SUMMARY OF 2022 LEGISLATION

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

May 2022

This report summarizes the significant legislation impacting the taxes and other programs administered by the Department of Revenue (Department) and passed during the 2022 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 2022 Tax Legislation*," beginning on page 3.

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STATE REVENUE IMPACT OF MAJOR 2022 TAX LEGISLATION - **Sources Impacting Dept. of Revenue Only**

Note: Bills listed below in grey were vetoed by the Governor.

State General Fund

Bill #	Type	Bill Description	FY 2022	FY 2023	2021-23 Bien	FY 2024	FY 2025	2023-25 Bien
House Bills:								
1015	E2SHB	Equitable access to credit	$0	($8,000,000)	($8,000,000)	($8,000,000)	($8,000,000)	($16,000,000)
1210	2SHB	Cannabis terminology	$0	$0	$0	$0	$0	$0
1641	HB	Custom farming, etc./tax	$0	($37,000)	($37,000)	($40,000)	($40,000)	($80,000)
1643	E SHB	Affordable housing/REET	$0	($231,000)	($231,000)	($603,000)	($621,000)	($1,224,000)
1700	HB	Derelict vessel removal	$0	$0	$0	$0	$0	$0
1703	SHB	911 emergency communications	$0	$0	$0	$0	$0	$0
1765	HB	Health benefit ex./B&O tax	$0	$0	$0	($1,000,000)	($1,110,000)	($2,110,000)
1814	2SHB	Community solar projects	$0	$0	$0	($300,000)	($2,600,000)	($2,900,000)
1846	E SHB	Data centers tax preference	$0	($5,890,000)	($5,890,000)	($9,990,000)	($19,860,000)	($29,850,000)
1888	HB	Working fam. credit/rates	$0	$0	$0	$0	$0	$0
1914	E SHB	Motion picture program	$0	($11,500,000)	($11,500,000)	($11,500,000)	($11,500,000)	($23,000,000)
1988	2SHB	Clean tech. tax deferrals	$0	($3,115,000)	($3,115,000)	($3,544,000)	($3,644,000)	($7,188,000)
1990	E HB	SR 167 & I-405 tax deferral	$0	($400,000)	($400,000)	($6,290,000)	($7,790,000)	($14,080,000)
2024	HB	SR 520 sales tax deferral	$0	($11,180,000)	($11,180,000)	($11,180,000)	($11,180,000)	($22,360,000)
2058	HB	Parks & rec. leasehold tax	$0	($23,000)	($23,000)	($48,000)	($50,000)	($98,000)
2061	HB	Public improvements/housing	$0	$0	$0	$0	$0	$0
2076	E SHB	Transp. network companies	$0	$0	$0	$0	$0	$0
2096	E HB	Working families' tax exempt	$0	$0	$0	$0	$0	$0
2099	SHB	Tax penalties	$0	$10,000	$10,000	$30,000	$30,000	$60,000
Senate Bills:								
5488*	SSB	Completing outstanding financial obligations regarding Tacoma Narrows…						
5505	SB	Farmers market prop. tax ex.	$0	$0	$0	$0	$0	$0
5528	SSB	RTA supplemental revenue	$0	$0	$0	$0	$0	$0
5531	E SSB	Uniform unclaimed property	$0	$35,400,000	$35,400,000	$4,400,000	($780,000)	$3,620,000

5558	SSB	Interstate toll bridges	$0	$0	$0	$0	$0	$0
5693*	ESSB	Making 2021-2023 fiscal biennium supplemental operating appropriations						
5713	SB	Limited equity coop. housing	$0	$0	$0	$0	$0	$0
5714	E SSB	Solar canopies tax deferral	$0	($5,390,000)	($5,390,000)	($8,290,000)	($9,580,000)	($17,870,000)
5722	SSB	Greenhouse gases/buildings	$0	$0	$0	$0	$0	$0
5755	E2SSB	Underdev. land redevelopment	$0	$0	$0	($1,020,000)	($1,670,000)	($2,690,000)
5799	SSB	Workforce surcharge/clinics	$0	$0	$0	$0	$0	$0
5800	E SB	Tax and revenue laws	$0	$0	$0	$0	$0	$0
5849	E SB	Tax incentives	$0	$0	$0	$0	$0	$0
5901	E SB	Economic dev. tax incentives	$0	($1,610,000)	($1,610,000)	($2,270,000)	($2,380,000)	($4,650,000)
5910	SSB	Hydrogen	$0	$0	$0	$0	$0	$0
5974	E SSB	Transportation resources	$0	($18,700,000)	($18,700,000)	($20,200,000)	($21,000,000)	($41,200,000)
5980	E SSB	B&O tax credits	$0	($13,000,000)	($13,000,000)	($57,800,000)	($60,300,000)	($118,100,000)
NET GENERAL FUND IMPACT (Does not included vetoed bills)			$0	($40,966,000)	($40,966,000)	($134,945,000)	($159,375,000)	($294,320,000)

BLS License, Fee & Registration Bills - MLS Account Funds

Bill #	Type	Bill Description	FY 2022	FY 2023	2021-23 Bien	FY 2024	FY 2025	2023-25 Bien
1359	3SHB	Liquor license fees	$0	$0	$0	$0	$0	$0
5940	SB	Liquor license endorsement	$0	$0	$0	$0	$0	$0

State Funds other than General or BLS Funds

Bill #	Type	Bill Description	Fund/Account	FY 2022	FY 2023	2021-23 Bien	FY 2024	FY 2025	2023-25 Bien
1643	HB	Affordable housing/REET	City County Assistance Account	$0	($4,000)	($4,000)	($11,000)	($11,000)	($22,000)
1643	HB	Affordable housing/REET	Education Legacy Trust Account	$0	($51,000)	($51,000)	($106,000)	($109,000)	($215,000)
1643	HB	Affordable housing/REET	Public Works Assistance Account	$0	($5,000)	($5,000)	($40,000)	($41,000)	($81,000)
1846	ESHB	Data centers tax preference	Performance Audits of Government Account	$0	($10,000)	($10,000)	($10,000)	($40,000)	($50,000)

1988	2SHB	Clean tech. tax deferrals	Performance Audits of Government Account	$0	($5,000)	($5,000)	($6,000)	($6,000)	($12,000)
1990	EHB	SR 167 & I-405 tax deferral	Performance Audits of Government Account	$0	$0	$0	($10,000)	($10,000)	($20,000)
2024	HB	SR 520 sales tax deferral	Performance Audits of Government Account	$0	($20,000)	($20,000)	($20,000)	($20,000)	($40,000)
5714	ESSB	Solar canopies tax deferral	Performance Audits of Government Account	$0	($10,000)	($10,000)	($10,000)	($20,000)	($30,000)
5755	E2SSB	Underdev. land redevelopment	Performance Audits of Government Account	$0	$0	$0	$0	$0	$0
5799	SSB	Workforce surcharge/clinics	Workforce Educational Investment Account	$0	($1,100,000)	($1,100,000)	$100,000	$500,000	$600,000
5901	ESB	Economic dev. tax incentives	Performance Audits of Government Account	$0	$0	$0	$0	$0	$0
5910	SSB	Hydrogen	Performance Audits of Government Account	$0	$0	$0	$0	$0	$0
5974	ESSB	Transportation resources	Multimodal Transportation Account	$0	$7,000,000	$7,000,000	$8,100,000	$6,800,000	$14,900,000
5974	ESSB	Transportation resources	Electric Vehicle Account	$0	$11,700,000	$11,700,000	$12,100,000	$14,200,000	$26,300,000

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

HOUSE BILLS

E2SHB 1015 Creating the Washington equitable access to credit act (Chapter 189, Laws of 2022)

This bill establishes the Equitable Access to Credit Program (Program) within the Department of Commerce (Commerce) and authorizes Commerce to award grants to qualified institutions for lending or investing in historically underserved communities.

The bill also creates a B&O tax credit for contributions made to the Program:

- Credits may be claimed beginning January 1, 2023; and
- The credit provisions of the bill expire July 1, 2027.

E2SHB 1015 takes effect June 9, 2022.

2SHB 1210 Replacing the term "marijuana" with the term "cannabis" throughout the Revised Code of Washington (Chapter 16, Laws of 2022)

This bill changes the terms "marijuana" and "marihuana" to "cannabis" throughout the Revised Code of Washington.

2SHB 1210 takes effect June 9, 2022.

HB 1641 Restoring the business and occupation and public utility tax exemption for custom farming and hauling farm products (Chapter 119, Laws of 2022)

This bill creates a B&O tax exemption for custom farming services for a farmer and a public utility tax exemption for hauling farm products for related persons.

HB 1641 takes effect July 1, 2022.

ESHB 1643 Exempting a sale or transfer of real property for affordable housing to a nonprofit entity, housing authority, public corporation, county, or municipal corporation from the real estate excise tax (Chapter 199, Laws of 2022)

Beginning January 1, 2023, this bill exempts from the real estate excise tax (REET) the sale or transfer of real property to a qualifying grantee that uses the property as low-income housing. Qualifying grantees include:

- cooperative associations
- county corporations
- housing authorities
- municipal corporations
- nonprofit entities
- public corporations

A qualifying grantee that is a county or municipal corporation must record a covenant at the time of transfer prohibiting them from using the property other than for low-income housing for a period of at least 10 years.

Qualifying grantees must certify their intent, by affidavit at the time of transfer, to receive or qualify for one of the specified real and personal property tax exemptions within:

- One year if the grantee intends to operate existing housing as affordable.
- Three years if the grantee intends to substantially rehabilitate the premises.
- Five years if the grantee intends to develop new affordable housing on the property.

If a qualifying grantee fails to satisfy the requirements, the grantee must pay the REET and interest that would have been due at the time of the initial transfer.

If a qualifying grantee transfers the property to a different qualifying grantee within the original timelines, neither the original qualifying grantee nor the new qualifying grantee is required to pay the REET, provided the new qualifying grantee satisfies the requirements within the original timeframes.

ESHB 1643 takes effect June 9, 2022, but the REET exemption takes effect January 1, 2023.

HB 1700 **Concerning sustainable funding for the derelict vessel removal account using the vessel watercraft excise tax (Chapter 124, Laws of 2022)**

Provides additional funding to the Derelict Vessel Removal Account by redirecting 25% of the watercraft excise tax, which is administered by the Department of Licensing, from the general fund to this account provided in RCW 79.100.100.

HB 1700 takes effect June 9, 2022.

SHB 1703 **Modernizing the statewide 911 emergency communications system (Chapter 203, Laws of 2022)**

This bill makes several updates to reflect the ongoing modernization of the statewide 911 emergency communications system by:

- Removing the term "enhanced" where it describes 911 systems and related terms throughout the Emergency Management Act (EMA) and Enhanced 911 (E911) excise tax provisions.
- Adding new definitions to the EMA and E911 excise tax provisions.
- Modifying the duties of the state E911 Coordination Office.
- Adding members to the E911 Advisory Committee and modifying its reporting requirements.
- Specifying certain allowable uses for the E911 Account funds.

SHB 1703 takes effect June 9, 2022.

HB 1765 **Ensuring the ongoing sustainability and vitality of the Washington health benefit exchange by eliminating the expiration date of its business and occupation tax exemption (Chapter 73, Laws of 2022)**

Makes the business and occupation tax exemption for the Washington Health Benefit Exchange permanent by removing the expiration date from RCW 82.04.323.

HB 1765 takes effect June 9, 2022.

2SHB 1814 **Expanding equitable access to the benefits of renewable energy through community solar projects (Chapter 212, Laws of 2022)**

This bill creates the Community Solar Expansion Program to be administered by the Washington State University Extension Energy Program.

- To qualify, a community solar project must:
  - Provide direct benefits to low-income subscribers, low-income service provider subscribers, and tribal and public agency subscribers.
  - Have a direct current nameplate capacity that is greater than 12 kilowatts but no greater than 199 kilowatts. (Other community solar project programs provided for systems up to 1,000 kilowatts.)
- A qualifying project may receive a one-time incentive payment from the following sources:
  - The administrative costs related to starting up the project up to $20,000.
  - The "installed cost" of that portion of the project that provides direct benefits to qualifying subscribers.
    "Installed cost" includes only the renewable energy system components and fees that are integral and necessary for the generation and storage of electricity. These components are:
    - solar modules and inverters
    - battery systems
    - balance of system, such as racking, wiring, switch gears, and meter bases
- Incentive payments made under the Community Solar Expansion Program may not exceed $100 million over the life of the program.

As it relates to the Department, light and power businesses participating in the program qualify for a public utility tax credit equal to incentive payments paid to qualifying participants.

- The maximum credit each light and power business may claim per fiscal year is $250,000 or 1.5% of their 2014 calendar year taxable power sales, whichever is greater.

- No credits may be earned after June 30, 2036, and credits may not be claimed after June 30, 2037.

The credit is effective July 1, 2022.

2SHB 1814 takes effect March 30, 2022.

ESHB 1846 Providing a tax preference for rural and nonrural data centers (Chapter 267, Laws of 2022)

As it relates the Department, this bill:

- Expands and extends the rural data center exemption in RCW 82.08.986 and 82.12.986 by:
    - Eliminating the limit on the number of exemption certificates that can be issued beginning on the effective date of this legislation for newly constructed data centers.
    - Allowing previously ineligible data centers to apply for a new certificate if they refurbish their data center.
    - Allowing data centers that were issued exemption certificates prior to July 1, 2015, to re-apply for a new certificate if they refurbish their data center.
    - Allowing data centers that were issued a certificate after July 1, 2015, to extend their existing exemptions if they refurbish their data center.
    - Limiting the number of new exemption certificates that can be issued for data centers that qualified through refurbishment to six per year.
    - Limiting each owner of a data center to only one tax exemption certificate each calendar year if they qualify because of refurbishing the facility.
    - Extending the expiration date to July 1, 2048, and providing that no new certificates may be issued after July 1, 2036.
- Creates a nearly identical sales and use tax exemption for urban data centers, but with some key differences which include:
    - Requiring urban data centers be located in a county with a population above 800,000.
    - Limiting the number of exemption certificates that can be issued by the department each calendar year to:
        - 1st year – six certificates
        - 2nd year – none
        - 3rd through 6th years – six certificates each year
    - Expiring these exemptions on July 1, 2038, and providing that no new certificates may be issued beginning July 1, 2028.

Both exemptions share the same size, power, security, wage, and environmental certification requirements, including updated wage and environmental requirements with claw backs for failure to maintain compliance.

ESHB 1846 take effect June 9, 2022.

HB 1888 **Allowing the department of revenue to adjust the rates of remittance reductions in the working families' tax credit in order to align with federal maximum qualifying income levels (Chapter 33, Laws of 2022)**

This bill modifies the Working Families' Tax Credit (WFTC) under RCW 82.08.0206 by requiring the Department of Revenue to annually adjust the WFTC percentage reduction rate in order to align the WFTC maximum qualifying income with the maximum federal adjusted gross income limit for the federal Earned Income Tax Credit.

HB 1888 takes effect June 9, 2022.

ESHB 1914 **Updating and expanding the motion picture competitiveness program (Chapter 270, Laws of 2022)**

This bill makes changes to the Motion Picture Competitiveness Program (program) in chapter 43.365 RCW and the B&O tax credit for contributions to the program in RCW 82.04.4489.

The bill, as it relates to the program:

- Expands the use of the program funding by allowing funds to be used broadly in supporting the growth and development of the state film industry.
- Establishes a goal for funding motion picture productions located or filmed in rural communities and those that tell stories of marginalized communities.

The bill, as it relates to the Department's administration of the B&O tax credit:

- Increases the total statewide B&O tax credit limit for program contributions to $15 million per calendar year.
- Increases the individual taxpayer B&O tax credit limit to $1 million per calendar year.
- Provides that no credit may be earned for contributions made on or after July 1, 2030.
- Exempts people that are eligible for the B&O tax credit and not otherwise receiving funding under chapter 43.365 RCW from filing the annual tax performance report.
- Requires the Joint Legislative Audit and Review Committee to review the effectiveness of the program by December 1, 2026.

ESHB 1914 takes effect June 9, 2022.

2SHB 1988 **Concerning tax deferrals for investment projects in clean technology manufacturing, clean alternative fuels production, and renewable energy storage (Chapter 185, Laws of 2022)**

This bill creates a sales and use tax deferral program for investment projects in clean technology manufacturing, clean alternative fuels production, and energy storage. All local taxes deferred must be repaid. However, the bill reduces the amount of state sales and use tax that must be repaid on eligible projects if the recipient complies with specified labor standards.

- Eligible projects must invest at least $2 million in certain new, renovated, or expanded manufacturing facilities used to manufacture property exclusively incorporated as an ingredient or component used in the manufacturing or generation of:
  - zero-emission vehicles
  - charging and fueling infrastructure for zero-emission vehicles
  - renewable and green electrolytic hydrogen
  - renewable hydrogen carriers
  - clean fuels as established in the Clean Fuels Program
  - electricity from renewable resources
  - facilities or equipment used for electricity storage
- Deferred local taxes must begin to be repaid two years after project completion. Repayments continue for the following nine years.
- Deferral recipients may receive a 50/75/100% reduction in the amount of state sales tax to be repaid if the Department of Labor and Industries certifies the project's adherence to one of three tiers of labor standards.
- Deferral recipients must file annual tax performance reports beginning in the first calendar year after the project is operationally complete and continue filing until the deferred taxes have been repaid.
- The Department of Revenue may not accept deferral applications after June 30, 2032, and cannot issue further exemption certificates after January 1, 2033.

2SHB 1988 takes effect July 1, 2022.

EHB 1990 **Concerning a sales and use tax deferral for projects to improve the state route number 167 and Interstate 405 corridor (Chapter 274, Laws of 2022)**

This bill creates a sales and use tax deferral for qualified construction projects to improve the Interstate 405/state route 167 corridor. Specifically, the bill:

- Defers state and local sales and use taxes due on materials and labor charges related to qualified projects including:
  - site preparation
  - construction
  - machinery and equipment that becomes a component of the final project
  - rental equipment
- Requires a person to apply to the Department of Revenue for a deferral certificate that exempts the qualified applicant from paying state and local sales and use taxes on qualified purchases.
- Requires applicants to begin repaying the deferred tax in the 10th year after the Washington State Department of Transportation notifies the department that all projects qualifying for a deferral are operationally complete.
  - The first payment is due by December 31 of that year, and every December 31 for the following nine years.
  - Each payment is equal to 10% of the deferred taxes.

- Excludes this legislation from the provisions of RCW 82.32.805 and 82.32.808. Therefore, this deferral will not automatically expire in 10 years and the qualified applicants do not have to file an annual tax performance report.

EHB 1990 takes effect July 1, 2022.

HB 2024 **Concerning a sales and use tax deferral for projects to improve the state route number 520 corridor (Chapter 144, Laws of 2022)**

This bill extends the 10-year deferral period for sales and use taxes associated with the State Route 520 Bridge Replacement and High-Occupancy Vehicle project from five years after project completion to 24 years after project completion.

HB 2024 takes effect July 1, 2022.

HB 2058 **Concerning the preservation and protection of facilities owned by the state parks and recreation commission that are listed on the Washington heritage register or the national register of historic places (Chapter 147, Laws of 2022)**

The bill provides a leasehold excise tax exemption for facilities owned by the Washington State Parks and Recreation Commission, which are listed on the National Register of Historic Places or the Washington Heritage Register.

HB 2058 takes effect January 1, 2023.

HB 2061 **Adding permanently affordable housing to the definition of public improvements (Chapter 38, Laws of 2022)**

This bill amends the definition of "public improvements" for purposes of the Community Revitalization Financing (CRF) program under chapter 39.89 RCW by adding "permanently affordable housing" to the list of infrastructure improvements within an "increment area" that can be funded by CRF financing.

HB 2061 takes effect June 9, 2022.

ESHB 2076 **Concerning rights and obligations of transportation network company drivers and transportation network companies (Chapter 281, Laws of 2022)**

The bill makes various revisions concerning the rights and obligations of transportation network company drivers and transportation network companies (TNC).

The following impact or appear to impact the Department:

- The bill includes enforcement language, including discretionary language that allows the Department of Labor and Industries (L&I) the option of electronically serving a financial institution with a notice and order to withhold and deliver (NOWD) through the Department's electronic garnishment program. However, due to administrative and procedural challenges, the Department assumes that we will not be issuing NOWDs on behalf of L&I.
- While not expressly provided for in the bill, the Department assumes that the Department of Licensing will partner with our Business Licensing Service to issue and renew permits to operate a TNC and collect the application fees for such permits as provided for in the bill.

ESHB 2076 takes effect June 9, 2022.

EHB 2096 **Concerning the working families' tax exemption, also known as the working families tax credit (Chapter 41, Laws of 2022)**

This bill makes technical and administrative changes to the Working Families' Tax Credit (WFTC) program under RCW 82.08.0206 by:

- Replacing the term "exemption" with "credit."
- Replacing the term "remittance" with "refund."
- Clarifying "prior federal tax year."
- Removing the requirement that the individual file their federal tax return as a Washington resident.
- Clarifying that an individual's spouse (if a joint federal tax return is filed) and qualifying children must have a social security number or a valid individual taxpayer identification number.
- Replacing the term "dependent" with "qualifying child."
- Clarifying that for refunds calculated between $0.01 and $50, the refund amount is $50.
- Providing the definition for "internal revenue code."
- Defining "Washington resident."
- Clarifying that the Department will use the most current Consumer Price Index data available by January 1 of each year, beginning in 2024, when adjusting maximum refunds for inflation.
- Adding that the maximum refunds adjusted for inflation will be rounded to the nearest $5.
- Making conforming amendments to the definition of "consumer price index."
- Removing unnecessary and redundant language.
- Expanding the definition of "return" to ensure that:
    - The Department has sufficient authority to assess interest and additional amounts due against WFTC beneficiaries who received more than the amount in which they were entitled.
    - WFTC tax preparers and beneficiaries can be charged and prosecuted for filing false or fraudulent claims for WFTC refunds.

EHB 2096 takes effect June 9, 2022.

SHB 2099 **Improving tax administration by waiving penalties and imposing interest in certain situations involving delayed tax payments, and by extending a statute of limitations period for certain egregious tax crimes**
(Chapter 282, Laws of 2022)

This bill:

- Establishes that interest is due when taxes are not paid in full by the original due date, even when the department grants the taxpayer additional time to pay the taxes. It also provides that penalties are not due if the taxes are paid by the extended due date.
  - This provision applies to extended due dates granted by the department on or after January 1, 2023, except in situations where the taxpayer requested the extension prior to this date
- Provides guidance on how interest is calculated when the department extends the due date for filing taxes due to a declared state of emergency, and full payment is not made by the extended due date.
  - Interest will be computed from the last day of the month in which the extended due date fell until the date when the tax has been paid in full.
  - This provision applies to extended due dates granted by the department on or after January 1, 2023, except in situations where the taxpayer requested the extension prior to this date.
- Increases the statute of limitations when the state is prosecuting a business for a Class C felony for filing fraudulent or false tax returns and for the use of sales suppression software from three years to six years after the date of commission or discovery of the activity.

SHB 2099 takes effect January 1, 2023.

SENATE BILLS

SSB 5488 **Completing outstanding financial obligations regarding the Tacoma Narrows toll bridge project (Chapter 223, Laws of 2022)**

This bill:

- Requires the state treasurer to make quarterly transfers of $3.25 million from the general fund to the Tacoma Narrows Toll Bridge account beginning in September 2022 and ending July 1, 2032, for a total of $130 million.
- Requires the Transportation Commission to adjust vehicle tolls while considering the annual contributions from non-toll sources and the costs relating to debt service, operations and maintenance, insurance, and repayment of the Motor Vehicle Fund.
- Removes the requirement that the Commission maintain toll rates at a specific level relative to the toll rates in effect in fiscal year 2018.

SSB 5488 takes effect June 9, 2022.

SB 5505 **Reinstating a property tax exemption for property owned by certain nonprofit organizations where a portion of the property is used for the purpose of a farmers market (Chapter 84, Laws of 2022)**

This bill reinstates the provision that allowed churches and public assembly halls that were exempt from property tax to host farmers' markets for up to 53 days per year without losing their property tax exemption. To qualify, all the income received by the church or public assembly hall from rental or use of the exempt property must be used for capital improvements to the exempt property, maintenance and operation of the exempt property, or exempt purposes.

The bill applies both retroactively and prospectively to property taxes levied for collection in 2021, and after. However, no properties lost their property tax exemption during the time the provision was not in effect.

SB 5505 takes effect June 9, 2022.

SSB 5528 **Concerning the imposition of additive revenue sources within a regional transit authority area (Chapter 285, Laws of 2022)**

This bill authorizes a regional transit authority (RTA) to:

- Establish one or more enhanced service zones (ESZ) within a portion of the boundaries of the RTA to finance system improvements directly serving the respective ESZ.
- Impose, through voter approval, an additional motor vehicle excise tax and a commercial parking tax.

- Contract with the Department or other appropriate entities to collect the commercial parking tax.

SSB 5528 takes effect June 9, 2022.

ESSB 5531 Concerning the revised uniform unclaimed property act (Chapter 225, Laws of 2022)

This bill revises Washington state's Uniform Unclaimed Property Act based in part on the Revised Uniform Unclaimed Property Act adopted by the Uniform Law Commission in 2016.

The bill also repeals the existing Unclaimed Property (UCP) statutes under chapter 63.29 RCW and creates a new chapter in Title 63 RCW. Changes to current law include:

- Deleting outdated definitions and updating others as appropriate to conform to the Revised Uniform Unclaimed Property Act.
- Changing the abandonment period for certain property, including property held by courts and government entities.
- Changing the holder report due date for insurance companies to April 30.
- Adding third-party auditor provisions.
- Requiring the department to provide an annual UCP report to the governor and Legislature.
- Adding confidentiality and security provisions.

ESSB 5531 takes effect January 1, 2023.

SSB 5558 Concerning the bistate governance of interstate toll bridges owned by local governments (Chapter 89, Laws of 2022)

This bill:

- Allows local governments along a bordering state to form a bistate commission to finance, construct, and operate a replacement interstate bridge.
- Establishes that the commission is deemed a municipal corporation for the purposes of RCW 82.04.050(10) and the construction activities qualify as public road construction.
- Allows the commission or any person engaged in the construction of a bridge under this act to apply for deferral of state and local sales and use taxes. Repayment of the deferred taxes begins on December 31 of the fifth calendar year after the date the project is certified as operationally complete and continues for nine years.

SSB 5558 takes effect June 9, 2022.

ESSB 5693 **Making 2021-2023 fiscal biennium supplemental operating appropriations (Chapter 297, Laws of 2022)**

This bill makes supplemental changes to the Operating Budget appropriations for the 2021-23 biennium. Varying amounts are appropriated to implement revenue legislation. The bill also requires the Department to provide an unfunded report by December 1, 2022, to the governor and the Legislature concerning the unclaimed property program. This report must include:

- Annual data from the last decade through December 2022.
- Historical data since the inception of the program in 1955.
- Customer service data from December 1, 2020, through December 1, 2022.

ESSB 5693 takes effect March 31, 2022.

SB 5713 **Providing a property tax exemption for limited equity cooperative housing (Chapter 93, Laws of 2022)**

This bill provides a full or partial property tax exemption for real property owned by a limited equity cooperative (LEC) that provides owned housing for low-income households under certain conditions including:

- The benefit of the exemption must inure to the LEC and its members.
- At least 85 percent of the occupied dwelling units in the LEC must be occupied by members of the LEC on January 1 of each assessment year for which the exemption is claimed.
- At least 95 percent of the property for which the exemption is sought must be used for dwelling units or other noncommercial uses available for use by the members of the LEC.
- The housing must be insured, financed, or assisted in whole or in part, through at least one of the federal, state, and local programs specified in the bill.

The amount of the property tax exemption is based on the percentage of dwelling units occupied by low-income households as of January 1 each year.

Initial applications for the exemption are made to the Department of Revenue and renewal applications must be submitted every 3 years. If the property ceases to be used as required for exemption, up to 3 years of back taxes may be charged.

SB 5713 takes effect June 9, 2022.

ESSB 5714 **Creating a sales and use tax deferral program for solar canopies placed on large-scale commercial parking lots and other similar areas (Chapter 161, Laws of 2022)**

This bill provides a sales and use tax deferral for the construction of solar canopies, which are defined as "elevated structures, or multiple structures, containing a solar energy system with a nameplate capacity of at least one megawatt of alternating current."

- The owner of a qualifying commercial center must apply to the Department for a deferral certificate before initiating construction.
- The deferral is for state and local sales and use taxes on a qualified solar canopy, including labor and services rendered in the planning, installation, and construction of the project.
- The owner of a qualifying solar canopy may qualify for a 50%, 75%, or 100% reduction in state and local sales and use taxes to be repaid depending on the specified labor standards contained in the construction contract.
- To qualify for the deferral, the solar canopy must:
  - Be a new solar canopy of at least 50,000 sq. ft.
  - Be constructed within two years of the issuance of a tax deferral certificate.
  - Remain connected to the electrical grid for eight years.
- The recipient of a deferral must file an annual tax performance report and the Joint Legislative Audit and Review Committee must conduct a review of the tax preference by December 31, 2030.

ESSB 5714 takes effect July 1, 2022.

SSB 5722 **Reducing greenhouse gas emissions in buildings (Chapter 177, Laws of 2022)**

This bill amends language in RCW 19.27A.200, a statute in the state building code, making changes to several definitions. As it relates to the Department, this bill also expands the definition of buildings eligible to receive incentive payments under the early adopter incentive program in RCW 19.27A.220, to include "Tier 2 covered buildings." These are buildings where the sum of multifamily residential, nonresidential, hotel, motel, and dormitory floor areas exceed 20,000 gross square feet, but does not exceed 50,000 gross square feet, excluding the parking garage area.

SSB 5722 takes effect June 9, 2022.

E2SSB 5755 **Authorizing certain cities to establish a limited sales and use tax incentive program to encourage redevelopment of vacant lands in urban areas (Chapter 241, Laws of 2022)**

This bill provides a sales and use tax deferral for the construction of affordable housing on vacant lands in urban areas.

- The legislative authority of a qualifying city may authorize a sales and use tax deferral for an investment project on underdeveloped land within its boundaries.
- Eligible cities are those with a population of at least 135,000 but not more than 250,000.
- "Underdeveloped property" is defined as land used as a surface parking lot for parking of motor vehicles off the street or highway, that is open to public use without or with a charge, as of the effective date of the bill.

- The owner of a qualifying investment project must first apply to the city for conditional project approval and then apply to the Department of Revenue for a deferral certificate before initiating construction.
- The deferral is for state and local sales and use taxes on a qualified investment project, including labor and services rendered in the planning, installation, and construction of the project.
- The investment project must be used primarily for multifamily housing units. At least 50% of the units must be rented or sold as affordable rental or affordable ownership housing to very-low, low, or moderate-income households.
- If the project meets the housing affordability criteria for at least 10 consecutive years, the deferred taxes do not need to be repaid.
- The recipient of a deferral must file an annual tax performance report for the year the city issues a certificate of occupancy and each year thereafter for 10 years.

E2SSB 5755 takes effect June 9, 2022.

SSB 5799 **Modifying the application of the workforce education investment surcharge to provider clinics and affiliated organizations (Chapter 170, Laws of 2022)**

This bill exempts the following entities from the workforce education investment surcharge that is imposed on select advanced computing businesses.

- Provider clinics offering primary care, multi-specialty care, and surgical services, including behavioral health services; and
- Affiliates of the provider clinic if the affiliate is an organization that offers health care services or provides administrative support for a provider clinic or is an independent practice association or accountable care organization.

SSB 5799 takes effect July 1, 2022.

ESB 5800 **Modifying tax and revenue laws in a manner that is estimated to not affect state or local tax collections by easing compliance burdens for taxpayers, clarifying ambiguities, making technical corrections, and providing administrative efficiencies (Chapter 56, Laws of 2022)**

This bill makes the following changes to the state's tax and business licensing statutes:

- Modifies how unclaimed excess funds from the public auction of an abandoned aircraft are treated by:
    - Requiring excess aircraft funds be deposited by the Department into the aeronautics account, rather than depositing excess funds in an account that no longer exists.
    - Requiring the Department to hold excess funds for one year from the date of sale of an aircraft, rather than one year from the date the Department receives the funds.

- Allows the Department, and localities that use the Department's business licensing service, to disclose licensing information to a peace officer for purposes of license review, investigation, or enforcement.
- Removes the requirement that the Department report annually to the Legislature regarding the state's compliance with the Streamlined Sales and Use Tax Agreement (SSUTA), and instead requires the Department report to the Legislature the year immediately following any year during which the SSUTA is amended if legislation is required to keep Washington in compliance with the agreement.
- Modifies the definition of "advanced computing, under RCW 82.04.299, by replacing the term "online marketplace" with "marketplace facilitator." This change is retroactively effective January 1, 2020.
- Revises the reporting period for taxpayers claiming the retail sales tax exemption for aircraft maintenance repair to October 1, 2020, through September 30, 2021, under RCW 82.08.025661.
- Provides that the tax preference performance review and automatic expiration provisions do not apply to the retail sales tax and use tax exemptions for marijuana products subject to a tribal marijuana tax under a tribal compacting agreement.
- Clarifies that the use tax exemption for use of personal property related to farmworker housing applies when at least 50 percent of the housing units in a development are used as farmworker housing.
- Enables the Department to disclose any return or tax information to a person who is individually liable, as part of a marital community, for amounts due under a tax warrant.
- Revises when an annual tax performance report must be filed for deferred taxes and clarifies that the deferred tax repayment schedule is the deferred tax amount divided by the number of years in the repayment period.
- Removes an erroneous legal citation under the contingent semiconductor fabrication facility siting and operation tax incentive statute.
- Expires rural county business and occupation tax credits for new employees 6 years from the later of the year that any of these activities occur:
    - The Department is notified that by the recipient that the business has ceased engaging in business within Washington, or by a representative of the recipient.
    - The Department closes the recipient's tax reporting account.
    - The recipient last claimed the credit on a return filed with the Department.
- Provides for prorating of the state property tax levies for the support of common schools such that if the aggregate rate of state property taxes levied for collection in any calendar year after 2021 exceeds $3.60 per $1,000 of assessed value. Each rate must be reduced on a pro rata basis until the aggregate rate no longer exceeds $3.60 per $1,000 of assessed value.

ESB 5800 takes effect June 9, 2022.

ESB 5849 **Concerning tax incentives (Chapter 172, Laws of 2022)**

This bill:

- Expands the number of new industrial and manufacturing facilities that may be eligible for the targeted urban areas property tax exemption by removing the requirement that the land be zoned as required by the statute by December 31, 2014. (RCW 84.25.030 and 84.25.040.)
- Extends the expiration date for the preferential B&O tax rate for taxpayers engaged in manufacturing and selling at wholesale solar energy systems, silicon solar wafers, silicon solar cells, thin film solar devices or compound semiconductor wafers to July 1, 2032. (RCW 82.04.294)

ESB 5849 takes effect July 1, 2022.

ESB 5901 **Concerning economic development tax incentives for targeted counties (Chapter 257, Laws of 2022)**

This bill provides a sales and use tax deferral for the construction of manufacturing and research and development facilities, and/or the acquisition of eligible machinery and equipment, in counties with a population of less than 650,000.

- A person constructing a qualifying facility or purchasing qualified machinery and equipment may defer up to $400,000 in state and local sales and use taxes.
- If the project or equipment is used for qualifying purposes for at least eight years, the deferred taxes do not need to be repaid.
- The recipient of a deferral must file an annual tax performance report for the duration of the deferral.
- The Joint Legislative Audit and Review Committee (JLARC) must report on the effectiveness of the deferral by December 1, 2030.
- The Department of Revenue may not accept tax deferral applications after June 30, 2032.

ESB 5901 takes effect July 1, 2022.

SSB 5910 **Accelerating the availability and use of renewable hydrogen in Washington state (Chapter 292, Laws of 2022)**

As it relates the Department, this bill:

- Expands the definition of "electric vehicle infrastructure" to include "green electrolytic hydrogen production facilities" for the purposes of the retail sales and use tax exemptions in RCW 82.08.816 and 82.12.816, as well as for the associated leasehold excise tax exemption in RCW 82.29A.125.
    - "Green electrolytic hydrogen" means hydrogen produced through electrolysis and does not include hydrogen manufactured using steam reforming or any other conversion technology that produces hydrogen from a fossil fuel feedstock.

- Requires the department to develop guidance that includes using a cost-based appraisal method and develop industry-specific valuation tables for county assessors to use when valuing equipment used to generate solar power, wind power, and to store electricity.

SSB 5910 takes effect June 9, 2022.

ESSB 5974 **Addressing transportation resources (Chapter 182, Laws of 2022)**

As it relates to the Department, this bill eliminates the requirement for the state treasurer to transfer funds from various transportation accounts to backfill the General Fund-State (GF) due to revenue loss from the following transportation-related tax exemptions and credits:

- clean alternative fuel vehicles and hydrogen fuel cell vehicles retail sales and use tax exemptions
- electric vehicle batteries and fuel cells, electric charging or hydrogen fueling vehicle infrastructure, zero emission buses and renewable hydrogen production facilities retail sales and use tax exemptions
- commercial alternative fuel vehicle and infrastructure tax credit
- commute trip reduction tax credit

The provisions around these exemptions and credits remain unchanged, but the source supporting them changes from transportation accounts to the GF.

The bill also increases a Transportation Benefit District's sales and use tax authority to 0.3%, most of which is subject to voter approval.

ESSB 5974 takes effect July 1, 2022.

ESSB 5980 **Providing substantial tax relief for small businesses to mitigate structural deficiencies in Washington's business and occupation tax and lessen long-term negative economic consequences of the pandemic that have disproportionately impacted small businesses (Chapter 295 Laws of 2022)**

Beginning with tax periods starting on or after January 1, 2023, this bill increases the small business B&O tax credit as follows:

- For taxpayers that report at least 50% of their taxable amount under RCW 82.04.255, 82.04.290(2)(a), and 82.04.285, the maximum credit for a reporting period is $160 multiplied by the number of months in the reporting period, as determined under RCW 82.32.045.
- For all others, the maximum credit for a reporting period is $55 multiplied by the number of months in the reporting period.

The bill also increases the threshold for filing returns to $125,000 per year for all taxpayers that do not have other taxes to report to the Department.

ESSB 5980 takes effect June 9, 2022.

BILLS AFFECTING THE BUSINESS LICENSING SERVICE

3SHB 1359 **Reducing liquor license fees temporarily** **(Chapter 116, Laws of 2022)**

This bill temporarily reduces annual fees for specified liquor licenses for which the Department's Business Licensing Service handles applications and renewals.

3SHB 1359 takes effect April 1, 2022.

SB 5940 **Creating a liquor license endorsement** **(Chapter 64, Laws of 2022)**

This bill creates a new liquor license endorsement, which authorizes liquor manufacturers to contract with licensed liquor distillers, craft distillers, domestic brewers, microbreweries, wineries, and domestic wineries licensed in Washington to provide canning, bottling and other packaging services. They may also contract with non-liquor licensed businesses to provide such services if the contract does not include alcohol products. The endorsement carries an annual fee of $100.00.

SB 5940 takes effect June 9, 2022.