

necessary to prevent disruption of the hearing, or when a statute or law limits such use.

[Statutory Authority: RCW 82.03.170, 91-07-039 (Order 91-02), § 456-10-547, filed 3/15/91, effective 4/15/91.]

Title 458 WAC REVENUE, DEPARTMENT OF

Chapters

458-12	Property tax division—Rules for assessors.
458-14	County boards of equalization.
458-18	Property tax—Abatements, credits, deferrals and refunds.
458-20	Excise tax rules.
458-30	Open Space Taxation Act rules.
458-40	Taxation of forest land and timber.
458-50	Intercounty utilities and transportation companies—Assessment and taxation.

Chapter 458-12 WAC PROPERTY TAX DIVISION—RULES FOR ASSESSORS

WAC

458-12-251 Computer software—Definitions—Valuation.

WAC 458-12-251 Computer software—Definitions—Valuation. (1) This rule implements the provisions of chapter 29, Laws of 1991, ex. sess, regarding the property taxation of computer software.

(2) **Computer software.** Computer software is a set of directions or instructions that exist in the form of machine-readable or human-readable code, is recorded on physical or electronic medium and directs the operation of a computer system or other machinery and/or equipment. Computer software includes the associated documentation which describes the code and/or its use, operation, and maintenance and typically is delivered with the code to the user. Computer software does not include databases, but does include the computer programs and code which are used to generate databases. Computer software can be canned, custom, or a mixture of both.

(a) A database is text, data, or other information that may be accessed or managed with the aid of computer software but that does not itself have the capacity to direct the operation of a computer system or other machinery and equipment; and, therefore does not constitute computer software.

(3) **Custom software.** Custom software is computer software that is specially designed for a single person's or a small group of persons' specific needs. Custom software includes modifications to canned software and can be developed in-house by the user, by outside developers, or by both.

(4) "Person" 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.

(5) A "small group of persons" shall consist of less than four persons. A group of four or more persons shall be presumed not to be a small group of persons for the purposes of this section unless each of the persons are affiliated through common control and ownership.

(a) "Persons affiliated through common control and ownership" means

(i) Corporations qualifying as controlled group of corporations in 26 USC § 1563; or

(ii) Partnerships or other persons in which at least 80% of the ownership in the persons claimed to be affiliated is the same.

(6) **Canned software.** Canned software, also referred to as pre-written, "shrink-wrapped" or standards software, is computer software that is designed for and distributed "as is" for multiple persons who can use it without modifying its code and which is not otherwise considered custom software.

(a) Computer software that is a combination of pre-written or standard components and components specially modified to meet the needs of a user is a mixture of canned and custom software. The standard or pre-written components are canned software and the modifications are custom software.

(b) Canned software that is "bundled" with or sold with computer hardware retains its identity as canned software and shall be valued as such. "Bundled" software is canned software that is sold with hardware and does not have a separately stated price, and can include operating systems such as DOS, UNIX, OS-2, or System 6.0 as well as other programs.

(c) An upgrade is canned software provided by the software developer, author, distributor, inventor, licensor or sublicensor to improve, enhance or correct the workings of previously purchased canned software.

(7) **Embedded software.** Embedded software is computer software that resides permanently on some internal memory device in a computer system or other machinery and equipment, that is not removable in the ordinary course of operation, and that is of a type necessary for the routine operation of the computer system or other machinery and equipment.

(a) Embedded software can be either canned or custom software which:

(i) Is an integral part of the computer system or machinery or other equipment in which it resides;

(ii) Is designed specifically to be included in or with the computer system or machinery or other equipment; and

(iii) In its absence, the computer system or machinery or other equipment is inoperable.

(b) "Not removable in the ordinary course of operation" means that the software is not readily accessible and is not intended to be removed without

(i) Terminating the computer system, machinery, or equipment's operation; or

(ii) Removal of a computer chip, circuit board, or other mechanical device, or similar item.

(c) "Necessary for the routine operation" means that the software is required for the machinery, equipment, or computer to be able to perform its intended function. In the case of machinery or other equipment, such embedded software does not have to be a physical part of the actual machinery or other equipment, but may be part of a separate control or management panel or cabinet.

(8) **Retained rights.** Retained rights are any and all rights, including intellectual property rights such as those rights arising from copyright, patent, and/or trade secret laws, that are owned or held under contract or license by a computer software developer, author, inventor, publisher or distributor, licensor or sublicensor.

(9) **Golden or master copy.** A golden or master copy of computer software is a copy of computer software from which a computer software developer, author, inventor, publisher or distributor makes copies for sale or license.

(10) Acquisition cost.

(a) The acquisition cost of computer software shall include the total consideration paid for the software, including money, credits, rights, or other property expressed in terms of money, actually paid or accrued. The term also includes freight and installation charges but does not include charges for modifying software, retail sales tax or training. No deduction from the acquisition cost of computer software shall be allowed for any retained rights held by the developer, author, inventor, publisher, or distributor.

(b) In cases where the acquisition cost of computer software cannot be specifically identified, it will be valued at the usual retail selling price of the same or substantially similar computer software.

(c) In cases where canned software is specially modified for the user, the canned component of the computer software retains its identity as canned software; and the modifications are considered custom software and not taxable.

(11) Valuation of canned software.

(a) In the first year in which it will be subject to assessment, canned software shall be listed and valued at one hundred percent of acquisition cost as defined in section (10)(a), above, regardless of whether the software has been expensed or capitalized on the accounting records of the business.

(b) In the second year in which it will be subject to assessment, canned software shall be listed at one hundred percent of acquisition cost and valued at fifty percent of its acquisition cost.

(c) After the second year in which canned software has been subject to assessment, it shall be valued at zero.

(d) Upgrades to canned software shall be listed and valued at the acquisition cost of the upgrade package under subsections (11)(a) and (b), above, and not at the value of what the complete software package would cost as a new item.

(12) **Valuation of customized canned software.** In the case where a person purchases canned software and subsequently has that canned software customized or modified in-house, by outside developers, or both, only the canned portion of such computer software shall be taxable and it shall be valued as described in subsection (11).

(13) **Valuation of embedded software.** Because embedded software is part of the computer system, machinery, or other equipment, it has no separate acquisition cost and shall not be separately valued apart from the computer system, machinery, or other equipment in which it is housed.

(14) **Taxable person.** Canned software is taxable to the person having the right to use the software, including a licensee.

(15) Exemptions.

(a) All custom software, except embedded software, shall be exempt from property taxation;

(b) Retained rights of the computer software developer, author, inventor, publisher, distributor, licensor or sublicensor are exempt from property taxation;

(c) Modifications to canned software shall be exempt from property taxation as custom software; however, the underlying canned software shall retain its identity as canned software and shall be valued as prescribed in subsection (11) of this rule;

(d) Master or golden copies of computer software are exempt from property taxation;

(e) The taxpayer is responsible for maintaining and providing records sufficient to support any claim of exemption for either canned or custom software.

[Statutory Authority: RCW 84.08.010 and 1991 c 29. 92-01-132, § 458-12-251, filed 12/19/91, effective 1/19/92.]

Chapter 458-14 WAC

COUNTY BOARDS OF EQUALIZATION

WAC

458-14-010	Repealed.
458-14-020	Repealed.
458-14-030	Repealed.
458-14-040	Repealed.
458-14-045	Repealed.
458-14-050	Repealed.
458-14-052	Repealed.
458-14-055	Repealed.
458-14-060	Repealed.
458-14-062	Repealed.
458-14-065	Repealed.
458-14-070	Repealed.
458-14-075	Repealed.
458-14-080	Repealed.
458-14-085	Repealed.
458-14-086	Repealed.
458-14-090	Repealed.
458-14-091	Repealed.
458-14-092	Repealed.
458-14-094	Repealed.
458-14-098	Repealed.
458-14-100	Repealed.
458-14-110	Repealed.
458-14-115	Repealed.
458-14-120	Repealed.
458-14-121	Repealed.

458-14-122 Repealed.
 458-14-125 Repealed.
 458-14-126 Repealed.
 458-14-130 Repealed.
 458-14-135 Repealed.
 458-14-140 Repealed.
 458-14-145 Repealed.
 458-14-150 Repealed.
 458-14-152 Repealed.
 458-14-155 Repealed.

DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

458-14-010 Reconvening county boards of equalization—By whom. [Order PT 70-1, § 458-14-010, filed 4/8/70; Tax Commission Rule 1, filed 7/6/66.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-020 Reconvening county boards of equalization—Contents of request. [Statutory Authority: RCW 84.08.010 and 84.08.070. 88-07-005 (Order PT 88-5), § 458-14-020, filed 3/3/88; Order PT 70-1, § 458-14-020, filed 4/8/70; Tax Commission Rule 2, filed 7/6/66.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-030 Content of order—Limitation on what county board may consider. [Order PT 70-1, § 458-14-030, filed 4/8/70; Tax Commission Rule 3, filed 7/6/66.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-040 Limitations on reconvening. [Statutory Authority: RCW 84.08.010 and 84.08.070. 88-07-005 (Order PT 88-5), § 458-14-040, filed 3/3/88; 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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-045 Reconvening upon timely filed petition—Limitations. [Statutory Authority: RCW 84.08.010 and 84.08.070. 88-07-005 (Order PT 88-5), § 458-14-045, filed 3/3/88; 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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-050 Membership. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-052 Change of venue. [Statutory Authority: RCW 84.08.010 and 84.08.070. 82-19-012 (Order PT 82-6), § 458-14-052, filed 9/7/82.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-055 Clerk. [Order PT 70-3, § 458-14-055, filed 6/26/70.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-060 Legal advisor. [Order PT 70-3, § 458-14-060, filed 6/26/70.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-062 Property tax advisor. [Order PT 74-5, § 458-14-062, filed 4/29/74.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-065 Appraisers. [Order PT 70-3, § 458-14-065, filed 6/26/70.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-070 Public notice of July meetings. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-075 Meetings. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-080 Organization of the board. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-085 Record of proceedings—In general. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-086 Additional record requirements. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-090 Assessment roll and records. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-091 Certification of the valuation of the assessment roll by assessor. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-092 Change of assessment rolls. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-094 Availability of valuation information. [Order PT 74-5, § 458-14-094, filed 4/29/74.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-098 Review of valuation. [Order PT 74-5, § 458-14-098, filed 4/29/74.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-100 Duties of the board. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.

458-14-110 Notice of raise in valuation by the board. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91.

- 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-115 Exempt properties. [Order PT 74-5, § 458-14-115, filed 4/29/74; Order PT 70-3, § 458-14-115, filed 6/26/70.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-120 Petitions. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-121 Action on appeals. [Order 72-7, § 458-14-121, filed 6/23/72.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-122 Appeal of board members, assistants, or county governmental authorities. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-125 Hearing on petition. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-126 Hearing examiners. [Statutory Authority: RCW 84.08.010. 81-04-053 (Order PT 81-2), § 458-14-126, filed 2/4/81.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-130 Orders of the board. [Order PT 70-3, § 458-14-130, filed 6/26/70.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-135 Appeals. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-140 Records to state board. [Order PT 74-5, § 458-14-140, filed 4/29/74; Order PT 70-3, § 458-14-140, filed 6/26/70.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-145 June meeting. [Order PT 70-3, § 458-14-145, filed 6/26/70.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-150 November meeting. [Order PT 70-3, § 458-14-150, filed 6/26/70.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-152 Manifest errors. [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.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- 458-14-155 Definitions. [Order PT 74-5, § 458-14-155, filed 4/29/74; Order PT 70-3, § 458-14-155, filed 6/26/70.] Repealed by 91-07-040, filed 3/15/91, effective 4/15/91. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.08.200.
- WAC 458-14-020 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-030 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-040 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-045 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-050 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-052 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-055 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-060 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-062 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-065 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-070 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-075 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-080 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-085 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-086 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-090 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-091 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-092 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-094 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-098 Repealed.** See Disposition Table at beginning of this chapter.
- WAC 458-14-100 Repealed.** See Disposition Table at beginning of this chapter.

WAC 458-14-010 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-110 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-115 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-120 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-121 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-122 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-125 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-126 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-130 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-135 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-140 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-145 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-150 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-152 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-14-155 Repealed. See Disposition Table at beginning of this chapter.

Chapter 458-18 WAC

PROPERTY TAX--ABATEMENTS, CREDITS, DEFERRALS AND REFUNDS

WAC

458-18-220 Refunds--Rate of interest.

WAC 458-18-220 Refunds--Rate of interest. The following rates of interest shall apply on refunds of taxes made pursuant to RCW 84.69.010 through 84.69.090 in accordance with RCW 84.69.100. The interest rate is derived from the equivalent coupon issue yield of the average bill rate for twenty-six week treasury bills as determined at the first bill market auction conducted after June 30th of the calendar year preceding the date the taxes were paid or the claim for refund is filed, whichever is later:

Effective dates	Rate	Percent
Prior to July 25, 1987		(5.0%)
July 25, 1987 through December 31, 1987	.0585	(5.85%)
January 1, 1988 through December 31, 1988	.0568	(5.68%)
January 1, 1989 through December 31, 1989	.0671	(6.71%)
January 1, 1990 through December 31, 1990	.0763	(7.63%)
January 1, 1991 through December 31, 1991	.0760	(7.60%)

[Statutory Authority: RCW 84.08.010 and 84.69.100. 91-15-024, § 458-18-220, filed 7/11/91, effective 8/11/91. Statutory Authority: RCW 84.69.100 and 84.08.010(2). 89-10-067 (Order PT 89-6), § 458-18-220, filed 5/3/89; 88-07-003 (Order PT 88-3), § 458-18-220, filed 3/3/88. Statutory Authority: RCW 84.69.100 as amended by 1987 c 319 and 84.08.010(2). 87-19-141 (Order PT 87-7), § 458-18-220, filed 9/23/87.]

Chapter 458-20 WAC

EXCISE TAX RULES

WAC

458-20-109	Finance charges, carrying charges, interest, penalties.
458-20-110	Freight and delivery charges.
458-20-126	Sales of motor vehicle fuel, special fuels, and nonpollutant fuel.
458-20-151	Dentists, dental laboratories and physicians.
458-20-163	Insurance companies, including surety companies, fraternal benefit societies, fraternal fire insurance associations, beneficiary corporations or societies and Washington state health insurance pool.
458-20-169	Religious, charitable, benevolent, nonprofit service organizations, and sheltered workshops.
458-20-193	Inbound and outbound interstate sales of tangible personal property.
458-20-193A	Repealed.
458-20-193B	Repealed.
458-20-227	Subscriber television services.
458-20-22802	Electronic funds transfer.
458-20-237	Retail sales tax collection schedules.
458-20-255	Carbonated beverage and syrup tax.

DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

458-20-193A	Sales of goods originating in Washington to persons in other states. [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.] Repealed by 91-24-020, filed 11/22/91, effective 1/1/92. Statutory Authority: RCW 82.32.300. Later promulgation, see WAC 458-20-193.
458-20-193B	Sales of goods originating in other states to persons in Washington. [Statutory Authority: RCW 82.32.300. 89-06-015 (Order 89-3), § 458-20-193B, filed 2/23/89; 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.] Repealed by 91-24-020, filed 11/22/91, effective 1/1/92. Statutory Authority: RCW 82.32.300. Later promulgation, see WAC 458-20-193.

WAC 458-20-109 Finance charges, carrying charges, interest, penalties. (1) Introduction. This section explains the B&O and public utility taxation of finance

charges, carrying charges, interest and/or penalties received by taxpayers in the regular course of business. This section also explains when these amounts are not part of the selling price for retail sales tax purposes.

(2) **Business and occupation tax.** Persons who receive finance charges, carrying charges, service charges, penalties and interest are taxable under the service and other business activities classification on the receipt of amounts from these sources.

(a) Amounts received from these sources include but are not limited to:

(i) Interest received by persons engaged in public utility activities; and

(ii) Interest received by persons regularly engaged in the business of selling real estate.

(b) Persons engaged in financial business activities should refer to WAC 458-20-146.

(c) Amounts categorized as "interest" in a lease payment are generally taxable in the retailing classification as part of the total lease payment and part of the selling price for retail sales tax purposes. See WAC 458-20-211.

(d) Interest or finance charges received from an installment sale are taxable under the service classification.

(3) **Retail sales tax.** Retail sales tax applies as follows.

(a) Finance charges, carrying charges, service charges, penalties and/or interest from installment sales are not considered a part of the selling price of such property and are not subject to the retail sales tax, when:

(i) The amount of such finance charges, carrying charges, service charges, penalty, or interest is in addition to the usual or established cash selling price; and

(ii) The amount is segregated on the taxpayers' accounts; and

(iii) The amount is billed separately to customers.

(b) Amounts designated as finance charges, carrying charges, service charges or interest in a lease of tangible personal property must be included in the measure of retail sales tax regardless of the fact that such charges may be billed separately to customers. However, a penalty or interest charge for failure of the customer to make a timely lease payment is taxable under the service and other business activities classification and not subject to retail sales tax.

(4) **Examples.** The following examples identify a number of facts and then state a conclusion as to whether the situation results in taxable interest or finance charges. These examples should be used only as a general guide. The tax status of each situation must be determined after a review of all of the facts and circumstances.

(a) ABC Electric Company, who sells electricity to consumers, receives \$9,000.00 in late charges in the month of November. These fees are taxable under the service and other classification of the business and occupation tax. The public utility tax would not apply to this income.

(b) XYZ Furniture Company sells furniture and allows its customers to pay for the furniture over a twelve-

month period. The seller charges interest at twelve percent per annum for allowing the customer to defer immediate payment. The interest charged the customer is a separate activity from the sale of the furniture and is taxable under the service and other business activities classification.

(c) Jane Doe is leasing a car from ABC Leasing, Inc. The lease contract provides that if the customer is more than fifteen days late in making the lease payment, a five percent penalty will be charged. Jane Doe was more than fifteen days late in making her March payment and was required to pay the five percent penalty. The penalty amount received by ABC Leasing is a separate activity from the lease of the vehicle and is taxable under the service and other activity business and occupation tax. Retail sales tax does not apply to this amount.

(d) John Doe sold his personal residence on contract. He receives monthly interest and principal payments. The interest is received in exchange for the seller's deferring receipt of immediate payment. The sale of the residence was not related to any other business activities and John Doe has sold no other real estate. The interest is not taxable under the B&O tax since the transaction was a casual and isolated sale.

(e) Judy Smith is engaged in business as a real estate broker and regularly sells real estate for others. Judy Smith sold her personal residence on contract. She receives monthly interest and principal payments. She receives no other interest from real estate contracts. The sale of her own residence can be distinguished from the sale of real estate for others. Since this was a single sale of her own residence, it is a casual and isolated sale and the interest is not subject to B&O tax.

(f) James Smith sold on contract seventeen of twenty-three apartment complexes which he owned during a four-year period. He receives payment of principal and interest every month from these sales. The only other income he receives is from the rental of apartment units to nontransients. The income which James Smith receives as interest from the sale of the real estate is subject to the service and other B&O tax. The rental of the apartment units is not taxable for the B&O tax. The courts have held that the selling and financing of sales of capital assets by means of real estate contracts does not constitute an investment within the meaning of RCW 82.04.4281. James Smith is engaged in a taxable business activity. A deduction is provided to sellers who are engaged in banking, loan, security, or other financial businesses if the sale is primarily secured by a first mortgage or trust deed on nontransient residential property. However, James Smith is not engaged in these types of business, nor was the loan secured in this manner. Persons in a financial business should refer to WAC 458-20-146.

(g) David Roe acquired four pieces of real property over a period of several years. This property has been held for residential rental to nontransients. David Roe sold all of the real estate in 1991 and is receiving payments of principal and interest pursuant to sales contracts. The determination of whether the interest received is subject to the business and occupation tax

depends on all facts and circumstances and cannot be made based on the limited facts set forth in this example. Additional facts and circumstances would include, but not be limited to, the extent to which David Roe has purchased and sold real property in the past, the number of other sales contracts held by David Roe aside from the ones mentioned here, whether the property may have been acquired by inheritance, and the type of business in which David Roe regularly engages.

[Statutory Authority: RCW 82.32.300, 91-23-038, § 458-20-109, filed 11/13/91, effective 1/1/92; 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. (1)

Introduction. This rule explains that freight and delivery costs charged to the buyer are generally part of the selling price. Chapter 82.04 RCW in defining "gross proceeds of sales" and "gross income of the business" states that delivery costs may not be deducted from the measure of the B&O tax. Sellers who are making deliveries from an out-of-state location to customers in Washington should refer to WAC 458-20-193 to determine if they have sufficient nexus to require the payment of the B&O tax or collection of retail sales or use tax on the "gross proceeds of sales."

(2) 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 or whether the seller is also the carrier. The sale is complete when the purchaser or the purchaser's agent has received the goods.

(a) "Purchasers agent" means a person authorized to receive goods for the purchaser with the power to inspect and accept or reject them.

(b) "Received" or "receipt" means the purchaser or its agent first either taking physical possession of the goods or having dominion and control over them.

(c) It is presumed that the person who is shown as the consignor (or other designation of the person from whom the goods are sent) on the bill of lading has control over the goods while the goods are in the hands of the carrier. It also will be presumed that the sale is not complete at the time of delivery to the carrier if the seller has personal liability to pay or has paid the carrier.

(3) 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.

(4) Delivery costs incurred after the buyer has taken receipt of the goods are not part of the selling price when the seller is not liable to pay or has not paid the carrier. It must be clearly shown that the buyer alone is responsible to pay the carrier for the delivery costs to be excluded from the taxable value of the selling price. See WAC 458-20-112 for the deduction of out-of-state freight and delivery charges from "value of products."

Also see WAC 458-20-111 for a further discussion of "advances and reimbursements."

(5) Examples. The following examples identify a number of facts and then state a conclusion. These examples should be used only as a general guide. The tax status of each situation must be determined after a review of all of the facts and circumstances.

(a) XYZ Corporation in Seattle orders a repair part for its machine from ABC Distributors located in Spokane. XYZ Corporation requests that the part be shipped by next day air and agrees to pay the additional shipping costs. The seller bills the buyer the exact amount of shipping costs. ABC Distributors is subject to the business and occupation tax and also is required to collect and report the retail sales tax on the amounts billed as shipping charges. The seller was liable to pay the air carrier and the buyer had not taken receipt at the time the part was given to the carrier.

(b) Jane Doe orders a life vest from Marine Sales in Seattle and she requests that the vest be shipped by United States mail to her home in Bellingham. The seller places the correct postage on the package using a postage meter and charges the buyer the exact amount of postage. The reimbursement of the postage is taxable to the seller. The seller had liability for payment of the postage to the postal service and was required to effect delivery to the buyer.

(c) L&M Machinery of Spokane ordered a large piece of equipment from ACE Equipment in Renton. L&M specified that the equipment was to be shipped by prepaid freight and free on board (FOB) the seller's dock. L&M requested that the seller use M&T Trucking as the carrier. The transportation charge billed to the buyer is taxable to the seller. The FOB point or other shipping terms are not controlling. The seller was required to deliver the equipment to the buyer. Delivery was not completed until the equipment arrived in Spokane.

(d) ABC Construction in Seattle ordered replacement parts for a saw from XYZ Parts, Inc., an unregistered business located in Chicago. ABC Construction requested that the parts be shipped freight collect from Chicago and that ABC be shown as the shipper/consignor and also as the consignee on the bill of lading. The seller had no liability to pay the carrier. ABC Construction is subject to use tax on the purchase price of the parts. ABC Construction may exclude the cost of the transportation from the value on which use tax is due.

(e) Jones Computer Supply, a distributor located in Seattle, sells computer products primarily by mail order. It is the practice of Jones Computer Supply to make a three-dollar handling charge for each order. No separate charge is made for the transportation. The handling charge is part of the measure of the selling price of the product and fully subject to the wholesaling or retailing and retail sales tax.

[Statutory Authority: RCW 82.32.300, 91-23-037, § 458-20-110, filed 11/13/91, effective 12/14/91; Order ET 70-3, § 458-20-110 (Rule 110), filed 5/29/70, effective 7/1/70.]

WAC 458-20-126 Sales of motor vehicle fuel, special fuels, and nonpollutant fuel. (1) **Motor vehicle fuel and special fuels.** "Motor vehicle fuel" as used in this section means gasoline or any other inflammable gas or liquid the chief use of which is as fuel for the propulsion of motor vehicles. (See RCW 82.36.010.) "Special fuels" as used in this section means all combustible gases and liquids suitable for the generation of power for propulsion of motor vehicles, except that it does not include motor vehicle fuel as defined above. (See RCW 82.38-.020.) Diesel fuel is an example of a special fuel.

(a) The retail sales tax does not apply to the following:

(i) Sales of motor vehicle fuel on which the tax of chapter 82.36 RCW is paid.

(ii) Sales of special fuel when sold for use as fuel in propelling motor vehicles upon the public highways in this state and on which the special fuel tax of chapter 82.38 RCW is paid. Payment of the annual fee in lieu of the special fuel tax on natural gas and propane, RCW 82.38.075, constitutes payment of the special fuel tax imposed by chapter 82.38 RCW.

(b) The retail sales tax or use tax applies to sales and uses of motor vehicle fuel or special fuel when the taxes of chapter 82.36 or 82.38 RCW have not been paid or have been refunded.

(c) 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 later transported and used outside this state by persons engaged in interstate commerce. This exemption also applies to persons hauling their own goods in interstate commerce.

Exemption certificate. Persons selling special fuel to interstate carriers which comes within the foregoing exemption may obtain an exemption certificate from the purchaser in substantially the following form in order to document the entitlement to the exemption.

Certificate of Special Fuel Sales
to Interstate Carriers

The undersigned hereby certifies that all the special fuel purchased from the listed dealer will be purchased for transportation and use outside of Washington by them as an interstate carrier and is entitled to the exemption of RCW 82.08.0255 or will be used on highways in Washington and the special fuel tax of chapter 82.38 RCW will be paid.

Dealer: _____

Carrier: _____

Authorized Carrier Signature: _____

Title or office: _____

Date: _____

The above certificate must be renewed at intervals not to exceed four years.

(d) 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.

(e) 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.

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 apply to sales of fuel for on-highway consumption. The sales or use tax applies to fuel sold for consumption off the highways (e.g., boat fuel, or fuel for farm machinery, construction equipment, etc.).

(f) 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 chapter 82.36 or 82.38 RCW. 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.

(2) **Nonpollutant fuel.** RCW 82.38.075 provides for payment of an annual fee by users of nonpollutant fuel (natural gas and liquified petroleum gas, commonly called propane) in lieu of motor vehicle fuel tax which would otherwise be due. This fee is paid at the time of original and annual renewals of vehicle license registrations. Sales or use tax applies to sales of nonpollutant fuel and any other motor fuel only if the taxes of chapter 82.36 or 82.38 RCW are not paid. The "in lieu of" tax is merely an alternative method of paying tax due under chapter 82.38 RCW. Thus, when it is paid by a user, the user has no liability for sales or use tax on purchases of nonpollutant fuel for use in the motor vehicle.

(a) Fuel dealers should not collect sales or use tax on any nonpollutant fuel sold to Washington licensed vehicle owners for "on-highway" use when the vehicle displays a currently valid decal or other identifying device issued by the department of licensing.

(b) Nonpollutant fuels purchased for "off-highway" use, however, are not subject to the taxes of chapter 82-.36 or 82.38 RCW and therefore the sales tax applies to dealer sales of fuel for "off-highway" use. If the non-pollutant fuel is pumped into the vehicle fuel tank, then the special fuel tax applies. However, this tax should have already been paid by Washington state licensed vehicle owners directly under the "in lieu of" provisions of RCW 82.38.075.

(c) The department recognizes that certain licensed special fuel users may find it more practical to accept

deliveries of nonpollutant fuels into a bulk storage facility rather than into the fuel tanks of motor vehicles. Persons selling nonpollutant fuels to such bulk purchasers may obtain from the purchaser an exemption certificate in order to document entitlement to the exemption. The certificate will certify the amount of fuel which will be consumed by the buyer in propelling motor vehicles upon the highways of this state. This procedure is limited, however, to persons duly registered with the department. The registration number given on the certificate ordinarily will be sufficient evidence that the purchaser is properly registered. The certificate shall be in substantially the following form:

Certificate for purchase of nonpollutant special fuels

Seller: _____
 Buyer: _____
 Buyer's DOR reporting No.: _____
 Buyer's Special Fuel User's License No.: _____

The undersigned hereby certifies that on this date he purchased (gallons/cubic feet) of nonpollutant fuel from the above named seller, and that delivery of the products so purchased was not made into the fuel tanks of a motor vehicle. The undersigned further certifies that of the purchase herein described:

1. (gallons/cubic feet) will be used to propel motor vehicles upon the highways of the state of Washington and that the "in lieu of" special fuel taxes of chapter 82.38 RCW have been paid.
2. (gallons/cubic feet) will be used in some other manner and that the retail sales tax is applicable to the purchaser of this quantity.

Date _____

 Name

 Office or Title

(d) Where it is not possible for a special fuel user licensee to determine at the time of purchase the exact proportion of the products purchased which will be consumed in propelling motor vehicles upon the highways of this state, the amount of such off-highway use special fuel may be estimated. In the event such an estimate is used, the purchaser must make an adjustment on a following excise tax return and pay use tax upon any portion of the fuel used for off-highway purposes upon which the retail sales tax was not paid.

(e) Certificates should be retained by the seller, as a part of his permanent records, and will be acceptable evidence of sales tax exemption upon sales of nonpollutant special fuel delivered in the manner described. When nonpollutant fuel is delivered by the seller into the bulk storage facilities of a special fuel user licensee or is otherwise sold to such buyers under conditions whereby it is not delivered into the fuel tanks of motor vehicles, it will be presumed that the entire amount of the products so sold will be subject to the retail sales tax unless the seller has obtained the certificate.

(f) Owners of out-of-state licensed vehicles who purchase propane and other nonpollutant fuel normally will not have paid the motor vehicle fuel tax or the special fuel tax. Thus, where the taxes of chapters 82.36 and 82.38 RCW have not been paid they owe sales tax on their purchases of this fuel for both on-highway or off-highway use.

(g) Accordingly, the following guidelines will prevail:

(i) All sales of nonpollutant fuel not placed in vehicle fuel tanks by the seller are subject to sales tax which the seller must collect and remit unless a certificate as described above is obtained from the purchaser.

(ii) All sales of motor vehicle fuel, special fuel, or nonpollutant fuel of any kind for "on-highway" use are subject to the fuel taxes of chapter 82.36 or 82.38 RCW.

(iii) The tax due on nonpollutant fuel for "on-highway" use (including propane) under chapter 82.38 RCW will already have been paid by Washington licensed vehicle owners so the seller need not collect additional state tax of any kind.

(iv) Non-Washington licensed vehicle owners who have not paid tax under either chapter 82.36 or 82.38 RCW must pay sales tax on all purchases of nonpollutant fuel (including propane) whether for on-highway or off-highway use.

[Statutory Authority: RCW 82.32.300, 91-15-022, § 458-20-126, filed 7/11/91, effective 8/11/91; 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 458-20-151 Dentists, dental laboratories and physicians. (1) Business and occupation tax. Dentists, dental laboratories, and physicians are subject to the business and occupation tax as follows:

(a) **Service and other business activities.** These persons are taxable under the service and other business activities classification on the gross income from charges for performing professional services.

(i) This includes any separate charge to the patient for drugs, medicines, and other substances used by a dentist, or physician, or administered to a patient as part of the dental or medical services to the patient.

(ii) Dental laboratories provide professional services. The product which results from those services is merely evidence of those services. Dental laboratories are taxable under the service and other business activities classification on income from providing their services.

(b) **Retailing.** A physician or a medical clinic may occasionally make sales of drugs as a convenience to a customer with the sale not being part of the medical services to the patient. These sales are taxable under the retailing classification. The retailing classification applies only when the physician or medical staff do not administer the drug or other medicine to the patient. Adequate records must be kept by the business to distinguish drugs which are administered as part of a medical service from those which are sold outright.

(2) **Retail sales tax.** Dentists, dental laboratories, and physicians primarily perform professional services and are not required to collect the retail sales tax from clients and others paying for such services.

(a) Sales by supply houses to such persons of materials, supplies, and equipment which are used incidentally in performing professional services are retail sales and 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, nonprescription drugs and similar articles. Certain specific items may be purchased without the payment of retail sales tax as discussed below.

(b) Dentists and dental laboratories are required to pay retail sales tax to their suppliers for purchases of orthotic devices or components of such devices which they use or prescribe to their patients as part of the services provided to the patient. Orthotic devices may be purchased exempt of retail sales tax only when prescribed by physicians, osteopaths, or chiropractors for an individual. For example, dentists specializing in the prevention and correction of irregularities in the position of the teeth are required to pay retail sales tax to their suppliers for braces, collars, wires, screws, bands, splints, night guards, etc. See RCW 82.08.0283.

(c) Orthotic devices which are prescribed by physicians, osteopaths, and chiropractors for an individual are not subject to retail sales tax. Orthotic devices are apparatus designed to activate or supplement a weakened or atrophied limb or function. They include braces, collars, casts, splints, and other similar 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.

(d) The sales tax does not apply to sales of ostomic items, insulin, medically prescribed oxygen, and prosthetic devices. 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. These materials include plastic, wood, hinges, screws, denture acrylic, porcelain, gold, silver, including any alloys of gold or silver. The following is a list of prosthetic devices or components of prosthetic devices that may be purchased or sold by dentists and/or dental laboratories without retail sales tax applying:

- (i) Alloy and mercury – used together to form an amalgam to fill existing teeth;
- (ii) Casting alloy;
- (iii) Cement – to cement crowns or teeth to bridges or dentures;
- (iv) Cavity liner;
- (v) Composites – filling material used in the place of alloy;
- (vi) Filling material;
- (vii) Temporary crowns;
- (viii) Acrylics – dentures, crown, and bridge replacement of teeth;
- (ix) Reline material – to reline dentures;
- (x) Pins – used for retention;

(xi) Endo post – used in restoring teeth without any surface on tooth to support restoration;

(e) The retail sales tax does not apply to sales of prescription drugs to dentists, physicians, or other medical practitioners when sold for the diagnosis, cure, mitigation, treatment, or prevention of disease or other ailment in humans. See WAC 458-20-18801.

(3) Use tax. Use tax is due when retail sales tax has not been paid on the purchases of supplies and equipment used by a dentist, dental laboratory, or physician in the providing of professional services. This includes orthotic devices used or prescribed by dentists, or dental laboratories when retail sales tax was not paid to the supplier. Refer to subsection (2) of this section (Retail sales tax) for a further discussion of taxable items.

(a) The use tax does not apply to the purchase or use of ostomic items, insulin, medically prescribed oxygen, prosthetic devices or ingredients/components of prostheses.

(b) The use tax also does not apply to purchases of prescription drugs when purchased for the diagnosis, cure, mitigation, treatment, or prevention of disease or other ailment in humans. See WAC 458-20-18801.

[Statutory Authority: RCW 82.32.300, 91-15-023, § 458-20-151, filed 7/11/91, effective 8/11/91; 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 458-20-163 Insurance companies, including surety companies, fraternal benefit societies, fraternal fire insurance associations, beneficiary corporations or societies and Washington state health insurance pool. (1) Exemptions. The business and occupation tax does not apply to:

(a) 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 law 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." The exemption also does not apply to any business engaged in by an insurance company other than its insurance business. An insurance company is subject to the retailing or wholesaling business and occupation tax on sales of salvaged property unless the sales are casual or isolated sales as described in WAC 458-20-106. Also see WAC 458-20-102 for resale certificate requirements for wholesale sales.

(b) Fraternal benefit societies or fraternal fire insurance associations organized or licensed pursuant to Title 48 RCW and as defined in RCW 48.36A.010.

(c) Beneficiary corporations or societies organized under and existing by virtue of Title 24 RCW, if such beneficiary corporations or societies provide in their by-laws 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. It is not intended that all the varied, regular business activities (e.g., sales of food, liquor, admissions, and amusement devices receipts) of these societies or organizations be exempted from the business and occupation tax. Only that portion of income which can be demonstrated as directly attributable to charges made for providing death benefits is exempt.

(2) **Deductions.** Effective May 18, 1987, a member of the Washington state health insurance pool may take a deduction from the measure of the business and occupation tax for assessments paid by that member to the pool. (See RCW 82.04.4329). The deduction amount should be shown in the deduction column of the business and occupation tax section on the combined excise tax return, where it will be subtracted from the gross amounts, to arrive at a net taxable amount upon which the actual business and occupation tax is computed. If the deduction cannot be fully used because the assessment total exceeds the gross receipts reported in the business and occupation tax section of the tax return, the member may carry forward the unused portion of the deduction to future reporting periods until the deduction is fully taken. The explanation of the deduction should be "Amount paid to Washington state health insurance pool, per RCW 82.04.4329 and WAC 458-20-163." This deduction does not apply to a member who has deducted such assessments from the insurance premiums tax, RCW 48.14.020.

(3) **Retail sales 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.

When insurance companies make sales to consumers of salvaged property (e.g., from automobile collisions, fire loss, burglary or theft recoveries) or any other tangible personal property, they must collect and report retail sales tax on those sales.

[Statutory Authority: RCW 82.32.300, 91-05-040, § 458-20-163, filed 2/13/91, effective 3/16/91; 87-19-007 (Order ET 87-5), § 458-20-163, filed 9/8/87; 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 458-20-169 Religious, charitable, benevolent, nonprofit service organizations, and sheltered workshops.

(1) **Introduction.** Religious, charitable, benevolent, and nonprofit service organizations are subject to business and occupation tax, retail sales tax, and use tax, unless otherwise provided by this section.

(2) **Definitions.**

(a) "Sheltered workshops" is defined by the law to mean the performance of business activities of any kind on or off the premises of such nonprofit organizations which are performed for the primary purpose of:

(i) 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

(ii) Providing evaluation and work adjustment services for handicapped individuals.

(b) "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 of the organization or which is a corporation solely under chapter 24.12 RCW. In addition, in order to be exempt of business and occupation tax under RCW 82.04.4297, a corporation shall satisfy the following conditions:

(i) 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;

(ii) 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;

(iii) 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;

(iv) The corporation must be duly licensed or certified where licensing or certification is required by law or regulation;

(v) The amounts received qualifying for exemption must be used for the activities for which the exemption is granted;

(vi) Services must be available regardless of race, color, national origin, or ancestry; and

(vii) The director of revenue shall have access to its books in order to determine whether the corporation is entitled to this exemption.

(c) "Health or social welfare services" include and are limited to:

(i) Mental health, drug, or alcoholism counseling or treatment;

(ii) Family counseling;

(iii) Health care services;

(iv) Therapeutic, diagnostic, rehabilitative, or restorative services for the care of the sick, aged, or physically-disabled, developmentally-disabled, or emotionally-disabled individuals;

(v) Activities which are for the purpose of preventing or ameliorating juvenile delinquency or child abuse, including recreational activities for those purposes;

(vi) Care of orphans or foster children;

(vii) Day care of children;

(viii) Employment development, training, and placement; and

(ix) Legal services to the indigent;

(x) Weatherization assistance or minor home repairs for low-income homeowners or renters;

(xi) Assistance to low-income homeowners and renters to offset the cost of home heating energy, through

direct benefits to eligible households or to fuel vendors on behalf of eligible households; and

(xii) Community services to low-income individuals, families and groups which are designed to have a measurable and potentially major impact on the poverty in the communities of the state.

(d) A "public benefit organization" means an organization exempt from federal income tax under section 501 (c)(3) of the Internal Revenue Code of 1986 as in effect on January 1, 1991.

(i) An organization qualifies as a public benefit organization when the organization has received from the Internal Revenue Service a ruling of tax exemption under section 501 (c)(3) of the Internal Revenue Code.

(ii) An organization qualifies as a public benefit organization if the organization is one chapter or unit in a larger organization, like a church or the boy scouts, and the larger organization has been issued a group section 501 (c)(3) exemption ruling by the Internal Revenue Service.

(iii) An organization qualifies as a public benefit organization if, prior to the auction, the organization has made application to the Internal Revenue Service for section 501 (c)(3) exemption and the effective date of the exemption, when granted, is prior to the auction.

(e) An "auction" means the sale of property and/or services to the highest bidder.

(f) The phrase "more than one auction per year" means more than one auction in any calendar year.

(g) The phrase "conduct or participate in" means actively holding a fund-raising auction. The mere attendance, purchase of items, or the donation of articles to be sold at an auction conducted by others, is not active participation in an auction.

(h) The phrase "not extend over a period of more than two days" means that an auction is not conducted on more than two consecutive or nonconsecutive calendar days in any seven calendar day period.

(3) Fund raising. The following applies to the fund-raising activities of religious, charitable, benevolent, and nonprofit service organizations:

(a) Public benefit organization auctions. Chapter 51, Laws of 1991, effective April 26, 1991, provides to public benefit organizations an exemption from B&O tax and retail sales tax when conducting or participating in an auction.

(i) **B&O tax.** Amounts received from sales by a public benefit organization conducting or participating in an auction are exempt from B&O tax, if:

(A) The organization does not conduct or participate in more than one auction per year; and

(B) The auction does not extend over a period of more than two days.

(ii) **Retail sales tax.** Retail sales tax does not apply to sales by a public benefit organization conducting or participating in an auction, if:

(A) The organization does not conduct or participate in more than one auction per year; and

(B) The auction does not extend over a period of more than two days.

(iii) **Use tax.** An article sold at an auction conducted or participated in by a public benefit organization is subject to use tax. The use tax on the article purchased at the auction is paid by the buyer. The use tax due from the buyer is collected at time of registration or licensing in the case of an auto, boats, etc., purchased at the auction. The use tax due on other items purchased at an auction is remitted by the buyer to the department. Because the use tax is a complementary tax to the retail sales tax and the legislature intended to exempt an auctioning organization from the collection responsibilities of retail sales tax, the auctioning organization also need not collect the use tax. See: WAC 458-20-178.

(iv) **Examples.**

(A) An organization which has been ruled tax exempt under section 501 (c)(3) by the Internal Revenue Service conducts an auction for fund raising. This is the only auction conducted by the organization in the calendar year and it is conducted over a two-day period. The proceeds of the auction are exempt from B&O tax and the sales at the auction are exempt from retail sales tax.

(B) At the auction in example (a)(iv)(A) of this subsection, an automobile has been donated to the organization and is sold. The buyer of the automobile is liable for use tax on the vehicle purchased.

(C) At the auction in example (a)(iv)(A) of this subsection, tickets for a dinner before the auction and a dance after the auction are sold by the organization. The exemption from tax only applies to the auction activities. The dinner-dance activities are taxable when the proceeds, as measured by the lesser of the selling price or the fair market value, exceeds one thousand dollars. See (d) of this subsection.

(D) A public benefit organization has as part of its structure various suborganizations that have no separate identity or purpose, like a hospital guild. Both the larger organization and the suborganizations might conduct various fund-raising activities, including auctions. When the Internal Revenue Service does not consider the suborganizations as separate entities in a single 501 (c)(3) exemption, both the larger organization and the suborganizations are collectively entitled to one exempt auction. If a second auction is conducted within a calendar year by either the larger organization or suborganizations both auctions are taxable as provided in (d) of this subsection. However, if a suborganization is considered a separate 501 (c)(3) entity, as evidenced by a group exemption issued by the Internal Revenue Service, then the larger organization and each suborganization included as part of a group section 501 (c)(3) exemption are each entitled to conduct one exempt auction per calendar year.

(b) **Meals.** 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, if such meals are served no more frequently than once every two weeks and the gross receipts are one thousand dollars or less.

(c) Bazaars/rummage sales. 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 if 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, and if the gross receipts from each such bazaar or rummage sale are one thousand dollars or less.

(d) Fund-raising drives/concessions. When organizations make retail sales in the course of annual fund-raising drives, other than a public benefit organization auction as provided above, or make such sales through concessions operated no more than twice a year which do not extend over a period of more than two days each, 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 if the gross receipts from each such annual fund-raising drive or concession are one thousand dollars or less.

(i) Persons who serve fund-raising meals, conduct bazaars/rummage sales, or fund-raising drives/concessions more frequently than provided in (a), (b), or (c) of this subsection, or receive more than the amounts allowed therein, are required to report and pay tax upon their gross receipts from all such activities.

(ii) When an organization conducts a taxable fund-raising event, the measure of the tax for all purposes is the lesser of the selling price or the fair market value of the item sold. The excess of the selling price over the fair market value is a nontaxable donation. The department will accept an organization's reasonable allocation of the fair market value and donation portions of the sales proceeds. When a merchant or professional donates an item to be sold, the fair market value is its ordinary retail selling price. Donors of items to be sold are not liable for use tax on the items donated. The fair market value of homemade items, items which are not commercially sold (e.g., art work or pottery) is the value of materials used. Some items may have no fair market value. For example, the right to conduct a school band at a concert, the right to serve as honorary mayor for a day, or the right to be the dinner guest at someone's home each has no fair market value. Receipts from items sold which have no fair market value are considered nontaxable donations to the organization. An organization may advertise that the selling price includes retail sales tax. An organization may "advertise" by posting a sign that applicable retail sales tax is included in the listed price, or, the organization may add a statement in its written advertising that applicable sales tax will be included in the price.

Fund raising - Proceeds from a nonauction sale

Item	Donor	FMV	Sales Price	Donation	Retail	Service B&O
Golf clubs	ABC Golf	\$300	\$250	0	\$250	0
Dinner for 6-Browns'	Mrs. Brown	0	\$60	\$60	0	0
Simple will	Jane Smith	\$75	\$50	0	0	\$50
Principal for the day	School	0	\$100	\$100	0	0
Boat & Motor	Goe Estate	\$750	\$825	\$75	\$750	0
Pottery	Art Student	\$5	\$25	\$20	\$5	0

Item	Donor	FMV	Sales Price	Donation	Retail	Service B&O
Weekend use of cabin	Mr. Jones	\$200	\$250	\$50	\$200	0
TOTAL		\$1,330	\$1,560	\$305	\$1,205	\$50

In this example, retail sales tax is due on \$1,205. If the selling price had included sales tax and the sales tax rate is 7.8%, sales tax due of \$87.19 is computed as follows: \$1,205 divided by 1.078 = \$1,117.81, the new tax measure. \$1,117.81 x .078 = \$87.19. Retailing and service B&O receipts in the amounts of \$1,205 and \$50 respectively, must be reported. If the organization's total gross receipts, other than dues and donations, exceeds \$12,000 in the calendar year, B&O tax is due.

(4) Prepared meals for certain persons. 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.

(5) Sheltered workshops. The gross income received by nonprofit organizations from the business activities of "sheltered workshops" is exempt from the business and occupation tax.

(6) Health or social welfare services. In computing business tax there may be deducted amounts received from the United States or any instrumentality 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, except deductions are not allowed for amounts that are received under an employee benefit plan.

(7) Other activities. 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 WAC 458-20-102.

[Statutory Authority: RCW 82.32.300. 91-21-001, § 458-20-169, filed 10/3/91, effective 11/3/91; 88-21-014 (Order 88-7), § 458-20-169, filed 10/7/88; 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 458-20-193 Inbound and outbound interstate sales of tangible personal property. (1) Introduction. This section explains Washington's B&O tax and retail sales tax applications to interstate sales of tangible personal property. It covers the outbound sales of goods originating in this state to persons outside this state and of inbound sales of goods originating outside this state to persons in this state. This section does not include import and export transactions.

(2) **Definitions:** For purposes of this section the following terms mean:

(a) "State of origin" means the state or place where a shipment of tangible personal property (goods) originates.

(b) "State of destination" means the state or place where the purchaser/consignee or its agent receives a shipment of goods.

(c) "Delivery" means the act of transferring possession of tangible personal property. It includes among others the transfer of goods from consignor to freight forwarder or for-hire carrier, from freight forwarder to for-hire carrier, one for-hire carrier to another, or for-hire carrier to consignee.

(d) "Receipt" or "received" means the purchaser or its agent first either taking physical possession of the goods or having dominion and control over them.

(e) "Agent" means a person authorized to receive goods with the power to inspect and accept or reject them.

(f) "Nexus" means the activity carried on by the seller in Washington which is significantly associated with the seller's ability to establish or maintain a market for its products in Washington.

(3) **Outbound sales.** Washington state does not assess its taxes on sales of goods which originate in Washington if receipt of the goods occurs outside Washington.

(a) Where tangible personal property is located in Washington at the time of sale and is received by the purchaser or its agent in this state, or the purchaser or its agent exercises ownership over the goods inconsistent with the seller's continued dominion over the goods, the sale is subject to tax under the retailing or wholesaling classification. The tax applies even though the purchaser or its agent 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 or that the purchaser resides outside the state.

(b) Where the seller delivers the goods to the purchaser who receives them at a point outside Washington neither retailing nor wholesaling business tax is applicable. This exemption applies even in cases where the shipment is arranged through a for-hire carrier or freight consolidator or freight forwarder acting on behalf of either the seller or purchaser. It also applies whether the shipment is arranged on a "freight prepaid" or a "freight collect" basis. The shipment may be made by the seller's own transportation equipment or by a carrier for-hire. For purposes of this section, a for-hire carrier's signature does not constitute receipt upon obtaining the goods for shipment unless the carrier is acting as the purchaser's agent and has express written authority from the purchaser to accept or reject the goods with the right of inspection.

(4) Proof of exempt outbound sales.

(a) If either a for-hire carrier or the seller itself carries the goods for receipt at a point outside Washington, the seller is required to retain in its records documentary proof of the sales and delivery transaction and that the purchaser in fact received the goods outside the state in order to prove the sale is tax exempt. Acceptable proofs, among others, will be:

(i) The contract or agreement of sale, if any, And

(ii) If shipped by a for-hire carrier, a waybill, bill of lading or other contract of carriage indicating the seller has delivered the goods to the for-hire carrier for transport to the purchaser or the purchaser's agent at a point outside the state with the seller shown on the contract of carriage as the consignor (or other designation of the person sending the goods) and the purchaser or its agent as consignee (or other designation of the person to whom the goods are being sent); or

(iii) If sent by the seller's own transportation equipment, a trip-sheet signed by the person making delivery for the seller and showing:

The seller's name and address,

The purchaser's name and address,

The place of delivery, if different from purchaser's address,

The time of delivery to the purchaser together with the signature of the purchaser or its agent acknowledging receipt of the goods at the place designated outside the state of Washington.

(b) Delivery of the goods to a freight consolidator, freight forwarder or for-hire carrier merely utilized to arrange for and/or transport the goods is not receipt of the goods by the purchaser or its agent unless the consolidator, forwarder or for-hire carrier has express written authority to accept or reject the goods for the purchaser with the right of inspection. See also WAC 458-20-174, 458-20-175, 458-20-176, 458-20-177, 458-20-238 and 458-20-239 for certain statutory exemptions.

(5) Other B & O taxes - outbound and inbound sales.

(a) **Extracting, manufacturing.** Persons engaged in these activities in Washington and who transfer or make delivery of such produced articles for receipt at 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 in the case of articles on which the seller performs no further manufacturing after transfer out of Washington. It is immaterial that the value so determined includes an additional increment of value because the sale occurs outside the state. If the seller performs additional manufacturing on the article after transferring the article out of state, the value should be measured under the principles contained in WAC 458-20-112.

(b) **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 this 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 outside the state for such work.

(c) **Construction, repair.** Construction or repair of buildings or other structures, public road construction and similar contracts performed in this state are inherently local business activities subject to B&O tax in this state. This is so even though materials involved may have been delivered from outside this state or the contracts may have been negotiated outside this state. It is immaterial that the work may be performed in this state by foreign sellers who performed preliminary services outside this state.

(d) **Renting or leasing of tangible personal property.** Lessors who rent or lease tangible personal property for use in this state are subject to B&O tax upon their gross proceeds from such rentals for periods of use in this state. Proration of tax liability based on the degree of use in Washington of leased property is required.

It is immaterial that possession of the property leased may have passed to the lessee outside the state or that the lease agreement may have been consummated outside the state. Lessors will not be subject to B&O tax if all of the following conditions are present:

(i) The equipment is not located in Washington at the time the lessee first takes possession of the leased property; and

(ii) The lessor has no reason to know that the equipment will be used by the lessee in Washington; and

(iii) The lease agreement does not require the lessee to notify the lessor of subsequent movement of the property into Washington and the lessor has no reason to know that the equipment may have been moved to Washington.

(6) **Retail sales tax - outbound sales.** The retail sales tax generally applies to all retail sales made within this state. The legal incidence of the tax is upon the purchaser, but the seller is obligated to collect and remit the tax to the state. The retail sales tax applies to all sales to consumers of goods located in the state when goods are received in Washington by the purchaser or its agent, irrespective of the fact that the purchaser may use the property elsewhere. However, as indicated in subsection (4)(b), delivery of the goods to a freight consolidator, freight forwarder or for-hire carrier arranged either by the seller or the purchaser, merely utilized to arrange for and/or transport the goods out-of-state is not receipt of the goods by the purchaser or its agent in this state, unless the consolidator, forwarder or for-hire carrier has express written authority to accept or reject the goods for the purchaser with the right of inspection.

(a) The retail sales tax does not apply when the seller delivers the goods to the purchaser who receives them at a point outside the state, or delivers the same to a for-hire carrier consigned to the purchaser outside the state. This exemption applies even in cases where the shipment is arranged through a for-hire carrier or freight consolidator or freight forwarder acting on behalf of either the seller or the purchaser. It also applies regardless of whether the shipment is arranged on a "freight prepaid" or a "freight collect" basis and regardless of who bears

the risk of loss. The seller must retain proof of exemption as outlined in subsection (4), above.

(b) RCW 82.08.0273 provides an exemption from the retail sales tax to certain nonresidents of Washington for purchases of tangible personal property for use outside this state when the nonresident purchaser provides proper documentation to the seller. This statutory exemption is available only to residents of states and possessions or Province of Canada other than Washington when the jurisdiction does not impose a retail sales tax of three percent or more. These sales are subject to B&O tax.

(c) A statutory exemption (RCW 82.08.0269) is allowed for sales of goods 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 its designated agent at the usual receiving terminal of the for-hire 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 non-contiguous states, territories and possessions. As proof of exemption, the seller must retain the following as part of its sales records:

(i) A certification of the purchaser that the goods will not be used in the state of Washington and are intended for use in the specified noncontiguous state, territory or possession.

(ii) Written instructions signed by the purchaser directing delivery of the goods to a dock, depot, warehouse, airport or other receiving terminal for transportation of the goods to their place of ultimate use. Where the purchaser is also the carrier, delivery may be to a warehouse receiving terminal or other facility maintained by the purchaser when the circumstances are such that it is reasonably certain that the goods will be transported directly to their place of ultimate use.

(iii) A dock receipt, memorandum bill of lading, trip sheet, cargo manifest or other document evidencing actual delivery to such dock, depot, warehouse, freight consolidator or forwarder, or receiving terminal.

(iv) The requirements of (i) and (ii) 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 following dock, depot, warehouse, freight consolidator, freight forwarder, transportation agency or other receiving terminal:

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 Purchaser's
Representative)

Address _____

(v) There is no business and occupation tax deduction of the gross proceeds of sales of goods for use in non-contiguous states unless the goods are received outside Washington.

(d) 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.

(7) **Inbound sales.** Washington does not assert B&O tax on sales of goods which originate outside this state unless the goods are received by the purchaser in this state and the seller has nexus. There must be both the receipt of the goods in Washington by the purchaser and the seller must have nexus for the B&O tax to apply to a particular sale. The B&O tax will not apply if one of these elements is missing.

(a) Delivery of the goods to a freight consolidator, freight forwarder or for-hire carrier located outside this state merely utilized to arrange for and/or transport the goods into this state is not receipt of the goods by the purchaser or its agent unless the consolidator, forwarder or for-hire carrier has express written authority to accept or reject the goods for the purchaser with the right of inspection.

(b) When the sales documents indicate the goods are to be shipped to a buyer in Washington, but the seller delivers the goods to the buyer at a location outside this state, the seller may use the proofs of exempt sales contained in subsection 4 to establish the fact of delivery outside Washington.

(c) If a seller carries on significant activity in this state and conducts no other business in the 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. Once nexus has been established, it will continue throughout the statutory period of RCW 82.32.050 (up to five years), notwithstanding that the instate activity which created the nexus ceased. Persons taxable under the service B&O tax classification should refer to WAC 458-20-194. The following activities are examples of sufficient nexus in Washington for the B&O tax to apply:

(i) The goods are located in Washington at the time of sale and the goods are received by the customer or its agent in this state.

(ii) The seller has a branch office, local outlet or other place of business in this state which is utilized in any way, such as in receiving the order, franchise or credit investigation, or distribution of the goods.

(iii) The order for the goods is solicited in this state by an agent or other representative of the seller.

(iv) The delivery of the goods is made by a local outlet or from a local stock of goods of the seller in this state.

(v) The 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, even though the seller may not have formal sales offices in Washington or the agent or representative may not be formally characterized as a "salesperson".

(vi) The 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.

(8) **Retail sales tax - inbound sales.** Persons engaged in selling activities in this state are required to be registered with the department of revenue. Sellers who are not required to be registered may voluntarily register for the collection and reporting of the use tax. The retail sales tax must be collected and reported in every case where the retailing B&O tax is due as outlined in subsection 7. If the seller is not required to collect retail sales tax on a particular sale because the transaction is disassociated from the instate activity, it must collect the use tax from the buyer.

(9) **Use tax - inbound sales.** The following sets forth the conditions under which out-of-state sellers are required to collect and remit the use tax on goods received by customers in this state. A seller is required to pay or collect and remit the tax imposed by chapter 82.12 RCW if within this state it directly or by any agent or other representative:

(i) Has or utilizes any office, distribution house, sales house, warehouse, service enterprise or other place of business; or

(ii) Maintains any inventory or stock of goods for sale; or

(iii) Regularly solicits orders whether or not such orders are accepted in this state; or

(iv) Regularly engages in the delivery of property in this state other than by for-hire carrier or U.S. mail; or

(v) Regularly engages in any activity in connection with the leasing or servicing of property located within this state.

(a) The use tax is imposed upon the use, including storage preparatory to use in this state, of all tangible personal property acquired for any use or consumption in this state unless specifically exempt by statute. The out-of-state seller may have nexus to require the collection of use tax without personal contact with the customer if the seller has an extensive, continuous, and intentional solicitation and exploitation of Washington's consumer market. (See WAC 458-20-221).

(b) 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.

(10) **Examples - outbound sales.** The following examples show how the provisions of this section relating to interstate sales of tangible personal property will apply when the goods originate in Washington (outbound sales). The examples presume the seller has retained the proper proof documents and that the seller did not manufacture the items being sold.

(a) Company A is located in Washington. It sells machine parts at retail and wholesale. Company B is located in California and it purchases machine parts from Company A. Company A carries the parts to California in its own vehicle to make delivery. It is immaterial whether the goods are received at either the purchaser's out-of-state location or at any other place outside Washington state. The sale is not subject to Washington's B&O tax or its retail sales tax because the buyer did not receive the goods in Washington. Washington treats the transaction as a tax exempt interstate sale. California may impose its taxing jurisdiction on this sale.

(b) Company A, above, ships the parts by a for-hire carrier to Company B in California. Company B has not previously received the parts in Washington directly or through a receiving agent. It is immaterial whether the goods are received at either Company B's out-of-state location or any other place outside Washington state. It is immaterial whether the shipment is freight prepaid or freight collect. Again, Washington treats the transaction as an exempt interstate sale.

(c) Company B, above, has its employees or agents pick up the parts at Company A's Washington plant and transports them out of Washington. The sale is fully taxable under Washington's B&O tax and, if the parts are not purchased for resale by Company B, Washington's retail sales tax also applies.

(d) Company B, above, hires a carrier to transport the parts from Washington. Company B authorizes the carrier, or another agent, to inspect and accept the parts and, if necessary, to hold them temporarily for consolidation with other goods being shipped out of Washington. This sale is taxable under Washington's B&O tax and, if the parts are not purchased for resale by Company B, Washington's retail sales tax also applies. (e) Washington will not tax the transactions in the above examples (a) and (b) if Company A mails the parts to Company B rather than using its own vehicles or a for-hire carrier for out-of-state receipt. By contrast, Washington will tax the transactions in the above examples (c) and (d) if for some reason Company B or its agent mails the parts to an out-of-state location after receiving them in Washington. The B&O tax applies to the latter two examples and if the parts are not purchased for resale by Company B then retail sales tax will also apply.

(f) Buyer C who is located in Alaska purchases parts for its own use in Alaska from Seller D who is located in

Washington. Buyer C specifies to the seller that the parts are to be delivered to the water carrier at a dock in Seattle. The buyer has entered into a written contract for the carrier to inspect the parts at the Seattle dock. The sale is subject to the B&O tax because receipt took place in Washington. The retail sales tax does not apply because of the specific exemption at RCW 82.08.0269. This transaction would have been exempt of the B&O tax if the buyer had taken no action to receive the goods in Washington.

(11) **Examples - inbound sales.** The following examples show how the provisions of this section relating to interstate sales of tangible personal property will apply when the goods originate outside Washington (inbound sales). The examples presume the seller has retained the proper proof documents.

(a) Company A is located in California. It sells machine parts at retail and wholesale. Company B is located in Washington and it purchases machine parts for its own use from Company A. Company A uses its own vehicles to deliver the machine parts to its customers in Washington for receipt in this state. The sale is subject to the retail sales and B&O tax if the seller has nexus, or use tax if nexus is not present.

(b) Company A, above, ships the parts by a for-hire carrier to Company B in Washington. The goods are not accepted by Company B until the goods arrive in Washington. The sale is subject to the retail sales or use tax and is also subject to the B&O tax if the seller has nexus in Washington. It is immaterial whether the shipment is freight prepaid or freight collect.

(c) Company B, above, has its employees or agents pick up the parts at Company A's California plant and transports them into Washington. Company A is not required to collect sales or use tax and is not liable for B&O tax on the sale of these parts. Company B is liable for payment of use tax at the time of first use of the parts in Washington.

(d) Company B, above, hires a carrier to transport the parts from California. Company B authorizes the carrier, or an agent, to inspect and accept the parts and, if necessary, to hold them temporarily for consolidation with other goods being shipped to Washington. The seller is not required to collect retail sales or use tax and is not liable for the B&O tax on these sales. Company B is subject to use tax on the first use of the parts in Washington.

(e) Company B, above, instructs Company A to deliver the machine parts to a freight consolidator selected by Company B. The freight consolidator does not have authority to receive the goods as agent for Company B. Receipt will not occur until the parts are received by Company B in Washington. Company A is required to collect retail sales or use tax and is liable for B&O tax if Company A has nexus for this sale. The mere delivery to a consolidator or for-hire carrier who is not acting as the buyer's receiving agent is not receipt by the buyer.

(f) Transactions in examples (11)(a) and (11)(b) will also be taxable if Company A mails the parts to Company B for receipt in Washington, rather than using its own vehicles or a for-hire carrier. The tax will continue

to apply even if Company B for some reason sends the parts to a location outside Washington after the parts were accepted in Washington.

(g) Company W with its main office in Ohio has one employee working from the employee's home located in Washington. The taxpayer has no offices, inventory, or other employees in Washington. The employee calls on potential customers to promote the company's products and to solicit sales. On June 30, 1990 the employee is terminated. After this date the company no longer has an employee or agent calling on customers in Washington or carries on any activities in Washington which is significantly associated with the seller's ability to establish or maintain a market for its products in Washington. Washington customers who had previously been contacted by the former employee continue to purchase the products by placing orders by mail or telephone directly with the out-of-state seller. The nexus which was established by the employee's presence in Washington will be presumed to continue through December 31, 1994 and subject to B&O tax. Nexus will cease on December 31, 1994 if the seller has not established any new nexus during this period. Company W may disassociate and exclude from B&O tax sales to new customers who had no contact with the former employee. The burden of proof to disassociate is on the seller.

(h) Company X is located in Ohio and has no office, employees, or other agents located in Washington or any other contact which would create nexus. Company X receives by mail an order from Company Y for parts which are to be shipped to a Washington location. Company X purchases the parts from Company Z who is located in Washington and requests that the parts be drop shipped to Company Y. Since Company X has no nexus in Washington, Company X is not subject to B&O tax or required to collect retail sales tax. Company X has not taken possession or dominion or control over the parts in Washington. Company Z may accept a resale certificate from Company X which will bear the registration number issued by the state of Ohio. Company Y is required to pay use tax on the value of the parts.

(i) Company ABC is located in Washington and purchases goods from Company XYZ located in Ohio. Upon receiving the order, Company XYZ ships the goods by a for-hire carrier to a public warehouse in Washington. The goods will be considered as having been received by Company ABC at the time Company ABC is entitled to receive a warehouse receipt for the goods. Company XYZ will be subject to the B&O tax at that time if it had nexus for this sale.

(j) P&S Department Stores has retail stores located in Washington, Oregon, and in several other states. John Doe goes to a P&S store in Portland, Oregon to purchase luggage. John Doe takes physical possession of the luggage at the store and elects to finance the purchase using a credit card issued to him by P&S. John Doe is a Washington resident and the credit card billings are sent to him at his Washington address. P&S does not have any responsibility for collection of retail sales or use tax

on this transaction because receipt of the luggage by the customer occurred outside Washington.

(k) JET Company is located in the state of Kansas where it manufactures specialty parts. One of JET's customers is AIR who purchases these parts as components of the product which AIR assembles in Washington. AIR has an employee at the JET manufacturing site who reviews quality control of the product during fabrication. He also inspects the product and gives his approval for shipment to Washington. JET is not subject to B&O tax on the sales to AIR. AIR receives the parts in Kansas irrespective that JET may be shown as the shipper on bills of lading or that some parts eventually may be returned after shipment to Washington because of hidden defects.

[Statutory Authority: RCW 82.32.300, 91-24-020, § 458-20-193, filed 11/22/91, effective 1/1/92. Formerly WAC 458-20-193A and 458-20-193B.]

WAC 458-20-193A Repealed. See Disposition Table at beginning of this chapter.

WAC 458-20-193B Repealed. See Disposition Table at beginning of this chapter.

WAC 458-20-227 Subscriber television services. (1) Definitions. The following definitions apply to this section.

(a) "Subscriber television" refers to all businesses providing television programming to consumers for a fee. It includes, but is not limited to, cable television and satellite television. Subscriber television often transmits to its customers special channels offering a variety of programming such as movies, sporting events, children's entertainment, news and other informational services.

(b) "Fee" includes the amount paid by the subscriber to receive the subscription television service. Generally, the fee consists of an amount for installation and a monthly charge for maintenance or service.

(2) **Business and occupation tax.** Persons engaging in the business of subscriber television are subject to the business and occupation tax as follows:

(a) Gross income derived from the charge made for installation and the monthly rental or service fee is subject to tax under the classification service and other activities. (See WAC 458-20-224.)

(b) Gross income derived from advertising revenues is subject to tax under the classification radio and television broadcasting. (See WAC 458-20-241.)

(c) No deductions from gross income may be taken for affiliate fees, video service fees, satellite fees, copy-right fees, or any other amounts paid to other firms for special programming provided to subscribers.

(3) **Use tax.** Persons engaging in the business of subscriber television are subject to retail sales tax or use tax on all purchases of tangible personal property utilized or required in providing service to subscribers. (See WAC 458-20-178.)

[Statutory Authority: RCW 82.32.300, 91-05-039, § 458-20-227, filed 2/13/91, effective 3/16/91; 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 458-20-22802 Electronic funds transfer. (1) **Introduction.** Chapter 69, Laws of 1990, requires certain taxpayers to pay the taxes reported on the combined excise tax return with an electronic funds transfer (EFT). This EFT requirement for taxpayers with large monthly payments begins with the monthly tax return due January 25, 1991. EFT merely changes the method of payment and no other tax return procedures or requirements are changed.

(2) **Definitions.** For the purposes of this section, the following terms will apply:

(a) "Electric funds transfer" or "EFT" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, or computer or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account.

(b) "ACH" or "automated clearing house" means a central distribution and settlement system for the electronic clearing of debits and credits between financial institutions.

(c) "ACH debit" means the electronic transfer of funds cleared through the ACH system that is generated by the taxpayer instructing the department's bank to charge the taxpayer's account and deposit the funds to the department's account.

(d) "ACH credit" means the electronic transfer of funds cleared through the ACH system that is generated by the taxpayer instructing the taxpayer's bank to charge the taxpayer's account and deposit the funds to the department's account.

(e) "Department's bank" means the bank with which the department of revenue has a contract to assist in the receipt of taxes and includes any agents of the bank.

(f) "Collectible funds" actually means collected funds that have completed the electronic funds transfer process and are available for immediate use by the state.

(g) "ACH CCD + addenda" and "ACH CCD + record" mean the information in a required ACH format that needs to be transmitted to properly identify the payment.

(3) Taxpayers required to pay by EFT.

(a) For the calendar year 1991, taxpayers who have taxes due of \$1,800,000 or more are required to pay by EFT.

(b) For calendar years after 1991, taxpayers who have taxes due of \$240,000 or more are required to pay by EFT.

(c) In the interest of efficient tax administration, the department will notify those taxpayers required to pay by EFT at least three months prior to the start of their EFT payment requirement.

(d) The process of identifying taxpayers meeting the EFT threshold shall be based upon the taxes that were due in the last complete calendar year before the three month notification date. For example, taxpayers who will start paying by EFT in January, 1993 will be notified by the department by September 30, 1992. The base year for those taxpayers will be the calendar year 1991.

(e) Upon a showing by the taxpayer to the satisfaction of the department that it will not have taxes due in the

payment year of more than the threshold amount, the department shall waive the requirement to pay by EFT.

(4) **Taxes covered.** The taxes covered by the EFT payment are taxes reported on the combined excise tax return. The included taxes are those administered by the department under chapter 82.32 RCW except city and town taxes on financial institutions (chapter 82.14A RCW), county tax on telephone access lines (chapter 82.14B RCW), cigarette tax (chapter 82.24 RCW), enhanced food fish tax (chapter 82.27 RCW), leasehold excise tax (chapter 82.29A), and forest tax (chapter 84.33 RCW).

(5) **Refunds by EFT.** Overpayments of tax will be either credited to future tax liabilities or, at the taxpayer's request, will be refunded. If the taxpayer is required to pay the taxes on the combined excise tax return by EFT, the taxpayer is entitled to a refund of those taxes by EFT. However, the taxpayer may agree in writing to waive this requirement. If the taxpayer wishes to have the refund made by EFT, the taxpayer shall provide the department with the information necessary to make an appropriate EFT.

(6) **EFT methods.** EFT shall be accomplished through the use of ACH debit or ACH credit. In an emergency, taxpayer shall contact the department for alternative methods of payment. The appropriate person to contact in the department will be included in the notification materials sent to all EFT remitters.

(7) Due date of EFT payment.

(a) The EFT payment is due on or before the banking day following the tax return due date. An EFT is timely when the state receives collectible U.S. funds on or before 3:00 p.m., Pacific time, of the EFT payment due date. The ACH system, either ACH debit or ACH credit, requires that the necessary information be in the originating bank's possession on the banking day preceding the date for completion. Each bank generally has its own transaction deadlines and it is the responsibility of the taxpayer to insure timely payment.

(b) The tax return due date shall be the next business day after the original due date if the original due date falls on a Saturday, Sunday or legal holiday. Legal holidays are determined under state of Washington law and banking holidays are those recognized by the Federal Reserve System in the state of Washington.

(i) **Example.** The tax return due date is December 25th, a legal and banking holiday, which, for the example, falls on a Friday. The next business day would be Monday, December 28th, and this is the new tax return due date. EFT must be completed by 3:00 p.m., Pacific time, Tuesday, December 29th, which is the next banking day after the new due date. For an ACH debit user, the department's bank must have the appropriate information by 3:00 p.m., Pacific time, on Monday, December 28th.

(8) **Coordinating return and payment.** The filed return and the payment by EFT shall be coordinated by the department. A return shall be considered timely filed only if it is received by the department on or before the due date, or with a postmark on or before the due date. In addition, the payment by EFT must have been completed

by the next banking day after the due date. If both events occur, there is timely filing and payment and no penalties apply.

(9) **Form and contents of EFT.** The form and content of EFT will be as follows:

(a) If the taxpayer wishes to use the ACH debit system of EFT, the taxpayer will furnish the department with the information needed to complete the transaction. The department's bank will provide secrecy codes only to the taxpayer and all transactions must be initiated by the taxpayer.

(b) If the taxpayer wishes to use the ACH credit system of the EFT, the taxpayer is responsible to see that its bank has the information necessary for timely completion. The taxpayer shall provide the information necessary for its bank to complete the ACH CCD + addenda for transmittal to the department's bank.

(10) **Voluntary use of EFT.** The use of EFT by taxpayers other than those required by statute to use EFT shall be by the written permission of the department.

(11) **Crediting and proof of payment.** The department will credit the taxpayer with the amount paid as of the date the payment is received by the department's bank. The proof of payment by the taxpayer shall depend on the means of transmission.

(a) An ACH debit transaction may be proved by use of the verification number received from the department's bank that the transaction was initiated and bank statements or other evidence from the bank that the transaction was settled.

(b) An ACH credit transaction is initiated by the taxpayer and the taxpayer has responsibility for the transaction. The taxpayer generally will be given a verification number by the taxpayer's bank. This verification number with proof of the ACH CCD + record showing the department's bank and account number, plus proof that the transaction has been settled will constitute proof of payment.

(12) **Correcting errors.** Errors in EFT process will result in either an underpayment or an overpayment of the tax. In either case, the taxpayer needs to contact the department to arrange for appropriate action. Overpayments may be used as a credit or the taxpayer may apply for a refund. The department will expedite a refund where it is caused by an error in transmission. Underpayments should be corrected by the taxpayer immediately to mitigate any penalties.

(13) **Penalties.**

(a) There are no special provisions for penalties when payment is made by EFT. The general provisions for all taxpayers apply. To avoid the imposition of penalties, it is necessary for both the filing of the tax return and the payment to be timely. Penalties may be waived only when the circumstances causing delinquency are beyond the control of the taxpayer. See: WAC 458-20-228.

(b) In an ACH debit transaction, the department's bank is the originating bank and is responsible for the accuracy of transmission. If the taxpayer has timely initiated the ACH debit, received a verification number, and shows adequate funds were available in the account, no

penalties shall apply with respect to those funds authorized.

(c) In an ACH credit transaction, the taxpayer's bank is the originating bank and the taxpayer is primarily responsible for its accuracy. The taxpayer must have timely initiated the transaction, provided the correct information for the ACH CCD + record, and shown that there were sufficient funds in the account, in order to prove timely compliance. If the taxpayer can make this showing then no penalties shall apply as to those funds authorized if the transaction is not completed.

[Statutory Authority: RCW 82.32.300, 91-24-070, § 458-20-22802, filed 12/2/91, effective 1/2/92; 90-19-052, § 458-20-22802, filed 9/14/90, effective 10/15/90.]

WAC 458-20-237 Retail sales tax collection schedules. (1) **State retail sales and use tax.** 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. 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.

(2) **Local sales and use tax.** 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%. These local taxes are collected along with the 6.5% state tax.

(a) RCW 82.14.045 authorizes all cities and counties, after voter approval, to levy an additional sales and use tax of .1%, .2%, .3%, .4%, .5%, or .6%, to finance public transportation systems. This tax is collected along with the other state and local tax.

(b) Section 43, chapter 43, Laws of 1990 which took effect March 14, 1990, allows cities that operate transit systems, county transportation authorities, Metro and public transportation benefit areas, after voter approval, to levy a local sales and use tax in addition to those authorized in RCW 82.14.030 not to exceed an additional 1.0%. This tax is also collected along with the other state and local tax.

(3) **Availability of sales tax schedules.** 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. Copies of the schedules may be obtained by writing to Department of Revenue, Information and Education Section, General Administration Building, Olympia, Washington 98504-0090 or by contacting one of the local department of revenue district offices listed below.

(4) **Street and mailing addresses of local district offices.**

110 W. Market
P.O. Box 1018
Aberdeen 98520
(206) 533-9312

919 SW Grady Way
P.O. Box 877
Renton 98057
1-800-647-7706

1904A Humboldt St.
P.O. Box 1176
Bellingham 98227
(206) 676-2114

400 Mercer, Room 100
Seattle 98109
1-800-647-7706

4841 Auto Center Way Suite 102 Bremerton 98312 (206) 478-4961	300 Northtown Office Bldg. North 4407 Division P.O. Box 7248 Spokane 99207-0248 (509) 456-3140
2020 35th Street P.O. Box 6 Everett 98206 (206) 339-1880	11707 - 21st Ave. S. P.O. Box 44010 Tacoma 98444-4010 (206) 493-2874
711 Vine Street P.O. Box 240 Kelso 98626 Longview/Kelso Office (206) 577-2015	8008 - 4th Plain Blvd. P.O. Box 1648 Vancouver 98668 (206) 577-2015
1024 Cleveland, Suite B P.O. Box 278 Mount Vernon 98273 (206) 336-9616	
1107 South Eastside P.O. Box 7 Olympia 98507 1-800-647-7706	630 N. Chelan Ave., Ste. B3 P.O. Box 220 Wenatchee 98801 (509) 663-9714
2110 West Henry P.O. Box 2844 Pasco 99302 (509) 545-2442	1714 South 16th Ave. Yakima 98902-5713 (509) 575-2783
1601 East Front Street Bldg. 2, Suite A P.O. Box 400 Port Angeles 98362 (206) 457-2564	INQUIRIES FROM OUT- OF-STATE, CALL: 1-800-233-6349

[Statutory Authority: RCW 82.32.300, 91-05-038, § 458-20-237, filed 2/13/91, effective 3/16/91; 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 458-20-255 Carbonated beverage and syrup tax. (1) **Introduction.** Under the provisions of chapter 80, Laws of 1991, a tax is imposed, effective June 1, 1991, upon the volume of carbonated beverages and syrups sold at wholesale and retail in this state with specific credits and exemptions provided. This tax is an excise tax upon the business activity of selling carbonated beverages or syrups in this state. It is imposed in addition to all other taxes of an excise or property tax nature and is not in lieu of any other such taxes.

(2) **Definitions.** For purposes of this section the following terms will apply.

(a) "Tax" means the carbonated beverage or syrup tax imposed by chapter 80, Laws of 1991.

(b) "Carbonated beverage" has its ordinary meaning and includes any nonalcoholic liquid intended for human consumption which contains carbon dioxide.

(i) Thus, "carbonated beverage" includes but is not limited to soft drinks, "soda pop," mineral waters, seltzers, fruit juices, or any other nonalcoholic beverages, including carbonated waters, which are produced for human consumption and which contain any amount of carbon dioxide.

(ii) However, "carbonated beverage" does not include bromides or other carbonated liquids commonly sold as pharmaceuticals.

(c) "Previously taxed carbonated beverage or syrup" means a carbonated beverage or syrup in respect to which a tax has been paid under this chapter. A "previously taxed carbonated beverage" includes carbonated beverages in respect to which the tax has been paid on either the carbonated beverage or on the syrup in the carbonated beverage.

(i) Example. A retailer who produces a carbonated beverage by adding water and carbonation to a syrup, upon which the tax has been paid to and collected by a wholesaler incurs no additional tax liability because the tax has been paid upon the syrup and collected by the wholesaler.

(d) "Syrup" means a concentrated liquid which is added to carbonated water to produce a carbonated beverage.

(i) Thus, "syrup" includes the concentrated liquid marketed by manufacturers to which the purchaser adds water and/or carbon dioxide, or, carbonated water to produce a carbonated beverage.

(e) "State" means for the credit provisions of this section:

(i) A state of the United States other than Washington, or any political subdivision of such other state,

(ii) The District of Columbia, and

(iii) Any foreign country or political subdivision thereof.

(f) Except as otherwise expressly defined in this section, the definitions of terms provided in chapters 82.04, 82.08, and 82.12 RCW apply equally for this section. Other terms not expressly defined in these chapters or this section are to be given their common and ordinary meanings.

(3) **Tax imposition, rate and measure.**

(a) The tax is imposed upon the wholesale or retail business activity of selling carbonated beverages or syrups within this state. The tax shall be paid by the buyer to the wholesaler and each wholesaler shall collect the tax from the buyer unless the wholesaler is prohibited from collecting the tax from the buyer under the Constitution of this state or the Constitution or laws of the United States in which case the wholesaler is liable for the amount of the tax. The amount of the tax required to be collected by the wholesaler is a debt from the buyer to the wholesaler until the tax is paid by the buyer to the wholesaler. A wholesaler who fails or refuses to collect the tax with intent to violate the provisions of this chapter or to gain some advantage directly or indirectly, is guilty of a misdemeanor. When a retailer sells carbonated beverages or uses syrup which the retailer has purchased from an out-of-state wholesaler who has not collected the tax, the retailer must report and pay the tax.

(i) When a bottler produces a carbonated beverage end product, the measure of the tax shall be the volume of the carbonated beverage end product sold at wholesale or retail.

(ii) Manufacturers of syrup are taxable on the business activity of selling syrup only when such syrup is removed from the production process and sold without further processing by them or another manufacturer or bottler.

(iii) Example. An ingredient used in the manufacturing process by a bottler of carbonated beverages is never taxed even if the ingredient is a syrup. Therefore, a manufacturer of syrup who sells an ingredient to another manufacturer of syrup or a bottler, is not taxed on the ingredient sold even if the ingredient is a syrup. The product sold is not a taxable syrup but an ingredient in the manufacturing process. The purchasing manufacturer or bottler is taxed upon the end product produced by such manufacturer of syrup or bottler, or by a contract bottler hired by him.

Similarly, a manufacturer of syrup or bottler who receives a product from an out-of-state source for use as an ingredient in the manufacturing or bottling process is taxed when the end product produced is sold.

(b) The tax rate and measure for carbonated beverages is eighty-four one thousandths of a cent per ounce. The tax rate and measure for syrup is seventy five cents per gallon. Fractional amounts shall be taxed proportionally.

(4) Exemptions. The following are exempt from the tax:

(a) Any successive possession of a previously taxed carbonated beverage or syrup.

(i) In order to verify the payment of the tax, all persons selling or otherwise transferring possession of taxed beverages or syrup, except retailers, shall separately itemize the amount of the tax on the invoice, bill of lading, or other instrument of sale. Beer and wine wholesalers selling carbonated beverages or syrup upon which the tax has been paid and who are prohibited under RCW 68.28.010 from having a direct or indirect financial interest in any retail business may, in lieu of a separate itemization of the amount of the tax, provide a statement on the instrument of sale that the carbonated beverage and syrup tax has been paid. For purposes of the payment and the itemization of the tax, the tax computed on standard units of a product, cases, liters, gallons, etc., may be stated in an amount rounded to the nearest cent. In competitive bid documents, the tax will be considered to not be included in the bid price unless the bid documents separately itemizes the tax. In either case, the tax must be separately itemized on the instrument of sale except when the separate itemization is prohibited by law.

(ii) Any person prohibited by federal or state law, ruling or requirement from itemizing the tax on an invoice, bill of lading, or other document of delivery shall retain the documentation necessary for verification of the payment of the tax.

(iii) A subsequent sale of carbonated beverages or syrups sold or delivered upon an invoice, bill of lading, or other document of sale which contains a separate itemization of the tax shall be exempt from the tax.

(iv) However, a subsequent sale of carbonated beverages or syrups sold or delivered to the subsequent seller

upon an invoice, bill of lading or other document of sale which does not contain a separate itemization of the tax is conclusively presumed to be previously untaxed carbonated beverage or syrup and the wholesaler must report and pay the tax. The retailer must report and pay the tax when the retailer purchases from an out-of-state wholesaler who has not collected the tax.

(v) This exemption for taxes previously paid is available for any person selling previously taxed carbonated beverage or syrup even though the previous payment may have been satisfied by the use of credits or offsets available to the prior seller.

(vi) Example. Company A sells to Company B a carbonated beverage or syrup upon which it has paid a similar carbonated beverage or syrup tax in another state. Company A takes a credit against its Washington tax liability in the amount of the other state's tax paid. It provides Company B with an invoice containing a separate itemization of the tax. Company B's subsequent sale is tax exempt even though Company A has not directly paid Washington's tax but has used a credit against its Washington liability.

(b) Any carbonated beverage or syrup that is transferred to a point outside the state for use outside the state.

(i) The exemption for the sale of exported carbonated beverages or syrups may be taken by any seller within the chain of distribution of such products in this state. To perfect its entitlement to this exemption the seller of such carbonated beverage or syrup must take from its buyer or transferee of the carbonated beverage or syrup a written certification in substantially the following form:

Certificate of Tax Exempt Export Carbonated Beverages or Syrup

I hereby certify that the carbonated beverages or syrups specified herein, purchased by the undersigned, from (seller), are for export for use or sale outside Washington state. I will become liable for and pay any carbonated beverage or syrup tax due upon all or any part of such products which is not so exported outside Washington state. This certificate is given with full knowledge of, and subject to the legally prescribed penalties for fraud and tax evasion.

Registration No. _____ Type of Business _____
 Firm Name _____
 Registered Name _____
 (If different)
 Authorized Signature _____
 Title _____
 Identity of Carbonated Beverages or Syrups. _____
 (Kind and amount by volume)
 Date _____

This certificate may be used so long as some portion of the product is exported. Sellers are under no obligation to verify the amount of the product to be exported by their buyers providing such certificates. Buyers providing such certificates are, however, subject to penalties

and interest, for any late payment of tax due on products not exported.

(ii) Each successive sale of such carbonated beverages or syrups must, in turn, take a certification in substantially this form from any other person to whom such carbonated beverages or syrups are sold. Failure to take and keep such certifications as part of its permanent records will incur carbonated beverage or syrup tax liability by such sellers if the tax has not been previously paid.

(iii) Persons who themselves export or cause the exportation of such products to persons outside this state for further sale or use outside this state must keep the proofs of actual exportation required by WAC 458-20-193.

(c) Persons or activities which the state is prohibited from taxing under the United States Constitution are tax exempt.

This exemption extends to the U.S. government, its agencies and instrumentalities, and to any sale the taxation of which has been expressly reserved or preempted under the laws of the United States. This exemption applies only to purchases by the United States, its agencies and instrumentalities. The exemption does not apply to persons who sell carbonated beverages or syrups to agencies and instrumentalities of the United States located in this state. When the United States or its agencies or instrumentalities purchases carbonated beverages or syrup from a wholesaler who is required to collect this tax from its buyer, the wholesaler itself is liable for, and must report and pay, the tax on the volume of product sold to the United States or its agencies or instrumentalities.

(d) The sale of any carbonated beverages or syrups prior to June 1, 1991, is tax exempt. Sales of carbonated beverages and syrups after June 1, 1991, are exempt if carbonated beverage and syrup possession tax has been paid on the product.

It is the intent, under the law, that this exemption will apply to the carbonated beverages or syrups throughout their succeeding chain of distribution for the life of those carbonated beverages or syrups. That is, carbonated beverages or syrups already possessed as of May 31, 1991, and upon which the possession carbonated beverage and syrup tax has been paid will not incur another tax liability upon the sale of the product after May 31, 1991.

(e) Any sale at wholesale of a trademarked carbonated beverage or syrup by any person to a person commonly known as a bottler who is appointed by the owner of the trademark to manufacture, distribute, and sell such trademarked carbonated beverage within a specific geographic territory.

(5) **Credit.** Credit shall be allowed against the taxes imposed in this section for any carbonated beverage or syrup tax paid to another state with respect to the same carbonated beverage or syrup. The amount of the credit shall not exceed the tax liability arising under this chapter with respect to that carbonated beverage or syrup.

(a) "Carbonated beverage or syrup tax" means a tax:

(i) That is imposed on the sale at wholesale of carbonated beverages or syrup and is not generally imposed on other activities or privileges; and

(ii) That is measured by the value or volume of the carbonated beverage or syrup.

(b) In order for this credit to apply, the other state's tax must be significantly similar to Washington's tax in all its various respects. The taxable incident must be the wholesale sale of carbonated beverages or syrups without deductions for costs of doing business, such that the other state's tax does not constitute an income tax or added value tax.

(c) This credit may be taken for the amount of any other state's qualifying tax which has actually been paid as a result of the same carbonated beverage or syrup being previously sold by the same person in another taxing jurisdiction before Washington state's tax is incurred.

(d) The amount of credit is limited to the amount of tax paid in this state upon the wholesale sale of the same carbonated beverage or syrup in this state. Also, the credit may not be applied against any tax paid or owed in this state other than the carbonated beverage tax imposed by chapter 80, Laws of 1991.

(6) **How and when to pay tax.**

(a) The tax must be reported on a special line of the combined excise tax return designated "carbonated beverage or syrup." The volume reported shall be the net volume subject to tax, i.e., the gross volume sold less volume exempt.

(b) The tax is due for payment together with the timely filing of the return upon which it is reported, covering the tax reporting period during which the carbonated beverage or syrup is sold.

(i) A wholesaler making a wholesale sale of carbonated beverage or syrup in this state must collect the tax from the buyer and report and pay it to the department. The buyer is not obligated to report or pay the tax.

(ii) A retailer making a retail sale in this state of carbonated beverage or syrup purchased from an out-of-state wholesaler who has not collected the tax must collect the tax from the buyer and report and pay it to the department. The buyer is not obligated to report or pay the tax.

(c) The taxable incident or event is the sale of the carbonated beverage or syrup. Tax is due for payment by the first seller, whether wholesaler or retailer, of carbonated beverage or syrup upon which the tax has not been paid. It is the intent of the law that all carbonated beverages or syrups sold in this state should incur this tax liability only once unless they are expressly exempt.

(d) Various circumstances may arise whereby a person will sell carbonated beverages or syrups in this state, some of which have been previously taxed in this or other states and some of which may not. In such cases formulary tax reporting may be used, only after receipt of a special ruling issued by the department of revenue authorizing such formulary reporting.

(7) **How and when to claim credit.** Any tax credit available to the taxpayer should be claimed and offset

against tax liability reported on the same excise tax return when possible. The tax return form provides a line for reporting tax on carbonated beverages and syrups and the credit shall be taken on the line for taking "other credits" as an offset against the tax reported. A statement showing the computation of the credit must be provided. It is not required that any other documents or other evidences of entitlement to credits be submitted with the report. Such proofs must be retained in permanent records for the purpose of verification of credits taken.

(8) **Notice to consumers by retailers that purchase price includes Washington drug fund tax.** Chapter 80, Laws of 1991 authorizes the voluntary posting or print advertising by certain retailers that the price of the product includes the Washington drug fund tax. The intent of this voluntary program is to increase public and consumer awareness of the state's drug problem and its enforcement measures.

(9) **Administrative provisions.** The provisions of chapters 82.32 and 82.04 RCW regarding due dates, reporting periods, tax return requirements, interest and penalties, tax audits and limitations, disputes and appeals, and all such general administrative provisions apply equally to the carbonated beverage or syrup tax.

[Statutory Authority: RCW 82.32.300, 91-20-058, § 458-20-255, filed 9/24/91, effective 10/25/91; 89-17-001 (Order 89-13), § 458-20-255, filed 8/3/89, effective 9/3/89.]

Chapter 458-30 WAC

OPEN SPACE TAXATION ACT RULES

WAC

458-30-262 Agricultural land valuation—Interest rate—Property tax component.

WAC 458-30-262 Agricultural land valuation—Interest rate—Property tax component. For assessment year 1991, the interest rate and the property tax component that are to be used to value classified farm and agricultural lands are as follows:

- (1) The interest rate is 10.65 percent; and
- (2) The property tax component for each county is:

COUNTY	PERCENT	COUNTY	PERCENT
Adams	1.38	Lewis	1.27
Asotin	1.54	Lincoln	1.48
Benton	1.51	Mason	1.28
Chelan	1.38	Okanogan	1.43
Clallam	1.28	Pacific	1.46
Clark	1.39	Pend Oreille	1.18
Columbia	1.45	Pierce	1.59
Cowlitz	1.21	San Juan	0.96
Douglas	1.42	Skagit	1.29
Ferry	1.02	Skamania	0.95
Franklin	1.64	Snohomish	1.37
Garfield	1.57	Spokane	1.56
Grant	1.42	Stevens	1.12
Grays Harbor	1.45	Thurston	1.59
Island	1.06	Wahkiakum	1.16

COUNTY	PERCENT	COUNTY	PERCENT
Jefferson	1.15	Walla Walla	1.38
King	1.41	Whatcom	1.31
Kitsap	1.30	Whitman	1.56
Kittitas	1.17	Yakima	1.38
Klickitat	1.42		

[Statutory Authority: RCW 84.08.010 and 84.08.070, 91-04-001, § 458-30-262, filed 1/24/91, effective 2/24/91; 90-24-087, § 458-30-262, filed 12/5/90, effective 1/5/91. Statutory Authority: RCW 84.08.010(2) and 84.34.141, 90-02-080 (Order PT 90-1), § 458-30-262, filed 1/2/90, effective 2/2/90.]

Chapter 458-40 WAC

TAXATION OF FOREST LAND AND TIMBER

WAC

- 458-40-540 Property tax, forest land—Forest land values—1992.
- 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.

WAC 458-40-540 Property tax, forest land—Forest land values—1992. The true and fair values, per acre, for each grade of forest land for the 1992 assessment year are determined to be as follows:

1992
WASHINGTON FOREST LAND VALUES

LAND GRADE	OPERABILITY CLASS	VALUE PER ACRE
1	1	\$157
	2	152
	3	145
	4	105
2	1	132
	2	126
	3	122
	4	88
3	1	103
	2	100
	3	98
	4	75
4	1	78
	2	76
	3	75
	4	58
5	1	57
	2	53
	3	52
	4	34
6	1	29
	2	27
	3	27
	4	25

1992
WASHINGTON FOREST LAND VALUES

LAND GRADE	OPERABILITY CLASS	VALUE PER ACRE
7	1	14
	2	14
	3	13
	4	13
8		1

[Statutory Authority: RCW 84.33.120, 91-24-026, § 458-40-540, filed 11/26/91, effective 1/1/92. Statutory Authority: RCW 84.33.120 and 84.08.010, 90-24-012, § 458-40-540, filed 11/27/90, effective 12/28/90; 89-23-095, § 458-40-540, filed 11/21/89, effective 12/22/89. Statutory Authority: RCW 84.33.120 and 84.33.130, 88-23-055 (Order FT-88-3), § 458-40-540, filed 11/15/88; 87-22-068 (Order FT-87-3), § 458-40-540, filed 11/4/87. Statutory Authority: Chapter 84.33 RCW, 87-02-023 (Order 86-4), § 458-40-540, filed 12/31/86.]

WAC 458-40-650 Timber excise tax--Timber quality codes defined. The timber quality code numbers for each species of timber shown in the stumpage value tables contained in this chapter are defined as follows:

TABLE 1—Timber Quality Code Table
Stumpage Value Areas 1, 2, 3, 4, 5, and 10

Species	Quality Code	Number Log grade specifications ¹
Douglas-fir	1	Over 50% No. 2 Sawmill and better log grade, and 15% and over Special Mill, No. 1 Sawmill, and better log grade.
Douglas-fir	2	Over 50% No. 2 Sawmill and better log grade, and less than 15% Special Mill, No. 1 Sawmill, and better log grade.
Douglas-fir	3	25-50% inclusive No. 2 Sawmill and better log grade.
Douglas-fir	4	Less than 25% No. 2 Sawmill and better log grade.
Western Redcedar and Alaska-Cedar	1	Over 30% No. 2 Sawmill and better log grade, and 15% and over Special Mill, No. 1 Sawmill, Peeler and better log grade.
Western Redcedar and Alaska-Cedar	2	Over 30% No. 2 Sawmill and better log grade, and less than 15% Special Mill, No. 1 Sawmill, Peeler and better log grade.
Western Redcedar and Alaska-Cedar	3	5-30% inclusive No. 2 Sawmill and better log grade.
Western Redcedar and Alaska-Cedar	4	Less than 5% No. 2 Sawmill and better log grade.
Western Hemlock, True Firs, Other Conifer, and Spruce	1	Over 50% No. 2 Sawmill and better log grade, and 5% and over Special Mill, No. 1 Sawmill and better log grade.

TABLE 1—Timber Quality Code Table
Stumpage Value Areas 1, 2, 3, 4, 5, and 10

Species	Quality Code	Number Log grade specifications ¹
Western Hemlock, True Firs, Other Conifer, and Spruce	2	Over 50% No. 2 Sawmill and better log grade, and less than 5% Special Mill, No. 1 Sawmill and better log grade.
Western Hemlock, True Firs, Other Conifer, and Spruce	3	25-50% inclusive No. 2 Sawmill and better log grade.
Western Hemlock, True Firs, Other Conifer, and Spruce	4	Less than 25% No. 2 Sawmill and better log grade.
Ponderosa Pine	1	Less than 10 logs 16 feet long per thousand board feet Scribner scale.
Ponderosa Pine	2	10 or more logs 16 feet long per thousand board feet Scribner scale.
Lodgepole Pine	1	All log grades.
Hardwoods	1	All No. 3 Sawmill logs and better log grades.
Hardwood Utility	5	All No. 4 Sawmill log grade and all hardwood logs graded as utility.
Conifer Utility	5	All conifer logs graded as utility log grade.

¹ 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

Species	Quality Code	Number Log grade specifications ¹
Ponderosa Pine	1	Less than 10 logs 16 feet long per thousand board feet Scribner scale.
Ponderosa Pine	2	10 or more logs 16 feet long per thousand board feet Scribner scale.
All conifers other than Ponderosa Pine	1	All log sizes.
Hardwoods	1	Sawlogs only.
Utility	5	All logs graded as utility.

[Statutory Authority: RCW 84.33.091, 82.32.300 and 84.33.096, 92-02-067, § 458-40-650, filed 12/31/91, effective 1/1/92. Statutory Authority: RCW 84.33.091 and chapter 84.33 RCW, 88-14-032 (Order FT-88-2), § 458-40-650, filed 6/30/88. Statutory Authority: Chapter 84.33 RCW, 87-14-042 (Order 87-2), § 458-40-650, filed 6/30/87; 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, 1992:

**TABLE 1--Stumpage Value Table
Stumpage Value Area 1
January 1 through June 30, 1992**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir	DF	1	\$437	\$430	\$423	\$416	\$409
		2	380	373	366	359	352
		3	349	342	335	328	321
		4	195	188	181	174	167
Western Redcedar ²	RC	1	432	425	418	411	404
		2	412	405	398	391	384
		3	361	354	347	340	333
		4	217	210	203	196	189
Western Hemlock ³	WH	1	311	304	297	290	283
		2	285	278	271	264	257
		3	275	268	261	254	247
		4	251	244	237	230	223
Other Conifer	OC	1	311	304	297	290	283
		2	285	278	271	264	257
		3	275	268	261	254	247
		4	251	244	237	230	223
Red Alder	RA	1	89	82	75	68	61
Black Cottonwood	BC	1	66	59	52	45	38
Other Hardwood	OH	1	66	59	52	45	38
Hardwood Utility	HU	1	30	23	16	9	2
Conifer Utility	CU	1	79	72	65	58	51
RC Shake Blocks	RCS	1	512	505	498	491	484
RC Shingle Blocks	RCF	1	109	102	95	88	81
RC & Other Posts ⁴	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁵	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁵	TFX	1	0.50	0.50	0.50	0.50	0.50

¹Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.
²Includes Alaska-Cedar.
³Includes 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."
⁴Stumpage value per 8 lineal feet or portion thereof.
⁵Stumpage value per lineal foot.

**TABLE 2--Stumpage Value Table
Stumpage Value Area 2
January 1 through June 30, 1992**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir	DF	1	\$454	\$447	\$440	\$433	\$426
		2	380	373	366	359	352
		3	349	342	335	328	321
		4	195	188	181	174	167
Western Redcedar ²	RC	1	444	437	430	423	416
		2	444	437	430	423	416
		3	430	423	416	409	402
		4	205	198	191	184	177
Western Hemlock ³	WH	1	332	325	318	311	304
		2	320	313	306	299	292
		3	281	274	267	260	253
		4	247	240	233	226	219

TABLE 2--

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Other Conifer	OC	1	332	325	318	311	304
		2	320	313	306	299	292
		3	281	274	267	260	253
		4	247	240	233	226	219
Red Alder	RA	1	82	75	68	61	54
Black Cottonwood	BC	1	66	59	52	45	38
Other Hardwood	OH	1	47	40	33	26	19
Hardwood Utility	HU	1	29	22	15	8	1
Conifer Utility	CU	1	48	41	34	27	20
RC Shake Blocks	RCS	1	512	505	498	491	484
RC Shingle Blocks	RCF	1	109	102	95	88	81
RC & Other Posts ⁴	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁵	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁵	TFX	1	0.50	0.50	0.50	0.50	0.50

¹Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.
²Includes Alaska-Cedar.
³Includes 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."
⁴Stumpage value per 8 lineal feet or portion thereof.
⁵Stumpage value per lineal foot.

**TABLE 3--Stumpage Value Table
Stumpage Value Area 3
January 1 through June 30, 1992**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$469	\$462	\$455	\$448	\$441
		2	396	389	382	375	368
		3	381	374	367	360	353
		4	195	188	181	174	167
Western Redcedar ³	RC	1	444	437	430	423	416
		2	444	437	430	423	416
		3	364	357	350	343	336
		4	268	261	254	247	240
Western Hemlock ⁴	WH	1	409	402	395	388	381
		2	300	293	286	279	272
		3	258	251	244	237	230
		4	223	216	209	202	195
Other Conifer	OC	1	409	402	395	388	381
		2	300	293	286	279	272
		3	258	251	244	237	230
		4	223	216	209	202	195
Red Alder	RA	1	101	94	87	80	73
Black Cottonwood	BC	1	88	81	74	67	60
Other Hardwood	OH	1	80	73	66	59	52
Hardwood Utility	HU	1	29	22	15	8	1
Conifer Utility	CU	1	56	49	42	35	28
RC Shake Blocks	RCS	1	512	505	498	491	484

TABLE 3--
Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
RC Shingle Blocks	RCF	1	109	102	95	88	81
RC & Other Posts ⁵	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁶	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁶	TFX	1	0.50	0.50	0.50	0.50	0.50

¹ Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.
² Includes Western Larch.
³ Includes Alaska-Cedar.
⁴ 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."
⁵ Stumpage value per 8 lineal feet or portion thereof.
⁶ Stumpage value per lineal foot.

TABLE 4--Stumpage Value Table
Stumpage Value Area 4
January 1 through June 30, 1992

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$451	\$444	\$437	\$430	\$423
		2	374	367	360	353	346
		3	347	340	333	326	319
		4	195	188	181	174	167
Lodgepole Pine	LP	1	95	88	81	74	67
Ponderosa Pine	PP	1	360	353	346	339	332
		2	186	179	172	165	158
Western Redcedar ³	RC	1	444	437	430	423	416
		2	444	437	430	423	416
		3	314	307	300	293	286
		4	205	198	191	184	177
Western Hemlock ⁴	WH	1	396	389	382	375	368
		2	306	299	292	285	278
		3	254	247	240	233	226
		4	237	230	223	216	209
Other Conifer	OC	1	396	389	382	375	368
		2	306	299	292	285	278
		3	254	247	240	233	226
		4	237	230	223	216	209
Red Alder	RA	1	95	88	81	74	67
Black Cottonwood	BC	1	88	81	74	67	60
Other Hardwood	OH	1	80	73	66	59	52
Hardwood Utility	HU	1	32	25	18	11	4
Conifer Utility	CU	1	47	40	33	26	19
RC Shake Blocks	RCS	1	512	505	498	491	484
RC Shingle Blocks	RCF	1	109	102	95	88	81
RC & Other Posts ⁵	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁶	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁶	TFX	1	0.50	0.50	0.50	0.50	0.50

¹ Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.
² Includes Western Larch.
³ Includes Alaska-Cedar.

⁴ 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."
⁵ Stumpage value per 8 lineal feet or portion thereof.
⁶ Stumpage value per lineal foot.

TABLE 5--Stumpage Value Table
Stumpage Value Area 5
January 1 through June 30, 1992

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$545	\$538	\$531	\$524	\$517
		2	380	373	366	359	352
		3	317	310	303	296	289
		4	195	188	181	174	167
Lodgepole Pine	LP	1	95	88	81	74	67
Ponderosa Pine	PP	1	360	353	346	339	332
		2	186	179	172	165	158
Western Redcedar ³	RC	1	444	437	430	423	416
		2	444	437	430	423	416
		3	369	362	355	348	341
		4	240	233	226	219	212
Western Hemlock ⁴	WH	1	311	304	297	290	283
		2	273	266	259	252	245
		3	267	260	253	246	239
		4	235	228	221	214	207
Other Conifer	OC	1	311	304	297	290	283
		2	273	266	259	252	245
		3	267	260	253	246	239
		4	235	228	221	214	207
Red Alder	RA	1	82	75	68	61	54
Black Cottonwood	BC	1	77	70	63	56	49
Other Hardwood	OH	1	77	70	63	56	49
Hardwood Utility	HU	1	29	22	15	8	1
Conifer Utility	CU	1	56	49	42	35	28
RC Shake Blocks	RCS	1	512	505	498	491	484
RC Shingle Blocks	RCF	1	109	102	95	88	81
RC & Other Posts ⁵	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁶	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁶	TFX	1	0.50	0.50	0.50	0.50	0.50

¹ Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.
² Includes Western Larch.
³ Includes Alaska-Cedar.
⁴ 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."
⁵ Stumpage value per 8 lineal feet or portion thereof.
⁶ Stumpage value per lineal foot.

TABLE 6--Stumpage Value Table
Stumpage Value Area 6
January 1 through June 30, 1992

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$231	\$224	\$217	\$210	\$203

TABLE 6--

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Engelmann Spruce	ES	1	153	146	139	132	125
Lodgepole Pine	LP	1	95	88	81	74	67
Ponderosa Pine	PP	1	360	353	346	339	332
		2	186	179	172	165	158
Western Redcedar ³	RC	1	307	300	293	286	279
True Firs ⁴	WH	1	162	155	148	141	134
Western White Pine	WP	1	382	375	368	361	354
Hardwoods	OH	1	25	18	11	4	1
Utility	CU	1	46	39	32	25	18
RC Shake & Shingle Blocks	RCF	1	152	145	138	131	124
LP & Other Posts ⁵	LPP	1	0.35	0.35	0.35	0.35	0.35
Pine Christmas Trees ⁶	PX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁷	DFX	1	0.25	0.25	0.25	0.25	0.25

¹ Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

² Includes Western Larch.

³ Includes Alaska-Cedar.

⁴ 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."

⁵ Stumpage value per 8 lineal feet or portion thereof.

⁶ Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.

⁷ Stumpage value per lineal foot.

TABLE 7--Stumpage Value Table

Stumpage Value Area 7

January 1 through June 30, 1992

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$161	\$154	\$147	\$140	\$133
Engelmann Spruce	ES	1	121	114	107	100	93
Lodgepole Pine	LP	1	80	73	66	59	52
Ponderosa Pine	PP	1	322	315	308	301	294
		2	148	141	134	127	120
Western Redcedar ³	RC	1	259	252	245	238	231
True Firs ⁴	WH	1	111	104	97	90	83
Western White Pine	WP	1	322	315	308	301	294
Hardwoods	OH	1	25	18	11	4	1
Utility	CU	1	21	14	7	1	1
RC Shake & Shingle Blocks	RCF	1	152	145	138	131	124
LP & Other Posts ⁵	LPP	1	0.35	0.35	0.35	0.35	0.35
Pine Christmas Trees ⁶	PX	1	0.25	0.25	0.25	0.25	0.25
Christmas Trees ⁷	DFX	1	0.25	0.25	0.25	0.25	0.25

¹ Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

² Includes Western Larch.

³ Includes Alaska-Cedar.

⁴ 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."

⁵ Stumpage value per 8 lineal feet or portion thereof.

⁶ Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.

⁷ Stumpage value per lineal foot.

TABLE 8--Stumpage Value Table

Stumpage Value Area 10

January 1 through June 30, 1992

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$437	\$430	\$423	\$416	\$409
		2	346	339	332	325	318
		3	319	312	305	298	291
		4	167	160	153	146	139
Lodgepole Pine	LP	1	95	88	81	74	67
Ponderosa Pine	PP	1	360	353	346	339	332
		2	186	179	172	165	158
Western Redcedar ³	RC	1	430	423	416	409	402
		2	416	409	402	395	388
		3	286	279	272	265	258
		4	177	170	163	156	149
Western Hemlock ⁴	WH	1	382	375	368	361	354
		2	278	271	264	257	250
		3	226	219	212	205	198
		4	209	202	195	188	181
Other Conifer	OC	1	382	375	368	361	354
		2	278	271	264	257	250
		3	226	219	212	205	198
		4	209	202	195	188	181
Red Alder	RA	1	81	74	67	60	53
Black Cottonwood	BC	1	74	67	60	53	46
Other Hardwood	OH	1	66	59	52	45	38
Hardwood Utility	HU	1	18	11	4	1	1
Conifer Utility	CU	1	33	26	19	12	5
RC Shake Blocks	RCS	1	512	505	498	491	484
RC Shingle Blocks	RCF	1	109	102	95	88	81
RC & Other Posts ⁵	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁶	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁶	TFX	1	0.50	0.50	0.50	0.50	0.50

¹ Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.

² Includes Western Larch.

³ Includes Alaska-Cedar.

⁴ 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."

⁵ Stumpage value per 8 lineal feet or portion thereof.

⁶ Stumpage value per lineal foot.

[Statutory Authority: RCW 84.33.091, 82.32.300 and 84.33.096, 92-02-067, § 458-40-660, filed 12/31/91, effective 1/1/92. Statutory Authority: RCW 84.33.096 and 82.32.300, 91-14-077, § 458-40-660, filed 6/28/91, effective 7/1/91; 91-09-030, § 458-40-660, filed 4/12/91, effective 5/13/91; 91-02-088, § 458-40-660, filed 12/31/90, effective 1/31/91; 90-14-033, § 458-40-660, filed 6/29/90, effective 7/30/90; 90-02-049, § 458-40-660, filed 12/29/89, effective 1/29/90. Statutory Authority: Chapter 84.33

RCW and RCW 84.33.091. 89-14-051 (Order FT-89-2), § 458-40-660, filed 6/30/89; 89-02-027 (Order FT-88-5), § 458-40-660, filed 12/30/88; 88-14-032 (Order FT-88-2), § 458-40-660, filed 6/30/88; 88-02-026 (Order FT-87-5), § 458-40-660, filed 12/31/87. Statutory Authority: Chapter 84.33 RCW, 87-14-042 (Order 87-2), § 458-40-660, filed 6/30/87; 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 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 or other unforeseen materially increased harvesting costs 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 or cause of additional costs, 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, 1992:

**TABLE 1--Harvest Adjustment Table
Stumpage Value Areas 1, 2, 3, 4, 5, and 10
January 1 through June 30, 1992**

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
I. Volume per acre		
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
II. Logging conditions		
Class 1	Generally slopes less than 40%. No significant rock outcrops or swamp barriers.	\$0.00

TABLE 1--cont.

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
Class 2	Generally slopes between 40% and 60%. Some rock outcrops or swamp barriers.	-\$17.00
Class 3	Generally rough, broken ground with slopes in excess of 60%. Numerous rock outcrops and bluffs.	-\$25.00
Class 4	For logs which are yarded from stump to landing by helicopter. This does not include special forest products.	-\$69.00
III. Remote island adjustment:		
	For timber harvested from a remote island	-\$50.00
IV. Thinning (see WAC 458-40-610(20))		
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 and 7
January 1 through June 30, 1992**

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
I. Volume per acre		
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
II. Logging conditions		
Class 1	Generally slopes less than 40%. No significant rock outcrops or swamp barriers.	\$0.00
Class 2	Generally slopes between 40% and 60%. Some rock outcrops or swamp barriers.	-\$18.00
Class 3	Generally rough, broken ground with slopes in excess of 60%. Numerous rock outcrops and bluffs.	-\$25.00
Class 4	For logs which are yarded from stump to landing by helicopter. This does not include special forest products.	-\$69.00
III. Remote island adjustment:		
	For timber harvested from a remote island	-\$50.00

Table 3--Domestic Market Adjustment

Public timber

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)

Private timber

Harvest of private timber which is legally restricted from foreign export, under the authority of The Forest Resources Conservation and Shortage Relief Act (Public Law 101-382), (16 U.S.C. Sec. 620 et seq.); the Export Administration Act of 1979 (50 U.S.C. App. 2406(i)); a Cooperative Sustained Yield Unit Agreement made pursuant to the Act of March 29, 1944, (16 U.S.C. Sec. 583-583i); or Washington Administration Code (WAC 240-15-015(2)) is also eligible for the Domestic Market Adjustment.

The adjustment amounts shall be as follows:

Class 1:	SVA's 1 through 6, and 10	- \$12.00 per MBF
Class 2:	SVA 7	- \$0.00 per MBF

Note: The adjustment will not be allowed on special forest products.

[Statutory Authority: RCW 84.33.091, 82.32.300 and 84.33.096. 92-02-067, § 458-40-670, filed 12/31/91, effective 1/1/92. Statutory Authority: RCW 84.33.096 and 82.32.300. 91-14-077, § 458-40-670, filed 6/28/91, effective 7/1/91; 91-02-088, § 458-40-670, filed 12/31/90, effective 1/31/91; 90-14-033, § 458-40-670, filed 6/29/90, effective 7/30/90; 90-02-049, § 458-40-670, filed 12/29/89, effective 1/29/90. Statutory Authority: Chapter 84.33 RCW and RCW 84.33.091. 89-14-051 (Order FT-89-2), § 458-40-670, filed 6/30/89; 89-02-027 (Order FT-88-5), § 458-40-670, filed 12/30/88; 88-14-032 (Order FT-88-2), § 458-40-670, filed 6/30/88; 88-02-026 (Order FT-87-5), § 458-40-670, filed 12/31/87. Statutory Authority: Chapter 84.33 RCW. 87-14-042 (Order 87-2), § 458-40-670, filed 6/30/87; 87-02-023 (Order 86-4), § 458-40-670, filed 12/31/86.]

Chapter 458-50 WAC**INTERCOUNTY UTILITIES AND
TRANSPORTATION COMPANIES--ASSESSMENT
AND TAXATION****WAC**

458-50-085 Computer software--Definitions--Valuation--Centrally assessed utilities.

WAC 458-50-085 Computer software--Definitions--Valuation--Centrally assessed utilities. (1) This rule implements the provisions of chapter 29, Laws of 1991, ex. sess., regarding the property taxation of computer software for centrally assessed utilities.

(2) **Computer software.** Computer software is a set of directions or instructions that exist in the form of machine-readable or human-readable code, is recorded on physical or electronic medium and directs the operation of a computer system or other machinery and/or equipment. Computer software includes the associated documentation which describes the code and/or its use, operation, and maintenance and typically is delivered with the code to the user. Computer software does not include databases, but does include the computer programs and code which are used to generate databases. Computer software can be canned, custom, or a mixture of both.

(a) A database is text, data, or other information that may be accessed or managed with the aid of computer software but that does not itself have the capacity to direct the operation of a computer system or other machinery and equipment; and, therefore does not constitute computer software.

(3) **Custom software.** Custom software is computer software that is specially designed for a single person's

or a small group of persons' specific needs. Custom software includes modifications to canned software and can be developed in-house by the user, by outside developers, or by both.

(4) "Person" 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.

(5) A "small group of persons" shall consist of less than four persons. A group of four or more persons shall be presumed not to be a small group of persons for the purposes of this section unless each of the persons are affiliated through common control and ownership.

(a) "Persons affiliated through common control and ownership" means

(i) Corporations qualifying as controlled group of corporations in 26 USC § 1563; or

(ii) Partnerships or other persons in which at least 80% of the ownership in the persons claimed to be affiliated is the same.

(6) **Canned software.** Canned software, also referred to as pre-written, "shrink-wrapped" or standard software, is computer software that is designed for and distributed "as is" for multiple persons who can use it without modifying its code and which is not otherwise considered custom software.

(a) Computer software that is a combination of prewritten or standard components and components specially modified to meet the needs of a user is a mixture of canned and custom software. The standard or prewritten components are canned software and the modifications are custom software.

(b) Canned software that is "bundled" with or sold with computer hardware retains its identity as canned software and shall be valued as such. "Bundled" software is canned software that is sold with hardware and does not have a separately stated price, and can include operating systems such as DOS, UNIX, OS-2, or System 6.0 as well as other programs.

(c) An upgrade is canned software provided by the software developer, author, distributor, inventor, licensor or sublicensor to improve, enhance or correct the workings of previously purchased canned software.

(7) **Embedded software.** Embedded software is computer software that resides permanently on some internal memory device in a computer system or other machinery and equipment, that is not removable in the ordinary course of operation, and that is of a type necessary for the routine operation of the computer system or other machinery and equipment.

(a) Embedded software can be either canned or custom software which:

(i) Is an integral part of the computer system or machinery or other equipment in which it resides;

(ii) Is designed specifically to be included in or with the computer system or machinery or other equipment; and

(iii) In its absence, the computer system or machinery or other equipment is inoperable.

(b) "Not removable in the ordinary course of operation" means that the software is not readily accessible and is not intended to be removed without

(i) Terminating the computer system, machinery, or equipment's operation; or

(ii) Removal of a computer chip, circuit board, or other mechanical device, or similar item.

(c) "Necessary for the routine operation" means that the software is required for the machinery, equipment, or computer to be able to perform its intended function. In the case of machinery or other equipment, such embedded software does not have to be a physical part of the actual machinery or other equipment, but may be part of a separate control or management panel or cabinet.

(8) **Retained rights.** Retained rights are any and all rights, including intellectual property rights such as those rights arising from copyright, patent, and/or trade secret laws, that are owned or held under contract or license by a computer software developer, author, inventor, publisher or distributor, licensor or sublicensor.

(9) **Golden or master copy.** A golden or master copy of computer software is a copy of computer software from which a computer software developer, author, inventor, publisher or distributor makes copies for sale or license.

(10) Acquisition cost.

(a) The acquisition cost of computer software shall include the total consideration paid for the software, including money, credits, rights, or other property expressed in terms of money, actually paid or accrued. The term also includes freight and installation charges but does not include charges for modifying software, retail sales tax or training. No deduction from the acquisition cost of computer software shall be allowed for any retained rights held by the developer, author, inventor, publisher, or distributor.

(b) In cases where the acquisition cost of computer software cannot be specifically identified, it will be valued at the usual retail selling price of the same or substantially similar computer software.

(c) In cases where canned software is specially modified for the user, the canned component of the computer software retains its identity as canned software; and the modifications are considered custom software and not taxable.

(11) Valuation of canned software.

(a) In the first year in which it will be subject to assessment, canned software shall be listed and valued at one hundred percent of acquisition cost as defined in section (10)(a), above, regardless of whether the software has been expensed or capitalized on the accounting records of the business.

(b) In the second year in which it will be subject to assessment, canned software shall be listed at one hundred percent of acquisition cost and valued at fifty percent of its acquisition cost.

(c) After the second year in which canned software has been subject to assessment, it shall be valued at zero.

(d) Upgrades to canned software shall be listed and valued at the acquisition cost of the upgrade package under subsections (11)(a) and (b), above, and not at the value of what the complete software package would cost as a new item.

(12) **Valuation of customized canned software.** In the case where a person purchases canned software and subsequently has that canned software customized or modified in-house, by outside developers, or both, only the canned portion of such computer software shall be taxable and it shall be valued as described in subsection (11).

(13) **Valuation of embedded software.** Because embedded software is part of the computer system, machinery, or other equipment, it has no separate acquisition cost and shall not be separately valued apart from the computer system, machinery, or other equipment in which it is housed.

(14) **Taxable person.** Canned software is taxable to the person having the right to use the software, including a licensee.

(15) **Situs.** Canned and custom software with situs in Washington means software physically located in Washington or installed in or on machinery, equipment, or computer systems physically located in Washington on the assessment date.

(16) **Reporting.** Each utility/taxpayer defined in chapter 84.12 and 84.16 RCW shall report to the department, using the Annual Report tax form provided by the department, the following information regarding its software with situs in Washington in use on the assessment date:

(a) The acquisition cost of expensed canned computer software which was purchased:

(i) In the year preceding the assessment date; and

(ii) In the second year prior to the assessment date; and

(iii) In the years prior to the second year preceding the assessment date.

(b) The historic cost less depreciation of capitalized canned computer software which was purchased:

(i) In the year preceding the assessment date;

(ii) In the second year prior to the assessment date;

(iii) In the years prior to the second year preceding the assessment date;

(c) The acquisition cost of expensed custom computer software which was purchased:

(i) In the year preceding the assessment date;

(ii) In the second year prior to the assessment date;

(iii) In the years prior to the second year preceding the assessment date;

(d) The historic cost less depreciation of capitalized custom computer software.

(17) **Calculation of computer software value.** The following formulas shall be used for determining the percent taxable calculation of computer software used by centrally assessed utilities.

(a) For the purpose of determining the numerator of the percent taxable calculation, the historic cost less depreciation of all taxable Washington property shall be computed by adjusting the historic cost less depreciation of property capitalized in the company's records as follows:

(i) Add the acquisition cost of expensed canned software acquired in the year preceding the assessment date; and

(ii) Add 50% of the acquisition cost of expensed canned software acquired in the second year preceding the assessment date; and

(iii) Subtract 50% of the historic cost less depreciation of capitalized canned software acquired in the second year preceding the assessment date; and

(iv) Subtract the historic cost less depreciation of capitalized canned software acquired in years prior to the second year preceding the assessment date; and

(v) Subtract the historic cost less depreciation of capitalized custom software.

(b) For the purpose of determining the denominator of the percent taxable calculation, the historic cost less depreciation of all Washington property shall be computed by adding the acquisition cost of expensed canned and custom software in use on the assessment date to the historic cost less depreciation of Washington property capitalized in the company's records.

(c) The historic cost less depreciation of all taxable Washington property (calculated as set forth in subsection (a) above) shall be divided by the historic cost less depreciation of all Washington property (calculated as set forth in subsection (b) above) to arrive at the percent taxable calculation.

(d) The portion of the unit value allocated to Washington state shall be multiplied by the percent taxable calculated as set forth in subsection (c) above to determine the Washington taxable property value.

(18) Exemptions.

(a) All custom software, except embedded software, shall be exempt from property taxation;

(b) Retained rights of the computer software developer, author, inventor, publisher, distributor, licensor or sublicensor are exempt from property taxation;

(c) Modifications to canned software shall be exempt from property taxation as custom software; however, the underlying canned software shall retain its identity as canned software and shall be valued as prescribed in subsection (11) of this rule;

(d) Master or golden copies of computer software are exempt from property taxation;

(e) The taxpayer is responsible for maintaining and providing records sufficient to support any claim of exemption for either canned or custom software.

[Statutory Authority: RCW 84.08.010 and 1991 c 29. 92-01-132, § 458-50-085, filed 12/19/91, effective 1/19/92.]

**Title 460 WAC
SECURITIES DIVISION
(DEPARTMENT OF LICENSING)**

Chapters

460-11A	Multijurisdictional disclosure system.
460-16A	General rules.
460-17A	Uniform limited offering registration.
460-31A	Real estate programs exceeding five million dollars.
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Chapter 460-11A WAC

MULTIJURISDICTIONAL DISCLOSURE SYSTEM

WAC

460-11A-010	Multijurisdictional disclosure system.
460-11A-020	Time for taking effect of multijurisdictional registration statement.
460-11A-030	Multijurisdictional offering financial statements.
460-11A-040	Multijurisdictional offering notice of claim of exemption under RCW 21.20.320(11).

WAC 460-11A-010 Multijurisdictional disclosure system. The rules set forth in this chapter accommodate offerings in compliance with the multijurisdictional disclosure system as set forth in United States Securities and Exchange Commission Release No. 33-6902 (1991). For the purposes of this chapter, a "multijurisdictional offering" means a class of offering for which a registration statement designated as Form F-7, F-8, F-80, F-9, or F-10 by the Securities and Exchange Commission has been filed with the administrator.

[Statutory Authority: RCW 21.20.450 and 21.20.240. 91-18-014, § 460-11A-010, filed 8/26/91, effective 9/26/91.]

WAC 460-11A-020 Time for taking effect of multijurisdictional registration statement. The period of time under RCW 21.20.190(2) a registration statement must be on file before it becomes automatically effective shall be reduced from ten full business days to seven full business days for a multijurisdictional offering.

[Statutory Authority: RCW 21.20.450 and 21.20.240. 91-18-014, § 460-11A-020, filed 8/26/91, effective 9/26/91.]

WAC 460-11A-030 Multijurisdictional offering financial statements. A multijurisdictional offering registration statement may include, to the extent allowed by the Securities and Exchange Commission, financial statements and financial information that have been prepared in accordance with Canadian generally accepted accounting principles consistently applied.

[Statutory Authority: RCW 21.20.450 and 21.20.240. 91-18-014, § 460-11A-030, filed 8/26/91, effective 9/26/91.]