



Revenues to Rebuild Washington's Economy

Ending tax exemptions to restore jobs and opportunity

Washington lawmakers have slashed billions of dollars from the state operating budget since 2008, crippling individuals, schools, and communities in every part of the state. Meanwhile, tax breaks for the wealthiest people and corporations undercut investments in the education system and infrastructure needed to create jobs and get our economy moving again.

It's time to modernize Washington tax code by ending tax breaks and expanding the tax base to reflect Washington's 21st century economy. Here are some options:

	State Revenue (\$millions)	
	FY 2013	2013-15
Repeal or Suspend Selected Business Tax Breaks		
Repeal 1st mortgage deduction -Since 1970, credit agencies can deduct interest earned from loans for first mortgages on residential property. JLARC found no evidence that the tax savings is passed on to consumers, and big banks are profiting.	\$50.8	\$104.1
Repeal 1st mortgage deduction for banks in more than 10 states	\$20.0	\$41
Sales tax exemption on custom software - Taxed in 11+ other states. Would not include "canned" software.	\$31.2	\$80.5
Sales tax on financial planning, investment advising, securities trading	\$46.9	\$104.3
B&O pop syrup credit and increase pop syrup tax from \$1 to \$2	\$16.7	\$34.5
B&O tax exemption for farmers with gross income above \$200,000	\$32.7	\$69
Sales tax exemption for non-organic fertilizers, sprays, and washes	\$44.6	\$96
Use tax exemption on extracted fuel - Primary beneficiaries are wood product industry and oil refineries. Generally businesses that produce and use tangible personal property owe a use tax, but extracted fuel has been exempt. 45 other states have a use tax; only 1 exempts petroleum-based extracted fuel.*	\$25.6	\$52
Subtotal (with full 1st mortgage repeal)	\$248.5	\$540.4
Expand Tax Base		
State admissions tax 5% (exclude youth non-profit and K-12 school activities)	\$43.4	\$95.2
Nonresident sales tax exemption – change to refund if over \$25 per year	\$19.3	\$39.5
Beverage tax (bottled water and carbonated) @ 2 cents per 12 oz.	\$70.3	\$142.2
Repeal sales tax exemption motor vehicle fuel	\$803.2	\$1,681.70
Subtotal	\$936.3	\$1,958.6

	FY 2013	2013-15
Progressive Taxes		
Luxury tax - 10% on motor vehicles, vessels, and aircraft over \$50,000	\$70.3	\$163.9
Estate tax - increase rates 50%	\$45.5	\$98
Income tax on incomes over \$1,000,000 – 5%**	0	\$1,358
Subtotal	\$115.7	\$1,619.9
Modernize Interpretation of Interstate Commerce Clause		
Repeal PUT exemption on Instate portion of interstate transportation - Public Utility Tax tax is not charged on the transportation of goods or people if any part of the trip is out-of-state. JLARC recommends ending the exemption. 46 states and DC already tax.*	\$30.6	\$59.70
Repeal PUT exemptions on through freight and shipments to ports - Two PUT deductions were enacted in 1937 specifically dealing with goods transported from one part of the state to another for storage or processing, then transported out of state. JLARC also recommends ending it. 45 states tax.	\$23.7	\$47.30
Repeal jet fuel tax exemption for commercial airlines and local commuter business - A jet fuel tax of 11 cents per gallon has been limited to private purchasers to support local airports and avoid violation of the US Constitution. But the funds are now used more broadly to benefit all aviation and the interstate commerce clause has been reinterpreted to allow broader taxation. Only 2 other states exempt fuel for use in interstate commerce.*	\$55.2	\$106.80
Repeal sales tax exemption on items used in interstate commerce - Air, rail, and water transportation companies engaged in interstate or foreign commerce are exempt from sales tax on fuel and other items. U.S. Supreme Court has ruled that states may tax such items, and many do. JLARC review in 2008 found no clear purpose for the exemption. At least 10 states explicitly tax airline fuel.*	\$139	\$278
Subtotal	\$248.5	\$491.80
Total	\$1,549.1	\$4,611

Sources: Washington Department of Revenue Estimates for 2013-15, September 2011 Forecast;

* Based on JLARC estimates.

** Institute on Taxation and Economic Policy. Not available 2011-13 biennium.