			
	H3	1280			
	H2	1280			
	H1	970			
	1	810			
	2	680			

<sup>1</sup> Pole class definitions as per American National Standard specifications and dimensions for wood poles as approved August 7, 1976 under American National Standard Institute, Inc. codified ANSI 05.1-1972.

<sup>2</sup> Volumes are based on the Scribner Decimal C Log Rule using methods and procedures outlined in the current edition of the "National Forest Log Scaling Handbook."

(6) TIMBER PILING VOLUME TABLE. Harvesters of piling in stumpage value areas 6, 7, and 10 shall use the following table to determine the Scribner board foot volume for each piling length and class. The timber quality code number shall be determined by procedures outlined in WAC 458-40-650.

Length	Class <sup>1</sup>	Total Scribner Board Foot Volume by Piling Length by Piling Class <sup>2</sup>
20'	A	90
	B	70
25'	A	100
	B	80
30'	A	130
	B	110
35'	A	140
	B	100

Length	Class <sup>1</sup>	Total Scribner Board Foot Volume by Piling Length by Piling Class <sup>2</sup>
40'	A	140
	B	100
45'	A	150
	B	110
50'	A	190
	B	150
55'	A	190
	B	150
60'	A	240
	B	200
65'	A	240
	B	200
70'	A	260
	B	210
75'	A	270
	B	220
80'	A	220
	B	220
85'	A	300
	B	240
90'	A	280
	B	280
95'	A	360
	B	280
100'	A	360
	B	280
105'	A	400
	B	300
110'	A	460
	B	340
115'	A	470
	B	360
120'	A	560
	B	450

<sup>1</sup> Piling class definitions taken from American Society for Testing and Materials for "round timber piles." As the designation: D 25-56 (reapproved 1964).

<sup>2</sup> Volumes are based on the Scribner Decimal C Log Rule using methods and procedures outlined in the current edition of the "National Forest Log Scaling Handbook."

(7) Harvesters who wish to use a method of conversion other than those listed above must obtain written approval from the department before harvesting.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-686, filed 12/31/86.]

**WAC 458-40-690 Timber excise tax—Credit for property tax.** In accordance with RCW 84.33.077 and 84.36.473, persons engaged in business as harvesters of timber from public land shall be allowed a tax credit against the timber excise tax imposed under chapter 84.33 RCW for any personal property taxes paid to a county on such public timber sales. The credit shall be allowed only for property taxes paid on public timber purchased on or after August 1, 1982. The credit shall be taken only on excise taxes due on timber harvested from public land. No excise tax credits shall be allowed against excise taxes due on timber harvested from private land.

(1) Amount of credit. The total dollar amount of all excise tax credits claimed on one or more sales shall not exceed the total amount of all personal property taxes levied and paid on such timber. No excise tax credit shall be allowed for property tax penalties or interest charges imposed on delinquent property taxes. No excise tax credits shall be allowed prior to payment of personal property taxes, and the amount of credit allowed shall not exceed the amount of property tax actually paid as certified by the county treasurer.

(2) Excess credits and refunds. If the amount of the credit exceeds the amount of timber excise tax due for the calendar quarter in which the credit is claimed, the excess credit shall be carried forward to the new quarterly reporting period and applied against the amount of timber excise tax due, if any, on public timber. Excise tax refunds for unused credit shall be made only if the taxpayer has no public timber sales pending against which to apply the unused credit.

(3) Credit application procedures. Taxpayers who wish to claim such timber excise tax credits must apply on forms prepared by the department. The application must be certified by the county assessor and treasurer of the county in which the property taxes were paid. Application forms shall be made available in the offices of county assessors, county treasurers, and the department. The applications must be submitted with timber excise tax returns for taxes due on public timber.

[Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-690, filed 12/31/86.]

**Chapter 458-50 WAC  
INTERCOUNTY UTILITIES AND  
TRANSPORTATION COMPANIES—ASSESSMENT  
AND TAXATION**

**WAC**

- 458-50-010 Assessment of public utilities—Purpose—Definitions.
- 458-50-020 Annual reports—Duty to file.
- 458-50-030 Annual reports—Contents.
- 458-50-040 Annual reports—Time of filing—Extension of time.
- 458-50-050 Access to books, records, and property.
- 458-50-060 Failure to make report—Default valuation—Penalty—Estoppel.
- 458-50-070 Annual assessment—Procedure.
- 458-50-080 True cash value—Criteria.
- 458-50-090 Methods of valuation.
- 458-50-100 Apportionment of operating property to the various counties and taxing districts.
- 458-50-110 Apportionment reports.

458-50-120 Notification of real estate transfers.  
 458-50-130 Taxing district boundary changes—Estoppel.

**WAC 458-50-010 Assessment of public utilities—Purpose—Definitions.** (1) **Introduction.** The department of revenue has the statutory responsibility valuing and apportioning the operating property of inter-county and inter-state public utilities. This responsibility is a task of considerable magnitude, and requires the combined efforts and cooperation of the department of revenue, the county assessors, and the public utilities in order to ensure accurate and fair assessment and apportionment of utility operating property at minimal overall expense to all parties concerned.

(2) **Purpose.** These rules are promulgated by the department of revenue, pursuant to the authority granted by RCW 82.01.060 and 82.12.360, for the purpose of performing the valuation and apportionment of public utility operating property in an expeditious, orderly, and uniform manner consistent with the department's duties as set forth in chapter 84.12 RCW.

(3) **Definitions.**

(A) For purposes of chapter 458-50 WAC, and unless otherwise required by the context, the meaning given to the terms set forth in RCW 84.12.200 shall be applicable to such terms as used herein.

(B) The term "department" shall mean the department of revenue of the state of Washington.

[Order PT 75-2, § 458-50-010, filed 3/19/75.]

**WAC 458-50-020 Annual reports—Duty to file.** Each company doing an inter-county or interstate business in this state shall make and file an annual report with the department. At the time of making such report, each company shall if directed by the department also file with the department:

(1) Annual reports of the board of directors or other officers to the stockholders of the company.

(2) Duplicate copies of the annual reports made to the federal regulatory agency or agencies exercising jurisdiction over the company.

(3) Duplicate copies of the annual reports made to the Washington state utilities and transportation commission or other Washington state regulatory agency exercising jurisdiction over the company.

(4) Duplicate copies of such other annual or special reports as the department may, from time to time, direct each company to make.

[Order PT 75-2, § 458-50-020, filed 3/19/75.]

**WAC 458-50-030 Annual reports—Contents.** Annual reports shall be made on forms furnished by the department, and shall contain such information as is required to enable the department to determine the true and fair value of a company's operating property in the state, and the apportionment thereof to the several counties and taxing districts. The report shall be signed by the president, treasurer or other responsible official of the company.

(1986 Ed.)

(1) In determining what types of information shall be required to be included in the annual report, the department may take into account, among other factors, the necessity and worth of such information in valuing, allocating or apportioning operating property; whether such information is of the type customarily maintained by the industry for internal accounting or regulatory agency purposes; and the cost and difficulty of obtaining or maintaining such information. The department's determination shall be final, and no company shall be excused from providing such information except upon a clear showing that undue hardship would result.

(2) On or before December 1st of the year preceding the calendar year to be covered by the annual report, the department shall notify the companies of the types of information required to be included in the annual report for such forthcoming year: *Provided*, That the foregoing requirement shall not be applicable for calendar year 1975.

[Order PT 75-2, § 458-50-030, filed 3/19/75.]

**WAC 458-50-040 Annual reports—Time of filing—Extension of time.** Annual reports shall be filed with the department on or before the fifteenth day of March. The department may grant a reasonable extension of time, not to exceed thirty days, upon written application of the company filed with the department on or before the fifteenth day of March, and showing good cause why such an extension is required. In the event any other report required to be filed with the department, e.g., annual stockholders report or regulatory agency report, is not available at the time the annual report is filed, the company shall so notify the department and thereafter file such report as soon as it becomes available.

[Order PT 75-2, § 458-50-040, filed 3/19/75.]

**WAC 458-50-050 Access to books, records, and property.** The department shall have access to all books, papers, documents, statements and accounts on file or of record in any of the departments of the state. The records, books, accounts, and papers of each company shall be subject to visitation, investigation, or examination by the department, or any employee or agent thereof officially designated by the department. All real and/or personal property of any company shall be subject to visitation, investigation, examination and/or listing at any and all times by the department, or any person officially designated by the director.

[Order PT 75-2, § 458-50-050, filed 3/19/75.]

**WAC 458-50-060 Failure to make report—Default valuation—Penalty—Estoppel.** (1) If any company, or any of its officers or agents shall refuse or neglect to make any report required by law or by the department, or shall refuse to permit an inspection and examination of its records, books, accounts, papers or property requested by the department, or shall refuse or neglect to appear before the department in obedience to a subpoena, the department shall proceed, in such manner as it may deem best, to obtain facts and information upon

which to base its valuation, assessment, and apportionment of such company.

(2) Willful failure to file with the department any report required by the department within the time fixed by law, including any extension granted by the department, shall constitute refusal or neglect to make a report, and the department may proceed in accordance with subsection (1) to value, assess, and apportion the property of such company as if no report had been made.

(3) **Penalty.** When the department has ascertained the value of the property of such company in accordance with subsections (1) or (2), it shall add to the value so ascertained twenty-five percent as a penalty.

(4) Where the department has proceeded in accordance with subsections (1) or (2), such company shall be estopped to question or impeach the valuation, assessment, or apportionment made by the department in any administrative or judicial proceeding thereafter.

[Order PT 75-2, § 458-50-060, filed 3/19/75.]

**WAC 458-50-070 Annual assessment—Procedure.**

(1) **In general.** Annually between the fifteenth day of March and the first day of July the department shall proceed to list and value the operating property of each company subject to assessment by the department. The department shall prepare a report summarizing the information, factors and methods used in determining the tentative value of each such company (hereafter called "report of tentative value"). The department shall prepare an assessment roll upon which shall be placed after the name of each company a general description of the operating property of the company described in accordance with RCW 84.12.200(17) and WAC 458-50-010, following which shall be entered the actual cash value as tentatively determined by the department.

(2) **Notice of tentative value.** On or before the thirtieth day of June, the department shall notify each company by mail of the tentative valuation entered upon such assessment roll. At the time of making such notification, the department shall also transmit to the company the report of tentative value prepared by the department. Upon written request of a county assessor the department shall also transmit the report of tentative value to such assessor.

**(3) Hearings.**

(A) **In general.** Each company may petition the department for a hearing relating to the value of its operating property as tentatively determined by the department and to the value of other taxable properties in the counties in which its operating property is situated. Such petition shall be made in writing and filed with the department on or before the ninth day of July. The department shall appoint a time between the tenth and twenty-fifth days of July, for the conduct of such hearing, which may be held in such places throughout the state as the department may deem proper or necessary. Notice of the time and place of any or all hearings shall be given to any person upon request.

(B) The hearing shall be conducted by the director or by any employee or agent of the department designated by the director. A record of the proceedings shall be

kept and shall be considered a public record. The hearing shall be recorded with a recording device and the recordings shall become a part of the record of the proceedings and considered a part of the public record. All records and documents presented at the hearing shall become a part of the record of the proceeding and shall be considered a part of the public record, except as provided in subsection (C), below.

(C) The hearing shall be open to the public, except (i) when the company proposes to offer in evidence information relating to its assessment if disclosure of such information to other persons would violate the company's right to privacy or would result in an unfair competitive disadvantage to such company; or (ii) when the department proposes to offer in evidence information which has been obtained pursuant to RCW 84.12.240 if the disclosure of such information to other persons would violate the company's right to privacy or would result in an unfair competitive disadvantage to such company. The hearing at this point shall be closed to the public unless the company consents to the proceeding remaining open to the public.

(D) Testimony recorded, and all records and documents of a confidential nature introduced, during the period when the hearing is closed to the public shall become a part of the record, but shall not be disclosed except upon order of a court of competent jurisdiction or upon consent of the company.

(E) Records of the proceedings shall be maintained for a period of seven years following the close of the hearing.

(4) **Determination of final value.** On or before the twentieth day of August, the department shall make a final determination of the true and correct actual cash value of each company's operating property appearing on the assessment roll. The department may raise or lower the value from that amount tentatively set pursuant to WAC 458-50-070: *Provided*, That failure of a company to request a hearing shall not preclude the department from setting a final value higher or lower than that amount tentatively set pursuant to WAC 458-50-070: *Provided further*, That where a company has not requested a hearing, the department shall not adopt a final value higher than that tentatively set except after giving five days written notice to the company. The department shall notify each company by mail of the final true and correct actual cash value as determined by the department.

[Order PT 75-2, § 458-50-070, filed 3/19/75.]

**WAC 458-50-080 True cash value—Criteria.** (1) The true cash value of the operating property of public utilities is its "market value," *i.e.*, the amount of money a buyer willing but not obligated to buy would pay for such operating property from a seller willing but not obligated to sell. In arriving at a determination of such value the department may consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and the department shall consider all such factors to the extent that reliable information is available to

support a judgment as to the probable effect of such factors on price.

(2) In determining the true cash value of such operating property the department shall proceed in accordance with generally accepted principles applicable to the valuation of public utilities. The department may consider the cost approach, the income approach and the stock and debt approach to value. Any one of the three approaches to value, or all of them, or a combination of approaches may finally be used in making the final determination of true cash value, depending upon the circumstances.

(A) *The cost approach.* The cost approach determines the value of individual items of property. The types of cost include:

- (i) Historical – cost when first put in service
- (ii) Original – cost to present owner
- (iii) Reproduction – cost today to produce in kind
- (iv) Replacement – cost today to replace present property with a functional equivalent.

The department shall make adequate and reasonable allowances for depreciation, including functional and economic obsolescence where such factors are indicated, but in no event shall property be depreciated below salvage or scrap value.

(B) *Income approach.* The income approach determines the ability of operating property to earn a probable money income over some span of future years, discounted to a present value by means of an appropriate capitalization rate.

(i) *Future income stream.* The income to capitalize is the probable future average annual operating income to be derived from operating properties that exist on the assessment date. In making this estimate of probable future average annual operating income, the department may take into account past earnings, present earnings, the growth or shrinking of the property complex, demand for services provided by the company, and all other factors which can within reason be said to indicate the probable future income stream.

(ii) *Capitalization rate.* The capitalization rate may be derived by the comparative method, summation method, band of investment method, or other generally accepted method. Any one of these methods, or any combination thereof, may be used by the department in deriving the appropriate capitalization rate to be applied to probable future average annual operating income.

(C) *Stock and debt approach.* The stock and debt approach determines the value of a company's assets by appraising the value of the liabilities of the company, such as current liabilities, long term debt, reserves, deferred credits, and stockholder's equity. This approach is applicable only where a "unitary" or "enterprise" value is sought. Appropriate deductions shall be made for nonoperating property of the enterprise where necessary.

[Order PT 75-2, § 458-50-080, filed 3/19/75.]

**WAC 458-50-090 Methods of valuation.** The department shall use either the summation method or "unitary" or "enterprise" method in valuing the operating property of companies. As a general rule, the unitary

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or enterprise method is preferred where valuing a thoroughly integrated group of properties such that removal or destruction of any one property would jeopardize and/or immobilize the entire operation of the company. The summation method is preferred where adequate information is not available to derive reliable indicators of unitary or enterprise value, and the nature of the operating property is such that it may be segregated into component parts and the value of the parts readily determined. Notwithstanding the provisions of WAC 458-50-080, the department may, in using the summation method, employ the comparable sales or "market" approach to value to the exclusion of any other approach.

[Order PT 75-2, § 458-50-090, filed 3/19/75.]

**WAC 458-50-100 Apportionment of operating property to the various counties and taxing districts.** (1) **In general.** The department shall apportion the value of all public utility companies to the various counties in such a manner as will reasonably reflect the true cash value of the operating property located within each county and taxing district. Since it is impossible to determine with mathematical precision the precise value of each item of property located within each county and taxing district, the department shall apportion the value of operating property on the following basis:

(A) *Railroad companies* – The ratio that mileage of track, as classified by the department, situated within each county and taxing district bears to the total mileage of track within the state as of January 1 of the assessment year. In the event there exists operating property of railroad companies in counties or taxing districts not having track mileage, the department shall situs such property and apportion value directly on the basis of cost as determined in accordance with the cost approach set forth in WAC 458-50-080(A).

(B) *Pipeline companies* – The ratio that inch-equivalent of miles of pipeline situated within each county or taxing district bears to the total inch-equivalent of miles of pipeline within the state as of January 1 of the assessment year. In the event there exists operating property of pipeline companies in counties or taxing districts not having pipeline mileage, the department shall situs such property and apportion value to such county or taxing district directly on the basis of cost as determined in accordance with the cost approach set forth in WAC 458-50-080(A).

(C) *Telegraph companies* – The ratio that the cost (historical or original) of operating property situated within each county and taxing district bears to the cost (historical or original) of all operating property within the state as of January 1 of the assessment year.

(D) *Motor vehicle transportation companies* – The ratio that the cost (historical or original) of tangible operating property situated within each county or taxing district bears to the total cost (historical or original) of all tangible operating property within the state as of January 1 of the assessment year: *Provided*, that intangible property shall be apportioned on the basis of the ratio that mileage operated over franchised route within

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a county or taxing district bears to the total mileage operated over such franchised route within the state during the previous calendar year.

(E) *Telephone companies* – The ratio that the cost (historical or original) of operating property situated within each county or taxing district bears to the total cost (historical or original) of all operating property within the state as of January 1 of the assessment year.

(F) *Electric light and power companies* – The ratio that cost (historical or original) of operating property situated within each county and taxing district bears to the total cost (historical or original) of all operating property within the state as of January 1 of the assessment year.

(G) *Gas companies* – The ratio that cost (historical or original) of operating property situated within each county and taxing district bears to the total cost (historical or original) of all operating property within the state as of January 1 of the assessment year: *Provided*, The value of pipeline shall be allocated on the basis of the ratio that inch–equivalent of miles of pipeline situated within each county or taxing district bears to the total inch–equivalent of miles of pipeline within the state as of January 1 of the assessment year.

(H) *Airplane companies* – The ratio that cost (historical or original) of operating property situated within each county and taxing district bears to the total cost (historical or original) of operating property within the state as of January 1 of the assessment year: *Provided*, That the value of aircraft shall be apportioned on the basis of the ratio that landings and take–offs of such aircraft within each county and taxing district bears to the total landings and take–offs within the state during the previous calendar year.

(I) *Steamboat companies* – The ratio that cost (historical or original) of operating property situated within each county and taxing district bears to the total cost (historical or original) of operating property within the state as of January 1 of the assessment year: *Provided*, That the value of watercraft shall be apportioned on the basis of the ratio that calls of such watercraft at ports within each county and taxing district bears to the total calls at all ports of call within the state during the previous calendar year.

[Order PT 75–2, § 458–50–100, filed 3/19/75.]

**WAC 458–50–110 Apportionment reports.** (1) On or before April 15 of each year the department shall furnish taxing district maps and report forms (hereinafter referred to as "apportionment reports") to each railroad, pipeline, telegraph, telephone, electric light and power, and gas company.

(2) Each company furnished an apportionment report shall complete and submit such report to the department on or before June 1 of the assessment year. Since all apportionment reports must be in the department's hands by June 1 in order to permit adequate opportunity to properly apportion operating property in accordance with WAC 458–50–100, an extension of time for filing such reports will be granted only upon a showing of undue hardship.

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[Order PT 75–2, § 458–50–110, filed 3/19/75.]

**WAC 458–50–120 Notification of real estate transfers.** Each company shall notify the department of any transfer of title, use or occupancy of operating property consisting of real property, whether such transfer is to or from such company. Such notification shall contain the legal description of the property, date of transfer, and name and address of transferor and transferee. For purposes of this rule, it shall be sufficient to transmit a copy of the deed, real estate contract, or lease (as the case may be) to the department. Such notification shall be made within ninety days of the effective date of such transfer.

[Order PT 75–2, § 458–50–120, filed 3/19/75.]

**WAC 458–50–130 Taxing district boundary changes—Estoppel.** (1) In accordance with RCW 84.09-.030 and WAC 458–12–140, the county assessor is required on or before March 1 to transmit certain documents and maps setting forth taxing district boundary changes to the department of revenue, property tax division.

(2) The department shall prepare taxing district maps based upon information submitted to it on or before March 1. Such maps shall be used to fix taxing district boundaries for purposes of apportioning the operating property of each company among the various counties and taxing districts. Any county or taxing district not having submitted the documents and maps as required by WAC 458–12–140 shall be estopped from questioning the validity of any apportionment of value to it as determined by the department to the extent that such challenge is based upon taxing district boundaries different than as shown on the department's maps.

[Order PT 75–2, § 458–50–130, filed 3/19/75.]

### Chapter 458–53 WAC PROPERTY TAX ANNUAL RATIO STUDY

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## DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

- 458-53-060 Stratification—Personal property. [Statutory Authority: RCW 84.48.075. 79-11-029 (Order PT 79-3), § 458-53-060, filed 10/11/79. Formerly WAC 458-52-050.] Repealed by 84-14-039 (Order PT 84-2), filed 6/29/84. Statutory Authority: RCW 84.48.075.
- 458-53-170 Final indicated ratio—Computation. [Statutory Authority: RCW 84.48.075. 79-11-029 (Order PT 79-3), § 458-53-170, filed 10/11/79. Formerly WAC 458-52-110.] Repealed by 84-14-039 (Order PT 84-2), filed 6/29/84. Statutory Authority: RCW 84.48.075.
- 458-53-190 County assessor's review. [Statutory Authority: RCW 84.48.075. 79-11-029 (Order PT 79-3), § 458-53-190, filed 10/11/79. Formerly WAC 458-52-130.] Repealed by 84-14-039 (Order PT 84-2), filed 6/29/84. Statutory Authority: RCW 84.48.075.

**WAC 458-53-010 Declaration of purpose.** This chapter is promulgated by the department of revenue in compliance with RCW 84.48.075 to describe procedures for determination of indicated ratios of property for each county, so as to accomplish the equalization of property values required by RCW 84.12.350, 84.16.110, 84.48.080 and 84.52.065. The procedures described in this chapter for the department's annual ratio study are designed to ensure uniformity and equity in taxation throughout the state to the maximum extent possible.

[Statutory Authority: RCW 84.48.075. 79-11-029 (Order PT 79-3), § 458-53-010, filed 10/11/79. Formerly WAC 458-52-010.]

**WAC 458-53-020 Definitions.** (1) "Advisory values" mean the true and fair value determinations by department appraisers or auditors made at the request of the county assessor.

(2) "Appraisal" means the determination of the true and fair value of real property by department appraisers or county appraisers certified under RCW 36.21.015.

(3) "Audit" means the determination of true and fair value of taxable personal property through examination of the records of the property owner by department auditors or county auditors of the assessor's staff who are qualified by training and experience in making such examinations.

(4) "Average assessed value" is the total county assessed value of a sample grouping or classification of real or personal property divided by the number of properties in the sample.

(5) "Average true and fair personal property value" is the total value of a sample grouping or classification as determined from personal property audits divided by the number of audits in the sample group.

(6) "Average market value" is the total sales price, less five percent, of a sample grouping or classification of real property divided by the number of properties in the sample, or the total appraised value of a sample grouping or classification of real property divided by the number of appraisals in the same group.

(7) "Department" means the department of revenue.

(8) "Director" means the director of revenue.

(9) "Land Use Code" as designated by the department means the identification of each real property parcel by numerical digits as representations of the actual

major use of the property. This Land Use Code is derived from the Standard Land Use Coding Manual as prepared by the Federal Bureau of Public Roads.

(10) "Personal property" for the purpose of the ratio rules means the items of personal property as identified on the county assessment roll, and it shall include all personal property required to be reported by the taxpayer under RCW 84.40.185, but excluding property owned by and assessed to another taxpayer.

(11) "Ratio" is the percentage relationship of real property assessed value to the true and fair value of real property as determined by real property sales, by department appraisals, or by department approved county appraisals; or the percentage relationship of personal property assessed value to the true and fair value of personal property as determined from department audits or from department approved county audits.

(12) "Ratio study" is the department's annual comparison of the relationship between the county assessed values of real and personal property with the true and fair value of that property as determined by the department's analysis of sales, appraisals, and/or audits.

(13) "Sales study" is the comparison of the assessed value of real property with the selling price of the same property.

(14) "Stratification" means the grouping of the real or personal property assessment records into specific assessed value classes and/or use code classes for measurement purposes.

(15) "Stratum" refers to a single class of property with a given range of assessed value or having the same use code.

(16) "Strata" refer to classes of property grouped by assessed value and/or use codes.

(17) "Taxable real property parcels" means all real property parcels shown as subject to taxation on the county assessment record.

(18) "Trending" consists of adjusting the sales price of a property or the appraisal value from the time of sale or appraisal to a specific point in time which is the January 1 assessment date of the study. Trending will be for time only and developed from market data only.

(19) "True and fair value" means market value and has the same meaning as defined by WAC 458-12-300.

[Statutory Authority: RCW 84.48.075. 79-11-029 (Order PT 79-3), § 458-53-020, filed 10/11/79. Formerly WAC 458-52-020.]

**WAC 458-53-030 Stratification of assessment rolls—Real property.** (1) The stratification process is the grouping of data into meaningful classifications for informational or analytical purposes. Stratification is used in determining the number of appraisals or audits needed for ratio study purposes and also is used in actual ratio computation. The latest available official county assessment roll values are used in ratio study stratification procedures.

Assessed valuation presently forms the basis for stratification of assessment rolls and is used because the nature of most assessors' records provides a state-wide uniformity for this characteristic. Also, the values in this classification generally are indicative of property types.

By not later than the 1982 assessment year a land use classification system will replace the value stratification as assessors' records uniformly reflect properties according to their use.

(2) The stratification of the real property assessment rolls will include a parcel count of the taxable real property parcels less forest lands, current use properties in those counties where a separate study is conducted pursuant to WAC 458-53-110(4), and state assessed properties. For the real property ratio study, the assessment roll will be stratified for individual counties according to the following assessed value strata, including an upper limit strata containing a representative number of parcels.

\$	0 - \$ 19,999
	20,000 - 39,999
	40,000 - 59,999
	60,000 - 99,999
	100,000 - 199,999
	200,000 - and over

Upper value stratas:

\$ 40,000-and over	— Columbia, Ferry, Garfield, Pend Oreille, Wahkiakum.
\$ 60,000-and over	— Asotin, Lincoln, Pacific, Skamania.
\$ 100,000-and over	— Adams, Douglas, Island, Jefferson, Kittitas, Klickitat, Mason, Okanogan, Stevens, Whitman.
\$ 200,000-and over	— Benton, Chelan, Clallam, Cowlitz, Franklin, Grant, Grays Harbor, Lewis, San Juan, Skagit, Thurston, Walla Walla.

The stratas listed below will apply to those counties indicated.

\$	0 - \$ 19,999
	20,000 - 39,999
	40,000 - 59,999
	60,000 - 99,999
	100,000 - 299,999
	300,000 - and over

Clark, Kitsap, Whatcom, Yakima

\$	0 - \$ 19,999
	20,000 - 39,999
	40,000 - 59,999
	60,000 - 99,999
	100,000 - 199,999
	200,000 - 999,999
	1,000,000 - and over

King, Pierce, Snohomish, Spokane

(3) In counties with the ability to stratify by land use classification under standards set by the department, the assessed value strata will be \$0 and over for each type of property summarized in WAC 458-53-050, excluding forest lands, current use properties and state assessed properties.

(4) The stratification process will be performed by the department or by the county with data processing capability adequate to meet the standards as provided by the department.

(5) A count of taxable real property parcels, less forest lands, current use properties in those counties where a separate study is conducted pursuant to WAC 458-53-110(4), and state assessed properties, in each value stratification is necessary for computation of the county ratio. Multiplying an average sample sales value, an average sample appraisal value, or an average assessed value by the number of taxable parcels in the county produces an estimated total market value or total estimated assessed value used in ratio computation.

(6) In the stratification of county taxable real property parcels to be used in the ratio study, the count of these parcels shall exclude designated and classified timber or forest lands, open space (current use) lands and improvements in those counties where a separate study is conducted pursuant to WAC 458-53-110(4), and mobile homes as provided for in WAC 458-53-163(2). These are deleted from use in the sales study and will be considered separately and included in ratio determinations after computations of sales data have been completed.

[Statutory Authority: RCW 84.48.075. 86-21-004 (Order PT 86-6), § 458-53-030, filed 10/2/86; 84-14-039 (Order PT 84-2), § 458-53-030, filed 6/29/84; 79-11-029 (Order PT 79-3), § 458-53-030, filed 10/11/79. Formerly WAC 458-52-030.]

#### WAC 458-53-040 Land Use Code--Ratio study.

(1) By not later than the 1982 assessment year, each county will institute a Land Use Code system which will identify each parcel according to its use. Upon establishment of such Land Use Code system the abstract of the assessment roll will be reported on the basis of the Land Use Code. As prescribed by this section, stratification of the assessment roll and computation of the indicated real property ratio will be based upon the Land Use Code abstract report as provided in these rules. Land use classifications may further be defined by assessed value stratification within Use Code designations.

(2) A two digit Land Use Code will be used in the ratio study as a standard by the department to identify the actual use of the land. The categories as selected are those published in the "Standard Land Use Coding Manual" by the Federal Bureau of Public Roads, January 1965, plus those use classifications as specified by Washington law. Counties may elect to institute a more detailed level of land use coding (i.e., the three digit or four digit level), but the two digit level provided herein is the minimum detail level necessary.

#### Residential

- 11 Household, single family units
- 12 Household, 2-4 units
- 13 Household, multi-units (5 or more)
- 14 Residential hotels - condominiums
- 15 Mobile home parks or courts
- 16 Hotels/motels
- 17 Institutional lodging
- 18 All other residential not elsewhere coded

- 19 Vacation and cabin
- Manufacturing**
  - 21 Food and kindred products
  - 22 Textile mill products
  - 23 Apparel and other finished products made from fabrics, leather, and similar materials
  - 24 Lumber and wood products (except furniture)
  - 25 Furniture and fixtures
  - 26 Paper and allied products
  - 27 Printing and publishing
  - 28 Chemicals
  - 29 Petroleum refining and related industries
  - 30 Rubber and miscellaneous plastic products
  - 31 Leather and leather products
  - 32 Stone, clay and glass products
  - 33 Primary metal industries
  - 34 Fabricated metal products
  - 35 Professional scientific, and controlling instruments; photographic and optical goods; watches and clocks—manufacturing
  - 36 Not presently assigned
  - 37 Not presently assigned
  - 38 Not presently assigned
  - 39 Miscellaneous manufacturing
- Transportation, communication, and utilities**
  - 41 Railroad/transit transportation
  - 42 Motor vehicle transportation
  - 43 Aircraft transportation
  - 44 Marine craft transportation
  - 45 Highway and street right of way
  - 46 Automobile parking
  - 47 Communication
  - 48 Utilities
  - 49 Other transportation, communication, and utilities not classified elsewhere
- Trade**
  - 51 Wholesale trade
  - 52 Retail trade – building materials, hardware, and farm equipment
  - 53 Retail trade – general merchandise
  - 54 Retail trade – food
  - 55 Retail trade – automotive, marine craft, aircraft, and accessories
  - 56 Retail trade – apparel and accessories
  - 57 Retail trade – furniture, home furnishings and equipment
  - 58 Retail trade – eating and drinking
  - 59 Other retail trade
- Services**
  - 61 Finance, insurance, and real estate services
  - 62 Personal services
  - 63 Business services
  - 64 Repair services
  - 65 Professional services
  - 66 Contract construction services
  - 67 Governmental services

- 68 Educational services
- 69 Miscellaneous services
- Cultural, entertainment and recreational**
  - 71 Cultural activities and nature exhibitions
  - 72 Public assembly
  - 73 Amusements
  - 74 Recreational activities
  - 75 Resorts and group camps
  - 76 Parks
  - 77 Not presently assigned
  - 78 Not presently assigned
  - 79 Other cultural, entertainment, and recreational
- Resource production and extraction**
  - 81 Agriculture (not classified under current use law)
  - 82 Agriculture related activities
  - 83 Agriculture classified under current use chapter 84.34 RCW
  - 84 Fishing activities and related services
  - 85 Mining activities and related services
  - 86 Reforestation chapter 84.28 RCW
  - 87 Classified forest land chapter 84.33 RCW
  - 88 Designated forest land chapter 84.33 RCW
  - 89 Other resource production

- Undeveloped land and water areas**
  - 91 Undeveloped land
  - 92 Noncommercial forest
  - 93 Water areas
  - 94 Open space land classified under chapter 84.34 RCW
  - 95 Timberland classified under chapter 84.34 RCW
  - 96 Not presently assigned
  - 97 Not presently assigned
  - 98 Not presently assigned
  - 99 Other undeveloped land

[Statutory Authority: RCW 84.48.075. 79-11-029 (Order PT 79-3), § 458-53-040, filed 10/11/79.]

**WAC 458-53-050 Land Use Code--Abstract report.** Stratification of the assessment rolls and the annual abstract report for real property will be made on the following abstract categories:

Abstract Category	Land Use Code
1. Single family residence	11, 18, 19
2. Multiple family residence	12, 13, 14
3. Manufacturing	21 through 39
4. Commercial	15, 16, 17, 41-49, 51-59, 61-69, 71-79
5. Agricultural	81
6. Agricultural (current use law)	83
7. Forest lands (chapter 84.33 RCW)	87, 88
8. Reforestation (chapter 84.28 RCW)	86
9. Open space (current use law)	94
10. Timberland (current use law)	95
11. Other	82, 84, 85, 89, 91, 92, 93, 96-99

[Statutory Authority: RCW 84.48.075. 79-11-029 (Order PT 79-3), § 458-53-050, filed 10/11/79. Formerly WAC 458-52-040.]

**WAC 458-53-051 Ratio determination by land use class.** For those counties with the ability to perform the stratification process by land use classification, subject to department approval, land use classes of property will be used for the purpose of determining the indicated real property ratio. The classes of property shall follow the guidelines outlined in WAC 458-53-040. Each land use class as outlined in WAC 458-53-050 will use a value strata of \$0 and over.

Those counties who do not have the ability to prepare a ratio study by land use classification shall use value stratas as shown in WAC 458-53-030.

[Statutory Authority: RCW 84.48.075. 86-21-004 (Order PT 86-6), § 458-53-051, filed 10/2/86; 83-16-050 (Order PT 83-2), § 458-53-051, filed 8/1/83.]

**WAC 458-53-070 Sales studies.** (1) Real property sales data obtained from the real estate excise tax sales affidavits will form the basis of the sales study in each county. Validation of these sales as arms-length transactions will follow department criteria as provided in WAC 458-53-080.

(2) The department's sales study will be used as the basis for the real property ratios. In addition, the department will supplement the sales study results with appraisals in any assessed value stratum or Land Use Code classification where sales are judged to be insufficient to represent all properties in that stratum or land use class according to criteria set out in these rules.

(3) Five percent will be deducted from the sales price shown on the affidavit on all valid real property sales as an adjustment for values transferred that are not assessable as real property.

(4) Sales not deemed representative for use in the study, as defined by the deletion list in WAC 458-53-080 will be eliminated from consideration in ratio computation. Sales used in the study will include only those which occurred over an eight month period between August 1 preceding January 1 of the assessment year and March 31 of the assessment year.

(5) Individual valid sales having a resultant assessment sales ratio under twenty-five percent or over one hundred seventy-five percent shall be excluded from consideration in the study: *Provided*, That this subsection shall not apply if the number of sales meeting this criteria exceeds ten percent of the total number of sales that would be used in the study subject to the provisions of this subsection: *Provided further*, That this subsection shall not apply to any type of property not properly valued and subject to the provisions of WAC 458-53-165.

[Statutory Authority: RCW 84.48.075. 83-16-050 (Order PT 83-2), § 458-53-070, filed 8/1/83; 82-08-061 (Order PT 82-3), § 458-53-070, filed 4/6/82; 79-11-029 (Order PT 79-3), § 458-53-070, filed 10/11/79. Formerly WAC 458-52-060.]

**WAC 458-53-080 Sales samples.** (1) The starting point for the sales studies will be a sampling of the real estate excise tax sales affidavits each month. Samples used in a current study will be sales during the last five

months of the calendar year immediately preceding the current study assessment year and the first three months of the study assessment year.

A sampling plan will be developed by the department of revenue each year based on each county's previous year sales volume. The sampling will be conducted considering sales transferring via warranty deed or contract instruments as initially subject for inclusion in the study. All sales represented by other instruments such as tax deeds, quitclaim deeds, etc., will be excluded from consideration. Sales of timber and current use lands classified under chapters 84.28, 84.33 and 84.34 RCW will also be excluded from consideration. There are numerous reasons why a warranty deed or contract sale may also be excluded from the study. Conditions such as a sale between relatives, a forced sale or a sale to a non-profit organization, for example, are sufficient to mark these transactions as being other than "arms-length" and therefore, not a valid indicator of full "true and fair" value. A listing of such reasons and other conditions that will cause a sale to be excluded are shown on the deletion list contained in subsection (2) of this section.

(2) The following sales transactions are examples of sales to be excluded from the sales studies. Deviations from the numerical coding designations set forth in this example may be used as agreed to by individual counties and the department.

**NUMERICAL**

**CODE**

**TYPE OF TRANSACTION**

- 1 Family - a sale between relatives.
- 2 Transfers within a corporation by its affiliates or subsidiaries.
- 3 Administrator, guardian or executor of an estate.
- 4 Receiver or trustee in bankruptcy or equity.
- 5 Sheriff or bailee.
- 6 Tax deed.
- 7 Properties exempt from taxation (non-profit, government, etc.).
- 8 Individual sales with assessment-to-sales ratios of less than twenty-five percent or greater than one hundred seventy-five percent except as provided in WAC 458-53-100(4), 458-53-070(5) and 458-53-165.
- 9 Quitclaim deed.
- 10 Gift deed, love and affection deed.
- 11 Seller's or purchaser's assignment of contract or deed - transfer of interest.
- 12 Correction deed.
- 13 Trade - exchange of property between same parties.
- 14 Deeds involving partial interest in property, such as one-third or one-half interest. (If transfer involves total interest i.e., one hundred percent of the property, sale is valid.)
- 15 Forced sales - transfers in lieu of imminent foreclosure, condemnation or liquidation.

## NUMERICAL

CODE	TYPE OF TRANSACTION
16	Easement or right of way.
17	Deed in fulfillment of contract (on a current transaction, a contract with a fulfillment deed is a valid sale).
18	Property physically improved after sale.
19	Timber or forest land.
20	Platted within last year, bare lots only - with less than twenty percent sold.
21	Plottage - where an adjoining property is sold at a price significantly different than for property of a similar type when a larger unit is being assembled.
22	\$1,000 sale or under.
23	Lease - assignment, option, leasehold.
24	Designated open space (as of date of sale).
25	Change of use where rezoning takes place.
26	Current year segregations that have not been appraised.
27	Other - necessary to identify reason, i.e., inclusion of personal property not separately identified, liquor license, etc.

[Statutory Authority: RCW 84.48.075, 84-14-039 (Order PT 84-2), § 458-53-080, filed 6/29/84; 83-16-050 (Order PT 83-2), § 458-53-080, filed 8/1/83; 79-11-029 (Order PT 79-3), § 458-53-080, filed 10/11/79.]

**WAC 458-53-090 Sales samples--Assessed valuation.** (1) After the sampling of sales has been completed in Olympia, the assessed valuations of the properties remaining in the sample will be obtained by the department's sales analysts from official records retained by county officials. The assessed valuation total recorded will be the official figure as of January 1, the current ratio year assessment date. At this point, attention also will be given to factors which would indicate that a particular transaction is not suitable for inclusion in the study and any other factors which can be ascertained at this time are used to analyze whether sales may be deleted from the study as not being an indicator of full "true and fair" value.

The relationship of the assessed value for a real property parcel to a corresponding valid sale of this property within the time period established for the annual ratio sales study indicates the individual ratio for the property. The stratum averages for all such valid sales values and related assessed values in a county, when multiplied by the number of listings in the strata, determine the established real property totals on which the indicated real property ratio is based.

(2) In counties for which the department conducts the sales analysis and ratio studies a sales prelist will be provided to each assessor. These prelists will identify valid sale properties to be used in computation of each county's real property ratio. Department personnel will review these prelists with assessors or their staffs to verify the validity of the sale properties identified and the values indicated.

Properties designated in the department-approved county revaluation plan relative to the current ratio study year, and properties on which new construction may be completed during a ratio study year, will be included in that year's ratio study. For these properties the available current county assessed valuation will be used. Assessors have until August 31st of each assessment year to place new construction values on such properties and these values in a corresponding ratio study are included after the close of the assessors' rolls on May 31st.

(3) Certain properties have limited exemptions in assessed value granted by law to persons owning those properties (senior citizens exemptions). In computing a ratio relative to the sale of such property, the full assessed value for the property, before exemption, must be used to determine a proper assessment-to-sales relationship.

(4) Average sample real property assessed values and true and fair values for each value or land use stratum in a county will be derived from sales and appraisal study results. These average values, as provided in WAC 458-53-150, will aid in determining the county real property indicated ratio.

[Statutory Authority: RCW 84.48.075, 84-14-039 (Order PT 84-2), § 458-53-090, filed 6/29/84; 83-16-050 (Order PT 83-2), § 458-53-090, filed 8/1/83; 79-11-029 (Order PT 79-3), § 458-53-090, filed 10/11/79.]

**WAC 458-53-100 Use of county sales studies.** (1) If agreed upon by the department and the assessor, the department will use a county sales study, providing it is made according to the standards specified in these rules. Any such agreement shall provide that counties generating their own sales studies will use all or an agreed upon percentage of sales validated by department standards, and that the county shall furnish the department with data from sales deemed invalid as well as those deemed valid and give the reason for deeming invalid any particular sale. All such county studies shall be subject to department audit.

(2) The county-generated sales study will include the following:

(a) All agreed to real property transactions occurring in a county shall be used in the study and shall be for a period of eight consecutive months. Sales transactions used will include only those which occur between August 1 preceding January 1 of the assessment year and March 31 of the assessment year.

(b) Sales of properties identified on the published department of revenue deletion list (WAC 458-53-080) will be removed from the sales analysis study and separately will be produced on a data processing machine listing. This listing will display for each deleted sale an appropriate parcel identification, the sales price, the assessed value, and a numerical code or narrative designation of the reason for deletion of the property from the study. The numerical code used shall coincide with the department of revenue published deletion list (WAC 458-53-080) unless an agreement has been made with the department to use another code. Any numerical code

27 (miscellaneous) shall be accompanied by a narrative reason for deletion.

(c) Sales remaining in the sales analysis study will be stratified and printed by assessed value strata. Necessary data for each sale property remaining in the study will be:

(i) Excise tax sales affidavit number, parcel number, or other file identification number.

(ii) The sales price of the transaction, lowered five percent to ninety-five percent of its original value. Further adjustment of any individual sale may be made only if personal property is identified and its value is in excess of five percent of the sale price.

(iii) The current assessed value on the assessors' rolls for the property described on the sales affidavit.

(iv) A computed ratio based on the percent that the assessed valuation is to the adjusted sales price figure.

(3) As soon as practicable following the close of the assessors' rolls on May 31st, and prior to July 1st, the county sales-assessment ratio study shall be submitted to the department of revenue. Adjustments for new construction will be made following the August 31st deadline for adding new construction values to the assessment rolls. This will allow time for departmental analysis, field review, and insertion of appraisal data, where appropriate, for preliminary ratio determination by the first Monday in August.

(4) Individual valid sales having a resultant assessment sales ratio under twenty-five percent or over one hundred seventy-five percent shall be excluded from consideration in the study: *Provided*, That this subsection shall not apply if the number of sales meeting this criteria exceeds ten percent of the total number of sales that would be used in the study subject to the provisions of this subsection: *Provided further*, That this subsection shall not apply to any type of property not properly valued and subject to the provisions of WAC 458-53-165.

[Statutory Authority: RCW 84.48.075. 84-14-039 (Order PT 84-2), § 458-53-100, filed 6/29/84; 83-16-050 (Order PT 83-2), § 458-53-100, filed 8/1/83; 82-08-061 (Order PT 82-3), § 458-53-100, filed 4/6/82; 79-11-029 (Order PT 79-3), § 458-53-100, filed 10/11/79.]

**WAC 458-53-110 Property values used in the ratio study.** The following property values will be included in the ratio study as provided in these rules:

(1) Values established by law or required to be determined by the department by law, but excluding property valued under chapters 84.08, 84.12, and 84.16 RCW.

(2) Values determined by county assessors according to the provisions of chapter 84.41 RCW.

(3) Values of land classified under chapter 84.33 RCW.

(4) Values of land and improvements classified under chapter 84.34 RCW will be included in determination of the indicated real property ratios as a separate element for counties whose current use land values are fifteen percent or greater in proportion to the total county locally assessed real property value.

(5) Advisory values supplied to the assessor by the department shall not be included in the ratio study unless the property falls within the sales study provided for

in WAC 458-53-070 or 458-53-100 or is selected in the appraisal or audit study in accordance with WAC 458-53-130 and 458-53-140.

(6) Values of individual real properties which equal or exceed twenty percent of the total of all locally assessed real property.

(7) Values of individual assessments of personal property which equal or exceed twenty percent of the total of all locally assessed personal property.

(8) Values of mobile homes which are identified in WAC 458-53-163(2).

(9) Values of mobile homes which are identified in WAC 458-53-163(3).

(10) Before values in subsections (6) and (7) of this section can be included, a request in writing identifying the properties, must be submitted to the department prior to October 1st of each ratio study period.

[Statutory Authority: RCW 84.48.075. 86-21-004 (Order PT 86-6), § 458-53-110, filed 10/2/86; 84-14-039 (Order PT 84-2), § 458-53-110, filed 6/29/84; 81-22-036 (Order PT 81-15), § 458-53-110, filed 10/30/81; 79-11-029 (Order PT 79-3), § 458-53-110, filed 10/11/79.]

**WAC 458-53-120 Review procedures for county studies.** (1) Counties using data processing facilities to produce their own sales-assessment ratio study will be subject to a department of revenue review of ratio study elements and processes.

Department of revenue review procedures generally will monitor county adherence to WAC rules relating to the annual sales-assessment ratio study.

(2) Elements of the ratio study which may be checked and verified will include:

- (a) Property identification
- (b) Verification of properties reported on sales affidavits
- (c) Sales month identification and incidence in study
- (d) Deletion practices and identification
- (e) Computation procedures
- (f) Sales and assessment values
- (g) Verification of revaluation assessment practices

(3) Ratio study review findings will be discussed with individual county assessors upon completion of reviews pertaining to the ratio studies generated by their individual data processing facilities and staffs.

[Statutory Authority: RCW 84.48.075. 79-11-029 (Order PT 79-3), § 458-53-120, filed 10/11/79.]

**WAC 458-53-130 Real property appraisal studies.**

(1) The department will review a county's prior year's sales studies to determine which assessed value stratum or land use class may not have sufficient sales to produce a valid measurement of the level of assessment of the properties in that stratum or use class. Department appraisers then will appraise selected properties in those strata. The selection of properties to be appraised will be on a random basis. Random selection will use accepted statistical methods such as stated numerical sequence or random number tables to provide each parcel of real property in a universe of real property parcels an equal opportunity to be selected as a representative

sample of that universe. The appraisal date will coincide with the assessment date of the ratio study.

(2) The appraisal study is started with a stratified sample of real property parcels. The stratification process will be done using either the assessed value of the real property roll broken into assessed value strata or land use codes as of the current January 1 assessment date. Land use stratification will be used exclusively in those counties possessing the necessary data processing capabilities. For counties not possessing data processing capabilities manual stratification by department of revenue staff involves the following: (a) Examination of each property listing and tallying it (by placing a mark in the appropriate value class or stratum) according to the magnitude of its assessed valuation, (b) random selection of properties from each class to be placed in a pool from which the ultimate selection of properties for appraisal will be made, and (c) recording on a take-off sheet, the assessed value and identification (account number, page, and line number, etc.) for the selected samples. The completed stratification provides a count of the listings on the roll by valuation class.

(3) The number of appraisals deemed necessary for each county value or land use stratum will be determined by application of statistical determination to the previous year county ratio study results.

Once the number of appraisals to be conducted in each value classification has been determined, the identification of each of the randomly selected appraisal samples to be used in the study will be obtained from county records. When the names, addresses, legal descriptions and other information necessary to conduct the appraisals are known, letters will be forwarded to the taxpayers involved. These letters will notify them of the impending visit by an appraiser from the department of revenue property tax division.

(4) The actual physical appraisals conducted by department personnel use the same tools that are available to the county assessors (state manuals, private publications, etc.). The department's appraisers do not, however, use the so-called "mass appraisal" technique which is, of necessity, practiced by the various counties; but perform complete appraisals regardless of the amount of time required in order to assure that the most valid estimate of market value is reached.

Three approaches to value are considered; namely, cost, market and income. The cost approach utilizes an approved cost manual. When properly used, this manual gives an estimation of reproduction cost of the improvements to the property. The reproduction cost then is depreciated, taking into consideration all physical depreciation, functional and economic obsolescence. The end result is the depreciated value of the improvements. To this value is added the value of the land, resulting in the market value of the real property. The market approach uses sales of comparable properties for an indication of value. The income approach uses a capitalization rate developed from a comparison of typical income and the sale price of comparable properties.

This capitalization rate then is divided into the net income of the subject properties for a value indication of that property.

(5) When the appraisals in a county have been completed and reviewed by the supervisory staff of the department, they are reviewed individually with the assessor and his staff. At this time, changes may be made stemming from such factors as errors in the mathematical calculations, changes in use from the date of assessment to the date of the appraisal, the inclusion of items in the appraisal that are not included in the assessment (mainly personal property), etc. When the review process is completed and changes, if any are made, the appraisal data are considered as completely valid and ready for inclusion in the computation of the total real property ratio.

(6) When the department's sample appraisals fall within a county's current revaluation area and the assessor's appraisals, upon audit, are found to be a supportable estimate of market value, the department will accept the county's appraised values on those properties randomly selected for appraisal in the county.

(7) Department appraisals, required for assessment ratio determination, will be performed as indicated by department statistical determinations. Appraisals will complement sales to provide an adequate number of samples on which to base a ratio computation.

(8) When properties, classified by the department as industrial properties, are selected for inclusion in real or personal property ratio studies, the department's property audits and appraisals will be made on the total property, using department valuation procedures. Allocation of total industrial value for ratio purposes will be determined using each assessor's method of classifying real and personal property. Audit determinations for personal property will not include properties classified as real property by the assessor. Appraisal determinations for real property will not include properties classified as personal property by the assessor.

[Statutory Authority: RCW 84.48.075. 86-21-004 (Order PT 86-6), § 458-53-130, filed 10/2/86; 84-14-039 (Order PT 84-2), § 458-53-130, filed 6/29/84; 79-11-029 (Order PT 79-3), § 458-53-130, filed 10/11/79. Formerly WAC 458-52-070.]

#### WAC 458-53-140 Personal property audit studies.

(1) Personal property audits will be performed on those accounts selected at random within each use class or assessed value stratum used in the ratio study for each county. These audits will be the basis of the county's personal property ratio as provided in WAC 458-53-160.

The department may use county audit results as ratio study audits when department accepted audit procedures are used on accounts selected as sample audits and audited by the county audit staff as of the assessment date used in the department's ratio study.

(2) The general procedures for audits are similar to those followed in the appraisal-assessment study in that sample audits of personal property accounts will be used as the basis for determining total assessed value and estimated total true and fair value of personal property.

The relationship of the total estimated assessed value to the total estimated true and fair value of personal property will indicate the personal property ratio.

(a) Stratification of rolls – the program is initiated by stratification of the personal property roll in the counties being audited. From this process is obtained: A count of the number of listings in each use class or assessed valuation class, an estimation of the total assessed value in each class, and a pool of samples in each class from which the ultimate listings to be audited are selected. The strata or assessed valuation classes have different limits than those used in the appraisal-assessment study. A listing of assessed value strata normally used is as follows:

\$	0 – \$	9,999
	10,000 –	39,999
	40,000 –	79,999
	80,000 –	199,999
	200,000 –	499,999
	500,000 –	999,999
	1,000,000 –	1,999,999
	2,000,000 –	and over

The largest valuation stratum designated for each county will depend on the number of large value accounts in the county.

In counties for which personal property high value strata, as listed above, do not number at least two hundred, an appropriate upper limit (\$40,000 and over, \$80,000 and over) which will accommodate at least two hundred personal property accounts, will be determined.

The stratification process will be performed by the department or by the county according to the standards as provided in this section.

(b) Personal property sample audit selection – the number of audits to be performed is derived in the same general manner as in the appraisal-assessment procedure in that statistical determination is applied to county previous year's ratio study results to obtain a representative number of samples on which to base a county ratio.

Stratification procedures which determine the number of personal property audits needed for the current ratio study begin in the summer months of the calendar year immediately preceding the currently designated ratio study year.

The audits are conducted through July of the designated ratio study year.

(3) The sample accounts to be audited in each use or valuation classification are randomly chosen using accepted statistical methods such as stated numerical sequence or random number tables to provide each personal property account in a universe of personal property accounts an equal opportunity to be selected as a representative sample of that universe. Names and addresses of taxpayers for these accounts and copies of assessment detail sheets are obtained from county records.

Letters of intent to audit are mailed to each taxpayer selected.

(4) The personal property audits which are conducted to derive the true and fair value figures are made from

an examination of the taxpayer's books and records. In valuation procedures, the department's auditors utilize the manuals and schedules which the department prepares and distributes to all assessors. The technique is generally one of trending forward historical cost data and the application of depreciation percentages to arrive at current worth or value.

(5) When the audits have been completed in a county, they are reviewed with the assessor and his staff. The primary emphasis at this meeting is to make sure that the property covered by the audit is comparable to the property covered by the assessment. The completion of the review and adjustments, if any, mark the audit data as valid for use in the computation of the personal property portion of the total indicated ratio.

(6) In a manner similar to that used for real property, sample personal property assessed values and true and fair values for each stratum are derived from audit results, the weighted sums of which are the basis for determining the personal property indicated ratio.

(7) If omitted property is discovered in a county, the results of the department's audit shall be placed in the strata indicated by the audit.

[Statutory Authority: RCW 84.48.075. 84-14-039 (Order PT 84-2), § 458-53-140, filed 6/29/84; 79-11-029 (Order PT 79-3), § 458-53-140, filed 10/11/79. Formerly WAC 458-52-080.]

#### **WAC 458-53-141 Personal property audit selection.**

(1) Beginning with 1982 assessments and thereafter, each county shall classify and code every personal property account based upon the following classification codes:

- (a) Agriculture, fishing, and forestry (not logging)
- (b) Mining, quarrying, and contract construction
- (c) Manufacturing
- (d) Retail – wholesale
- (e) Finance, insurance, real estate and services
- (f) Transportation, communication, utilities, improvements on exempt land, and all other not classified
- (g) Mobile homes

(2) Those accounts which contain property of more than one classification shall be coded based upon which class has the greatest value.

(3) For those counties with the ability to perform the stratification process by use classification, subject to department approval, use classes of property will be used for the purpose of determining the indicated personal property ratio. The classes of property shall follow the guidelines outlined in subsection (1) of this section and will be separated into value strata for the individual classification codes. The value strata may be subject to different parameters than normally used.

(4) Those counties who do not have the ability to prepare a ratio study by use classification shall use value stratas as shown in WAC 458-53-140.

[Statutory Authority: RCW 84.48.075. 84-14-039 (Order PT 84-2), § 458-53-141, filed 6/29/84; 81-22-036 (Order PT 81-15), § 458-53-141, filed 10/30/81.]

#### **WAC 458-53-142 Personal property audit studies— Date of valuation.** Commencing in 1983 and thereafter,

the indicated personal property ratio shall be based upon the current assessment year values, e.g., the 1983 indicated ratio shall be based upon 1983 values.

[Statutory Authority: RCW 84.48.075. 82-24-031 (Order PT 82-9), § 458-53-142, filed 11/23/82.]

**WAC 458-53-150 Indicated real property ratio--Computation.** (1) For each real property value or land use stratum within a county average sample assessed value and average sample true and fair value will be determined from the results of selected sales and appraisal studies. Average sample assessed value and average sample true and fair value for each stratum will be multiplied by the total number of real property parcels in each corresponding stratum to derive an estimated total assessed value and a total estimated true and fair value for each stratum. Stratum estimated totals will be added to derive county estimated total assessed value and county estimated total true and fair value. When the ratio relationship between these two estimated values is applied to the actual county assessed value, as provided by the assessor in his current assessors' certificate of assessment rolls to the county board of equalization, and forest land and current use values in those counties where a separate study is conducted pursuant to WAC 458-53-110(4) are added to the actual assessed value and ratio-related market value, the totals will represent the county real property indicated ratio.

(2) Valid arms-length sales occurring in each county will be the basis for determining individual stratum ratios unless a representative number of samples for any one stratum requires the addition of department appraisals. In all strata where both sales and appraisal samples are present, assessment and market values for all valid appraisal samples will be combined with assessment and market values for all valid sales samples to derive a stratum ratio.

(3) Department current use appraisals will be the basis for the assessment-to-appraisal values from which current use ratios are determined. The current use ratio shall be the mean of the individual sample ratios.

(4) Values from each county's assessor's certificate of assessment rolls to county board of equalization will be used in the computation of each county's indicated real property ratio except as provided in subsection (6) of this section.

(a) The county preliminary real property ratio, calculated from estimated totals of county sales and appraisal study results, will be applied to each county's certificate listing of total real property assessed value (excluding those properties identified in WAC 458-53-110 (1), (3), (4), (6), and (8) and 458-53-165) to determine an estimated true and fair value which relates to the actual assessed real property value of a county.

(b) To the actual real property assessed value and ratio-related true and fair value totals for a county (a) of this subsection) are added certificate assessed values of those properties identified in WAC 458-53-110 (1), (3), (4), (6), and (8) and 458-53-165, and related true and fair values calculated by the ratio relationships determined for those same properties.

(c) The sum of the total real property assessed and true and fair forest land assessed and true and fair values, as determined by (a) and (b) of this subsection shall be the basis for a county's indicated real property ratio. The sum total of assessed values will be divided by the sum total of true and fair values to derive the ratio.

(5) The following illustration, using simulated values and ratios, indicates simplified ratio study computation procedures for real property.

**Step 1 - Determination of Average Sample Values**

	(1)	(2)	(3)	(4)	(5)
	Number of Samples	Total Assessed Value of Samples	Average Assessed of Samples (Col. 2 ÷ Col. 1)	Total Market Value of Samples	Average Market Value of Samples (Col. 4 ÷ Col. 1)
Stratum					
\$ 0 - 19,999	10	\$120,000	\$12,000	\$160,000	\$ 16,000
20,000 - 39,999	20	520,000	26,000	600,000	30,000
Over 39,999	5	400,000	80,000	500,000	100,000

Average values for real property sales samples, average real property appraisal samples, and average personal property audit samples all are determined in the same manner.

**Step 2 - Weighting of Average Sample Values**

	(1)	(2)	(3)	(4)	(5)	(6)
Stratum	Total Property Listings	Average Sample Assessed Value	Total Estimated Assessed Value (Col. 2 × Col. 1)	Average Sample Market Value	Total Estimated Market Value (Col. 4 × Col. 1)	Ratio (Col. 3 ÷ Col. 5)
\$ 0 - 19,999	105	\$12,000	\$ 1,260,000	\$ 16,000	\$ 1,680,000	.7500
20,000 - 39,999	211	26,000	5,486,000	30,000	6,330,000	.8667
Over 39,999	51	80,000	4,080,000	100,000	5,100,000	.8000
Outriders	2		2,000,000		2,403,600	.8321
			12,826,000		15,765,800	.8267

Sample study weighted ratio

82.67%

Average values for real property sales samples, average real property appraisal samples, and average personal property audit samples all are weighted in the same manner.

**Step 3**

**Application of Sample Weighted Relationship to Actual Real Property Assessed Value and Additional Values as Indicated.**

	(1)	(2)	(3)
	Actual County Real Property Assessed Value (From Assessor's Certificate)	Determined Assessment to Market Ratio	County Real Property Market Value Related to Actual Assessed Value (Col. 1 ÷ Col. 2)
	\$ 14,108,600	.8267 (from Step 2)	\$ 17,066,167
Add:			
Timber and Forest Land	1,520,000	1.0000	1,520,000
Open Space	400,000	.9000	444,444
Open Space Improvements	100,000	.9500	105,263
Mobile Homes	50,000	.9900	50,505
Other (WAC 458-53-110(6) or WAC 458-53-165 Properties)	100,000	1.0000	100,000
Totals	\$16,278,600	÷	\$19,286,379 = .844
County Indicated Real Property Ratio			84.4%

(6) If a copy of the certification of current values is not received from an assessor in a timely manner for inclusion in ratio computation, the assessors abstract of assessed values from the previous year will be used as the information source for ratio computation.

(7) A copy of each county's certification of values to the county board of equalization (FORM REV 64-0051) will be filed with the department on or before the second Monday in July. The certification form will be properly completed with all required information.

(8) Valid ratio study individual assessed or true and fair values which either exceed or fall below the mean assessed or true and fair value by more than three times the average deviation of other values in a stratum, will

be classified as "outriders" and shall be considered separately in average sample computation. Outriders are so treated to prevent the application of excess weight by nontypical sample values in determining average sample values and resulting total estimated assessed and total estimated true and fair values.

(9) The department may consider the relationship between the market value trends of real property and the assessed value increases or decreases made by the assessor during the year in each county as validity checks of the result of the sales and appraisal studies. The director may authorize modification of the results of the sales and appraisal study in any county where there is a demonstrable showing to the director that the sales and

appraisal study is inconclusive or does not result in a reasonable and factual determination of the relationship of assessed values to true and fair value such that a significant variation results from the rates of the previous year not deemed by the director comparable with general trends in property values. Such modification shall be made only after notice to all assessors that information other than the sales and appraisal studies are being considered, and opportunity for a meeting has been made available for the director (or the director of property tax) and a representative committee authorized and appointed by the assessors to review the results of the sales and appraisal study and the proposal to modify the study results.

[Statutory Authority: RCW 84.48.075, 86-21-004 (Order PT 86-6), § 458-53-150, filed 10/2/86; 84-14-039 (Order PT 84-2), § 458-53-150, filed 6/29/84; 82-08-061 (Order PT 82-3), § 458-53-150, filed 4/6/82; 81-04-056 (Order PT 81-5), § 458-53-150, filed 2/4/81; 79-11-029 (Order PT 79-3), § 458-53-150, filed 10/11/79. Formerly WAC 458-52-090.]

**WAC 458-53-160 Indicated personal property ratio--Computation.** (1) For each personal property assessed value stratum, excluding properties identified in WAC 458-53-110 (7) and (9) and 458-53-165 and average sample assessed value and an average sample true and fair value will be determined from the results of selected audit studies. These average stratum sample values will be multiplied by the corresponding number of personal property accounts in each stratum to derive a

stratum estimated total assessed value and a stratum estimated total true and fair value. These estimated stratum total estimated assessed and true and fair values will be added to provide a county total estimated assessed value and a county total estimated true and fair value.

(2) To the actual personal property assessed value and ratio-related true and fair value totals for a county (subsection (1) of this section) are added assessed values of those properties identified in WAC 458-53-110 (7) and (9) and 458-53-165 and related true and fair values calculated by the ratio relationships determined for those same properties.

(3) The sum of the total personal property assessed and true and fair values as determined by subsections (1) and (2) of this section shall be the basis for the county's indicated personal property ratio. The sum total of assessed values will be divided by the sum total of true and fair values to derive the ratio. Values from each county's *Assessor's Certificate of Assessment Rolls to County Board of Equalization* will be used in the computation of each county's indicated personal property ratio except as provided in WAC 458-53-150(6).

(4) The following illustration, using simulated values and ratios, indicates simplified ratio study computation procedures for personal property.

**Step 1 - Determination of Average Sample Values**

Stratum	(1) Number of Samples	(2) Total Assessed Value of Samples	(3) Average Assessed Value of Samples (Col. 2 ÷ Col. 1)	(4) Total Market Value of Samples	(5) Average Market Value of Samples (Col. 4 ÷ Col. 1)
\$ 0 - 9,999	15	\$ 75,000	\$ 5,000	\$100,000	\$ 6,667
10,000 - 39,999	20	400,000	20,000	500,000	25,000
Over 39,999	10	500,000	50,000	750,000	75,000

Step 2 - Weighting of Average Sample Values

	(1)	(2)	(3)	(4)	(5)	(6)
Stratum	Total Property Listings	Average Sample Assessed Value	Total Estimated Assessed Value (Col. 2 × Col. 1)	Average Sample Market Value	Total Estimated Market Value (Col. 4 × Col. 1)	Ratio (Col. 3 ÷ Col. 5)
\$ 0 - 9,999	125	\$ 5,000	\$ 625,000	\$ 6,667	\$ 833,375	.7500
10,000 - 39,999	216	20,000	4,320,000	25,000	5,400,000	.8000
Over 39,999	79	50,000	3,950,000	75,000	5,925,000	.6667
Outriders	2		1,000,000		1,366,775	.7316
			\$9,895,000		\$13,525,150	73.16

Sample study weighted ratio. 73.16%

Step 3 - Application of Sample Weighted Relationship to Actual Assessed Value.

	(1)	(2)	(3)
	Actual County Assessed Value Personal Property (From Assessor's Certificate)	Determined Assessment to Market Ratio	County Market Value Related to Actual Assessed Value (Col. 1 ÷ Col. 2)
Add	\$ 9,100,000	.7316 (from Step 2)	\$12,438,491
Mobile Homes	50,000	.9900	50,505
Other (WAC 458-53-110 (7) or 458-53-165 properties)	100,000	1.000	100,000
Totals	\$ 9,250,000	÷	\$12,588,996 = .7348
County indicated personal property ratio			73.48%

(5) Individual assessed or true and fair personal property values, classified as "outriders" according to WAC 458-53-150(8), will be used in personal property ratio computation in a manner similar to that used for real property outriders in real property ratio computation.

[Statutory Authority: RCW 84.48.075. 86-21-004 (Order PT 86-6), § 458-53-160, filed 10/2/86; 84-14-039 (Order PT 84-2), § 458-53-160, filed 6/29/84; 79-11-029 (Order PT 79-3), § 458-53-160, filed 10/11/79. Formerly WAC 458-52-100.]

**WAC 458-53-163 Mobile homes--Use in study.** Sales and appraisals of mobile homes, properly stratified, shall be included in the ratio study in the following manner:

(1) Mobile homes which are assessed as other real property and are intermixed with other real property on the real property rolls shall be included with all other real property in the study;

(2) Mobile homes which are considered real property and are assessed upon a separate real property mobile home roll shall be included in the real property study as provided in WAC 458-53-150(4)(b);

(3) Mobile homes which are assessed as personal property shall be included in the personal property ratio study as provided in WAC 458-53-160(2);

(4) Sales of mobile homes which meet the criteria of the sales exclusion list contained in WAC 458-53-080(2) shall be excluded from the mobile home study.

[Statutory Authority: RCW 84.48.075. 84-14-039 (Order PT 84-2), § 458-53-163, filed 6/29/84.]

**WAC 458-53-165 Property not properly valued--Use in study.** The department shall examine the procedures used by the assessor to assess real and personal property. If any examination by the department discloses other than market value is being listed on the assessment

rolls of the county for a particular type of property and, after due notification by the department, is not corrected, the department shall adjust the ratio of that type of property, which adjustment shall be used in determining the counties indicated personal or real property ratios.

When a particular type of property is found to be at other than market value, that type property shall be separated from the other properties in the computation of the ratio. The department shall develop the total assessed value and total market value for that type of property, and it shall be included in the ratio as provided in WAC 458-53-150 (4)(b) and 458-53-160(2).

[Statutory Authority: RCW 84.48.075. 84-14-039 (Order PT 84-2), § 458-53-165, filed 6/29/84; 83-16-050 (Order PT 83-2), § 458-53-165, filed 8/1/83.]

**WAC 458-53-180 Use of indicated ratios.** The indicated ratios will be used by the department as follows:

The value of properties assessed by the state under chapters 84.08, 84.12, and 84.16 RCW, will be certified to the county assessor using:

- (1) The indicated personal property ratio for personal property; and
- (2) The indicated real property ratio for real property.

[Statutory Authority: RCW 84.48.075. 84-14-039 (Order PT 84-2), § 458-53-180, filed 6/29/84; 79-11-029 (Order PT 79-3), § 458-53-180, filed 10/11/79. Formerly WAC 458-52-120.]

**WAC 458-53-200 Certification of county preliminary and indicated ratios--Review.** (1) The department will annually determine the real property and personal property preliminary ratios for each county and will certify these ratios to the county assessor on or before the first Monday in August.

(2) The department shall review the county's preliminary ratio with the assessor, a landowner, or an inter-county public utility or private car company, if requested to do so by said county, person, or company, between the first and third Mondays of August, and may make any changes indicated by such review: *Provided*, That if the department does not certify the preliminary ratios as required by subsection (1) of this section, the review period shall extend for two weeks from the date of certification.

(3) Prior to equalization of assessments pursuant to RCW 84.48.080 and after the third Monday of August, the department shall certify to each county assessor the indicated real and personal property ratios for that county.

[Statutory Authority: RCW 84.48.075. 84-14-039 (Order PT 84-2), § 458-53-200, filed 6/29/84; 79-11-029 (Order PT 79-3), § 458-53-200, filed 10/11/79. Formerly WAC 458-52-140.]

**WAC 458-53-210 Appeals.** If an assessor, landowner, or owner of an intercounty utility or private car company has reviewed the ratio study as provided in WAC 458-53-200, that person or company may appeal the department's indicated ratio determination, as certified for that county, to the state board of tax appeals pursuant to RCW 82.03.130 (5)(a). The appeal to the

state board of tax appeals must be filed not later than fifteen days after the date of certification.

[Statutory Authority: RCW 84.48.075. 84-14-039 (Order PT 84-2), § 458-53-210, filed 6/29/84; 79-11-029 (Order PT 79-3), § 458-53-210, filed 10/11/79. Formerly WAC 458-52-150.]

## Chapter 458-56 WAC

### RULES RELATING TO GIFT TAXES

#### WAC

458-56-010	Scope of rules.
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458-56-080	Gross gifts made during calendar year.
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458-56-130	Community property and separate property.
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458-56-150	Penalties.
458-56-160	Payment of tax.
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458-56-180	Gift tax returns.
458-56-190	Liens.
458-56-200	Valuation of securities and accounts.
458-56-210	Federal audits.
458-56-220	Receipts.
458-56-230	Appeals and appellate procedure.

**WAC 458-56-010 Scope of rules.** RCW 83.56.100 and 83.56.310 authorizes the department of revenue to prescribe and publish all needful rules and regulations for the enforcement of chapter 83.56 RCW - Gift taxes, as applied to those gifts made subsequent to March 20, 1941.

[Order IT-75-1, § 458-56-010, filed 11/21/75.]

**WAC 458-56-020 Imposition of tax.** The statute imposes no tax upon property, but subjects to tax transfers of property by gift. The tax is not limited in its imposition to transfers of property without consideration, which in common law are termed gifts, but extends to sales and exchanges for less than an adequate and full consideration in money or money's worth. The statute taxes all transfers of property made during each calendar year to the extent that they are donative in character and exceed the exemptions, exclusions and deductions authorized. The tax applies to all individuals, whether resident or nonresident. In the case of residents of Washington, the tax applies to transfers of any property, excepting real or personal property permanently located outside the state, and in the case of nonresidents, to transfers of property situated within this state.

[Order IT-75-1, § 458-56-020, filed 11/21/75.]

**WAC 458-56-030 Requirement of return.** Any resident of the state of Washington who makes any transfer by gift of any property whatsoever, except real and tangible personal property permanently located outside this

state, and any nonresident of the state who makes a transfer by gift of any real or tangible personal property situated in this state within any calendar year must file a gift tax return with the department of revenue if such gift to any one donee exceeds \$3,000 in value. All persons are required to file returns if they make any gift of a future interest in property regardless of its value, and no annual exclusion is allowed.

Where the donor dies before filing his return, the executor or administrator of his estate must file the return and pay the tax thereon to the state treasurer. The return is required even though a gift tax may not be due.

Where there is a gift of separate property to which the spouse of the donor has consented, two separate gift tax returns are required.

[Order IT-75-1, § 458-56-030, filed 11/21/75.]

**WAC 458-56-040 Joint accounts and trusts.** Gifts involving life insurance, joint tenancies, tenancies in common, joint bank accounts, trusts, and contracts are to be valued in the manner prescribed in these rules. When a gift is made to a trust or in trust, a copy of the trust instrument or the contract must be furnished when the return is filed.

[Order IT-75-1, § 458-56-040, filed 11/21/75.]

**WAC 458-56-050 Annual exclusion.** The first \$3,000 gift to any one donee during the calendar year is excluded from the gross gifts for the year. Gifts made during the calendar year to any one person of \$3,000 or less should not be returned unless the gifts consisted of future interests in property. Gifts of future interests in property are required to be included in the total gifts, regardless of their value, and no part of the value is excluded from the gross gifts regardless of the number or relationship of the donees. Any estate or interests limited to commence in possession or enjoyment at a future date is a future interest. For instance, when a donor transfers the title to real estate and retains a life estate therein, the gift is a future interest gift.

[Order IT-75-1, § 458-56-050, filed 11/21/75.]

**WAC 458-56-060 Time and place for filing return.** The gift tax return must be filed with the department of revenue on or before the fifteenth day of April following the close of the calendar year in which gifts are made. The return should not be filed prior to the close of the calendar year.

[Order IT-75-1, § 458-56-060, filed 11/21/75.]

**WAC 458-56-070 Gifts made during prior calendar years.** The aggregate net gifts for all years prior to the present net gift must be entered on the gift tax return and added to the present net gift. The gift tax is an accumulative tax and the aggregate total of all net gifts must be considered on each gift tax return. "Net gift" is the sum remaining after the deduction of the allowable annual exclusion from the gross gift.

[Order IT-75-1, § 458-56-070, filed 11/21/75.]

**WAC 458-56-080 Gross gifts made during calendar year.** Every gross gift made during the calendar year in excess of \$3,000 should be entered on the return. A gift of a future interest should be included regardless of its value. The gift should be entered, whether in trust or otherwise, whether direct or indirect, and whether the property is real or personal, tangible or intangible. A taxable gift may be effected by the declaration of a trust, by the foregoing of a debt, by the assignment of a judgment, by the assignment of the benefits of a contract of insurance, or the naming of the beneficiary thereof, or the transfer of cash, certificates of deposit, or federal, state, or municipal bonds. Inasmuch as the tax is imposed upon gifts indirectly made, all transactions whereby property or property rights or interests are donatively passed or conferred upon another, regardless of the means or device employed, constitute gifts subject to tax. Examples of transactions resulting in taxable gifts if entered into without an adequate and full consideration in money or money's worth are as follows:

(a) The transfer of property by a corporation without an adequate and full consideration in money or money's worth to B is a gift from the stockholders of the corporation to B.

(b) The transfer of property to B where there is imposed upon B the obligation of paying a commensurate annuity to C would constitute a gift to C.

(c) The payment of money or the transfer of property by A to B in consideration whereof B is to render a service to C would constitute a gift to C or both to B and C, depending on whether the services to be rendered by B to C was or was not an adequate and full consideration in money or money's worth for that which was received by B.

(d) Where A creates a joint bank account for himself and B, there is a gift to B when he draws upon the account for his own benefit to the extent of the amount drawn.

(e) The irrevocable assignment of a life insurance policy, or the naming of a beneficiary without retaining the unlimited right to change the beneficiary or the unconditional right to the cash or surrender value, or the relinquishment or assignment of the right to the cash or surrender value to a beneficiary already named, or to any other person constitutes a gift in the amount of the net cash or surrender value, if any, plus the prepaid insurance premium adjusted to the date of the gift.

(f) Where premiums on a life insurance policy are paid by the insured who has none of the legal incidents of ownership in the policy, and the beneficiary is other than the insured's estate, each premium paid is a gift in the amount thereof to the beneficiary.

(g) When separate property of one spouse is in any way converted into community property of both spouses, there is a gift of one-half the value of the property from the spouse owning the separate property, to the other spouse.

(h) Where property is transferred in trust without an adequate and full consideration in money or money's worth and without reserving the power of revocation, the transfer is a gift, but where the transferor or donor has

the power to revest in himself title to the property transferred in trust, the transfer does not constitute a gift within the meaning of the statute. The relinquishment or termination of the power to revest in the donor the title to property transferred in trust, is a gift of such property at the time of the relinquishment or termination of the power without an adequate and full consideration of money or money's worth, except where the power is terminated by the donor's death. The payment of income to the beneficiary of a trust other than the donor is a gift by the trustor of such income where the trustor has the power to revest in himself title to the trust property. These provisions are applicable to both where a donor has the power alone to revest in himself title to the property transferred in trust and where he has such power in conjunction with any person not having a substantial adverse interest in the disposition of the trust property or the income therefrom. Where the power to revest in the donor property transferred in trust reposes in the donor in conjunction with any other person having a substantial adverse interest in the property or income therefrom or where the power is in such other person alone, the transfer is subject to tax as though no such power existed.

(i) Where property is transferred for less than an adequate and full consideration in money or money's worth, then the amount by which the value of the property exceeded the value of the consideration constitutes a gift within the meaning of the statute. If the consideration is not reducible to a money value as in the case of love and affection, promise of marriage, etc., it is to be wholly disregarded and the entire value of the property transferred constitutes the amount of the gift.

(j) If the income from a trust is required to be paid regularly to the beneficiary for a specified period of time, after which the corpus shall be distributed to him, the present value of the income during the specified period computed at the rate of three and one-half percent per annum is a gift of a present interest, and the value of the remainder is a future interest gift. If the trustee is empowered to accumulate and distribute the income at its discretion, the entire gift is that of a future interest. The annual exclusion of \$3,000 is not available when the gift is that of a future interest.

[Order IT-75-1, § 458-56-080, filed 11/21/75.]

**WAC 458-56-090 Description of property.** The property comprising the gifts made during the calendar year must be so described on the return, or by appropriate schedules attached thereto, that the subject matter of the gift may be readily identified. Thus, a legal description must be given of each parcel of real estate and, if located in a city, the name of street and number, its area, and, if improved, a short statement of the character of the improvements. The assessed valuation for the parcel must also be given. Description of bonds should include the number transferred, principal amount, name of obligor, date of maturity, rate of interest, date or dates on which interest is payable, series number where there is more than one issue, the exchange upon which listed or the principal business office of the corporation,

if unlisted. Description of stocks should include number of shares, whether common or preferred, and, if preferred, what issue thereof, par value, quotation at which returned, exact name of corporation, and, if stock is unlisted, the location of the principal business office and state in which incorporated and the date of incorporation. If a listed security, state principal exchange upon which sold. Description of notes should include name of maker, date on which given, date of maturity, amount of principal, amount of principal unpaid, rate of interest and whether simple or compound, date to which interest has been paid, and amount of unpaid interest. Description of land contracts transferred should include name of vendee, date of contract, description of property, sale price, initial payment, amounts of installment payments, unpaid balance of principal and accrued interest, interest rate, and date prior to gift to which interest has been paid. Description of life insurance should give the name of the insurer, the amount of the premium, number of policy, face value, and amount paid or payable thereunder. In describing an annuity the name and address of the grantor of the annuity should be given, or if payable out of a trust or other funds such a description as will identify it. If the annuity is payable for a term of years the duration of the term and the date on which it began should be given, and if payable for the life of any person, the date of birth of such person should be stated. Judgments should be described by giving the title of the cause and the name of the court in which rendered, date of judgment, name and address of judgment debtor, amount of judgment, rate of interest to which subject and whether any payments have been made thereon, and, if so, when and in what amounts.

[Order IT-75-1, § 458-56-090, filed 11/21/75.]

**WAC 458-56-100 Valuation of property.** If the gift is made in property other than money, it shall be valued at its true and fair value in money as of the date of the gift. Where the gift is in the form of an annuity, life, or term estate, it is to be valued in accordance with rules, methods, and standards of mortality set forth in tables furnished by the insurance commissioner, computed at four percent for those gifts made prior to June 11, 1953, and three and one-half percent for those gifts made after June 10, 1953. If the gift is in the form of a remainder or reversionary interest, it is to be valued by subtracting from the total value of the property the value of the limited or term estate.

[Order IT-75-1, § 458-56-100, filed 11/21/75.]

**WAC 458-56-110 Exempt gifts.** Gifts to benevolent, charitable, educational, or religious institutions or organizations organized for such purposes are not subject to taxation. The fair market value of such gifts and a description thereof must be entered on the gift tax return.

A gift to a corporate entity or organization not solely engaged in exempt activities may be exempt only if the gift is specifically directed to be used only for a charitable or benevolent purpose. A gift for the benefit of the

members of an organization, in any degree, will have the effect of a disallowance of the charitable exemption.

[Order IT-75-1, § 458-56-110, filed 11/21/75.]

**WAC 458-56-120 Specific exemptions.** There may be allowed from the total amount of gifts made by any donor a specific exemption of \$10,000 for gifts to Class A donees and of \$1,000 for gifts to Class B donees. The provisions permitting the allowance of a \$10,000 Class A exemption and a \$1,000 Class B exemption are so limited that such exemptions are allowed a donor but once, regardless of the number of calendar years in which a donor makes gifts, and regardless of the number of donees in the class. The exemption is allowed for gifts to the class as a whole and not as to gifts to individual donees.

[Order IT-75-1, § 458-56-120, filed 11/21/75.]

**WAC 458-56-130 Community property and separate property.** Where there is a transfer of community property, real or personal, tangible or intangible, to a person other than a member of the community, two separate gift tax returns shall be made, one by each spouse and each for one-half of the whole value of the property transferred.

Whenever a gift of separate property is made by a member of a community to third persons and the spouse of the donor has consented to such gift on the donor's return, a gift tax return must be made by the consenting spouse as to one-half of the fair market value of the gift. The other half will be reported on the tax return of the donor. Joint returns by husband and wife are not allowed.

[Order IT-75-1, § 458-56-130, filed 11/21/75.]

**WAC 458-56-140 (Reserved.)**

**WAC 458-56-150 Penalties.** (1) In the case of failure to make and file a return required by the Gift Tax Act of 1941 within the time prescribed, 25 percent of the amount of the tax is added to the tax unless the return is later filed and failure to file the return within the time prescribed is shown to the satisfaction of the department of revenue to be due to reasonable cause and not to wilful neglect.

(2) Every person, whether as principal, agent or accessory, who misrepresents or conceals facts relating to the ascertainment, determination or collection of gift taxes shall be guilty of a gross misdemeanor and subject to the penalties therefor.

(3) The following are acceptable reasonable causes for failure to file, provided that affidavits in support thereof are furnished:

(a) When the delay was caused by the death or serious illness of the donor or any member of his immediate family,

(b) When the delay was caused by unavoidable and unforeseen absence of the donor from the state,

(c) When the donor, in good faith, relied upon the advice of a reputable attorney or accountant, who was

skilled in tax matters, and who advised the taxpayer that the transfer was not a taxable gift.

The following are not acceptable reasons to avoid the penalty:

(d) When the donor furnished his attorney or accountant with the necessary information to prepare a return and relied upon him to do so,

(e) When the donor was ill but was able to and did file an income tax return which was due at the same time,

(f) When the donor was ignorant of the law and was not aware that a return was due.

[Order IT-75-1, § 458-56-150, filed 11/21/75.]

**WAC 458-56-160 Payment of tax.** The tax must be paid to the department of revenue by the donor on or before the 15th day of April following the close of the calendar year in which the gifts were made. The tax may be paid at any time prior to the 15th day of April following the close of the calendar year in which the gifts were made. The department may, at the request in writing by the donor, extend the time of the payment of the tax for a period not to exceed 6 months from the due date, subject, however to the payment of interest on the tax due at the statutory rate. Any application for an extension of time for the payment of tax must set forth the specific reason for desiring the extension. Interest during the period as extended cannot be waived.

[Order IT-75-1, § 458-56-160, filed 11/21/75.]

**WAC 458-56-170 Gifts taxable as inheritance.** If a gift tax has been paid on any gift and thereafter, upon the death of the donor, a Washington inheritance tax is imposed on the same gift, there shall be credited against the inheritance tax as so imposed an amount equal to the gift tax paid on such gift. The amount of the gift tax paid shall be included as an asset of the estate of the donor.

[Order IT-75-1, § 458-56-170, filed 11/21/75.]

**WAC 458-56-180 Gift tax returns.** (1) All gift tax returns must be made on the forms provided by the department. Upon request, an adequate supply thereof will be furnished to taxpayers and preparers. Photocopies and/or copies of the return are not acceptable and any such copies will be returned to the sender for completion of the approved return.

(2) Any person preparing the gift tax return for a taxpayer must endorse the return by signing his name thereon identifying his relationship to the donor (i.e., attorney, CPA, LPA, etc.), and supplying his address and phone number.

[Order IT-75-1, § 458-56-180, filed 11/21/75.]

**WAC 458-56-190 Liens.** (1) A certificate of lien may be foreclosed following the procedures allowed by law for the foreclosing of a real estate mortgage.

(2) When the tax and interest have been fully paid upon which a certificate of lien has been filed, the department of revenue, upon request, will issue a certificate of release of lien. A partial release may be issued upon partial payment of tax and interest.

[Order IT-75-1, § 458-56-190, filed 11/21/75.]

**WAC 458-56-200 Valuation of securities and accounts.** (1) The value of shares of closely owned stock and other interests in business shall be determined by all relevant factors such as value of the assets, earning capacity, and the outlook of the particular business and of its industry in general. Relevant factors that may be considered in the valuation of closely held stock could include the period of time that the issuing corporation has been in existence and its position in the trade, the nature of the corporation, the operating history of the corporation and particularly its earnings over a period of time, the balance sheet of the corporation, the standard of earnings maintained by concerns engaged in similar lines of endeavor, dividend-paying capacity, the prices paid on private sales of the shares to persons who were in a position to know their value, future earning prospects, and the management and personnel. The market price of corporations engaged in a similar business whose shares are traded over the counter or on a stock exchange may also be considered.

When such securities are the subject matter of the gift, there must be furnished with the return the following:

- (a) A balance sheet closest to the date of the gift, together with notations as to fair market value and assessed values,
- (b) A complete financial statement, including a balance sheet and income statement,
- (c) A listing of the net earnings for the past 5 years, and
- (d) A statement of the total number of shares authorized, issued, and outstanding.

(2) In evaluating notes, accounts receivable, claims, debts, et cetera, the value of notes and contracts is the amount of unpaid principal plus accrued interest to the date of death, unless the donor can establish by satisfactory evidence that the item is worth less than the balance of principal and interest due.

[Order IT-75-1, § 458-56-200, filed 11/21/75.]

**WAC 458-56-210 Federal audits.** If after the values of a gift have been determined under chapter 83.56 RCW the same gift is valued under the Federal Gift Tax Statutes, and the value of the gift or any portion thereof is increased above or decreased below the values fixed by chapter 83.56 RCW, and the federal valuation is accepted by the donor either by agreement or federal court determination, the value as fixed by chapter 83.56 RCW on such property or portion thereof shall be increased or decreased to that federal value.

[Order IT-75-1, § 458-56-210, filed 11/21/75.]

(1986 Ed.)

**WAC 458-56-220 Receipts.** No receipt will be issued evidencing the gift tax paid. Canceled checks will serve as acknowledgment of the payment of the tax assessed.

[Order IT-75-1, § 458-56-220, filed 11/21/75.]

**WAC 458-56-230 Appeals and appellate procedure.** Any person feeling aggrieved may appeal any determination of values or tax liability in relation to a gift or gift tax return by filing a notice of appeal with the assistant director, inheritance tax division. Upon receipt of such notice, the assistant director shall set a time for hearing on the appeal not less than 15 days after the receipt of the notice and not more than 30 days thereafter. Such hearing date may be continued at the request of the taxpayer.

The inheritance and gift tax hearing board shall be composed of three members, one of whom shall be the chairman selected by the members. The members shall be selected from:

- The director of revenue or his designate
- The assistant director, inheritance tax
- The assistant attorney general, revenue
- The counsel, inheritance tax
- The chief deputy, inheritance tax

The taxpayer or his agent shall be notified of the composition of the board at the same time he is furnished with the notice of hearing. Any objection to a member of the board must be filed five days prior to the hearing.

Upon conclusion of the hearing and within ten days thereafter, the board shall render its decision in writing and signed by the chairman. The decision of the board may be appealed to superior court, provided that such appeal must be taken within thirty days after the rendition of the decision. A conference prior to a hearing may be allowed at the request of the taxpayer.

Nothing contained in this rule shall preclude the taxpayer from appealing directly to superior court without exhausting the administrative remedy provided for herein.

[Order IT-75-1, § 458-56-230, filed 11/21/75.]

### Chapter 458-57 WAC

#### STATE OF WASHINGTON ESTATE AND TRANSFER TAX REFORM ACT RULES

##### WAC

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## DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

458-57-010	Scope of rules. [Statutory Authority: RCW 82.01-.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-010, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83-100.100. Later promulgation, see WAC 458-57-510.	458-57-130	Real estate contracts. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-130, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-020	Nature of inheritance tax. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-020, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100. Later promulgation, see WAC 458-57-520.	458-57-140	Cash on hand or on deposit. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-140, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-030	Property subject to inheritance tax. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-030, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100. Later promulgation, see WAC 458-57-530.	458-57-150	Tangible personal property, household and personal effects. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-150, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-040	Jurisdiction—Domicile of decedent. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-040, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.	458-57-160	Valuation of annuities, life estates, terms for years, remainders, and reversions. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-160, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-050	Status and character of assets. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-050, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.	458-57-170	Tables for valuation of annuities, life estates, terms for years, remainders, and reversions for estates of decedents dying on and after May 30, 1979. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-170, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-060	Valuation. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-060, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.	458-57-180	Transfers prior to death—Computation of time—Valuation—Contemplation. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-180, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-070	Valuation—Real estate. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-070, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.	458-57-190	Deductions. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-190, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-080	Valuation—Gold and silver bullion. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-080, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.	458-57-200	Nondeductible items. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-200, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-090	Valuation—Securities. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-090, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.	458-57-210	Exempt entities. [Statutory Authority: RCW 82.01-.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-210, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-100	Closely held securities—Partnerships—Sole proprietorships. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-100, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.	458-57-220	Classes of beneficiaries—Heirs. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-220, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-110	Valuation of certain life insurance and annuity contracts—Valuation of shares in an open-end investment company. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-110, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.	458-57-230	Exemptions—Class A. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-230, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
458-57-120	Notes—Other intangibles. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), §	458-57-240	Exemptions—Classes B and C. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01

- through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-240, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-250 Exemptions—Aliens. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-250, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-260 Insurance—Exemptions. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-260, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-270 Prorating of exemptions. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-270, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-280 Prorating costs and fees. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-280, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-290 Credit for property previously taxed. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-290, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-300 Computation formula—Property previously taxed—Class A. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-300, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-310 Computation formula—Property previously taxed—Portion of net second estate to class other than A. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-310, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-320 Computation formula—Property previously taxed—Specific bequest second estate to class other than A. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-320, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-330 Computation formula—Property previously taxed—Specific bequest and portion of net second estate to class other than A. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-330, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-340 Federal credit for death taxes. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-340, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-350 Payment of tax. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-350, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-360 Payment of tax from residue—Tax on tax. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-360, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-370 Deferral of tax—Power of appointment—Minimum and maximum tax—Secured tax. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-370, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-380 Interest—Penalties. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-380, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-390 Interest on unpaid tax. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-390, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-400 Refunds. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-400, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-410 Escheat estates—Heirs—How located and proof. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-410, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100. Later promulgation, see WAC 458-57-640.
- 458-57-420 Preliminary statement. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-420, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-430 Inventory and appraisal—Inventory of assets. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-430, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-440 Inheritance tax returns—Duty to keep records and render statements—Filing of returns—Contents of returns. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-440, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-450 Payment of inheritance tax—Extension of time—Basis for—Reasonable cause—Undue hardship. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-450, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-460 Inheritance tax—Extension of time for payment—Failure to pay on time. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-460, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-470 Inheritance tax—Extension of time for payment—Security. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-470, filed

- 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-480 Closely held businesses—What constitutes. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-480, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-490 Qualified or special use—Application of statutory and regulatory provisions. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-490, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.
- 458-57-500 Miscellaneous provisions. [Statutory Authority: RCW 82.01.060, 83.36.005, and chapters 83.01 through 83.52 RCW. 80-03-048 (Order IT 80-1), § 458-57-500, filed 2/21/80.] Repealed by 83-17-033 (Order IT 83-2), filed 8/11/83. Statutory Authority: RCW 83.100.100.

**WAC 458-57-510 Scope of rules.** These rules are promulgated under the authority of RCW 83.100.100 and are intended to implement chapter 83.100 RCW.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-510, filed 8/11/83. Formerly WAC 458-57-010.]

**WAC 458-57-520 Nature of estate tax.** (1) The estate tax is neither a property tax nor an inheritance tax. It is a tax imposed on the transfer of the entire taxable estate and not upon any particular legacy, devise, or distributive share.

(2) The estate tax does not purport to reach completed absolute lifetime transfers. Section 2035(d) of the Internal Revenue Code generally exempts such transfers. To the extent permitted by this provision, lifetime transfers escape the state estate tax. There is no state gift tax.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-520, filed 8/11/83. Formerly WAC 458-57-020.]

**WAC 458-57-530 Property subject to estate tax.** The estate tax is imposed on transfers of the taxable estate, as defined in section 2051 of the Internal Revenue Code. The following paragraphs contain a general description of the method to be used in determining the taxable estate of decedent:

(1) Gross estate. The first step in determining the tax is to ascertain the total value of the decedent's gross estate. The value of the gross estate includes the value of all property to the extent of the interest therein of the decedent at the time of his death. In addition, the gross estate may include property in which the decedent did not have an interest at the time of his death. A decedent's gross estate for federal estate tax purposes may therefore be very different from the same decedent's estate for local probate purposes. Examples of items which may be included in a decedent's gross estate and not in his probate estate are the following: Certain property transferred by the decedent during his lifetime without adequate consideration; property held jointly by the decedent and others; property over which the decedent had a general power of appointment; proceeds of certain policies of insurance on the decedent's life annuities; and dower and curtesy of a surviving spouse or a statutory

estate in lieu thereof. For a detailed explanation of the method of ascertaining the value of the gross estate, see sections 2031 through 2044 of the Internal Revenue Code, and the regulations thereunder.

(2) Taxable estate. The second step in determining the tax is to ascertain the value of the decedent's taxable estate. The value of the taxable estate is determined by subtracting from the value of the gross estate the authorized exemption and deductions. Under various conditions and limitations, deductions are allowable for expenses, indebtedness, taxes, losses, charitable transfers, and transfers to surviving spouse. For a detailed explanation of the method of ascertaining the value of the taxable estate, see sections 2051 through 2056 of the Internal Revenue Code and the regulations thereunder.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-530, filed 8/11/83. Formerly WAC 458-57-030.]

**WAC 458-57-540 Residents—Tax imposed.** A tax is imposed on the transfer of the taxable estate of every decedent who was domiciled in the state of Washington at the time of such decedent's death. The tax imposed is an amount equal to the federal credit as defined in RCW 83.100.020(3) and WAC 458-57-560(4).

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-540, filed 8/11/83.]

**WAC 458-57-550 Valuation.** The value of every item of property in a decedent's gross estate is its fair market value, except that if the personal representative elects the alternate valuation method under section 2032 of the Internal Revenue Code, it is the fair market value thereof at that date, with the adjustments prescribed in that section. Notwithstanding the preceding sentences, valuation of certain farm property and closely-held business property, properly made for federal estate tax purposes pursuant to an election authorized by section 2032A of the Internal Revenue Code, shall be binding for state estate tax purposes.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-550, filed 8/11/83.]

**WAC 458-57-560 Imposition of tax.** (1) A tax in an amount equal to the federal credit is imposed by RCW 83.100.030 upon the net estate of every decedent. "Net estate" for state tax purposes means the same thing as "taxable estate" for federal tax purposes. When the amount of deductions allowable exceeds the value of the gross estate, there is no "taxable (or net) estate," and no state tax is due.

(2) The Internal Revenue Code of 1954 means the Internal Revenue Code of 1954, as amended or renumbered prior to January 1, 1982. See *St. of Wash. v. Readers Digest*, 81 Wn.2d 259, 501 P.2d 290 (1972).

(3) The "maximum amount of the credit for state death taxes allowed under section 2011" means allowed without regard to section 2011(a) of the Internal Revenue Code. The Washington estate tax is due in every case in which the credit is available whether or not it is claimed for federal tax purposes.

(4) The term "federal credit" means the credit amount prescribed in section 2011(b) of the Internal Revenue Code, as limited by the amount which the federal estate tax exceeds the unified credit prescribed in section 2010 of the Internal Revenue Code. It is computed on a special base denominated "adjusted taxable estate," which is determined by simply reducing the amount of federal taxable estate by \$60,000.

(5) The amount of tax payable to the state of Washington shall not exceed an amount equal to the amount of tax computed in accordance with section 2001 of the Internal Revenue Code reduced by the amount of unified credit provided by section 2010 of the Internal Revenue Code.

(6) The amount of the tax shall not be reduced by the amount of any credit allowed for federal purposes other than the amount of credit prescribed under section 2010 of the Internal Revenue Code. Specifically, the amount of the state estate tax shall not be reduced by the amount of any credit for tax on prior transfers, foreign death taxes, or death taxes on remainders provided in sections 2013, 2014, and 2015 of the Internal Revenue Code.

Amount of credit:

(A)	(B)	(C)	(D)
Adjusted taxable estate or more than	Adjusted taxable estate less than	Credit on amount in column (A)	Rates of credit on excess over amount in column (A)
			Percent
\$ 40,000	\$ 90,000	\$ -0-	0.8
90,000	140,000	400	1.6
140,000	240,000	1,200	2.4
240,000	440,000	3,600	3.2
440,000	640,000	10,000	4.0
640,000	840,000	18,000	4.8
840,000	1,040,000	27,600	5.6
1,040,000	1,540,000	38,800	6.4
1,540,000	2,040,000	70,800	7.2
2,040,000	2,540,000	106,800	8.0
2,540,000	3,040,000	146,800	8.8
3,040,000	3,540,000	190,800	9.6
3,540,000	4,040,000	238,800	10.4
4,040,000	5,040,000	290,800	11.2
5,040,000	6,040,000	402,800	12.0
6,040,000	7,040,000	522,800	12.8
7,040,000	8,040,000	650,800	13.6
8,040,000	9,040,000	786,800	14.4
9,040,000	10,040,000	930,800	15.2
10,040,000		1,082,800	16.0

Example (1). A died in 1986, leaving her husband and children surviving. Her taxable estate, computed after allowance of the marital deduction, was \$700,000. The adjusted taxable estate was \$640,000. The Washington state estate tax due is \$18,000.

Example (2). C died in 1983. All of his property passed to his wife D, outright under a community property agreement. His marital deduction under section 2056 of the Internal Revenue Code reduced his federal taxable estate to zero. Because his taxable estate is zero, no Washington tax is due.

Example (3). E, a single man, died in 1984. His federal taxable estate was \$100,000; thus, the adjusted taxable estate was \$40,000 (\$100,000 - \$60,000). No

Washington tax is due. Section 2011 of the Internal Revenue Code provides for no credit unless the adjusted taxable estate exceeds \$40,000.

Example (4). F, a widower, died in 1985. One year before his death he made an absolute transfer of almost all of his property to his son, G. His federal tax liability was computed on the basis of "adjusted taxable gifts" of \$750,000 and a taxable estate of \$3,000. No Washington estate tax is due, and there is no Washington gift tax.

Example (5). B, a widow, died in 1982 leaving a taxable estate of \$290,000. The amount of tax payable to the state of Washington, equivalent to the federal death tax credit, is computed as follows:

Taxable estate	\$290,000		
Less	<u>60,000</u>		
Adjusted taxable estate	\$230,000		
Section 2011 credit on first	\$140,000	is	\$1,200
Plus 2.4% of	90,000	is	<u>2,160</u>
Washington tax liability			\$3,360

Example (6). Decedent died in 1983, leaving a taxable estate of \$280,000. The amount payable to the state of Washington is computed as follows:

Taxable estate	\$280,000		
Less	<u>60,000</u>		
Adjusted taxable estate	\$220,000		
Section 2011 credit on first	\$140,000	is	\$1,200
Plus 2.4% of	80,000	is	<u>1,920</u>
State Death Tax Credit equals			\$3,120

BUT (Federal Estate Tax Computation)

Taxable estate	\$280,000		
Tax on	\$250,000	is	\$70,800
Plus 34% of	30,000	is	<u>10,200</u>
Gross federal tax			\$81,000
Less unified credit			79,300
Net estate tax			\$ 1,700

Since the federal estate tax payable is \$1,700, which amount is less than the computed state death tax credit, the amount payable to the state is \$1,700 and zero is due the Internal Revenue Service.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-560, filed 8/11/83.]

**WAC 458-57-570 Tax returns to be filed.** (1) For purposes of these rules, the word "return" shall mean the "report" called for under provisions of RCW 83-100.050. The Washington Estate Tax Return shall be filed on or before the date the Federal Estate Tax Return is required to be filed.

(2) Section 6075 of the Internal Revenue Code requires that federal estate tax returns be filed within nine months after the date of the decedent's death.

(3) Section 6081 of the Internal Revenue Code permits the granting of reasonable extensions of time for filing estate tax returns for periods generally not to exceed six months.

(4) In the case of any estate for which a federal return must be filed, a Washington state Estate Tax Return shall be filed with the department on or before the date on which the federal return is required to be filed. If a federal extension of the time to file is granted, the date for filing the Washington return is extended thereby. However, if the personal representative shall

fail to file with the department a true copy of the extension within thirty days of the issuance of such extension, the department may require the personal representative to file the state return on the date that the federal return would have been due had the extension not been granted. Too, the penalty provided (RCW 83.100.070(2)) for late filing of the tax return shall be applicable if the tax return is filed after the due date, an extension of time to file has been requested, and the extension is denied.

(5)(a) A release shall be issued, when requested, in every case in which the department determines that an estate is not liable for the payment of the state estate tax in any amount. In instances in which the department is unable to make the determination, it may require proof by the personal representative that no tax is in fact due.

(b) If the department determines that no tax is due, it shall issue a release to the personal representative. The release shall state that the estate tax liability to the state of Washington has been fulfilled, and that the release shall give the personal representative authority to effectuate the transfer of all property comprising the decedent's estate.

(c) The release may be conditional. If, for example, the estate has avoided federal and state tax liability by reason of electing special use valuation under section 2032A of the Internal Revenue Code (entitled "Valuation of Certain Farm, etc. Real Property"), and if state tax will be due in the event the specially valued property is disposed of or taken out of qualified use within the period provided for in section 2032A(c), the request for the release must be joined in by those persons required to sign the agreement mentioned in section 2032A (d)(2), and when issued the release shall specify that it is issued in reliance upon representation that no such disposition or removal from qualified use is contemplated, and the qualified heir will notify the department if removal from qualified use thereafter occurs within ten years following the date of the decedent's death. Should removal from qualified use result in a tax being due the state of Washington, the qualified heir shall notify the department, pay the tax, together with interest at the rate of twelve percent per annum if the tax is not paid within six months of removal of the property from qualified use.

(d) "Qualified heir" shall mean those persons specified in section 2032A (e)(1).

[Statutory Authority: RCW 83.100.100. 86-12-024 (Order 86-1), § 458-57-570, filed 5/28/86; 83-17-033 (Order IT 83-2), § 458-57-570, filed 8/11/83.]

**WAC 458-57-580 Formula.** The amount of tax payable to Washington for nonresident decedents equals the amount of federal credit multiplied by a fraction, the numerator of which is the value of the property located in Washington, and the denominator of which is the value of the decedent's gross estate:

$$\text{Federal Credit} \times \frac{\text{Gross Value of Property in Washington}}{\text{Decedent's Gross Estate}} = \text{Amount to be Paid = Washington State}$$

This formula contemplates the gross value as finally determined for federal estate tax purposes of any property "located in" Washington as provided in RCW 83.100.040(2). No reduction shall be allowed for any mortgages, liens or other encumbrances or debts associated with such property except to the extent allowable in computing the gross estate for federal estate tax purposes.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-580, filed 8/11/83.]

**WAC 458-57-590 Property "located in" Washington.** (1) Real property. All real property physically situated in this state, with the exception of federal trust lands, and all interests in such property, are deemed "located in" Washington. Such interests include but are not limited to:

- (a) Leasehold interests.
  - (b) Mineral interests.
  - (c) The vendee's (but not the vendor's) interest in an executory contract for the purchase of real property.
  - (d) Trusts (beneficial interest in trusts of realty).
- (2) Tangible personal property. Tangible personal property of a nonresident decedent shall be deemed "located in" Washington only if:

- (a) At the time of his death the property is situated in Washington;
- (b) It is present for a purpose other than transiting the state.

Example: A nonresident decedent, a construction contractor working as an individual or sole proprietor, was on the date of death engaged in constructing a large building within the state. All equipment, such as earthmovers, bulldozers, trucks, etc., used on that contract and located in Washington at the time of death, would be deemed located in Washington for death tax purposes.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-590, filed 8/11/83.]

**WAC 458-57-600 Reciprocity exemption.** If the state in which the nonresident decedent is domiciled exempt's from estate, inheritance or other death taxes the property of residents of Washington, the estate of such decedent shall be exempt from Washington estate taxes. This exemption will apply if, as of the date of the decedent's death he was a citizen of the United States, resident of the United States but not of Washington, and such laws of the domicile state: (1) Made specific reference to this state; or (2) contained a reciprocal provision under which nonresidents were exempted from applicable death taxes with respect to property or transfers otherwise subject to the jurisdiction of such state. In those instances where application of this provision results in loss of available federal credit which would otherwise be allowed by the federal government, Washington will absorb that proportional share which is applicable to property within the jurisdiction of this state. Application of this provision will not act to increase the total tax obligation of the estate and will not apply if federal regulations prevent allowance of such credit.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-600, filed 8/11/83.]

**WAC 458-57-610 Releases.** (1) In cases in which taxes are due under the act, the department shall issue a release to the personal representative upon request and after such taxes have been paid. The request shall be accompanied by a completed Washington Estate Tax Return and by a completed copy of the Federal Estate Tax Return (Form #706). The final determination of the amount of taxes due from the estate is contingent on receipt of a copy of the final closing letter issued by the Internal Revenue Service.

(2) The department may require additional information to substantiate information provided by the estate.

(3) The release issued by the department will not bind or estop the department in the event of a misrepresentation of facts.

[Statutory Authority: RCW 83.100.100. 86-12-024 (Order 86-1), § 458-57-610, filed 5/28/86; 83-17-033 (Order IT 83-2), § 458-57-610, filed 8/11/83.]

**WAC 458-57-620 Amended returns--Final determination.** (1) If an amended federal return is filed, an amended Washington return together with a copy of the amended federal return shall be filed with the department within five days after the date the amended federal return is filed with the Internal Revenue Service.

(2) The written notice to be given the department of the final determination of federal tax pursuant to RCW 83.100.090(2) shall include copies of any final examination report, any compromise agreement, the estate tax closing letter, and any other available evidence of the final determination.

(3) Failure to file an amended return shall toll all applicable statutes of limitations against the tax.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-620, filed 8/11/83.]

**WAC 458-57-630 Administration--Rules.** For the purposes of these rules, the term "court of record" shall mean a superior court or any division of the court of appeals. A rule determined to be invalid by a court other than an appellate court shall nevertheless continue to have persuasive effect in the application and interpretation of these rules.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-630, filed 8/11/83.]

**WAC 458-57-640 Escheat estates--Heirs--How located and proof.** (1) In those cases where it is apparent that the estate will escheat to the state of Washington and heirs are subsequently located, the personal representative shall provide the department with all evidence of which he has knowledge or of which he has possession showing that the purported heirs are actually heirs. All documents in support of heirship must be in the English language when submitted to the department. The translation into English from any foreign document shall be authenticated as reasonably required by the department.

(2) In all cases where there is a court hearing or the taking of a deposition on the question of heirship, the

personal representative shall give the department twenty days' written notice of such hearing or matter.

(3) The personal representative must give the department at least twenty days' written notice of the hearing on the final account and petition for distribution.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-640, filed 8/11/83. Formerly WAC 458-57-410.]

**WAC 458-57-650 Interest and penalties.** (1) Estate taxes due the state are delinquent if not paid within nine months of the date of death. Interest accrues on delinquent taxes at the rate of twelve percent per annum and will be prorated in accordance with Table A.

(2) If the estate tax return required is not filed within the time specified in WAC 458-57-570, then the personal representative shall pay, in addition to the interest provided in subsection (1) of this section, a penalty equal to five percent of the tax due for each month the report has not been filed, but the total penalty shall not exceed twenty-five percent of the tax. The penalty is added to the total amount of tax and interest due. It shall be prorated for those periods less than a month in accordance with Table B.

(3) When interest and penalties have been imposed for late filing or payment, and partial payments of the total amount due are received, the payments shall be applied first to pay the penalty, then the accrued interest, and then the principal.

(4) The penalty for failure to file will not be assessed in those instances where prior to the due date a payment of the tax due has been made and the circumstances which render the timely filing of the return impossible have been brought to the attention of the department.

INTEREST AND PENALTY DAILY FACTORS

For Deaths on or After 1/1/82

TABLE A 12% Per Annum Interest (1% per mo.)		TABLE B 5% Penalty Failure to File	
Day		Day	
1	.000333	1	.001667
2	.000666	2	.003334
3	.000999	3	.005001
4	.001332	4	.006668
5	.001665	5	.008335
6	.001998	6	.010002
7	.002331	7	.011669
8	.002664	8	.013336
9	.002997	9	.015003
10	.003330	10	.016670
11	.003663	11	.018337
12	.003996	12	.020004
13	.004329	13	.021671
14	.004662	14	.023338
15	.004995	15	.025005
16	.005328	16	.026672
17	.005661	17	.028339
18	.005994	18	.030006
19	.006327	19	.031673
20	.006660	20	.033340
21	.006993	21	.035007
22	.007326	22	.036674
23	.007659	23	.038341
24	.007992	24	.040008
25	.008325	25	.041675
26	.008658	26	.043342
27	.008991	27	.045009

**TABLE A**

12% Per Annum Interest  
(1% per mo.)

Day	Interest Factor
28	.009324
29	.009657
30 & 31	.010000

**TABLE B**

5% Penalty  
Failure to File

Day	Penalty Factor
28	.046676
29	.048343
30 & 31	.050000

**Example**

Interest Factor		Penalty Factor	
Payment delinquent 4 mos. 13 days	Late filing 2 mos. 21 days		
4 x .01 = .04	2 x .05 = .10		
Plus 13 days = .004329	Plus 21 days = .035007		
Factor to use .044329	Factor to use .135007		
Amount of death tax credit	\$1,700.00		
Plus interest (.044329 x 1,700)	75.36		
Plus penalty (.135007 x 1,700)	229.51		
Total Due	\$2,004.87		

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-650, filed 8/11/83.]

**WAC 458-57-660 Refunds.** Claims for refund of taxes overpaid must be initiated within one year of the time the taxes are first paid to the state of Washington. Such claim may be made only by the personal representative or his retained counsel. Any refund issued by the department will include interest at the existing statutory rate computed from the date the overpayment was received by the department until the date it is returned to the estate's representative.

[Statutory Authority: RCW 83.100.100. 83-17-033 (Order IT 83-2), § 458-57-660, filed 8/11/83.]

**Chapter 458-61 WAC**

**REAL ESTATE EXCISE TAX**

**WAC**

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**DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER**

458-61-350	Earnest money receipts. [Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-350, filed 7/21/82.] Repealed by 83-02-022 (Order PT 82-10), filed 12/28/82. Statutory Authority: RCW 82.45.120 and 82.45.150.
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**WAC 458-61-010 Authority.** RCW 82.45.150 provides that the Washington state department of revenue shall establish rules for the effective administration of the real estate excise tax. Chapter 458-61 WAC supercedes all county ordinances and operating manuals under chapter 28A.45 RCW. (RCW 82.45.150)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-010, filed 7/21/82.]

**WAC 458-61-020 General provisions pursuant to chapter 82.32 RCW.** The general provisions for the administration of the state's excise taxes contained in chapter 82.32 RCW apply to the real estate excise tax, chapter 82.45 RCW, except for the following: RCW 82.32.030, 82.32.040, 82.32.050, 82.32.140 and 82.32.270, and except for the penalties and the limitations imposed by RCW 82.32.090. (RCW 82.45.150)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-020, filed 7/21/82.]

**WAC 458-61-030 Definitions.** For the purposes of chapter 458-61 WAC, unless otherwise required by the context:

(1) "Affidavit" shall mean the real estate excise tax affidavit which the department shall prescribe and furnish to the county treasurers. Such affidavit shall require the following information:

(a) Identification of the seller and purchaser, including their current mailing addresses;

(b) Legal description of the property transferring, including the tax parcel or account numbers;

(c) Date of sale;

(d) Type of instrument of sale;

(e) Nature of transfer;

(f) Gross sales price;

(g) Value of personal property involved in the transfer;

(h) Taxable sales price;

(i) Whether or not the land is classified or designated as forest land under chapter 84.33 RCW;

(j) Whether or not the land is classified as open space land, farm and agricultural land, or timber land under chapter 84.33 RCW;

(k) Whether or not the property is exempt from property tax under chapter 84.36 RCW, at the time of sale;

(l) Whether or not the property is:

(i) Land only;

(ii) Land with new building; or

(iii) Land with a previously used building;

(m) A notice of continuance, signed by all new owners, for classified forest land (RCW 84.33.120), designated forest land (RCW 84.33.180) (RCW 84.33.130) or classified open space land, farm and agricultural land or timber land (RCW 84.34.108) shall be signed for those affidavits conveying land subject to the provisions of chapters 84.33 and 84.34 RCW, if the new owner desires to continue said classification or designation. The county assessor shall determine if the land qualifies for continued classification or designation and shall so note this determination on the affidavit prior to the acceptance of the affidavit by the county treasurer;

(n) The affidavit shall list the following questions, the responses to which are not required:

(i) Is this property at the time of sale subject to an elderly, disability, or physical improvement exemption?

(ii) Does any building have a heat pump or solar heating or cooling system?

(iii) Does this transaction divide a current parcel of land?

(iv) Does this transaction include current crops or merchantable timber?

(v) Does this transaction involve a trade, or partial interest, corporate affiliates, related parties, a trust, a receivership, or an estate?

(vi) Is the grantee acting as a nominee for a third party?

(vii) Is the principal use of the land agricultural, apartments (four or more units), commercial, condominium, industrial, mobile home site, recreational, residential, or growing timber?

(o) The affidavit form shall contain a statement of the potential compensating and additional tax liability under chapter 84.34 RCW, a statement of the collection of

taxes under RCW 84.36.262 and 84.36.810, and a statement of the applicable penalties for perjury under chapter 9A.72 RCW.

Each county shall use the affidavit form prescribed and furnished by the department of revenue.

The affidavit shall be signed by either the seller or the buyer, or the agent of either, under oath attesting to all required information.

(2) "Consideration" shall mean money or anything of value, either tangible or intangible, paid or delivered or contracted to be paid or delivered or services performed or contracted to be performed in return for real property or estate or interest in real property. The term shall further include the market value of real property transferred to a corporation by its shareholders, officers, or corporate affiliates so as to increase the assets of the grantee corporation.

(3) "Court decree" and "court order" shall have the same meaning and may be used interchangeably for the purposes of these rules. This shall be the judgment of a court of competent jurisdiction.

(4) "Date of taxability" shall mean the date of transfer as defined in subsection (15) of this section.

(5) "Department" shall mean the Washington state department of revenue.

(6) "Mining property" shall mean property containing or believed to contain metallic minerals and sold or leased under terms which require the purchaser or lessee to conduct exploration or mining work thereon and for no other use. (RCW 82.45.035)

(7) "Mobile home" shall mean a mobile home as defined by RCW 46.04.302, as now or hereafter amended. (RCW 82.45.032)

(8) "Mortgage" shall have its ordinary meaning and shall include "deed of trust" for the purposes of these rules, unless the context clearly indicates otherwise.

(9) "Nominal sales prices" shall mean sales prices stated on the real estate excise tax affidavit that are so low in comparison to the actual value of the real estate as to cause disbelief by a reasonable person.

(10) "Nonsale" as defined by RCW 82.45.010 includes those real property transfers which, by their nature, are exempt from the real estate excise tax (see WAC 458-61-080: Affidavit requirements):

(a) Gift, devise or inheritance (see WAC 458-61-410 and 458-61-460);

(b) Leasehold interest, other than option to purchase real property, including timber (see WAC 458-61-500);

(c) Cancellation or forfeiture of a vendee's interest in a real estate contract, whether or not such contract contains a forfeiture clause (Note: Tax exemption applies only to transfer back to original vendor or contract holder and is not the basis for refund of tax paid on original transfer — See WAC 458-61-210(1); see also WAC 458-61-330);

(d) Deed in lieu of foreclosure of a mortgage (where no consideration passes otherwise. See WAC 458-61-210(1));

(e) Assumption of mortgage, deed of trust, or real estate contract where no consideration passes otherwise (see WAC 458-61-210(1));

(f) Deed in lieu of forfeiture of a real estate contract, where no consideration passes otherwise (see WAC 458-61-210(1));

(g) Partition of property by tenants in common, whether by agreement or court decree (see WAC 458-61-650);

(h) Divorce decree or property settlement incident thereto (see WAC 458-61-340);

(i) Seller's assignment (see WAC 458-61-220);

(j) Condemnation by governmental body (see WAC 458-61-280);

(k) Security documents (mortgage, real estate contract, or other security interests apart from actual title) (see WAC 458-61-630);

(l) Court ordered sale or execution of judgment (see WAC 458-61-330);

(m) Transfer prior to imposition of this tax under chapter 82.45 RCW or previous chapter 28A.45 RCW;

(n) The transfer of any grave or lot in an established cemetery (see WAC 458-61-250); and

(o) A transfer to or from the United States, the state of Washington or any political subdivision thereof, or a municipal corporation of this state. (See WAC 458-61-420)

(11) "Real estate" shall mean real property, including improvements the title to which is held separately from the title to the land to which the improvements are affixed, the term also includes used mobile homes and used floating homes. (RCW 82.45.032)

(12) "Sale" shall have its ordinary meaning and shall include any conveyance, grant, assignment, quitclaim, exchange, or transfer of the ownership of or title to real property, including standing timber, or any estate or interest therein for a valuable consideration, and any contract for such conveyance, grant, assignment, quitclaim, exchange, or transfer, and any lease with an option to purchase real property, including standing timber, or any estate or interest therein or other contract under which possession of the property is given to the purchaser, or any other person by his/her direction, which title is retained by the vendor as security for the payment of the purchase price. (RCW 82.45.010)

(13) "Seller" shall mean any individual, receiver, assignee, trustee for a deed of trust, trustee in bankruptcy, trust, estate, firm, copartnership, joint venture, club, company, joint stock company, business trust, municipal corporation, quasi municipal corporation, corporation, association, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit or otherwise; but it shall not include the United States or the state of Washington or any political subdivision thereof, or a municipal corporation of this state. (RCW 82.45.020)

(14) "Selling price" shall mean consideration, including money or anything of value, paid or delivered or contracted to be paid or delivered in return for the transfer of the real property or estate or interest in real property, and shall include the amount of any lien, mortgage, contract indebtedness, or other incumbrance, either given to secure the purchase price, or any part thereof, or remaining unpaid on such property at the

time of sale: *Provided*, That when the sale is that of a fractional interest in real property, the principal balance of any such debt remaining unpaid at the time of sale shall be multiplied by that same fraction and the result added as a component of the total sales price. The term shall not include the amount of any outstanding lien or encumbrance in favor of the United States, the state of Washington or a municipal corporation for the taxes, special benefits, or improvements. The value maintained on the county assessment rolls at the time of the transaction will be used for the sales price if such cannot otherwise be ascertained. In the event that the property is under current use assessment, the market value assessment maintained by the county assessor shall be used for the sales price. (RCW 82.45.030)

(15) "Date of transfer," "date of sale," "conveyance date" and "transaction date" shall have the same meaning and may be used interchangeably for the purposes of these rules. This shall be the date shown on the instrument of conveyance or sale.

(16) "Used mobile home" shall mean a mobile home which has been previously sold at retail and a previous sale has already been subject to the retail sales tax under chapter 82.08 RCW, or which has been previously used and a previous use has already been subject to the use tax under chapter 82.12 RCW, and which has substantially lost its identity as a mobile unit by virtue of its being fixed in location upon land owned or leased by the owner of the mobile home and placed on a foundation (posts or blocks) with fixed pipe connections with sewer, water, and other utilities. (RCW 82.45.032)

(17) "Wilful fraud" shall mean knowingly making false statements or taking actions so as to intentionally underpay or not pay the proper real estate excise tax due on the transfer of real estate.

(18) "Used floating home" shall mean a building on a float used in whole or in part for human habitation as a single-family dwelling, which is not designed for self propulsion by mechanical means or for propulsion by means of wind, and which is on the property tax rolls of the county in which it is located and in respect to which tax has been paid under chapter 82.08 or 82.12 RCW.

(19) "Rescinded transfer" shall mean a real property transfer wherein both grantor and grantee have been restored to their original positions. In such case, title to the real property has been reconveyed to the grantor and all valuable consideration paid toward the sales price principal has been returned to the grantee.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-030, filed 8/6/86; 84-17-002 (Order PT 84-3), § 458-61-030, filed 8/2/84; 83-02-022 (Order PT 82-10), § 458-61-030, filed 12/28/82; 82-15-070 (Order PT 82-5), § 458-61-030, filed 7/21/82. Formerly chapter 458-60 WAC.]

## GENERAL PROVISIONS

**WAC 458-61-040 Tax imposed.** There is imposed an excise tax upon each sale of real property at the rate established by RCW 82.45.060.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-040, filed 7/21/82.]

**WAC 458-61-050 Payment of tax--County treasurer as agent for the state.** (1) The tax imposed by RCW 82.45.060 and herein shall be paid to and collected by the treasurer of the county within which is located the real property which was sold.

(2) The county treasurer shall act as agent for the department in carrying out the provisions of chapter 82.45 RCW and these rules.

(3) The county treasurer shall cause a stamp evidencing satisfaction of the tax lien to be affixed to the instrument of sale or conveyance prior to its recording or to the real estate excise tax affidavit in the case of used mobile home sales. Such stamp shall bear reference to the affidavit number, date and amount of the payment and shall be initialed by the person affixing said stamp. The county treasurer shall not affix such stamp to the instrument of sale or conveyance unless one of the following criteria is met:

(a) Continuance of use has been approved by the county assessor under chapter 84.33 or 84.34 RCW;

(b) Compensating or additional taxes have been collected as required by RCW 84.33.120 (5)(b) and (e), 84.33.140 (1)(c), 84.34.108 (1)(c), 84.36.812, or 84.26-.080; or

(c) Property is not so classified, designated, exempted or specially valued.

Delay in either securing the approval of continuance of use or payment of the compensating tax does not forestall the real estate excise tax delinquent penalty imposed by WAC 458-61-090. However, the taxpayer may pay the real estate excise tax and thus preclude any furtherance of the real estate excise tax delinquent penalty. (See WAC 458-61-030 (1)(m).)

(4) A receipt issued by the county treasurer for the payment of the tax shall be evidence of the satisfaction of the lien imposed under RCW 82.45.070 and these rules and may be recorded in the manner prescribed for recording satisfaction of mortgages.

(5) No lease, assignment of lease nor memorandum of either lease or assignment of lease, nor instrument of sale or conveyance evidencing a sale subject to the tax shall be accepted by the county auditor for filing or recording until the tax shall have been paid and the stamp affixed thereto. In the case the tax is not due on the transfer, the instrument shall not be so accepted until suitable notation of such fact has been made on the instrument by the county treasurer. In addition, no instrument of conveyance shall be filed or recorded by the county auditor or recorder if such property is classified or designated as forest land under chapter 84.33 RCW or classified as open space land, farm and agricultural land, or timber land under chapter 84.34 RCW unless the compensating or additional tax has been paid, or the new owner shall have signed a notice of continuance which shall either be on the excise tax affidavit or attached thereto.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-050, filed 8/6/86; 82-15-070 (Order PT 82-5), § 458-61-050, filed 7/21/82.]

(1986 Ed.)

**WAC 458-61-060 Disposition of proceeds.** The county treasurer shall place one percent of the proceeds of the tax imposed by chapter 82.45 RCW exclusive of any delinquent interest and/or penalties in the county current expense fund to defray costs of collection and shall pay over to the state treasurer and account to the department for the remainder of the proceeds at the same time the county treasurer remits funds to the state under RCW 84.56.280. (RCW 82.45.180)

Any requests from county treasurers for adjustments to the funds which have been distributed to the state treasurer must be sent to the department for approval or denial. The department will forward all such requests which it approves to the state treasurer and return the requests it denies to the county treasurers along with an explanation for such denial.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 84-17-002 (Order PT 84-3), § 458-61-060, filed 8/2/84; 82-15-070 (Order PT 82-5), § 458-61-060, filed 7/21/82.]

**WAC 458-61-070 Affidavit batch transmittal.** (1) By the fifth day following the close of the month in which the tax was received, the county treasurers shall send to the department the department's copies of the real estate excise tax affidavits for the entire month. This affidavit batch shall include all affidavits received during the month, plus copies of any voided affidavits which represent refunds made by the county treasurers.

(2) County treasurers will complete the affidavit batch transmittal form, supplied by the department, and send one copy with the affidavit batch to the department. The county treasurer will send a second copy of the affidavit batch transmittal with the monthly cash receipts journal summary to the state treasurer's office as documentation for the remittance of the real estate excise tax deposit.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-070, filed 7/21/82.]

**WAC 458-61-080 Affidavit requirements.** (1) Except for the transfers listed under subsection (2) of this section, the real estate excise tax affidavit shall be required for all transfers of real property including, but not limited to, the following:

(a) Conveyance from one spouse to the other as a result of a decree of divorce or dissolution of a marriage or in fulfillment of a property settlement agreement incident thereto;

(b) Conveyance made pursuant to an order of sale by the court in any mortgage or lien foreclosure proceeding;

(c) Conveyance made pursuant to the provisions of a deed of trust;

(d) Conveyance of an easement in which consideration passes;

(e) A deed in lieu of foreclosure of mortgage;

(f) A deed in lieu of forfeiture of a real estate contract;

(g) Conveyance to the heirs in the settlement of an estate;

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(h) Conveyance to or from the United States, the state of Washington, or any political subdivision or municipal corporation of this state;

(i) A declaration of forfeiture of a real estate contract.

(2) The real estate excise tax affidavit shall not be required for the following:

(a) Conveyance of cemetery lots or graves;

(b) Conveyance for security purposes only and the instrument states on the face of it:

(i) For security only;

(ii) To secure a debt;

(iii) Assignment of a debt;

(iv) For collateral purposes only;

(v) Release of collateral;

(vi) To release security;

(c) A lease of real property that does not contain an option to purchase, or does not transfer lessee-owned improvements;

(d) A mortgage or deed of trust or satisfaction thereof;

(e) Conveyance of an easement in which no consideration passes or an easement to the United States, the state of Washington, or any political subdivision or municipal corporation of this state;

(f) A recording of a contract that changes only the contract terms and not the legal description, purchaser, or sales price, if the affidavit number of the previous transaction is reported;

(g) A seller's assignment of deed and contract;

(h) A fulfillment deed.

(3) County treasurers shall not accept incomplete affidavits. It is the taxpayers' responsibility to furnish complete documentation for claimed tax exemptions. It is the county treasurers' responsibility and authority to require that such documentation, as required by this chapter, shall be furnished by the taxpayers or their agents.

(a) Among other requirements set forth in WAC 458-61-030(1), all affidavits which state claims for tax exemption must show:

(i) Current assessed values of parcels involved as of transaction date; and

(ii) Complete reasons for exemptions, including reference to the specific tax exemption in this chapter, (in all cases where the exemption is based upon a prior payment of the tax, the prior payment date, amount and affidavit number must be provided on the current affidavit. A quitclaim deed is a conveyance instrument. It is not, in itself, a reason for tax exemption. A valid reason for the exemption must be shown on the affidavit. Likewise statements such as "to clear title only" and "no consideration" are not complete reasons for tax exemption.

(b) When the transfer of property is to two or more grantees, the affidavit must clearly state the relationship between them such as joint tenants, tenants in common, partners, etc., and the form and proportion of interest that they are each acquiring.

(c) In the case of a used mobile home that is sold with the land upon which it is located, the county treasurer

may require the completion of either two affidavits, both real and mobile home, or a single real property affidavit. At the county treasurer's option, a separate mobile home affidavit may not be required if the real property affidavit lists the make, model, year, size and serial number of the unit. Such information should be contained as a separate item within the legal description portion of the affidavit.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-080, filed 8/6/86; 84-17-002 (Order PT 84-3), § 458-61-080, filed 8/2/84; 82-15-070 (Order PT 82-5), § 458-61-080, filed 7/21/82.]

**WAC 458-61-090 Timing of payment--Late payment penalty.** (1) The tax imposed under RCW 82.45-.070 is due and payable to the county treasurer as of the transaction date.

(2) If the tax is paid within thirty days of the transaction date, the late payment penalty is not applied. If the tax is paid more than thirty days after the transaction date, a one percent penalty is applied to the amount of unpaid tax for each thirty-day period, or part thereof, beginning with the transaction date to date of final and complete payment.

(3) The tax is due as of the transaction date whether or not the contract or conveyance documents are recorded at that time. If the tax is not paid within thirty days of the transaction date, the late payment penalty in subsection (2) of this section, is applicable for the period which the tax remains unpaid.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-090, filed 7/21/82.]

**WAC 458-61-100 Refunds of tax paid.** (1) Taxpayers seeking to contest the application of the real estate excise tax upon a particular transfer of real property must pay the tax prior to petition for refund.

(2) Taxpayers shall obtain copies of the "Petition for real estate excise tax refund" form from the county treasurers' offices, as provided by the department. After completing the form, the taxpayer shall submit the form and all documentation supporting the claim for refund to the county treasurer's office in the county where the tax was originally paid.

(3) If the taxpayer submits the petition for refund before the county treasurer has sent to the department the copy of the affidavit which receipted the tax payment now in question, the county treasurer is authorized to void the receipted affidavit copies, based upon the criteria listed in subsection (5) of this section, and issue the refund. If the county treasurer authorizes and issues such refund, the voided copy of the affidavit, with a copy of the refund petition attached, must be included in the monthly affidavit batch sent to the department. If the county treasurer does not authorize such refund, the treasurer shall send the petition for refund, along with a copy of the affidavit and all supporting records, to the department. The procedure for petitions sent to the department shall follow subsection (4) of this section.

(4) If the taxpayer submits the petition for refund after the county treasurer has sent to the department the

copy of the affidavit which receipted the payment now in question, the county treasurer shall verify the information on the petition and forward it to the department with a copy of the affidavit and any other supporting records furnished by the taxpayer. The department shall approve or deny the refund. If denied, the petition for refund shall be returned to the petitioner with the reason for denial. The taxpayer may then appeal the imposition of the tax under the appeal procedures. See WAC 458-61-110: Tax appeals. If such petition is denied, the department will return to the petitioner all supporting documents which are submitted with the petition for refund.

The authority of the department to issue tax refunds under this chapter is limited to the following:

(a) Transactions that are completely rescinded as defined in WAC 458-61-030(19);

(b) Sales rescinded by court order. In such case a copy of the court decision must be attached to the department's affidavit copy by the county treasurer (see also WAC 458-61-330 - Court order—Transfer pursuant to);

(c) Double payment of the tax;

(d) Overpayment of the tax through error of computation;

(e) Failure of a taxpayer to claim tax exemption for a transfer which was properly exempt;

(f) Nonpayment of valuable consideration by grantee.

(5) The authority of the county treasurers to issue tax refunds under subsection (2) of this section is limited to the following reasons:

(a) Double payment of the tax;

(b) Overpayment of tax through error of computation;

(c) Failure of a taxpayer to claim tax exemption for a transfer which was properly exempt;

(d) Rescission of sale prior to closing; or

(e) Nonpayment of valuable consideration by grantee.

(6) Only the taxpayer or authorized agent may petition for a refund of tax.

(7) Refunds approved by the county treasurer or by the department shall be paid to the petitioner:

(a) After the real estate excise tax receipt stamp has been voided on the conveyance instrument provided that this conveyance instrument has not been recorded; or

(b) In the case where the conveyance instrument was recorded, after a second conveyance instrument has been recorded to reverse the effect of the original conveyance instrument.

In either of the above procedures (a) or (b), the county treasurer or department shall advise the petitioner of the approval of the refund and the necessity to provide the unrecorded conveyance instrument or a reversing conveyance instrument. The county treasurer shall note the issuance of the refund on the affidavit copy maintained in county files and shall notify the county assessors office of the refund.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-100, filed 8/6/86; 84-17-002 (Order PT 84-3), § 458-61-100, filed 8/2/84; 83-02-022 (Order PT 82-10), § 458-61-100, filed 12/28/82; 82-15-070 (Order PT 82-5), § 458-61-100, filed 7/21/82.]

**WAC 458-61-110 Tax appeals.** (1) Any person having been issued a notice of taxes, interest, or penalties due, may petition the department of revenue in writing for a correction of the amount of the assessment and a conference for review of the assessment. Petitions for correction of assessment are authorized by RCW 82.32.160.

(2) Any person having paid any tax, interest, or penalties, may apply to the department within the time limitation for refund provided in RCW 82.45.100, by petition in writing for a refund of the amount paid and a conference for review of the amount paid. Petitions for refund are authorized by RCW 82.32.170.

(3) The appeal procedures set forth in WAC 458-20-100 (2) through (17), shall apply to all petitions for correction of assessment and petitions for refund under the real estate excise tax.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-110, filed 7/21/82.]

**WAC 458-61-120 Fraud penalty.** (1) A penalty of fifty percent of the proper tax due, or remaining due after insufficient payment, is to be applied by the department to taxable real estate transfers involving wilful fraud with intent to evade the tax.

(2) Wilful fraud with intent to evade the tax is illustrated by, but not limited to, the following examples:

(a) Knowingly stating a false sales price;

(b) Knowingly stating a sale as a gift;

(c) Knowingly claiming a false reason for tax exemption.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-120, filed 7/21/82.]

**WAC 458-61-130 Department audit responsibility.** (RCW 82.45.150) (1) The department shall conduct audits of transactions and real estate excise tax affidavits and shall determine tax payment deficiency where such exists. The department shall notify taxpayers and appropriate county treasurers of tax payment deficiencies. Such notices shall inform taxpayers as to the tax payment required from them and set forth reasons why such deficient tax amount has been assessed against them by the department.

(2) If the taxpayer receiving such notice of tax payment deficiency has not answered the same within thirty days after its being mailed by the department, the department shall enforce the collection of such deficient tax through administrative provisions set forth in chapter 82.32 RCW.

(3) In its audits of the taxability of real estate transactions, the department will generally rely upon, but not be limited to, information:

(a) The real estate excise tax affidavits, including the entire affidavit file at the county treasurer's office;

(b) Documents recorded by the county auditor;

(c) The assessment rolls and in the field books in the county assessor's office; and

(d) Records supplied by the taxpayer.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-130, filed 7/21/82.]

**WAC 458-61-140 Compliance.** The department's compliance procedure shall follow the provisions of chapter 82.32 RCW.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-140, filed 7/21/82.]

**WAC 458-61-150 Supplemental statements.** The department shall provide the county treasurer offices with a uniform multi-use supplemental statement as required by the following sections of this chapter:

- (1) WAC 458-61-210, Assignments—Purchasers
- (2) WAC 458-61-230, Bankruptcy
- (3) WAC 458-61-320, Corporation—Nonfamily
- (4) WAC 458-61-410, Gifts
- (5) WAC 458-61-550, Nominee

The supplemental statements shall be completed as required by the instructions on this form and by each of the sections listed in subsections (1) through (5) of this section. The county treasurer shall distribute the supplemental statement as follows: Original attached to original of affidavit; first copy attached to the department's copy of the affidavit; and, second copy attached to the taxpayer's copy of the affidavit. Except for the notary requirements of WAC 458-61-320(4) and 458-61-550, such statements shall be unsworn written statements as required by RCW 9A.72.085.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-150, filed 8/6/86.]

## TAXABILITY OF TRANSFERS

**WAC 458-61-200 Apartments.** The sale of an individual apartment by the owner of an apartment building which entitles the purchaser to a warranty deed upon completion of payments is a "sale" within the meaning of RCW 82.45.010; therefore, the sale is subject to the real estate excise tax.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-200, filed 7/21/82.]

**WAC 458-61-210 Assignments—Purchasers.** (1) The real estate excise tax does not apply to the following types of purchaser's assignments, provided that no consideration passes to the grantor and further provided that there is no affiliation between the grantor and grantee:

(a) Cancellation or forfeiture of the vendee's interest in a contract of sale, deed in lieu of foreclosure of mortgage or deed in lieu of forfeiture of a real estate contract all of which are being conveyed to the lien holder as the result of default of the obligation;

(b) Assumption by a grantee of the balance owing on an existing obligation which is secured by a mortgage, deed of trust or real estate contract where the grantee has become personally and principally liable for the mortgage or contractual obligation whether or not a novation has occurred.

The real estate excise tax affidavit is required for each of the above. If the transfer is an assumption under (b) of this subsection, the grantor must furnish the supplemental statement, as provided by WAC 458-61-150,

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signed by both the grantor and grantee that no additional consideration of any kind is being paid by the grantee to the grantor or to any party other than current lienholders. (See WAC 458-61-150)

(2) The real estate excise tax applies to transfers where the purchaser of real property assigns his/her interest in such property and receives valuable consideration for that interest. The measure of the real estate excise tax is the sum of the consideration paid or contracted to be paid to the grantor of such assignment plus the unpaid principal balance due on the assigned mortgage or real estate contract. (Note: The consideration passing to the assignor of such interest in real property nullifies the exemptions granted in subsection (1) of this section, because each of these exemptions is granted upon the condition that no consideration passes to the transferrer of the interest of real property.)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-210, filed 8/6/86; 84-17-002 (Order PT 84-3), § 458-61-210, filed 8/2/84; 83-02-022 (Order PT 82-10), § 458-61-210, filed 12/28/82; 82-15-070 (Order PT 82-5), § 458-61-210, filed 7/21/82.]

**WAC 458-61-220 Assignments—Sellers.** The real estate excise tax does not apply where the vendor of real property assigns his/her interest to a third party. The real estate excise tax affidavit is not required. The instrument must be stamped by the county treasurer as required by RCW 82.45.090. Such stamp shall show the affidavit number on the prior sale for which the current assignment is made.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 84-17-002 (Order PT 84-3), § 458-61-220, filed 8/2/84; 82-15-070 (Order PT 82-5), § 458-61-220, filed 7/21/82.]

**WAC 458-61-230 Bankruptcy.** A conveyance of real property by a trustee in bankruptcy is taxable under the real estate excise tax when made by a trustee conducting the business of the bankrupt. However, such a conveyance is not taxable when made by a trustee authorized only to liquidate the bankrupt's entire estate. For such tax exemption to be approved, the trustee must attach to the affidavit a supplemental statement as provided in WAC 458-61-150 which affirms that the trustee is authorized only to liquidate the bankrupt's entire estate.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-230, filed 8/6/86; 84-17-002 (Order PT 84-3), § 458-61-230, filed 8/2/84; 82-15-070 (Order PT 82-5), § 458-61-230, filed 7/21/82.]

**WAC 458-61-240 Care, comfort and support.** The real estate excise tax applies to the transfer of real property where the consideration received is the care, comfort and support of the grantor. When the value and length of the care are unknown, the county assessor's valuation shall be used as the gross sales price.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-240, filed 7/21/82.]

**WAC 458-61-250 Cemetery lots or graves.** The sale of lots or graves in an established cemetery is not subject

to the real estate excise tax. An established cemetery is one which meets the requirements for ad valorem property tax exemption under RCW 84.36.020. (RCW 82.32.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-250, filed 7/21/82.]

**WAC 458-61-270 Community property--To establish or separate.** Where no consideration, other than love and affection, passes from one spouse to another in exchange for either establishing or separating community property, the transfer is not subject to the real estate excise tax. The affidavit must state that the purpose of the transfer is to establish or separate community property. (See WAC 458-61-340: Dissolution of marriage.)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-270, filed 7/21/82.]

**WAC 458-61-280 Condemnation.** The term "sale" shall not include transfers by appropriation or decree in condemnation proceedings brought by the United States, the state of Washington or any political subdivision thereof, or a municipal corporation. (RCW 82.45.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-280, filed 7/21/82.]

**WAC 458-61-290 Contract.** An owner of real property is subject to payment of the real estate excise tax upon the entry of each successive contract for the sale of the same piece of real property, each such contract constituting a "sale" of real property subject to the tax. (See also WAC 458-61-100: Refunds of tax paid.)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-290, filed 8/6/86; 82-15-070 (Order PT 82-5), § 458-61-290, filed 7/21/82.]

**WAC 458-61-300 Contractor.** (1) If land is deeded to a contractor with an agreement to reconvey the property after construction of an improvement, the real estate excise tax does not apply to either the first conveyance or to the reconveyance. In this case, the deed to the contractor, although absolute on its face, has simply created a security interest because of the requirement to reconvey the property after construction of the improvement. The sales price of the improvement is subject to retail sales tax under chapter 82.08 RCW and business and occupation tax under chapter 82.04 RCW (see excise tax bulletin 275.08.170). Real estate excise tax affidavits are nevertheless required for both the original conveyance and the reconveyance but must contain wording to the effect that the purpose of the transfers is for construction and security purposes only. The affidavit for reconveyance must refer to the date and number of the original affidavit.

(2) Where the owner of a lot contracts to have an improvement built upon the lot and retains title to the land, the real estate excise tax does not apply to the purchase of the improvement.

(3) Where a contractor owns a lot and builds an improvement upon it, the subsequent sale of land and improvement is subject to the real estate excise tax.

(4) The real estate excise tax applies to both conveyances where an owner desiring a new home conveys his existing home to a contractor who first uses that home as collateral to secure a loan under FHA to finance the construction of the new home and then conveys the old home to a third person.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-300, filed 7/21/82.]

**WAC 458-61-310 Corporation--Family.** The real estate excise tax shall not apply to a transfer to a corporation which is wholly owned by the transferor and/or the transferor's spouse or children: *Provided*, That if thereafter such transferee corporation voluntarily transfers such real property, or such transferor, spouse, or children voluntarily transfer stock in the transferee corporation to other than (1) the transferor and/or the transferor's spouse or children, (2) a trust having the transferor and/or the transferor's spouse or children as the only beneficiaries at the time of the transfer to the trust, or (3) a corporation or partnership wholly owned by the original transferor and/or the transferor's spouse or children, within five years of the original transfer to which this exemption applies, excise taxes shall become due and payable on the original transfer as otherwise provided by law. This rule applies only to natural persons. (RCW 82.45.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-310, filed 7/21/82.]

**WAC 458-61-320 Corporation--Nonfamily.** The real estate excise tax applies to all real property transfers between a corporation and its stockholders, officers, corporate affiliates, or other parties, including those between corporations and partnerships except the following transfers which are not taxable:

(1) Corporate mergers and consolidations which are accomplished by stock transfers.

(2) Corporate dissolution, except in a case where the stockholders assumed or agreed by contract to assume the liabilities of the dissolving corporation. In such event, the real estate excise tax applies to the extent of the liabilities assumed by the stockholder.

(3) Transfers between a parent corporation and its wholly-owned subsidiary corporation or between two or more subsidiary corporations, each of which is wholly-owned by the same parent corporation where no consideration passes. Consideration includes the issuance of stock or other negotiable instruments and is further defined in WAC 458-61-030(2).

(4) Transfer of real property to a newly-formed, beneficiary corporation from an incorporator as defined in RCW 23A.12.010 to the newly-formed corporation: *Provided*, That (a) the proper real estate excise tax was paid on the original transfer to the incorporator; and (b) that it was documented on or before the original transfer that the incorporator was receiving title to the property on behalf of that corporation during its formation process. A notarized statement, as provided in WAC 458-61-150, is attached to the affidavit for the second transaction. This tax exemption does not apply where a real

property owner had acquired title in his/her own name and later transferred title to the corporation upon formation.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-320, filed 8/6/86; 84-17-002 (Order PT 84-3), § 458-61-320, filed 8/2/84; 82-15-070 (Order PT 82-5), § 458-61-320, filed 7/21/82.]

**WAC 458-61-330 Court order—Transfer pursuant to.** The real estate excise tax does not apply to any transfer or conveyance made pursuant to an order of sale by the court in any mortgage or lien foreclosure proceeding or upon execution of a judgment. This exemption includes the court ordered sale of a deed of trust by the trustee acting on behalf of the beneficiary to the deed of trust. (Note: Real estate excise tax affidavits which state claims for this tax exemption must cite the court decision number on the affidavit and the conveyance document. A copy of the court decision must be attached to the department's affidavit copy by the county treasurer. See also: WAC 458-61-280, Condemnation and WAC 458-61-650, Tenants in common, partition by.)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-330, filed 7/21/82.]

**WAC 458-61-340 Dissolution of marriage/divorce.** The real estate excise tax does not apply to any transfer, conveyance, or assignment of property or interest in property from one spouse to the other in accordance with the terms of a decree of divorce or in fulfillment of a property settlement agreement incident thereto. (RCW 82.45.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-340, filed 7/21/82.]

**WAC 458-61-360 Easement, sale of.** The real estate excise tax applies to the conveyance of an easement for the use of real property in return for valuable consideration. (RCW 82.45.010) A taxable sale has not occurred if valuable consideration does not pass. An affidavit is required only if consideration passes.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-360, filed 7/21/82.]

**WAC 458-61-370 Exchanges—Trades.** The real estate excise tax applies when real property is exchanged for other real property or any other valuable property, either tangible or intangible. In the case where real property is exchanged for other real property, the transfer of each property is individually subject to the tax. The gross taxable value of each property is the fair market value of each property – not the equity that each owner has vested in the properties. (RCW 82.45.010 and 82.45.030)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-370, filed 7/21/82.]

**WAC 458-61-380 Federal housing agencies.** Transfer involving any housing agency of the United States as either grantor or grantee are not subject to the real estate excise tax. (RCW 82.45.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-380, filed 7/21/82.]

**WAC 458-61-390 Foreclosure of mortgage, deed in lieu of.** (1) The real estate excise tax does not apply to a transfer of real estate by deed from a mortgagor to the mortgagee in lieu of foreclosure.

(2) The real estate excise tax does apply to the resale of the property by the mortgagor to the mortgagee under a contract of sale.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 83-02-022 (Order PT 82-10), § 458-61-390, filed 12/28/82; 82-15-070 (Order PT 82-5), § 458-61-390, filed 7/21/82.]

**WAC 458-61-400 Fulfillment deed.** A deed given the vendee in fulfillment of the terms of mortgage or contract is not subject to the real estate excise tax, provided that the proper tax was paid on the original transaction. The real estate excise tax affidavit is not required. The fulfillment deed must be stamped by the county treasurer as required by RCW 82.45.090. Such stamp shall show the affidavit number on the sale which this deed is fulfilling.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 84-17-002 (Order PT 84-3), § 458-61-400, filed 8/2/84; 82-15-070 (Order PT 82-5), § 458-61-400, filed 7/21/82.]

**WAC 458-61-410 Gifts.** Transfers of real property as gifts are not subject to the real estate excise tax provided that the transfer is without consideration or that love and affection is the consideration. Completion of the real estate excise tax affidavit is required and the supplemental statement as provided by WAC 458-61-150 shall be furnished with both grantor and grantee signatures unless the parties are family related or the grantee is a tax exempt organization under chapter 84.36 RCW. In such case no separate statement is required to be attached to the affidavit but the nature of the family relationship or the fact that the grantee is a tax exempt organization under chapter 84.36 RCW must be stated on the affidavit and the grantor or grantee must sign the affidavit.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-410, filed 8/6/86; 83-02-022 (Order PT 82-10), § 458-61-410, filed 12/28/82; 82-15-070 (Order PT 82-5), § 458-61-410, filed 7/21/82.]

**WAC 458-61-420 Government, transfers to or from.** The real estate excise tax does not apply to transfers to or from the United States, any agency thereof, the state of Washington, any political subdivision thereof, or municipal corporation of this state. Furthermore, the tax does not apply to transfer to or from any federally chartered credit union. (RCW 82.45.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-420, filed 7/21/82.]

**WAC 458-61-425 Growing crops.** The real estate excise tax applies to the value of growing crops when sold with the land upon which they are growing. Thus, the value of the growing crops is not a deduction from the sales price of the real property.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-425, filed 8/6/86.]

**WAC 458-61-430 Improvements sold on leased land.** (1) The real estate excise tax applies to the sale of improvements on leased land held in private ownership if the terms of the sales contract do not require that the improvements be removed from the land.

(2) The real estate excise tax does not apply to the sale of improvements on leased land held in private ownership if the terms of the sales contract require that the improvements be removed from the land. In this case the improvements are considered personal property and their sale is subject to the use tax under chapter 82.12 RCW.

(3) The real estate excise tax applies to the sale of improvements on leased land held in public ownership. However, if the sale price includes a valuable leasehold estate, the value of the leasehold estate must be deducted from the sales price before application of the tax.

(Note: Completion of the affidavit is required for all of the above transfers. Affidavits for sales under subsection (2) of this section should show the improvement's sales price as "gross sales price" and deduct this same amount under "deduct personal property." The result will be net taxable sales price of zero.)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-430, filed 7/21/82.]

**WAC 458-61-440 Improvements sold to be removed from the land.** The real estate excise tax does not apply to the sale of improvements separate from the land, whether leased or not, where the removal of the improvements from the land is a condition of the terms of the sale. In this case the improvements are considered personal property and their sale is subject to use tax under chapter 82.12 RCW.

(Note: Completion of the affidavit is required for the sale of improvements separate from the land. The improvement's sales price should be shown as "gross sales price" and the same amount should be deducted as personal property. The result will be a net taxable sales price of zero.)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-440, filed 7/21/82.]

**WAC 458-61-450 Indian (American), transfers to or from.** (1) The real estate excise tax does not apply to transfers to or from individual Indians or Indian tribes when the United States government acts as trustee on behalf of that individual Indian or tribe. Because the United States government is acting as grantor or grantee (as trustee) no affidavit is required for such transaction.

(2) The tax exemption in subsection (1) of this section does not apply to transfers where enrolled Indians, whether as individuals, groups, or tribes, grant or receive real property without the United States government acting as trustee on their behalf and the property is on the reservation.

(3) The real estate excise tax does not apply to sales of timber made by Indians holding trust allotments where, after the execution of the contracts, the Indians have received fee patents to their lands.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-450, filed 7/21/82.]

**WAC 458-61-460 Inheritance.** Transfers of real property by inheritance are not subject to the real estate excise tax. Completion of the real estate excise tax affidavit is required. (RCW 82.45.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-460, filed 7/21/82.]

**WAC 458-61-470 Irrigation equipment.** (1) Any part of an irrigation system that is underground is considered real property and is subject to the real estate excise tax.

(2) Any irrigation equipment that is above ground is considered personal property and its sale is not subject to the real estate excise tax, but is subject to the use tax.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-470, filed 7/21/82.]

**WAC 458-61-480 IRS "tax deferred" exchange.** The real estate excise tax applies to the transfer or exchange of real property whether or not federal income tax or capital gains tax is "deferred" or "exempted" under the Internal Revenue Service codes.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 83-02-022 (Order PT 82-10), § 458-61-480, filed 12/28/82; 82-15-070 (Order PT 82-5), § 458-61-480, filed 7/21/82.]

**WAC 458-61-490 Joint tenancy.** The real estate excise tax does not apply to the transfer of real property for the creation or dissolution of a joint tenancy where no consideration passes. The tax applies to the sale of interest in real property for the creation or dissolution of a joint tenancy. The taxable amount of such sale is the proportionate share of the market value of the property being sold.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-490, filed 7/21/82.]

**WAC 458-61-500 Leasehold interest.** The transfer of any leasehold interest, other than an option to purchase real property including standing timber, is not subject to the real estate excise tax. However, completion of the affidavit is required for the transfer or assignment of any leasehold interest which contains an option to purchase or transfers lessee-owned improvements. (RCW 82.45.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-500, filed 8/6/86; 82-15-070 (Order PT 82-5), § 458-61-500, filed 7/21/82.]

**WAC 458-61-510 Lease with option to purchase.** The real estate excise tax shall apply to a lease with option to purchase when the purchase option is exercised:

(1) If the option to purchase must be exercised within a period no longer than two years after the original commencement of the lease and the amount of lease payments will not exceed half of the purchase price; or

(2) If none of the lease payments apply toward the ultimate sales price.

Transactions lacking the above criteria are taxable at the time that the lease with option to purchase agreement originates. The sales price shall be considered to be the purchase price stated in the lease-option agreement.

If the selling price is not stated in the instrument, the grantor, grantee or the agent of either shall, by affidavit, state the option price intended and the tax levied hereunder shall be on such stated option price: *Provided*, That upon execution and delivery of the instrument of conveyance or transfer pursuant to such option a second affidavit stating the actual consideration shall be filed with the county treasurer. If the actual consideration passing is greater than the option price stated in the affidavit filed at the time the lease-option was executed, there shall be collected the tax on such additional amounts prior to the time the deed is accepted for recording. If the actual consideration is the same as the option price originally stated, no additional tax will be collected. If the actual consideration is less than the option price stated, refund of excess tax shall be made.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 84-17-002 (Order PT 84-3), § 458-61-510, filed 8/2/84; 82-15-070 (Order PT 82-5), § 458-61-510, filed 7/21/82.]

**WAC 458-61-520 Mineral rights.** (1) The real estate excise tax applies to the sale of mineral rights in private property. A quitclaim deed, in itself, is not a valid reason for tax exemption.

(2) A conditional sale of mining property in which the buyer has the right to terminate the contract at any time, and a lease and option to buy mining property in which the lessee-buyer has the right to terminate the lease and option at any time, shall be taxable at the time of execution only on the consideration received by the seller or lessor for execution of such contract. The tax due on any additional consideration paid by the buyer and received by the seller shall be paid to the county treasurer (a) at the time of termination, or (b) at the time that all of the consideration due to the seller has been paid and the transaction is completed except for the delivery of the deed to the buyer, or (c) at the time when the buyer unequivocally exercises an option to purchase the property, whichever of the three events occurs first.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-520, filed 7/21/82.]

**WAC 458-61-530 Mining claims.** (1) Patented mining claims are real property and their sale is subject to the real estate excise tax. Conveyance of patented mining claims by quitclaim deed is not a reason, in itself, for tax exemption.

(2) Unpatented mining claims are intangible personal property and therefore not subject to the real estate excise tax.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-530, filed 7/21/82.]

**WAC 458-61-540 Mobile home sales.** (1) The real estate excise tax applies to transfers of mobile homes that:

(a) Have become affixed to land by being placed upon a foundation (post or blocks) with fixed pipe connections with sewer, water, and other utilities;

(b) The mobile home's removal from the land is not a condition of sale; and

(c) The retail sales or use tax has been paid on a previous sale or use of the home.

(2) The retail sales or use tax applies to any of the following mobile home sales:

(a) Initial retail sale;

(b) Sale from a dealer's lot of either a new or used unit;

(c) Sale conditional on removal of the unit from its fixture to land; or

(d) Sale of a unit that is not affixed to land by virtue of its placement upon a foundation (posts or blocks) with fixed pipe connections with sewer, water, and other utilities.

(3) The sale of a new or used mobile home is subject either to the real estate excise tax as set forth in subsection (1) of this section, or to the retail sales or use tax as set forth in subsection (2) of this section. A single sale of a mobile home is not subject to both taxes.

(4) The decision whether to apply the real estate sales tax versus the retail sales or use tax should be made without considering the mobile home's status as real or personal property on the assessment rolls. Both taxes are upon transfers of property and it is the characteristics of the transfer, not the classification, that determines which tax to apply.

(5) A separate mobile home affidavit is not necessary when the primary affidavit lists the make, model, year and serial number of the mobile home. This information should be listed as a separate item in the legal description portion of the affidavit.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-540, filed 8/6/86; 82-15-070 (Order PT 82-5), § 458-61-540, filed 7/21/82.]

**WAC 458-61-545 Mortgage insurers.** The real estate excise tax does not apply to the conveyance of real property from the mortgage lender to a governmental or quasi-governmental mortgage insurer or guarantor. The tax does apply to the conveyance of real property from the mortgage lender to a private mortgage insurer or guarantor in settlement of the insurance claim.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-545, filed 8/6/86.]

**WAC 458-61-550 Nominee.** When a nominee has received title to or interest in real property on behalf of a third party principal, the real estate excise tax does not apply to the subsequent transfer of the property from the nominee to the third party, provided that:

(1) The proper tax was paid on the initial transaction;

(2) A notarized statement, as provided in WAC 458-61-150, is attached to the affidavit for the second transaction (such notarized statement must be dated on or prior to the first transaction);

(3) The third party principal was in legal existence at the time of the initial transaction;

(4) The funds used by the nominee to initially acquire the property were provided by the third-party principal; and

(5) The subsequent transfer from the nominee to the third-party principal is not for a greater consideration than that of the initial acquisition.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-550, filed 8/6/86; 83-02-022 (Order PT 82-10), § 458-61-550, filed 12/28/82; 82-15-070 (Order PT 82-5), § 458-61-550, filed 7/21/82.]

**WAC 458-61-555 Option to purchase.** The real estate excise tax does not apply to an option to purchase real property when such option does not accompany in a lease. See WAC 458-61-510.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-555, filed 8/6/86.]

**WAC 458-61-560 Partnership--Family.** The real estate excise tax shall not apply to a transfer to a partnership which is wholly owned by the transferor and/or the transferor's spouse or children: *Provided*, That if thereafter such transferee partnership voluntarily transfers such real property, or such transferor, spouse, or children voluntarily transfer interest in the transferee partnership capital to other than (1) the transferor and/or the transferor's spouse or children, (2) a trust having the transferor and/or the transferor's spouse or children as the only beneficiaries at the time of the transfer to the trust, or (3) a corporation or partnership wholly owned by the original transferor and/or the transferor's spouse or children, within five years of the original transfer to which this exemption applies, excise taxes shall become due and payable on the original transfer as otherwise provided by law. (RCW 82.45.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-560, filed 7/21/82.]

**WAC 458-61-570 Partnership--Nonfamily.** (1) Formation. The real estate excise tax applies to the transfer of real property into partnership. The gross taxable value of the transfer is the fair market value of the transferred property.

(2) Dissolution. The real estate excise tax applies to the transfer of real property upon the dissolution of a partnership. The gross taxable value is the fair market value of the transferred real property.

(3) On-going.

(a) The real estate excise tax does not apply to the assignment of partnership interest where the title to real property is not transferred.

(b) The real estate excise tax applies to the transfer of partnership real property in exchange for valuable consideration.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-570, filed 7/21/82.]

**WAC 458-61-590 Rescission of sale.** The real estate excise tax does not apply to the reconveyance of property from vendee to vendor where no consideration passes otherwise.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-590, filed 8/6/86; 84-17-002 (Order PT 84-3), § 458-61-590, filed 8/2/84; 82-15-070 (Order PT 82-5), § 458-61-590, filed 7/21/82.]

**WAC 458-61-600 Relocation service.** The real estate excise tax applies to a deed naming no grantee which is given to a purchaser for a consideration and which vests equitable title in the purchaser. Subsequent delivery of the deed by such purchaser to a third person named as grantee in the deed for consideration is also a taxable sale.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-600, filed 7/21/82.]

**WAC 458-61-610 Rerecord.** The real estate excise tax does not apply to the rerecording of documents to correct legal description, change of contract terms, or spelling of name of party to the transaction. An affidavit is required for the rerecording and must refer to the prior affidavit number and the recorded document number for the prior transaction and it also must furnish a complete explanation of why such rerecording is necessary.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-610, filed 7/21/82.]

**WAC 458-61-620 Sales made before imposition of tax.** The real estate excise tax does not apply to any transfer for which the lease or contract was entered into prior to the date this tax was first imposed under chapter 28A.45 RCW. (RCW 82.45.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-620, filed 7/21/82.]

**WAC 458-61-630 Security documents.** A mortgage or other transfer of an interest in real property merely to secure a debt, or the assignment thereof, is not a taxable transaction and completion of the affidavit is not necessary. (RCW 82.45.010; see also WAC 458-61-080: Affidavit requirements.)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-630, filed 7/21/82.]

**WAC 458-61-640 Sheriff's sale.** The real estate excise tax does not apply to any sale of real property made by a county sheriff pursuant to a court decree. A real estate excise tax affidavit must be filed with the county treasurer. (RCW 82.45.010)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-640, filed 7/21/82.]

**WAC 458-61-650 Tenants in common.** (1) The partition of real property by tenants in common by agreement or as the result of a court decree is not a taxable transaction.

(2) The sale of the interest in real property from one or more tenants in common to remaining tenants or to a third party is a taxable transaction. The taxable amount of the sale is the total of the following:

(a) Any consideration given;

(b) Any consideration promised to be given; plus

(c) The amount of any debt remaining unpaid on the property at the time of sale multiplied by that fraction of interest in the real property being sold.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-650, filed 8/6/86; 82-15-070 (Order PT 82-5), § 458-61-650, filed 7/21/82.]

**WAC 458-61-660 Timber, standing.** The application of the real estate excise tax to the sale of timber is based upon whether or not the ownership of the timber transferred while the timber was standing.

(1) The sale of standing timber is a taxable transaction.

(2) The seller's irrevocable agreement to sell timber and pass ownership to it as it is cut is a taxable transaction if the total amount of the sale is specified in the original contract.

(3) A contract to transfer the ownership of timber after it has been cut and removed from land by the grantee is a taxable transaction.

(4) A contract between a timber owner and a harvester where the harvester provides the service of cutting the timber and transporting it to the mill is not subject to the real estate excise tax. In this instance the timber owner retains ownership of the timber until it is delivered to and purchased by the mill.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 82-15-070 (Order PT 82-5), § 458-61-660, filed 7/21/82.]

**WAC 458-61-670 Trade-in credit.** (1) Where a single family residential dwelling is being transferred as the entire or part consideration for the purchase of another single family residential dwelling and a licensed real estate broker or one of the parties to the transaction accepts transfer of said property, a credit for the amount of the tax paid at the time of the transfer to the broker or party shall be allowed toward the amount of the tax due upon a subsequent transfer of the same property by the broker or party.

The subsequent transfer must be made within nine months of the original transfer for the credit to be allowed. If the tax which would be due on the subsequent transfer from the broker or party is greater than the tax paid for the prior transfer to said broker or party, the difference shall be paid, but if the tax initially paid is greater, no refund shall be allowed.

(2) The affidavit upon which the trade-in credit is claimed must show all of the following:

(a) The prior affidavit number where the tax was paid on the original (trade-in) transaction;

(b) The county auditor's recorded document number for the original transaction, if such was recorded;

(c) The transaction date of the original transaction; and

(d) The disclosure that both properties involved in the original trade-in transaction are single family dwellings. (RCW 82.45.105)

(Note: The above trade-in credit is allowed toward the subsequent sale of the residence "brought in" on trade - not toward the tax liability of the sale of the residence for which it was traded.)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 86-16-080 (Order PT 86-3), § 458-61-670, filed 8/6/86; 82-15-070 (Order PT 82-5), § 458-61-670, filed 7/21/82.]

**WAC 458-61-680 Trust.** The real estate excise tax does not apply to a conveyance into a revocable trust when such trust agreement names the grantor or the grantor's spouse and/or children as beneficiaries. The tax does not apply to a conveyance from a trustee to the original grantor or a beneficiary where no consideration passes. The real estate excise tax applies to the sale of real property by the trustee to a third party for valuable consideration. (See WAC 458-61-410: Gifts and 458-61-460: Inheritance.)

[Statutory Authority: RCW 82.45.120 and 82.45.150. 84-17-002 (Order PT 84-3), § 458-61-680, filed 8/2/84; 82-15-070 (Order PT 82-5), § 458-61-680, filed 7/21/82.]

**WAC 458-61-690 Trustee sale pursuant to deed of trust (nonjudicial).** The real estate excise tax does not apply to the foreclosure sale of real property by the trustee under the terms of a deed of trust, whether to the beneficiary listed on that deed or to a third party.

[Statutory Authority: RCW 82.45.120 and 82.45.150. 83-02-022 (Order PT 82-10), § 458-61-690, filed 12/28/82.]

## Chapter 458-65 WAC ABANDONED PROPERTY

### WAC

458-65-010	Time limitations.
458-65-020	Use of department forms.
458-65-030	Simultaneous reporting and remittance of unclaimed property.
458-65-040	Maturity of automatically renewable instruments.

**WAC 458-65-010 Time limitations.** The expiration of any period of time specified by statute or court order, during which an action or proceeding may be commenced or enforced to obtain payment of a claim for money or recovery of property shall not prevent the money or property from being presumed abandoned property under chapter 63.28 RCW, nor affect any duty to file a report required by that chapter or to pay or deliver abandoned property to the department of revenue. This rule shall not apply to property presumed abandoned prior to June 9, 1955.

[Rule UCP 1, § 458-65-010, filed 1/17/68.]

**Reviser's note:** WAC 458-65-010 declared invalid: *Pacific Northwest Bell Telephone Co. v. Department of Revenue*, 78 Wn.2d 961 (1971).

**WAC 458-65-020 Use of department forms.** (1) The report of unclaimed property required by the Uniform Unclaimed Property Act of 1983 must be on forms provided by or approved by the department.

(2) The report, entitled report of unclaimed property, is to be filed with the department prior to November 1 each year (prior to May 1 by life insurance companies), and it becomes delinquent on that date if it has not been filed and an extension of time to file has not been given written approval by the department. Each report filed must be verified, which is accomplished by simultaneously filing the department supplied verification and checklist.

(3) In some instances, computer printouts can be accepted in place of the department supplied report of unclaimed property. However, essentially the same format must be used and prior written approval by the department is required. It should be emphasized that the filing of a verification and checklist form is required even if the report is made via computer printout.

(4) Because of the necessity of submitting a remittance report several months after the annual report is filed, the remittance report must duplicate the first report in every respect; however, interlineations or annotations may be added to indicate adjustments to the initial report. In other words, the line number of the entry on the form, the identifying number, the owner's last name and address, and all other information shown on the annual report must also be shown on the remittance report submitted subsequently. Where changes are indicated because of payment to the owner, etc., a line may be drawn through the entire line item, or brief explanatory comments may be added to explain the difference between the initially reported amount and the amount eventually remitted.

[Statutory Authority: 1983 c 179 § 38. 83-17-098 (Order IT 83-3), § 458-65-020, filed 8/23/83.]

**WAC 458-65-030 Simultaneous reporting and remittance of unclaimed property.** Unclaimed property reported to the department for which the reporting holder is not required to report the name of the apparent owner must be delivered to the department at the time of filing the report. Thus, if the holder does not know the owner's name, or if the value of the property belonging to an individual owner is less than \$25, then the property must be turned over to the department at the time of filing the annual report of unclaimed property—before November 1 (before May 1 for life insurance companies). When a remittance is to accompany the annual report of unclaimed property, both the report form and the remittance form must be submitted at the same time. Should the holder have other unclaimed property that does not require remittance with the initial report, he must complete an entirely separate report of unclaimed property which is also to be sent to the department before November 1 (May 1 for life insurance companies), but the remittance for this latter report need not be forwarded until six months after the final date for filing the report.

Thus, it is probable that most holders of unclaimed property will submit two completely separate reports of unclaimed property each year: One (to be accompanied by remittance) for all of those accounts under \$25 or for those accounts where the name of the owner is missing and one for all other instances where in the remittance may be forwarded six months after filing the annual report.

[Statutory Authority: 1983 c 179 § 38. 83-17-098 (Order IT 83-3), § 458-65-030, filed 8/23/83.]

**WAC 458-65-040 Maturity of automatically renewable instruments.** Automatically renewable property,

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such as a time deposit, is matured for purpose of abandonment upon the expiration of its initial time period or after one year if the initial period is less than one year, unless the owner of the property takes some specific action relative to the property before that time. Such action may include communicating in writing with the holding institution or otherwise indicating an interest in the property as evidenced by a memorandum or other record on file prepared by an employee of the financial organization holding the subject property.

For purposes of reporting unclaimed property which is automatically renewable, the abandonment period commences upon the first expiration of its time period subsequent to August 31, 1979. However, if the initial period of automatic renewal is less than one year, then the abandonment period commences after one year or September 1, 1979, whichever date is later.

Property unclaimed by its owner during the specified abandonment period is reportable as of June 30th in the fiscal year (the 12 month period running from July 1 to June 30 of the following calendar year) in which its full abandonment period is completed.

**EXAMPLE:** A 12 month certificate of deposit is automatically renewable and its 12 month period expired on September 1, 1979. If no contact is had with the owner, the certificate of deposit is considered abandoned after five years—September 1, 1984. It must then be included in the report covering property abandoned as of the next June 30th (1985). The annual report of unclaimed property for 1985, to be submitted prior to November 1, should thus include the value of this certificate of deposit abandoned on September 1, 1979, as well as all other similar property whose initial period of abandonment commenced between September 1, 1979 and June 30, 1980.

The interest rate the certification of deposit earned while in the possession of the holder must be shown in column 9 of the annual report.

[Statutory Authority: 1983 c 179 § 38. 83-17-098 (Order IT 83-3), § 458-65-040, filed 8/23/83.]

## Chapter 458-276 WAC

### ACCESS TO PUBLIC RECORDS

#### WAC

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**WAC 458-276-010 Declaration of purpose.** This chapter is promulgated by the department of revenue in compliance with RCW 42.17.250 and to set out procedures by which public records of the department will be made available to the public for inspection and copying.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-010, filed 1/23/78.]

**WAC 458-276-020 Definitions.** (1) Public records. "Public record" includes any writing containing information relating to the conduct of government or the performance of any governmental or proprietary function prepared, owned, used or retained by any state or local agency regardless of physical form or characteristics.

(2) Writing. "Writing" means handwriting, typewriting, printing, photostating, photographing, and every other means of recording any form of communication or representation, including letters, words, pictures, sounds, or symbols, or combination thereof, and all papers, maps, magnetic or paper tapes, photographic films and prints, magnetic or punched cards, discs, drums and other documents.

(3) Department of revenue. The department of revenue is an agency headed by a director appointed by the governor subject to conformation by the state senate. The powers and duties of the director are, inter alia, those prescribed by RCW 82.01.060. The department of revenue will hereinafter be referred to as the "department," and the director will hereinafter be referred to as the "director." Where appropriate, the term department also refers to the staff and employees of the department of revenue.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-020, filed 1/23/78.]

**WAC 458-276-030 Description of central and field organization of the department.** The department of revenue administers state tax laws, acts as advisor on revenue matters to the governor, the legislature, and other state and local agencies, and supervises and assists in the administration of property tax laws at state and local levels. The central administrative offices of the department and its staff are located at General Administration Building, Fourth Floor, Olympia, Washington 98504. Operating divisions of the department are: Field Operations, Interpretation and Appeals, Research and Information, Office Operations, Inheritance Tax, Property Tax, Administrative Services, and Forest Tax.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-030, filed 1/23/78.]

**WAC 458-276-040 Operations and procedures.** Each of the major operating divisions of the department is the immediate responsibility of an assistant director of the department who is designated as director of that division.

(1) Field operations. The director of field operations directs employees engaged in field audits, enforcement, audit review and taxpayer assistance through 16 branch

offices, 4 regional offices, and several out-of-state auditors.

(2) Interpretation and appeals. The director of interpretation and appeals and his hearing officers conduct tax hearings, publish excise tax bulletins and guidelines, issue formal and informal interpretations, and provide advice to the legislature on excise tax matters. The division administers rules published under the Washington Administrative Code, and makes written determinations on appeals involving disputed tax liability.

(3) Research and information. The director of research directs the preparation of revenue forecasts for state government and develops other statistical analyses used in the preparation of the governor's budget. The division is responsible for the analysis of proposed legislation, and advises both the executive and legislative branches of the fiscal impact of proposed tax measures.

The director of research also is in charge of informational services and the publication of official state and local statistical documents. His staff also provides supportive data, analyses, and advice to the other divisions.

(4) Office operations. The director of office operations supervises employees assigned to taxpayer registration, accounts receivable, taxpayer office audits and investigation, miscellaneous tax processing, and records maintenance.

(5) Inheritance tax. The director of inheritance tax administers the collection of gift and inheritance taxes and supervises escheats and unclaimed property.

(6) Property tax. The director of property taxes oversees the administration of property taxation at the state and local level, including the development of guidelines and regulations affecting the operation of assessors in the 39 counties. The division directly appraises the intercounty operating properties of railroad, power, gas, transportation, communications, and water companies.

Activities include assessment ratio studies used, in part, as a basis for allocating state funds to local taxing districts; tax mapping, coding, and appraisal assistance to the counties; appraisal manuals and tax reporting forms; motor vehicle excise tax valuations; statewide supervision of property tax exemptions and determination of eligibility for property tax exemptions for nonprofit organizations; rules for open space taxation; and supervision of county boards of equalization.

(7) Administrative services. The director of administrative services directs employees engaged in budget and fiscal controls, centralized word processing, office services, systems and procedures, and automated data processing.

(8) Forest tax. The director of forest tax is responsible for developing semi-annual timber stumpage value rates used in determining the tax liability for all timber harvested from private lands, and for the timely collection of the forest excise tax, and computation of the distribution of revenues to the state and local taxing districts. The division also develops forest land values annually to be used by the county assessors for the assessment of all classified and designated forest lands for property tax purposes. Field inspections of harvest sites, timber sales,

and forest land sales are also performed by the division for audit, compliance, and valuation purposes.

(9) Director of personnel. The personnel officer coordinates departmental employment, personnel relations and labor relations, and also is in charge of personnel administration, employee development, employee benefits, services and safety, and affirmative action.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-040, filed 1/23/78.]

**WAC 458-276-050 Public records available.** All public records of the department, as defined in WAC 458-276-020(1) are deemed to be available for public inspection and copying pursuant to these rules, except as otherwise provided by RCW 42.17.310, 42.17.330, WAC 458-276-100, and other applicable laws.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-050, filed 1/23/78.]

**WAC 458-276-060 Public records officer.** The department's public records are in the charge of the public records officer designated by the director. The person so designated will be located in the central administrative office, research and information division, of the department. The public records officer is responsible for the following: The implementation of the department's rules and regulations regarding release of public records, coordinating the staff of the department in this regard, and generally ensuring compliance by the department with the public records disclosure requirements of chapter 42.17 RCW.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-060, filed 1/23/78.]

**WAC 458-276-070 Hours for records inspection and copying.** Public records maintained in the central administrative offices will be available for inspection and copying at the administrative office during the customary office hours of the department. For the purposes of this chapter, the customary office hours are 8:00 a.m. to noon and 1:00 p.m. to 5:00 p.m., Monday through Friday, excluding legal holidays. Specific records not available in the central administrative offices will be made available pursuant to the procedures described in WAC 458-276-080(3).

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-070, filed 1/23/78.]

**WAC 458-276-080 Requests for public records.** (1) Chapter 42.17 RCW requires that agencies prevent unreasonable invasions of privacy, protect public records from damage or disorganization, and prevent excessive interference with essential functions of the agency. Accordingly, whenever the department believes these or other provisions of law would be violated by immediate disclosure of records, requests for inspection or copying by members of the public shall be in writing upon a form prescribed by the department which will be available at its administrative and all branch offices. The

form shall be presented either to the public records officer at the central administrative offices of the department or to any tax service representative of the department at the administrative or any branch office of the department during customary office hours. Customary office hours at branch offices may vary from those of the department's administrative offices. If a tax service representative is not available at a branch office the request form may be completed and presented to the person in charge of the office at the time the request is made or mailed to the Public Records Officer, Research and Information Division, Department of Revenue, 414 General Administration Building, Olympia, Washington 98504. The request shall include the following information:

- (a) The name of the person requesting the record;
- (b) The time of day and calendar date on which the request is made;
- (c) The nature of the request;
- (d) If the matter requested is referenced within the current index maintained by the records officer, a reference to the requested record as it is described in such current index;
- (e) If the requested matter is not identifiable by reference to the department's current index, an appropriate description of the record requested.

(2) In all cases in which a member of the public is making a request, it is the obligation of the public records officer, or staff member to whom the request is made, to assist the member of the public in appropriately identifying the public record requested.

(3) If the record is not maintained in the central administrative offices of the department, after approval of the request, the public records officer will retrieve the record and advise the person making the request by telephone or mail of the time and place the record will be available, which time will be as reasonably soon after the request is made as possible.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-080, filed 1/23/78.]

**WAC 458-276-090 Copying.** There is no fee for the inspection of public records. The department will charge a fee of twenty-five cents per page of copy for providing copies of public records and for use of the department's copy equipment. This charge is to reimburse the department for its costs incident to such copying.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-090, filed 1/23/78.]

**WAC 458-276-100 Exemptions.** (1) The department reserves the right to determine that a public record requested in accordance with the procedures outlined in WAC 458-276-080 is exempt under the provisions of RCW 42.17.310, and other applicable laws.

(2) In addition, pursuant to RCW 42.17.260, the department reserves the right to delete identifying details when it makes available or publishes any public record,

in any cases when there is reason to believe that disclosure of such details would be an invasion of privacy protected by chapter 42.17 RCW. The public records officer will fully justify such deletion in writing.

(3) All denials of written requests for public records will be accompanied by a written statement specifying the reason for the denial, including a statement of the specific exemption authorizing the withholding of the record and a brief explanation of how the exemption applies to the record withheld.

(4) The department reserves the right provided by RCW 42.17.330 to move the various superior courts to enjoin the examination of any specific public record when it believes such examination would substantially and irreparably damage any person, or would substantially and irreparably damage vital governmental functions.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-100, filed 1/23/78.]

**WAC 458-276-110 Review of denials of public records requests.** (1) Any person who objects to the denial of a request for a public record may petition for prompt review of such decision by tendering a written request for review. The written request shall specifically refer to the written statement by the public records officer or other staff member which constituted or accompanied the denial.

(2) Immediately after receiving a written request for review of a decision denying a public record, the public records officer or other staff member denying the request will refer it to the director. The petition will be reviewed promptly and the action of the public records officer approved or disapproved. Such approval or disapproval shall constitute final department action for purposes of judicial review under RCW 42.17.340.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-110, filed 1/23/78.]

**WAC 458-276-120 Limitations on disclosure.** The department will give due regard in considering requests for public records to RCW 82.32.330, 83.36.020, and other applicable limitations on disclosure.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-120, filed 1/23/78.]

**WAC 458-276-130 Records index.** The department will maintain and make available for public inspection and copying an appropriate index or indices in accordance with RCW 42.17.260.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-130, filed 1/23/78.]

**WAC 458-276-140 Administrative offices.** All communications with the department regarding administration or enforcement of chapter 42.17 RCW and these rules, and requests for copies of the department's decisions and other matters, shall be addressed as follows: Public Records Officer, Research and Information Division, Department of Revenue, 414 General Administration Building, Olympia, Washington 98504.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-140, filed 1/23/78.]

**WAC 458-276-150 Adoption of form.** The department hereby adopts for use by all persons making written request for inspection and/or copying or copies of its records under WAC 458-276-080, the Form S.F. 276 as it exists or may hereafter be revised.

[Statutory Authority: RCW 42.17.250. 78-02-064 (Order GT 78-1), § 458-276-150, filed 1/23/78.]