

WAA Legislative Alert

Accountants Face A 33% Increase In Their B&O Tax

The House of Representatives just announced a proposal to increase B&O taxes on accounting services and all other professional services, except real estate sales by 33% (B&O tax goes from 1.5% to 2.0% on gross sales).

This proposed increase will be part of a public hearing tomorrow morning 3/2/2010 in the House Finance Committee at 9am in Olympia.

Following is a summary of the revenue proposal just announced by the House of Representatives at noon, 3/1/2010. They show revenue increases both in the current budget period 2009-11 and next budget period 2011-2013:

<u>PART I: Closing Tax Loopholes (House Bill 3176)</u>	<u>\$385.31 2009-11 / \$884.10 2011-13</u>
Minimum Nexus Standards	\$73.1 / \$374.6
Tax Avoidance	\$13.6 / \$54.4
Repeal of First Mortgage Deduction	\$67.1 / \$112.0
Repeal of Out-of-State Sales Tax Exemption	\$41.5 / \$76.1
Nutrient Management (Five-Year Suspension, 10-Year Sunset)	\$1.6 / \$2.8
Corporate Board of Directors	\$2.1 / \$4.6
Airplanes like Boats (JLARC recommendation - 0.5% excise tax)	\$6.3 / \$10.8
Use Tax on Vehicles Used for Interstate Hauls	\$7.7 / \$16.0
Foreclosure Exemption	\$6.6 / \$12.9
Corporate Officer Liability for Tax Debts	\$6.2 / \$11.6
COURT CASE: Dot Foods Repeal	\$154.7 / \$199.5
COURT CASE: Agrilink Fix	\$4.8 / \$8.8

Changes to House Bill 3176 since public hearing

- *B&O exemption on precious metal bullion:* The original bill eliminated the B&O tax exemption, this current proposal removes that provision so the exemption remains in place.
- *First Mortgage Deduction:* The original bill exempted up to \$35 million of the first mortgage deduction. To help more community banks, this current proposal exempts up to \$100 million.
- *Use Tax on Vehicles Used for Interstate Hauls:* The original bill addressed both a PUT and a use tax. In response to concerns from the trucking and port industries, the PUT provision is withdrawn and the use tax remains.
- *Tax avoidance language:* In response to concerns, additional changes were made to language regarding tax avoidance.

<u>PART II: Tobacco Products</u>	<u>\$111.60 2009-11 / \$195.00 2011-13</u>
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The cigarette tax is increased \$1 per pack of cigarettes and the taxes on other tobacco products are equalized.

<u>PART III: Removing Sales Tax Exemptions</u>	<u>\$163.2 2009-11 / \$367.2 2011-13</u>
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Bottled water	\$30.0 / \$69.2
Elective cosmetic surgery	\$7.2 / \$15.1
Candy and gum	\$30.5 / \$62.4
Custom software	\$76.5 / \$181.1
Janitorial services	\$19.0 / \$39.4

<u>PART IV: TAX FAIRNESS</u>	<u>\$98.8 2009-11 / \$212.1 2011-13</u>
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0.5% increase on lawyers, accountants, agents (not real estate), marketing and management consultants	\$21.7 / \$47.0
Repealing exemption on investment earnings for non -financial firms	\$58.0 / \$126.0
Convention Center Tax Recovery (HB 3027)	\$10.1 / \$24.7
Limiting the wind M&E exemption	\$7.8 / \$12.2
Restoring the PUD privilege tax to original legislative intent	\$1.2 / \$2.2

<u>PART V: OTHER ANTICIPATED BUDGET ACTIONS</u>	<u>\$100.0 2009-11 / \$64.0 2011-13</u>
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Lottery (Senate Bill 6409)	\$30.0 / \$64.0
Additional capital budget transfers	\$70.0 / \$0