

# SUMMARY OF 2013 TAX LEGISLATION

## Washington Department of Revenue Legislation & Policy and Research & Fiscal Analysis Divisions July 2013 (Updated May 2014)

This report summarizes the significant revenue and tax legislation approved during the regular, second, and third special sessions of the 2013 Washington State Legislature. It also summarizes legislation relating to fees, licenses, and registrations that are issued and collected by the Business Licensing Service (BLS), which is administered by the Department of Revenue (Department). The material was compiled from information developed by the Department's Legislation & Policy and Research and Fiscal Analysis Divisions. The summary is not intended to cover technical details or provide a legal interpretation of the bills. Rather, its primary purposes are to alert agency personnel of the changes, to assist in developing implementation plans, and to serve as a resource for historical research. For information on the fiscal impacts of the summarized legislation, see the companion document, "*State Revenue Impact of Major 2013 Tax Legislation.*"

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<sup>1</sup> Second Special Session

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**STATE REVENUE IMPACT OF MAJOR 2013 TAX LEGISLATION - Sources Impacting Dept. of Revenue Only**

**State General Fund**

Bill Num	Bill Description	FY 2014	FY 2015	2013-15 Bien	FY 2016	FY 2017	2015-17 Bien
<b>House Bills:</b>							
HB 1124	Streamlining spirits reporting requirements	\$0	\$0	\$0	\$0	\$0	\$0
ESHB 1253	Lodging tax	\$0	\$0	\$0	\$0	\$0	\$0
E2SHB 1306	Local infrastructure financing tool program	\$0	\$0	\$0	\$0	\$0	\$0
2SHB 1416	Irrigation district improvements and financing	\$0	\$0	\$0	\$0	\$0	\$0
SHB 1420	Transportation improvement projects	(\$207,000)	(\$207,000)	(\$414,000)	(\$207,000)	(\$207,000)	(\$414,000)
EHB 1421	Deferred property taxes	\$0	\$0	\$0	\$0	\$0	\$0
ESHB 1432	County property tax levies	\$0	\$0	\$0	\$0	\$0	\$0
EHB 1493	Property taxation of mobile homes	\$0	\$0	\$0	\$0	\$0	\$0
HB 1576	<a href="#">Greater efficiencies in county assessors' offices<sup>1</sup></a>	\$0	\$0	\$0	\$0	\$0	\$0
ESHB 1846	Pediatric stand-alone dental plans	Indeterminate	Indeterminate		Indeterminate	Indeterminate	
ESHB 1947	Washington Health Benefit Exchange	(\$764,000)	(\$822,000)	(\$1,586,000)	(\$360,000)	\$0	(\$360,000)
2E2SHB 1971	Communications services reform	\$36,200,000	\$12,854,000	\$49,054,000	\$43,400,000	\$43,400,000	\$86,800,000
<b>Senate Bills:</b>							
ESSB 5024	<a href="#">Transportation funding and appropriations<sup>1</sup></a>	\$0	\$0	\$0	\$0	\$0	\$0
SSB 5072	Automotive adaptive equipment	(\$27,000)	(\$35,000)	(\$62,000)	(\$37,000)	(\$41,000)	(\$78,000)
E2SSB 5078	Nonprofit fair property tax exemption	\$0	\$0	\$0	\$0	\$0	\$0
SSB 5332	<a href="#">Fire protection districts<sup>1</sup></a>	\$0	\$0	\$0	\$0	\$0	\$0
2SSB 5367	<a href="#">Yakima River Basin Water Resource Management<sup>1</sup></a>	\$0	\$0	\$0	\$0	\$0	\$0
SSB 5444	Public-owned property	\$145,000	\$167,000	\$312,000	\$175,000	\$183,000	\$358,000
SB 5593	Property tax exemption for habitat improvements	\$0	\$0	\$0	\$0	\$0	\$0
SB 5627	Commuter air carriers	\$0	\$0	\$0	\$0	\$0	\$0
ESSB 5644	Liquor sales for resale	(\$32,000)	(\$38,000)	(\$70,000)	(\$38,000)	(\$38,000)	(\$76,000)
SSB 5705	<a href="#">Property tax refunds and abatements<sup>1</sup></a>	\$0	\$0	\$0	\$0	\$0	\$0
SB 5715	Electronic tax evasion	\$0	\$0	\$0	\$0	\$0	\$0
SB 5806	<a href="#">Obsolete forest tax credit repealed<sup>1</sup></a>	\$0	\$0	\$0	\$0	\$0	\$0
ESSB 5882	Creating, expanding, or extending tax preferences	(\$5,436,000)	(\$7,665,000)	(\$13,101,000)	(\$7,660,000)	(\$6,606,000)	(\$14,266,000)
SB 5952	Aerospace tax preferences	\$0	\$0	\$0	(\$9,018,000)	\$0	(\$9,018,000)
<b>NET GENERAL FUND IMPACT</b>		\$29,879,000	\$4,254,000	\$34,133,000	\$26,255,000	\$36,691,000	\$62,946,000

**BLS License, Fee & Registration Bills**

Bill Num	Bill Description (Fund)	FY 2014	FY 2015	2013-15 Bien	FY 2016	FY 2017	2015-17 Bien
SHB 1001	Beer, wine, and spirits theatre licenses <sup>1</sup>	\$0	\$0	\$0	\$0	\$0	\$0
ESHB 1403	Business license information	\$0	\$0	\$0	\$0	\$0	\$0
ESHB 1552	Scrap metal license	\$45,000	\$27,000	\$72,000	\$27,000	\$27,000	\$54,000
SHB 1568	Business Licensing Service Program	\$0	\$0	\$0	\$0	\$0	\$0
SHB 1822	Debt collection practices <sup>1</sup>	\$0	\$0	\$0	\$0	\$0	\$0
3ESSB 5034	2013-2015 Operating budget	\$1,395,000	\$1,446,000	\$2,841,000	\$1,498,000	\$1,553,000	\$3,051,000
SB 5056	Minor work permits and master application	\$0	\$0	\$0	\$0	\$0	\$0
SSB 5517	Beer and wine tasting endorsement for grocery stores <sup>1</sup>	\$0	\$0	\$0	\$0	\$0	\$0
ESB 5607	Beer, wine, and spirits theatre licenses <sup>1</sup>	\$0	\$0	\$0	\$0	\$0	\$0
SB 5674	Wine and beer sampling at farmers markets <sup>1</sup>	\$0	\$0	\$0	\$0	\$0	\$0
SSB 5718	One-stop portal for Washington businesses <sup>1</sup>	\$0	\$0	\$0	\$0	\$0	\$0

**State Funds other than General or BLS Funds**

Bill Num	Bill Description (Fund)	FY 2014	FY 2015	2013-15 Bien	FY 2016	FY 2017	2015-17 Bien
2E2SHB 1971	Communications services reform - Perf Audit Account	\$58,000	\$21,000	\$79,000	\$70,000	\$70,000	\$140,000
2E2SHB 1971	Communications services reform - Enhanced 911 Account	(\$394,000)	(\$436,000)	(\$830,000)	(\$268,000)	(\$268,000)	(\$536,000)
2E2SHB 1971	Communications services reform - Telephone Assistance Account	(\$3,400,000)	(\$3,300,000)	(\$6,700,000)	(\$3,100,000)	(\$2,900,000)	(\$6,000,000)
2E2SHB 1971	Communications services reform - Telephone Relay Services Account	(\$4,200,000)	(\$3,900,000)	(\$8,100,000)	(\$3,700,000)	(\$3,600,000)	(\$7,300,000)
EHB 2075	Estate and transfer tax - Education Legacy Trust Account	\$118,400,000	\$41,000,000	\$159,400,000	\$40,200,000	\$35,300,000	\$75,500,000
2E2SSB 5296	Model toxics control act - Local Toxics Account	(\$33,570,000)	(\$36,901,000)	(\$70,471,000)	(\$40,462,000)	(\$44,024,000)	(\$84,486,000)
2E2SSB 5296	Model toxics control act - State Toxics Account	(\$6,711,000)	(\$9,690,000)	(\$16,401,000)	(\$12,871,000)	(\$16,057,000)	(\$28,928,000)
2E2SSB 5296	Model toxics control act - Environmental Legacy Stewardship Account	\$40,281,000	\$46,591,000	\$86,872,000	\$53,333,000	\$60,081,000	\$113,414,000
ESSB 5882	Creating, expanding, or extending tax preferences - Perf Audit Account	(\$9,000)	(\$6,000)	(\$15,000)	(\$5,000)	(\$3,000)	(\$8,000)
SB 5952	Aerospace tax preferences - Perf Audit Account	\$0	\$0	\$0	(\$14,000)	\$0	(\$14,000)

<sup>1</sup>The Department did not receive a fiscal note request for proposal.

## INITIATIVES

**Initiative 502**                      **Relating to marijuana**  
**([Chapter 3, Laws of 2013](#))**

Washington voters adopted this initiative regarding the production, distribution, and sale of recreational marijuana in November 2012. The Washington Liquor Control Board (LCB) is responsible for administering a 25 percent excise tax on each level of production, distribution, and sale to consumers. The Department is responsible for collecting business and occupation (B&O) tax, retail sales tax, and use tax in connection with marijuana-related business and sales activities. The Department is also responsible for processing marijuana producer, processor, and retailer licenses granted by the LCB.

Although I-502 is effective December 6, 2012, the initiative requires the LCB to adopt rules by December 1, 2013, that establish procedures and criteria necessary to implement the initiative.

**Initiative 1185**                      **Save The 2/3's Vote For Tax Increases (Again) Act**  
**([Chapter 1, Laws of 2013](#))**

This initiative to the people restates existing statutory requirements that legislative actions raising taxes must be approved by a two-thirds legislative majority or receive voter approval, and new or increased fees require majority legislative approval. The initiative was intended to deter the Governor and Legislature from suspending or repealing any of Initiative 1053's policies.

I-1053, approved by the voters in the November 2010 General Election<sup>10</sup>, restored these requirements to raise taxes that were originally imposed by the passage of Initiative 960 and which were suspended by the Legislature during the 2010 regular session.

I-1185 took effect December 6, 2012.

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<sup>10</sup> On February 28, 2013, the Washington Supreme Court held in the *League of Education Voters* case that I-1053's supermajority vote requirement violated article II, section 22 of the Washington Constitution, which states that "[n]o bill shall become a law unless . . . a majority of the members elected to each house" vote to approve it.

## HOUSE BILLS

**HB 1124**                      **Relating to recommendations for streamlining reporting requirements for taxes and fees on spirits**  
**[\(Chapter 95, Laws of 2013\)](#)**

This bill requires the Department and the Liquor Control Board to make recommendations to the Legislature by September 30, 2013, on statutory changes needed to:

- Streamline reporting and collection of liquor taxes and fees; and,
- Require a single state agency to collect revenues and information.

HB 1124 is effective July 28, 2013.

**ESHB 1253**                      **Relating to the lodging tax**  
**[\(Chapter 196, Laws of 2013\)](#)**

This bill permanently extends several lodging tax changes made in 2007, which were scheduled to expire June 30, 2013. The bill also:

- Allows lodging taxes to be used for capital expenditures for tourism-related facilities owned or operated by municipalities or public facilities districts;
- Modifies reporting and application requirements for those seeking or receiving lodging tax revenues; and,
- Requires the Joint Legislative Audit and Review Committee to report to the Legislature biannually on the economic impact of lodging tax revenues.

ESHB 1253 is effective July 1, 2013.

**E2SHB 1306**                      **Relating to extending the expiration dates of the Local Infrastructure Financing Tool program**  
**[\(Chapter 21, Laws of 2013, 2nd Special Session\)](#)**

This bill makes the following changes to the Local Infrastructure Financing Tool (LIFT) program:

- Extends the expiration date for the program from June 30, 2039, to June 30, 2044;
- Eliminates the requirement that a sponsoring or cosponsoring local government issue indebtedness to finance the costs of public improvements;
- Provides that the Department's determination of the amount of the state contribution is final and may not be changed unless the Department determines that the local revenue information contained in the annual report differs from actual dedicated local revenue;
- Changes the deadline for commencing construction of the public improvement from the end of the fifth fiscal year in which the "LIFT tax" is imposed to June 30, 2017;

- Adds a definition of the term “dedicated”; and,
- Requires that the sponsoring local government's annual report to the Department and the Community Economic Revitalization Board identify local revenues received by cosponsoring and participating local governments, not just the sponsoring local government’s revenue dedicated to pay for the LIFT-related public improvements.

E2SHB 1306 is effective September 28, 2013.

**2SHB 1416**                      **Relating to the financing of irrigation district improvements**  
**([Chapter 177, Laws of 2013](#))**

This bill changes various provisions governing local improvement districts created by irrigation districts. One provision of this bill eliminates an exemption from special benefit assessments levied by irrigation districts, or local improvement districts, created by irrigation districts for land classified as farm and agricultural land or timber land.

2SHB 1416 is effective July 28, 2013.

**SHB 1420**                      **Relating to public contracts for transportation improvement projects**  
**([Chapter 113, Laws of 2013](#))**

This bill alters the retainage and bond requirements for public works projects by:

- Expanding recovery available against both a withheld retainage or contract bond required for public improvement contracts to include recovery of tax increases and penalties;
- Requiring public works contract bonds to ensure payment of taxes, increases, and penalties;
- Providing the state a right of recovery against the bond for such items and exempting the state from the 30-day notice of claim requirement (effective in 2016); and,
- Requiring a public entity administering a public works contract to notify ESD, L&I, and DOR within 30 days of the completion of contracts over \$35,000 when retainage is not withheld.

Except as otherwise stated, SHB 1420 is effective July 28, 2013.

**EHB 1421**                      **Relating to protecting the state's interest in collecting deferred property taxes**  
**([Chapter 221, Laws of 2013](#))**

This bill was requested by the Department of Revenue to improve the Department's ability to collect deferred property taxes. The bill:

- Directs the disposition of proceeds from a county's sale of tax title property (property acquired at a property tax foreclosure sale). After reimbursements to the county costs of foreclosure and sale, the proceeds are applied first to outstanding deferred property taxes, next to discharge remaining general tax liens and then to the taxing authorities statutorily entitled to share in the remaining sale proceeds.
- Allows the Department to charge off as uncollectible any deferred taxes if the Department is satisfied that there are no cost-effective means of collecting the amount due.

EHB 1421 is effective July 28, 2013.

**ESHB 1432**                      **Relating to county property tax levies**  
**([Chapter 123, Laws of 2013](#))**

This bill:

- Provides an alternative method to determine levy amounts for the Veterans' Assistance Fund and Developmental Disability and Mental Health levies. County legislative authorities may increase or decrease such levies by the same percentage increase or decrease in the certified county general levy from the prior year instead of levying the statutory rates.
- Allows counties to increase the levy amounts for the Veterans' Assistance or Developmental Disability and Mental Health levies more than the percentage change in the county general levy.
- Excludes amounts for refund levies and voter-approved lid lifts when counties calculate the percentage increase or decrease in the certified county general levy.

ESHB 1432 is effective July 28, 2013.



**EHB 1493**                      **Relating to the property taxation of mobile homes and park model trailers**  
**([Chapter 198, Laws of 2013](#))**

The bill:

- Provides that a manufactured or mobile home park landlord taking ownership of a manufactured or mobile home (premises) through abandonment or foreclosure proceedings, with the intent to resell or rent the same, becomes responsible for all outstanding property taxes, interest, and penalties on the premises if:
  - The most recent assessed value of the premises is less than \$8,000; and,
  - The landlord submits a signed affidavit to the county assessor indicating that the landlord has taken ownership of the premises with the intent to resell or rent after:
    - The premises was abandoned; or,
    - Title to the premises was lawfully transferred to the landlord after a final judgment of restitution.

EHB 1493 is effective July 28, 2013.

**HB 1576**                      **Relating to creating greater efficiency in the offices of county assessors by allowing notification via electronic means**  
**([Chapter 131, Laws of 2013](#))**

This bill allows county assessors to send assessments, notices, and any other information to persons electronically instead of regular mail if:

- The taxpayer authorizes the electronic means; and,
- The assessor uses reasonable methods to protect confidential information, unless the taxpayer waives this requirement.

HB 1576 is effective July 28, 2013.

**ESHB 1846**                      **Relating to stand-alone dental coverage**  
**([Chapter 325, Laws of 2013](#))**

This bill addresses various aspects of stand-alone dental services offered both in and outside of the Washington Health Benefit Exchange (Exchange). The bill includes a provision that subjects paid-for, stand-alone pediatric oral services offered in and outside of the Exchange to the insurance premiums tax. Charges for adult stand-alone dental plans offered remain subject to the B&O tax.

ESHB 1846 is effective July 28, 2013.

**ESHB 1947**                      **Relating to ensuring the ongoing sustainability and vitality of the Washington health benefit exchange by providing a financing mechanism sufficient to defray the exchange's operating expenses**  
**(Chapter 6, Laws of 2013, 2nd Special Session)**

This bill primarily provides a funding mechanism for operations of the Washington Health Benefit Exchange. The bill also provides the exchange with a B&O tax exemption for income it receives. The exemption applies both prospectively and retrospectively, and the exemption expires June 30, 2023.

ESHB 1947 is effective September 28, 2013.

**2E2SHB 1971**                      **Relating to communications services reform**  
**(Chapter 8, Laws of Washington, 2<sup>nd</sup> Special Session)**

This bill:

- Requires retailers of prepaid wireless telephone service to collect and remit state and county E911 taxes;
- Allows a retailer of prepaid wireless to charge an additional 5 cents per retail transaction to offset the cost of collecting the tax;
- Repeals the taxes funding the Washington Telephone Assistance and Telecommunications Relay Service programs and requires the programs to be funded by state general fund appropriations;
- Eliminates the state and local sales and use tax exemption for local residential landline service, as well as coin-operated telephone service;
- Establishes a temporary state universal communications services program.

Although 2E2SHB 1971 is effective August 1, 2013, provisions relating to prepaid wireless telecommunications services are effective January 1, 2014. Provisions relating to the temporary state universal communications services program are effective July 1, 2014.

**EHB 2075**

**Relating to preserving funding deposited into the education legacy trust account used to support common schools and access to higher education by restoring the application of the Washington estate and transfer tax to certain property transfers while modifying the estate and transfer tax to provide tax relief for certain estates**

**(Chapter 2, Laws of 2013, 2<sup>nd</sup> Special Session)**

This bill addresses the Washington Supreme Court decision in *Estate of Bracken*, 175 Wn.2d 549 (2012) by:

- Ensuring that taxable transfers under Washington’s estate tax include any shifting in economic benefits, powers, or privileges in property that occur when a spouse’s interest in that property is extinguished;
- Including qualified terminable interest property (QTIP) property in the Washington taxable estate when the second spouse dies, regardless of whether that spouse’s interest in the property was acquired before May 17, 2005;
- Codifying the adjustments to the Washington taxable estate that are required when a Washington QTIP election occurs;
- Applying the above clarifications retroactively to estates of decedents dying on or after May 17, 2005, except for those estates having received a contrary final court ruling; and,
- Relieving personal representatives of decedents who died before April 9, 2006 of liability for estate taxes due on QTIP assets located outside this state that do not come into the possession or control of the personal representative.

Beginning with the estates of decedents dying in 2014, this bill also:

- Provides for an annual adjustment to the Washington estate tax threshold based on the Seattle-Tacoma-Bremerton metro area Consumer Price Index;
- Increases the top four estate tax rates by one percentage point each;
- Allows a deduction from the Washington taxable estate up to \$2.5 million for the value of the decedent’s “qualified family-owned business interests” (QFOBI), where such interests are valued at \$6 million or less and certain other criteria are met; and,
- Requires the benefit of the QFOBI deduction to be repaid with interest, if a qualified heir receiving the QFOBI fails to meet certain requirements within the earlier of three years after the decedent’s death or the qualified heir’s death.

EHB 2075 is effective June 14, 2013, except for sections 3, 4, and 6, which take effect January 1, 2014.

## SENATE BILLS

**ESSB 5024**                      **Relating to transportation funding and appropriations**  
**([Chapter 306 Laws of 2013](#) (partial veto))**

As part of the appropriations bill for state transportation agencies, the Commute Trip Reduction (CTR) tax credit is extended until July 1, 2014. State-wide, the credit is capped at \$1.5 million. No sections of the bill related to the CTR program were included in the Governor's veto.

The Commute Trip Reduction tax credit provisions of ESSB 5024 are effective May 20, 2013.

**SSB 5072**                      **Relating to a sales and use tax exemption for disabled veterans and members of the armed forces for certain equipment and services that assist physically challenged persons to safely operate a motor vehicle**  
**([Chapter 211, Laws of 2013](#))**

This bill provides retail sales and use tax exemptions for add-on automotive adaptive equipment and charges for installing or repairing the equipment when:

- The equipment is prescribed by a physician for a disabled veteran or active duty military member, regardless of whether the disability is service connected; and,
- A federal agency reimburses the buyer in whole or in part for the purchase price, and the reimbursement is paid directly to the seller.

SSB 5072 is effective August 1, 2013 and expires July 1, 2018.

**E2SSB 5078**                      **Relating to modifying the property tax exemption for nonprofit fairs**  
**([Chapter 212, Laws of 2013](#))**

This bill:

- Clarifies that the existing property tax exemption is allowed for a nonprofit fair association that is eligible to receive support from the fair fund.
- Establishes a new exemption for the property of certain nonprofit fair associations used for fair purposes if the majority of the property was purchased or acquired from a city or county between 1995 and 1998.
- Limits both the current and new exemptions to nonprofit fair associations with real and personal property having an assessed value not exceeding \$15 million. This new limitation precludes the Washington State Fair from receiving a property tax exemption after the effective date of the bill.

E2SSB 5078 is effective July 28, 2013.

**2E2SSB 5296**                      **Relating to the model toxics control act**  
**([Chapter 1, Laws of 2013, 2<sup>nd</sup> Special Session](#))**

This bill primarily prioritizes the use of state and local toxic control account funds and allows for certain additional uses of funds in those accounts.

Regarding the hazardous substance tax, the bill:

- Alters the distribution of the hazardous substance tax to the state and local toxic control accounts, up to a combined distribution of \$140 million.
- Provides fund transfers among certain accounts;
- Establishes the environmental legacy stewardship account into which hazardous substance tax revenues exceeding \$140 million must be deposited; and,
- Provides specific language allowing for continued appropriations to the Department from the state toxic control account to enforce collection of the hazardous substance tax.

2E2SSB 5296 is effective July 1, 2013, except that sections 16 and 17 have contingent effective and expiration dates.

**SSB 5332**                              **Relating to voter-approved benefit charges for fire protection districts**  
**([Chapter 49, Laws of 2013](#))**

This bill changes the voter approval requirement for the continuation of benefit charges imposed by fire protection districts from a supermajority to a simple majority requirement. The supermajority voter approval requirement for initial imposition is unchanged.

SSB 5332 is effective July 28, 2013.

**2SSB 5367**                              **Relating to Yakima River basin water resource management**  
**([Chapter 11, Laws of 2013, 2<sup>nd</sup> Special Session](#))**

This bill provides a framework for the Department of Ecology to guide and manage Yakima River basin water supplies in partnership with the United States Bureau of Reclamation and other agencies. One of the bill's provisions authorizes the Department of Natural Resources (DNR) to purchase land in the Yakima River basin to be held in the community forest trust under RCW 79.155.040 to serve the purposes of the trust, including the protection of Yakima River basin functioning. Land acquired by DNR to be held in the community forest trust is subject to payment in lieu of local property taxes and is exempt from compensating tax that would otherwise apply when land is removed from designation as forest land for property tax purposes.

2SSB 5367 is effective September 28, 2013, except section 16, which is contingent on whether tolls are authorized for the Columbia River Crossing Project (refer to [section 7, chapter 36, Laws of 2012](#)).

**SSB 5444**                      **Relating to administration of taxes regarding publicly owned property**  
**(Chapter 235, Laws of 2013)**

This bill:

- Eliminates the requirement that county assessors annually value tax-exempt government properties;
- Requires county assessors to value and list previously tax-exempt government property beginning January 1 of the year in which the tax exempt status changes; and,
- Eliminates the leasehold excise tax credit for amounts that are in excess of the amount of property tax that would have applied if the lessee or sub-lessee owned the property.

SSB 5444 is effective July 28, 2013.

**SB 5593**                      **Relating to filing requirements for property tax exemption claims for certain improvements to benefit fish and wildlife habitat, water quality, or water quantity**  
**(Chapter 236, Laws of 2013)**

This bill requires landowners to claim the property tax exemption for habitat improvements by October 31 for taxes due during the following year. When renewing the exemption for subsequent years, the landowner must provide a copy of the conservation district's initial certification and the landowner's own current year certification.

SB 5593 is effective July 28, 2013.

**SB 5627**                      **Relating to the taxation of commuter air carriers**  
**(Chapter 56, Laws of 2013)**

This bill:

- Exempts from property tax airplanes operated by a commuter air carrier whose ground property and equipment are located primarily on private property; and,
- Subjects aircraft owned and operated by a commuter air carrier to a new weight-based, aircraft excise tax of between \$500 and \$4,000.

SB 5627 is effective January 1, 2014.

**ESSB 5644****Relating to license issuance fees of former contract liquor stores, former state store auction buyers, and spirits distributors  
([Chapter 12, Laws of 2013, 2<sup>nd</sup> Special Session](#))**

This bill:

- Extends the period during which spirits distributors must pay the ten percent license issuance fee from twenty-four months to twenty-seven months; and,
- Exempts former state contract liquor store managers and former state liquor store auction buyers, and certain successors, from the seventeen percent license issuance fee on their sales to retailers of spirits (bars and restaurants) for consumption on their premises.

ESSB 5644 is effective June 30, 2013.

**SSB 5705****Relating to amounts received by taxing districts from property tax refunds and abatements  
([Chapter 239, Laws of 2013](#))**

This bill:

- Allows taxing districts to levy taxes to recoup cancelled taxes, offset by any amounts received for supplemental taxes such as those paid after property is removed from the current use or designated forest land programs. The constitutional one percent limit, the statutory dollar rate limit, and the aggregate dollar rate limit apply to the refund fund levy.
- Allows county treasurers to authorize partial payment agreements on past due property taxes, which must include payment of the oldest delinquent tax year, including penalties and interest, within a 12-month period.
- Prohibits county treasurers from assessing additional penalties on delinquent taxes if the taxpayer is successfully participating in a payment agreement for the delinquent taxes.
- Authorizes county treasurers to assess specifically identifiable costs incurred in trying to keep property out of foreclosure (“tax foreclosure avoidance costs,”) before filing a certificate of delinquency to initiate the foreclosure process.
- Authorizes county treasurers to impose a delinquent collection charge for costs incurred by the treasurer in collecting past due personal property taxes.

SSB 5705 is effective July 28, 2013.

**SB 5715**                      **Relating to addressing the evasion of taxes by the use of certain electronic means**  
**[\(Chapter 309, Laws of 2013\)](#)**

This bill provides various civil and criminal sanctions related to sales suppression devices (also known as zappers), such as:

- Making the possession, sale, or use of zappers a class C felony;
- Authorizing the seizure and forfeiture of zappers and associated electronic cash registers or point-of-sale systems; and,
- Prohibiting persons convicted of using, selling, or possessing zappers from conducting business unless certain requirements are met, one of which is to agree to electronic sales monitoring at the person’s own expense for five-years.

SB 5715 is effective July 28, 2013.

**SB 5806**                      **Relating to repealing an obsolete provision for a credit against property taxes paid on timber on public land**  
**[\(Chapter 240, Laws of 2013\)](#)**

This bill repeals an obsolete credit against the forest excise tax (timber tax) for property taxes paid upon privately owned timber standing on public lands. Property tax has not applied to privately-owned timber standing on public lands since January 1, 2005.

SB 5806 is effective July 28, 2013.

**ESSB 5882**                      **Relating to creating, expanding, or extending tax preferences**  
**[\(Chapter 13, Laws of 2013, 2<sup>nd</sup> Special Session\)](#)**

ESSB 5882 creates, expands, or extends the number of tax preferences and includes new requirements on transparency and data collection for tax preferences, as follows:

- **Payroll Services - Effective October 1, 2013**  
Allows businesses that operate as a multi-affiliate structure to use a single entity as paymaster and employer of record for the employees of all affiliates without incurring additional B&O tax liability. Payments received by the paymaster to cover the affiliates’ share of employee salaries, benefits, employment taxes and similar items are deducted from B&O if certain requirements are met.
- **Dairy Products - Effective October 1, 2013; Expires July 1, 2023**  
Expands the current definition of “dairy products” to include products comprised of not less than seventy percent of such products for purposes of:
  - The B&O tax exemption for manufacturers that sell dairy products to purchasers that transport the products outside the state. Effective July 1, 2015, this exemption reverts to a preferential tax rate of 0.138%; and,



- The B&O tax preferential tax rate of 0.138% for in-state sales of dairy products that are used as an ingredient or component in the manufacturing of another dairy product.
- **Beekeepers – Effective July 1, 2013; Expires July 1, 2017**  
Provides new sales and use tax exemptions for sales of feed to beekeepers and extends current tax preferences for beekeepers until July 1, 2017. It also requires the Joint Legislative Audit and Review Committee (JLARC) and the newly created honey bee workgroup to report on the impact of Washington’s tax structure on beekeepers.
- **Clay Targets - Effective October 1, 2013; Expires July 1, 2017**  
Provides a retail sales and use tax exemption for clay targets purchased by nonprofit gun clubs and provided to customers paying for trap and skeet shooting.
- **Restaurant Food Flavoring - Effective October 1, 2013; Expires July 1, 2017**  
Provides a new sales and use tax exemption for products used for flavoring that are completely or substantially consumed by combustion during the cooking process, such as wood chips, charcoal, charcoal briquettes, and grape vines. It also exempts products that support the food during the cooking process and are comprised entirely of wood, such as cedar grilling planks.
- **Cooperative Finance Organizations - Effective October 1, 2013; Expires July 1, 2017**  
Provides a B&O tax exemption for amounts received by a cooperative finance organization where the amounts are derived from loans to rural electric cooperatives or other nonprofit or governmental providers of utility services organized under Washington law.
- **Investment Data - Effective October 1, 2013; Expires July 1, 2021**  
Creates a retail sales and use tax exemption for standard financial information purchased by a qualifying international investment management company.
- **Opportunity to Dance - Effective October 1, 2013; Expires July 1, 2017**  
Provides a retail sales tax exemption for dance cover charges by specifically excluding the “opportunity to dance” from the definition of “amusement and recreation services.” The income from such charges for such cover charges will be subject to the service and other activities B&O tax.
- **Solar Component Manufacturing Rate Extension - Effective October 1, 2013; Expires July 1, 2017**
  - Extends the preferential rate for solar grade silicon and solar energy systems manufacturers to June 30, 2017;
  - Extends the retail sales and use tax exemption for gases & chemicals used to manufacture “semiconductor materials” to “solar grade silicon” by adding it in the definition of “semiconductor materials”; and,
  - Changes the accountability requirement from the Annual Report to the Annual Survey.

- **Hog Fuel – Effective July 1, 2013**

Extends the expiration date for the retail sales and use tax exemption for hog fuel used to generate electricity, steam, heat, or biofuel from June 30, 2013 to June 30, 2024.

This part also:

- Includes a claw-back provision that requires a business to pay the previously exempt tax if the business closes a facility that results in the loss of jobs;
- Requires persons that claim the exemptions to file an annual survey with the Department; and,
- Requires JLARC to review the performance of the exemptions and report its findings to the Legislature by October 31, 2019.

- **Large Airplanes - Effective January 1, 2014; Expires July 1, 2021**

- Exempts large private airplanes not used in interstate commerce from retail sales tax when sold to a nonresident, even if the plane is delivered to the buyer in Washington, and from use tax if the plane is in Washington exclusively for repair, etc. or storage.
- Exempts charges for repair, maintenance, etc. on such nonresident-owned planes from retail sales tax and use tax.
- Subjects airplanes used in interstate commerce to the aircraft excise tax when they are in the state exclusively for storage of not less than one full calendar year. This effectively exempts such planes from property tax without affecting the apportioned property tax assessment on other planes used for interstate commerce.
- Requires JLARC to conduct a tax preference review and report its findings and recommendations to the legislature by January 1, 2017 on the effectiveness of the exemption in creating jobs.

- **Blood Banks - Effective October 1, 2013; Expires July 1, 2016**

Expands the definition of a qualifying blood or tissue bank to include nonprofit entities that test blood or tissue, or that test, collect, prepare, or process blood for other qualifying blood or tissue banks.

- **Mint Growers - Effective October 1, 2013; Expires July 1, 2017.**

Provides a retail sales and use tax exemption for the purchase or use of propane or natural gas to exclusively distill mint on a farm.

- **Fundraiser Winners - Effective October 1, 2013; Expires July 1, 2017.**

Provides a use tax exemption for any item valued at less than \$10,000 that is purchased or received as a prize in a contest of chance from a non-profit organization or library.

- **Renewable Energy Machinery and Equipment (M&E) Exemption Extension – Effective July 1, 2013; Expires December 31, 2019**

- Extends the 75% sales or use tax exemption in the form of a remittance for purchases of M&E used to generate renewable energy provided from July 1, 2013, to December 31, 2019;
- Requires persons claiming the exemption to file an Annual Survey for each Washington facility operating with M&E for which the exemption is claimed; and,
- Requires JLARC to assess the performance of these exemptions for its 2019 tax preference review.

- **Small Solar Extension – Effective July 1, 2013; Expires July 1, 2018**
  - Extends the expiration date for the sales and use tax exemptions for the purchase of machinery and equipment (M&E) used by certain facilities to generate electricity or produce thermal heat from July 1, 2013, to July 1, 2018;
  - Expands the exemptions to include solar thermal heat generators that produce not more than 3 million BTU's per day; and,
  - Requires solar collectors or solar hot water systems used in producing thermal heat to meet certain requirements.
- **Transparency and accountability**  
The following transparency and accountability measures are included:
  - New tax preferences automatically expire after ten years unless a different expiration date is provided.
  - Every bill enacting a new tax preference must provide detailed information regarding the legislative purpose, a tax preference performance statement and ascertainable metrics and data requirements to allow the Joint Legislative Audit and Review Committee (JLARC) and the Legislature to measure the effectiveness of the new tax preference.
  - Taxpayers claiming a new tax preference must report the amount of the tax preference claimed by the taxpayer to the department, with certain exceptions. Any taxpayer claiming the new tax preference must file an Annual Survey if the tax preference performance statement indicates an intent to create jobs or improve industry competitiveness.
  - Tax preferences claimed by a taxpayer are subject to public disclosure after two years and are not considered confidential tax information if the amount of the tax preference claimed is \$10,000 a year or more. However, the department may waive the public disclosure requirement if the taxpayer makes a reasonable showing that disclosure would cause economic harm.
  - The Legislative Auditor, in conjunction with a five person task force, must make recommendations on the appropriate data and metrics that should be included in tax preference performance statements and submit a report to the legislature by January 1, 2014.
- **Annual Survey and Report Changes**  
Requires the Department, in consultation with JLARC, to make:
  - Recommendations to the appropriate fiscal committees of the Legislature on ways to update and improve the annual report and annual survey by December 1, 2013.
  - The recommendations must include suggested revisions to the Annual Report and Annual Survey that would make the data more relevant and reduce the administrative burden on the taxpayer.

**ESSB 5952****Relating to aerospace industry tax preferences  
([Chapter 2, Laws of 2013, 3rd Special Session](#))**

This bill extends the expiration date of existing aerospace tax preferences from July 1, 2024, to July 1, 2040. It also expands the existing sales and use tax exemption for the construction of new facilities used to manufacture superefficient airplanes to include the construction of new facilities used to manufacture any commercial airplane or the wings or fuselages of commercial airplanes.

The ongoing availability of the preferential business and occupation tax rate for the production and sale of a new commercial airplane model or new version or variant of an existing commercial airplane model is contingent upon maintaining all final assembly of the airplane and wing assembly within this state. This contingency only applies with respect to a new commercial airplane model or new version or variant of an existing commercial airplane model that is the basis for this bill to become effective.

ESSB 5952's effective date is contingent upon the Department of Revenue making a determination that a final decision to locate a significant commercial airplane manufacturing program in this state has occurred. If a final decision to locate a significant commercial airplane manufacturing program in this state is not made by June 30, 2017, the bill does not take effect.

A significant commercial airplane manufacturing program is the manufacturing of both:

- A new commercial airplane model or a new version or variant of an existing commercial airplane model, and
- The fuselage and wings of a new commercial airplane model or a new version or variant of an existing commercial airplane model.

## **BILLS AFFECTING THE BUSINESS LICENSING SERVICE (BLS)**

### **SHB 1001**                      **Relating to beer and wine theater licenses** **([Chapter 219, Laws of 2013](#))**

This bill creates a \$400 license for theaters with fewer than four screens to sell beer and wine for consumption on the premises.

SHB 1001 is effective July 28, 2013.

### **ESHB 1403**                      **Relating to promoting economic development by providing** **information to businesses** **([Chapter 111, Laws of 2013](#))**

This bill:

- Expands the number of agencies required to fully participate in BLS, requiring each to provide specified information about its business licenses;
- Agencies not submitting the required information must instead submit a progress report and explanation to the Department; and,
- Requires the Department to compile the information submitted and annually report to the Governor and the Legislature beginning January 1, 2014.

ESHB 1403 takes effect July 28, 2013.

### **ESHB 1552**                      **Relating to the reduction of metal theft** **([Chapter 322, Laws of 2013](#) ([partial veto](#)))**

This bill includes multiple provisions addressing metal theft, one of which requires scrap metal businesses to post a \$10,000 surety bond with the Department of Licensing and obtain an annual scrap metal license issued by the Department's BLS program.

Provisions relating to the issuance of scrap metal licenses are effective January 1, 2014. The remaining provisions are effective July 28, 2013.

**SHB 1568**                      **Relating to the business licensing service program administered by the department of revenue**  
**(Chapter 144, Laws of 2013)**

This bill replaces out-of-date statutory references to the Master License Service and related terminology. It also makes statutory changes needed to simplify BLS administration and eliminates obsolete provisions of law. Additionally, the bill:

- Authorizes the Department to establish a trade name renewal process and to cancel trade names in certain circumstances;
- Eliminates the Department’s authority to provide licensing and trade name registration information for commercial purposes;
- Enhances confidentiality protections for licensing information, and provides greater clarity about when licensing information may be disclosed;
- Transfers registration of third-party administrators from BLS to the Washington Vaccine Association; and,
- Eliminates language related to the Department of Social and Health’s (DSHS) authority to request that the Department suspend business licenses for nonpayment of child support. DSHS retains its authority to make such requests directly to the regulatory agency on whose behalf BLS issued the license.

SHB 1568 is effective July 28, 2013, except for section 1, which updates Master License System references to the current BLS.

**SHB 1822**                      **Relating to debt collection practices**  
**(Chapter 148, Laws of 2013)**

This bill requires persons that purchase delinquent debt for collection purposes to be licensed as collection agencies. The Department of Licensing issues collection agency licenses through the Department’s BLS program.

The licensing requirements of SHB 1822 are effective October 1, 2013, while the remainder of the bill is effective July 28, 2013.

**3ESSB 5034**                      **Relating to Fiscal Matters**  
**(Chapter 4, Laws of 2013, 2<sup>nd</sup> Special Session)**

The omnibus budget bill includes a provision authorizing the Department to increase the application fee for master BLS license to nineteen dollars.

This provision of ESSB 5034 is effective June 30, 2013.

**SB 5056**                                **Relating to the submission of new master applications by persons seeking work permits for the employment of minors**  
**[\(Chapter 156, Laws of 2013\)](#)**

This bill allows an employer to obtain a minor work permit by partially completing a new master business license application if there are no changes since the most recent application. Only the parts of the application that identify the employer, indicate the employer's plans to employ minors, and the minors' duties and their estimated hours must be completed.

SB 5056 is effective July 28, 2013.

**SSB 5517**                                **Relating to the beer and wine tasting endorsement for grocery stores**  
**[\(Chapter 52, Laws of 2013\)](#)**

This bill partially revises eligibility criteria applicable to grocery stores seeking a liquor license endorsement to conduct wine and beer through the Department's BLS program.

SSB 5517 is effective July 28, 2013.

**ESB 5607**                                **Relating to beer, wine, and spirits theatre licenses**  
**[\(Chapter 237 Laws of 2013\)](#)**

This bill creates a \$2,000 license for theaters serving complete meals and providing tabletop accommodations for in-theater dining to sell beer, wine, and spirits for consumption on the premises.

ESB 5607 is effective July 28, 2013.

**SB 5674**                                **Relating to wine and beer sampling at farmers markets**  
**[\(Chapter 238, Laws of 2013\)](#)**

This bill permits a qualifying farmers market, authorized to allow sales of beer and wine, to apply for an endorsement to allow sampling. Domestic wineries and microbreweries offering such samples must also obtain a farmers market license endorsement. The Liquor Control Board (LCB) will issue the endorsement through the Department's BLS program.

SB 5674 is effective July 28, 2013.

**SSB 5718**

**Relating to monitoring the development of a one-stop portal for  
Washington businesses  
([Chapter 31, Laws of 2013, 2<sup>nd</sup> Special Session](#))**

This bill allows the Legislature to monitor the progress toward the development and implementation of the MyAccount business portal, a single, web-based location through which businesses may conduct all interactions with state government. The bill requires the Office of the Chief Information Officer (OCIO) to:

- Collaborate with the Department and other state agencies to provide the Legislature a plan, by November 30, 2013, for establishing performance benchmarks and measuring implementation results; and,
- Beginning January 1, 2014, submit annual progress reports to the Legislature until the portal reaches initial implementation.

SSB 5718 is effective September 28, 2013.