

Registered sex and kidnapping offenders who change residence from one county to another are required to send written notice fourteen days before moving to the county sheriff in the new county residence and must register with that county sheriff within twenty-four hours of moving. The offender must send a "change of address" form within ten days of moving in the new county to the county sheriff with whom the offender last registered.

Registered sex and kidnapping offenders who move to another state or county must send a "change of address" form ten days before moving to the new state or county to the county sheriff with whom the offender last registered in Washington state.

County sheriffs must forward "change of address" forms to the Washington state patrol identification and criminal history section within five working days upon receipt.

[Statutory Authority: RCW 4.24.550, 9A.44.130, [9A.44.]140, 10.02.200, 43.43.540 and 70.48.470. 98-01-021, § 446-20-525, filed 12/8/97, effective 1/8/98. Statutory Authority: 1990 c 3. 90-20-003 (Order 90-003), § 446-20-525, filed 9/20/90, effective 10/21/90.]

WAC 446-20-530 Refundable fee. Agencies are to bill the Washington state patrol identification and criminal history section for the actual registration cost not to exceed thirty-two dollars for each registration which shall include photographs and fingerprints submitted pursuant to RCW 9A.44.130. This fee will further ensure that direct and indirect costs at the county level associated with the provisions of this chapter are refunded by the Washington state patrol identification and criminal history section on a monthly basis upon receipt of an invoice from the county sheriff indicating the number of registrations submitted.

[Statutory Authority: Chapters 10.97 and 43.43 RCW. 97-05-048, § 446-20-530, filed 2/18/97, effective 3/21/97. Statutory Authority: RCW 10.97.090. 91-24-099 (Order 91-004), § 446-20-530, filed 12/4/91, effective 1/4/92. Statutory Authority: 1990 c 3. 90-20-003 (Order 90-003), § 446-20-530, filed 9/20/90, effective 10/21/90.]

Title 458 WAC REVENUE, DEPARTMENT OF

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Chapter 458-10 WAC

ACCREDITATION OF REAL PROPERTY APPRAISERS

WAC

458-10-010	Accreditation of real property appraisers—Implementation—Definitions.
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WAC 458-10-010 Accreditation of real property appraisers—Implementation—Definitions. (1) **Implementation of accreditation requirements.** The rules in this chapter implement the provisions of chapter 36.21 RCW dealing with the accreditation of persons responsible for valuing real property for purposes of taxation. To the extent practical, these rules coordinate accreditation requirements with the requirements for certified and licensed real estate appraisers under chapter 18.140 RCW. The purpose of these rules is to promote uniformity and consistency throughout the state in the education and experience qualifications and maintain minimum standards of competence and conduct of persons responsible for valuing real property for purposes of taxation.

(2) **Accreditation required for persons valuing real property for purposes of taxation.** Any person responsible for valuing real property for purposes of taxation must be an accredited appraiser. This requirement includes persons acting as assistants or deputies to a county assessor who determine real property values or review appraisals prepared by others. This requirement does not apply to persons working in the county assessor's office who do not exercise appraisal judgment with respect to real property.

(3) **Definitions.** Unless the context clearly requires otherwise, the following definitions apply throughout chapter 458-10 WAC:

(a) "Accreditation" means the act or process by which persons are authorized by the department to assess real property for purposes of taxation and includes the status of being accredited.

(b) "Accredited appraiser" means a person who has successfully completed and fulfilled all requirements imposed by the department for accreditation and who has a currently valid accreditation certificate.

(c) "Appraisal" means the act or process of estimating the value of real property; an estimate of value of real property; or of or pertaining to appraising real property and related functions.

(d) "Assessment" means the act or process of estimating the value of real property for purposes of taxation only; an estimate of value of real property for purposes of taxation only; or of or pertaining to assessing real property and related functions.

(e) "Classroom hour" means a minimum of fifty minutes out of each sixty-minute hour spent attending an approved course.

(f) "Department" means the department of revenue.

(g) "IAAO" means the International Association of Assessing Officers.

(h) "Real property" means an identified parcel or tract of land, including any improvements, and includes one or more defined interests, benefits, or rights inherent in the ownership of real estate.

(i) "Transactions involving real property" means any of the following:

(i) The sale, lease, purchase, investment in, or exchange of real property, including interests in property or the financing thereof;

(ii) The refinancing of real property or interests in real property; or

(iii) The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

[Statutory Authority: RCW 36.21.015, 84.08.010 and 84.08.070. 97-08-068, § 458-10-010, filed 4/1/97, effective 5/2/97.]

WAC 458-10-020 Application for accreditation. (1)

Prerequisite to application—Experience. Prior to applying for accreditation, applicants must have had at least one year of experience related to the items listed in this subsection. The requisite experience may include hours worked during the preceding two years but must include a minimum of one thousand hours worked in a minimum time period of twelve months. The work experience must be directly connected with the following:

(a) Transactions involving real property;

(b) Appraisal of real property;

(c) Assessment of real property; or

(d) A combination of (a), (b), and (c) of this subsection.

(2) **Prerequisite to application—Knowledge.** Prior to applying for accreditation, applicants must be knowledgeable in:

(a) Repair and remodeling of buildings and improvement of land;

(b) The significance of locality and area to the value of real property; and

(c) The standards for appraising real property established by the department. (See WAC 458-10-060.)

(3) **Application procedure.** Any person desiring to be an accredited appraiser must complete an "Application for Accreditation" form and submit it to the property tax division of the department. The department shall review the application and verify that the applicant meets the qualifications prescribed by chapter 36.21 RCW and chapter 458-10 WAC, including either passing the accreditation examination or qualifying for a waiver of or exemption from the examination. Upon completion of review and verification, the department shall, as appropriate, issue an accreditation certificate, reject the application and give the reason or reasons for the rejection, or notify the applicant of any further requirements prior to issuing an accreditation certificate. Forms shall be prepared by and are available from the property tax division of the department.

[Statutory Authority: RCW 36.21.015, 84.08.010 and 84.08.070. 97-08-068, § 458-10-020, filed 4/1/97, effective 5/2/97.]

WAC 458-10-030 Accreditation examination—Prerequisites—Waiver or exemption—Reexamination.

(1) **Prerequisites to taking examination.** Any person desiring to take the accreditation examination must complete a "Request for Administration of Appraiser Examination" form and submit it to the property tax division of the department. As a prerequisite to taking the examination for accreditation an applicant shall submit evidence to the department that he or she has successfully completed at least thirty classroom hours of courses approved by the department in the basic principles of real property appraising. These courses must have been completed within two years of the date the evidence is submitted to the department. Course content required prior to taking the accreditation examination must include coverage of basic principles of real property appraisal or related topics such as, but not limited to:

(a) Influences on real property value;

(b) Legal considerations in appraisal;

(c) Types of value;

(d) Economic principles;

(e) Real estate markets and analysis;

(f) Valuation process;

(g) Property description;

(h) Highest and best use analysis;

(i) Appraisal math and statistics;

(j) Sales comparison approach;

(k) Site value;

(l) Cost approach;

(m) Income approach, including:

(i) Gross rent multiplier analysis;

(ii) Estimation of income and expenses;

(iii) Operating expense ratios; and

(iv) Direct capitalization;

(n) Valuation of partial interests; and

(o) Washington state property tax law.

(2) **Examination required unless waived—Passing score.** No person shall assess real property for purposes of taxation without passing the accreditation examination or without receiving an examination waiver under subsection (4) of this section or without meeting the requirements set out in subsection (6) of this section. A minimum score of seventy is required to pass the accreditation examination.

(3) **Accreditation examination—Fee.** The accreditation examination shall be prepared and administered by the department on subjects related to the valuation of real property. In preparing the examination, the department may request assistance from an advisory committee made up of assessors, assessor's appraisal staff, other qualified appraisers, or persons from the department of personnel. In administering the test, the department may contract with others to supervise the examination of applicants. An appropriate fee to cover the costs of such supervision must be paid by the applicant at the time of application.

(4) **Waiver of examination requirement.** The department shall waive the accreditation examination requirement for those persons who provide adequate evidence of any one of the following:

(a) The person has either attended a presentation of IAAO Course 1, or its equivalent, and successfully passed the course examination or successfully passed the course examination without having attended the presentation of the course;

(b) The person is currently certified or licensed as a real estate appraiser under chapter 18.140 RCW, the Certified Real Estate Appraiser Act; or

(c) The person has sufficient education and experience that is the equivalent of passing the accreditation examination. For purposes of this section, sufficient education means successfully completing a minimum of seventy-five classroom hours of courses approved by the department in the basic principles of real property appraising, and sufficient experience means a minimum of two years (twenty-four months), and not less than two thousand hours, of experience appraising real property.

(5) **Procedure for requesting a waiver.** An applicant may request a waiver of the accreditation examination requirement by completing an "Application for Accreditation" form and submitting it to the property tax division of the department. The department shall determine if the applicant has shown the necessary qualifications that are the equivalent of passing the examination. The department may require additional documentation or verification from the applicant's employer(s) or others in making this determination.

(6) **Exemption from examination requirement.** Accreditation examination requirements shall not apply to persons who have either:

(a) Been certified as a real property appraiser by the department of personnel prior to July 1, 1992; or

(b) Attended and satisfactorily completed the assessor's school operated jointly by the department and the Washington state assessors association prior to August 9, 1971.

(7) **Reexamination.** An applicant who has failed the accreditation examination, or failed to appear for a scheduled examination, may apply for reexamination or examination by submitting a new "Request for Administration of Appraiser Examination" form not less than sixty days from the date the examination was administered. No additional fee is required for one reexamination or one rescheduled examination.

[Statutory Authority: RCW 36.21.015, 84.08.010 and 84.08.070. 97-08-068, § 458-10-030, filed 4/1/97, effective 5/2/97.]

WAC 458-10-040 Accreditation certificate. (1) **Requirements for issuance of accreditation certificate.** The department shall issue an accreditation certificate to any applicant who meets the requirements of WAC 458-10-020 and who satisfies one of the following:

(a) Successfully passes the accreditation examination;

(b) Has received a waiver of the examination from the department under WAC 458-10-030(4); or

(c) Is exempt from the examination requirement under WAC 458-10-030(6).

(2) **Certificate duration.** An accreditation certificate is valid for two years from the date issued.

[Statutory Authority: RCW 36.21.015, 84.08.010 and 84.08.070. 97-08-068, § 458-10-040, filed 4/1/97, effective 5/2/97.]

WAC 458-10-050 Continuing education requirements—Appraisal practice and ethics. (1) **Renewal of accreditation certificate.** An accredited appraiser desiring to renew his or her accreditation certificate must complete a renewal application and submit it to the property tax division of the department at least two weeks prior to the expiration

date of the certificate. In order to receive a renewal of the certificate, the applicant must provide proof that he or she has attended a minimum of fifteen classroom hours of approved instruction within the two years preceding the expiration date of the certificate.

(2) **Extensions of time for renewal.** An applicant may request an extension of time to submit the renewal application and complete the continuing education requirements if the request is submitted prior to the expiration date of the certificate. The time extension shall only be approved upon a showing of good cause by the applicant and only for a maximum time period of three months from the original expiration date of the certificate. Good cause may include, but is not limited to, a showing of long-term illness or extended absence from work for valid reasons. Excessive workload, insufficient funds, lack of budget allocation, or other similar reasons are not satisfactory to show good cause.

(3) **Preapproval of courses.** All courses, seminars, or workshops must be preapproved by the department in order to be applied toward the continuing education requirement. The department shall use the following criteria to approve courses, seminars, or workshops:

(a) Any course, seminar, or workshop directly related to real property appraising and offered by qualified personnel shall be approved for the full number of classroom hours involved; and

(b) Any seminar or workshop directly related to a topic or topics of general interest to an assessor's office and offered by qualified personnel shall be approved for a maximum of three classroom hours. No more than three hours out of the fifteen classroom hours required may be on a topic or topics of general interest to an assessor's office.

(4) **Course examination not required.** No examination is required for courses, seminars, or workshops taken to satisfy the requirement for continuing education classroom hours.

(5) **Participation in education other than as a student.** The continuing education requirement may be satisfied by participating other than as a student in educational process and programs approved by the department including teaching, program development, and authorship of textbooks or other written instructional materials. Approval of the number of classroom hours shall be based upon the subject matter and time spent in preparation or development of the training or materials. In order to meet the continuing education requirement in this manner, the following criteria must be met:

(a) Textbook, course, or presentation materials must originate with and be developed by the textbook or course author or the presenter;

(b) The textbook or course author or presenter must provide the department with a description of the work involved in preparing the textbook, course, or presentation, together with the amount of time spent in preparation and amount of time, if any, proposed to be spent in actual training or presenting;

(c) The course author or presenter must provide the department with a copy of the course or presentation outline showing the amount of time allotted to each topic covered in the course or presentation.

(6) **Topics covered.** Courses, seminars, or workshops taken to satisfy the continuing education requirement for accredited appraisers must cover topics related to real property appraisal, such as:

- (a) Ad valorem taxation;
 - (b) Arbitrations;
 - (c) Business courses related to practice of real estate;
 - (d) Construction estimating;
 - (e) Ethics and standards of professional practice;
 - (f) Land use planning, zoning, and taxation;
 - (g) Property development;
 - (h) Real estate law;
 - (i) Real property exchange;
 - (j) Real property computer applications;
 - (k) Mass appraisal;
 - (l) Geographic information systems (GIS);
 - (m) Levy process;
 - (n) Boards of equalization; and
 - (o) Other subjects as are approved by the department.
- (7) **Same or similar content.**

(a) No applicant shall receive approval from the department for courses taken within any five-year time period that have the same or very similar content and are deemed comparable by the department, even if the course providers are different.

(b) Applicants who request approval from the department for continuing education hours for preparation and development of textbook, course, or presentation materials that have previously been approved by the department must provide sufficient information and explanation to indicate how the materials differ from the original approved materials and how much preparation and time was involved in the revision of the original materials.

(8) **Carry-over of classroom hours.** A maximum of five continuing education classroom hours may be carried over and applied to the following two-year period of accreditation.

(9) **Education requirement for standards of appraisal practice and ethics.** Each accredited appraiser is required to successfully complete fifteen classroom hours of a course or courses approved by the department in standards of appraisal practice and ethics. If the course or courses have not been successfully completed at the time an applicant is accredited, the course or courses attended to satisfy this requirement may also be used to satisfy the general continuing education requirement and are not in addition to the fifteen hours of continuing education required to be satisfied every two years. The requirement for successful completion of fifteen classroom hours in standards of appraisal practice and ethics must be satisfied in any one of the following three ways:

(a) An accredited appraiser had successfully completed the fifteen classroom hours of a course or courses at the time he or she was initially accredited, and can provide proof to the department of such successful completion;

(b) An accredited appraiser who has not yet successfully completed the fifteen hours of such course or courses must do so within three years of the effective date of this rule; or

(c) An applicant for accreditation must either:

(i) Have successfully completed fifteen hours of such course or courses within three years prior to the date of application; or

(ii) Successfully complete fifteen hours of such course or courses within three years of the date of accreditation.

(10) **Failure to comply with continuing education requirements.** Any accredited appraiser whose accreditation certificate has expired, and who has not received an extension of time under subsection (2) of this section, is prohibited from appraising real property for purposes of taxation. After the certificate has expired, an applicant must show the following in order to renew the certificate:

(a) For a certificate that expired less than two years prior to the date the renewal application is submitted, an applicant must show that he or she has satisfied the fifteen classroom hours of continuing education requirement within the previous two years. Any application submitted within two years of the certificate expiration that fails to satisfy the continuing education requirement will be denied.

(b) For a certificate that expired more than two years prior to the date the renewal application is submitted, the application will be treated as a new application for accreditation and in addition, the applicant will be required to show that he or she has satisfied thirty classroom hours of continuing education within the previous four years.

[Statutory Authority: RCW 36.21.015, 84.08.010 and 84.08.070. 97-08-068, § 458-10-050, filed 4/1/97, effective 5/2/97.]

WAC 458-10-060 Standards of practice. The standards of practice adopted by the department and governing real property appraisal activities by accredited appraisers are the generally accepted appraisal standards as evidenced by the current appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation. A complete text of these appraisal standards is available for viewing during normal working hours at the property tax division of the department.

[Statutory Authority: RCW 36.21.015, 84.08.010 and 84.08.070. 97-08-068, § 458-10-060, filed 4/1/97, effective 5/2/97.]

WAC 458-10-070 Denial, suspension, or revocation of accreditation. (1) **Reasons for denial, suspension, or revocation.** The department may deny, suspend, or revoke the accreditation of any person for any of the following reasons:

(a) Failure to meet the minimum qualifications established for accreditation by the department;

(b) Failure to pass the accreditation examination or to meet examination waiver or exemption requirements;

(c) Knowingly providing false information on application forms; or

(d) Failure to comply with continuing education requirements, including requirements regarding appraisal standards and ethics.

(2) **Notification of denial, suspension, or revocation—Appeal.** Notification of denial, suspension, or revocation by the department shall be in writing to the applicant at the applicant's last known address and, if the applicant is currently employed in an assessor's office, to the assessor. Any appeal by an applicant or accredited appraiser of the denial, suspension, or revocation of accreditation must be

made in writing to the assistant director of the property tax division of the department.

[Statutory Authority: RCW 36.21.015, 84.08.010 and 84.08.070. 97-08-068, § 458-10-070, filed 4/1/97, effective 5/2/97.]

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

WAC

458-12-130	Repealed.
458-12-185	Repealed.
458-12-340	Repealed.
458-12-341	Repealed.
458-12-345	Repealed.
458-12-355	Repealed.
458-12-365	Repealed.
458-12-370	Repealed.
458-12-375	Repealed.
458-12-385	Repealed.

DISPOSITION OF SECTIONS FORMERLY
CODIFIED IN THIS CHAPTER

458-12-130	Situs of personalty—Migratory stock. [Order PT 68-6, § 458-12-130, filed 4/29/68.] Repealed by 97-21-004, filed 10/1/97, effective 11/1/97. Statutory Authority: RCW 84.08.070.
458-12-185	Listing of property—Public lands—Airports, bridges, consulates owned by foreign municipalities. [Order PT 68-6, § 458-12-185, filed 4/29/68.] Repealed by 97-21-004, filed 10/1/97, effective 11/1/97. Statutory Authority: RCW 84.08.070.
458-12-340	Assessment and evaluation—Property assessed as of January 1st. [Order PT 68-6, § 458-12-340, filed 4/29/68.] Repealed by 97-21-004, filed 10/1/97, effective 11/1/97. Statutory Authority: RCW 84.08.070.
458-12-341	100% assessment ratio. [Order PT 74-6, § 458-12-341, filed 9/11/74; Order PT 69-2, § 458-12-395 (codified as WAC 458-12-341), filed 8/28/69.] Repealed by 97-21-004, filed 10/1/97, effective 11/1/97. Statutory Authority: RCW 84.08.070.
458-12-345	Assessment and evaluation—Reforestation lands. [Order PT 68-6, § 458-12-345, filed 4/29/68.] Repealed by 97-21-004, filed 10/1/97, effective 11/1/97. Statutory Authority: RCW 84.08.070.
458-12-355	Assessment and evaluation—Assessment of classes of property to be uniform within the taxing district. [Order PT 68-6, § 458-12-355, filed 4/29/68.] Repealed by 97-21-004, filed 10/1/97, effective 11/1/97. Statutory Authority: RCW 84.08.070.
458-12-365	Levy. [Order PT 68-6, § 458-12-365, filed 4/29/68.] Repealed by 97-21-004, filed 10/1/97, effective 11/1/97. Statutory Authority: RCW 84.08.070.
458-12-370	Levy—Duty of assessor. [Order PT 68-6, § 458-12-370, filed 4/29/68.] Repealed by 97-21-004, filed 10/1/97, effective 11/1/97. Statutory Authority: RCW 84.08.070.
458-12-375	Levy—Prorating 40 mill law. [Order PT 68-6, § 458-12-375, filed 4/29/68.] Repealed by 97-21-004, filed 10/1/97, effective 11/1/97. Statutory Authority: RCW 84.08.070.
458-12-385	State levy. [Order PT 74-6, § 458-12-385, filed 9/11/74; Order PT 68-6, § 458-12-385, filed 4/29/68.] Repealed by 97-21-004, filed 10/1/97, effective 11/1/97. Statutory Authority: RCW 84.08.070.

WAC 458-12-130 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-12-185 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-12-340 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-12-341 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-12-345 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-12-355 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-12-365 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-12-370 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-12-375 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-12-385 Repealed. See Disposition Table at beginning of this chapter.

Chapter 458-18 WAC
PROPERTY TAX—ABATEMENTS, CREDITS,
DEFERRALS AND REFUNDS

WAC

458-18-210	Refunds—Procedure—Interest.
458-18-220	Refunds—Rate of interest.

WAC 458-18-210 Refunds—Procedure—Interest.
(1) Refunds provided for by chapter 84.69 RCW are made by one of the following two methods:

(a) The county legislative authority acts upon its own motion and orders a refund; or

(b) The taxpayer files a claim for refund with the county. This claim shall:

(i) Be verified by the person who paid the tax, his guardian, executor or administrator; and

(ii) Be filed within three years after the payment sought to be refunded was made; and

(iii) State the statutory ground upon which the refund is claimed.

(2) All claims for refunds must be certified as correct by the county assessor and treasurer and not be refunded until so ordered by the county legislative authority.

(3) For all refunds, the rate of interest is set out in WAC 458-18-220. The rate of interest is based upon the date the taxes were paid.

(4) Except as provided in subsections (5) and (6) of this section, the interest shall accrue from the time the taxes were paid until the refund is made.

(5) Refunds on a state, county or district-wide basis shall not commence to accrue interest until six months following the date of the final order of the court.

(6) Refunds may be made without interest within sixty days after the date of payment if:

(a) Paid more than once; or

(b) The amount paid exceeds the amount due on the property as shown on the tax roll.

[Statutory Authority: RCW 84.08.010, 84.08.070, 84.69.030, 84.69.100 and 84.69.150. 98-01-176, § 458-18-210, filed 12/23/97, effective 1/1/98. Statutory Authority: RCW 84.69.100 as amended by 1987 c 319 and 84.08.010(2). 87-19-141 (Order PT 87-7), § 458-18-210, filed 9/23/87.]

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. The rate thus determined shall be applied to the amount of the judgment or the amount of the refund, until paid:

Year tax paid	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%
1994	1993	3.19%
1995	1994	4.92%
1996	1995	5.71%
1997	1996	5.22%
1998	1997	5.14%

[Statutory Authority: RCW 84.08.010, 84.08.070 and 84.69.100. 98-01-177, § 458-18-220, filed 12/23/97, effective 1/1/98; 97-02-068, § 458-18-220, filed 12/31/96, effective 1/1/97; 96-01-093, § 458-18-220, filed 12/19/95, effective 1/1/96; 95-06-044, § 458-18-220, filed 2/24/95, effective 3/27/95; 94-05-063, § 458-18-220, filed 2/11/94, effective 3/14/94. 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 and tax reporting.
458-20-104	Small business tax relief based on volume of business.
458-20-137	Repealed.

458-20-14601	Financial institutions—Income apportionment.
458-20-174	Sales of motor vehicles, trailers, and parts to motor carriers operating in interstate or foreign commerce.
458-20-17401	Use tax liability for motor vehicles, trailers, and parts used by motor carriers operating in interstate or foreign commerce.
458-20-184	Repealed.
458-20-253	Repealed.
458-20-263	Wind energy and solar electric generating facilities sales and use tax exemption.

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

458-20-137	Articles manufactured and installed. [Statutory Authority: RCW 82.32.300. 83-07-034 (Order ET 83-17), § 458-20-137, filed 3/15/83; Order ET 70-3, § 458-20-137 (Rule 137), filed 5/29/70, effective 7/1/70.] Repealed by 98-01-111, filed 12/18/97, effective 1/18/98. Statutory Authority: RCW 82.32.300.
458-20-184	Tax on conveyances repealed. [Statutory Authority: RCW 82.32.300. 87-19-007 (Order ET 87-5), § 458-20-184, filed 9/8/87; 83-07-033 (Order ET 83-16), § 458-20-184, filed 3/15/83; Order ET 70-3, § 458-20-184 (Rule 184), filed 5/29/70, effective 7/1/70.] Repealed by 97-21-022, filed 10/7/97, effective 11/7/97. Statutory Authority: RCW 82.32.300.
458-20-253	Mobile homes and mobile home park fee. [Statutory Authority: RCW 82.32.300. 89-21-002, § 458-20-253, filed 10/5/89, effective 11/5/89; 89-01-033 (Order 88-8), § 458-20-253, filed 12/13/88.] Repealed by 98-01-111, filed 12/18/97, effective 1/18/98. Statutory Authority: RCW 82.32.300.

WAC 458-20-101 Tax registration and tax reporting. (1) **Introduction.** This section explains tax registration and tax reporting requirements for the Washington state department of revenue as established in RCW 82.32.030 and 82.32.045. These statutes were amended by chapter 111, Laws of 1996, effective July 1, 1996. This section discusses who is required to be registered, and who must file excise tax returns. This section also discusses changes in ownership requiring a new registration, the administrative closure of taxpayer accounts, and the revocation and reinstatement of a tax reporting account with the department of revenue. Persons required to file tax returns should also refer to WAC 458-20-104 (Small business tax relief based on volume of business).

(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 or fee, shall apply for and obtain a tax registration endorsement with the department of revenue. (See RCW 82.32.030.) 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 all of the following conditions are met:

(i) The person's value of products, gross proceeds of sales, or gross income of the business, from all business activities taxable under chapter 82.04 RCW (business and

occupation tax), is less than twelve thousand dollars per year;

(ii) A person's gross income from all business activities taxable under chapter 82.16 RCW (public utility tax), is less than twelve thousand dollars per year;

(iii) The person is not required to collect or pay to the department of revenue retail sales tax or any other tax or fee which the department is authorized to administer and/or collect; and

(iv) 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) The term "person" has the meaning given in RCW 82.04.030.

(d) The term "tax reporting account number" as used in this section, is the number used to identify persons registered with the department of revenue.

(3) **Requirement to file tax returns.** Persons registered with the department must file tax returns and remit the appropriate taxes to the department, unless they are placed on an "active nonreporting" status by the department.

(a) The department may relieve any person of the requirement to file returns by placing the person in an active nonreporting status if all of the following conditions are met:

(i) The person's value of products (RCW 82.04.450), gross proceeds of sales (RCW 82.04.070), or gross income of the business (RCW 82.04.080), from all business activities taxable under chapter 82.04 RCW (business and occupation tax), is less than twenty-four thousand dollars per year;

(ii) The person's gross income (RCW 82.16.010) from all business activities taxable under chapter 82.16 RCW (public utility tax), is less than twenty-four thousand dollars per year; and

(iii) The person is not required to collect or pay to the department retail sales tax or any other tax or fee the department is authorized to collect.

(b) The department will notify those persons it places on an active nonreporting status. (A person may request to be placed on an active nonreporting status if the conditions of (a) of this subsection are met.)

(c) Persons placed on an active nonreporting status by the department are required to timely notify the department if their business activities do not meet any of the conditions explained in (a) of this subsection. These persons will be removed from an active nonreporting status, and must file tax returns and remit appropriate taxes to the department, beginning with the first period in which they do not qualify for an active nonreporting status.

(d) Persons that have not been placed on an active nonreporting status by the department must continue to file tax returns and remit the appropriate taxes.

(4) **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.

(a) Bob Brown is starting a bookkeeping service. The gross income of the business is expected to be less than twelve thousand dollars per year. 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 twelve thousand dollars per year, he will be required to obtain a tax registration endorsement. If Bob's gross income exceeds twenty-four thousand dollars per year, he will be required to file tax returns and remit the appropriate taxes.

(b) 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 less than twelve thousand dollars per year.

Cindy Smith must apply for and obtain a tax registration endorsement with the department of revenue. While gross income is expected to be less than twelve thousand dollars per year, Cindy Smith is required to collect and remit retail sales tax.

(c) Alice Smith operates a taxi-cab service with an average gross income of eighteen thousand dollars per year. She also owns a management consulting service with an average gross income of fifteen thousand dollars per year. Assume that Alice is not required to collect or pay to the department any other tax or fee the department is authorized to collect. Alice qualifies for an active nonreporting status because her taxi-cab income is less than the twenty-four thousand dollar threshold for the public utility tax, and her consulting income is less than the twenty-four thousand dollar threshold for the business and occupation (B&O) tax. If the department of revenue does not first place her on an active nonreporting status, she may request the department to do so.

(5) **Out-of-state businesses.** The B&O and public utility taxes are imposed on the act or privilege of engaging in business activity within Washington. RCW 82.04.220 and 82.16.020. Out-of-state persons who have established sufficient nexus in Washington to be subject to Washington's B&O or public utility taxes must obtain a tax registration endorsement with this department if they do not satisfy the conditions expressed in subsection (2)(a) of this section. Out-of-state persons required to collect Washington's retail sales or use tax, or who have elected to collect Washington's use tax, even though not statutorily required to do so, must obtain a tax registration endorsement.

(a) Persons with out-of-state business locations should not include income that is disassociated from their in-state activities in their computations for determining whether the gross income thresholds provided in subsection (2)(a)(i) and (ii) are satisfied.

(b) Out-of-state persons making sales into or doing business within Washington should also refer to the following sections of chapter 458-20 WAC for a discussion of their tax reporting responsibilities:

(i) WAC 458-20-103 (Time and place of sale);

(ii) WAC 458-20-193 (Inbound and outbound interstate sales of tangible personal property);

(iii) WAC 458-20-193D (Transportation, communication, public utility activities, or other services in interstate or foreign commerce);

(iv) WAC 458-20-194 (Doing business inside and outside the state); and

(v) WAC 458-20-221 (Collection of use tax by retailers and selling agents).

(6) **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 application enables a person to register or license with several state agencies, including the department of revenue, using a single form. The person will be assigned one unified business identifier number, which will be used for all state agencies participating in the UBI program. The department may assign the unified business identifier number as the taxpayer's revenue tax reporting account number, or it may assign a different or additional number as the revenue tax reporting account number.

(a) Persons completing the master 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) The department of revenue does not charge a registration fee for issuing a tax registration endorsement. Persons required to complete a master application may, however, be subject to other fees.

(c) While the UBI program is administered by the department of licensing, master applications are available at any participating UBI service provider location. The following agencies of the state of Washington participate in the UBI program (see RCW 19.02.050 for a more complete listing of participating agencies):

- (i) The office of the secretary of state;
- (ii) The department of licensing;
- (iii) The department of employment security;
- (iv) The department of labor and industries;
- (v) The department of revenue.

(7) **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 for no more than two events each year with each event lasting no longer than one month; or

(ii) Seasonal dates of operation lasting no longer than three months. However, persons engaging in business activities on a seasonal basis every year should refer to subsection (8) of this section.

(b) Each temporary registration certificate is valid for a single event.

(c) Temporary revenue registration certificates may be obtained by making application at any participating UBI agency office, or by completing a seasonal registration form.

(8) **Seasonal revenue tax reporting accounts.** Persons engaging in seasonal business activities which do not exceed two quarterly reporting periods each calendar year may be

eligible for a tax reporting account with a seasonal reporting status. This is a permanent account until closed by the taxpayer. The taxpayer must specify in which quarterly reporting periods he or she will be engaging in taxable business activities. The quarterly reporting periods in which the taxpayer is engaging in taxable business activities may or may not be consecutive, but the same quarterly period or periods must apply each year. The taxpayer is not required to be engaging in taxable business activities during the entire period.

The department will provide and the taxpayer will be required to file tax returns only for the quarterly reporting periods specified by the taxpayer. Examples of persons which may be eligible for the seasonal reporting status include persons operating Christmas tree and/or fireworks stands. Persons engaging in taxable business activities in more than two quarterly reporting periods in a calendar year will not qualify for the seasonal reporting status.

(9) **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.

(10) **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 or fee, 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 tax reporting account 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 tax reporting account number. A registrations and licenses document will be issued for each tax reporting account number and will represent a separate account.

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

(11) **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 tax reporting account number for tax purposes is prohibited.

(a) A "change in ownership," for purposes of registration, occurs upon but is not limited to:

(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 general partnership continues as a business organization and the change in the composition of the partners is equal to or greater than fifty percent;

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

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

(vi) Changing from a corporation, partnership or sole proprietorship to a limited liability company or a limited liability partnership.

(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 general partnership continues as a business organization and the change in the composition of the 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 new master application may be required to reflect the changes in the registered account.

(12) Change in location. Whenever the place of business is moved to a new location, the taxpayer must notify the department of the change. A new registrations and licenses document will be issued to reflect the change in location.

(13) 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 upon request.

(14) Administrative closure of taxpayer accounts. The department may, upon written notification to the taxpayer, close the taxpayer's tax reporting 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, or the account has been in an active nonreporting status for five years or more.

The taxpayer may request, within thirty days of notification of closure, that the account remain open. A taxpayer may also request that the account remain open on an "active nonreporting" status if the requirements of subsection (3)(a) of this section are met. The request shall be reviewed by the

department and if found to be warranted, the department will immediately reopen the account. The following are acceptable reasons for continuing as an active account:

(a) The taxpayer is 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 or fee which the department is authorized to administer and/or collect.

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

(15) 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 or fee, may request a previously closed account be reopened. The business person must complete a new master application. When an account is reopened a new registrations and licenses document, reflecting a current tax registration endorsement, shall be issued. Persons requesting the reopening of an account which had previously been closed due to a revocation action should refer to subsection (16) of this section.

(16) Revocation and reinstatement of tax registration endorsements. Actions to revoke tax registration endorsements must be conducted by the department pursuant to the provisions of chapter 34.05 RCW, the Administrative Procedure Act, and the taxpayers bill of rights of chapter 82.32A RCW. Persons should refer to WAC 458-20-10001, Adjudicative proceedings—Brief adjudicative proceedings—Wholesale and retail cigarette license revocation/suspension—Certificate of registration (tax registration endorsement) revocation, for an explanation of the procedures and processes pertaining to the revocation of tax registration endorsements.

(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.

(17) 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 chapter 82.32 RCW, WAC 458-20-228 and 458-20-230.

[Statutory Authority: RCW 82.32.300, 97-08-050, § 458-20-101, filed 3/31/97, effective 5/1/97; 95-07-089, § 458-20-101, filed 3/17/95, effective 4/17/95; 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 458-20-104 Small business tax relief based on volume of business. (1) **Introduction.** This section explains the small business B&O tax credit (RCW 82.04.4451), and the public utility tax income exemptions (RCW 82.16.040). Chapter 111, Laws of 1996, amended RCW 82.16.040 to increase the income exemptions for the public utility tax, effective July 1, 1996. (See also WAC 458-20-101 on tax registration and tax reporting requirements.)

(2) **Business and occupation tax.** Persons subject to B&O tax may be eligible to claim a small business tax credit against the amount of B&O tax otherwise due. The B&O tax credit operates completely independent of the volume exemption which applies to the public utility tax. This tax credit should be computed after claiming any other B&O tax credits available under chapter 82.04 RCW, but prior to any credits provided under other chapters of Title 82 RCW. The maximum amount of small business tax credit available to a person is thirty-five dollars multiplied by the number of months in the reporting period assigned by the department of revenue under the provisions of RCW 82.32.045. The small business tax credit applies to the entire reporting period, even though the business may not have been operating during the entire period.

(a) If the amount of B&O tax from all activities engaged in by the taxpayer is equal to or less than the maximum credit, a small business tax credit equal to the amount of the B&O tax will be allowed. If the amount of B&O tax from all activities is greater than the maximum credit, a reduced credit may be available. This reduced credit will be equal to twice the maximum credit minus the B&O tax otherwise due. The credit cannot be less than zero. RCW 82.04.4451.

(b) Persons having multiple tax reporting accounts are eligible for only one small business tax credit per tax reporting period.

(c) Spouses who operate distinct and separate businesses that have different tax registrations are each eligible for the small business tax credit.

(3) **Retail sales tax.** Persons making retail sales must collect and remit all applicable retail sales taxes even if B&O tax is not due. There is no small business tax credit or volume of business exemption for retail sales tax.

(4) **Public utility tax.** Persons subject to public utility tax are exempt from payment of this tax for any reporting period in which the taxable amount reported under the combined total of all public utility tax classifications does not equal or exceed the maximum exemption for the assigned reporting period. RCW 82.16.040. The maximum exemptions for public utility tax are:

Monthly reporting basis \$2,000 per month
 Quarterly reporting basis \$6,000 per quarter
 Annual reporting basis \$24,000 per annum

If the taxable amount for a reporting period equals or exceeds the maximum exemption, tax must be remitted on the full taxable amount. The public utility tax maximum exemptions apply to the entire reporting period, even though the business may not have operated during the entire period.

(5) **Tax reporting frequencies.** Persons interested in knowing the thresholds used by the department when assigning tax reporting frequencies should refer to WAC 458-20-22801 (Tax reporting frequency—forms).

(6) **Examples.** The following examples illustrate how the small business B&O tax credit and public utility income exemption systems apply to typical situations. These examples should be used only as a general guide. The tax status of other situations must be determined after a review of all of the facts and circumstances.

(a) JD Inc. has been assigned a quarterly reporting period by the department of revenue. JD Inc.'s B&O tax liability from all business activities for the third quarter is ninety dollars. This B&O tax liability is less than the one hundred five-dollar maximum small business B&O tax credit available for a quarterly reporting period (three times the monthly credit amount of thirty-five dollars). JD Inc. may claim a small business B&O tax credit for the entire ninety-dollar B&O tax liability.

Maximum Credit available for quarterly filers (3 x \$35)	\$105
B&O Tax	\$ 90
	<hr/>
Credit Available	\$ 90
Net B&O Tax Due	0

(b) HM Corporation has been assigned a quarterly reporting period by the department of revenue. HM's B&O tax liability from all business activities for the fourth quarter is one hundred twenty dollars. This tax liability exceeds the one hundred five-dollar maximum small business B&O tax credit available for a quarterly period (three times the monthly credit amount of thirty-five dollars). However, a reduced small business tax credit is available. This credit is computed by subtracting HM's B&O tax liability of one hundred twenty dollars from the figure of two hundred ten dollars (twice the maximum credit available for a quarterly reporting period). HM Corporation may claim a small business tax credit of ninety dollars.

Twice the Maximum Credit available for quarterly filers (2 x \$105)	\$210
Less: B&O Tax	\$120
	<hr/>
Credit Available	\$ 90
Net B&O Tax Due	\$ 30

(c) XY Inc. has been assigned a quarterly reporting period by the department of revenue. XY's B&O tax liability for the first quarter is two hundred fifty dollars. As XY's B&O tax liability exceeds the two hundred ten-dollar figure used to determine any reduced B&O tax credit (twice the maximum credit available for a quarterly reporting

period), XY Inc. is not eligible for the small business B&O tax credit.

Twice the Maximum Credit available for quarterly filers (2 x \$105)	\$210
Less: B&O Tax	\$250
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Credit Available	\$ 0
Net B&O Tax Due	\$250

(d) BG Manufacturing has been assigned a quarterly reporting period. BG has incurred a ninety-dollar tax liability under the wholesaling B&O tax classification, and a seventy-dollar tax liability under the manufacturing B&O tax classification, for a total B&O tax liability of one hundred sixty dollars during the first quarter. As BG manufactures much of what it sells at wholesale, BG qualifies for an internal multiple activities tax credit (MATC) of sixty dollars. (See WAC 458-20-19301 on multiple activities tax credits.) BG Manufacturing would claim its MATC prior to computing its small business B&O tax credit. BG's B&O tax liability net of the MATC is one hundred dollars, which is less than the one hundred five-dollar maximum credit available for the reporting period. BG may claim a one hundred-dollar small business B&O tax credit.

Wholesaling B&O Tax	\$ 90
Add: Manufacturing B&O Tax	\$ 70
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Subtotal of B&O Tax	\$160
Less: MATC	\$ 60
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Total B&O Tax Liability	\$100
Maximum Credit available for quarterly filers (3 x \$35)	\$105
B&O Tax	\$100
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Credit Available	\$100
Net B&O Tax Due	0

(e) OK Inc. has two separate tax reporting accounts with the department, both of which have been assigned quarterly reporting periods. OK Inc. is only allowed one small business B&O tax credit for the activity of both accounts. The total B&O tax for both accounts for this quarter is one hundred fifty dollars (one hundred dollars from the first account and fifty dollars from the second account). Its maximum small business tax credit is sixty dollars.

B&O tax account #1	\$100
B&O tax account #2	\$ 50
<hr/>	
Total B&O tax	\$150
Twice the Maximum Credit available for quarterly filers (2 x \$105)	\$210
Less: B&O tax	(\$150)
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Credit Available	\$ 60
Net B&O Tax Due	\$ 90

The credit should be taken from the account that will allow for it to be deducted in full. If one account does not have enough B&O tax to absorb the full credit, it can be

applied on the other account until the full credit is used. If the reporting frequency is different between the two accounts, the small business tax credit should not be taken until the filing of the less frequent tax reporting account (the credit computation for the two accounts must cover the same period of time).

(f) BB Corporation has been assigned a quarterly reporting period by the department of revenue. BB's total taxable public utility income for the third quarter is five thousand eight hundred dollars. BB Corporation is exempt for the payment of public utility tax because BB's taxable public utility income does not exceed the six thousand-dollar maximum exemption for this reporting period.

[Statutory Authority: RCW 82.32.300. 97-08-050, § 458-20-104, filed 3/31/97, effective 5/1/97; 95-07-088, § 458-20-104, filed 3/17/95, effective 4/17/95; 83-07-034 (Order ET 83-17), § 458-20-104, filed 3/15/83; Order ET 70-3, § 458-20-104 (Rule 104), filed 5/29/70, effective 7/1/70.]

WAC 458-20-137 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-20-14601 Financial institutions—Income apportionment. (1) Introduction.

(a) This section provides tax reporting instructions for financial institutions doing business both inside and outside the state of Washington. Financial businesses that do not meet the definition of "financial institution" in subsection (3)(j) of this section and other businesses taxable under RCW 82.04.290 should refer to WAC 458-20-194 (Doing business inside and outside the state).

(b) Financial institutions engaged in making interstate sales of tangible personal property should also refer to WAC 458-20-193 (Inbound and outbound interstate sales of tangible personal property).

(2) Apportionment and allocation.

(a) Except as otherwise specifically provided, a financial institution taxable under RCW 82.04.290 and taxable in another state shall allocate and apportion its apportionable income as provided in this section. All gross income that is not includable in apportionable income shall be allocated pursuant to the provisions of chapter 82.04 RCW. A financial institution organized under the laws of a foreign country, the Commonwealth of Puerto Rico, or a territory or possession of the United States, except such institutions that are exempt under RCW 82.04.315, whose effectively connected income (as defined under the Federal Internal Revenue Code) is taxable both in this state and another state, other than the state in which it is organized, shall allocate and apportion its gross income as provided in this section.

(b) The apportionment percentage is determined by adding the taxpayer's receipts factor (as described in subsection (4) of this section), property factor (as described in subsection (5) of this section), and payroll factor (as described in subsection (6) of this section) together and dividing the sum by three. If one of the factors is missing, the two remaining factors are added together and the sum is divided by two. If two of the factors are missing, the remaining factor is the apportionment percentage. A factor is missing if both its numerator and denominator are zero, but it is not missing merely because its numerator is zero.

(c) Each factor shall be computed according to the method of accounting (cash or accrual basis) used by the taxpayer for Washington state tax purposes for the taxable period. Persons should refer to WAC 458-20-197 (When tax liability arises) and WAC 458-20-199 (Accounting methods) for further guidance on the requirements of each accounting method. Generally, financial institutions are required to file returns on a monthly basis. To enable financial institutions to more easily comply with the provisions of this section, financial institutions will file returns using factors calculated based on the most recent calendar year for which information is available. A reconciliation shall be filed for each year within thirty days of the time that the taxpayer files its federal income tax returns for that year, but not later than October 30th of the following year. For example, for returns filed for taxable activities occurring during calendar 1998, a taxpayer would use factors calculated based on its 1996 information. A reconciliation would be filed for 1998 using factors based on 1998 information as soon as the information was available to the taxpayer, but not later than thirty days after the time federal income tax returns were due for 1998, or October 30, 1999. In the case of consolidations, mergers, or divestitures, a taxpayer shall make the appropriate adjustments to the factors to reflect its changed operations.

(d) If the allocation and apportionment provisions of this section do not fairly represent the extent of its business activity in this state, the taxpayer may petition for, or the department may require, in respect to all or any part of the taxpayer's business activity:

- (i) Separate accounting;
- (ii) A calculation of tax liability utilizing the cost of doing business method outlined in RCW 82.04.460(1);
- (iii) The exclusion of any one or more of the factors;
- (iv) The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state; or
- (v) The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's receipts.

(3) **Definitions.** The following definitions apply throughout this section:

(a) **"Apportionable income"** means the gross income of the business taxable under RCW 82.04.290, including income received from activities outside this state if the income would be taxable under RCW 82.04.290 if received from activities in this state, less the exemptions and deductions allowable under chapter 82.04 RCW.

(b) **"Billing address"** means the location indicated in the books and records of the taxpayer on the first day of the taxable period (or on such later date in the taxable period when the customer relationship began) as the address where any notice, statement and/or bill relating to a customer's account is mailed.

(c) **"Borrower or credit card holder located in this state"** means:

- (i) A borrower, other than a credit card holder, that is engaged in a trade or business which maintains its commercial domicile in this state; or
- (ii) A borrower that is not engaged in a trade or business or a credit card holder, whose billing address is in this state.

(d) **"Commercial domicile"** means:

(i) The headquarters of the trade or business, that is, the place from which the trade or business is principally managed and directed; or

(ii) If a taxpayer is organized under the laws of a foreign country, or of the Commonwealth of Puerto Rico, or any territory or possession of the United States, such taxpayer's commercial domicile is deemed for the purposes of this section to be the state of the United States or the District of Columbia from which such taxpayer's trade or business in the United States is principally managed and directed. It is presumed, subject to rebuttal by a preponderance of the evidence, that the location from which the taxpayer's trade or business is principally managed and directed is the state of the United States or the District of Columbia to which the greatest number of employees are regularly connected or out of which they are working, irrespective of where the services of such employees are performed, as of the last day of the taxable period.

(e) **"Compensation"** means wages, salaries, commissions and any other form of remuneration paid to employees for personal services that are included in such employee's gross income under the Federal Internal Revenue Code. In the case of employees not subject to the Federal Internal Revenue Code, e.g., those employed in foreign countries, the determination of whether such payments would constitute gross income to such employees under the Federal Internal Revenue Code shall be made as though such employees were subject to the Federal Internal Revenue Code.

(f) **"Credit card"** means credit, travel or entertainment card.

(g) **"Credit card issuer's reimbursement fee"** means the fee a taxpayer receives from a merchant's bank because one of the persons to whom the taxpayer has issued a credit card has charged merchandise or services to the credit card.

(h) **"Department"** means the department of revenue.

(i) **"Employee"** means, with respect to a particular taxpayer, any individual who, under the usual common-law relationship applicable in determining the employer-employee relationship, has the status of an employee of that taxpayer.

(j) **"Financial institution"** means:

(i) Any corporation or other business entity chartered under Titles 30, 31, 32, 33 RCW, or registered under the Federal Bank Holding Company Act of 1956, as amended, or registered as a savings and loan holding company under the Federal National Housing Act, as amended;

(ii) A national bank organized and existing as a national bank association pursuant to the provisions of the National Bank Act, 12 U.S.C. §§ 21 et seq.;

(iii) A savings association or federal savings bank as defined in the Federal Deposit Insurance Act, 12 U.S.C. § 1813(b)(1);

(iv) Any bank or thrift institution incorporated or organized under the laws of any state;

(v) Any corporation organized under the provisions of 12 U.S.C. §§ 611 to 631;

(vi) Any agency or branch of a foreign depository as defined in 12 U.S.C. § 3101 that is not exempt under RCW 82.04.315;

(vii) Any credit union, other than a state or federal credit union exempt under state or federal law;

(viii) A production credit association organized under the Federal Farm Credit Act of 1933, all of whose stock held by the Federal Production Credit Corporation has been retired;

(ix) Any corporation or other business entity who receives gross income taxable under RCW 82.04.290, and whose voting interests are more than fifty percent owned, directly or indirectly, by any person or business entity described in (j)(i) through (viii) of this subsection other than an insurance company liable for the insurance premiums tax under RCW 48.14.020 or any other company taxable under chapter 48.14 RCW;

(x) A corporation or other business entity that derives more than fifty percent of its total gross income for federal income tax purposes from finance leases. For purposes of this subsection, a "finance lease" means a lease which meets two requirements:

(A) It is the type of lease permitted to be made by national banks (see 12 U.S.C. 24(7), 12 U.S.C. 24(10), Comptroller of the Currency-Regulations, Part 23-Leasing (added by 56 Fed. Reg. 28314, June 20, 1991, effective July 22, 1991), and Regulation Y of the Federal Reserve System 12 CFR 225.25, as amended); and

(B) It is the economic equivalent of an extension of credit, i.e., the lease is treated by the lessor as a loan for federal income tax purposes. In no event does a lease qualify as an extension of credit where the lessor takes depreciation on such property for federal income tax purposes.

For this classification to apply, the average of the gross income in the current tax year and immediately preceding two tax years must satisfy the more than fifty percent requirement;

(xi) Any other person or business entity, other than an insurance general agent taxable under RCW 82.04.280(5), an insurance business exempt from the business and occupation tax under RCW 82.04.320, a real estate broker taxable under RCW 82.04.255, a securities dealer or international investment management company taxable under RCW 82.04.290(2), that derives more than fifty percent of its gross receipts from activities that a person described in (j)(ii) through (viii) and (x) of this subsection is authorized to transact. For purposes of this subparagraph, the computation of apportionable income shall not include income from nonrecurring, extraordinary items;

(xii) The department is authorized to exclude any person from the application of (j)(xi) of this subsection upon such person proving, by clear and convincing evidence, that the activity producing the receipts of such person is not in substantial competition with those persons described in (j)(ii) through (viii) and (x) of this subsection.

(k) "**Gross income of the business,**" "**gross income,**" or "**income**" has the same meaning as in RCW 82.04.080 and means the value proceeding or accruing by reason of the transaction of the business engaged in and includes gross proceeds of sales, compensation for the rendition of services, gains realized from trading in stocks, bonds, or other evidences of indebtedness, interest, discount, rents, royalties, fees, commissions, dividends, and other emoluments however designated, all without any deduction on account of the cost of tangible property sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes, or any

other expense whatsoever paid or accrued and without any deduction on account of losses.

(l) "**Gross rents**" means the actual sum of money or other consideration payable for the use or possession of real property. "Gross rents" includes, but is not limited to:

(i) Any amount payable for the use or possession of real property whether designated as a fixed sum of money or as a percentage of receipts, profits or otherwise;

(ii) Any amount payable as additional rent or in lieu of rent, such as interest, taxes, insurance, repairs or any other amount required to be paid by the terms of a lease or other arrangement; and

(iii) A proportionate part of the cost of any improvement to real property made by or on behalf of the taxpayer which reverts to the owner or grantor upon termination of a lease or other arrangement. The amount to be included in gross rents is the amount of amortization or depreciation allowed in computing the taxable income base for the taxable period. However, where a building is erected on leased land by or on behalf of the taxpayer, the value of the land is determined by multiplying the gross rent by eight and the value of the building is determined in the same manner as if owned by the taxpayer.

(iv) The following are not included in the term "gross rents":

(A) Reasonable amounts payable as separate charges for water and electric service furnished by the lessor;

(B) Reasonable amounts payable as service charges for janitorial services furnished by the lessor;

(C) Reasonable amounts payable for storage, provided such amounts are payable for space not designated and not under the control of the taxpayer; and

(D) That portion of any rental payment which is applicable to the space subleased from the taxpayer and not used by it.

(m) "**Loan**" means any extension of credit resulting from direct negotiations between the taxpayer and its customer, and/or the purchase, in whole or in part, of such extension of credit from another. "Loan" includes participations, syndications, and leases treated as loans for federal income tax purposes. "Loan" does not include: Properties treated as loans under Section 595 of the Federal Internal Revenue Code; futures or forward contracts; options; notional principal contracts such as swaps; credit card receivables, including purchased credit card relationships; non-interest bearing balances due from depository institutions; cash items in the process of collection; federal funds sold; securities purchased under agreements to resell; assets held in a trading account; securities; interests in a REMIC, or other mortgage-backed or asset-backed security; and other similar items.

(n) "**Loan secured by real property**" means that fifty percent or more of the aggregate value of the collateral used to secure a loan or other obligation was real property, when valued at fair market value as of the time the original loan or obligation was incurred.

(o) "**Merchant discount**" means the fee (or negotiated discount) charged to a merchant by the taxpayer for the privilege of participating in a program whereby a credit card is accepted in payment for merchandise or services sold to the card holder.

(p) "**Participation**" means an extension of credit in which an undivided ownership interest is held on a *pro rata* basis in a single loan or pool of loans and related collateral. In a loan participation, the credit originator initially makes the loan and then subsequently resells all or a portion of it to other lenders. The participation may or may not be known to the borrower.

(q) "**Person**" has the meaning given in RCW 82.04.030.

(r) "**Principal base of operations**" with respect to transportation property means the place of more or less permanent nature from which said property is regularly directed or controlled. With respect to an employee, the "principal base of operations" means the place of more or less permanent nature from which the employee regularly:

(i) Starts his or her work and to which he or she customarily returns in order to receive instructions from his or her employer; or

(ii) Communicates with his or her customers or other persons; or

(iii) Performs any other functions necessary to the exercise of his or her trade or profession at some other point or points.

(s) "**Real property owned**" and "**tangible personal property owned**" mean real and tangible personal property, respectively:

(i) On which the taxpayer may claim depreciation for federal income tax purposes; or

(ii) Property to which the taxpayer holds legal title and on which no other person may claim depreciation for federal income tax purposes (or could claim depreciation if subject to federal income tax).

Real and tangible personal property do not include coin, currency, or property acquired in lieu of or pursuant to a foreclosure.

(t) "**Regular place of business**" means an office at which the taxpayer carries on its business in a regular and systematic manner and which is continuously maintained, occupied and used by employees of the taxpayer.

(u) "**State**" means a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States or any foreign country.

(v) "**Syndication**" means an extension of credit in which two or more persons fund and each person is at risk only up to a specified percentage of the total extension of credit or up to a specified dollar amount.

(w) "**Taxable in another state**" means either:

(i) That a taxpayer is subject in another state to a gross receipts or franchise tax for the privilege of doing business, a franchise tax measured by net income, a corporate stock tax (including a bank shares tax), a single business tax, or an earned surplus tax, or any other tax which is imposed upon or measured by gross or net income; or

(ii) That another state has jurisdiction to subject the taxpayer to any of such taxes regardless of whether, in fact, the state does or does not.

(x) "**Taxable period**" means the calendar year during which tax liability is incurred.

(y) "**Transportation property**" means vehicles and vessels capable of moving under their own power, such as aircraft, trains, water vessels and motor vehicles, as well as

any equipment or containers attached to such property, such as rolling stock, barges, trailers or the like.

(4) **Receipts factor.**

(a) **General.** Except as provided in subsection (7) of this section, the receipts factor is a fraction, the numerator of which is the gross income of the taxpayer in this state during the taxable period and the denominator of which is the gross income of the taxpayer inside and outside this state during the taxable period. The method of calculating receipts for purposes of the denominator is the same as the method used in determining receipts for purposes of the numerator.

(b) **Receipts from the lease of real property.** The numerator of the receipts factor includes income from the lease or rental of real property owned by the taxpayer if the property is located within this state or income from the sublease of real property if the property is located within this state.

(c) **Receipts from the lease of tangible personal property.**

(i) Except as described in (c)(ii) of this subsection, the numerator of the receipts factor includes income from the lease or rental of tangible personal property owned by the taxpayer if the property is located within this state when it is first placed in service by the lessee.

(ii) Income from the lease or rental of transportation property owned by the taxpayer is included in the numerator of the receipts factor to the extent that the property is used in this state. The extent an aircraft is used in this state and the amount of income that is to be included in the numerator of this state's receipts factor is determined by multiplying all the income from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft. If the extent of the use of any transportation property within this state cannot be determined, then the property will be deemed to be used wholly in the state in which the property has its principal base of operations. A motor vehicle will be deemed to be used wholly in the state in which it is registered.

(d) **Interest from loans secured by real property.**

(i) The numerator of the receipts factor includes interest and fees or penalties in the nature of interest from loans secured by real property if the property is located within this state. If the property is located both within this state and one or more other states, the income described in this subparagraph is included in the numerator of the receipts factor if more than fifty percent of the fair market value of the real property is located within this state. If more than fifty percent of the fair market value of the real property is not located within any one state, then the income described in this subparagraph shall be included in the numerator of the receipts factor if the borrower is located in this state.

(ii) The determination of whether the real property securing a loan is located within this state shall be made as of the time the original agreement was made and any and all subsequent substitutions of collateral shall be disregarded.

(e) **Interest from loans not secured by real property.**

The numerator of the receipts factor includes interest and fees or penalties in the nature of interest from loans not secured by real property if the borrower is located in this state.

(f) **Net gains from the sale of loans.** The numerator of the receipts factor includes net gains from the sale of loans. Net gains from the sale of loans includes income recorded under the coupon stripping rules of Section 1286 of the Federal Internal Revenue Code.

(i) The amount of net gains (but not less than zero) from the sale of loans secured by real property included in the numerator is determined by multiplying such net gains by a fraction the numerator of which is the amount included in the numerator of the receipts factor pursuant to subsection (4)(d) and the denominator of which is the total amount of interest and fees or penalties in the nature of interest from loans secured by real property.

(ii) The amount of net gains (but not less than zero) from the sale of loans not secured by real property included in the numerator is determined by multiplying such net gains by a fraction the numerator of which is the amount included in the numerator of the receipts factor pursuant to (e) of this subsection and the denominator of which is the total amount of interest and fees or penalties in the nature of interest from loans not secured by real property.

(g) **Receipts from credit card receivables.** The numerator of the receipts factor includes interest and fees or penalties in the nature of interest from credit card receivables and income from fees charged to card holders, such as annual fees, if the billing address of the card holder is in this state.

(h) **Net gains from the sale of credit card receivables.** The numerator of the receipts factor includes net gains (but not less than zero) from the sale of credit card receivables multiplied by a fraction, the numerator of which is the amount included in the numerator of the receipts factor pursuant to (g) of this subsection and the denominator of which is the taxpayer's total amount of interest and fees or penalties in the nature of interest from credit card receivables and fees charged to card holders.

(i) **Credit card issuer's reimbursement fees.** The numerator of the receipts factor includes all credit card issuer's reimbursement fees multiplied by a fraction, the numerator of which is the amount included in the numerator of the receipts factor pursuant to (g) of this subsection and the denominator of which is the taxpayer's total amount of interest and fees or penalties in the nature of interest from credit card receivables and fees charged to card holders.

(j) **Receipts from merchant discount.** The numerator of the receipts factor includes receipts from merchant discount if the commercial domicile of the merchant is in this state. Such receipts shall be computed net of any cardholder charge backs, but shall not be reduced by any interchange transaction fees or by any issuer's reimbursement fees paid to another for charges made by its card holders.

(k) **Loan servicing fees.**

(i)(A) The numerator of the receipts factor includes loan servicing fees derived from loans secured by real property multiplied by a fraction the numerator of which is the amount included in the numerator of the receipts factor under (d) of this subsection and the denominator of which is the total amount of interest and fees or penalties in the nature of interest from loans secured by real property.

(B) The numerator of the receipts factor includes loan servicing fees derived from loans not secured by real

property multiplied by a fraction the numerator of which is the amount included in the numerator of the receipts factor under (e) of this subsection and the denominator of which is the total amount of interest and fees or penalties in the nature of interest from loans not secured by real property.

(ii) If the taxpayer receives loan servicing fees for servicing either the secured or the unsecured loans of another, the numerator of the receipts factor includes such fees if the borrower is located in this state.

(l) **Receipts from services.** The numerator of the receipts factor includes receipts from services not otherwise apportioned under this subsection if the service is performed in this state. If the service is performed both inside and outside this state, the numerator of the receipts factor includes receipts from services not otherwise apportioned under this section, if a greater proportion of the activity producing the receipts is performed in this state based on cost of performance.

(m) **Receipts from investment assets and activities and trading assets and activities.**

(i) Interest, dividends, net gains (but not less than zero) and other income from investment assets and activities and from trading assets and activities are included in the receipts factor. Investment assets and activities and trading assets and activities include but are not limited to: Investment securities; trading account assets; federal funds; securities purchased and sold under agreements to resell or repurchase; options; futures contracts; forward contracts; notional principal contracts such as swaps; equities; and foreign currency transactions. With respect to the investment and trading assets and activities described in (m)(i)(A) and (B) of this subsection, the receipts factor includes the following:

(A) The receipts factor includes the amount by which interest from federal funds sold and securities purchased under resale agreements exceeds interest expense on federal funds purchased and securities sold under repurchase agreements.

(B) The receipts factor includes the amount by which interest, dividends, gains and other receipts from trading assets and activities, including but not limited to assets and activities in the matched book, in the arbitrage book, and foreign currency transactions, exceed amounts paid in lieu of interest, amounts paid in lieu of dividends, and losses from such assets and activities.

(ii) The numerator of the receipts factor includes interest, dividends, net gains (but not less than zero) and other receipts from investment assets and activities and from trading assets and activities described in (m)(i) of this subsection that are attributable to this state.

(A) The amount of interest, dividends, net gains (but not less than zero) and other income from investment assets and activities in the investment account to be attributed to this state and included in the numerator is determined by multiplying all such income from such assets and activities by a fraction, the numerator of which is the average value of such assets which are properly assigned to a regular place of business of the taxpayer within this state and the denominator of which is the average value of all such assets.

(B) The amount of interest from federal funds sold and purchased and from securities purchased under resale agreements and securities sold under repurchase agreements attributable to this state and included in the numerator is

determined by multiplying the amount described in (m)(i)(A) of this subsection from such funds and such securities by a fraction, the numerator of which is the average value of federal funds sold and securities purchased under agreements to resell which are properly assigned to a regular place of business of the taxpayer within this state and the denominator of which is the average value of all such funds and such securities.

(C) The amount of interest, dividends, gains and other income from trading assets and activities, including but not limited to assets and activities in the matched book, in the arbitrage book and foreign currency transactions, (but excluding amounts described in (m)(ii)(A) or (B) of this subsection), attributable to this state and included in the numerator is determined by multiplying the amount described in (m)(i)(B) of this subsection by a fraction, the numerator of which is the average value of such trading assets which are properly assigned to a regular place of business of the taxpayer within this state and the denominator of which is the average value of all such assets.

(D) For purposes of this paragraph, average value shall be determined using the rules for determining the average value of tangible personal property set forth in subsection (5) of this section.

(iii) In lieu of using the method set forth in (m)(ii) of this subsection, the taxpayer may elect, or the department may require in order to fairly represent the business activity of the taxpayer in this state, the use of the method set forth in this paragraph.

(A) The amount of interest, dividends, net gains (but not less than zero) and other income from investment assets and activities in the investment account to be attributed to this state and included in the numerator is determined by multiplying all such income from such assets and activities by a fraction, the numerator of which is the gross receipts from such assets and activities which are properly assigned to a regular place of business of the taxpayer within this state and the denominator of which is the gross income from all such assets and activities.

(B) The amount of interest from federal funds sold and purchased and from securities purchased under resale agreements and securities sold under repurchase agreements attributable to this state and included in the numerator is determined by multiplying the amount described in (m)(i)(A) of this subsection from such funds and such securities by a fraction, the numerator of which is the gross income from such funds and such securities which are properly assigned to a regular place of business of the taxpayer within this state and the denominator of which is the gross income from all such funds and such securities.

(C) The amount of interest, dividends, gains and other receipts from trading assets and activities, including but not limited to assets and activities in the matched book, in the arbitrage book and foreign currency transactions, (but excluding amounts described in (m)(ii)(a) or (B) of this subsection), attributable to this state and included in the numerator is determined by multiplying the amount described in (m)(i)(B) of this subsection by a fraction, the numerator of which is the gross income from such trading assets and activities which are properly assigned to a regular place of business of the taxpayer within this state and the

denominator of which is the gross income from all such assets and activities.

(iv) If the taxpayer elects or is required by the department to use the method set forth in (m)(iii) of this subsection, it shall use this method on all subsequent returns unless the taxpayer receives prior permission from the department to use, or the department requires a different method.

(v) The taxpayer has the burden of proving that an investment asset or activity or trading asset or activity was properly assigned to a regular place of business outside of this state by demonstrating that the day-to-day decisions regarding the asset or activity occurred at a regular place of business outside this state. If the day-to-day decisions regarding an investment asset or activity or trading asset or activity occur at more than one regular place of business and one such regular place of business is in this state and one such regular place of business is outside this state, such asset or activity is considered to be located at the regular place of business of the taxpayer where the investment or trading policies or guidelines with respect to the asset or activity are established. Such policies and guidelines are presumed, subject to rebuttal by preponderance of the evidence, to be established at the commercial domicile of the taxpayer.

(n) **Attribution of certain receipts to commercial domicile.** All receipts which would be assigned under this section to a state in which the taxpayer is not taxable are included in the numerator of the receipts factor, if the taxpayer's commercial domicile is in this state.

(5) Property factor.

(a) **General.** Except as provided in subsection (7) of this section, the property factor is a fraction, the numerator of which is the average value of real property and tangible personal property rented to the taxpayer that is located or used within this state during the taxable period, the average value of the real and tangible personal property owned by the taxpayer that is located or used within this state during the taxable period, and the average value of the taxpayer's loans and credit card receivables that are located within this state during the taxable period, and the denominator of which is the average value of all such property located or used inside and outside this state during the taxable period.

(b) Value of property owned by the taxpayer.

(i) The value of real property and tangible personal property owned by the taxpayer is the original cost or other basis of such property for federal income tax purposes without regard to depletion, depreciation or amortization.

(ii) Loans are valued at their outstanding principal balance, without regard to any reserve for bad debts. If a loan is charged-off in whole or in part for federal income tax purposes, the portion of the loan charged off is not outstanding. A specifically allocated reserve established under regulatory or financial accounting guidelines which is treated as charged-off for federal income tax purposes shall be treated as charged-off for purposes of this section.

(iii) Credit card receivables are valued at their outstanding principal balance, without regard to any reserve for bad debts. If a credit card receivable is charged-off in whole or in part for federal income tax purposes, the portion of the receivable charged-off is not outstanding.

(c) **Average value of property owned by the taxpayer.** The average value of property owned by the taxpayer is

computed on an annual basis by adding the value of the property on the first day of the taxable period and the value on the last day of the taxable period and dividing the sum by two. If averaging on this basis does not properly reflect average value, the department may require averaging on a more frequent basis. The taxpayer may elect to average on a more frequent basis. When averaging on a more frequent basis is required by the department or is elected by the taxpayer, the same method of valuation must be used consistently by the taxpayer with respect to property inside and outside this state and on all subsequent returns unless the taxpayer receives prior permission from the department or the department requires a different method of determining average value.

(d) Average value of real property and tangible personal property rented to the taxpayer.

(i) The average value of real property and tangible personal property that the taxpayer has rented from another and which is not treated as property owned by the taxpayer for federal income tax purposes, shall be determined annually by multiplying the gross rents payable during the taxable year by eight.

(ii) Where the use of the general method described in this subsection results in inaccurate valuations of rented property, any other method which properly reflects the value may be adopted by the department or by the taxpayer when approved in writing by the department. Once approved, such other method of valuation must be used on all subsequent returns unless the taxpayer receives prior approval from the department or the department requires a different method of valuation.

(e) Location of real property and tangible personal property owned by or rented to the taxpayer.

(i) Except as described in (e)(ii) of this subsection, real property and tangible personal property owned by or rented to the taxpayer is considered to be located within this state if it is physically located, situated or used within this state.

(ii) Transportation property is included in the numerator of the property factor to the extent that the property is used in this state. The extent an aircraft will be deemed to be used in this state and the amount of value that is to be included in the numerator of this state's property factor is determined by multiplying the average value of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft everywhere during the tax reporting period. If the extent of the use of any transportation property within this state cannot be determined, then the property is deemed to be used wholly in the state in which the property has its principal base of operations. A motor vehicle is deemed to be used wholly in the state in which it is registered. Thus, a motor vehicle will not be considered as used in Washington if there is no requirement for the vehicle to be licensed or registered in Washington.

(f) Location of loans.

(i)(A) A loan is located within this state if it is properly assigned to a regular place of business of the taxpayer within this state.

(B) A loan is properly assigned to the regular place of business with which it has a majority of substantive contacts. A loan assigned by the taxpayer to a regular place of

business outside the state shall be presumed to have been properly assigned if:

(I) The taxpayer has assigned, in the regular course of its business, such loan on its records to a regular place of business consistent with federal or state regulatory requirements;

(II) Such assignment on its records is based upon substantive contacts of the loan to such regular place of business; and

(III) The taxpayer uses said records reflecting assignment of loans for the filing of all state and local tax returns for which an assignment of loans to a regular place of business is required.

(ii) The presumption of proper assignment of a loan provided in (f)(i)(A) of this subsection may be rebutted by a preponderance of the evidence, showing that the majority of substantive contacts regarding such loan did not occur at the regular place of business to which it was assigned on the taxpayer's records. When such presumption has been rebutted, the loan is located within this state if: The taxpayer had a regular place of business within this state at the time the loan was made; and the taxpayer fails to show, by a preponderance of the evidence, that the majority of substantive contacts regarding such loan did not occur within this state.

(C) If a loan is assigned by the taxpayer to a place outside this state which is not a regular place of business, it is presumed, subject to rebuttal on a preponderance of evidence, that the majority of substantive contacts regarding the loan occurred within this state if, at the time the loan was made the taxpayer's commercial domicile, as defined in subsection (3)(d) of this section, was within this state.

(D) To determine the state in which the majority of substantive contacts relating to a loan have occurred, the facts and circumstances regarding the loan at issue shall be reviewed on a case-by-case basis and consideration shall be given to such activities as the solicitation, investigation, negotiation, approval and administration of the loan. The terms "solicitation," "investigation," "negotiation," "approval" and "administration" are defined as follows:

(I) *Solicitation.* Solicitation is either active or passive. Active solicitation occurs when an employee of the taxpayer initiates the contact with the customer. Such activity is located at the regular place of business which the taxpayer's employee is regularly connected with or working out of, regardless of where the services of such employee were actually performed. Passive solicitation occurs when the customer initiates the contact with the taxpayer. If the customer's initial contact was not at a regular place of business of the taxpayer, the regular place of business, if any, where the passive solicitation occurred is determined by the facts in each case.

(II) *Investigation.* Investigation is the procedure whereby employees of the taxpayer determine the credit worthiness of the customer as well as the degree of risk involved in making a particular agreement. Such activity is located at the regular place of business which the taxpayer's employees are regularly connected with or working out of, regardless of where the services of such employees were actually performed.

(III) *Negotiation.* Negotiation is the procedure whereby employees of the taxpayer and its customer determine the

terms of the agreement (e.g., the amount, duration, interest rate, frequency of repayment, currency denomination and security required). Such activity is located at the regular place of business which the taxpayer's employees are regularly connected with or working out of, regardless of where the services of such employees were actually performed.

(IV) *Approval.* Approval is the procedure whereby employees or the board of directors of the taxpayer make the final determination whether to enter into the agreement. Such activity is located at the regular place of business which the taxpayer's employees are regularly connected with or working out of, regardless of where the services of such employees were actually performed. If the board of directors makes the final determination, such activity is located at the commercial domicile of the taxpayer.

(V) *Administration.* Administration is the process of managing the account. This process includes bookkeeping, collecting the payments, corresponding with the customer, reporting to management regarding the status of the agreement and proceeding against the borrower or the security interest if the borrower is in default. Such activity is located at the regular place of business which oversees this activity.

(g) **Location of credit card receivables.** For purposes of determining the location of credit card receivables, credit card receivables are treated as loans and are subject to the provisions of (f) of this subsection.

(h) **Period for which properly assigned loan remains assigned.** A loan that has been properly assigned to a state shall remain assigned to that state for the length of the original term of the loan, absent any change in material fact. If the original term of the loan is modified (extended or reduced), the loan may be properly assigned to another state if the loan has a majority of substantive contact to a regular place of business there.

(6) **Payroll factor.**

(a) **General.** Except as provided in subsection (7) of this section, the payroll factor is a fraction, the numerator of which is the total amount paid in this state during the taxable period by the taxpayer for compensation of employees and the denominator of which is the total compensation paid both inside and outside this state during the taxable period. The payroll factor shall include all compensation paid to employees.

(b) **Compensation relating to independent contractors.** Payments made to any independent contractor or any other person not properly classifiable as an employee is excluded from both the numerator and denominator of the factor.

(c) **When compensation paid in this state.** Compensation is paid in this state if any one of the following tests, applied consecutively, is met:

(i) The employee's services are performed entirely within this state.

(ii) The employee's services are performed both inside and outside the state, but the service performed without the state is incidental to the employee's service within the state. The term "incidental" means any service which is temporary or transitory in nature, or which is rendered in connection with an isolated transaction.

(iii) If the employee's services are performed both inside and outside this state, the employee's compensation will be attributed to this state:

(A) If the employee's principal base of operations is inside this state; or

(B) If there is no principal base of operations in any state in which some part of the services are performed, but the place from which the services are directed or controlled is in this state; or

(C) If the principal base of operations and the place from which the services are directed or controlled are not in any state in which some part of the service is performed but the employee's residence is in this state.

(7) **Alternative factor calculation.**

(a) **General.** A taxpayer may elect to use the alternative factors calculation as provided in this subsection. The alternative factors calculation requires the use of all three factors provided below. A taxpayer making such an election must keep books and records sufficient to explain the calculations. Such an election, once made, must continue for a full calendar year.

(b) **Receipts factor.** The alternative receipts factor may be calculated by excluding from both the numerator and the denominator of the receipts factor as calculated in subsection (4) of this section gross income attributable to items that would not be subject to tax under the provisions of RCW 82.04.290, whether from activities inside or outside of the state. For example, a taxpayer making the election to use the alternative factors calculation must exclude all receipts from the rental of tangible personal property in Washington from the numerator and all receipts from the rental of tangible personal property, wherever located, in the denominator.

(c) **Property factor.** The alternative property factor may be calculated by excluding from both the numerator and the denominator of the property factor as calculated in subsection (5) of this section property, the income from which would be considered wholesale or retail sales under chapter 82.04 RCW, whether from activities inside or outside the state. For example, a taxpayer making the election to use the alternative factors calculation must exclude all tangible personal property rented to customers in Washington from the numerator and all tangible personal property rented to customers, wherever located, in the denominator.

(d) **Payroll factor.** The alternative payroll factor may be calculated by excluding from both the numerator and the denominator of the payroll factor as calculated in subsection (6) of this section that amount paid to employees in connection with earning gross income which would not be subject to tax under RCW 82.04.290, whether earned from activities inside or outside of the state. For example, a taxpayer making the election to use the alternative factors calculation must exclude all compensation paid to employees in connection with activities that are not taxable under RCW 82.04.290 from the numerator and all compensation paid to employees wherever located that would not be taxable under RCW 82.04.290 if it had been earned in Washington.

(8) **Effective date.**

(a) **General.** This section applies to gross income that is reportable with respect to periods beginning on and after July 1, 1997.

(b) **Transition period election.** A financial institution may notify the department of its intention to apportion its gross receipts in the manner prescribed in RCW 82.04.460(1) and WAC 458-20-194. Such election may continue until the earlier of the date the financial institution elects to report in accordance with this section, but not later than January 1, 2000.

[Statutory Authority: RCW 82.04.460(2) and 82.32.300. 97-11-033, § 458-20-14601, filed 5/15/97, effective 7/1/97.]

WAC 458-20-174 Sales of motor vehicles, trailers, and parts to motor carriers operating in interstate or foreign commerce. (1) **Introduction.** This section explains the retail sales tax exemptions provided by RCW 82.08.0262 and 82.08.0263 for sales to for hire motor carriers operating in interstate or foreign commerce. Addressed are the requirements which must be met and the documents which must be preserved to substantiate a claim of retail sales tax exemption. Motor carriers should refer to WAC 458-20-17401 for a discussion of the use tax and use tax exemptions available to motor carriers for the purchase or use of vehicles and parts under RCW 82.12.0254.

(2) **Business and occupation tax.** Business and occupation (B&O) tax is due on all sales to motor carriers when delivery is made in Washington, notwithstanding that the retail sales tax may not apply because of the specific statutory exemptions provided by RCW 82.08.0262 and 82.08.0263.

(a) **Retailing of interstate transportation equipment.** This B&O tax classification, with respect to sales to motor carriers, applies to retail sales which are exempt from retail sales tax because of the provisions of RCW 82.08.0262 or 82.08.0263. (See RCW 82.04.250.) The retailing of interstate transportation B&O tax applies to the following, but only when the retail sales tax exemption requirements for RCW 82.08.0262 or 82.08.0263 are met:

(i) Sales of motor vehicles, trailers, and component parts thereof;

(ii) The lease of motor vehicles and trailers without operator; and

(iii) Charges for labor and services rendered in respect to constructing, cleaning, repairing, altering or improving vehicles and trailers or component parts thereof. The term "component parts" means any tangible personal property which is attached to and becomes an integral part of the motor vehicle or trailer. It includes such items as motors, motor and body parts, batteries, paint, permanently affixed decals, and tires. "Component parts" includes the axle and wheels, referred to as "converter gear" or "dollies," which is used to connect a trailer behind a tractor and trailer. "Component parts" can include tangible personal property which is attached to the vehicle and used as an integral part of the motor carrier's operation of the vehicle, even if the item is not required mechanically for the operation of the vehicle. It includes cellular telephones, communication equipment, fire extinguishers, and other such items, whether themselves permanently attached to the vehicle or held by brackets which are permanently attached. If held by brackets, the brackets must be permanently attached to the vehicle in a definite and secure manner with these items attached to the bracket when not in use and intended to

remain with that vehicle. It does not include antifreeze, oil, grease, and other lubricants which are considered as consumed at the time they are placed into the vehicle, even though required for operation of the vehicle. It does include items such as spark plugs, oil filters, air filters, hoses and belts.

(b) **Retailing.** The retailing B&O tax applies to the following:

(i) Sales and services as described in (a)(i) through (iii) of this subsection, which do not meet the exemption requirements provided in RCW 82.08.0262 or 82.08.0263;

(ii) Sales of equipment, tools, parts and accessories which do not become a component part of a motor vehicle or trailer used in transporting persons or property therein;

(iii) Sales of consumable supplies, such as oil, anti-freeze, grease, other lubricants, cleaning solvents and ice; and

(iv) Towing charges.

(c) **Interstate sales deduction for lease income.** Persons who lease motor vehicles and trailers to motor carriers at retail (without operator) may claim an interstate sales deduction for the amount of the lease income attributable to the actual out-of-state use of the vehicles and trailers. Documentation substantiating such a claim must be retained by the lessor. This deduction may be taken even if the vehicle is not used substantially in interstate hauls for hire. The B&O tax applies to that portion of use of the vehicle while the vehicle is being used in Washington, even if the usage is in connection with interstate hauls and the vehicle is used substantially in hauling for hire in interstate commerce. See also WAC 458-20-193.

(3) **Retail sales tax.** RCW 82.08.0262 and 82.08.0263 provide retail sales tax exemptions for certain sales to motor carriers when delivery is made in Washington.

(a) **Sales of motor vehicles and trailers.** RCW 82.08.0263 provides an exemption from the retail sales tax for sales of motor vehicles and trailers to be used for transporting therein persons or property for hire in interstate or foreign commerce. This exemption is available whether such use is by a for hire motor carrier, or by persons operating the vehicles and trailers under contract with a for hire motor carrier. The for hire carrier must hold a carrier permit issued by the Interstate Commerce Commission or its successor agency to qualify for this exemption. The seller, at the time of the sale, must retain as a part of its records an exemption certificate which must be completed in its entirety. The exemption certificate must be in substantially the following form:

Exemption Certificate

The undersigned hereby certifies that it is, or has contracted to operate for, the holder of carrier permit No. . . . , issued by the Interstate Commerce Commission or its successor agency, and that the vehicle this date purchased from you being a (specify truck or trailer and make) ,

Motor No., Serial No. is entitled to exemption from the Retail Sales Tax under the provisions of RCW 82.08.0263. This certificate is given with full knowledge of, and subject to, the legally prescribed penalties for fraud and tax evasion.

Dated
.
(name of carrier-purchaser)
By
(title)
.
(address)

vehicle across the boundaries of this state. The undersigned further certifies that the motor truck or trailer to be constructed, repaired, cleaned, altered, or improved by you, or to which the subject matter of this purchase is to become a component part, will be used in direct connection with the business of transporting therein persons or property for hire; and that such sale and/or charges are exempt from the Retail Sales Tax under the provisions of RCW 82.08.0262. This certificate is given with full knowledge of, and subject to, the legally prescribed penalties for fraud and tax evasion.

Dated
.
(name of carrier-purchaser)
.
(address)
By
(title)

The lease of motor vehicles and trailers to motor carriers, without operator, must satisfy all conditions and requirements provided by RCW 82.08.0263 to qualify for the retail sales tax exemption. Failure to meet these requirements will require the lessor to collect the retail sales tax on the lease. However, where the exemption from retail sales tax has not been met, a retail sales tax exemption may continue to apply to that portion of the lease while the vehicle is being used outside Washington, provided the lessor can substantiate the usage outside Washington. (See WAC 458-20-193.)

(b) **Sales of component parts of motor vehicles and trailers and charges for repairs, etc.** RCW 82.08.0262 provides an exemption from the retail sales tax for sales of component parts and repairs of motor vehicles and trailers. This exemption is available only if the user of the motor vehicle or trailer is the holder of a carrier permit issued by the Interstate Commerce Commission or its successor agency which authorizes transportation by motor vehicle across the boundaries of Washington. Since carriers are required to obtain these permits only when the carrier is hauling for hire, the exemption applies only to parts and repairs purchased for vehicles which are used in hauling for hire. The exemption includes labor and services rendered in constructing, repairing, cleaning, altering, or improving such motor vehicles and trailers.

(i) This exemption is available whether the motor vehicles or trailers are owned by, or operated under contract with, persons holding the carrier permit. This exemption applies even if the motor vehicle or trailer to which the parts are attached will not be used substantially in interstate hauls, provided the vehicles are used in hauling for hire.

(ii) The seller must retain as a part of its records a completed exemption certificate. This certificate may be:

- (A) Issued for each purchase;
- (B) Incorporated in or stamped upon the purchase order;

or

(C) In blanket form certifying all future purchases as being exempt from sales tax. Blanket forms must be renewed every four years.

(iii) This certificate must be in substantially the following form:

Exemption Certificate

The undersigned hereby certifies that it is, or has contracted to operate for, the holder of a carrier permit, No., issued by the Interstate Commerce Commission or its successor agency authorizing transportation by motor

(c) **Taxable sales.** The following sales do not qualify for exemption under the provisions of RCW 82.08.0262 or 82.08.0263, and are subject to the retail sales tax when delivery is made in Washington.

(i) Sales of equipment, tools, parts and accessories which do not become a component part of a motor vehicle or trailer used in transporting persons or property for hire. This includes items such as tire chains and tarps which are not custom made for a specific vehicle.

(ii) Sales of consumable supplies, such as oil, antifreeze, grease, other lubricants, cleaning solvents and ice.

(iii) Towing charges.

[Statutory Authority: RCW 82.32.300, 97-11-022, § 458-20-174, filed 5/13/97, effective 6/13/97; 94-18-003, § 458-20-174, filed 8/24/94, effective 9/24/94; 83-07-033 (Order ET 83-16), § 458-20-174, filed 3/15/83; Order ET 71-1, § 458-20-174, filed 7/22/71; Order 70-3, § 458-20-174 (Rule 174), filed 5/29/70, effective 7/1/70.]

WAC 458-20-17401 Use tax liability for motor vehicles, trailers, and parts used by motor carriers operating in interstate or foreign commerce. (1) **Introduction.** This section explains the use tax and the use tax exemptions provided by RCW 82.12.0254 which apply to for hire motor carriers operating in interstate or foreign commerce. For hire motor carriers should refer to WAC 458-20-174 for a discussion of the retail sales tax and retail sales tax exemptions which apply to motor carriers for the purchase of vehicles and parts under RCW 82.08.0262 and 82.08.0263.

(2) **Use tax.** The use tax complements the retail sales tax by imposing a tax of like amount upon the use within this state as a consumer of any tangible personal property purchased at retail, where the user has not paid retail sales tax with respect to the purchase of the property used. (See also WAC 458-20-178.) If the seller fails to collect the appropriate retail sales tax, the purchaser is required to pay the retail sales or use tax directly to the department unless the purchase and/or use is exempt from the retail sales and/or use tax.

(3) **Motor vehicles and trailers.** Purchasers of motor vehicles and trailers should note the differences in the conditions and requirements for the retail sales and use tax exemptions provided by RCW 82.08.0263 and 82.12.0254,

respectively. The purchaser of a motor vehicle or trailer may qualify for the retail sales tax exemption at the time of purchase, yet incur a use tax liability for the subsequent use of the same vehicle or trailer.

(a) For vehicles purchased in Washington, RCW 82.12.0254 provides a use tax exemption for the use of any motor vehicle or trailer while being operated under the authority of a trip permit and moving from the point of delivery in this state to a point outside this state.

(b) RCW 82.12.0254 also provides a use tax exemption for the use of any motor vehicle or trailer owned by, or operated under contract with, a for hire motor carrier engaged in the business of transporting persons or property in interstate or foreign commerce if both of the following conditions are met:

(i) The user is, or operates under contract with, a holder of a carrier permit issued by the Interstate Commerce Commission (ICC) or its successor agency; and

(ii) The vehicle is used in substantial part in the normal and ordinary course of the user's business for transporting therein persons or property for hire across the boundaries of the state.

"In substantial part" means that the motor vehicle or trailer for which exemption is claimed actually crosses Washington boundaries and is used a minimum of twenty-five percent in interstate hauling for hire.

(c) The motor carrier must continue to substantially use the motor vehicle or trailer in interstate for hire hauls during each calendar year to retain the exemption from use tax. This requires that at the start of each calendar year the carrier review the usage of each vehicle and trailer for a "view period" consisting of the previous calendar year. If a particular vehicle was purchased or sold during the year so that the vehicle was not available for use during the entire calendar year, the taxpayer at its option may elect to review the usage during the portion of the year during which the vehicle was owned or may use a twelve-month period beginning with the date of purchase of a vehicle or ending with the date of sale of a vehicle. For example, if a vehicle is traded-in on May 30, 1996, the taxpayer must meet the substantial use test for this vehicle for either the period January through May 1996 or for the period June 1, 1995, through May 30, 1996. Use tax is due for those vehicles which have not been used substantially in interstate commerce and on which retail sales or use tax has not been paid.

(d) Carriers who maintain their records on a fiscal year basis may, at their option, elect to review the usage of their vehicles using their fiscal year rather than the calendar year. If a fiscal year is used, it must be used for the entire fleet of vehicles. These carriers may not change to a calendar year basis without first obtaining prior approval from the department.

(e) Usage will be reviewed on a calendar or fiscal year basis and not on a "moving" twelve-month period. For example, a tractor purchased on August 1, 1996, will need to have met the substantial use test for the period August through December 1996, or for the period August 1, 1996, through July 31, 1997, the period selected being at the taxpayer's option, and for the calendar year 1997 and each

calendar year thereafter in order to retain the use tax exemption.

(f) The motor carrier may select one of the methods from those listed below to determine if its motor vehicles and trailers satisfy the substantial use threshold for exemption under RCW 82.12.0254. The particular method must be applied to all trucks, tractors, and trailers within the fleet. Regardless of the method selected, a vehicle will not be considered as used in interstate hauls unless the vehicle actually crosses the boundaries of the state and is used in part outside Washington. The motor carrier may change the method with the prior written consent of the department of revenue. The methods are:

(i) Line crossing. The line crossing method compares the number of interstate for hire hauls made by a particular motor vehicle or trailer to the total number of for hire hauls. The motor vehicle or trailer must actually cross the boundaries of this state or be used for hauls which begin and end outside this state, for the haul to be considered an interstate haul.

(ii) Mileage. The mileage method compares the interstate mileage associated with the for hire hauls made by a particular motor vehicle or trailer, to the total mileage associated with its for hire hauls. All mileage associated with a specific haul which requires the motor vehicle or trailer to actually cross the boundaries of this state, or haul exclusively outside this state, is considered to be interstate mileage. Where a vehicle is returning empty after having delivered an interstate load or is empty on its way to pickup an interstate load, the empty mileage will be considered to be part of the mileage from an interstate haul.

(iii) Revenue. The revenue method compares the interstate for hire revenue generated by the particular motor vehicle or trailer to the total for hire revenue generated. The revenue generated by the motor vehicle or trailer actually crossing the boundaries of this state, or hauling exclusively outside this state, is considered to be interstate revenue for the purposes of determining use tax liability. If the motor carrier uses more than one motor vehicle or trailer to transport the cargo, the revenue generated from hauling this cargo must be allocated between the motor vehicles and/or trailers used. For the purposes of determining use tax liability, a vehicle will not be considered as having interstate revenue even if the haul originates or ends outside Washington unless the vehicle actually crosses the boundaries of the state.

(iv) Other. Any other method may be used when approved in advance and in writing by the department of revenue.

(g) The following examples show how the methods of determining substantial interstate use would be applied to various situations. 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.

(i) ARC Trucking picks up a load of cargo in Spokane, Washington and delivers it to the dock in Seattle, Washington, for subsequent shipment to Japan. While ARC may claim an interstate and foreign sales deduction on its excise tax return for the income attributable to this haul if all of the requirements of RCW 82.16.050(8) are met, the haul itself is considered to be intrastate for the purposes of determining whether the tractor/trailer rig meets the substantial use

threshold discussed in RCW 82.12.0254. Both the pickup and delivery points are within the state of Washington.

(ii) DMG Express picks up a load of cargo in Yakima, Washington for ultimate delivery in Billings, Montana. The cargo is initially hauled from the Yakima location to DMG's hub terminal in Spokane, Washington by truck A. It is unloaded from truck A at the hub terminal, reloaded on truck B, and delivered to Billings. For the purposes of determining qualification for the use tax exemption provided by RCW 82.12.0254, two hauls have taken place. The haul performed by truck A is considered to be an intrastate haul since truck A did not cross the borders of Washington, while the haul performed by truck B is considered interstate for purposes of determining continued exemption from use tax on the trucks, even though the entire hauling income may be deductible from the motor transportation tax.

(iii) AA Express operates one tractor/trailer rig, which has previously met the retail sales and use tax exemption requirements. AA verifies compliance with the twenty-five percent substantial use threshold on a calendar year basis, using the line crossing method. AA makes one hundred for hire hauls within the calendar year. Of these hauls, seventy-one are entirely in Washington, ten are performed entirely outside Washington, and nineteen require AA to cross the borders of Washington. AA Express has not incurred a use tax liability on the tractor/trailer rig as twenty-nine percent of the for hire hauls were interstate in nature.

(iv) BDC Hauling operates one tractor/trailer rig which has previously met the retail sales and use tax exemption requirements. BDC verifies compliance with the twenty-five percent substantial use threshold on a calendar year basis, using the mileage method. BDC makes one hundred for hire hauls within the calendar year, for a total of one hundred thousand miles. Included in this mileage figure are the unladen or "empty" miles BDC incurs from delivery points to its terminal. Fifteen of these hauls were interstate in nature and involved laden travel of twenty thousand miles, including the Washington miles of the interstate hauls where the rig made border crossings. BDC's rig also incurred an additional eight thousand miles as a result of having to drive unladen from the delivery point of an interstate haul to its Washington terminal. BDC Hauling has not incurred a use tax liability for its use of the tractor/trailer rig. Under the mileage method, twenty-eight percent of the tractor/trailer's usage was in interstate hauling.

(v) GV Trucking operates one tractor/trailer rig which has previously met the retail sales and use tax exemption requirements. GV verifies compliance with the twenty-five percent substantial use threshold on a calendar year basis, using the revenue method. GV makes one hundred for hire hauls within the calendar year, for which GV earns eighty thousand dollars. Fifteen of these hauls were interstate in nature, for which GV earned twenty thousand dollars. GV Trucking has not incurred a use tax liability for its use of the tractor/trailer rig. Under the revenue method, twenty-five percent of GV's usage of the tractor/trailer rig was in interstate hauling.

(vi) XYZ Trucking operates a single tractor/trailer rig which has previously met the retail sales and use tax exemption requirements. XYZ picks up two loads of cargo in Seattle, one load for delivery to Kent, Washington and

another for delivery to Portland, Oregon. Upon delivery of the cargo to Kent, XYZ picks up another load for delivery to Portland, Oregon. XYZ has performed three separate hauls, even if the loads are combined on the same rig. The Seattle to Portland and Kent to Portland hauls are considered interstate hauls, the Seattle to Kent haul intrastate. If using the mileage method the mileage associated with the Seattle to Portland and Kent to Portland hauls would be combined to determine total interstate miles, even though the rig made only one trip to Portland. If using the revenue method, the revenue generated by the Seattle to Portland and Kent to Portland hauls would be considered interstate. The mileage and/or revenue associated with the Seattle to Kent haul would be considered intrastate.

(4) **Special application to trailers.** Motor carriers must keep appropriate records and determine qualification for the use tax exemption provided by RCW 82.12.0254 for each individual truck and tractor. Motor carriers are encouraged to keep similar records for each individual trailer. Where records are maintained to document the use of individual trailers, use tax liability for trailers must be determined on the basis of those records. However, it is recognized that some motor carriers have no system of tracking or documenting the travel of their trailers and it would be an undue burden to require such recordkeeping, particularly where a tractor may be used to pull multiple trailers and the trailers are not assigned to a specific tractor. These motor carriers may elect to determine the use tax liability attributable to their use of trailers on the basis of their actual use of the tractors.

(a) Under this method, it is assumed that there is a direct correlation between the use of tractors and the use of trailers. Whenever use tax is incurred on a tractor because of the failure to maintain the twenty-five percent interstate usage, use tax will also be due on one or more trailers. The number of trailers subject to the use tax under this method shall correspond to the fleetwide trailer to tractor ratio. Any trailer to tractor ratio resulting in a fraction shall be rounded up when determining the number of trailers subject to the use tax. For example, if the fleetwide ratio of trailers to tractors is two and one quarter to one, and one tractor fails to maintain the substantial use threshold in a given year, the motor carrier shall incur a use tax liability on three trailers. However, if two tractors fail to maintain the substantial use threshold in a given year, the motor carrier shall incur a use tax liability on five trailers.

(b) The trailer or trailers subject to use tax under this method shall be those acquired nearest to the purchase date of the tractor triggering the use tax liability for those trailers meeting the following conditions:

- (i) The trailer or trailers are compatible for towing with the tractor upon which use tax is incurred; and
- (ii) The trailer or trailers have not previously incurred a retail sales or use tax liability; and
- (iii) The trailer or trailers have been actively used in hauling for hire in the year tax liability is incurred.

(c) Under this method of reporting, use tax liability is generally incurred on one or more trailers whenever a tractor is subject to the use tax. If a tractor is purchased with the intent that less than twenty-five percent of the hauls will be across state borders, it will be presumed the tractor will also

be pulling a trailer or trailers on which use tax is also due. For example, ABC Trucking has eight tractors and fifteen trailers in its fleet. The tractors and trailers met the exemption from retail sales tax and use tax at the time they were purchased, and it was determined during previous annual reviews that the tractors continued to be substantially used on interstate hauls. However, at the time of the annual review for the just-completed calendar year it was determined that one tractor was not used at least twenty-five percent in interstate hauls. Use tax is due on this tractor. Under this method, use tax is also due on two trailers. The two trailers on which use tax must be reported are the two purchased most nearly to the purchase date of the tractor.

(5) **Valuation.** The value of the motor vehicle or trailer subject to the use tax is its fair market value at the time of first use within the review period for which the exemption cannot be maintained. However, because the taxpayer will not know until the close of the period whether the usage met the exemption requirements, the use tax is due and should be reported on the last excise tax return for that review period. For example, a motor carrier who has previously met the exemption requirements for a particular truck determines this truck no longer was substantially used in interstate hauls during calendar year 1996. Use tax should be reported on the last tax return filed for 1996 with the taxable value based on the value of the truck at January 1, 1996.

(a) The department of revenue will accept independent publications containing values of comparable vehicles if those values are generally accepted in the industry as accurately reflecting the value of used vehicles. The department will also consider notarized valuation opinions signed by qualified appraisers and/or dealers as evidence of the fair market value. In the absence of a readily available fair market value, the department will accept a value based on depreciation schedules used by the department of licensing to determine the value of vehicles for licensing purposes.

(b) The following examples show how use tax liability would be determined in typical situations. 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.

(i) ABC Trucking purchased five trailers for use in both interstate and intrastate for hire hauls on January 1, 1996. All the necessary conditions for exemption under RCW 82.08.0263 were met; delivery was made in Washington, and the trailers were purchased without payment of the retail sales tax. The taxpayer uses the "line crossing" method for determining interstate use.

ABC Trucking keeps a journal showing the origin and destination for each haul which identifies each truck/tractor and trailer used on a per unit basis. This journal is reviewed at the end of each calendar year to verify compliance with the statutory provision that motor vehicles and trailers be substantially used for transporting therein persons or property for hire across the boundaries of the state. During the first year of use, all five of the trailers met the "substantial use" threshold. However, in reviewing this journal for the 1997 calendar year, ABC Trucking determines that two of the trailers failed to meet the twenty-five percent "substantial use" threshold. ABC Trucking must remit use tax directly to the department on its December 1997 excise tax return, based on the fair market values of the two trailers as of

January 1, 1997. Since the taxpayer maintained specific usage records for each trailer, the "substantial use" in interstate hauling must be met by each trailer for which exemption is claimed. If detailed records for usage of trailers had not been kept, use tax liability of the trailers would have been based on the tractors. In any event, use tax liability may not be determined based on the overall experience of a fleet of vehicles. If a vehicle is used both in hauling for hire and in hauling the carrier's own products, the "substantial use" is determined solely on the usage in hauling for hire.

(ii) DB Carriers is a motor carrier which is engaged in both intrastate and interstate for hire hauls. DB purchases and first uses a truck in Washington on January 1, 1997. All the necessary conditions for exemption under RCW 82.08.0263 were met; delivery was made in Washington, and the truck was purchased without payment of the retail sales tax. DB Carriers uses the "line crossing" method for determining interstate use.

DB Carriers keeps a journal showing the origin and destination for each haul which identifies each truck used on a per unit basis. This journal is reviewed at the end of the 1997 calendar year, and DB determines that the truck failed to meet the twenty-five percent "substantial use" threshold. DB Carriers must remit use tax directly to the department on its December 1997 excise tax return, based on the fair market value of the truck as of January 1, 1997. DB Carriers may not compute the use tax liability based upon the December 31, 1997, fair market value as the vehicle never satisfied the substantial interstate use provision of RCW 82.12.0254.

(6) **Leased vehicles.** The use tax exemption requirements are the same for leased vehicles as for purchased vehicles. Motor vehicles and trailers, leased without operator are exempt from the use tax if the user is, or operates under contract with, a holder of a permit issued by the ICC or its successor agency and the vehicle is used in substantial part in the normal and ordinary course of the user's business for transporting therein persons or property for hire across the boundaries of the state. This requires that the leased vehicle be used a minimum of twenty-five percent in interstate hauls. The taxpayer may elect to use either the fiscal year of the business or a calendar year to determine if the leased vehicle was used substantially in interstate hauls for hire. Where the vehicle lease does not begin or end at the start of the calendar year (or fiscal year if the business uses a fiscal year view period), the same requirements apply to leased vehicles as to purchased vehicles (see subsection (3)(c) of this section).

(a) If the leased vehicle does not meet the substantial use requirement during the "view period," the use tax applies only to the portion of the lease payment which is for use in Washington during the "view period." See the examples in subsection (6)(b) of this section. Mileage is an acceptable basis for determining in-state and out-of-state use. For the purposes of determining in-state and out-of-state use of leased vehicles or trailers where use tax is determined to be due, all miles traveled in Washington by the leased vehicle are in-state miles, notwithstanding that they may be associated with an interstate haul. The motor carrier must maintain accurate records of actual in-state and out-of-state use to substantiate any claim that a portion of any lease payment

was exempt of use tax because of out-of-state use. Use tax will be determined for each "view period." For example, if a truck was leased for the years 1996 and 1997 and failed to meet the substantial use requirement in 1996, but met the requirement in 1997, use tax would only be due for the usage in Washington which occurred in 1996.

(b) The following examples show how this method would be applied to typical situations. 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.

(i) BG Hauling is a for hire carrier which on January 1, 1996, enters into a lease agreement for a truck without operator. All the necessary conditions for the retail sales and use tax exemptions for the first year of the lease were met. BG Hauling verifies compliance with the twenty-five percent substantial use threshold on a calendar year basis.

BG determines that this truck failed to meet the twenty-five percent substantial use threshold for calendar year 1997. Use tax will be due beginning with the period for which the exemption was not met, in this case beginning with January 1997. However, BG Hauling may report use tax only on that portion of each lease payment attributable to actual in-state use, provided it maintains accurate records substantiating the truck's in-state and out-of-state activity. Only mileage incurred while actually outside Washington will be considered out-of-state mileage. If BG Hauling continues to lease this truck in 1998, usage will again be reviewed for that period and use tax may or may not be due for the 1998 lease payments, depending on whether the vehicle was used substantially in interstate hauls during that year.

(ii) MG Inc. is an equipment distributor which, in addition to hauling its own product to customers, is engaged in hauling for hire activities. MG is a holder of an ICC permit. MG enters into a lease agreement for a truck without operator on January 1, 1996. All conditions for retail sales and use tax exemption are satisfied for the first year of the lease.

Based upon the truck's for hire hauling activities during the 1997 calendar year, MG determines that the use of the truck failed to satisfy the twenty-five percent substantial use threshold. MG must remit use tax upon the amount of lease payments made during 1997 at the time it files its last tax return in 1997. Provided accurate records are maintained to substantiate in-state and of out-of-state use, MG may remit use tax only upon that portion of each lease payment attributable to actual in-state use. While only the hauling for hire activities are reviewed when determining whether the truck satisfies the substantial interstate use threshold, once it is established the exemption cannot be maintained, the use tax liability is based upon all in-state activity, including the motor carrier's hauling of its own product.

(7) **Component parts.** RCW 82.12.0254 also provides a use tax exemption for the use of tangible personal property which becomes a component part of any motor vehicle or trailer used for transporting therein persons or property for hire. This exemption is available for motor vehicles or trailers owned by, or operated under contract with, a person holding a carrier permit issued by the Interstate Commerce Commission or its successor agency authorizing transportation by motor vehicle across the boundaries of this state.

Since carriers are required to obtain these permits only when the carrier is hauling for hire, the exemption applies only to tangible personal property purchased for vehicles which are used in hauling for hire. The exemption for component parts will apply even if the parts are for use on a motor vehicle or trailer which is used less than twenty-five percent in interstate hauls for hire, provided the vehicle is used in hauling for hire.

(a) For the purposes of this section, the term "component parts" means any tangible personal property which is attached to and becomes an integral part of the motor vehicle or trailer. It includes such items as motors, motor and body parts, batteries, paint, permanently affixed decals, and tires. "Component parts" includes the axle and wheels, referred to as "converter gear" or "dollies," which is used to connect a trailer behind a tractor and trailer. "Component parts" can include tangible personal property which is attached to the vehicle and used as an integral part of the motor carrier's operation of the vehicle, even if the item is not required mechanically for the operation of the vehicle. It includes cellular telephones, communication equipment, fire extinguishers, and other such items, whether themselves permanently attached to the vehicle or held by brackets which are permanently attached. If held by brackets, the brackets must be permanently attached to the vehicle in a definite and secure manner with these items attached to the bracket when not in use and intended to remain with that vehicle. It does not include antifreeze, oil, grease, and other lubricants which are considered as consumed at the time they are placed into the vehicle, even though required for operation of the vehicle. It does include items such as spark plugs, oil filters, air filters, hoses and belts.

(b) The following items do not qualify for exemption from the use tax under the provisions of RCW 82.12.0254:

(i) Equipment, tools, parts and accessories which do not become a component part of a motor vehicle or trailer used in transporting persons or property for hire; and

(ii) Consumable supplies, such as oil, grease, other lubricants, cleaning solvents and ice.

[Statutory Authority: RCW 82.32.300, 97-11-022, § 458-20-17401, filed 5/13/97, effective 6/13/97; 94-18-004, § 458-20-17401, filed 8/24/94, effective 9/24/94.]

WAC 458-20-184 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-20-253 Repealed. See Disposition Table at beginning of this chapter.

WAC 458-20-263 Wind energy and solar electric generating facilities sales and use tax exemption. (1) **Introduction.** Effective July 1, 1996, chapter 166, Laws of 1996, (HB 2290) provides a retail sales tax exemption for sales of or charges made for:

(a) Machinery and equipment used directly in generating electricity using the wind or solar energy as the principal source of power; or

(b) Labor and services for installing the machinery and equipment.

The sales tax exemption applies if the purchaser develops with the machinery, equipment, labor, and services

a facility capable of generating not less than two hundred kilowatts of electricity using the wind or solar energy as the principal source of power. The law provides a corresponding use tax exemption for the use of machinery and equipment used directly in generating not less than two hundred kilowatts of electricity using the wind or solar as the principal source of power.

(2) **Expiration.** The sales and use tax exemptions expire on June 30, 2005.

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

(a) "Machinery and equipment" means industrial fixtures, devices, and support facilities that are integral and necessary to the generation of electricity using the wind or solar energy as the principal source of power.

(i) Machinery and equipment, where solar energy is the principal source of energy, includes, but is not limited to: Solar modules; power conditioning equipment; batteries; transformers; power poles; power lines; and connectors to the utility grid system.

(ii) Machinery and equipment, where wind is the principal source of power includes, but is not limited to: Wind turbines; blades; generators; towers and tower pads; substations; guy wires and ground stays; control buildings; power conditioning equipment; anemometers; recording meters; transmitters; power poles; power lines; and connectors to the utility grid system.

(iii) "Machinery and equipment" does not include: The utility grid system and any tangible personal property used to connect electricity directly to consumers; hand tools; property with a useful life of less than one year; repair parts required to restore machinery and equipment to normal working order; replacement parts that do not increase productivity, improve efficiency, or extend the useful life of the machinery and equipment; buildings; or building fixtures that are not integral and necessary to the generation of electricity that are permanently affixed to and become a physical part of a building.

(b) "Used directly" means the machinery and equipment provides any part of the process that captures the energy of the wind or solar, converts that energy to electricity, and transforms or transmits that electricity for entry into electric transmission and distribution systems.

(c) "Installation charges" means sales of or charges made for labor and services rendered in respect to installing the machinery and equipment.

(i) Labor and services to install machinery and equipment includes both the charges for labor and charges for the rental of equipment with an operator.

(ii) Labor and services to install machinery and equipment does not include the rental of tangible personal property used by the purchaser to install machinery and equipment. See WAC 458-20-211.

(4) **Retail sales tax exemption.** The retail sales tax does not apply to the purchase of or charges for machinery and equipment used directly in generating electricity using the wind or solar energy as the principal source of power or labor and services for installing the machinery and equipment. Prior approval is not required from the department of revenue in order to claim the retail sales tax exemption. However, the purchaser is required to provide the seller with an exemption certificate. Both the purchaser and the seller

must retain a copy of the certificate to document the exemption.

(a) The exemption certificate may be in the form shown below, or may be in any other form that contains substantially the following information and language:

Sales and Use Tax Exemption Certificate for Wind or Solar Powered Electrical Generation Facilities

The purchaser (user) certifies that the items listed below are machinery and equipment, or are labor and services rendered to install the machinery and equipment, used directly in generating electricity using the wind or solar energy as the principal source of power at a facility capable of generating not less than two hundred kilowatts of electricity.

Purchaser (User) UBI/Registration #
Name of Purchaser (User)
Address of Purchaser (User)
Seller UBI/Registration #
Name of Seller
Date
Item or category of items
Authorized agent for Purchaser (Print)
Authorized signature
Title
Date

(b) In lieu of providing the certificate to the department each time a purchase is made, the purchaser may provide the department with an annual summary of exempt purchases by January 31 of the year following the calendar year in which the items were purchased. The annual summary must provide the same information required in (a) of this subsection.

(5) **Use tax.** The use tax does not apply to the use of machinery and equipment used directly in generating not less than two hundred kilowatts of electricity using the wind or solar energy as the principle source of power. The user of exempt machinery and equipment is required to file an annual summary of exempt machinery and equipment similar to that described for the sales tax exemption.

Instead of an annual summary the user may elect to file with the department of revenue an exemption certificate, similar to the retail sales tax exemption certificate described in subsection (4) of this section. If so, the certificate must be filed within sixty days of the first use of the machinery and equipment in this state.

(6) **Time of sale.** The existing rules pertaining to time and place of sale and when tax liability arises apply for purposes of whether a given transaction occurred on or after the effective date of the law, July 1, 1996, for purposes of the sales and use tax exemption. See WAC 458-20-103, 458-20-178 and 458-20-197.

(a) In the case of an outright purchase of goods, the sale takes place when the goods are delivered to the purchaser in this state. Thus, machinery and equipment delivered to the purchaser on or after July 1, 1996, can qualify for exemption, regardless of when the order for the goods was placed.

(b) If machinery and equipment is acquired without payment of retail sales tax, use tax is due at the time of first use. Thus, machinery and equipment which is first put to use after July 1, 1996, can qualify for the exemption. See WAC 458-20-178.

(c) In the case of leases or rentals of tangible personal property, liability for sales tax arises as of the time the lease

or rental payment falls due. Thus, in the case of leased machinery and equipment, rental payments that fall due on or after July 1, 1996, can qualify for exemption, regardless of when the lease was initiated.

[Statutory Authority: RCW 82.32.300 and 82.08.02567. 97-03-027, § 458-20-263, filed 1/8/97, effective 2/8/97.]

**Chapter 458-30 WAC
OPEN SPACE TAXATION ACT RULES**

WAC	
458-30-262	Agricultural land valuation—Interest rate—Property tax component.
458-30-590	Rates of inflation.

WAC 458-30-262 Agricultural land valuation—Interest rate—Property tax component. For assessment year 1998, 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 9.3 percent; and
- (2) The property tax component for each county is:

COUNTY	PERCENT	COUNTY	PERCENT
Adams	1.47	Lewis	1.22
Asotin	1.56	Lincoln	1.49
Benton	1.50	Mason	1.20
Chelan	1.32	Okanogan	1.39
Clallam	1.24	Pacific	1.28
Clark	1.39	Pend Oreille	1.28
Columbia	1.49	Pierce	1.59
Cowlitz	1.21	San Juan	0.79
Douglas	1.41	Skagit	1.30
Ferry	1.21	Skamania	1.08
Franklin	1.55	Snohomish	1.39
Garfield	1.46	Spokane	1.55
Grant	1.46	Stevens	1.12
Grays Harbor	1.34	Thurston	1.53
Island	1.00	Wahkiakum	1.17
Jefferson	1.17	Walla Walla	1.48
King	1.38	Whatcom	1.28
Kitsap	1.45	Whitman	1.69
Kittitas	1.16	Yakima	1.38
Klickitat	1.23		

[Statutory Authority: RCW 84.34.065, 84.34.141 and 84.08.010. 98-01-178, § 458-30-262, filed 12/23/97, effective 1/1/98. Statutory Authority: RCW 84.34.065, 84.34.141, 84.08.010 and 84.34.070. 97-02-066, § 458-30-262, filed 12/31/96, effective 1/1/97. Statutory Authority: RCW 84.34.065, 84.34.141, 84.08.010 and 84.34.070. 96-01-095, § 458-30-262, filed 12/19/95, effective 1/1/96. Statutory Authority: RCW 84.34.065, 84.34.141, 84.08.010 and 84.08.070. 95-09-041, § 458-30-262, filed 4/14/95, effective 5/15/95. Statutory Authority: RCW 84.08.010, 84.08.070 and 84.34.065. 94-05-062, § 458-30-262, filed 2/11/94, effective 3/14/94. 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.]

WAC 458-30-590 Rates of inflation. (1) Introduction. This section sets forth the rates of inflation discussed in WAC 458-30-550.

(2) Rates of inflation. The rates of inflation to be used for calculating the interest as required by WAC 458-30-550 are as follows:

YEAR	PERCENT	YEAR	PERCENT
1976	5.6	1977	6.5
1978	7.6	1979	11.3
1980	13.5	1981	10.3
1982	6.2	1983	3.2
1984	4.3	1985	3.5
1986	1.9	1987	3.7
1988	4.1	1989	4.8
1990	5.4	1991	4.2
1992	3.3	1993	2.7
1994	2.2	1995	2.3
1996	2.2	1997	2.1

[Statutory Authority: RCW 84.34.360 and 84.34.310. 98-01-179, § 458-30-590, filed 12/23/97, effective 1/1/98; 97-02-067, § 458-30-590, filed 12/31/96, effective 1/1/97; 96-01-094, § 458-30-590, filed 12/19/95, effective 1/1/96; 95-06-043, § 458-30-590, filed 2/24/95, effective 3/27/95. Statutory Authority: RCW 84.34.360. 94-11-098, § 458-30-590, filed 5/17/94, effective 6/17/94; 92-22-061, § 458-30-590, filed 10/29/92, effective 11/29/92. Statutory Authority: RCW 84.08.010 and 84.08.070. 90-24-087, § 458-30-590, filed 12/5/90, effective 1/5/91. Statutory Authority: Chapter 84.34 RCW and RCW 84.34.360. 89-05-010 (Order PT 89-3), § 458-30-590, filed 2/8/89. Statutory Authority: RCW 84.34.360. 88-07-004 (Order PT 88-4), § 458-30-590, filed 3/3/88; 87-07-009 (Order PT 87-3), § 458-30-590, filed 3/10/87.]

**Chapter 458-40 WAC
TAXATION OF FOREST LAND AND TIMBER**

WAC	
458-40-540	Forest land values—1998.
458-40-660	Timber excise tax—Stumpage value tables—Stumpage value adjustments.

WAC 458-40-540 Forest land values—1998. The forest land values, per acre, for each grade of forest land for the 1998 assessment year are determined to be as follows:

LAND GRADE	OPERABILITY CLASS	1998
		VALUES ROUNDED
1	1	\$245
	2	238
	3	227
	4	164
2	1	207
	2	198
	3	190
	4	138
3	1	161
	2	156
	3	154
	4	118
4	1	122
	2	119
	3	118
	4	90

	1	89
5	2	82
	3	81
	4	54
<hr/>		
	1	45
6	2	41
	3	41
	4	39
<hr/>		
	1	22
7	2	22
	3	21
	4	21
<hr/>		
8		1

[Statutory Authority: RCW 82.32.300, 84.33.096 and 82.33.120. 98-02-014, § 458-40-540, filed 12/30/97, effective 1/1/98. Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.120. 97-07-041, § 458-40-540, filed 3/14/97, effective 4/14/97; 96-02-055, § 458-40-540, filed 12/29/95, effective 1/1/96. Statutory Authority: RCW 82.32.300 and 84.33.120. 95-02-039, § 458-40-540, filed 12/30/94, effective 1/1/95. 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 458-40-660 Timber excise tax—Stumpage value tables—Stumpage value adjustments. (1) **Introduction.** This section sets forth the stumpage value tables and the stumpage value adjustments that are used to calculate the amount of timber excise tax owed by a timber harvester.

(2) **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, 1998:

**TABLE 1—Stumpage Value Table
Stumpage Value Area 1
January 1 through June 30, 1998**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir	DF	1	\$842	\$835	\$828	\$821	\$814
		2	680	673	666	659	652
		3	629	622	615	608	601
		4	421	414	407	400	393
Western Redcedar ²	RC	1	782	775	768	761	754
		2	754	747	740	733	726
		3	694	687	680	673	666
		4	651	644	637	630	623
Western Hemlock ³	WH	1	431	424	417	410	403
		2	395	388	381	374	367
		3	379	372	365	358	351
		4	282	275	268	261	254

Other Conifer	OC	1	431	424	417	410	403
		2	395	388	381	374	367
		3	379	372	365	358	351
		4	282	275	268	261	254
Red Alder	RA	1	194	187	180	173	166
		2	148	141	134	127	120
		3	36	29	22	15	8
Black Cottonwood	BC	1	50	43	36	29	22
		2	28	21	14	7	1
		3	20	13	6	1	1
Other Hardwood	OH	1	136	129	122	115	108
		2	95	88	81	74	67
		3	37	30	23	16	9
Douglas-fir Poles and Piles	DFL	1	944	937	930	923	916
Western Redcedar Poles and Piles	RCL	1	944	937	930	923	916
Chipwood ⁴	CHW	1	1	1	1	1	1
RC Shake Blocks	RCS	1	303	296	289	282	275
RC Shingle Blocks	RCF	1	121	114	107	100	93
RC & Other Posts ⁵	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁶	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁶	TFX	1	0.50	0.50	0.50	0.50	0.50

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

² Includes Alaska-Cedar.

³ 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."

⁴ Stumpage value per ton.

⁵ Stumpage value per 8 lineal feet or portion thereof.

⁶ Stumpage value per lineal foot.

**TABLE 2—Stumpage Value Table
Stumpage Value Area 2**

January 1 through June 30, 1998

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir	DF	1	\$665	\$658	\$651	\$644	\$637
		2	625	618	611	604	597
		3	603	596	589	582	575
		4	264	257	250	243	236
Western Redcedar ²	RC	1	782	775	768	761	754
		2	754	747	740	733	726
		3	694	687	680	673	666
		4	651	644	637	630	623
Western Hemlock ³	WH	1	410	403	396	389	382
		2	398	391	384	377	370
		3	372	365	358	351	344
		4	306	299	292	285	278
Other Conifer	OC	1	410	403	396	389	382
		2	398	391	384	377	370
		3	372	365	358	351	344
		4	306	299	292	285	278
Red Alder	RA	1	194	187	180	173	166
		2	148	141	134	127	120
		3	36	29	22	15	8

Black Cottonwood	BC	1	50	43	36	29	22
		2	28	21	14	7	1
		3	20	13	6	1	1
Other Hardwood	OH	1	136	129	122	115	108
		2	95	88	81	74	67
		3	37	30	23	16	9
Douglas-fir Poles and Piles	DFL	1	944	937	930	923	916
Western Redcedar Poles and Piles	RCL	1	944	937	930	923	916
Chipwood ⁴	CHW	1	1	1	1	1	1
RC Shake Blocks	RCS	1	303	296	289	282	275
RC Shingle Blocks	RCF	1	121	114	107	100	93
RC & Other Posts ⁵	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁶	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁶	TFX	1	0.50	0.50	0.50	0.50	0.50

Western Redcedar Poles and Piles	RCL	1	944	937	930	923	916
Chipwood ⁴	CHW	1	1	1	1	1	1
RC Shake Blocks	RCS	1	303	296	289	282	275
RC Shingle Blocks	RCF	1	121	114	107	100	93
RC & Other Posts ⁵	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁶	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁶	TFX	1	0.50	0.50	0.50	0.50	0.50

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

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

**TABLE 3—Stumpage Value Table
Stumpage Value Area 3
January 1 through June 30, 1998**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir	DF	1	\$698	\$691	\$684	\$677	\$670
		2	640	633	626	619	612
		3	422	415	408	401	394
		4	368	361	354	347	340
Western Redcedar ²	RC	1	782	775	768	761	754
		2	754	747	740	733	726
		3	694	687	680	673	666
		4	651	644	637	630	623
Western Hemlock ³	WH	1	421	414	407	400	393
		2	421	414	407	400	393
		3	388	381	374	367	360
		4	270	263	256	249	242
Other Conifer	OC	1	421	414	407	400	393
		2	421	414	407	400	393
		3	388	381	374	367	360
		4	270	263	256	249	242
Red Alder	RA	1	194	187	180	173	166
		2	148	141	134	127	120
		3	36	29	22	15	8
Black Cottonwood	BC	1	50	43	36	29	22
		2	28	21	14	7	1
		3	20	13	6	1	1
Other Hardwood	OH	1	136	129	122	115	108
		2	95	88	81	74	67
		3	37	30	23	16	9
Douglas-fir Poles and Piles	DFL	1	944	937	930	923	916
Western Redcedar Poles and Piles	RCL	1	944	937	930	923	916
Chipwood ⁵	CHW	1	1	1	1	1	1
RC Shake Blocks	RCS	1	303	296	289	282	275

**TABLE 4—Stumpage Value Table
Stumpage Value Area 4
January 1 through June 30, 1998**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$698	\$691	\$684	\$677	\$670
		2	670	663	656	649	642
		3	639	632	625	618	611
		4	488	481	474	467	460
Lodgepole Pine	LP	1	215	208	201	194	187
Ponderosa Pine	PP	1	403	396	389	382	375
		2	270	263	256	249	242
Western Redcedar ³	RC	1	782	775	768	761	754
		2	754	747	740	733	726
		3	694	687	680	673	666
		4	651	644	637	630	623
Western Hemlock ⁴	WH	1	412	405	398	391	384
		2	412	405	398	391	384
		3	389	382	375	368	361
		4	290	283	276	269	262
Other Conifer	OC	1	412	405	398	391	384
		2	412	405	398	391	384
		3	389	382	375	368	361
		4	290	283	276	269	262
Red Alder	RA	1	194	187	180	173	166
		2	148	141	134	127	120
		3	36	29	22	15	8
Black Cottonwood	BC	1	50	43	36	29	22
		2	28	21	14	7	1
		3	20	13	6	1	1
Other Hardwood	OH	1	136	129	122	115	108
		2	95	88	81	74	67
		3	37	30	23	16	9
Douglas-fir Poles and Piles	DFL	1	944	937	930	923	916
Western Redcedar Poles and Piles	RCL	1	944	937	930	923	916
Chipwood ⁵	CHW	1	1	1	1	1	1
RC Shake Blocks	RCS	1	303	296	289	282	275

RC Shingle Blocks	RCF	1	121	114	107	100	93
RC & Other Posts ⁶	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁷	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁷	TFX	1	0.50	0.50	0.50	0.50	0.50

¹ Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.
² Includes Western Larch.
³ Includes Alaska-Cedar.
⁴ Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."
⁵ Stumpage value per ton.
⁶ Stumpage value per 8 lineal feet or portion thereof.
⁷ Stumpage value per lineal foot.

**TABLE 5—Stumpage Value Table
 Stumpage Value Area 5
 January 1 through June 30, 1998**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$665	\$658	\$651	\$644	\$637
		2	636	629	622	615	608
		3	512	505	498	491	484
		4	342	335	328	321	314
Lodgepole Pine	LP	1	215	208	201	194	187
Ponderosa Pine	PP	1	403	396	389	382	375
		2	270	263	256	249	242
Western Redcedar ³	RC	1	782	775	768	761	754
		2	754	747	740	733	726
		3	694	687	680	673	666
		4	651	644	637	630	623
Western Hemlock ⁴	WH	1	394	387	380	373	366
		2	384	377	370	363	356
		3	328	321	314	307	300
		4	213	206	199	192	185
Other Conifer	OC	1	394	387	380	373	366
		2	384	377	370	363	356
		3	328	321	314	307	300
		4	213	206	199	192	185
Red Alder	RA	1	194	187	180	173	166
		2	148	141	134	127	120
		3	36	29	22	15	8
Black Cottonwood	BC	1	50	43	36	29	22
		2	28	21	14	7	1
		3	20	13	6	1	1
Other Hardwood	OH	1	136	129	122	115	108
		2	95	88	81	74	67
		3	37	30	23	16	9
Douglas-fir Poles and Piles	DFL	1	944	937	930	923	916
Western Redcedar Poles and Piles	RCL	1	944	937	930	923	916
Chipwood ⁵	CHW	1	1	1	1	1	1
RC Shake Blocks	RCS	1	303	296	289	282	275
RC Shingle Blocks	RCF	1	121	114	107	100	93
RC & Other Posts ⁶	RCP	1	0.45	0.45	0.45	0.45	0.45

DF Christmas Trees ⁷	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁷	TFX	1	0.50	0.50	0.50	0.50	0.50

¹ Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.
² Includes Western Larch.
³ Includes Alaska-Cedar.
⁴ Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."
⁵ Stumpage value per ton.
⁶ Stumpage value per 8 lineal feet or portion thereof.
⁷ Stumpage value per lineal foot.

**TABLE 6—Stumpage Value Table
 Stumpage Value Area 6
 January 1 through June 30, 1998**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$362	\$355	\$348	\$341	\$334
Engelmann Spruce	ES	1	217	210	203	196	189
Lodgepole Pine	LP	1	215	208	201	194	187
Ponderosa Pine	PP	1	403	396	389	382	375
		2	270	263	256	249	242
Western Redcedar ³	RC	1	382	375	368	361	354
True Firs ⁴	WH	1	227	220	213	206	199
Western White Pine	WP	1	402	395	388	381	374
Hardwoods	OH	1	50	43	36	29	22
Western Redcedar Poles and Piles	RCL	1	516	509	502	495	488
Small Logs ⁵	SML	1	28	27	26	25	24
Chipwood ⁵	CHW	1	1	1	1	1	1
RC Shake & Shingle Blocks	RCP	1	92	85	78	71	64
LP & Other Posts ⁶	LPP	1	0.35	0.35	0.35	0.35	0.35
Pine Christmas Trees ⁷	PX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁸	DFX	1	0.25	0.25	0.25	0.25	0.25

¹ Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-684 and 458-40-686.
² Includes Western Larch.
³ Includes Alaska-Cedar.
⁴ Includes Western Hemlock, Mountain Hemlock, Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir. Pacific Silver Fir, Noble Fir, Grand Fir, and Subalpine Fir are all commonly referred to as "White Fir."
⁵ Stumpage value per ton.
⁶ Stumpage value per 8 lineal feet or portion thereof.
⁷ Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.
⁸ Stumpage value per lineal foot.

**TABLE 7—Stumpage Value Table
Stumpage Value Area 7
January 1 through June 30, 1998**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$306	\$299	\$292	\$285	\$278
Engelmann Spruce	ES	1	217	210	203	196	189
Lodgepole Pine	LP	1	215	208	201	194	187
Ponderosa Pine	PP	1	403	396	389	382	375
		2	295	288	281	274	267
Western Redcedar ³	RC	1	382	375	368	361	354
True Firs ⁴	WH	1	255	248	241	234	227
Western White Pine	WP	1	402	395	388	381	374
Hardwoods	OH	1	50	43	36	29	22
Western Redcedar Poles and Piles	RCL	1	516	509	502	495	488
Small Logs ⁵	SML	1	21	20	19	18	17
Chipwood ⁵	CHW	1	1	1	1	1	1
RC Shake & Shingle Blocks	RCF	1	92	85	78	71	64
LP & Other Posts ⁶	LPP	1	0.35	0.35	0.35	0.35	0.35
Pine Christmas Trees ⁷	PX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁸	DFX	1	0.25	0.25	0.25	0.25	0.25

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

² Includes Western Larch.

³ Includes Alaska-Cedar.

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

⁵ Stumpage value per ton.

⁶ Stumpage value per 8 lineal feet or portion thereof.

⁷ Stumpage value per lineal foot. Includes Ponderosa Pine, Western White Pine, and Lodgepole Pine.

⁸ Stumpage value per lineal foot.

**TABLE 8—Stumpage Value Table
Stumpage Value Area 10
January 1 through June 30, 1998**

Stumpage Values per Thousand Board Feet Net Scribner Log Scale¹

Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-Fir ²	DF	1	\$684	\$677	\$670	\$663	\$656
		2	656	649	642	635	628
		3	625	618	611	604	597
		4	474	467	460	453	446
Lodgepole Pine	LP	1	215	208	201	194	187
Ponderosa Pine	PP	1	403	396	389	382	375
		2	270	263	256	249	242

Western Redcedar ³	RC	1	768	761	754	747	740
		2	740	733	726	719	712
		3	680	673	666	659	652
		4	637	630	623	616	609
Western Hemlock ⁴	WH	1	398	391	384	377	370
		2	398	391	384	377	370
		3	375	368	361	354	347
		4	276	269	262	255	248
Other Conifer	OC	1	398	391	384	377	370
		2	398	391	384	377	370
		3	375	368	361	354	347
		4	276	269	262	255	248
Red Alder	RA	1	180	173	166	159	152
		2	134	127	120	113	106
		3	22	15	8	1	1
Black Cottonwood	BC	1	36	29	22	15	8
		2	14	7	1	1	1
		3	6	1	1	1	1
Other Hardwood	OH	1	122	115	108	101	94
		2	81	74	67	60	53
		3	23	16	9	2	1
Douglas-fir Poles and Piles	DFL	1	930	923	916	909	902
Western Redcedar Poles and Piles	RCL	1	930	923	916	909	902
Chipwood ⁵	CHW	1	1	1	1	1	1
RC Shake Blocks	RCS	1	303	296	289	282	275
RC Shingle Blocks	RCF	1	121	114	107	100	93
RC & Other Posts ⁶	RCP	1	0.45	0.45	0.45	0.45	0.45
DF Christmas Trees ⁷	DFX	1	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees ⁷	TFX	1	0.50	0.50	0.50	0.50	0.50

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

² Includes Western Larch.

³ Includes Alaska-Cedar.

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

⁵ Stumpage value per ton.

⁶ Stumpage value per 8 lineal feet or portion thereof.

⁷ Stumpage value per lineal foot.

(3) **Harvest value adjustments.** Harvest value adjustments relating to the various logging and harvest conditions shall be allowed against the stumpage values as set forth in subsection (2) of this section for the designated stumpage value areas. See WAC 458-40-670 for more information about these adjustments.

The following harvest adjustment tables are hereby adopted for use during the period of January 1 through June 30, 1998:

**TABLE 9—Harvest Adjustment Table
Stumpage Value Areas 1, 2, 3, 4, 5, and 10**

January 1 through
June 30, 1998

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
I. Volume per acre		
Class 1	Harvest of more than 40 thousand board feet per acre.	\$0.00
Class 2	Harvest of 20 thousand board feet to 40 thousand board feet per acre.	- \$4.00
Class 3	Harvest of 10 thousand board feet to but not including 20 thousand board feet per acre.	- \$7.00
Class 4	Harvest of 5 thousand board feet to but not including 10 thousand board feet per acre.	- \$9.00
Class 5	Harvest of less than 5 thousand board feet per acre.	- \$10.00
II. Logging conditions		
Class 1	Most of the harvest unit has less than 30% slope. No significant rock outcrops or swamp barriers.	\$ 0.00
Class 2	Most of the harvest unit has slopes between 30% and 60%. Some rock outcrops or swamp barriers.	- \$17.00
Class 3	Most of the harvest unit has rough, broken ground with slopes over 60%. Numerous rock outcrops and bluffs.	- \$25.00
Class 4	For logs that are yarded from stump to landing by helicopter. This does not include special forest products.	- \$145.00
Note:	A Class 2 adjustment may be used for slopes less than 30% when cable logging is required by a duly promulgated forest practice regulation. Written documentation of this requirement must be provided by the taxpayer to the department.	
III. Remote island adjustment:		
	For timber harvested from a remote island	- \$50.00
IV. Thinning (see WAC 458-40-610(21))		
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 10—Harvest Adjustment Table
Stumpage Value Areas 6 and 7**

January 1 through
June 30, 1998

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
I. Volume per acre		
Class 1	Harvest of more than 8 thousand board feet per acre.	\$0.00
Class 2	Harvest of 3 thousand board feet to 8 thousand board feet per acre.	- \$7.00

Class 3	Harvest of less than 3 thousand board feet per acre.	- \$10.00
II. Logging conditions		
Class 1	Most of the harvest unit has less than 40% slope. No significant rock outcrops or swamp barriers.	\$0.00
Class 2	Most of the harvest unit has slopes between 40% and 60%. Some rock outcrops or swamp barriers.	- \$20.00
Class 3	Most of the harvest unit has rough, broken ground with slopes over 60%. Numerous rock outcrops and bluffs.	- \$30.00
Class 4	For logs that are yarded from stump to landing by helicopter. This does not include special forest products.	- \$145.00
Note:	A Class 2 adjustment may be used for slopes less than 30% when cable logging is required by a duly promulgated forest practice regulation. Written documentation of this requirement must be provided by the taxpayer to the department.	

III. Remote island adjustment:		
	For timber harvested from a remote island	- \$50.00

TABLE 11—Domestic Market Adjustment

Public Timber

Harvest of timber not sold by a competitive bidding process that 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 that 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 that 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 82.32.300, 84.33.096 and 84.33.091. 98-02-015, § 458-40-660, filed 12/30/97, effective 1/1/98; 97-14-068, § 458-40-660, filed 6/30/97, effective 7/1/97. Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.091. 97-02-069, § 458-40-660, filed 12/31/96, effective 1/1/97; 96-14-063, § 458-40-660, filed 6/28/96, effective 7/1/96; 96-02-057, § 458-40-660, filed 12/29/95, effective 1/1/96. Statutory Authority: RCW 82.32.330, 84.33.096 and 84.33.200. 95-18-027, § 458-40-660, filed 8/25/95, effective 9/25/95. Statutory Authority: RCW 82.32.300 and 84.33.096. 95-02-038, § 458-40-660, filed 12/30/94, effective 1/1/95. Statutory Authority: RCW 84.33.091, 84.32.300

[82.32.300] and 84.33.096. 94-14-048, § 458-40-660, filed 6/30/94, effective 7/1/94; 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.]

Title 460 WAC

FINANCIAL INSTITUTIONS (SECURITIES DIVISION)

Chapters

- 460-21B** Broker-dealer practices.
- 460-22B** Salespersons of broker-dealers.
- 460-24A** Investment advisers.
- 460-40A** Investment companies.
- 460-42A** Exempt securities.
- 460-44A** Exempt transactions.
- 460-65A** Regulations on procedures related to the entry of orders.

Chapter 460-21B WAC BROKER-DEALER PRACTICES

WAC

- 460-21B-050 Books and records of broker-dealers.
- 460-21B-080 Repealed.

DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

- 460-21B-080 Written procedures. [Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-21B-080, filed 7/21/95, effective 8/21/95.] Repealed by 97-03-122, filed 1/22/97, effective 2/22/97. Statutory Authority: RCW 21.20.100 and 21.020.450.

WAC 460-21B-050 Books and records of broker-dealers. (1) Each registered broker-dealer shall make, maintain, and preserve books and records in compliance with United States Securities and Exchange Commission Rules 17a-3 (17 C.F.R. § 240.17a-3 (1991)), 17a-4 (17 C.F.R. § 240.17a-4 (1991)), 15c2-6 (17 C.F.R. § 240.15c2-6 (1991)) and 15c2-11 (17 C.F.R. § 240.15c2-11 (1991)) as amended in Release No. 34-29094, 56 Fed. Reg. 19148 (1991)) which are hereby incorporated by reference. To the extent that the United States Securities and Exchange Commission promulgates changes to the above-referenced rules, dealers in

compliance with such rules as amended shall not be subject to enforcement action by the commission for violation of this rule to the extent that the violation results solely from the dealer's compliance with the amended rule.

(2) The administrator may, by order, upon written request and for good cause shown, waive any of the requirements of this rule.

[Statutory Authority: RCW 21.20.100 and 21.20.450. 97-03-122, § 460-21B-050, filed 1/22/97, effective 2/22/97. Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-21B-050, filed 7/21/95, effective 8/21/95.]

WAC 460-21B-080 Repealed. See Disposition Table at beginning of this chapter.

Chapter 460-22B WAC SALESPERSONS OF BROKER-DEALERS

WAC

- 460-22B-070 Repealed.
- 460-22B-080 Repealed.
- 460-22B-090 Dishonest and unethical business practices-salespersons.

DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

- 460-22B-070 Dual representation and affiliation. [Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-22B-070, filed 7/21/95, effective 8/21/95.] Repealed by 97-03-122, filed 1/22/97, effective 2/22/97. Statutory Authority: RCW 21.20.100 and 21.020.450.
- 460-22B-080 Receipt of both securities sales commission and investment adviser fees. [Statutory Authority: RCW 21.20.070 and 21.20.450. 95-16-026, § 460-22B-080, filed 7/21/95, effective 8/21/95.] Repealed by 97-03-122, filed 1/22/97, effective 2/22/97. Statutory Authority: RCW 21.20.100 and 21.020.450.

WAC 460-22B-070 Repealed. See Disposition Table at beginning of this chapter.

WAC 460-22B-080 Repealed. See Disposition Table at beginning of this chapter.

WAC 460-22B-090 Dishonest and unethical business practices-salespersons. The phrase "dishonest or unethical practices" as used in RCW 21.20.110(7) as applied to salespersons, is hereby defined to include any of the following:

- (1) Engaging in the practice of lending or borrowing money or securities from a customer, or acting as a custodian for money, securities or an executed stock power of a customer;
- (2) Effecting securities transactions not recorded on the regular books or records of the broker-dealer which the agent represents, unless the transactions are authorized in writing by the broker-dealer prior to execution of the transaction;
- (3) Establishing or maintaining an account containing fictitious information in order to execute transactions which would otherwise be prohibited;
- (4) Sharing directly or indirectly in profits or losses in the account of any customer without the written authoriza-