

## Chapter 446-60

## Title 446 WAC: State Patrol

- 12/22/93, effective 1/22/94. Statutory Authority: RCW 46.32.020.
- 446-60-070 Emergency conditions. [Statutory Authority: RCW 46.73.010 and 46.73.020. 86-08-067 (Order 446-86-1), § 446-60-070, filed 4/1/86.] Repealed by 94-01-178, filed 12/22/93, effective 1/22/94. Statutory Authority: RCW 46.32.020.
- 446-60-080 Relief from regulations. [Statutory Authority: RCW 46.73.010 and 46.73.020. 87-05-012 (Order 446-87-1), § 446-60-080, filed 2/11/87; 86-08-067 (Order 446-86-1), § 446-60-080, filed 4/1/86.] Repealed by 94-01-178, filed 12/22/93, effective 1/22/94. Statutory Authority: RCW 46.32.020.
- 446-60-090 Drivers declared out of service. [Statutory Authority: RCW 46.73.010 and 46.73.020. 86-08-067 (Order 446-86-1), § 446-60-090, filed 4/1/86.] Repealed by 94-01-178, filed 12/22/93, effective 1/22/94. Statutory Authority: RCW 46.32.020.

**WAC 446-60-005 through 446-60-090 Repealed.**  
See Disposition Table at beginning of this chapter.

### Chapter 446-65 WAC PRIVATE CARRIER REGULATIONS

#### WAC

- 446-65-010 Transportation requirements.

**WAC 446-65-010 Transportation requirements.** (1) The Washington state patrol hereby adopts the following parts of Title 49 Code of Federal Regulations in their entirety: Parts 390 General, 391 Qualification of drivers, 392 Driving of motor vehicles, 393 Parts and accessories necessary for safe operation, 395 Hours of service of drivers, 396 Inspection, repair, and maintenance, 397 Transportation of hazardous materials; driving and parking rules.

(2) Copies of Title 49 CFR, parts 390 through 397, now in force are on file at the code reviser's office, Olympia and at the Washington state patrol headquarters, commercial vehicle enforcement section, Olympia. Additional copies may be available for review at Washington state patrol district headquarters offices, public libraries, Washington utilities and transportation commission offices, and at the United States Department of Transportation, Bureau of Motor Carrier Safety Office, Olympia. Copies of the CFR may be purchased through the Superintendent of Documents, United States Government Printing Office, Washington, D.C. 20402.

[Statutory Authority: RCW 46.32.020. 94-01-178, § 446-65-010, filed 12/22/93, effective 1/22/94; 91-06-066 (Order 90-005), § 446-65-010, filed 3/1/91, effective 4/1/91.]

### Chapter 446-80 WAC EXEMPTION TO WEIGHING REQUIREMENT

#### WAC

- 446-80-005 Promulgation.  
446-80-010 Stopping at scales exemption.

**WAC 446-80-005 Promulgation.** By authority of RCW 46.44.105(12), the Washington state patrol hereby adopts the following rules establishing standards for size,

weight, and load enforcement activities authorized in chapter 46.44 RCW.

[Statutory Authority: RCW 46.44.105(2). 93-18-043, § 446-80-005, filed 8/27/93, effective 9/27/93.]

**WAC 446-80-010 Stopping at scales exemption.** The requirement to stop at a weighing facility when traffic control signs indicate the weighing facility is open does not apply to: Unladen trucks towing or carrying a pole trailer, as defined in RCW 46.04.414, whose design and use is for transporting logs, except at the points of entry weighing facilities listed below.

Points of entry are:

Vancouver Port of Entry	I-5 MP 15
Bow Hill Port of Entry	I-5 MP 235
Plymouth Port of Entry	I-82 MP 1
Spokane Port of Entry	I-90 MP 300
Wallula Port of Entry	SR-12 MP 308
Home Valley	SR-14 MP 50
Goldendale	SR-97 MP 13
Tonasket	SR-97 MP 315
Kettle Falls	SR-395 MP 239

[Statutory Authority: RCW 46.44.105(2). 93-18-043, § 446-80-010, filed 8/27/93, effective 9/27/93.]

## 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.

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

#### WAC

- 458-12-010 Definition—Property—Real.  
458-12-240 Repealed.  
458-12-342 New construction—Assessment.

### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

- 458-12-240 Listing of property—Nonprofit organizations—Taxable interests in real property owned or used by nonprofit organizations. [Order PT 68-6, § 458-12-240, filed 4/29/68.] Repealed by 93-08-049, filed 4/2/93, effective 5/3/93. Statutory Authority: RCW 84.41.090 and 84.08.010.

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

- (1) All land, whether platted or unplatted.
- (2) All buildings, structures or permanent improvements built upon or attached to privately-owned land.
- (3) Any fixture permanently affixed to and intended to be annexed to land or permanently affixed to and intended to be a component of a building, structure, or improvement on land, including machinery and equipment which become fixtures. Intent is to be gathered from all the surrounding circumstances at the time of annexation or installation of the item, including consideration of the nature of the item affixed, the manner of annexation and the purpose for which the annexation is made and is not to be gathered exclusively from the statements of the annex or, installer, or owner as to his or her actual state of mind.

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

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

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

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

(d) The explanations relating to fixtures under subsection (3) of this section are for purposes of clarification and may not answer the question as to whether an item is a fixture in all cases. In the event these explanations do not clearly indicate whether the item is a fixture, the numerous decisions of the Washington appellate courts regarding fixtures should be consulted.

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

(5) Leases of real property and leasehold interests therein having a term coextensive with the life of the tenant.

(6) Title to minerals in place which belongs to someone other than the surface owner. Such a title to minerals in place is a "mineral right" but must be distinguished from mineral leases and permits, which do not give title to minerals in place and which are intangible *personal* property.

Mineral rights, as defined herein, are realty regardless of whether they were created by grant or reservation.

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

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

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

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

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

[Statutory Authority: RCW 84.41.090 and 84.08.010. 93-08-049, § 458-12-010, filed 4/2/93, effective 5/3/93; Order PT 69-1, § 458-12-010, filed 4/14/69; Order PT 68-6, § 458-12-010, filed 4/29/68.]

**WAC 458-12-240 Repealed.** See Disposition Table at beginning of this chapter.

#### **WAC 458-12-342 New construction—Assessment.**

(1) New construction covered under the provisions of RCW 36.21.070 and 36.21.080 shall be assessed at its true and fair value as of July 31st each year regardless of its percentage of completion. New construction as used in this section refers only to real property, as defined in RCW 84.04.090 and further defined in WAC 458-12-010, for which a building permit was issued or should have been issued pursuant to chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits.

(2) The assessor is authorized to place new construction on the assessment rolls up to August 31st each year and shall notify the owner of the value of any new construction that has been assessed. The notice shall advise the owner that he has thirty days to appeal the valuation to the county board of equalization as provided in WAC 458-14-056.

[Statutory Authority: RCW 84.41.090 and 84.08.010. 93-08-049, § 458-12-342, filed 4/2/93, effective 5/3/93; 83-22-004 (Order PT 83-6), § 458-12-342, filed 10/20/83.]

### **Chapter 458-14 WAC**

#### **COUNTY BOARDS OF EQUALIZATION**

##### **WAC**

458-14-015	Jurisdiction of county boards of equalization.
458-14-025	Assessment roll corrections not requiring board action.
458-14-026	Assessment roll corrections agreed to by taxpayer.
458-14-127	Reconvened boards—Authority.
458-14-170	Appeals to the state board of tax appeals.
458-14-171	Direct appeals to board of tax appeals.

**WAC 458-14-015 Jurisdiction of county boards of equalization.** (1) Boards have jurisdiction to hear all

appeals as may be authorized by statute, including the following types of appeals:

(a) Appeals of exemption denials arising under RCW 35.21.755 (public corporations).

(b) Appeals of decisions or disputes pursuant to RCW 84.26.130 (historic property).

(c) Forest land determinations pursuant to RCW 84.33.116, 84.33.118, 84.33.120, 84.33.130, and 84.33.140.

(d) Current use determinations pursuant to RCW 84.34.108 and, effective January 1, 1993, RCW 84.34.035.

(e) Appeals pursuant to RCW 84.36.385 (senior citizen exemption denials).

(f) Appeals pursuant to RCW 84.36.812 (cessation of exempt use).

(g) Determinations pursuant to RCW 84.38.040 (property tax deferrals).

(h) Determinations pursuant to RCW 84.40.085 (omitted property or value).

(i) Valuation appeals of taxpayers pursuant to RCW 84.48.010.

(j) Destroyed property appeals pursuant to RCW 84.70.010.

(2) Boards have jurisdiction to equalize property values in the assessor's approved revaluation area on their own initiative pursuant to RCW 84.48.010.

[Statutory Authority: RCW 84.08.010, 84.08.070 and 84.48.200. 93-08-050, § 458-14-015, filed 4/2/93, effective 5/3/93; 90-23-097, § 458-14-015, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-025 Assessment roll corrections not requiring board action.** (1) Introduction. The board need not be involved in all determinations made by an assessor relative to property tax matters, but may become involved in instances when a taxpayer appeals from an assessor's determination.

(2) Statutorily required corrections to the assessment rolls shall be made by the assessor as necessary and shall not require any board action. Such corrections include:

(a) Change of tax status due to a sale to or by a public corporation;

(b) The removal, addition, or change of status of a senior citizens/disabled exemption;

(c) The removal, addition, or change of status of a current use assessment;

(d) The removal, addition, or change of status of forest land classification or designation;

(e) The reduction of property value with respect to destroyed property;

(f) The removal, addition, or change of status of a special valuation assessment (chapter 84.26 RCW);

(g) The exemption with respect to physical improvements to a single family dwelling (RCW 84.36.400);

(h) The change of status of property determined to be exempt by the department;

(i) The change of status of property owned by a public corporation, commission or authority, based on use (RCW 35.21.755); and

(j) The cancellation or correction of assessment rolls which assessments are manifestly erroneous (RCW 84.48.065).

(3) Notice of any of the above changes, except for subsection (2)(h) of this section, shall be personally served upon the taxpayer, or mailed to the taxpayer by the assessor, and shall notify the taxpayer of the right to appeal the change to the board and shall notify the taxpayer of the time period in which to file his or her petition.

[Statutory Authority: RCW 84.08.010, 84.08.070 and 84.48.200. 93-08-050, § 458-14-025, filed 4/2/93, effective 5/3/93; 90-23-097, § 458-14-025, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-026 Assessment roll corrections agreed to by taxpayer.** (1) The assessor shall make a correction to the assessment roll for the current assessment year when the correction involves an error in the determination of the valuation of property and the following conditions are met:

(a) The assessment roll has previously been certified in accordance with RCW 84.40.320;

(b) The taxpayer has timely filed a completed petition with the board for the current assessment year;

(c) The board has not yet held a hearing on the merits of the taxpayer's petition; and

(d) The assessor and taxpayer have signed an agreement as to the true and fair value of the taxpayer's property in which agreement the parties set forth the valuation information which was used to establish such true and fair value. The true and fair value shall be the value as of January 1 of the year in which the property was last revalued by the assessor according to a revaluation cycle approved by the department. For example, if the county is on a multiyear revaluation cycle, and the taxpayer's property was last revalued in 1990, any agreement between the taxpayer and the assessor based on an appeal by the taxpayer in 1992, must use the true and fair value of the taxpayer's property in 1990 as the basis of the agreement. The value thus agreed to will, in this example, only apply to the 1992 assessment year (the assessment year for which the taxpayer timely filed his or her appeal) and thereafter until the taxpayer's property is again revalued in accordance with an approved revaluation cycle.

(2) The assessor shall immediately notify the board of any corrections to the assessment roll made in accordance with subsection (1) of this section and the taxpayer's petition shall be deemed withdrawn as of the date of notification to the board.

[Statutory Authority: RCW 84.08.010, 84.08.070 and 84.48.200. 93-08-050, § 458-14-026, filed 4/2/93, effective 5/3/93.]

**WAC 458-14-127 Reconvened boards—Authority.** (1) Boards of equalization may reconvene on their own authority to hear requests or appeals concerning the current assessment year when the request or appeal is filed with the board by April 30 of the year immediately following the board's regularly convened session and at least one of the following conditions is met:

(a) A taxpayer requests the board reconvene and submits to the clerk of the board a sworn affidavit stating that notice of change of value for the assessment year was not received by the taxpayer at least fifteen calendar days prior to the deadline for filing the petition, and can show proof that the value was actually changed.

(b) An assessor submits an affidavit to the clerk of the board stating that the assessor was unaware of facts which were discoverable at the time of appraisal and that such lack of facts caused the valuation of property to be materially affected. In the affidavit, the assessor shall state the facts which affected the value and also state both the incorrect value and the true and fair market value of the property and shall mail a copy of the affidavit to the taxpayer. If the board decides to reconvene to consider the valuation, it shall notify both the taxpayer and assessor of its decision in writing.

(c) A bona fide purchaser or contract buyer of record has acquired an interest in real property subsequent to the first day of July of the assessment year and the sale price was less than ninety percent of the assessed value.

(2) Boards may reconvene on their own authority to adjust values for assessment years subsequent to the assessment year under appeal when a valuation adjustment for a prior year is ordered by the state board of tax appeals or by a court of law, and no intervening change of value has occurred, and the request to reconvene is made within thirty days after mailing of the order providing for the adjustment.

(3) Upon request of either the taxpayer or the assessor, boards may reconvene on their own authority to hear appeals with respect to property or value which was omitted from the assessment rolls. No request shall be accepted for any period more than three years preceding the year in which the omission is discovered.

(4) Requests for reconvening boards concerning prior year's assessments or for an extension of the annual regularly convened session to enable the board to complete its annual equalization duties shall be submitted to the clerk of the board who shall submit such request to the department for determination.

(5) The department may require any board to reconvene at any time for the purpose of performing or completing any duty or taking any action the board might lawfully have performed or taken at any of its previous meetings, or for any other purpose allowed by law.

(6) The department shall reconvene a board upon request of a taxpayer when the taxpayer makes a prima facie showing of actual or constructive fraud on the part of taxing officials. The department shall reconvene a board upon request of an assessor when the assessor makes a prima facie showing of actual or constructive fraud on the part of a taxpayer.

(7) All reconvening requests shall:

(a) Specify the assessment year(s) which is the subject of the request; and

(b) State the specific grounds upon which the request is based; and

(c) If the taxpayer is the party requesting the reconvening, state that he or she is the owner or duly authorized agent, personal representative or guardian, of the property or is a lessee responsible for the payment of the property taxes.

(8) No board shall reconvene later than three years after the adjournment of its regularly convened session.

[Statutory Authority: RCW 84.08.010, 84.08.070 and 84.48.200. 93-08-050, § 458-14-127, filed 4/2/93, effective 5/3/93; 90-23-097, § 458-14-127, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-170 Appeals to the state board of tax appeals.** (1) Pursuant to RCW 84.08.130, any taxpayer, taxing unit, or assessor feeling aggrieved by the action of a board may appeal to the board of tax appeals by filing with the county auditor a notice of appeal in duplicate within thirty days after the board has served or mailed its decision. The appeal is deemed timely filed with the board of tax appeals if postmarked on or before the thirtieth day after the board of equalization has served or mailed its decision.

(2) The notice of appeal shall specify the actions of the board which the appellant is appealing, and shall be in such form as is required by the board of tax appeals (see WAC 456-10-310 and 456-09-310).

(3) The board appealed from shall file with the board of tax appeals a true and correct copy of its decision in such action and all evidence taken in connection therewith.

[Statutory Authority: RCW 84.08.010, 84.08.070 and 84.48.200. 93-08-050, § 458-14-170, filed 4/2/93, effective 5/3/93; 90-23-097, § 458-14-170, filed 11/21/90, effective 12/22/90.]

**WAC 458-14-171 Direct appeals to board of tax appeals.** (1) In an appeal involving complex issues or requiring expertise beyond the board's proficiency, a taxpayer, prior to the hearing before the board, may file a request with the board for a direct appeal to the state board of tax appeals without first having been heard by the board. The taxpayer and assessor (or the assessor's authorized designee) must jointly sign this request. Without holding a public hearing on the request, the board, by simple majority vote, shall approve or deny the request within fifteen calendar days of its receipt.

(2) If the board denies the request, the board shall notify all parties to the appeal, in writing, of the denial, and process the taxpayer's appeal as though no request had been made. The board need not provide reasons for its denial. If the board fails to act timely on the request, the taxpayer may petition the board to schedule a hearing on the taxpayer's appeal. Within thirty days of receipt of the taxpayer's petition, the board will schedule a future date for the taxpayer's appeal to be heard.

(3) If the board approves the request, the board shall notify all parties to the appeal, in writing, of the approval, and shall forward the taxpayer's appeal to the state board of tax appeals together with the request for direct appeal and the signed approval of the board. The direct appeal will not be filed with the county auditor.

(4) If the state board of tax appeals rejects the request, it must do so within thirty calendar days of receipt of the request and shall at the same time notify all parties and the board of the reason or reasons for the rejection. In such cases, the board shall process the taxpayer's appeal as though no request had been made.

[Statutory Authority: RCW 84.08.010, 84.08.070 and 84.48.200. 93-08-050, § 458-14-171, filed 4/2/93, effective 5/3/93.]

## Chapter 458-18 WAC

PROPERTY TAX—ABATEMENTS, CREDITS,  
DEFERRALS AND REFUNDS

## WAC

458-18-215	Refunds—Payment under protest requirements.
458-18-220	Refunds—Rate of interest.

**WAC 458-18-215 Refunds—Payment under protest requirements.** (1) **Introduction.** This rule explains and implements the procedures to be followed to comply with RCW 84.68.020. This statute imposes the requirement that property taxes be paid under protest in order to preserve the taxpayer's right to bring an action in court for a refund. The intent of the rule is to clarify the rights and responsibilities of taxpayers with respect to paying taxes under protest. This rule does not explain nor apply to the provisions of chapter 84.69 RCW, which describe alternative procedures for obtaining property tax refunds in factual circumstances that do not require the tax to be paid under protest.

(2) **What constitutes a valid protest.** In order to preserve a right to bring an action in court for refund of any property tax paid, a taxpayer must at the time of payment of the tax, submit to the county treasurer a written protest setting forth all of the grounds upon which the tax, or any portion of the tax, is claimed to be unlawful or excessive. When the taxpayer pays the tax in two installments, the right to bring an action in court for refund of any property tax paid is preserved if a written protest, as provided in this section, accompanies each installment payment or if a written protest, as provided in this section, accompanies the first installment payment and indicates that the protest is a continuing protest with respect to the taxes payable for the entire year. No protest accompanying a tax payment shall be deemed to include protest of taxes due in succeeding years. A statement on a check or money order that the tax is being paid under protest is not sufficient to preserve the right to seek a refund in court. Any tax paid without a written protest, as provided in this section, is considered to be voluntarily paid and nonrefundable.

(3) **Sufficiency of protest.** The written protest is intended to provide the taxing authorities with notice that the taxpayer is disputing the right to collect the tax and also to provide notice to the taxing authorities of the grounds upon which the taxpayer bases the protest. Any written protest which clearly states that the taxpayer disputes liability for the tax or a part thereof, and states all the reasons for the dispute constitutes a sufficient notice and a sufficient written protest for the purposes of this section. When the taxpayer submits a written protest as provided in this section, the taxpayer is thereafter prohibited from raising other or additional grounds as the basis for the dispute.

(4) **Notice to taxpayers of protest requirement.** A prominent notice of the written protest requirement shall be included as part of, or enclosed with, property tax statements. One sample notice is as follows: To preserve your right to seek a court ordered refund, you must submit a separate written statement to the county treasurer at the time you pay the tax stating: You are paying the tax or a portion of the tax under protest; and all of the reasons why you believe the tax paid is unlawful or excessive. An alternative sample notice is as follows: To preserve your right to seek

a court ordered refund, you must comply with requirements of the law (RCW 84.68.020 and WAC 458-18-215). Copies are available from the county treasurer.

(5) **Effective date.** This rule is effective for 1994 tax statements and taxes due in 1994, and thereafter. This rule is not intended to impose additional administrative costs upon counties to the extent 1994 tax statements may have already been printed, as of the effective date of this rule, without containing the notice required in subsection (4) of this section.

[Statutory Authority: RCW 84.08.070. 93-24-087, § 458-18-215, filed 11/30/93, effective 12/31/93.]

**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 following rates shall also apply to judgments entered in favor of the plaintiff pursuant to RCW 84.68.030. 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. The rate thus determined shall be applied to the amount of the judgment or the amount of the refund, until paid:

Year tax paid (chapter 84.68 RCW); Year tax paid or claim filed (whichever is later) (chapter 84.69 RCW)	Auction Year	Rate
1985	1984	11.27%
1986	1985	7.36%
1987	1986	6.11%
1988	1987	5.95%
1989	1988	7.04%
1990	1989	8.05%
1991	1990	8.01%
1992	1991	5.98%
1993	1992	3.42%

[Statutory Authority: RCW 84.08.010 and 84.69.100. 93-06-096, § 458-18-220, filed 3/3/93, effective 4/3/93; 92-17-027, § 458-18-220, filed 8/11/92, effective 9/11/92; 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

458-20-101	Tax registration.
458-20-115	Sales of packing materials and containers.
458-20-116	Sales and/or use of labels, name plates, tags, premiums, and advertising material.
458-20-117	Sales and/or use of dunnage.
458-20-119	Sales of meals.
458-20-124	Restaurants, cocktail bars, taverns and similar businesses.
458-20-149	Repealed.

458-20-150	Optometrists, ophthalmologists, and opticians.
458-20-17901	Public utility tax—Energy conservation and cogeneration deductions.
458-20-229	Refunds.
458-20-230	Statutory limitations on assessments.

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

458-20-149	Jewelry repair shops. [Order ET 70-3, § 458-20-149 (Rule 149), filed 5/29/70, effective 7/1/70.] Repealed by 93-03-005, filed 1/8/93, effective 2/8/93. Statutory Authority: RCW 82.32.300.
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**WAC 458-20-101 Tax registration.** (1) **Introduction.** This section explains tax registration requirements for the Washington state department of revenue. It discusses who is required to be registered, changes in ownership requiring a new registration, and the administrative closure of taxpayer accounts.

(2) **Persons required to obtain tax registration endorsements.** Except as provided in (a) of this subsection, every person who is engaged in any business activity for which the department of revenue is responsible for administering and/or collecting a tax, shall apply for and obtain a tax registration endorsement with the department of revenue. This endorsement shall be reflected on the face of the business person's registrations and licenses document. The tax registration endorsement is nontransferable, and valid for as long as that person continues in business.

(a) Registration under this section is not required if the following conditions are met:

(i) A person's value of products, gross proceeds of sales, or gross income of the business is below the tax reporting thresholds provided by RCW 82.04.300;

(ii) The person is not required to collect or pay to the department of revenue any other tax which the department is authorized to collect; and

(iii) The person is not otherwise required to obtain a license or registration subject to the master application procedure provided in chapter 19.02 RCW. For the purposes of this section, the term "license or registration" means any agency permit, license, certificate, approval, registration, charter, or any form or permission required by law, including agency rule, to engage in any activity.

(b) The term "tax registration endorsement," as used in this section, has the same meaning as the term "tax registration" or "certificate of registration" used in Title 82 RCW and other sections of chapter 458-20 WAC.

(c) **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 status of each situation must be determined after a review of all of the facts and circumstances.

(i) Bob Brown is starting a bookkeeping service. The gross income of the business is expected to be below the tax reporting threshold provided by RCW 82.04.300. Due to the nature of the business activities, Bob is not required to pay or collect any other tax which the department is authorized to collect.

Bob Brown is not required to apply for and obtain a tax registration endorsement with the department of revenue. The conditions under which a business person may engage

in business activities without obtaining the tax registration endorsement have been met. However, if Bob Brown in some future period has gross income which exceeds the tax reporting threshold, he will be required to obtain a tax registration endorsement and remit the appropriate taxes.

(ii) Cindy Smith is opening a business to sell books written for children to local customers at retail. The gross proceeds of sales are expected to be below the tax reporting threshold provided by RCW 82.04.300.

Cindy Smith must apply for and obtain a tax registration endorsement with the department of revenue. While gross income is expected to be below the tax reporting threshold provided by RCW 82.04.300, Cindy Smith is required to collect and remit retail sales tax.

(3) **Out-of-state businesses.** Out-of-state persons not satisfying the conditions expressed in subsection (2)(a) of this section must obtain a tax registration endorsement with this department if any of the following circumstances prevail:

(a) The person maintains a place of business in this state.

(b) The person has established sufficient nexus in Washington to incur a business and occupation or retail sales tax liability in this state. (Refer to WAC 458-20-193 and 458-20-194.)

(c) The vendor has established sufficient nexus in Washington to be required to collect the use tax on sales made into this state. (See also WAC 458-20-193 and 458-20-221.)

(d) The out-of-state vendor, while not statutorily required to do so, elects to collect the use tax from its retail customers in this state.

(4) **Registration procedure.** The state of Washington initiated the unified business identifier (UBI) program to simplify the registration and licensing requirements imposed on the state's business community. Completion of the master business application enables the business person to register or license with several state agencies, including the department of revenue, using a single form. The business person will be assigned one business identification number, which will be used for all state agencies participating in the UBI program.

(a) Business persons completing the master business application will be issued a registrations and licenses document. The face of this document will list the registrations and licenses (endorsements) which have been obtained.

(b) While the UBI program is administered by the department of licensing, master business applications are available at any participating UBI agency office.

(5) **Tax registration application made in error.** Persons who apply for a tax registration endorsement in error may be entitled to a return of the tax registration fee. It is the business person's responsibility to provide complete and accurate information on the master business application.

(a) The tax registration fee will be returned if, on the initial examination of the application, the information provided by the applicant indicates that a tax registration endorsement is not needed.

(b) However, if a tax registration endorsement is issued as a result of the information available on the master

business application, the tax registration fee will not be returned to the applicant.

(c) If a return of the tax registration fee is warranted, fees charged by other state agencies for the registration process may remain applicable.

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

(i) ABC Company completes a master business application, which includes a request for a tax registration endorsement. The application is mailed to the department of licensing for processing, and payment for the tax registration fee is enclosed. The information on the application is complete and accurate.

Upon review of the application, it is determined that ABC Company is not required to be registered with the department of revenue. As this determination was based on the information provided on the master business application, ABC Company is entitled to a return of the tax registration fee.

(ii) John Smith completes a master business application, which includes a request for a tax registration endorsement. The application is mailed to the department of licensing for processing, and payment for the tax registration fee is enclosed. The information provided on the application indicates that the expected amount of income is below the tax reporting threshold provided by RCW 82.04.300. However, the description of the business activities on the application indicates that Mr. Smith will be engaging in activities which generally require retail sales tax be collected. A tax registration endorsement is issued.

At a later date, Mr. Smith determines he is not required to be registered with the department of revenue. While not indicated on the application, Mr. Smith is exclusively engaged in wholesale activities, and is not responsible for collecting retail sales tax. Mr. Smith requests the account be closed, and the tax registration fee be returned.

While the account may be closed, Mr. Smith is not entitled to a return of the tax registration fee. Based on the information provided on the master business application, the tax registration endorsement was properly issued.

(6) **Temporary revenue registration certificate.** A temporary revenue registration certificate may be issued to any person who operates a business of a temporary nature.

(a) Temporary businesses, for the purposes of registration, are those with:

(i) Definite, predetermined dates of operation lasting no longer than one month; or

(ii) Seasonal dates of operation lasting no longer than three months.

(b) Each temporary registration certificate is valid for a single event. Persons requesting a temporary registration certificate are permitted to operate two events each year.

(c) Temporary revenue registration certificates are issued free of charge, and may be obtained by making application at any participating UBI agency office or by completing a temporary registration form.

(7) **Display of registrations and licenses document.** The taxpayer is required to display the registrations and

licenses document in a conspicuous place at the business location for which it is issued.

(8) **Multiple locations.** A registrations and licenses document is required for each place of business at which a taxpayer engages in business activities for which the department of revenue is responsible for administering and/or collecting a tax, and any main office or principal place of business from which excise tax returns are to be filed. This requirement applies to locations both within and without the state of Washington.

(a) For the purposes of this section, the term "place of business" means:

(i) Any separate establishment, office, stand, cigarette vending machine, or other fixed location; or

(ii) Any vessel, train, or the like, at any of which the taxpayer solicits or makes sales of tangible personal property, or contracts for or renders services in this state or otherwise transacts business with customers.

(b) A taxpayer wishing to report all tax liability on a single excise tax return may request a separate registrations and licenses document for each location. The original registrations and licenses document shall be retained for the main office or principal place of business from which the returns are to be filed, with additional documents obtained for all branch locations. All registrations and licenses documents will reflect the same registration number.

(c) A taxpayer desiring to file a separate excise tax return covering a branch location, or a specific construction contract, may apply for and receive a separate revenue registration number without payment of the tax registration fee. A registrations and licenses document will be issued for each registration number and will represent a separate account.

(d) A master business application must be completed to obtain a separate registrations and licenses document, or revenue registration number, for a new location.

(9) **Change in ownership.** When a change in ownership of a business occurs, the new owner must apply for and obtain a new registrations and licenses document. The original document must be destroyed, and any further use of the registration number for tax purposes is prohibited.

(a) A "change in ownership," for purposes of registration, occurs upon:

(i) The sale of a business by one individual, firm or corporation to another individual, firm or corporation;

(ii) The dissolution of a partnership;

(iii) The withdrawal, substitution, or addition of one or more partners where the partnership continues as a business organization and the change in the number of partners is equal to or greater than fifty percent;

(iv) Incorporation of a business previously operated as a partnership or sole proprietorship; or

(v) Changing from a corporation to a partnership or sole proprietorship.

(b) For the purposes of registration, a "change in ownership" does not occur upon:

(i) The sale of all or part of the common stock of a corporation;

(ii) The transfer of assets to an assignee for the benefit of creditors or upon the appointment of a receiver or trustee in bankruptcy;



(iii) The death of a sole proprietor where there will be a continuous operation of the business by the executor, administrator, or trustee of the estate or, where the business was owned by a marital community, by the surviving spouse of the deceased owner;

(iv) The withdrawal, substitution, or addition of one or more partners where the partnership continues as a business organization and the change in the number of partners is less than fifty percent; or

(v) A change in the trade name under which the business is conducted.

(c) While changes in a business entity may not result in a "change in ownership," the completion of a master business application may be required to reflect the changes in the registered account.

**(10) Change in location.** Whenever the place of business is moved to a new location, the taxpayer must notify the department in writing of the change. A new registrations and licenses document will be issued upon completion of a UBI change form, and without charge.

**(11) Lost registrations and licenses documents.** If any registrations and licenses document is lost, destroyed or defaced as a result of accident or of natural wear and tear, a new document will be issued free of charge upon request.

**(12) Administrative closure of taxpayer accounts.** The department may, upon written notification to the taxpayer, close the taxpayer's account and rescind its tax registration endorsement whenever the taxpayer has reported no gross income, and there is no indication of taxable activity for two consecutive years.

The taxpayer may request, within thirty days of notification of closure, that the account remain open. This request must be in writing and state the reasons why the account should remain active. The request shall be reviewed by the department and if found to be warranted, the department will immediately reopen the account at no charge. The following are acceptable reasons for continuing as an active account:

(a) The taxpayer is or will be engaging in business activities in Washington which may result in tax liability.

(b) The taxpayer is required to collect or pay to the department of revenue a tax which the department is authorized to collect.

(c) The taxpayer has in fact been liable for excise taxes during the previous two years.

**(13) Reopening of taxpayer accounts.** A business person choosing to resume business activities for which the department of revenue is responsible for administering and/or collecting a tax, may request a previously closed account be reopened. When an account is reopened a new registrations and licenses document, reflecting a current tax registration endorsement, shall be issued.

(a) If the account was administratively closed by this department, and the request is made within two years of the closure date, the tax registration fee will be waived. However, fees charged by other state agencies for the registration process may be applicable.

(b) Refer to subsection (14) of this section for the conditions and requirements which must be satisfied prior to the reopening of an account which had previously been closed due to a revocation action.

**(14) Revocation and reinstatement of tax registration endorsements.** Actions to revoke tax registration endorsements must be conducted by the department pursuant to the provisions of the Administrative Procedure Act and the taxpayers bill of rights of chapter 82.32A RCW.

(a) The department of revenue may, by order, revoke a tax registration endorsement if any tax warrant issued under the provisions of RCW 82.32.210 is not paid within thirty days after it has been filed with the clerk of the superior court, or for any other reason expressly provided by law.

(b) The revocation order will be posted in a conspicuous place at the main entrance to the taxpayer's place of business and must remain posted until the tax registration endorsement has been reinstated. A revoked endorsement will not be reinstated until:

(i) The amount due on the warrant has been paid, or satisfactory arrangements for payment have been approved by the department; and

(ii) The taxpayer has posted with the department a bond or other security in an amount not exceeding one-half the estimated average annual liability of the taxpayer.

(c) It is unlawful for any taxpayer to engage in business after its tax registration endorsement has been revoked.

**(15) Penalties for noncompliance.** The law provides that any person engaging in any business activity, for which registration with the department of revenue is required, shall obtain a tax registration endorsement.

(a) The failure to obtain a tax registration endorsement prior to engaging in any taxable business activity constitutes a gross misdemeanor.

(b) Engaging in business after a tax registration endorsement has been revoked by the department constitutes a Class C felony.

(c) Any tax found to have been due, but delinquent, and any tax unreported as a result of fraud or misrepresentation, may be subject to penalty as provided in WAC 458-20-228 and 458-20-230.

[Statutory Authority: RCW 82.32.300, 93-13-126, § 458-20-101, filed 6/22/93, effective 7/23/93; 86-12-015 (Order ET 86-11), § 458-20-101, filed 5/27/86; 83-07-032 (Order ET 83-15), § 458-20-101, filed 3/15/83; Order ET 73-1, § 458-20-101, filed 11/2/73; Order ET 71-1, § 458-20-101, filed 7/22/71; Order ET 70-3, § 458-20-101 (Rule 101), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-115 Sales of packing materials and containers.** (1) **Introduction.** This section explains the B&O, retail sales, and use taxes which apply to persons who sell packing materials and to those who use packing materials.

(2) **Definitions.** The term "packing materials" means and includes all boxes, crates, bottles, cans, bags, drums, cartons, wrapping papers, cellophane, twines, gummed tapes, wire, bands, excelsior, waste paper, and all other materials in which tangible personal property may be contained or protected within a container, for transportation or delivery to a purchaser.

(3) **Business and occupation tax.**

(a) Sales of packing materials to persons who sell tangible personal property contained therein or protected thereby are sales for resale and subject to tax under the wholesaling classification. Sellers must obtain resale



certificates from the purchaser to support that these sales are for resale. Refer to WAC 458-20-102.

(b) Sales of containers to persons who sell tangible personal property therein, but who retain title to such containers which are to be returned, are sales for consumption and subject to tax under the retailing classification. This class includes wooden or metal bottle cases, barrels, gas tanks, carboys, drums, bags and other items, when title thereto remains in the seller of the tangible personal property contained therein, and even though a deposit is not made for the containers, and when such articles are customarily returned to the seller. If a charge is made against a customer for the container, with the understanding that such charge will be cancelled or rebated when the container is returned, the amount charged is deemed to be made as security for the return of the container and is not part of the selling price for tax purposes. However, refer to the comments below for sales of containers for beverages and foods.

(c) Title to containers, whether designated as returnable or nonreturnable, for beverages and food sold at retail, including beer, milk, soft drinks, mixers and the like, will be deemed to pass to the customer along with the contents. In such cases, amounts charged for the containers are part of the selling price of the food or beverage and subject to retailing tax when sold to consumers. Sales to persons who will resell the food or beverages are wholesale sales.

(d) Persons who perform custom or commercial packing for others are generally taxable under the service B&O tax classification on the income from the packing activity.

(i) Under RCW 82.04.190, persons taxable under the service B&O tax classification are consumers of any materials used in performing the service. Sales of packing materials to persons engaged in the business of custom or commercial packing are sales for consumption and are subject to the retail sales tax. However, there is a specific statutory exemption from the B&O tax for persons who perform packing of fresh perishable horticultural products for the grower. These persons are also exempt from retail sales tax on the purchase of any materials and supplies used in performing the packing service.

(ii) Persons who perform custom or commercial packing for others and who also manufacture the boxes, containers, or other packaging materials used by them in the packing are subject to the manufacturing tax and use tax on the value of the packing materials which they manufacture. Refer to WAC 458-20-136.

(e) Persons who operate cold storage warehouses or who perform processing for hire for others, which includes packaging the processed items, are not the consumers of the containers or other packaging materials. Sales of boxes, cartons, and packaging materials to these persons are taxable under the wholesaling tax classification. Refer to WAC 458-20-136 and 458-20-133.

(f) Persons who manufacture packing materials for delivery outside Washington or for their own commercial or industrial use are manufacturers and should refer to WAC 458-20-136, 458-20-134, and 458-20-112.

#### (4) Retail sales tax.

(a) All sales taxable under the retailing classification of the business and occupation tax as indicated above are also subject to retail sales tax except those specifically distinguished hereafter in this subsection.

(b) Retail sales tax does not apply to sales of returnable food and beverage containers, and vendors may take a deduction from gross retail sales for the amount of such sales in reporting sales tax due, providing (i) the seller separately states the charge for the container and (ii) the separately stated charge is the amount the vendor will pay for a repurchase of the container. Return of the containers is a repurchase by the vendor, and sales tax is not due on amounts paid to the customer on such repurchases, since the vendor will resell the containers in the regular course of business. (RCW 82.08.0282.)

(c) No deduction is allowed in computing tax under the retail sales tax classification where the retail sales tax is collected from the customer upon the charge for the container.

(d) Sales of packing materials to cooperative marketing associations, agents, or independent contractors for the purpose of packing fresh perishable horticultural products for the growers thereof, are not subject to retail sales tax. See also WAC 458-20-214.

#### (5) Use tax.

(a) The use tax applies to uses of packing materials and containers to which retail sales tax would apply but, for any reason, was not paid at the time such materials and containers were acquired.

(b) The use tax applies to the use of packing materials, such as boxes, cartons, and strapping materials, by a manufacturer in Washington where the packing materials are used to protect materials while being transported to another site of the manufacturer for further processing.

(c) The use tax applies to the use of pallets by a manufacturer or seller where the pallets will not be sold with the product, but are for use in the manufacturing plant or warehouse.

(6) **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) ABC Packing Co. does custom packing of small parts for a Washington manufacturer. The parts are sent by truck to ABC who then places the parts into plastic bags and seals the bags through a heat fusion process. ABC is the consumer of the bags and must pay either retail sales tax or use tax on the use of the bags. This is true even though the bags will remain with the parts until delivered to the ultimate user of the parts.

(b) XY manufactures paper products in Washington. The paper is placed on large rolls. These large rolls are shipped to another of its own plants where the paper goes through a slitter for conversion into reams of paper. These large rolls involve the use of "cores" made of heavy fiber board on which the paper is rolled. "Plugs" are placed in the ends to give additional support. The rolls are also wrapped and banded with steel banding. The cores, plugs, wrapping materials, and banding are all eventually removed during the additional processing. XY is the consumer of the plugs, cores, and other packing materials and must pay retail sales or use tax on these items.

(c) XY uses three types of pallets in its manufacturing operation. One type of pallet is used strictly for storing paper which is in the manufacturing process. A second type

of pallet is returnable and the customer is charged a deposit which is refunded at the time the pallet is returned. The third type of pallet is nonreturnable and is sold with the product. XY is required to pay retail sales or use tax on the first two types of pallets. The third type of pallets may be purchased by XY without the payment of retail sales or use tax since these pallets are sold with the paper products.

(d) Cold Storage Co. does custom fish processing for various customers. The processing involves cutting whole fish into fillets or steaks, vacuum packaging the pieces, and freezing the packages. The packing activity is considered to be part of a processing for hire activity. As a processor for hire, Cold Storage Co. is not the consumer of the packing materials.

[Statutory Authority: RCW 82.32.300, 93-19-017, § 458-20-115, filed 9/2/93, effective 10/3/93; 88-20-014 (Order 88-6), § 458-20-115, filed 9/27/88; Order 74-2, § 458-20-115, filed 6/24/74; Order ET 70-3, § 458-20-115 (Rule 115), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-116 Sales and/or use of labels, name plates, tags, premiums, and advertising material.** (1) **Introduction.** This section explains Washington's B&O and retail sales tax applications to the sale of labels, name plates, tags, and advertising material. It also gives tax reporting information to persons offering premiums at reduced or no cost to customers.

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

(a) "Labels," "name plates," and "tags" are slips, generally made of paper or cloth, which are affixed to articles or containers for identification or description.

(b) A "premium" is an item offered free of charge or at a reduced price to prospective customers as an inducement to buy.

(3) **Sales for resale.** Sales of labels, name plates, tags, premiums, and advertising material to persons for use in the following manner are sales for resale (wholesale sales) and not subject to retail sales tax:

(a) Sales of labels, name plates, and tags to persons who will attach these items to articles or containers sold by them, or enclose these items with articles sold by them. However, the labels, name plates, or tags may not be purchased for resale if they will be put to intervening use by such persons.

(b) Sales of premiums to persons who pass title to the premium along with other articles which are sold by them, when the passing of title to the premiums is not contingent upon the returning of coupons or other evidence of prior purchase.

(c) Sales of premiums to persons who in turn sell the same to customers at a reduced price.

(d) Sales of advertising material to persons who enclose the advertising material with articles sold by them, when such advertising material relates primarily to the articles with which it is enclosed. Persons who enclose advertising material with articles being sold for the purpose of promoting sales of other products are consumers and may not purchase this advertising material for resale. (See RCW 82.12.010(5).)

(4) **Retail sales tax.** Sales of labels, name plates, tags, premiums, and advertising material to consumers are retail sales. The retail sales tax applies to the following:

(a) Sales of labels, name plates, and tags to persons who attach the same to containers enclosing articles sold by them, when such persons retain title to the containers which are to be returned. Such sales are sales for consumption and subject to the retail sales tax. Since the container is not being resold, any labels, name plates, tags, or similar items attached to the container are also not being resold.

(b) Sales of labels, name plates, and tags to persons who use them for inventory, statistical, or other business purposes. Such sales are sales for consumption and the retail sales tax applies, notwithstanding the labels, name plates, or tags remain attached to the articles or containers delivered to the customer.

(c) Sales of premiums to persons who do not pass title thereto with other articles which are sold by them, but which are given as an inducement to perform a service, or are given upon the returning of coupons or other evidence of prior purchase. Such sales are sales for consumption and are subject to the retail sales tax.

(d) Sales of premiums to persons who offer them as an inducement to potential customers at no charge and with no requirement that the customer purchase any other article or service as a condition to receive the premium. Such sales are sales for consumption and subject to the retail sales tax.

(5) **Business and occupation tax.** The B&O tax applies to the sale of labels, name plates, tags, premiums, and advertising material as follows:

(a) **Wholesaling.** Persons who sell labels, name plates, tags, premiums, and advertising material to persons who will resell these items as described in subsection (3) of this section are subject to the wholesaling B&O tax on the gross proceeds of these sales. Sellers must obtain resale certificates from their customers to support the resale nature of these transactions. (Refer to WAC 458-20-102.)

(b) **Retailing.** Persons who sell labels, name plates, tags, premiums, and advertising material to consumers are subject to the retailing B&O tax on such sales.

(6) **Deferred sales or use tax.** If the seller fails to collect the appropriate retail sales tax, the purchaser is required to pay the deferred sales or use tax directly to the department.

(7) **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) ABC Timber purchases log tags which are attached to logs as they are received in ABC's yard. These tags are used by ABC to keep track of the logs for inventory purposes. These tags remain on the logs after sale, and are also used by ABC's customers to verify receipt of the logs. ABC must remit retail sales or use tax upon the purchase of the log tags, notwithstanding they remain attached to the logs after sale to ABC's customers. The use of these tags for inventory purposes by ABC prior to actual sale is intervening use as a consumer.

(b) MT Gas, a gasoline and service station, offers customers a free set of stemware with any gasoline purchase of ten gallons or more. Customer purchasing seven to nine gallons of gasoline may purchase the same set of stemware for a nominal amount. MT Gas may purchase the stemware

without paying retail sales tax. The stemware is offered as a premium, and is considered to be resold along with the gasoline. It is immaterial that the sale of gasoline is exempt from the retail sales tax. MT Gas must report the retailing B&O tax and collect and remit retail sales tax on the price charged for the stemware sold to those customers purchasing seven to nine gallons of gasoline.

(c) KMP Company is a camping club which purchases gift items which are used as premiums. These gift items are offered free of charge to potential customers on condition that the potential customer attend a sales presentation. No purchase of a membership or anything else is required to receive the premium. KMP must remit retail sales or use tax upon the purchase of the premiums. KMP is the consumer of premiums given away free of charge where the recipient has no requirement to purchase any service or article as a condition of receiving the premium.

(d) BC Bank offers a choice of various premiums to customers opening new savings accounts. In some cases, a charge may be made to the customer for the premium, with the amount of the charge based on the amount of deposit the customer makes in the new savings account. BC Bank may give a resale certificate to its suppliers for those premiums which will be resold to its new customers. For those premiums which will be given to customers without charge, BC Bank must pay either the retail sales tax to its suppliers or use tax to the department on the cost of the premiums. (Refer to WAC 458-20-102.) It also must report the retailing B&O tax and collect and remit retail sales tax on any amounts charged to its customers.

[Statutory Authority: RCW 82.32.300, 93-19-018, § 458-20-116, filed 9/2/93, effective 10/3/93; 83-07-034 (Order ET 83-17), § 458-20-116, filed 3/15/83; Order ET 70-3, § 458-20-116 (Rule 116), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-117 Sales and/or use of dunnage.** (1) **Introduction.** This section explains Washington's B&O tax, retail sales tax, and use tax to the sale or use of dunnage.

(a) The term "dunnage" means any material used for the purpose of protecting or holding in place cargo or freight during transportation by any carrier of property, and which is not an integral part of the carrier itself. Dunnage includes, but is not limited to, wood blocks, stakes, separating strips, timber, double decks, false floors, door shields, bulkheads, and other bracing. Dunnage generally does not remain with the cargo that is being transported and will not be delivered to the person who will ultimately receive the cargo. On the other hand, packing materials are generally part of the total package containing the cargo and are ultimately delivered to the customer as part of the cargo or merchandise.

(b) Persons selling dunnage to air, rail, or water carriers operating in interstate or foreign commerce should also refer to WAC 458-20-175. Persons selling or purchasing packing materials should refer to WAC 458-20-115 (Sales of packing materials and containers).

(2) **Business and occupation tax.** The B&O tax applies as follows to sales of dunnage.

(a) **Wholesaling—Other.** The wholesaling—other tax applies to the gross proceeds derived from sales of dunnage to persons who resell the dunnage, without intervening use.

(b) **Retailing of interstate transportation equipment.** This B&O tax classification applies to sales of dunnage to

air, rail, and water carriers. These sales are exempt from retail sales tax because of the provisions of RCW 82.08.0261.

(c) **Retailing.** The retailing tax applies to sales of dunnage to motor carriers and all other consumers.

(3) **Retail sales tax.** The retail sales tax generally applies to the sale of dunnage to consumers. This includes situations in which the purchaser may initially use the materials for dunnage and then resell the materials after they have served that purpose. RCW 82.08.0261 does provide a retail sales tax exemption for sales of tangible personal property, including dunnage, to air, rail, and water carriers operating in interstate or foreign commerce. To substantiate a claim for this exemption, the seller must retain as part of its records the completed exemption certificate(s) prescribed by WAC 458-20-175. However, air, rail, and water carriers are subject to use tax on dunnage used in Washington. (See below.)

(4) **Deferred sales or use tax.** If the seller fails to collect the appropriate retail sales tax, the purchaser is required to pay the deferred sales or use tax directly to the department.

(a) Air, rail, and water carriers engaged in interstate or foreign commerce should note that while the purchase of dunnage may qualify for the retail sales tax exemption provided by RCW 82.08.0261, the subsequent use in Washington of that dunnage is subject to use tax. These carriers should refer to WAC 458-20-175 to determine any potential use tax liability.

(b) Persons who manufacture the materials which they will use for dunnage, such as lumber manufacturers, are subject to use tax on the value of the dunnage and are also subject to the manufacturing B&O tax. These persons should refer to WAC 458-20-136 and WAC 458-20-112.

(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. Unless stated otherwise, these examples presume both seller and purchaser are located in Washington.

(a) BCD, Inc. provides stevedoring services within the State of Washington. BCD routinely purchases lumber for use in securing cargo within the holds of ships during transport. While this lumber may be bolted or nailed to the ship, it is removed at the destination port when the cargo is off-loaded. BCD provides the lumber as a part of its overall stevedoring services, and does not make retail sales of the lumber to its customers.

BCD Inc. must pay retail sales tax when purchasing all such lumber. The lumber is used as dunnage and does not become an integral part of the ship, despite being bolted or nailed to the ship. If BCD has not paid retail sales tax on the acquisition of the lumber, it must remit the deferred sales or use tax directly to the department.

(b) D Company sells lumber and wood blocks to FG Engineering. FG is a manufacturer of equipment parts and uses the lumber and wood blocks as dunnage for the transportation of parts by rail to Montana. The lumber and wood blocks are salvaged and sold by FG after the transportation of the parts is completed.

The sale of the lumber and wood blocks to FG Engineering is a sale at retail, notwithstanding FG resells the dunnage materials in Montana. The use of the lumber and wood blocks as dunnage by FG Engineering is considered use as a consumer. D Company must collect and remit the retail sales tax, and report the gross proceeds of the sale under the retailing B&O tax classification.

(c) RB Lumber manufactures lumber in Washington which it ships by rail to customers in other states. RB Lumber takes irregular sized and other low quality lumber and uses it as dunnage in loading rail cars. Arrangements have been made with the rail carrier for the dunnage to be given away as firewood at the destination.

RB Lumber is subject to manufacturing B&O tax and also use tax on the value of the dunnage. If there is a comparable retail selling price for these materials, the value will be determined on that basis. If there is no comparable selling price, the value may be determined on the basis of cost of production as provided in WAC 458-20-112.

(d) KMB, Inc. sells lumber for use as dunnage to Western Rail, a common carrier operating by rail in multiple states. Some of the lumber will be first used in Washington and some will be transported to other states without intervening use for use in those states as dunnage. Western Rail may purchase the dunnage without payment of retail sales tax by giving the seller an exemption certificate as explained in WAC 458-20-175.

KMB, Inc. must report this sale under the retailing of interstate equipment B&O tax classification since Western Rail has claimed exemption for payment of the retail sales tax under RCW 82.12.0261. The seller must retain copies of the exemption certificates for five years. Western Rail must report use tax on the dunnage which is used in Washington.

[Statutory Authority: RCW 82.32.300. 93-19-019, § 458-20-117, filed 9/2/93, effective 10/3/93; Order ET 70-3, § 458-20-117 (Rule 117), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-119 Sales of meals. (1) Introduction.** This section explains Washington's B&O and retail sales tax applications to the sales of meals. This section also gives tax reporting information to persons who provide meals without a specific charge. It explains how meals furnished to employees are taxed. Persons in the business of operating restaurants should also refer to WAC 458-20-124 and persons operating hotels, motels, boarding houses, or similar businesses should refer to WAC 458-20-166.

(2) **Business and occupation tax.** The sales of meals and the providing of meals as a part of services rendered are subject to tax as follows:

(a) **Retailing.** The retailing B&O tax applies as follows.

(i) **Restaurants, cafeterias and other eating places.** Sales of meals to consumers by restaurants, cafeterias, clubs, and other eating places are subject to the retailing tax. (See WAC 458-20-124-Restaurants, etc.)

(ii) **Caterers.** Sales of meals and prepared food by caterers are subject to the retailing tax when sold to consumers. "Caterer" means a person who provides, prepares and serves meals for immediate consumption at a location selected by the customer. The tax liability is the same

whether the meals are prepared at the customer's site or the caterer's site. The retailing tax also applies when caterers prepare and serve meals using ingredients provided by the customer. Persons providing a food service for others should refer to the subsection below entitled "Food service contractors".

(iii) **Hotels, motels, bed and breakfast facilities, resort lodges and other establishments offering meals and transient lodging.** Sales of meals by hotels, motels and other persons who provide transient lodging are subject to the retailing tax.

(iv) **Boarding houses, American plan hotels, and other establishments offering meals and nontransient lodging.** Sales of meals by boarding houses and other such places are subject to retailing tax.

(A) Except for guest ranches and summer camps, when a lump sum is charged to non-transients for providing both lodging and meals, the fair selling price of the meals is subject to the retailing tax. Unless accounts are kept showing the fair selling price, the tax will be computed upon double the cost of the meals served. This cost includes the price paid for food and drinks served, the cost of preparing and serving meals, and all other incidental costs, including an appropriate portion of overhead expenses.

(B) It will be presumed that guest ranches and summer camps are not making sales of meals when a lump sum is charged for the furnishing of lodging, and meals are included.

(v) **Railroad, Pullman car, ship, airplane, or other transportation company diners.** Sales of meals by a railroad, Pullman car, ship, airplane, or other transportation company served at fixed locations in this state, or served upon the carrier itself while within this state, are subject to the retailing tax.

Where no specific charge is made for meals separate and apart from the transportation charge, the entire amount charged is deemed a charge for transportation and the retailing tax does not apply to any part of the charge.

(vi) **Hospitals, nursing homes, and other similar institutions.** The serving of meals by hospitals, nursing homes, sanitariums and similar institutions to patients as a part of the service rendered in the course of business by such institutions is not a sale at retail. However, many hospitals and similar institutions have cafeterias or restaurants through which meals are sold for cash or credit to doctors, visitors, nurses and other employees. Some of these institutions have agreements where the employees are paid a fixed wage in payment for services rendered and are provided meals at no charge. Under those circumstances, all sales of meals to such persons are subject to the retailing tax, including the value of meals provided at no charge to employees. Refer to the subsection below entitled "Meals furnished to employees."

(vii) **School, college, or university dining rooms.** Public schools, high schools, colleges, universities or private schools operating lunch rooms, cafeterias, dining rooms, or snack bars for the exclusive purpose of providing students and faculty with meals or prepared foods are not considered to be engaged in the business of making retail sales of meals. However, if guests are permitted to dine with

students or faculty in such areas, the sales of meals to the guests are retail sales.

(A) Unless the eating area is situated so that it is available only to students and faculty, the lunch room, cafeteria, dining room, or snack bar must have a posted sign stating that the area is only open to students and faculty. In the absence of such a sign, there will be a presumption that the facility is not exclusively for the use of students and faculty. The actual policy in practice in these areas must be consistent with the posted policy.

(B) If the cafeteria, lunch room, dining room, or snack bar is generally open to the public, all sales of meals, including meals sold to students, are considered retail sales.

(C) For some educational institutions, the meals provided to students is considered to be part of the charge for tuition and may not be subject to the B&O tax. Public schools, high schools, colleges, universities, and private schools should refer to WAC 458-20-167 to determine whether the retailing B&O tax applies to the sales of meals described above. (See also WAC 458-20-189 for a discussion of B&O tax for schools operated by the state.)

(viii) **Fraternities and sororities.** Fraternities, sororities and other groups of individuals who reside in one place and jointly share the expenses of the household including expense of meals are not considered to be making sales when meals are furnished to members.

(b) **Wholesaling-other.** Persons making sales of prepared meals to persons who will be reselling the meals are subject to the wholesaling-other tax classification. Sellers must obtain resale certificates from their customers to support the resale nature of any transaction. (See WAC 458-20-102.)

(c) **Service and other business activities.** Private schools, which do not meet the definition of "educational institutions", operating lunch rooms, cafeterias, or dining rooms for the exclusive purpose of providing meals to students and faculty are subject to the service and other business activities B&O tax on the charges to students and faculty for meals. (See WAC 458-20-167 for definitions of the terms "private school" and "educational institution".) Persons managing a food service operation for a private school should refer to the subsection below entitled "Food service contractors."

(3) **Retail sales tax.** The sales of meals, upon which the retailing tax applies under the provisions set forth above, are generally subject to tax under the retail sales tax classification. However, a retail sales tax exemption is available for the following sales of meals:

(a) Prepared meals sold under a state-administered nutrition program for the aged as provided for in the Older Americans Act (Public Law 95-478 Title III) and RCW 74.38.040(6).

(b) Prepared meals sold to or for senior citizens, disabled persons, or low-income persons by a not-for-profit organization organized under chapter 24.03 or 24.12 RCW. However, this exemption does not apply to purchases of prepared meals by not-for-profit organizations, such as hospitals, which provide the meals to patients as a part of the services they render.

(c) Prepared meals sold to the federal government. (See WAC 458-20-190.) However, meals sold to federal employ-

ees are taxable, even if the federal employee will be reimbursed for the cost of the meals by the federal government.

(4) **Deferred sales or use tax.** If the seller fails to collect the appropriate retail sales tax, the purchaser is required to pay the deferred sales or use tax directly to the department.

(a) Purchases of dishes, kitchen utensils, linens, and items which do not become an ingredient of the meal, are subject to retail sales tax.

(b) Retail sales tax or use tax applies to purchases of equipment, repairs, appliances, and construction.

(c) The retail sales or use tax does not apply to purchases of food or beverage products which are ingredients of meals being sold at retail or wholesale.

(d) Purchases of food products and prepared meals by persons who are not in the business of selling meals at retail or wholesale are subject to the retail sales tax. However, certain food products are statutorily exempt of retail sales or use tax. (See WAC 458-20-244.)

(e) Private schools, educational institutions, nursing homes, and similar institutions who are not making sales of meals at retail or wholesale are required to pay retail sales tax on all purchases of paper plates, paper cups, paper napkins, toothpicks, or any other articles which are furnished to customers, the first actual use of which renders such articles unfit for further use. However, purchases of such items by restaurants and similar businesses which are making retail or wholesale sales of meals are not subject to the retail sales or use tax.

(f) Transportation companies not segregating their charges for meals, and transporting persons for hire in interstate commerce, generally will be liable to their vendors for retail sales tax upon the purchase of the food supplies or prepared meals to the extent that the meals will be served to passengers in Washington. Certain food items are statutorily exempt of retail sales or use tax. (See WAC 458-20-244.)

(5) **Sales by persons having a food and beverage worker's permit.** Retail vendors who are required by law to have a food and beverage service worker's permit under RCW 69.06.010 are subject to the retailing and retail sales taxes on sales of prepared food products. (See RCW 82.08.0293.) This includes, but is not limited to, sales of sandwiches prepared or chicken cooked on the premises, deli trays, home delivered pizzas, etc. However, sales of the following food products are exempt of sales tax even though sold by a person required to have a food and beverage service worker's permit:

(a) Raw meat prepared by persons who slaughter animals, including fish and fowl, or dress or wrap slaughtered raw meat such as fish dealers, butchers, or meat wrappers;

(b) Meat and cheese sliced and/or wrapped, in any quantity determined by the buyer, sold by vendors such as meat markets, delicatessens, and grocery stores;

(c) Baked goods sold by bakeries which sell no food products other than baked goods, including bakeries located in grocery stores; and

(d) Bulk food products sold from bins or barrels, including but not limited to, flour, fruits, vegetables, sugar, salt, candy, chips and cocoa.

(6) **Food service contractors.** The term "food service contractor" means a person who operates a food service at

a kitchen, cafeteria, dining room, or similar facility owned by an institution or business. Food service contractors may manage the food service operation on behalf of the institution or business, or may actually make sales of meals or prepared foods.

(a) Sales of meals. Food service contractors who sell meals or prepared foods to consumers are subject to the retailing B&O and retail sales taxes upon their gross proceeds of sales. For example, the operation of a cafeteria which provides meals to employees of a manufacturing or financial business is generally a retail activity. The food service contractor is considered to be making retail sales of meals, whether payment for the meal is made by the employees or the business, unless the business itself is reselling the meals to the employees.

In all cases where the meals are prepared at off-site facilities not owned by the institution or business, the food service contractor is considered to be making sales of meals and the retailing B&O and retail sales taxes apply to the gross proceeds of sale, or gross income for sales to consumers.

(b) Food service management. For periods prior to July 1, 1993, the gross proceeds derived from the management of a food service operation are subject to the service and other business activities B&O tax. On and after July 1, 1993, these proceeds are subject to the selected business services classification of the B&O tax. (Chapter 25, Laws of Washington 1993, 1st Special Session.) These tax reporting provisions apply whether the staff actually preparing the meals or prepared foods are employed by the institution or business hiring the food service contractor, or by the food service contractor itself. If the food service contractor merely manages the food service operation on behalf of an institution or business, that institution or business is considered to be selling meals or providing the meals as a part of the services the institution or business renders to its customers. These institutions and businesses should refer to the subsections (2) and (3) above to determine their B&O and retail sales tax liabilities.

Food service management includes, but is not limited to, the following activities:

(i) Food service contractors operating a cafeteria or similar facility which provides meals and prepared food for employees and/or guests of a business, but only where the business owning the facility is the one actually selling the meals to its employees.

(ii) Food service contractors managing and/or operating a cafeteria, lunch room, or similar facility for the exclusive use of students or faculty at an educational institution or private school. The educational institution or private school provides these meals to the students and faculty as a part of its educational services. The food service contractor is managing a food service operation on behalf of the institution, and is not making retail sales of meals to the students, faculty, or institution. Sales of meals or prepared foods to guests in such areas are, however, subject to the retailing B&O and retail sales taxes. (Refer also to the subsection above entitled "School, college, or university dining rooms.")

(iii) Food service contractors managing and/or operating the dietary facilities of a hospital, nursing home, or similar institution, for the purpose of providing meals or prepared

foods to patients or residents thereof. These meals are provided to the patients or residents by the hospital, nursing home, or similar institution as a part of the services rendered by the institution. The food service contractor is managing a food service operation on behalf of the institution, and is not considered to be making retail sales of meals to the patients, residents, or institution. Meals sold to doctors, nurses, visitors, and other employees through a cafeteria or similar facility are, however, subject to the retailing B&O and retail sales taxes. (Refer also to the subsection above entitled "Hospitals, nursing homes, and other similar institutions.")

(c) The following examples explain the application of the B&O and retail sales taxes to typical situations involving food service contractors managing a food service operation. These examples should be used only as a general guide. The tax results of other situations must be determined after a review of all of the facts and circumstances.

(i) GC Inc. is a food service contractor managing and operating an on-site cafeteria for B College. This cafeteria is operated for the exclusive use of students and faculty. However, guests of students or faculty members are allowed to use the facilities. All monies collected in the cafeteria are retained by B College. College B pays GC's direct costs for managing and operating the cafeteria, including the costs of the unprepared food products, employee salaries, and overhead expenses. GC also receives a management fee.

GC Inc. is managing a food service operation. The measure of tax is the gross proceeds received from B College. GC Inc. may not claim a deduction on account of cost of materials, salaries, or any other expense. For periods prior to July 1, 1993, the gross proceeds are subject to the service and other business activities B&O tax. On and after July 1, 1993, these proceeds are subject to the selected business activities B&O tax classification. B College is considered to be making retail sales of meals to the guests. B College must collect and remit retail sales taxes on the gross proceeds of sales derived therefrom. B College should refer to WAC 458-20-167 to determine whether the retailing B&O tax applies.

(ii) DF Food Service contracts with Hospital A to manage and operate Hospital A's dietary and cafeteria facilities. DF is to receive a per meal fee for meals provided to Hospital A's patients. DF Food Service retains all proceeds for sales of meals to physicians, nurses, and visitors in the cafeteria.

The gross proceeds received from Hospital A in regards to the meals provided to the patients is derived from the management of a food service operation. For periods prior to July 1, 1993, these proceeds are subject to the service and other business activities B&O tax. On and after July 1, 1993, these proceeds are subject to the selected business activities B&O tax classification. However, DF is making retail sales of meals to physicians, nurses, and visitors in the cafeteria. DF Food Service must pay retailing B&O, and collect and remit retail sales tax, on the gross proceeds derived from the cafeteria sales.

(7) **Meals furnished to employees.** Sales of meals to employees are sales at retail and subject to the retailing B&O and retail sales taxes. This is true whether individual meals are sold, whether a flat charge is made, or whether



meals are furnished as a part of the compensation for services rendered.

(a) Where a specific and reasonable charge is made to the employee, the measure of the tax is the selling price.

(b) Where no specific charge is made, the measure of the tax will be the average cost per meal served to each employee, based upon the actual cost of the food.

(c) It is often impracticable to collect the retail sales tax from employees on such sales. The employer may, in lieu of collecting such tax from employees, pay the tax directly to the department of revenue.

(d) Where meals furnished to employees are not recorded as sales, the tax due shall be presumed to apply according to the following formula for determining meal count:

(i) Those employees working shifts up to five hours, one meal; and

(ii) employees working shifts of more than five hours, two meals.

(8) **Sales of meals, beverages, and food at prices including sales tax.** Persons who advertise and/or sell meals, alcoholic or other beverages, or any kind of food products upon which retail sales tax is due should refer to WAC 458-20-244 (Food products), WAC 458-20-124 (Restaurants, etc.), and WAC 458-20-107 (Advertised prices including sales tax). The taxability of persons operating class H licensed restaurants is specifically addressed in WAC 458-20-124.

(9) **Gratuities.** Tips or gratuities representing donations or gifts by customers under circumstances which are clearly voluntary are not part of the selling price subject to tax. However, mandatory additions to the price by the seller, whether labeled service charges, tips, gratuities or otherwise must be included in the selling price and are subject to both the retailing classification of the B&O tax and the retail sales tax.

(10) **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 results of other situations must be determined after a review of all of the facts and circumstances.

(a) ABC Hospital operates a cafeteria and sells meals to physicians and to persons who are visiting patients in the hospital. Meals are also provided to its employees at no charge. However, there is no accounting for the number of meals consumed by the employees. Payroll records do record the number of hours worked. On average, employees working shifts of up to five hours consume one meal while those working shifts of more than five hours consume two meals.

ABC Hospital is subject to retailing and retail sales taxes on the gross proceeds derived from the sales of meals to physicians and visitors. The retailing and retail sales taxes also apply to value of the meals consumed by ABC's employees. The value subject to tax is determined by the average cost of meals consumed by the employees, based upon the actual cost of the food items, multiplied by the number of meals as determined through a review of the payroll records. While the presumption is that employees working shifts of up to five hours consume one meal with those working shifts of five to eight hours consuming two,

this presumption may be rebutted under particular circumstances.

(b) X operates a boarding house and provides lodging and meals to ten non-transient residents. Each resident is charged a lump sum to cover both lodging and meals with no accounting for a fair selling price for the meals. X is making retail sales of meals to its residents. Retailing and retail sales taxes are due on the value of the meals served. This value must be computed as double the cost of the meal, including the cost of the food and drink ingredients, costs of meal preparation, and other costs associated with the meal preparation such as overhead expenses.

(c) Y Motor Inn contracts with Z Company to provide catering services for a function to be held at the motor inn. During discussions concerning the services to be provided, Z Company is informed that a 15% gratuity is generally recommended. Z Company negotiates the gratuity percentage to 10% and signs a catering contract stating that the agreed gratuity will be added. The gratuity charged to Z Company is subject to both the retailing and retail sales taxes. This is not a voluntary gratuity since it is required to be paid as a condition of the contract. Gratuities are not part of the selling price only when they are strictly voluntary.

[Statutory Authority: RCW 82.32.300, 93-23-019, § 458-20-119, filed 11/8/93, effective 12/9/93; 86-03-016 (Order ET 86-1), § 458-20-119, filed 1/7/86; 82-16-061 (Order ET 82-7), § 458-20-119, filed 7/30/82. Statutory Authority: RCW 82.01.060(2) and 82.32.300, 78-07-045 (Order ET 78-4), § 458-20-119, filed 6/27/78; Order ET 74-1, § 458-20-119, filed 5/7/74; Order ET 70-3, § 458-20-119 (Rule 119), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-124 Restaurants, cocktail bars, taverns and similar businesses.** (1) **Introduction.** This section explains Washington's B&O and retail sales tax applications to sales by restaurants and similar businesses. It discusses the sales of meals, beverages and foods at prices inclusive of the retail sales tax. This section also explains how discounted and promotional meals are taxed. Persons operating restaurants and similar businesses should also refer to WAC 458-20-119 and 458-20-244. Persons who merely manage the operations of a restaurant or similar business should refer to WAC 458-20-119 to determine their tax liability. The term "restaurants, cocktail bars, taverns, and similar businesses" means every place where prepared foods and beverages are sold and served to individuals, generally for consumption on the premises where sold.

(2) **Business and occupation tax.** The tax liability of restaurants, cocktail bars, taverns and similar businesses is as follows:

(a) **Retailing.** Sales to consumers of meals and prepared foods by restaurants, cocktail bars, taverns and similar businesses are subject to the retailing tax classification. Meals provided to employees are presumed to be in exchange for services received from the employee and are retail sales and also subject to the retailing tax. (See WAC 458-20-119, Sales of meals.)

(b) **Wholesaling.** Persons making sales of prepared meals to persons who will be reselling the meals are subject to the wholesaling-other tax classification. Sellers must obtain resale certificates from their customers to support the resale nature of any transaction. (See WAC 458-20-102.)

(c) **Service.** Compensation received from owners of coin-operated machines for allowing the placement of those

machines at the restaurant, cocktail bar, tavern, or similar business is subject to the service and other business activities tax. Persons operating games of chance should refer to WAC 458-20-131.

(3) **Retail sales tax.** Sales to consumers of meals and prepared foods by restaurants, cocktail bars, taverns and similar businesses are generally subject to retail sales tax. This includes the meals sold or furnished to the employees of the business. A retail sales tax exemption is available for the following sales of meals:

(a) Prepared meals sold under a state-administered nutrition program for the aged as provided for in the Older Americans Act (Public Law 95-478 Title III) and RCW 74.38.040(6);

(b) Prepared meals sold to or for senior citizens, disabled persons, or low-income persons by a not-for-profit organization organized under chapter 24.03 or 24.12 RCW;

(c) Prepared meals sold to the federal government. (See WAC 458-20-190). However, meals sold to federal employees are taxable, even if the federal employee will be reimbursed for the cost of the meals by the federal government.

(4) **Deferred sales or use tax.** If the seller fails to collect the appropriate retail sales tax, the purchaser is required to pay the deferred sales or use tax directly to the department.

(a) Purchases of dishes, kitchen utensils, linens, and items which do not become an ingredient of the meal, are subject to retail sales tax.

(b) Retail sales tax or use tax applies to purchases of equipment, repairs, appliances, and construction.

(c) The retail sales or use tax does not apply to purchases of food or beverage products which are ingredients of the meals being sold.

(d) Purchases of paper plates, paper cups, paper napkins, toothpicks, or any other articles which are furnished to customers, the first actual use of which renders such articles unfit for further use, are not subject to retail sales tax when purchased by restaurants and similar businesses making actual sales of meals.

(5) **Combination businesses.** Persons operating a combination of two kinds of food sales businesses, of which one is the sale of food for immediate consumption (i.e., a bakery selling food products ready for consumption and in bulk quantities), are required to keep their accounting records and sales receipts segregated between taxable and tax exempt sales. Persons operating a combination business should refer to WAC 458-20-244.

(6) **Discounted meals, promotional meals, and meals given away.** Persons who sell meals on a "two for one" or similar basis are not giving away a free meal, but rather are selling two meals at a discounted price. Both the retailing B&O and retail sales taxes should be calculated on the reduced price actually received by the seller.

(a) Persons who provide meals free of charge to persons other than employees are consumers of those meals. However, certain food products are statutorily exempt of retail sales or use tax unless sold by a retail vendor where the food product must be handled by a person required to have a food handler's permit. For tax reporting periods beginning with December 1, 1993, persons operating restaurants or similar businesses, where a food handler's

permit is required, will not be required to report use tax on food products given away, even if the food products are part of prepared meals. For example, a restaurant providing meals to the homeless or hot dogs free of charge to a little league team will not incur a retail sales or use tax liability with respect to these items given away. A sale has not occurred, and the food products exemption applies. Should the restaurant provide the little league team with carbonated beverages free of charge, the restaurant will incur a deferred retail sales or use tax liability with respect to those carbonated beverages. Carbonated beverages are not considered food products for the purposes of the food products exemption. (See also WAC 458-20-244 for a list of exempt food products.)

(b) Meals provided to employees are presumed to be in exchange for services received from the employee and are not considered to be given away. These meals are retail sales. (See WAC 458-20-119 on employee meals.)

(7) **Sales of meals, beverages and food at prices including sales tax.** Persons may advertise and/or sell meals, beverages, or any kind of food product at prices including sales tax. Any person electing to advertise and/or make sales in this manner must clearly indicate this pricing method on the menus and other price information.

If sales slips, sales invoices, or dinner checks are given to the customer, the sales tax must be separately stated on all such sales slips, sales invoices, or dinner checks. If not separately stated on the sales slips, sales invoices, or dinner checks, it will be presumed that retail sales tax was not collected. In such cases the measure of tax will be gross receipts. (Refer also to WAC 458-20-107.)

(8) **Class H restaurants.** Restaurants operating under the authority of a class H liquor license generally have both dining and cocktail lounge areas. Customers purchasing beverages or food in lounge areas are generally not given sales invoices, sales slips, or dinner checks, nor are they generally provided with menus.

(a) Many class H restaurants elect to sell beverages or food at prices inclusive of the sales tax in the cocktail lounge area. If this pricing method is used, notification that retail sales tax is included in the price of the beverages or foods must be posted in the lounge area in a manner and location so that customers can see the notice without entering employee work areas. It will be presumed that no retail sales tax has been collected or is included in the gross receipts when a notice is not posted and the customer does not receive a sales slip or sales invoice separately stating the retail sales tax.

(b) The election to include retail sales tax in the selling price in one area of a location does not preclude the restaurant operator from selling beverages or food at a price exclusive of sales tax in another. For example, an operator of a class H restaurant may elect to include the retail sales tax in the price charged for beverages in the lounge area, while the price charged in the dining area is exclusive of the sales tax.

(c) Class H restaurants are not required to post actual drink prices in the cocktail lounge areas. However, if actual prices are posted, the advertising requirements expressed in WAC 458-20-107 must be met.

(9) **Gratuities.** Tips or gratuities representing donations or gifts by customers under circumstances which are clearly voluntary are not part of the selling price subject to tax. However, mandatory additions to the price by the seller, whether labeled service charges, tips, gratuities or otherwise must be included in the selling price and are subject to both the retailing B&O and retail sales taxes. (Refer also to WAC 458-20-119.)

(10) **Vending machines and amusement devices.** Persons owning and operating vending machines and amusement devices should refer to WAC 458-20-187 (Coin operated vending machines, amusement devices and service machines).

(11) **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) ABC Coffee Shop has its own bakery and also a counter and tables where it sells pastries and coffee for immediate consumption. ABC also sells donuts and other bakery items for consumption off the premises. No beverages are sold in unsealed containers except for consumption on the premises. ABC accounts separately for its sales of products which are not intended for immediate consumption through a coding maintained by the cash register. ABC is operating a combination business. It is required to collect retail sales tax on items sold for consumption on the premises, but is not required to collect retail sales tax on baked goods intended for consumption off the premises.

(b) XYZ Restaurant operates both a cocktail bar and a dining area. XYZ has elected to sell drinks and appetizers in the bar at prices including the retail sales tax while selling drinks and meals served in the dining area at prices exclusive of the sales tax. There is a sign posted in the bar area advising customers that all prices include retail sales tax. Customers in the dining area are given sales invoices which separately state the retail sales tax. As an example, a typical well drink purchased in the bar for \$2.50 inclusive of the sales tax, is sold for \$2.50 plus sales tax in the dining area. The pricing requirements have been satisfied and the drink and food totals are correctly reflected on the customers' dinner checks. XYZ may factor the retail sales tax out of the cocktail bar gross receipts when determining its retailing and retail sales tax liability.

(c) RBS Restaurant operates both a cocktail bar and a dining area. RBS has elected to sell drinks at prices inclusive of retail sales tax for all areas where drinks are served. It has a sign posted to inform customers in the bar area of this fact and a statement is also on the dinner menu indicating that any charges for drinks includes retail sales tax. Dinner checks are given to customers served in the dining area which state the price of the meal exclusive of sales tax, sales tax on the meal, and the drink price including retail sales tax. Because the business has met the sign posting requirement in the bar area and has indicated on the menu that sales tax is included in the price of the drinks, RBS may factor the sales tax out of the gross receipts received from its drink sales when determining its taxable retail sales.

(d) Z Tavern sells all foods and drinks at a price inclusive of the retail sales tax. However, there is no

mention of this pricing structure on its menus or reader boards. The gross receipts from Z Tavern's food and drink sales are subject to the retailing and retail sales taxes. Z Tavern has failed to meet the conditions for selling foods and drinks at prices including tax. Z Tavern may not assume that the gross receipts include any sales tax and may not factor the retail sales tax out of the gross receipts.

[Statutory Authority: RCW 82.32.300, 93-23-018, § 458-20-124, filed 11/8/93, effective 12/9/93; 83-07-034 (Order ET 83-17), § 458-20-124, filed 3/15/83; Order ET 70-3, § 458-20-124 (Rule 124), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-149 Repealed.** See Disposition Table at beginning of this chapter.

**WAC 458-20-150 Optometrists, ophthalmologists, and opticians.** (1) **Introduction.** This section explains Washington's B&O and retail sales tax applications to sales and services provided by optometrists, ophthalmologists, and opticians. It explains the tax liability resulting from the rendering of professional services and the sale of prescription lenses, frames, and other optical merchandise. It also discusses the retail sales tax exemption provided by RCW 82.08.0281 to the sale of prescription lenses.

(2) **Definitions.** The following definitions apply to this section.

(a) The term "professional services" is defined as the examination of the human eye, the examination and identification of any defects of the human vision system and the analysis of the process of vision. It includes the use of any diagnostic instruments or devices for the measurement of the powers or range of vision, or the determination of the refractive powers of the eye or its functions. It does not include the preparation or dispensing of lenses or eye glasses.

(b) "Prescription lens" means any lens, including contact lenses, with power or prism correction for human vision, which has been prescribed in writing by a physician or optometrist. The term "prescription lens" includes all ingredients and component parts of the lens itself, including color, scratch resistant or ultra violet coating, and fashion tints. It does not include miscellaneous service or repair charges other than the replacement or repair of the prescription lens itself.

(c) The term "optical merchandise" includes frames, springs, bows, cases, and sundry items or accessories to be worn or used with lenses. It also includes nonprescription lenses or eyeglasses. "Optical merchandise" does not include prescription lens as defined above.

(3) **Business and occupation tax.** Persons providing or selling any combination of professional services, prescription lenses, and/or optical merchandise are required to segregate and separately account for the income derived from each source. For example, persons performing eye examinations and selling prescription eyeglasses must segregate and separately account for the income attributable to eye examinations, sales of prescription lenses, and sales of frames.

(a) **Service and other business activities.** The service B&O tax applies to the gross proceeds received for providing professional services.

(b) **Retailing.** Sales of prescription lenses and optical merchandise are subject to the retailing tax, when made to consumers.

(4) **Retail sales tax.** Sales to consumers of optical merchandise, as that term is herein defined, are subject to the retail sales tax. The retail sales tax does not, however, apply to income received for providing professional services.

A retail sales tax exemption for the sale of prescription lenses is available under RCW 82.08.0281, provided the lenses are dispensed by an optician licensed under the provisions of chapter 18.34 RCW or by a physician or optometrist pursuant to a prescription written by a physician or optometrist. To claim a retail sales tax exemption under RCW 82.08.0281, persons providing or selling any combination of professional services, prescription lenses, and/or optical merchandise must segregate and separately account for the income derived from each source. (Also see WAC 458-20-18801.)

(5) **Deferred sales or use tax.** If the seller fails to collect the appropriate retail sales tax, the purchaser is required to pay the deferred sales or use tax directly to the department.

(a) The purchase of eyeglasses, lenses, frames, springs, bows, and other articles which are resold to customers or patients are purchases for resale and not subject to the retail sales tax.

(b) The retail sales or use tax applies to the purchase of office supplies and equipment. This includes subscriptions to magazines and technical publications.

(c) Purchases of supplies which are consumed in rendering a professional service are subject to the retail sales tax.

(d) Prescription drugs may be purchased without payment of retail sales or use tax by optometrists, ophthalmologists, and opticians when those drugs will be used for the diagnosis, cure, mitigation, treatment, or prevention of disease or other ailment in humans. Refer to WAC 458-20-18801.

(e) Optometrists, ophthalmologists, and opticians are required to pay use tax on any samples, with the exception of prescription drug samples, which they acquire or give away unless retail sales or use tax has been previously paid on these samples. However, these taxpayers are not required to pay retail sales or use tax on items which will be given to customers as part of a sale of eyeglasses or contact lenses, such as cleaning supplies, carrying cases, etc. These items are considered to be sold along with the eyeglasses or contact lenses.

(6) **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) DM is an optometrist who performs eye examinations and sells prescription eyeglasses and contact lenses. All sales of prescription lenses are made pursuant to written prescription. DM segregates the income attributable to the eye examinations, the sale of prescription lenses, and the sale of optical merchandise in its books of account. Retail sales tax is collected on the sale of the optical merchandise.

The income derived from the eye examinations is subject to the service B&O tax. Retailing B&O tax is due on the gross proceeds of sales of the prescription lenses and the optical merchandise. When reporting the retail sales tax liability, DM may claim a deduction for the sales of prescription lenses, but must remit the retail sales tax collected on the sales of optical merchandise.

(b) DM purchases nonprescription saline and cleaning solutions for contact lenses, and carrying cases for eyeglasses and contact lenses. The saline and cleaning solutions are consumed when DM performs eye examinations. The eyeglass and contact lens carrying cases are provided to customers at the time they purchase a pair of eyeglasses or contact lenses.

DM incurs no retail sales or use tax liability on the purchase of the eyeglass and contact lens carrying cases. These cases are considered to be purchased for resale, and sold to the customer along with the eyeglasses or contact lenses. The purchase of the saline and cleaning solutions is, however, subject to the retail sales tax. These solutions are consumed while providing professional services, and cannot be considered to be purchased for resale. They also do not qualify for sales tax exemption as prescription drugs. If DM has not paid retail sales tax at the time of purchase, it must remit use tax directly to the department.

(c) AB Inc. is a retail drugstore which includes preassembled "off the shelf" reading glasses in its sales inventory. These eyeglasses have lenses with power or prism correction. These glasses are sold without a written prescription.

Sales of such "off the shelf" reading glasses are subject to the retail sales tax, measured by the gross proceeds of sale. Even had AB segregated the charge between the frame and lenses, the gross proceeds of sales would be subject to the retail sales tax. The conditions and requirements necessary to qualify for exemption under RCW 82.08.0281 have not been satisfied.

[Statutory Authority: RCW 82.32.300, 93-19-020, § 458-20-150, filed 9/2/93, effective 10/3/93; 83-07-034 (Order ET 83-17), § 458-20-150, filed 3/15/83; Order 74-2, § 458-20-150, filed 6/24/74; Order ET 70-3, § 458-20-150 (Rule 150), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-17901 Public utility tax—Energy conservation and cogeneration deductions.** (1) Introduction. This section explains certain deductions from the public utility tax which are intended to be an incentive to promote conservation and efficiency of energy. The question of the deductibility of any expenditures not expressly covered in this rule must be submitted to the department in writing for a ruling before the deduction may be taken. The incentive programs for energy efficiency are discussed in RCW 82.16.052 and 82.16.055. Most of the provisions in RCW 82.16.055 expired on December 31, 1989, and were replaced by RCW 82.16.052 which became effective on March 1, 1990. These incentive programs are discussed below.

(2) Deductions under RCW 82.16.055. In chapter 149, Laws of 1980 (RCW 80.28.024, 80.28.025, and 82.16.055), the legislature finds and declares that the potential for meeting future energy needs through conservation measures, including energy conservation loans, energy audits, and the use of renewable resources, such as solar energy, wind

energy, wood, wood waste, municipal waste, agricultural products and wastes, hydroelectric energy, geothermal energy, and end-use waste heat, may not be realized without incentives to public and private utilities. The deductions under this law apply only to new facilities for the production or generation of energy from cogeneration or renewable energy resources on which construction was begun after June 12, 1980, and before January 1, 1990, and for measures to improve the efficiency of energy end-use which were begun after June 12, 1980, and before January 1, 1990.

(a) The legislature has implemented its intent by adding a new section to chapter 82.16 RCW, codified as RCW 82.16.055, for deductions relating to energy conservation or production from renewable resources. The law states that in computing tax under this chapter there shall be deducted from the gross income:

(i) An amount equal to the cost of production at the plant for consumption within the state of Washington of electrical energy produced or generated from cogeneration as defined in RCW 82.35.020; and

(ii) An amount equal to the cost of production at the plant for consumption within the state of Washington of electrical energy or gas produced or generated from renewable energy resources such as solar energy, wind energy, hydroelectric energy, geothermal energy, wood, wood wastes, municipal wastes, agricultural products and wastes, and end-use waste heat.

(b) The law also contained a deduction for those amounts expended to improve consumers' efficiency of energy end-use or to otherwise reduce the use of electrical energy or gas by the consumer, provided the installation of the measures to improve the efficiency was begun prior to January 1, 1990.

(c) Deductions under subsection (2)(a) of this section shall be allowed for a period not to exceed thirty years after the project is placed in operation.

(d) Measures or projects encouraged under subsection (2) of this section shall at the time they are placed in service be reasonably expected to save, produce, or generate energy at a total incremental system cost per unit of energy delivered to end-use which is less than or equal to the incremental system cost per unit of energy delivered to end-use from similarly available conventional energy resources which utilize nuclear energy or fossil fuels and which the gas or electric utility could acquire to meet energy demand in the same time period.

(e) The provisions of subsection (2)(a)(i) through (ii) of this section, deal with new facilities designed and intended for the production of energy. The department will rule upon eligibility of such facilities and the attendant cost of energy production for purposes of determining deductibility from the public utility tax upon an individual project basis using the cost figures reported on the appropriate Federal Energy Regulatory Commission (FERC) schedules that are required to be filed by public and private electric utilities and by private gas utilities. The allowable deductions consist of production expenses, eligible fuel costs and book depreciation of capital costs. Eligible fuel costs are all fuels if used for cogeneration or nonfossil fuel costs if not a cogeneration facility. Plans for the construction of such facilities and pertinent details, including energy production and production costs projections relative to the planned facility or construc-

tion details and energy production costs for facilities already in service must be submitted to the department for determination of eligibility for tax deductions.

(3) Deductions under RCW 82.16.052. This law provides a deduction from the public utility tax for certain energy efficiency programs. The law took effect on March 1, 1990, and expires on January 1, 1996.

(a) The law provides for a deduction from the gross income in computing tax under the public utility tax for payments made under RCW 19.27A.035. RCW 19.27A.035 requires that electric utilities make payments to owners at the time of construction of residential buildings if certain energy code requirements are met.

(b) Until July 1, 1992, utilities could deduct from the amount of tax paid under the public utility tax fifty percent of the payments made under RCW 19.27A.055, excluding any federal funds that are passed through to a utility for the purpose of retraining local code officials. RCW 19.27A.055 provides a training account for the purpose of providing training for the enforcement by local governments of the Washington state energy code.

(c) RCW 82.16.052 provides a deduction for amounts expended on additional programs that improve the efficiency of energy end-use if priority is given to senior citizens and low-income citizens in the course of carrying out such programs. The department of revenue has determined the eligibility of individual measures to improve consumers' efficiency of energy end-use or otherwise reduce the use of electrical energy or gas by the consumer. Such measures include residential and commercial buildings weatherization programs as well as energy end-user conservation programs, however designated and however funded or financed.

(i) "Senior citizens" means those persons who are sixty-two years of age or older.

(ii) "Low-income citizens" means a single person, family or unrelated persons living together whose adjusted income is less than eighty percent of the median family income of those families within the area served by the utility service provider. (See RCW 43.185A.010.)

(iii) Utility businesses may show that priority is given to senior citizens or low-income citizens by various means. For example, it will be presumed that priority has been given these citizens when the utility business can show that it spends disproportionate larger amounts for energy conservation and efficiency measures for these citizens. Priority is also considered given to senior and low-income citizens when the utility can show that these citizens are given preference for participation in programs that improve the efficiency of energy end-use when program resources are limited and all applicants are not able to receive assistance in a timely manner and the utility communicates to senior and low-income citizens the availability of energy efficiency programs through fliers, brochures, posters, newspaper announcements, and billing inserts.

(d) Under the general rules of statutory construction, tax exemption provisions must be strictly construed against the person claiming the exemption and in favor of imposing tax. Also, under such general rules the words and terms used in statutes must be given their common and ordinary meaning. By the terms of RCW 82.16.052 (1)(b) deductions are restricted to amounts expended for programs and measures which have as their purpose some reduction of energy use by

utilities' customers. Some incidental and generally related costs which may be incurred in the development and implementation of energy conservation measures may be too remote from the purpose of improving energy efficiency or reducing consumers' energy consumption. For these reasons and pursuant to RCW 82.16.052(2) the department has consulted with publicly and privately operated utilities to determine the kinds of costs which will satisfy the statutory intent by achieving the purpose of reducing energy consumption.

(e) Accordingly, the term "amounts expended to improve consumers' efficiency of energy end-use" means the costs incurred by public and private utilities which are exclusively attributable to the development and implementation of energy end-use conservation projects and measures. This term does not include the costs attributable to the operation of a public or private utility business which were incurred before, or are incurred separate from the development and implementation of energy conservation programs. A portion of expenditures for personnel and facilities serving both energy conservation purposes and other utility purposes may be deducted if the portion attributable to energy conservation is supported by direct cost accounting records prepared during the tax reporting period for which such energy conservation expenditures are claimed for deduction. However, merely estimating an allocable portion of costs or apportioning some percentage of total overhead expense claimed to be related to energy conservation projects or measures will not support a deduction. The accounting should be based on actual experience. For example, expenditures for personnel or such facilities as computers could be accounted for on a time-use basis. However the expenses are accounted for, the burden rests upon the utility company to clearly show the direct relationship between any costs claimed for deduction and the energy conservation projects or measures claimed to have generated such costs.

(f) **Eligible costs.** Under the remoteness test, the department has determined the following specific costs to be eligible for tax deduction:

(i) **Construction and installation.** All costs actually incurred by a utility representing the value of materials and labor applied or installed in any facility of or for an energy end-user, whether provided by the utility itself or by third party prime or subcontractors. Such eligible costs include, but are not limited to:

(A) Insulation for floors, ceilings, walls, water pipes and the complete installation thereof.

(B) Weatherstripping, caulking, batting, and any similar materials applied for weatherization of facilities and the complete installation thereof.

(C) Storm windows, insulated and other weather resistant glass or similar materials and installation.

(D) Electric or gas thermostatic controls and installation.

(E) Water heater wraps, shower head restrictors, and all similar devices installed to reduce heat loss or reduce the actual units of energy consumed, and the installation thereof.

(F) Energy efficient lighting, lighting controls, and installation.

(G) Energy efficient motors and adjustable speed drives.

(H) Improved energy efficient heating, ventilation, and air conditioning systems.

(ii) **Energy audits and post installation inspection.**

All direct costs actually incurred for providing:

(A) Energy audit training.

(B) Auditor payroll.

(C) Auditor uniforms.

(D) Special tools and equipment specifically needed for carrying out audit programs.

(E) Auditor and inspector private vehicle mileage allowance.

(F) Post installation inspection, labor, and materials costs.

(iii) **Administration.** All administrative, clerical, professional, and technical salary and payroll costs actually and directly incurred for:

(A) Conservation program management and supervision including but not limited to audit, BPA buy-back, commercial, solar, and loan programs.

(B) Secretarial and clerical expense.

(C) Data entry and information processing operators.

(D) Engineering.

(E) Outside legal expense and inhouse legal expense which is directly cost accounted.

(F) General energy conservation employee training.

(G) Conservation programs accounting and auditing.

(H) Separate telephone and third party provided services separately billed.

(iv) **Consumable supplies and equipment.** The cost of consumable materials and equipment utilized in energy conservation programs and directly cost accounted or separately billed, including but not limited to:

(A) Equipment rental.

(B) Custom software programs.

(C) Computer lease time.

(D) Computer print-out paper.

(E) Special conservation program stationery, program instruction and installation manuals and office clerical supplies.

(F) Periodic costs of capital equipment and rolling stock if such equipment and rolling stock are attributable to an energy end-user conservation program; and such costs are incurred during the duration of such program.

(G) Direct costs of repair and maintenance of the above items.

(v) **Financing.** Deduction is allowed for all direct financing and loan expenses relative to:

(A) Loan manager, supervisor, inspectors, secretaries, and clerks payroll which is directly cost accounted.

(B) Net interest differential (loans to consumers at lower than the utilities' interest rates on such acquired funds).

(vi) **Advertising and education.**

(A) Information, dissemination, and advertising charges for radio, television, newspaper services, bill stuffers, brochures, handouts, displays, and related costs of producing and presenting such advertising materials, which are exclusively dedicated to promoting energy conservation projects and measures.

(B) Community education and outreach efforts conducted for the exclusive purpose of promoting energy conservation and achieving reduction of end-user energy consumption.



(g) **Ineligible costs.** The department has determined the following specific costs as being ineligible for tax deduction for the reason that they are too remote from the purpose of improving energy efficiency and reducing end-user's consumption:

- (i) Legislative services.
- (ii) Dues, memberships and subscriptions.
- (iii) Information, dissemination, and advertising charges for radio, television, newspaper services, bill stuffers, brochures, handouts, displays, and related costs of producing advertising materials which are not exclusively for the purpose of encouraging or promoting energy conservation.
- (iv) Experimental programs. Caveat: If and when experimental programs and the facilities, projects, or measures developed through such experimentation, research, and development are actually placed in service or placed in the rate base, and upon written approval of eligibility by the department, the total of expenditures for such facilities, projects, or measures including experimental stage costs may be allowed for deduction.
- (v) Community education and outreach efforts which are not exclusively dedicated to energy conservation projects and measures.
- (vi) Allocated facility costs which are not directly cost accounted.
- (vii) Allocated vehicle rolling stock costs which are not directly cost accounted.
- (viii) Convention, meals, and entertainment expense.
- (ix) Out-of-state travel expenses, except that the percentage of such expenses allocable to miles traveled within this state will be allowed for deduction.

(4) **Timing of the deduction.** Utilities may deduct from the measure of public utility tax deductible expenses as set forth in this rule at the time such costs are actually incurred and may include such deductions on excise tax returns covering the period during which the costs were actually incurred. For purposes of reporting public utility tax liability, utilities must include and report Bonneville Power Administration (BPA) and other providers' cash grants, reimbursements, and buy-back payments attributable to energy conservation programs as gross income of the business when it is received. "Gross income of the business" shall also include the value of electrical energy units from BPA for performing approved energy conservation services. Any recurring costs determined to be eligible for deduction under this rule shall cease to be eligible in whole or in part at time of termination of any energy conservation measure or project which originally authorized the deduction under RCW 82.16.052.

[Statutory Authority: RCW 82.32.300, 93-07-066, § 458-20-17901, filed 3/17/93, effective 4/17/93; 86-01-077 (Order 85-7), § 458-20-17901, filed 12/18/85.]

**WAC 458-20-229 Refunds.** (1) **Introduction.** This section explains the procedures relating to refunds or credits for overpayment of taxes, and penalties or interest. It indicates the statutory period for refunds and the interest rate which applies to those refunds.

(2) **Statute of limitations for refunds or credits.**

(a) With the exception of (b) of this subsection, no refund or credit may be made for taxes, penalties, or interest

paid more than four years prior to the beginning of the calendar year in which a refund or credit application is made or examination of records by the department is completed.

(b) Where a taxpayer has executed a written waiver of the limitations governing assessment under RCW 82.32.050 or 82.32.100, a refund or credit may be granted for taxes, penalties, or interest paid during, or attributable to, the years covered by such waiver if, prior to expiration of the waiver period, an application for a refund or credit of such taxes, penalties, or interest is made by the taxpayer or the department discovers a refund or credit is due. (Refer to WAC 458-20-230 for the circumstances under which the department may request a taxpayer to execute a statute of limitations waiver.)

(3) **Refund/credit procedures.** Refunds are initiated in the following ways:

(a) **Departmental review.** When the department audits or examines the taxpayer's records and determines the taxpayer has overpaid its taxes, penalties, or interest, the department will issue a refund or a credit, at the taxpayer's option. When overpayments are discovered by the department within the statute of limitations, the taxpayer does not need to file a petition or request for a refund or credit.

(b) **Taxpayer request.** When a taxpayer discovers that it has overpaid taxes, penalties, or interest, it may file an amended return or a petition for refund or credit with the department. The petition or amended tax return must be submitted within the statute of limitations. Refund or credit requests should generally be made to the division of the department to which payment of the tax, penalty, or interest was originally made. The amended tax returns or petitions are subject to future verification or examination of the taxpayer's records. If it is later determined that the refund or credit exceeded the amount properly due the taxpayer, an assessment may be issued to recover the excess amount, provided the assessment is made within four years of the close of the tax year in which the taxes were due or prior to the expiration of a statute of limitations waiver. The following are examples of refund or credit requests:

(i) A taxpayer discovers in January 1992 that the June 1991 combined excise tax return was prepared using incorrect figures which overstated its sales resulting in an overpayment of tax. The taxpayer files an amended June 1991 tax return with the department's taxpayer account administration division. The department treats the taxpayer's amended June 1991 tax return as a petition for refund or credit of the amounts overpaid during that tax period and may take whatever action it considers appropriate under the circumstances to verify the overpayment.

(ii) A customer of a seller pays retail sales tax on a transaction which the customer later believes was not taxable. The customer should request a refund or credit directly from the seller from whom the purchase was made. If the seller determines the tax was not due and issues a refund or credit to the customer, the seller may request a refund or credit from the department. It is generally to the advantage of a consumer to seek a refund directly from the seller for retail sales tax believed to have been paid in error. This is because the seller has the source records to know if retail sales tax was collected on the original sale, knows the customer, knows the circumstances surrounding the original sale, is aware of any disputes between itself and the custom-

er concerning the product, may already be aware of the circumstances as to why a refund of sales tax is appropriate such as the return of the merchandise. When in doubt as to whether sales tax should be refunded, a seller may contact the department and request advice. However, in certain situations, upon presentation of acceptable proof of payment of retail sales tax, the department will consider making refunds of retail sales tax directly to consumers. These situations are as follows:

- (A) The seller is no longer engaged in business.
- (B) The seller has moved and the consumer can not locate the seller.
- (C) The seller is insolvent and is financially unable to make the refund.
- (D) The consumer has attempted to obtain a refund from the seller and can document that the seller refuses to refund the retail sales tax. However, the department will not consider making refunds directly to consumers when the law leaves it at the discretion of the seller to collect the tax. See, for example, RCW 82.08.0273.

(iii) The department completes an audit of the taxpayer's records relating to taxes reported on combined excise tax returns and an assessment is issued. After the assessment is paid, but within the statute of limitations for refund or credit, the taxpayer locates additional records which would have reduced the tax, penalties, or interest liability if these records had been available in the audit. The taxpayer contacts the department's audit division, requests that a reexamination of the appropriate records be performed, and files a petition for a refund or credit of overpaid amounts. The statute of limitations will be determined based on the date the assessment was paid for an adjustment of taxes, penalties, or interest assessed in the audit. For taxes, penalties, or interest paid through the filing of combined excise tax returns by the taxpayer, the statute of limitations will be based on the date the amounts were paid without regard to when the audit was completed or the assessment was issued.

(c) Taxpayer appeal. If the taxpayer believes that the tax, penalties, or interest overpayment is the result of a difference of legal opinion with the department as to the taxability of a transaction, the application of penalties or the inclusion of interest, the taxpayer may appeal to the department as provided in WAC 458-20-100 or directly to Thurston County superior court.

(d) Court decision. Refunds or credits will be made by the department as required by decisions of any court of competent jurisdiction when the decision of the court is not being appealed.

(i) In the case of court actions regarding refund or credit of retail sales taxes, the department will not require that consumers obtain a refund of retail sales tax directly from the seller if it would be unreasonable and an undue burden on the person seeking the refund to obtain the refund from the seller. In this case the department may make the refunds directly to the claimant and may use the public media to attempt to notify all persons who may be entitled to refunds or credits.

(ii) Forms for applications for refunds for these situations will be available either by mail or at the department's offices and the claimant will need to file an application for

refund. The application will request the appropriate information needed to identify the claimant, item purchased, amount of sales tax to be refunded, and the seller. The department may at its discretion request additional documentation which the claimant could reasonably be expected to retain, based on the particular circumstances and value of the transaction. Such refund requests shall be approved or denied within thirty days after all documentation has been submitted by the claimant and legal questions have been resolved. If approved for refund, such refunds shall be made within sixty days after all documentation has been submitted.

(4) **Prompt refunds.** Taxpayers may expect refund requests to be processed promptly by the department. Refunds can generally be processed faster if the taxpayer provides the following information at the time a refund application is made:

(a) The taxpayer should include its registration number on all documents.

(b) The taxpayer should include the telephone number and name of the person the department should contact in case the department needs additional information or has questions.

(c) The taxpayer should include a detailed description or explanation of the claimed overpayment.

(d) Amended tax returns or worksheets should be attached to the refund or credit application and clearly identify the tax reporting periods involved.

(e) If the refund or credit request involves a situation where a seller has refunded retail sales tax to a customer and the seller is now seeking a refund or credit of the tax from the department, proof of refund to the customer should be attached.

(f) Generally, refund or credit requests require verification by the department through a review of specific taxpayer records which have a bearing on the refund or credit request. If the refund or credit request relates to a year for which the statute of limitations will expire within a short period, the department may be able to more promptly issue a refund by delaying the verification process until it is more convenient to the taxpayer and/or the department if the taxpayer will execute a statute of limitations waiver.

(5) **Interest on refunds or credits.** Interest will be allowed on credits or refunds.

(a) Interest is paid at the rate of three percent per annum for refunds and credits of taxes or penalties which were paid by the taxpayer prior to January 1, 1992.

(b) For amounts overpaid by a taxpayer after December 31, 1991, the rate of interest on refunds and credits is the average of the federal short-term rate as defined in 26 U.S.C. Sec. 1274(d) plus one percentage point. The rate will be adjusted on the first day of January of each year by taking an arithmetical average to the nearest percentage point of the federal short-term rate, compounded annually, for the months of January, April, July, and October of the immediately preceding calendar year as published by the United States Secretary of Treasury.

(c) The department will include interest on credit notices with the interest computed to the date the taxpayer could reasonably be expected to use the credit notice, generally the due date of the next tax return.

(d) If a taxpayer requests that a credit notice be converted to a refund, interest will be recomputed to the date the refund (warrant) is issued, but not to exceed the interest which would have been granted through the credit notice.

(6) **Offsetting overpayments against deficiencies.** The department may apply overpayments against existing deficiencies/assessments for the same legal entity. However, a potential deficiency which is yet to be determined will not be reason to delay the processing of an overpayment where an overpayment has been conclusively determined. The following examples illustrate the use of offsets:

(a) The taxpayer's records are audited for the period 1988 through 1991. The audit disclosed underpayments in 1989 and overpayments in 1991. The department will apply the overpayments in 1991 to the deficiencies in 1989. The resulting amount will indicate whether a refund or credit is owed the taxpayer or whether the taxpayer owes additional amounts.

(b) The department has determined that the taxpayer has overpaid its real estate excise tax in 1991. The department believes that the taxpayer may owe additional B&O taxes, but this has yet to be established. The department will not delay the processing of the refund of the real estate excise tax while it proceeds with scheduling and performing of an audit for the B&O taxes.

(c) The department simultaneously performed a timber tax audit and a B&O tax audit of a taxpayer. The department determined that the taxpayer underpaid its B&O tax and overpaid its timber tax. Separate assessments were issued on the same date, one showing additional taxes due and the other overpayments. The department may offset the overpayment against the tax deficiency assessment since both the underpayment and overpayment have been established.

[Statutory Authority: RCW 82.32.300, 93-04-077, § 458-20-229, filed 2/1/93, effective 3/4/93; 83-08-026 (Order ET 83-1), § 458-20-229, filed 3/30/83; Order ET 70-3, § 458-20-229 (Rule 229), filed 5/29/70, effective 7/1/70.]

**WAC 458-20-230 Statutory limitations on assessments.** (1) **Introduction.** This section explains the time period during which the department of revenue may issue a tax assessment. It also explains the circumstances under which the department may request that a taxpayer complete a statute of limitations waiver.

(2) **Assessment period.** Tax assessments must be made within four years after the close of the tax (calendar) year in which the tax was incurred with the following exceptions:

(a) Against a taxpayer who was not registered as required by chapter 82.32 RCW.

(b) Upon a showing of fraud or of misrepresentation of a material fact by the taxpayer.

(c) Where the taxpayer has executed a written waiver of such limitation.

(d) Sales tax collected by a seller upon retail sales and not remitted to the department.

(3) **Unregistered taxpayer.** Except for evasion or misrepresentation, if the department of revenue discovers any unregistered taxpayer doing business in this state, the department will assess taxes, interest, and penalties for a period of seven years plus the current year. If a taxpayer voluntarily registers before being contacted by the department, assessments will not exceed four years plus the current

year, provided the taxpayer has made a good faith attempt to report correctly and there is no evidence of intent to evade tax under RCW 82.32.050. It will be presumed that a taxpayer has registered with the department if the taxpayer voluntarily files for an identification number under the Unified Business Identifier (UBI) system prior to any contact from the department of revenue.

(4) **Evasion or misrepresentation.** There is no limitation for the period in which an assessment or correction of an assessment can be made upon a showing of evasion or of misrepresentation of a material fact. Evasion involves a situation where the taxpayer knows a tax liability is due and the taxpayer attempts to escape detection through deceit, fraud, or other intentional wrongdoing. The evasion must be shown by clear, cogent, and convincing evidence which is objective and creditable. However, in the case of evasion or misrepresentation, any assessment for taxes which extends beyond four years and the current year will be limited to taxes which were underpaid as a result of the evasion or misrepresentation. (See RCW 82.32.050 and 82.32.090.)

(5) **Statute of limitations waiver.** The department may request that a taxpayer complete a waiver of the statute of limitations in those cases where the delay in timely completing an audit or issuance of an assessment is the result of actions of the taxpayer. If the department requests that a statute of limitations waiver be completed, the waiver will also hold open the period during which the department may refund taxes discovered to have been overpaid. The department may also request that a taxpayer complete a waiver of the statute of limitations in connection with a request from a taxpayer for a refund or credit for overpaid taxes. If the refund or credit request relates to a year for which the statute of limitations will expire within a short period, the department may be able to more promptly issue a refund by delaying the verification process until it is more convenient to the taxpayer and/or the department if the taxpayer will execute a statute of limitations waiver. (Refer to WAC 458-20-229.)

(6) **Trust funds.** Retail sales tax which is collected by a seller must be remitted to the department of revenue. These amounts are deemed to be held in trust by the seller until paid to the department. The statute of limitations does not apply to retail sales tax which was collected and not remitted to the department.

(7) **Revised assessments.** The department may issue an assessment to correct errors found in examining tax returns or it may issue an assessment to correct errors based on a review of the taxpayer's records. Assessments which are based on a review of the tax returns are subject to further review and revision by future audit. Once issued, the department may revise an audit assessment subject to the following restrictions.

(a) The assessment generally may not be increased from the amount originally assessed for those years for which the statute of limitations would have expired if this were an original assessment. For these years an assessment can be reduced, but not increased.

(b) An assessment may be increased upon discovery of fraud/evasion or misrepresentation of a material fact.

(8) **Assessments following conditional refunds or credits.** Taxpayers may petition for a credit or refund of

overpaid taxes by following the procedures in WAC 458-20-229. The department at its option may grant such credits or refunds without further immediate verification. If it is later determined that a refund was granted in error and that there was no fraud/evasion or misrepresentation of a material fact, the department may issue an assessment to recover the taxes and interest which were refunded in error, provided the assessment is issued within four years from the close of the tax year in which the tax was incurred or within a period covered by a statute of limitations waiver.

(9) **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) ABC Manufacturing has manufacturing plants in Oregon and Washington. This taxpayer properly registered with the department of revenue when first engaging in business in Washington a number of years ago and has remained registered. In 1987 the taxpayer transferred equipment from its Oregon plant and used the equipment in its Washington plant. (See RCW 82.12.010 for a definition of use.) This transfer was recorded in the accounting records in 1987, but the taxpayer inadvertently failed to report the use tax. The taxpayer's records were audited in 1992 at which time this transfer and the failure to report the use tax came to the department's attention. Since the department discovered the use tax had not been paid more than four years after the close of 1987 and none of the exceptions as stated in subsection (2) of this section apply, the department is barred by the statute of limitations from now assessing the use tax. The department can expand the statute of limitations to seven years plus the current year if the taxpayer was required to be registered and failed to do so.

(b) The department issued its assessment on December 20, 1992, for use taxes owed by ABC Manufacturing covering the period January 1, 1988, through September 30, 1992. The taxpayer contacted the department in April 1994 and provided documentation to support that retail sales tax had been paid on some items assessed for use tax in the tax years 1989 and 1990. In the process of reviewing the documentation, the department discovered that the auditor inadvertently had failed to assess use tax on some assets purchased in the year 1988 which would have resulted in a larger tax assessment for that year than originally assessed. The department issued a revised assessment on June 15, 1994, covering the period January 1, 1988, through September 30, 1992 which reflected the deletion of the use tax assessed in error for 1989 and 1990. The revised assessment did not increase the tax assessment for taxes owed in 1988 because this would have resulted in the assessment being increased more than four years after the close of the 1988 tax year. Any petition for refund must be made within four years of the close of the tax year in which the tax was paid.

(c) The department contacted XYZ Distributing on September 1, 1992, to schedule a routine audit of its records. The taxpayer requested that the department delay the start of the audit until December 1, 1992, because its records are maintained on a fiscal year ending September 30 and the audit would be extremely disruptive to its year end closing

if begun immediately. This delay would not allow the department sufficient time to complete the review of the records for 1988 and timely make an assessment for any taxes found to be due. The department may request the taxpayer to complete a statute of limitations waiver for the year 1988 in exchange for delaying the start of the audit. The completion of the waiver by the taxpayer will also hold open the year 1988 for refund or credit of any taxes found to have been overpaid in this period until such time as an assessment is issued or the waiver expires.

(d) ABC Manufacturing was being audited by the department for the period January 1, 1988, through September 30, 1992. During the process of examining the records, the department discovered that ABC had collected retail sales tax on sales in 1986 which had never been remitted to the department. There was no fraud or misrepresentation involved in the taxpayer's failure to remit the tax. The department appropriately expanded the period covered by the assessment to include the unremitted retail sales tax in the year 1986. Retail sales tax collected by a seller is deemed to be held in trust until paid to the department and the statute of limitations does not apply. (See RCW 82.08.050.)

(e) The department, through staff at its Seattle office, was unable to find a registration for ARC Company. The department contacted ARC by letter inquiring about its business activities in Washington and asking ARC for its registration number. ARC had not registered with the department of revenue, nor had it registered with any other state agencies through the UBI system. Shortly after being contacted by the department's Seattle staff, ARC contacted the Olympia office of the department and completed an application for registration without disclosing the earlier contact by the Seattle office. ARC subsequently argued that the assessment should be restricted to four years plus the current year. The department appropriately made its assessment for seven years plus the current year because the taxpayer was unregistered at the time of being first contacted by the department.

(f) John Smith lives in Washington part of the year, votes in Washington, has a Washington driver's license, and uses his Washington address in filing federal tax returns. He spends the winters in Arizona. In 1986, while in Arizona, he purchased a new motor home which he licensed in Arizona. He assumed that it was appropriate to license the vehicle in Arizona since he spends a considerable part of the year there and was not aware that he should pay use tax on the first use in Washington which occurred later that year. In 1992 he traded this motor home for a new motor home which he purchased from an Arizona dealer. Shortly thereafter, he returned to Washington and the department became aware of Mr. Smith's use of both of these motor homes in Washington. The department concluded that use tax was due. However, because the department could not show any evidence of evasion or misrepresentation and the taxpayer was not required to be registered with the department, the statute of limitations had expired on the 1986 purchase. Use tax was properly due and assessed on the 1992 purchase with the value based on the total purchase price after allowing a deduction for the trade-in value.

(g) In 1992 the department audited the records of XYZ Hauling for the years 1988 through 1991. The audit dis-

closed that some income from hauling performed in 1988 had not been reported and issued an assessment in 1992 for additional taxes owed under the motor transportation public utility tax. The taxpayer paid the assessment in 1992. In 1994 the taxpayer contacted the department with additional records which disclosed that part of the hauling for which motor transportation tax was assessed for the year 1988 should have been assessed under the urban transportation classification, a lower tax rate. The taxpayer requested that all of the motor transportation tax be refunded and argued that the urban transportation tax could not be assessed since the statute of limitations had expired for the year 1988. The department issued a revised assessment in which it subtracted the tax that should have been paid under urban transportation from the motor transportation tax which was assessed. The department refunded the difference. The revised assessment did not result in additional taxes being assessed, but was a reduction of the original assessment.

[Statutory Authority: RCW 82.32.300. 93-03-004, § 458-20-230, filed 1/8/93, effective 2/8/93; Order ET 70-3, § 458-20-230 (Rule 230), filed 5/29/70, effective 7/1/70.]

### 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 1993, 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 10.26 percent; and
- (2) The property tax component for each county is:

COUNTY	PERCENT	COUNTY	PERCENT
Adams	1.43	Lewis	1.30
Asotin	1.56	Lincoln	1.49
Benton	1.50	Mason	1.43
Chelan	1.52	Okanogan	1.45
Clallam	1.29	Pacific	1.49
Clark	1.29	Pend Oreille	1.09
Columbia	1.33	Pierce	1.61
Cowlitz	1.19	San Juan	0.93
Douglas	1.47	Skagit	1.16
Ferry	1.12	Skamania	1.05
Franklin	1.62	Snohomish	1.25
Garfield	1.47	Spokane	1.64
Grant	1.43	Stevens	1.21
Grays Harbor	1.40	Thurston	1.54
Island	0.91	Wahkiakum	1.13
Jefferson	1.11	Walla Walla	1.42
King	1.26	Whatcom	1.44
Kitsap	1.23	Whitman	1.55
Kittitas	1.31	Yakima	1.41
Klickitat	1.27		

[Statutory Authority: RCW 84.08.010 and 84.08.070. 93-07-067, § 458-30-262, filed 3/17/93, effective 4/17/93; 92-03-068, § 458-30-262, filed 1/14/92, effective 2/14/92; 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—1994.  
 458-40-634 Timber excise tax—Taxable stumpage value—Small harvester option.  
 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—1994.** The true and fair values, per acre, for each grade of forest land for the 1994 assessment year are determined to be as follows:

1994 WASHINGTON FOREST LAND VALUES		
LAND GRADE	OPERABILITY CLASS	VALUE PER ACRE
1	1	\$183
	2	178
	3	169
	4	123
2	1	154
	2	148
	3	142
	4	103
3	1	120
	2	117
	3	115
	4	88
4	1	91
	2	89
	3	88
	4	67
5	1	66
	2	62
	3	61
	4	40
6	1	34
	2	31
	3	31
	4	29
7	1	16
	2	16
	3	15
	4	15
8		1

[Statutory Authority: RCW 82.32.300. 94-02-046, § 458-40-540, filed 12/30/93, effective 1/1/94. Statutory Authority: RCW 84.33.120. 93-02-024, § 458-40-540, filed 12/31/92, effective 1/1/93; 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 458-40-634 Timber excise tax—Taxable stumpage value—Small harvester option.** A small harvester is a harvester who harvests timber from privately owned, publicly owned, or reclassified forest land in an amount not exceeding five hundred thousand board feet in a calendar quarter and not exceeding one million board feet in a calendar year. Small harvesters may elect to calculate the excise tax in the manner provided by RCW 84.33.073 and 84.33.074. The taxable stumpage value shall be determined by one of the following methods as appropriate:

(1) Sale of logs. Timber which has been severed from the stump, bucked into various lengths and sold in the form of logs shall have a taxable stumpage value equal to the actual gross receipts for the logs, less any costs associated with harvesting and marketing the timber. Harvesting and marketing costs shall include only those costs directly and exclusively associated with harvesting the timber from the land and delivering it to the buyer, and may include the costs of slash disposal required to abate extreme fire hazard. Harvesting and marketing costs shall not include the costs of reforestation, permanent road construction, or any other costs not directly and exclusively associated with the harvesting and marketing of the timber. The actual harvesting and marketing costs must be used in all instances where documented records are available. When the taxpayer is unable to provide documented proof of such costs, the deduction for harvesting and marketing costs shall be thirty-five percent of the gross receipts from the sale of the logs.

(2) Sale of stumpage. Timber which is sold as stumpage and harvested within twelve months of the date of sale shall have a taxable stumpage value equal to the actual gross receipts for the stumpage for the most recent sale prior to harvest. If a person purchases stumpage and harvests the timber more than twelve months after purchase of the stumpage, the taxable value shall be computed as in subsection (1) of this section.

[Statutory Authority: RCW 82.33.096. 93-14-090, § 458-40-634, filed 7/1/93, effective 8/1/93. Statutory Authority: Chapter 84.33 RCW. 87-02-023 (Order 86-4), § 458-40-634, 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, 1994:

**TABLE 1—Stumpage Value Table  
Stumpage Value Area 1  
January 1 through June 30, 1994**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir	DF	1	\$1,174	\$1,167	\$1,160	\$1,153	\$1,146
		2	913	906	899	892	885
		3	774	767	760	753	746
		4	353	346	339	332	325

Western Redcedar <sup>2</sup>	RC	1	1107	1100	1093	1086	1079
		2	1107	1100	1093	1086	1079
		3	637	630	623	616	609
		4	607	600	593	586	579
Western Hemlock <sup>3</sup>	WH	1	610	603	596	589	582
		2	604	597	590	583	576
		3	597	590	583	576	569
		4	278	271	264	257	250
Other Conifer	OC	1	610	603	596	589	582
		2	604	597	590	583	576
		3	597	590	583	576	569
		4	278	271	264	257	250
Red Alder	RA	1	166	159	152	145	138
Black Cottonwood	BC	1	164	157	150	143	136
Other Hardwood	OH	1	84	77	70	63	56
Hardwood Utility	HU	1	115	108	101	94	87
Conifer Utility	CU	1	54	47	40	33	26
RC Shake Blocks	RCS	1	774	767	760	753	746
RC Shingle Blocks	RCF	1	166	159	152	145	138
RC & Other Posts <sup>4</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>5</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>5</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

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

<sup>2</sup> Includes Alaska-Cedar.

<sup>3</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>4</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>5</sup> Stumpage value per lineal foot.

**TABLE 2—Stumpage Value Table  
Stumpage Value Area 2  
January 1 through June 30, 1994**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir	DF	1	\$1,174	\$1,167	\$1,160	\$1,153	\$1,146
		2	833	826	819	812	805
		3	710	703	696	689	682
		4	571	564	557	550	543
Western Redcedar <sup>2</sup>	RC	1	1218	1211	1204	1197	1190
		2	1218	1211	1204	1197	1190
		3	673	666	659	652	645
		4	326	319	312	305	298
Western Hemlock <sup>3</sup>	WH	1	599	592	585	578	571
		2	583	576	569	562	555
		3	568	561	554	547	540
		4	323	316	309	302	295
Other Conifer	OC	1	599	592	585	578	571
		2	583	576	569	562	555
		3	568	561	554	547	540
		4	323	316	309	302	295
Red Alder	RA	1	166	159	152	145	138
Black Cottonwood	BC	1	164	157	150	143	136
Other Hardwood	OH	1	84	77	70	63	56
Hardwood Utility	HU	1	115	108	101	94	87



Conifer Utility	CU	1	54	47	40	33	26
RC Shake Blocks	RCS	1	774	767	760	753	746
RC Shingle Blocks	RCF	1	166	159	152	145	138
RC & Other Posts <sup>4</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>5</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>5</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

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

<sup>2</sup> Includes Alaska-Cedar.

<sup>3</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>4</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>5</sup> Stumpage value per lineal foot.

**TABLE 3—Stumpage Value Table**  
**Stumpage Value Area 3**  
 January 1 through June 30, 1994

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$903	\$896	\$889	\$882	\$875
		2	847	840	833	826	819
		3	809	802	795	788	781
		4	595	588	581	574	567
Western Redcedar <sup>3</sup>	RC	1	1122	1115	1108	1101	1094
		2	1122	1115	1108	1101	1094
		3	595	588	581	574	567
		4	569	562	555	548	541
Western Hemlock <sup>4</sup>	WH	1	514	507	500	493	486
		2	484	477	470	463	456
		3	464	457	450	443	436
		4	264	257	250	243	236
Other Conifer	OC	1	514	507	500	493	486
		2	484	477	470	463	456
		3	464	457	450	443	436
		4	264	257	250	243	236
Red Alder	RA	1	166	159	152	145	138
Black Cottonwood	BC	1	164	157	150	143	136
Other Hardwood	OH	1	84	77	70	63	56
Hardwood Utility	HU	1	115	108	101	94	87
Conifer Utility	CU	1	54	47	40	33	26
RC Shake Blocks	RCS	1	774	767	760	753	746
RC Shingle Blocks	RCF	1	166	159	152	145	138
RC & Other Posts <sup>5</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>6</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>6</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

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

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>6</sup> Stumpage value per lineal foot.

**TABLE 4—Stumpage Value Table**  
**Stumpage Value Area 4**  
 January 1 through June 30, 1994

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$908	\$901	\$894	\$887	\$880
		2	785	778	771	764	757
		3	755	748	741	734	727
		4	595	588	581	574	567
Lodgepole Pine	LP	1	239	232	225	218	211
Ponderosa Pine	PP	1	757	750	743	736	729
		2	409	402	395	388	381
Western Redcedar <sup>3</sup>	RC	1	1088	1081	1074	1067	1060
		2	1088	1081	1074	1067	1060
		3	581	574	567	560	553
		4	429	422	415	408	401
Western Hemlock <sup>4</sup>	WH	1	514	507	500	493	486
		2	503	496	489	482	475
		3	493	486	479	472	465
		4	397	390	383	376	369
Other Conifer	OC	1	514	507	500	493	486
		2	503	496	489	482	475
		3	493	486	479	472	465
		4	397	390	383	376	369
Red Alder	RA	1	166	159	152	145	138
Black Cottonwood	BC	1	164	157	150	143	136
Other Hardwood	OH	1	84	77	70	63	56
Hardwood Utility	HU	1	115	108	101	94	87
Conifer Utility	CU	1	54	47	40	33	26
RC Shake Blocks	RCS	1	774	767	760	753	746
RC Shingle Blocks	RCF	1	166	159	152	145	138
RC & Other Posts <sup>5</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>6</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>6</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

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

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>6</sup> Stumpage value per lineal foot.

**TABLE 5—Stumpage Value Table**  
**Stumpage Value Area 5**  
 January 1 through June 30, 1994

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$900	\$893	\$886	\$879	\$872
		2	853	846	839	832	825
		3	614	607	600	593	586
		4	554	547	540	533	526

Lodgepole Pine	LP	1	239	232	225	218	211
Ponderosa Pine	PP	1	757	750	743	736	729
		2	409	402	395	388	381
Western Redcedar <sup>3</sup>	RC	1	1014	1007	1000	993	986
		2	968	961	954	947	940
		3	604	597	590	583	576
		4	365	358	351	344	337
Western Hemlock <sup>4</sup>	WH	1	525	518	511	504	497
		2	525	518	511	504	497
		3	398	391	384	377	370
		4	327	320	313	306	299
Other Conifer	OC	1	525	518	511	504	497
		2	525	518	511	504	497
		3	398	391	384	377	370
		4	327	320	313	306	299
Red Alder	RA	1	166	159	152	145	138
Black Cottonwood	BC	1	164	157	150	143	136
Other Hardwood	OH	1	84	77	70	63	56
Hardwood Utility	HU	1	115	108	101	94	87
Conifer Utility	CU	1	54	47	40	33	26
RC Shake Blocks	RCS	1	774	767	760	753	746
RC Shingle Blocks	RCF	1	166	159	152	145	138
RC & Other Posts <sup>5</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>6</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>6</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

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

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>6</sup> Stumpage value per lineal foot.

TABLE 6—Stumpage Value Table

## Stumpage Value Area 6

January 1 through June 30, 1994

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$675	\$668	\$661	\$654	\$647
Engelmann Spruce	ES	1	237	230	223	216	209
Lodgepole Pine	LP	1	239	232	225	218	211
Ponderosa Pine	PP	1	757	750	743	736	729
		2	409	402	395	388	381
Western Redcedar <sup>3</sup>	RC	1	544	537	530	523	516
True Firs <sup>4</sup>	WH	1	221	214	207	200	193
Western White Pine	WP	1	435	428	421	414	407
Hardwoods	OH	1	25	18	11	4	1
Utility	CU	1	50	43	36	29	22
RC Shake & Shingle Blocks	RCF	1	152	145	138	131	124
LP & Other Posts <sup>5</sup>	LPP	1	0.35	0.35	0.35	0.35	0.35

Pine Christmas Trees <sup>6</sup>	PX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>7</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25

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

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>6</sup> Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.

<sup>7</sup> Stumpage value per lineal foot.

TABLE 7—Stumpage Value Table

## Stumpage Value Area 7

January 1 through June 30, 1994

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$394	\$387	\$380	\$373	\$366
Engelmann Spruce	ES	1	294	287	280	273	266
Lodgepole Pine	LP	1	294	287	280	273	266
Ponderosa Pine	PP	1	671	664	657	650	643
		2	444	437	430	423	416
Western Redcedar <sup>3</sup>	RC	1	544	537	530	523	516
True Firs <sup>4</sup>	WH	1	294	287	280	273	266
Western White Pine	WP	1	594	587	580	573	566
Hardwoods	OH	1	25	18	11	4	1
Utility	CU	1	50	43	36	29	22
RC Shake & Shingle Blocks	RCF	1	152	145	138	131	124
LP & Other Posts <sup>5</sup>	LPP	1	0.35	0.35	0.35	0.35	0.35
Pine Christmas Trees <sup>6</sup>	PX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>7</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25

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

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>6</sup> Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.

<sup>7</sup> Stumpage value per lineal foot.

TABLE 8—Stumpage Value Table

## Stumpage Value Area 10

January 1 through June 30, 1994

Stumpage Values per Thousand Board Feet Net Scribner Log Scale<sup>1</sup>

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir <sup>2</sup>	DF	1	\$894	\$887	\$880	\$873	\$866
		2	771	764	757	750	743
		3	741	734	727	720	713

		4	581	574	567	560	553
Lodgepole Pine	LP	1	239	232	225	218	211
Ponderosa Pine	PP	1	757	750	743	736	729
		2	409	402	395	388	381
Western Redcedar <sup>3</sup>	RC	1	1074	1067	1060	1053	1046
		2	1074	1067	1060	1053	1046
		3	567	560	553	546	539
		4	415	408	401	394	387
Western Hemlock <sup>4</sup>	WH	1	500	493	486	479	472
		2	489	482	475	468	461
		3	479	472	465	458	451
		4	383	376	369	362	355
Other Conifer	OC	1	500	493	486	479	472
		2	489	482	475	468	461
		3	479	472	465	458	451
		4	383	376	369	362	355
Red Alder	RA	1	152	145	138	131	124
Black Cottonwood	BC	1	150	143	136	129	122
Other Hardwood	OH	1	70	63	56	49	42
Hardwood Utility	HU	1	101	94	87	80	73
Conifer Utility	CU	1	40	33	26	19	12
RC Shake Blocks	RCS	1	774	767	760	753	746
RC Shingle Blocks	RCF	1	166	159	152	145	138
RC & Other Posts <sup>5</sup>	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees <sup>6</sup>	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees <sup>6</sup>	TFX	1	0.50	0.50	0.50	0.50	0.50

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

<sup>2</sup> Includes Western Larch.

<sup>3</sup> Includes Alaska-Cedar.

<sup>4</sup> Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."

<sup>5</sup> Stumpage value per 8 lineal feet or portion thereof.

<sup>6</sup> Stumpage value per lineal foot.

[Statutory Authority: RCW 84.33.091, 84.32.300 [82.32.300] and 84.33.096. 94-02-047, § 458-40-660, filed 12/30/93, effective 1/1/94; 93-14-051, § 458-40-660, filed 6/30/93, effective 7/1/93; 93-02-025, § 458-40-660, filed 12/31/92, effective 1/1/93; 92-14-083, § 458-40-660, filed 6/29/92, effective 7/1/92; 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 may apply to the department for adjustment in stumpage values. Such applications shall contain a map with the legal descriptions of the area, a description of the damage sustained by the timber with an evaluation of the extent to which the stumpage values have been materially reduced from the values shown in the applicable tables, and a list of estimated additional costs to be incurred resulting from the removal of the damaged timber. Such applications must be received by the department before the harvest commences. Upon receipt of such application, the department will determine the amount of adjustment allowed and notify the harvester. In the event the extent of the damage or additional costs is not known at the time the application is filed, the harvester may provide relevant information to the department for a period not exceeding 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, 1994:

**TABLE 1—Harvest Adjustment Table**  
**Stumpage Value Areas 1, 2, 3, 4, 5, and 10**  
**January 1 through June 30, 1994**

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
<b>I. Volume per acre</b>		
Class 1	Harvest of more than 40 thousand board feet per acre.	\$0.00
Class 2	Harvest of 20 thousand board feet to 40 thousand board feet per acre.	- \$4.00
Class 3	Harvest of 10 thousand board feet to but not including 20 thousand board feet per acre.	- \$7.00
Class 4	Harvest of 5 thousand board feet to but not including 10 thousand board feet per acre.	- \$9.00
Class 5	Harvest of less than 5 thousand board feet per acre.	- \$10.00
<b>II. Logging conditions</b>		
Class 1	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.	- \$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
<b>III. Remote island adjustment:</b>		
	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.	- \$125.00

**TABLE 2—Harvest Adjustment Table  
Stumpage Value Areas 6 and 7  
January 1 through June 30, 1994**

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
<b>I. Volume per acre</b>		
Class 1	Harvest of more than 8 thousand board feet per acre.	\$0.00
Class 2	Harvest of 3 thousand board feet to 8 thousand board feet per acre.	- \$7.00
Class 3	Harvest of less than 3 thousand board feet per acre.	- \$10.00
<b>II. Logging conditions</b>		
Class 1	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
<b>III. Remote island adjustment:</b>		
	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, and Other Nonfederal, Public 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 Administrative 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	\$0.00 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, 84.32.300 [82.32.300] and 84.33.096. 94-02-047, § 458-40-670, filed 12/30/93, effective 1/1/94; 93-14-051, § 458-40-670, filed 6/30/93, effective 7/1/93; 93-02-025, § 458-40-670, filed 12/31/92, effective 1/1/93; 92-14-083, § 458-40-670, filed 6/29/92, effective 7/1/92; 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.]

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

**Chapters****460-24A Investment advisers.**

### Chapter 460-24A WAC INVESTMENT ADVISERS

**WAC**

460-24A-150 Performance compensation arrangements.

**WAC 460-24A-150 Performance compensation arrangements.** An investment adviser may, without violating RCW 21.20.030(1), enter into a performance compensation arrangement with a customer that complies with Securities and Exchange Commission Rule 205-3, as made effective in Release No. IA-996, under the Investment Advisers Act of 1940. Rule 205-3 is found in the CCH Federal Securities Law Reports published by Commerce Clearing House. Copies of the rule are also available at the office of the securities administrator.

[Statutory Authority: RCW 21.20.450 and 1993 c 114. 93-20-012, § 460-24A-150, filed 9/23/93, effective 10/24/93.]

## Title 463 WAC ENERGY FACILITY SITE EVALUATION COUNCIL (Formerly: Thermal Power Plant Evaluation Council)

**Chapters**

### 463-30 Procedure—Adjudicative proceedings. 463-39 General and operating permit regulations for air pollution sources.