

SUMMARY OF 2020 LEGISLATION

Washington Department of Revenue Legislation & Policy and Research & Fiscal Analysis Divisions

April 2020

This report summarizes the significant legislation impacting the taxes and other programs administered by the Department of Revenue (Department) and approved during the 2020 Regular Session of the Washington State Legislature. The summaries are based on information developed by the Department's Legislation & Policy and Research & Fiscal Analysis divisions, and are not intended to cover all technical details or provide a legal interpretation of the bills. Instead, this report is intended to alert readers to new legislation and serve as a resource for historical research. Fiscal impacts of legislation in this summary may be found in "*State Revenue Impact of Major 2020 Tax Legislation*," beginning on page 4.

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STATE REVENUE IMPACT OF MAJOR 2020 TAX LEGISLATION - Sources Impacting Dep't of Revenue Only
(Bills listed below in gray were vetoed by the Governor)

State General Fund

| Bill # | Type | Bill Description | FY 2020 | FY 2021 | 2019-21 Bien | FY 2022 | FY 2023 | 2021-23 Bien |
|----------------------|-------|--|------------|---------------|---------------|---------------|---------------|---------------|
| House Bills: | | | | | | | | |
| 1347 | HB | Vehicle reseller permits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1368 | HB | Cooperative finance org. B&O (Vetoed) ^{1,2} | \$0 | (\$148,000) | (\$148,000) | (\$197,000) | (\$197,000) | (\$394,000) |
| 1590 | HB | Housing tax/councilmanic | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1948 | E HB | Warehousing & manuf. Jobs (Vetoed) ^{1,2} | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2229 | HB | Land dev. & management/tax | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2230 | HB | Indian tribe-owned property | \$0 | (\$210,000) | (\$210,000) | (\$390,000) | (\$400,000) | (\$790,000) |
| 2248 | E SHB | Community solar projects (Vetoed) ^{1,2} | \$0 | (\$300,000) | (\$300,000) | (\$2,200,000) | (\$2,200,000) | (\$4,400,000) |
| 2384 | SHB | Nonprofit housing/prop. tax | | \$0 | (\$40,000) | (\$40,000) | (\$77,000) | (\$67,000) |
| 2486 | SHB | Electric marine batteries | \$0 | (\$409,000) | (\$409,000) | (\$359,000) | (\$509,000) | (\$868,000) |
| 2497 | HB | Affordable housing financing | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2505 | HB | BPA ratepayer assist/B&O tax (Vetoed) ^{1,2} | \$0 | (\$600,000) | (\$600,000) | (\$660,000) | (\$660,000) | (\$1,320,000) |
| 2512 | HB | Mobile home delinquent taxes | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2588 | E SHB | Special purpose districts ³ | | | | | | |
| 2634 | SHB | Affordable housing/REET (Vetoed) ^{1,2} | \$0 | (\$404,000) | (\$404,000) | (\$436,000) | (\$480,000) | (\$916,000) |
| 2723 | E SHB | Off-road vehicle enforcement (Vetoed) ^{1,2} | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2797 | E HB | Housing/sales & use tax (Vetoed) ^{1,2} | \$0 | (\$500,000) | (\$500,000) | (\$1,000,000) | (\$1,000,000) | (\$2,000,000) |
| 2803 | SHB | Indian tribes compact/taxes | \$0 | (\$4,140,000) | (\$4,140,000) | (\$4,260,000) | (\$4,260,000) | (\$8,520,000) |
| 2848 | HB | Hog fuel sales tax exemption (Vetoed) ^{1,2} | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2858 | HB | Assessment rolls filing | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2868 | SHB | Historic property valuation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2903 | HB | Auto dealers/cash incentives (Vetoed) ^{1,2} | \$0 | (\$736,000) | (\$736,000) | (\$1,862,000) | (\$1,965,000) | (\$3,827,000) |
| 2919 | E SHB | REET county fees (Vetoed) ^{1,2} | (\$38,000) | (\$483,000) | (\$521,000) | (\$478,000) | (\$505,000) | (\$983,000) |
| 2943 | HB | Behavioral health admin orgs (Vetoed) ^{1,2} | \$0 | (\$4,100,000) | (\$4,100,000) | (\$4,500,000) | (\$4,500,000) | (\$9,000,000) |
| 2950 | SHB | Housing tax exemption (Partial veto) ⁴ | \$0 | (\$36,000) | (\$36,000) | (\$69,000) | (\$71,000) | (\$140,000) |
| Senate Bills: | | | | | | | | |
| 5147 | E SSB | Menstrual products sales tax | \$0 | (\$4,127,000) | (\$4,127,000) | (\$4,643,000) | (\$4,786,000) | (\$9,429,000) |
| 5323 | E SSB | Plastic bags | \$0 | \$3,794,000 | \$3,794,000 | \$3,694,000 | \$3,694,000 | \$7,388,000 |

State General Fund (continued)

| Bill # | Type | Bill Description | FY 2020 | FY 2021 | 2019-21 Bien | FY 2022 | FY 2023 | 2021-23 Bien |
|---|-------|--|--------------|---------------|---------------|---------------|---------------|---------------|
| 5402 | E SB | Tax and licensing laws (Partial veto) ⁴ | (\$63,000) | (\$63,000) | (\$126,000) | (\$63,000) | (\$63,000) | (\$126,000) |
| 5628 | SSB | Heavy equipment rental prop. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6068 | SSB | Private airplanes/sales tax | \$0 | \$0 | \$0 | (\$2,900,000) | (\$3,500,000) | (\$6,400,000) |
| 6072 | SSB | State wildlife account | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6168 | ESSB | Operating budget, supplement ^{3,4} | | | | | | |
| 6212 | SB | Affordable housing/prop. Tax | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6231 | 2SSB | Single-family dwellings | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6312 | SB | Nonprofit fund-raising/tax | \$0 | (\$11,000) | (\$11,000) | (\$12,000) | (\$12,000) | (\$24,000) |
| 6319 | SSB | Senior property tax admin. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6415 | SSB | Perm. Fire district charge | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6492 | E SSB | B&O tax/workforce education | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6528 | 2SSB | Derelict vessel prevention ³ | | | | | | |
| 6592 | E SSB | Tourism authorities | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6690 | E SSB | Aerospace B&O taxes/WTO | \$18,000,000 | \$116,000,000 | \$134,000,000 | \$115,000,000 | \$114,000,000 | \$229,000,000 |
| NET GENERAL FUND IMPACT (Does not included vetoed bills) | | | \$17,937,000 | \$110,758,000 | \$128,695,000 | \$105,921,000 | \$104,026,000 | \$209,947,000 |

BLS License, Fee & Registration Bills - MLS Account Funds

| Bill # | Type | Bill Description | FY 2020 | FY 2021 | 2019-21 Bien | FY 2022 | FY 2023 | 2021-23 Bien |
|--------|-------|--|---------|-------------|--------------|-------------|-------------|--------------|
| 2870 | E2SHB | Marijuana retail licenses ³ | | | | | | |
| 5006 | ESSB | On-premises endorsement | \$0 | \$6,000 | \$6,000 | \$15,000 | \$19,000 | \$34,000 |
| 5549 | E2SSB | Distillery marketing & sales | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6392 | SSB | Local wine industry license | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6632 | SSB | Business licensing services | \$0 | \$6,494,000 | \$6,494,000 | \$6,547,000 | \$6,614,000 | \$13,161,000 |

State Funds other than General or BLS Funds

| Bill # | Type | Bill Description | Fund/Account | FY 2020 | FY 2021 | 2019-21 Bien | FY 2022 | FY 2023 | 2021-23 Bien |
|--------|-------|---|---|-----------|-------------|--------------|-------------|-------------|--------------|
| 1368 | HB | Cooperative finance org. B&O ^{1,2} | Workforce Education Investment Acct | \$0 | (\$25,000) | (\$25,000) | (\$33,000) | (\$33,000) | (\$66,000) |
| 2486 | SHB | Electric marine batteries | Performance Audit Acct | \$0 | (\$1,000) | (\$1,000) | (\$1,000) | (\$1,000) | (\$2,000) |
| 2634 | SHB | Affordable housing/REET ^{1,2} | City County Assistance Acct | \$0 | (\$7,000) | (\$7,000) | (\$8,000) | (\$8,000) | (\$16,000) |
| 2634 | SHB | Affordable housing/REET ^{1,2} | Education Legacy Trust Acct | \$0 | (\$89,000) | (\$89,000) | (\$96,000) | (\$106,000) | (\$202,000) |
| 2634 | SHB | Affordable housing/REET ^{1,2} | Public Works Assistance Acct | \$0 | (\$9,000) | (\$9,000) | (\$9,000) | (\$10,000) | (\$19,000) |
| 2848 | HB | Hog fuel sales tax exemption ^{1,2} | Performance Audit Acct | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2919 | E SHB | REET county fees ^{1,2} | City County Assistance Acct | (\$1,000) | (\$9,000) | (\$10,000) | (\$8,000) | (\$9,000) | (\$17,000) |
| 2919 | E SHB | REET county fees ^{1,2} | Education Legacy Trust Acct | (\$8,000) | (\$106,000) | (\$114,000) | (\$105,000) | (\$111,000) | (\$216,000) |
| 2919 | E SHB | REET county fees ^{1,2} | Public Works Assistance Acct | (\$1,000) | (\$10,000) | (\$11,000) | (\$10,000) | (\$11,000) | (\$21,000) |
| 5147 | E SSB | Menstrual products sales tax | Performance Audit Acct | \$0 | (\$7,000) | (\$7,000) | (\$7,000) | (\$8,000) | (\$15,000) |
| 5323 | E SSB | Plastic bags | Performance Audit Acct | \$0 | \$6,000 | \$6,000 | \$6,000 | \$6,000 | \$12,000 |
| 5628 | SSB | Heavy equipment rental prop. | Motor Vehicle Acct | \$0 | \$0 | \$0 | \$2,400,000 | \$6,000,000 | \$8,400,000 |
| 5628 | SSB | Heavy equipment rental prop. | Multimodal Transportation Acct | \$0 | \$0 | \$0 | \$2,400,000 | \$6,000,000 | \$8,400,000 |
| 6068 | SSB | Private airplanes/sales tax | Performance Audit Acct | \$0 | \$0 | \$0 | (\$5,000) | (\$6,000) | (\$11,000) |
| 6072 | SSB | State wildlife account | NEW - Fish, Wildlife, and Conservation Acct | \$0 | \$0 | \$0 | \$47,000 | \$47,000 | \$94,000 |

State Funds other than General or BLS Funds (continued)

| Bill # | Type | Bill Description | Fund/Account | FY 2020 | FY 2021 | 2019-21 Bien | FY 2022 | FY 2023 | 2021-23 Bien |
|--------|-------|-----------------------------|-------------------------------------|----------------|--------------|----------------|---------------|---------------|---------------|
| 6072 | SSB | State wildlife account | Wildlife Account (Anadromous Fish) | \$0 | \$0 | \$0 | (\$47,000) | (\$47,000) | (\$94,000) |
| 6492 | E SSB | B&O tax/workforce education | Workforce Education Investment Acct | (\$68,000,000) | \$38,400,000 | (\$29,600,000) | \$115,300,000 | \$119,000,000 | \$234,300,000 |

¹Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

²The revenue impact for vetoed bills is shown, but is not included in any totals.

³The Department did not receive a fiscal note request for proposal.

⁴Partial veto of bill that did not change revenue impact.

HOUSE BILLS

HB 1347 **Concerning vehicle reseller permits ([Chapter 11, Laws of 2020](#))**

This bill adds reseller permits to the list of acceptable forms of documentation that an applicant may present when applying for a transfer of a certificate of title on a vehicle to show that use tax is not due on the transfer.

HB 1347 takes effect June 11, 2020.

HB 1368 **Reauthorizing the business and occupation tax deduction for cooperative finance organizations (Vetoed)**

This bill reauthorizes a business and occupation tax deduction for cooperative finance organizations for income derived from loans to rural electric cooperatives or other qualifying utility providers.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

HB 1590 **Allowing the local sales and use tax for affordable housing to be imposed by a councilmanic authority ([Chapter 222, Laws of 2020](#))**

This bill allows the legislative authority of a county or city to impose the local sales and use tax for housing and related services under [RCW 82.14.530](#) without voter approval. Previously, this tax could be imposed only if approved by a majority of county or city voters.

HB 1590 takes effect June 11, 2020.

EHB 1948 **Supporting warehousing and manufacturing job centers (Vetoed)**

This bill:

- Extends the mitigation payments the state makes to certain local taxing jurisdictions that were negatively impacted by the states' membership in the Streamlined Sales and Use Tax Agreement and that received mitigations payments of at least \$150,000 in 2018.
- Creates a Manufacturing and Warehousing Job Centers Account in the State Treasury, into which all mitigation payments are to be deposited and may be appropriated to mitigate the negative fiscal impact to certain jurisdictions.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

HB 2229 **Clarifying the scope of taxation on land development or management services (Chapter 109, Laws of 2020)**

This bill excludes “land development and management” services from being subject to retail sales tax as “services rendered in respect to” construction activities, if such services are provided by a person that is not also responsible for the construction activities.

HB 2229 takes effect June 11, 2020.

HB 2230 **Subjecting federally recognized Indian tribes to the same conditions as state and local governments for property owned exclusively by the tribe (Chapter 272, Laws of 2020)**

This bill:

- Expands the property tax exemption in [RCW 84.36.010](#) to apply to property acquired for economic development purposes by an Indian tribe after March 1, 2014.
- Allows cities, in addition to counties, to participate in negotiations with Indian tribes to determine any amount of payment in lieu of leasehold excise tax that must be paid to the counties and cities by the tribes on tax-exempt property used for economic development purposes.

HB 2230 takes effect June 11, 2020.

ESHB 2248 **Expanding equitable access to the benefits of renewable energy through community solar projects (Vetoed)**

This bill:

- Provides that applications for the Renewable Energy Production Incentive Program may not be submitted after June 30, 2020.
- Creates the Community Solar Expansion Program with the following provisions:
 - The Washington State University Extension Energy Program will administer the technical aspects of the program, including applications, certifications, and notifying applicants of their incentive amount.
 - Provides for a one-time energy burden reduction incentive payment to eligible community solar projects from a participating electric utility.
 - The program takes effect July 1, 2020, and expires June 30, 2026.
 - The statewide cap for the new incentive payments is \$20 million, subject to certain other biennial dollar limits.
- Creates a credit for electric utilities participating in the Community Solar Expansion Program to take against the state public utility tax with the following provisions:
 - The credit is equal to the energy burden reduction incentive payments made under the Community Solar Expansion Program by the electric utilities.
 - The credit is taken on a fiscal-year basis and may not exceed the greater of:
 - 1.5% of the business’s taxable power sales generated in calendar year 2014, or
 - \$250,000.

- The credit may not exceed the amount of public utility tax that would otherwise be due by the electric utility.
- The right to earn credits expires June 30, 2034, and the credits may not be claimed after June 30, 2035.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

SHB 2384 Concerning the property tax exemption for nonprofit organizations providing rental housing or mobile home park spaces to qualified households (Chapter 273, Laws of 2020)

This bill modifies the criteria and reporting requirements of the property tax exemption for nonprofit organizations providing rental housing or mobile home park space as follows:

- Changes the term “very low income household” to be “qualifying household.”
- Expands the qualifying household income requirements to 60% or less of the county median income adjusted for household size, beginning July 1, 2021.
- Adds the Washington State Housing Finance Commission to the list of qualifying financing sources for nonprofit organizations to claim the exemption.
- Provides that nonprofit entities receiving the exemption must requalify for the exemption every three years, rather than annually.

SHB 2384 takes effect June 11, 2020.

SHB 2486 Extending the electric marine battery incentive (Chapter 341, Laws of 2020)

The bill:

- Extends the retail sales and use tax exemptions for new battery-powered electric marine propulsion systems with continuous power greater than 15 kilowatts and vessels equipped with such propulsion systems from July 1, 2025, to July 1, 2030.
- Expands those retail sales and use tax exemptions to include the purchase and use of:
 - Batteries and battery packs used exclusively to power electric or hybrid marine propulsion systems that operate with a continuous power greater than 15 kilowatts, and labor and services to install, repair, alter, or improve such batteries or battery packs.
 - New shoreside batteries for the purpose of reducing grid demand when charging electric and hybrid vessels, labor and services to install, alter, or improve such shoreside batteries or their infrastructure, and tangible personal property that will become a component of shoreside batteries infrastructure.

SHB 2486 takes effect July 1, 2020.

HB 2497 **Adding development of permanently affordable housing to the allowable uses of community revitalization financing, the local infrastructure financing tool, and local revitalization financing (Chapter 280, Laws of 2020)**

This bill expands community revitalization financing, local infrastructure financing, and local revitalization financing revenues, to be used for “permanently affordable housing,” which includes housing, regardless of ownership, for which there is a legally binding, recorded document in effect that limits the price at which the owner may sell or restricts the occupancy of the unit to a qualified, low-income household, for a period of at least 40 years for a property used for shelter or rental housing, or for a period of at least 25 years for a property to be owned by a low-income household.

HB 2497 takes effect June 11, 2020.

HB 2505 **Extending the business and occupation tax exemption for amounts received as credits against contracts with or funds provided by the Bonneville Power Administration and used for low-income ratepayer assistance and weatherization (Vetoed)**

This bill provides a business and occupation tax exemption for credits against power contracts with, or funds received by utilities from, the Bonneville Power Administration for the purpose of implementing energy conservation programs or demand-side management programs. This exemption is allowed only if a utility’s tax savings is used for additional low-income ratepayer assistance or weatherization.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

HB 2512 **Concerning interest and penalty relief for qualified mobile home and manufactured home owners (Chapter 175, Laws of 2020)**

This bill adds a three-year waiting period after the date that personal property taxes become delinquent before a mobile or manufactured home may be distrained (seized). It also requires the county treasurer to waive outstanding interest and penalties for delinquent property taxes due from the owner of the mobile home or manufactured home if certain conditions are met.

HB 2512 takes effect June 11, 2020.

ESHB 2588 **Improving openness, accountability, and transparency of special purpose districts (Chapter 179, Laws of 2020)**

This bill:

- Prohibits a special purpose district (district) and the county auditor from issuing any payments against the funds of a district that has been determined unauditably by the State Auditor’s Office (SAO).

- Prohibits the State Treasurer from distributing any local sales and use taxes to a district that has been determined to be unauditible by SAO.
- Allows a county to dissolve a district that has been determined to be unauditible by SAO, and impose a separate property tax levy or assessment if the county assumes responsibility for services previously provided by a dissolved district.

ESHB 2588 takes effect June 11, 2020.

SHB 2634 Exempting a sale or transfer of real property for affordable housing to a nonprofit entity, housing authority, or public corporation from the real estate excise tax (Vetoed)

This bill exempts from the real estate excise tax (REET) the sale or transfer of property intended to be used for rental housing for low-income households to a qualifying grantee, including a nonprofit entity, housing authority, or public corporation. The qualifying grantee must certify that it intends to receive, or otherwise qualify for, one of the specific property tax exemptions identified in the bill, within specific timeframes.

If a qualifying buyer fails to receive, or qualify for, a property tax exemption within the specific timeframes, it must pay all unpaid REET plus interest. Interest is calculated from the date of transfer.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

ESHB 2723 Addressing off-road vehicle and snowmobile registration enforcement (Vetoed)

This bill:

- Requires an Oregon resident who operates an off-road vehicle (ORV) in Washington to register the ORV in this state.
- Waives the registration fee if the Oregon resident presents an unexpired driver's license and a current ORV registration from Oregon.
- Requires the Department to work with the Department of Licensing to contact Washington residents who purchase an ORV or snowmobile, but have not registered the vehicle in Washington, informing the owner of the obligation to register.
- Imposes a fine on Washington residents who register their ORV or snowmobile in another state to avoid the sales and use tax.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

**EHB 2797 Concerning the sales and use tax for affordable and supportive housing
(Vetoed)**

This bill amends [RCW 82.14.540](#), which authorizes a local sales and use tax for affordable and supportive housing, in the following ways:

- Extending the deadline for cities to adopt a qualifying local tax (QLT) to December 31, 2021.
- Requiring a city that has not adopted a QLT, but intends to before December 31, 2021, to adopt a notice of intent to adopt a QLT by July 28, 2020.
- Modifying certain factors that determine the tax rate a county or city is authorized to impose and also modifying the maximum annual tax distribution a county or city is authorized to receive.
- Requiring the Department to recalculate the maximum annual tax distribution for each county and city imposing the tax.
- Limiting administrative costs to 6% of the annual amount of the tax distributed to a county or city.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

**SHB 2803 Authorizing the Governor to enter into compacts with Indian tribes
addressing certain state retail sales tax, certain state use tax, and certain
state business and occupation tax revenues, as specified in a memorandum
of understanding entered into by the state, Tulalip tribes, and Snohomish
county, in January 2020, and including other terms necessary for the
Department to administer any such compact ([Chapter 132, Laws of 2020](#))**

This bill authorizes the Governor to enter into compacts with Indian tribes concerning certain taxes imposed on qualified transactions between tribal nonmembers within a compact covered area. The Governor may delegate the authority to negotiate the compacts to the Department, except with regard to the terms of the tribe's qualified capital investment.

Beginning on the effective date of the compact, the compact must allow the compacting tribe to receive the following amounts collected on qualified transactions:

- 100% of the retailing business and occupation tax, and
- The first \$500,000 of the state sales and use tax.

For qualified transactions occurring within a new development, the compacting tribe will also receive one of the following amounts of state sales and use tax:

- 25% of any amount above the \$500,000 cap, or
- 60% of any amount above the \$500,000 cap if the tribe has completed a qualified capital investment.

Beginning January 1st of the fourth calendar year following the signing of the compact, the compacting tribe will receive one of the following amounts of state sales and use tax for qualified transactions that do not occur within a new development:

- 25% of any amount above the \$500,000 cap, or

- 50% of any amount above the \$500,000 cap if the tribe has completed a qualified capital investment.

SHB 2803 takes effect June 11, 2020.

HB 2848 Changing the expiration date for the sales and use tax exemption of hog fuel to coincide with the 2045 deadline for fossil fuel-free electrical generation in Washington state and to protect jobs with health care and retirement benefits in economically distressed communities (Vetoed)

This bill:

- Extends the sales and use tax exemptions for certain “hog fuels” to June 30, 2034.
- Defines “biofuel” to mean a liquid or gaseous fuel derived from organic matter intended for use as a transportation fuel, including, but not limited to, biodiesel, renewable diesel, ethanol, renewable natural gas, and renewable propane.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

HB 2858 Concerning requirements for the filing of assessment rolls (Chapter 134, Laws of 2020)

This bill revises the annual deadline for county assessors to certify the completed assessment roll to the county board of equalization (BOE), from July 15 to August 15, if a county legislative authority has extended the filing deadline for taxpayers to appeal a change in assessed value to the BOE from 30 days to a maximum of 60 days. The bill impacts approximately 10 of the 39 counties that have extended the BOE petition filing deadline.

HB 2858 takes effect June 11, 2020.

SHB 2868 Allowing for extensions of the specific valuation of historic property for certain properties (Chapter 91, Laws of 2020)

This bill allows the special valuation of historic property to be extended by seven additional years, up to twice for a total of 14 additional years, if the property is in a city with a population under 20,000 and in a county listed as a distressed area by the Employment Security Department.

SHB 2868 takes effect June 11, 2020.

HB 2903 Providing that qualified dealer cash incentives paid to auto dealers are bona fide discounts for purposes of the business and occupation tax (Vetoed)

This bill creates a deduction from business and occupation tax for amounts received from qualified dealer cash incentives.

"Qualified dealer cash incentive" means a payment or credit offered to a motor vehicle dealer as defined in [RCW 46.70.011](#)(17) by a manufacturer of a motor vehicle where:

- The amount of the payment or credit is based on the quantity of a specified type of motor vehicle to be sold at retail by the seller, regardless of whether the seller is required to sell a specified minimum number of vehicles;
- The seller knew the terms of the offer before making the retail sales that generated the payment or credit from the manufacturer; and
- The seller is not required to provide any services to the manufacturer in order to receive the payment or credit from the manufacturer. The documentation of the retail sale that generated the payment or credit from the manufacturer is not a service provided to the manufacturer.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

ESHB 2919 Adjusting the amount and use of county fees on the real estate excise tax (Vetoed)

This bill:

- Increases the percentage of the REET retained by counties with a population of less than 400,000 from 1.3% to 1.48%.
- Allows a county with a population greater than 2 million to apply up to 25% of the REET it retains to the operations and maintenance of permanent supportive housing programs in its county.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

HB 2943 Providing a business and occupation tax preference for behavioral health administrative services organizations (Vetoed)

This bill creates a business and occupation tax deduction for behavioral health administrative services organizations, and for health or social welfare organizations, on certain amounts received for government-funded behavioral health care.

Due to the economic impact of the COVID-19 pandemic on state revenue, the Governor vetoed this bill in its entirety.

SHB 2950 Addressing affordable housing needs through the multifamily housing tax exemption by providing an extension of the exemption until January 1, 2022, for certain properties currently receiving a twelve-year exemption and by convening a work group (Partial Veto) (Chapter 237, Laws of 2020)

This bill extends through December 31, 2021, the multifamily property tax exemption (MFTE) under [RCW 84.14.020](#) for those properties receiving a 12-year exemption if a property:

- Satisfies the requirements for the initial exemption period; and
- The property tax exemption on the property was set to expire between June 11, 2020, and December 31, 2021.

Section 3 of the bill directs the Department of Commerce to contract with a nonprofit facilitator to convene a work group, to include the Department, to:

- Study and make recommendations on certain aspects of the MFTE program; and
- Provide a follow-up report to the Legislature and the Joint Legislative Audit and Review Committee by December 1, 2020.

Because the work required under Section 3 of the bill was not funded in the budget, the Governor vetoed Section 3.

SHB 2590 takes effect June 11, 2020.

SENATE BILLS

ESSB 5147 Providing tax relief to females by exempting feminine hygiene products from retail sales and use tax ([Chapter 350, Laws of 2020](#))

This bill provides a permanent sales and use tax exemption on the purchase or use of feminine hygiene products.

ESSB 5417 takes effect July 1, 2020.

ESSB 5323 Reducing pollution from plastic bags by establishing minimum state standards for the use of bags at retail establishments ([Chapter 138, Laws of 2020](#))

This bill:

- Prohibits retailers, beginning January 1, 2021, from providing single-use plastic carryout bags, and certain paper carryout bags and reusable carryout bags unless they meet recycled content requirements.
- Requires retailers, beginning January 1, 2021, to charge 8 cents for any recycled content paper bag or reusable plastic bag provided to consumers through December 31, 2025.
- Increases the bag charge to 12 cents per plastic bag beginning January 1, 2026.
- Provides that the pass-through bag charge is a retail sale, the payment of which must be retained by the retailer, and must be listed on customer receipts.
- Preempts local carryout bag ordinances in effect as of April 1, 2020 as follows:
 - Local ordinances without a bag charge are preempted immediately.
 - Local ordinances that require a bag charge of less than 10 cents are preempted on January 1, 2021.
 - Local ordinances that require a bag charge of 10 cents or more are preempted on January 1, 2026.
- Provides a business and occupation tax deduction for any funds derived from the pass-through bag charge created by this bill.
 - Retail sales tax still applies to the pass-through charge.
 - This deduction applies only to fees collected under this bill. It does not apply to fees collected pursuant to local ordinances.

ESSB 5323 takes effect June 11, 2020.

ESB 5402 Improving tax and licensing laws administered by the Department, but not including changes to tax laws that are estimated to affect state or local tax collections as reflected in any fiscal note prepared and approved under the process established in chapter 43.88A RCW (Partial Veto) ([Chapter 139, Laws of 2020](#))

The bill clarifies and consolidates several tax-related statutes by:

- Updating language in tax preference performance statements.

- Deleting references to repealed statutes.
- Consolidating business and occupation tax deductions for artistic and cultural organizations into one statute.
- Clarifying county assessor duties regarding property tax deferral program declarations.
- Repealing obsolete statutes.
- Recognizing agency name changes.
- Restoring certain statutory definitions.

The bill provides additional relief to certain taxpayers by:

- Authorizing the Department to waive penalties assessed on a business for renewing a business license late if the late renewal is due to Department error.
- Allowing the City of Kent one additional year to join FileLocal rather than requiring the city to partner with the Department for its business licensing needs.
- Amending the interest calculation for annual returns that are filed late or overpaid to provide that interest accrues from the last day of April, rather than the last day of January.
- Deleting the requirement that educational institutions claiming a property tax exemption provide detailed information regarding the property, its use, revenue, and the institution itself.
- Clarifying that claimants need not file duplicate declarations to defer property taxes under the low-income deferral program, senior citizen or disabled person deferral program, and the widows and widowers of qualifying veterans' property tax grant program.

Section 21 of the bill updates an out of date reference to the definition of "hog fuel." The Governor vetoed this section because it duplicates the change to RCW 82.12.956 made in section 3 of House Bill 2848. However, as noted above, the Governor subsequently vetoed HB 2848 in its entirety as a result of the economic impact of the COVID-19 pandemic on state revenue.

ESB 5402 takes effect June 11, 2020.

SSB 5628 Concerning the classification of heavy equipment rental property as inventory (Chapter 301, Laws of 2020)

This bill:

- Establishes a property tax exemption for heavy equipment rental property owned by a heavy equipment rental property dealer (dealer) beginning January 1, 2022.
- Creates a new heavy equipment rental tax of 1.25% of the rental price, beginning January 1, 2022, which is collected from the consumer.
- Distributes the new heavy equipment rental tax as follows:
 - 50% to the Motor Vehicle Fund; and
 - 50% to the Multimodal Transportation Account.

SSB 6068 **Concerning sales and use tax exemptions for large private airplanes
(Chapter 304, Laws of 2020)**

This bill:

- Extends for 10 years, to July 1, 2031, the sales and use tax exemptions for large private airplanes purchased or used by nonresidents, and for charges for services to repair, clean, alter, or improve such airplanes.
- Extends for 10 years, to July 1, 2031, the exemption from the requirement to register, with the Washington Department of Transportation, large private airplanes that remain in this state exclusively for:
 - Repairs, alterations, or reconstruction, for a period of at least 90 days; or
 - Continual storage of at least one full calendar year.
- Extends for 10 years, to July 1, 2031, the imposition of aircraft excise tax (instead of property tax) on commercial aircraft that are in Washington exclusively for continual storage for at least one full calendar year.

SSB 6072 **Dividing the State Wildlife Account into the Fish, Wildlife, and
Conservation Account and the Limited Fish and Wildlife Account
(Chapter 148, Laws of 2020)**

This bill divides the State Wildlife Account into two new accounts, the Limited Fish and Wildlife Account and the Fish, Wildlife, and Conservation Account.

Under this bill, fish tax receipts, which were formerly deposited in the State Wildlife Account, will instead be deposited into the Fish, Wildlife, and Conservation Account.

SSB 6072 takes effect July 1, 2021.

ESSB 6168 **Making 2019-2021 fiscal biennium supplemental operating appropriations
(Partial Veto) (Chapter 353, Laws of 2020)**

The bill requires the Department to:

- Notify the fiscal committees of the Legislature each year beginning January 1, 2021, of the amount of taxes collected on qualified transactions and paid to each compacting tribe in the prior fiscal year under [SHB 2803](#) (Indian tribes compact/taxes).
- Update the document, "Washington Action Plan - FAA Policy Concerning Airport Revenue," to reflect legislative changes that affect hazardous substances. The Department must:
 - Develop and recommend, in consultation with the Aviation Division of the Washington State Department of Transportation, a methodology to segregate and track actual amounts collected from the hazardous substance tax and the petroleum products tax imposed on aviation fuel.
 - Submit a report, including the recommended methodology, to the fiscal committees of the Legislature by January 11, 2021.

- Evaluate long-term funding options to support the operations of the Pioneer Square-International District Community Preservation and Development Authority (Authority). The Department must:
 - Provide a report to the Governor and appropriate committees of the Legislature by June 30, 2021.
 - Consult with the Authority, King County, the City of Seattle, and the owners and operators of major public facilities projects located adjacent to the geographic area established by the authority.
 - Include recommendations in the report for funding options for the Authority’s operations, including but not limited to an impact fee on tickets sold for events held in major public facilities located adjacent to the geographic area established by the authority.

The Governor vetoed a number of provisions; however, none of the vetoes impact the Department.

ESSB 6168 takes effect immediately upon the Governor’s signature.

SB 6212 Concerning the authority of counties, cities, and towns to exceed statutory property tax limitations for the purpose of financing affordable housing for very low-income households and low-income households ([Chapter 253, Laws of 2020](#))

This bill allows a city or county levying a local property tax to fund affordable housing for very low-income households to expand the use of this money to fund affordable home ownership, owner-occupied home repair, and foreclosure prevention programs for low-income households.

- “Very low-income household” means a single person, family, or unrelated persons living together with income of 50% or less of the county’s median household income.
- “Low-income household” means a single person, family, or unrelated persons living together with income of 80% or less of the county’s median household income.

SB 6212 takes effect October 1, 2020.

2SSB 6231 Providing a limited property tax exemption for the construction of accessory dwelling units ([Chapter 204, Laws of 2020](#))

The bill:

- Expands the property tax exemption for improvements to single-family dwellings to include the construction of accessory dwelling units as a qualifying improvement beginning with taxes levied for collection in 2021.
- Requires the Department to work with county assessors to review and evaluate the exemption and report its findings to the Legislature by November 15, 2020. The report must:
 - Include an analysis of property types, locations, types of communities, and value of exempt improvements by geographic area.

- Address the effectiveness of the exemption in encouraging homeowners to upgrade their residences.

2SSB 6231 takes effect June 11, 2020.

SB 6312 **Making the nonprofit and library fund-raising exemption permanent
(Chapter 159, Laws of 2020)**

This bill removes the expiration date on the use tax exemption for items purchased or received as a prize at a qualifying nonprofit organization or library fundraising event. Under current law, to qualify for the exemption, an item must be valued at less than \$12,000. Under this bill, the \$12,000 value limit is adjusted annually for inflation as needed.

SB 6312 takes effect June 11, 2020.

SSB 6319 **Concerning administration of the senior property tax exemption program
(Chapter 209, Laws of 2020)**

This bill amends the property tax exemption for qualifying senior citizens, individuals with disabilities, and veterans as follows:

- Instructs the Department to round up to the nearest \$1,000 when calculating income thresholds.
- Requires that claims for exemption must be signed under oath.
- Changes the definition of “principal place of residence” to mean a residence that is occupied by the claimant for more than six months each calendar year, instead of nine months.

SSB 6319 takes effect June 11, 2020.

SSB 6415 **Allowing a permanent fire protection district benefit charge with voter
approval (Chapter 99, Laws of 2020)**

This bill provides fire protection districts and regional fire protection service authorities the additional options of imposing a permanent benefit charge to finance its activities with approval of at least 60% of the voters in the district, or continue to impose an existing benefit charge for 10 years with approval by a simple majority of voters in the district.

SSB 6415 takes effect June 11, 2020.

ESSB 6492 **Addressing workforce education investment funding through tax reform**
(Chapter 2, Laws of 2020)

This bill:

- Eliminates the Workforce Education Investment Surcharge on “specified persons” imposed under [RCW 82.04.299\(1\)](#) retroactively to January 1, 2020.
- Imposes a 1.75% service and other activities business and occupation tax rate for most service activities beginning April 1, 2020.
- Requires 14.3% of the revenues collected under the 1.75% service and other activities business and occupation tax rate to be deposited in the Workforce Education Investment Account.
- Maintains a 1.5% service and other activities business and occupation tax rate for hospitals, taxpayers subject to the advanced computing surcharge, and taxpayers with less than \$1 million in gross income in the preceding calendar year, including the gross income of any affiliates.
- Amends the advanced computing surcharge previously imposed under RCW 82.04.299(2) to equal 1.22% of a select advanced computing business's gross income subject to service and other activities business and occupation tax, beginning April 1, 2020.
- Eliminates the \$4 million minimum advanced computing surcharge and increases the maximum combined advanced computing surcharge for any affiliated group from \$7 million to \$9 million.

ESSB 6492 takes effect April 1, 2020.

2SSB 6528 **Concerning the prevention of derelict vessels (Partial Veto) (Chapter 324, Laws of 2020)**

This bill broadens the category of vessels for which a person must provide proof of marine insurance from vessels more than 65 feet long to vessels more than 35 feet in length. Proof of marine insurance is required upon any payment of tax to the Department or any transfer of the vessel.

2SSB 6528 takes effect June 11, 2020.

ESSB 6592 **Concerning tourism authorities (Chapter 215, Laws of 2020)**

This bill:

- Expands the authority to form a tourism promotion area (TPA) to counties, cities, or towns of any size.
- Allows TPAs to impose a charge of up to \$3 per room per night on lodging businesses with 40 or more rooms in addition to the \$2 charge authorized under [RCW 35.101.050](#).

ESSB 6592 takes effect June 11, 2020.

ESB 6690

Concerning aerospace business and occupation taxes and World Trade Organization compliance (Chapter 165, Laws of 2020)

This bill makes the following aerospace business and occupation tax preference changes, effective April 1, 2020:

- Manufacturers and processors for hire of commercial aircraft and components of such aircraft are subject to a business and occupation tax rate of 0.484% on their manufacturing, wholesaling and retailing activities.
- Manufacturers and processors for hire of certain aerospace tooling are subject to a business and occupation tax rate of 0.484% on their manufacturing and wholesaling activities, and a business and occupation tax rate of 0.471% on their retailing activities.

After March 31, 2021, a preferential rate of 0.357% will be implemented when all of the following conditions are met:

- The United States and European Union reach an agreement resolving their World Trade Organization disputes regarding large civil airplanes;
- The agreement expressly allows a preferential business and occupation tax rate of 0.357% or less;
- The Department of Commerce notifies the Department that an agreement has been reached; and
- The Department of Labor and Industries notifies the Department that a significant commercial airplane manufacturer has at least a 0.3% “aerospace apprenticeship utilization rate.”

The Department must provide written notice of the reduction in the business and occupation tax rate to the Office of the Code Reviser, Chief Clerk of the House of Representatives, and the Secretary of the Senate.

This bill creates an aerospace workforce council in the Department of Labor and Industries to establish a framework for the “aerospace apprenticeship utilization rate” reporting.

ESB 6690 takes effect March 25, 2020.

BILLS AFFECTING THE BUSINESS LICENSING SERVICE

E2SHB 2870 Allowing additional marijuana retail licenses for social equity purposes (Chapter 236, Laws of 2020)

This bill, beginning December 1, 2020, and until July 1, 2028, allows the Liquor and Cannabis Board (LCB) to issue or re-issue marijuana retailer licenses from licenses that have been:

- Forfeited, revoked, or canceled by the LCB; or
- Denied by the LCB because issuance would have caused the statewide limit on the number of marijuana retailer licenses to be exceeded.

The annual fee for issuance, reissuance, or renewal for any marijuana retailer license under the bill is the same as the current marijuana license fee.

E2SHB 2870 takes effect June 11, 2020.

ESSB 5006 Allowing the sale of wine by microbrewery license holders (Chapter 186, Laws of 2020)

This bill creates an on-premises endorsement available to any:

- Licensed domestic winery to sell, by the glass for onsite consumption, up to three offerings of beer produced in Washington.
- Licensed domestic brewery or microbrewery to sell, by the glass for onsite consumption, up to three offerings of wine produced in Washington.

The annual fee for the endorsement is \$200 for each retail location.

ESSB 5006 takes effect June 11, 2020.

E2SSB 5549 Modernizing resident distillery marketing and sales restrictions (Chapter 238, Laws of 2020)

This bill:

- Expands the scope of spirits that can be sold by licensed distilleries, to include spirits of the distillery's own production, spirits produced by another distillery or craft distillery licensed in this state, or vermouth or sparkling wine produced by a licensee in Washington.
- Creates a tasting room license that allows distillery and craft distillery licensees to operate up to two off-site tasting rooms, in addition to operating the tasting room attached to the distillery or craft distillery's production facility. Washington is limited to 150 off-site tasting room licenses statewide. Of the off-site tasting rooms authorized under law, any distillery, craft distillery, domestic winery, or any combination of these licensees may jointly occupy and operate up to two off-site locations. The license fee is \$2,000. The tasting room license takes effect on January 1, 2021.

- Provides that unaggregated financial, proprietary, or commercial information submitted to or obtained by the LCB in applications for distillers or craft distilleries licenses, or in any reports or remittances submitted by a person licensed as a distiller or craft distillery is exempt from public disclosure.

E2SSB 5549 takes effect January 1, 2021.

SSB 6392 **Creating a local wine industry association license (Chapter 210, Laws of 2020)**

This bill creates a retail wine license that allows local wine industry associations to receive donations of wine from domestic winery licensees and certificate of approval holders. These associations may then use the wine for marketing or promotional purposes. The annual license fee is \$700.

SSB 6392 takes effect June 11, 2020.

SSB 6632 **Providing additional funding for the Business Licensing Service program administered by the Department (Chapter 164, Laws of 2020)**

This bill:

- Increases the maximum handling fee for persons filing a business license application to open or reopen a business to \$90.
- Lowers the maximum renewal fee to \$10.
- Provides that the maximum handling fee for business license applications filed for any other purpose remains \$19, except that no handling fee is due for business license applications filed to:
 - Obtain a city nonresident endorsement, or
 - Add another business location.

Beginning September 30, 2023, the Department must review the balance in the Business Licensing Account each fiscal year and reduce handling fees if:

- The account balance exceeds \$1 million at the end of the prior fiscal year, or
- The Department projects the balance of the account will exceed \$1 million at the end of the current fiscal year.

If either criterion is met, fees must be reduced so that the balance in the Business Licensing Account at the end of the following fiscal year is projected to be no more than \$1 million.

SSB 6632 takes effect July 1, 2020.