

SUMMARY OF 2023 LEGISLATION

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

June 2023

This report summarizes legislation approved during the 2023 regular and special sessions of the Washington State Legislature that significantly impact the taxes and other programs the Department of Revenue (department) administers. The summaries below 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 can be found in “*State Revenue Impact of Major 2023 Tax Legislation,*” beginning on page 4.

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STATE REVENUE IMPACT OF MAJOR 2023 TAX LEGISLATION – Sources impacting Department of Revenue only

State General Fund

Bill #	Type	Bill Description	FY 24	FY25	2023-25 Bien	FY 26	FY 27	2025-2027 Bien
House Bills								
1018	HB	Hog fuel/tax exemption	\$0	(\$1,817,000)	(\$1,817,000)	(\$1,757,000)	(\$1,697,000)	(\$3,454,000)
1125*	ESHB	Transportation appropriations for the 2023-2025 fiscal biennium						
1134	E2SHB	988 system	\$0	\$0	\$0	\$0	\$0	\$0
1163	SHB	Leasehold tax/arenas	(\$900,000)	(\$1,500,000)	(\$2,400,000)	(\$1,500,000)	(\$1,500,000)	(\$3,000,000)
1218	HB	Caseload forecast/tax credit	\$0	\$0	\$0	\$0	\$0	\$0
1240	SHB	Firearms/assault weapons	(\$200,000)	(\$200,000)	(\$400,000)	(\$200,000)	(\$200,000)	(\$400,000)
1254	SHB	Periodic adjustments/DOR	\$1,312,000	\$337,000	\$1,649,000	(\$554,000)	(\$252,000)	(\$806,000)
1258	SHB	Tourism marketing	\$0	\$0	\$0	\$0	\$0	\$0
1265	HB	Adult family homes/prop. tax	\$0	\$0	\$0	\$0	\$0	\$0
1267	SHB	Rural public facilities/tax	\$0	\$0	\$0	\$0	\$0	\$0
1303	HB	Property tax administration	\$0	\$0	\$0	\$0	\$0	\$0
1318	SHB	Aircraft maintenance/tax	\$0	\$0	\$0	\$0	\$0	\$0
1355	SHB	Property tax exemptions	\$0	\$0	\$0	\$0	\$0	\$0
1425	2SHB	Municipal annexations	\$0	(\$1,700,000)	(\$1,700,000)	(\$4,000,000)	(\$6,000,000)	(\$10,000,000)
1431	SHB	Senior living meals/tax	(\$1,270,000)	(\$1,510,000)	(\$2,780,000)	(\$1,600,000)	(\$1,690,000)	(\$3,290,000)
1435	SHB	Home care safety net assess.	\$0	\$0	\$0	\$0	\$0	\$0
1477	2SHB	Working families' tax credit	\$0	\$0	\$0	\$0	\$0	\$0
1527	HB	Tax increment financing	\$0	\$0	\$0	\$0	\$0	\$0
1572*	SHB	Concerning venue for actions for the recovery of taxes.						
1573	HB	Dairy, etc. tax preferences	\$0	\$0	\$0	(\$6,200,000)	(\$7,400,000)	(\$13,600,000)
1575	HB	Cultural access programs/tax	\$0	\$0	\$0	\$0	\$0	\$0
1663	EHB	Consolidated port districts	\$0	\$0	\$0	\$0	\$0	\$0
1711	SHB	Internet projects/tribes	(\$1,270,000)	(\$2,540,000)	(\$3,810,000)	(\$1,900,000)	\$0	(\$1,900,000)
1742	HB	Nontax statutes/DOR	\$13,750,000	\$14,400,000	\$28,150,000	\$14,725,000	\$15,100,000	\$29,825,000
1756	SHB	Energy/tax	\$0	\$0	\$0	(\$85,000)	(\$243,000)	(\$328,000)
1764	SHB	Asphalt & agg. valuation	(\$301,000)	(\$366,000)	(\$667,000)	(\$373,000)	(\$381,000)	(\$754,000)
1812	EHB	Medicaid/B&O tax deductions	(\$3,300,000)	(\$6,800,000)	(\$10,100,000)	(\$6,300,000)	(\$6,300,000)	(\$12,600,000)

Senate Bills								
5001	E2SSB	Public facility districts	\$83,000	\$259,000	\$342,000	\$268,000	\$277,000	\$545,000
5045	E2SSB	ADU rental/property tax	\$0	\$0	\$0	\$0	\$0	\$0
5096	SSB	Employee ownership	\$0	(\$229,000)	(\$229,000)	(\$417,000)	(\$435,000)	(\$852,000)
5144	E2SSB	Batteries/environment	\$0	\$0	\$0	\$0	\$0	\$0
5166	SB	Cooperative finance org. B&O	(\$167,000)	(\$180,000)	(\$347,000)	(\$180,000)	(\$180,000)	(\$360,000)
5173	ESSB	Property exempt from exec.	\$0	\$0	\$0	\$0	\$0	\$0
5176	SSB	Employee-owned coop UI	\$0	\$0	\$0	\$0	\$0	\$0
5187*	ESSB	2023-2025 fiscal biennium operating appropriations						
5199	2SSB	Newspaper publishers/tax	(\$386,000)	(\$1,218,000)	(\$1,604,000)	(\$1,192,000)	(\$1,178,000)	(\$2,370,000)
5218	SSB	Mobility enhancing equip/tax	(\$260,000)	(\$320,000)	(\$580,000)	(\$330,000)	(\$340,000)	(\$670,000)
5258	E2SSB	Condos and townhouses	\$0	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$500,000)
5336	E SB	Main street trust fund	\$0	\$0	\$0	\$0	\$0	\$0
5447	ESSB	Alternative jet fuel	\$0	\$0	\$0	\$0	(\$340,000)	(\$340,000)
5448	2SSB	Delivery of alcohol	\$0	\$0	\$0	\$0	\$0	\$0
5460	SB	Irrigation & rehab districts	\$0	\$0	\$0	\$0	\$0	\$0
5536	2E2SSB	Controlled substances	\$0	\$0	\$0	\$0	\$0	\$0
5565	SSB	Tax and revenue laws	\$0	\$0	\$0	\$0	\$0	\$0
5604	SB	Mental health & housing/tax	\$0	\$0	\$0	\$0	\$0	\$0
5714	SSB	Property tax payments	\$0	\$0	\$0	\$0	\$0	\$0
NET GENERAL FUND IMPACT			\$7,091,000	(\$3,634,000)	\$3,457,000	(\$11,845,000)	(\$13,009,000)	(\$24,854,000)

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

BLS License, Fee & Registration Bills – MLS Account Funds

Bill #	Type	Bill Description	FY 24	FY25	2023-25 Bien	FY 26	FY 27	2025-2027 Bien
1742	HB	Nontax statutes/DOR	(\$710,000)	(\$760,000)	(\$1,470,000)	(\$740,000)	(\$730,000)	(\$1,470,000)
NET BLS FUND IMPACT			(\$710,000)	(\$760,000)	(\$1,470,000)	(\$740,000)	(\$730,000)	(\$1,470,000)

State Funds other than General or BLS Funds

Bill #	Type	Bill Description	Fund/Account	FY 24	FY25	2023-25 Bien	FY 26	FY 27	2025-2027 Bien
5258	E2SSB	Condos and townhouses	Down payment assistance account	\$0	\$250,000	\$250,000	\$250,000	\$250,000	\$500,000
1018	HB	Hog fuel/tax exemption	Performance Audits of Government Account	\$0	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$6,000)

1318	SHB	Aircraft maintenance/tax	Performance Audits of Government Account	\$0	\$0	\$0	\$0	\$0	\$0
1431	SHB	Senior living meals/tax	Performance Audits of Government Account	(\$2,000)	(\$3,000)	(\$5,000)	(\$3,000)	(\$3,000)	(\$6,000)
1711	SHB	Internet projects/tribes	Performance Audits of Government Account	(\$30,000)	(\$60,000)	(\$90,000)	(\$50,000)	\$0	(\$50,000)
1764	SHB	Asphalt & agg. valuation	Performance Audits of Government Account	\$0	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$2,000)
5218	SSB	Mobility enhancing equip/tax	Performance Audits of Government Account	\$0	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$2,000)
5447	E2SSB	Alternative jet fuel	Performance Audits of Government Account	\$0	\$0	\$0	\$0	\$0	\$0
1175	ESHB	Petroleum storage tanks	Pollution Liability Reinsurance Program Trust Account	\$18,000,000	\$28,100,000	\$46,100,000	\$4,700,000	\$24,700,000	\$29,400,000
5634	E2SSB	Problem gambling	Problem Gambling Account	\$232,000	\$471,000	\$703,000	\$471,000	\$471,000	\$942,000
1756	SHB	Energy/tax	Renewable Energy Local Benefit Account	\$0	\$0	\$0	\$98,000	\$471,000	\$569,000
1431	SHB	Senior living meals/tax	Workforce Education Investment Account	\$45,000	\$56,000	\$101,000	\$58,000	\$59,000	\$117,000
5166	SB	Cooperative finance org. B&O	Workforce Education Investment Account	(\$27,000)	(\$30,000)	(\$57,000)	(\$30,000)	(\$30,000)	(\$60,000)
STATE FUNDS OTHER THAN GENERAL OR BLS TOTAL				\$18,218,000	\$28,779,000	\$46,997,000	\$5,489,000	\$25,913,000	\$31,402,000

HOUSE BILLS

[HB 1018](#) Changing the expiration date for the sales and use tax exemption of hog fuel to comply with the 2045 deadline for fossil fuel-free electrical generation in Washington state and to protect jobs with health care and retirement benefits in economically distressed communities. ([Chapter 341, Laws of 2023](#))

This bill extends the retail sales and use tax exemptions on purchases and use of hog fuel used to generate electricity, steam, heat, or biofuel from June 30, 2024, to June 30, 2034.

HB 1018 takes effect July 23, 2023.

[ESHB 1125](#) Making transportation appropriations for the 2023-2025 fiscal biennium. ([Chapter 472, Laws of 2023](#))

As it pertains to the department, this bill extends the language that permits deposits into the hazardous substance tax accounts in prorated equal monthly payments through the upcoming biennium.

ESHB 1125 takes effect May 16, 2023.

[E2SHB 1134](#) Implementing the 988 behavioral health crisis response and suicide prevention system. ([Chapter 454, Laws of 2023](#))

This bill allows funds from the statewide 988 behavioral health crisis response and suicide prevention line tax administered by the department to be used for mobile rapid response crisis teams and community-based crisis teams. The bill has no impact on the department's administration of this tax.

E2SHB 1134 takes effect July 23, 2023.

[SHB 1163](#) Exempting certain leasehold interests in arenas with a seating capacity of more than 2,000 from the leasehold excise tax. ([Chapter 343, Laws of 2023](#))

This bill exempts from the leasehold excise tax (LET) all leasehold interests in the public or entertainment areas of any arena meeting all the following conditions:

- Has a seating capacity of more than 4,000.
- Is located on city-owned land.
- Is in a city with a population over 100,000.
- The funds used for construction upgrades to the arena were 100% the responsibility of private entities and not reimbursed by the public owner.

The bill also requires taxpayers claiming the new LET exemption to file an annual tax performance report.

SHB 1163 takes effect October 1, 2023.

[ESHB 1175](#) Creating a state financial assurance program for petroleum underground storage tanks. ([Chapter 170, Laws of 2023](#))

This bill creates a financial assurance program for owners/operators of petroleum underground storage tanks administered by the Pollution Liability Insurance Agency.

As it relates to the department, the bill:

- Changes the rate of the petroleum products tax (PPT) from 0.15% to 0.30% (RCW 82.23A.020).
- Changes the upper threshold for PPT account balance (over which PPT collection is paused) from \$15 million to \$30 million.
- Changes the lower threshold for PPT account balance (under which PPT collection is resumed) from \$7.5 million to \$15 million.

The section of ESHB 1175 impacting the department takes effect October 1, 2023.

[HB 1218](#) Adding a new caseload for the official caseload forecast for the number of people eligible for the working families tax credit under RCW 82.08.0206. ([Chapter 244, Laws of 2023](#))

This bill requires the Caseload Forecast Council to forecast the number of people eligible for the Working Families Tax Credit beginning with the official forecast submitted in November 2023.

HB 1218 takes effect July 23, 2023.

[SHB 1240](#) Establishing firearms-related safety measures to increase public safety. ([Chapter 162, Laws of 2023](#))

This bill:

- Prohibits the manufacture, importation, distribution, sale, or offer for sale of any assault weapon:
- Provides limited exceptions for:
 - Licensed firearm manufacturers and dealers performing certain activities.
 - Individuals who inherit an assault weapon.

- Firearms dealers to sell or transfer their existing stock of assault weapons, which was acquired prior to January 1, 2023, to outside of the state for the limited period of 90 days after the effective date.
- Mandates that a violation of these restrictions constitutes a gross misdemeanor and is actionable under the Consumer Protection Act.

SHB 1240 took effect April 25, 2023, with the governor’s signature.

SHB 1254 Clarifying ambiguities in statutory provisions administered by the department of revenue relating to periodic adjustments. ([Chapter 68, Laws of 2023](#))

This bill:

- Updates the limit on surplus property value that may be sold by a port district without a port commission resolution from \$10,000 to \$22,000, adjusted for inflation annually by the consumer price index for urban consumers (CPI-U), less food and energy, for the Seattle area as calculated by the US Bureau of Labor Statistics or its successor agency.
- Updates the method for determining the value of refinery fuel when calculating the amount of use tax due on the gas. The value of the gas is based on the federal Energy Information Administration (EIA)-published “Henry Hub” prices averaged over the last 36 months, published quarterly.
- Clarifies that when determining the hazardous substance tax (HST) on petroleum products, the inflation adjustments in the law are permanent and cumulative.

SHB 1254 takes effect July 23, 2023.

SHB 1258 Increasing tourism to Washington state through enhancement of the statewide tourism marketing account and changing necessary match requirements. ([Chapter 348, Laws of 2023](#))

This bill changes the nonstate or state fund matching funds requirement, from two-to-one, to one-to-one, for all expenditures from the statewide tourism marketing account.

SHB 1258 takes effect July 23, 2023.

HB 1265 Establishing a property tax exemption for adult family homes that serve people with intellectual or developmental disabilities and are owned by a nonprofit. ([Chapter 69, Laws of 2023](#))

This bill expands the current real and personal property tax exemption for housing owned or leased by nonprofit organizations, corporations, or associations and provided for eligible persons with developmental disabilities to include property operated by a

licensed adult family home regardless of the adult family home operator's nonprofit status.

This bill applies to taxes levied for collection in 2024 and thereafter.

HB 1265 takes effect July 23, 2023.

SHB 1267 Concerning rural public facilities sales and use tax. (Chapter 411, Laws of 2023)

This bill:

- Extends the expiration date of the rural counties public facilities local sales and use tax to December 31, 2054, to counties that were imposing the tax before August 1, 2009, and met the definition of rural county as of August 1, 2009.
- Requires the Office of the State Auditor to provide a publicly accessible report on its website containing rural county project and expenditure information and the total amount of revenue collected under this tax.

SHB 1267 takes effect July 23, 2023.

HB 1303 Concerning the administration of property taxes. (Chapter 28, Laws of 2023)

This bill is department request legislation. It amends various sections of property tax code to make them easier to understand, more transparent, and more efficient to administer.

Section 1. Amends RCW 82.03.140(1) to allow the department to convert an informal Board of Tax Appeals hearing to a formal hearing for certain types of appeals.

Section 2. Amends RCW 84.40.370 to clarify that the valuation date for government-owned property that loses its exempt status is January 1 of the year the status changed.

Sections 3 – 7. Provide the correction of a levy error that was due to no fault of the taxing district must be made in equal parts over three years if it is determined that such a correction made all at once would result in a tax rate that would exceed the levy's statutory maximum levy rate.

Section 8. Clarifies that the maximum levy amount for the first levy of a levy restored within six or fewer years from when the levy ceased and simplifies the calculation of the levy limit for a regular property tax levy being restored seven or more years after it ceased.

Section 9. Amends RCW 84.55.020 so that the consolidated taxing district's first levy is based on the sum of the highest lawful levy amounts each component taxing district could have levied since 1985 rather than the most recent three years.

HB 1303 takes effect July 23, 2023, except for sections 4 and 6, which take effect January 1, 2027.

SHB 1318 Concerning retail sales tax exemptions for certain aircraft maintenance and repair. ([Chapter 414, Laws of 2023](#))

This bill modifies the sales and use tax exemption for the construction of an eligible aircraft maintenance and repair facility to apply only to eligible facilities located in a commercial services airport owned by a county with a population less than one million or a commercial services airport jointly owned by a city and county.

SHB 1318 takes effect July 23, 2023.

SHB 1355 Updating property tax exemptions for service-connected disabled veterans and senior citizens. ([Chapter 147, Laws of 2023](#))

This bill:

- Increases the amount of disposable income a person can earn and be eligible for the property tax exemption (exemption program) for qualifying senior citizens, people retired due to disability, and disabled veterans for property taxes levied for collection in 2024.
- Allows an exemption to continue if a participant's income exceeds the minimum income threshold due to a Social Security or Supplemental Security Income cost-of-living increase in 2023.
- Requires that the department, subject to appropriation, engage in statewide outreach to notify the public of the increased income threshold changes. This requirement expires June 30, 2024.

SHB 1355 takes effect July 23, 2023, for taxes levied for collection in 2024.

2SHB 1425 Facilitating municipal annexations. ([Chapter 351, Laws of 2023](#))

This bill reinstates the local annexation sales and use tax under [RCW 82.14.415](#) and updates population thresholds and maximum tax rates.

To impose the tax, a city must:

- Enter into an interlocal agreement with the county regarding the proposed annexation area.
- Enact the tax for no more than 10 years.

The first time a city can impose the tax is July 1, 2024, because this tax can only be imposed at the beginning of a fiscal year, and the city must notify the department at least 30 days before imposing the tax.

2SHB 1425 takes effect July 23, 2023.

SHB 1431 **Clarifying that meals furnished to tenants of senior living communities as part of their rental agreement are not subject to sales and use tax. ([Chapter 416, Laws of 2023](#))**

This bill provides exemptions from the retail sales and use tax on food, drink, or meals furnished by a senior living community to tenants as part of a rental or residency agreement, when there is no separate charge for the food, drink, or meals. The bill also reclassifies income from such sales from the retailing business and occupation (B&O) tax classification to the service and other activities B&O tax classification.

SHB 1431 takes effect July 23, 2023.

SHB 1435 **Developing a home care safety net assessment. ([Chapter 209, Laws of 2023](#))**

This bill establishes the Home Care Safety Net Assessment Work Group to develop the home care safety net assessment proposal. It requires the department's director (or the director's designee) to participate in the work group. The work group findings are due to the Governor and appropriate legislative committees by December 1, 2024.

SHB 1435 takes effect July 23, 2023.

2SHB 1477 **Making changes to the working families tax credit. ([Chapter 456, Laws of 2023](#))**

This bill amends the Working Families Tax Credit (WFTC) program by:

- Expanding eligibility to individuals who filed their federal income tax return under the married filing separately status.
- Allowing individuals to apply for any WFTC refunds for which they were eligible but did not claim for up to three years from the date their federal tax return was due.
- Requiring the department to submit a report to the House Finance and Senate Ways and Means Committees every two years beginning December 31, 2025. The report will provide relevant data collected from administration of the WFTC program.

2SHB 1477 takes effect January 1, 2024.

[HB 1527](#) **Making technical corrections to the local tax increment financing program. ([Chapter 354, Laws of 2023](#))**

This bill makes technical corrections to the “local tax increment financing” (LTIF) area provisions for the funding of certain public improvements that include:

- Defining real property for purposes of LTIF areas.
- Clarifying certain definitions of public improvements and public improvement costs, such as the cost of acquisition of real property and appurtenant rights.
- Clarifying the public notice requirements and when an LTIF area takes effect.
- Creating consistency with current law by allowing taxing districts located in an LTIF area to increase their 1% property tax levy growth limit, like new construction additions, when consolidating or annexing taxing districts.

HB 1527 took effect May 9, 2023.

[SHB 1572](#) **Concerning venue for actions for the recovery of taxes. ([Chapter 81, Laws of 2023](#))**

This bill allows property tax refund lawsuits filed solely against one county to be filed in any superior court of the two nearest judicial districts to the county in which the property taxes were paid.

SHB 1572 took effect April 13, 2023.

[HB 1573](#) **Extending tax preferences for dairy, fruit and vegetable, and seafood processors. ([Chapter 422, Laws of 2023](#))**

This bill extends the expiration date of the business and occupation tax exemptions for dairy, fruit and vegetable, and seafood processors from July 1, 2025, to July 1, 2035. However, the tax exemption for dairy products sold as an ingredient or component to manufacture other dairy products, expires on July 1, 2025.

HB 1573 takes effect July 23, 2023.

[HB 1575](#) **Modifying the sales and use tax for cultural access programs by allowing the tax to be imposed by a councilmanic or commission authority and defining timelines and priorities for action. ([Chapter 179, Laws of 2023](#))**

This bill:

- Allows counties and cities to impose the Cultural Access Program local sales and use tax of up to 0.1% without voter approval.
- Allows a city to impose the tax after December 31, 2024, if it has not already been imposed by the county.
- Prohibits a county and a city within the county from imposing the tax concurrently.

HB 1575 takes effect July 23, 2023.

EHB 1663 Allowing functionally consolidated port districts to adopt a unified levy. (Chapter 215, Laws of 2023)

This bill allows two or more port districts that operate jointly through a mutual agreement under [RCW 53.08.240](#) to levy as one joint taxing district a consolidated property tax for general port purposes authorized in [RCW 53.36.020](#), provided the following conditions are met:

- The port districts are adjacent, and the boundaries of the port districts are coextensive with county boundaries.
- At least two-thirds of the commissioners of each port district vote to conduct a joint levy.
- A majority of the voters of each port district approve the joint property tax levy at general elections within each port district on the same day.
- The tax rate for the joint levy is the same in each participating port district.

EHB 1663 takes effect July 23, 2023. However, the earliest a joint levy may be collected by a functionally consolidated port district is calendar year 2025.

SHB 1711 Providing a sales and use tax exemption related to internet and telecommunications infrastructure projects involving a federally recognized Indian tribe. (Chapter 355, Laws of 2023)

This bill provides a state sales and use tax (6.5%) exemption of up to \$8.0 million to a qualified infrastructure project (QIP) owner for:

- Labor and services rendered in respect to the construction of a QIP or the installation of any equipment or tangible personal property incorporated into a QIP.
- Building materials, telecommunications equipment, and tangible personal property incorporated into a QIP.

"Qualified infrastructure project owner" means a wholly owned subsidiary of a federally recognized tribe located in a county that borders the Pacific Ocean that is developing a qualified infrastructure project.

The Quinault Indian Nation, the proponent of the bill, is developing a cable landing station in Grays Harbor County to improve internet access to rural areas.

SHB 1711 takes effect July 23, 2023.

SHB 1756 Supporting clean energy through tax changes that increase revenue to local governments, schools, and impacted communities. ([Chapter 427, Laws of 2023](#))

This bill:

- Provides a 10- or 15-year personal property tax exemption from the state levies for solar and wind generators, and energy storage equipment.
- Creates an excise tax for persons claiming the personal property tax exemption created in this bill.
- Provides a clawback for the full amount of the personal property tax exempted if a person fails to meet certain filing requirements for the full 10- or 15-year period of the property tax exemption. No refund of the corresponding excise tax is provided.

The exemptions are available for facilities that commence construction on or after July 1, 2023.

SHB 1756 takes effect July 23, 2023.

SHB 1764 Establishing a method of valuing asphalt and aggregate used in public road construction for purposes of taxation. ([Chapter 307, Laws of 2023](#))

This bill provides a method for valuing asphalt and aggregate manufactured or extracted by a person providing services subject to the public road construction business and occupation tax classification. The value is determined by the sum of all direct and indirect costs attributable to the aggregate or asphalt used plus a market adjustment of 5% of those direct and indirect costs.

This valuation method only applies to tax liabilities incurred as a result of contracts executed on or after August 1, 2023.

SHB 1764 takes effect August 1, 2023.

EHB 1812 Continuing the business and occupation tax deduction for federal funds received from a medicaid transformation or demonstration project or medicaid quality improvement program or standard. ([Chapter 313, Laws of 2023](#))

This bill expands the business and occupation tax deduction for “Delivery System Reform Incentive Payments” to also apply to “Medicaid Transformation Project Funding.” The bill also replaces an obsolete reference to a definition of an accountable community of health with a standalone definition of that term for the purpose of the deduction.

EHB 1812 takes effect July 23, 2023.

SENATE BILLS

[E2SSB 5001](#) **Concerning public facility districts created by at least two city or county legislative authorities. ([Chapter 218, Laws of 2023](#))**

This bill allows counties, cities, and towns that previously created a public facilities district (PFD) to establish and operate an additional PFD and impose a voter-approved local sales/use tax up to a rate of 0.2%.

The additional PFD is authorized to acquire, construct, own, remodel, maintain, equip, reequip, repair, finance, and operate regional aquatics and sports facilities and provide funding for transportation improvements directly associated with access to the facilities.

E2SSB 5001 takes effect July 23, 2023.

[E2SSB 5045](#) **Incentivizing rental of accessory dwelling units to low-income households. ([Chapter 335, Laws of 2023](#))**

This bill allows a county with a population of at least 1.5 million people to create a local property tax exemption for accessory dwelling units rented to low-income households who are not family members of the property owner unless that family member is at least 60 years of age. Additional requirements for the exemption must also be met.

E2SSB takes effect July 23, 2023.

[SSB 5096](#) **Concerning employee ownership. ([Chapter 392, Laws of 2023](#))**

This bill provides a business and occupation tax credit for costs related to converting a qualifying business to an employee ownership structure.

Qualifying businesses may receive a credit up to:

- 50% of the conversion costs, not to exceed \$25,000, when converting to a worker-owned cooperative or an employee ownership trust.
- 50% of the conversion costs, not to exceed \$100,000, when converting to an employee stock ownership plan.

The total amount of credit authorized may not exceed \$2 million per year and is available on a first-in-time basis. A person may carry forward unused credit up to 12 months after the reporting period in which the credit is earned.

SSB 5096 is effective July 23, 2023, except that the credit and its associated tax preference performance statement (sections 4 and 5) are effective July 1, 2024.

E2SSB 5144 Providing for responsible environmental management of batteries. (Chapter 434, Laws of 2023)

This bill provides an exemption from the business and occupation tax for amounts received by a battery stewardship organization.

Under this bill, producers of covered batteries and battery-containing products are required to fund and participate in a stewardship organization that plans and provides for battery collection and end-of-life management, beginning January 1, 2027, for portable batteries and January 1, 2029, for medium format batteries.

E2SSB 5144 takes effect July 23, 2023.

SB 5166 Reauthorizing the business and occupation tax deduction for cooperative finance organizations. (Chapter 317, Laws of 2023)

This bill creates a business and occupation tax deduction for loan repayments received by cooperative finance organizations from rural electric cooperatives or other utility nonprofit or governmental utility providers.

SB 5166 takes effect July 1, 2023.

ESSB 5173 Concerning property exempt from execution. (Chapter 393, Laws of 2023)

This bill as it relates the department's enforcement efforts:

- Increases the total value limit for certain personal property that is exempt from execution, attachment, and garnishment.
- Removes stipulations on motor vehicle use and increases the value limit for an individual from \$3,250 to an aggregate value of \$15,000.
- Clarifies that in the case of married persons, each spouse is entitled to the exemptions of personal property from execution, attachment, and garnishment, which may be combined with the other spouse's exemption in the same property or taken in different exempt property.
- Exempts worker's compensation payments from execution, attachment, or garnishment.

Sections of ESSB 5173 affecting the department take effect July 23, 2023.

ESSB 5187 **Making 2023-2025 fiscal biennium operating appropriations. ([Chapter 475, Laws of 2023](#))**

- This bill makes biennial operating budget appropriations for the 2023-25 fiscal biennium and supplemental changes to the appropriations for the 2021-23 fiscal biennium.

The department's General Fund appropriation includes funds the department must use for:

- Developing an implementation plan for an online searchable database of all taxes and tax rates in the state for each taxing district. The department must submit a report summarizing options, estimated costs, and timelines to implement each option to the appropriate committees of the Legislature by June 30, 2024.
- Researching and analyzing wealth taxes imposed in other countries and wealth tax legislation recently proposed by other states and the United States. The department must submit a status report to the appropriate fiscal committees of the Legislature by January 1, 2024, and a final report by November 1, 2024.

ESSB 5187 takes effect May 16, 2023.

E2SSB 5199 **Providing tax relief for newspaper publishers. ([Chapter 286, Laws of 2023](#))**

This bill replaces the preferential business and occupation (B&O) tax rate for newspaper printers and publishers with a B&O tax exemption for amounts received from:

- Printing and/or publishing a newspaper.
- Publishing "eligible digital content" by a person who reported under the printing and publishing B&O tax classification, for printing and/or publishing a newspaper, for the reporting period that covers January 1, 2008.

E2SSB takes effect January 1, 2024, and expires January 1, 2034.

SSB 5218 **Providing a sales and use tax exemption for complex rehabilitation technology products. ([Chapter 319, Laws of 2023](#))**

This bill provides a retail sales and use tax exemption on sales and use of mobility enhancing equipment for use by a complex needs patient.

- "Complex needs patient" means an individual with a diagnosis or medical condition that results in significant physical or functional needs and capacities (RCW 74.09.557).
- Mobility enhancing equipment includes items such as scooters, wheelchairs, power wheelchairs, lift chairs, and walkers.

To claim an exemption, the purchaser must provide the seller with an exemption certificate, as prescribed by the department. The tax exemption applies to mobility enhancing equipment sold or used on or after August 1, 2023.

SSB 5218 takes effect July 23, 2023.

E2SSB 5258 **Increasing the supply and affordability of condominium units and townhouses as an option for homeownership. ([Chapter 337, Laws of 2023](#))**

Relevant to the department, this bill:

- Creates the Down Payment Assistance Account. Receipts from the real estate excise tax on sales of condominiums or townhouses to persons using a down payment assistance program offered by the Washington State Housing Finance Commission must be deposited in the account. Expenditures from the account may only be used for payment toward a person's down payment assistance loan offered by the Commission.
- Requires the department to notify the Economic and Revenue Forecast Council (ERFC) of the total amount of real estate excise tax received from the sales of condominiums or townhouses to persons using the down payment assistance program offered by the Commission during the prior calendar year. The department must provide this information to the ERFC beginning June 15, 2024, and each June 15 afterwards.

E2SSB 5258 takes effect July 23, 2023.

ESB 5336 **Concerning the main street trust fund tax credit. ([Chapter 96, Laws of 2023](#))**

This bill clarifies that, for purposes of the Main Street Program, the local government population threshold is determined at the time the government entity is designated as eligible for the program. This ensures local governments will not be disqualified from the program if their population exceeds the 190,000 threshold after being approved for the program.

The bill also makes technical changes to clarify the process for making a timely contribution to the Main Street Program.

ESB 5336 takes effect July 23, 2023.

ESSB 5447 **Promoting the alternative jet fuel industry in Washington. ([Chapter 232, Laws of 2023](#))**

As affecting the department, this bill:

- Creates a preferential business and occupation (B&O) tax rate of 0.275% for the manufacturing, retailing, and wholesaling of alternative jet fuels.
- Establishes B&O tax and PUT credits for certain sales and uses of alternative jet fuel.
- Specifies the tax incentives take effect July 1, 2024, but may not be claimed until the first day of the first calendar quarter after the Department of Ecology provides notification of one or more facilities operating in this state with cumulative production capacity of at least 20 million gallons of alternative jet fuel per year. The incentives may be claimed for nine consecutive calendar years after the close of the calendar year in which they are first claimed.

Sections of ESSB 5447 relating to the department take effect July 1, 2024.

SSB 5460 **Concerning collection of assessments for irrigation and rehabilitation districts. (Chapter 371, Laws of 2023)**

Although this bill does not directly impact the department, the department’s Property Tax division does provide oversight and guidance to county assessors and treasurers.

This bill:

- Aligns the benefit assessment authority of an irrigation and rehabilitation district (district) more closely with other local special improvement districts.
- Requires a district to annually determine the amount of money necessary to continue rehabilitation operations and classify property in the district in proportion to the benefits to be derived.
- Restricts a district’s budget to an amount equal to \$1.00 per \$1,000 of assessed aggregate value of all the property within the district.

SSB 5460 takes effect July 23, 2023.

2E2SSB 5536 **Concerning controlled substances, counterfeit substances, and legend drug possession and treatment. (Chapter 1, Laws of 2023 1st Special Session)**

This bill makes various changes to drug laws in the wake of the Blake decision.

As it relates to the department, this bill:

- Exempts real and personal property used by a nonprofit operating an approved recovery residence.
- Limits the amount that can be charged to residents of the recovery housing to the amount needed for maintenance and operation costs of the facility.
- Requires that the property be owned or leased by the nonprofit. If leased, the benefit of the exemption must be passed on to the nonprofit.

2E2SSB 5536 has various effective dates. The property tax exemption is effective for taxes levied for collection in calendar years 2024 through 2033.

SSB 5565

Modifying tax and revenue laws by making technical corrections, clarifying ambiguities, easing compliance burdens for taxpayers, and providing administrative efficiencies. ([Chapter 374, Laws of 2023](#))

This bill modifies tax and revenue laws by making technical corrections, clarifying ambiguities, easing compliance burdens for taxpayers, and providing administrative efficiencies.

Specifically, this bill:

- Removes the requirement that the department continue reporting annually on the progress of our efforts to partner with all cities that impose a general business license beyond the January 1, 2023, report. The work was completed in 2022.
- Removes the requirement for claimants of the motion picture business and occupation tax credit to file an annual tax preference performance report.
- Clarifies that when a working families tax credit payment is calculated at greater than zero but less than one cent, the payment amount is \$50.
- Clarifies that the Legislature intends for state sales and use tax exemptions to apply to local sales and use taxes in an identical manner unless explicitly stated otherwise in the law.
- Clarifies that the enhanced food fish tax addendum is due at the same time as the combined excise tax return.
- Clarifies that the \$125,000 tax return filing relief threshold is based on the business's annual value of products, gross proceeds of sales, or gross income of the business, from all business activities taxable under chapter 82.04 RCW.
- Removes a reference to RCW 82.63.010, a tax preference for high technology businesses that expired, and replaces it with a standalone definition of "initiation of construction." The definition is the same as in the expired program.
- Removes a reference to RCW 82.60.010, which expired July 1, 2020.
- Clarifies that repayment of deferred taxes under the Rural County Investments Deferral Program only happens if a project ceases to meet the requirements of the deferral.
- Corrects an erroneous cross-reference to the statutory requirement for certain entities to file an annual tax performance report.
- Replaces an erroneous reference to "county" with "country."
- Repeals outdated or redundant statutes:
 - The language in RCW 82.12.02088 was incorporated into RCW 82.12.0208 as subsection (7) in the 2020 housekeeping bill, ESB 5402.
 - Redundant return and payment requirements for the enhanced food fish tax in RCW 82.27.060
 - RCW 82.70.050, which was rendered obsolete by legislation that eliminated quarterly distributions from the Multimodal Transportation Account to the

General Fund to reimburse the General Fund for the amount of commute trip reduction credit taken.

- Removes cross-references in statutes made erroneous by the changes above.
- Several sections of the bill were vetoed because they were duplicative of sections in other bills that were signed into law.

SSB 5565 takes effect July 23, 2023.

SSB 5604 **Concerning county sales and use taxes for mental health and housing. (Chapter 101, Laws of 2023)**

This bill does not impact the department directly. It allows:

- Counties to use revenue collected from the Chemical Dependency and Mental Health Treatment Program sales and use tax under [RCW 82.14.460](#) to make modifications to existing facilities to address health and safety needs necessary for the provision of the programs.
- Counties and cities, regardless of population, to use revenue collected from the Affordable and Supportive Housing sales and use tax under [RCW 82.14.540](#) to:
 - Make modifications to existing facilities to address health and safety needs necessary for the provision of the programs.
 - Retain up to 10% of the revenue from the tax for administrative costs.

SSB 5604 takes effect July 23, 2023.

E2SSB 5634 **Concerning gambling problems. (Chapter 284, Laws of 2023)**

This bill:

- Increases the additional business and occupation tax imposed on contests of chance (\$50,000 or more annually) and pari-mutuel wagering from 0.13% to 0.20% effective July 1, 2023, and 0.26% effective July 1, 2024.
- Increases the transfer of funds from the Shared Game Lottery to the Problem Gambling Account.
- Clarifies the responsibilities of the Health Care Authority and the Department of Health for the State Problem Gambling Program and the membership of an advisory committee for the program.

E2SSB 5634 takes effect July 1, 2023.

SSB 5714 **Concerning payments made for property taxes or special assessments by an automated check processing service. (Chapter 376, Laws of 2023)**

This bill requires county treasurers to accept property tax payments as timely and not delinquent when received by an automated check processing service or payments via the United States mail with no discernable postmark date, if received within three business days of the April 30th or October 31st property tax due dates.

SSB 5714 takes effect July 23, 2023.

Nontax Bills

[HB 1742](#) Concerning nontax statutes administered by the department of revenue. ([Chapter 258, Laws of 2023](#))

This is Department of Revenue request legislation. It makes changes to the department's Business Licensing Service and Unclaimed Property Program to clarify ambiguities, provide equity to licensed businesses, and ease the department's administration of the program.

Business Licensing Service

This bill authorizes the department to waive a late fee assessed on a business for not renewing its business license timely. A business is eligible for the waiver if the business has timely renewed all business licenses and paid the applicable business license fees for 24 months immediately prior to the period covered by the renewal application for which the waiver is being requested.

Unclaimed Property

This bill modifies certain provisions of the Revised Uniform Unclaimed Property Act (RUUPA) that was enacted under ESSB 5531 in 2022 that were inadvertently included or omitted when repealing the old act.

The bill also authorizes the department to waive a penalty for UCP reports filed late if, for the immediately preceding 24 months, the holder timely filed all required UCP reports and delivered or paid to the department the property associated with those reports.

HB 1742 takes effect July 23, 2023.

[SSB 5176](#) Concerning unemployment insurance benefits for officers of employee-owned cooperatives. ([Chapter 92, Laws of 2023](#))

This bill extends unemployment insurance benefits in certain circumstances to officers of employee cooperative corporations, cooperative associations, and limited cooperative associations. The department's Business Licensing Service will assist the Employment Security Department in identifying employee cooperative businesses whose officers may be impacted by this legislation.

SSB 5176 takes effect January 1, 2024.

[SSB 5448](#) Concerning liquor licensee privileges for the delivery of alcohol. ([Chapter 279, Laws of 2023](#))

This bill extends certain temporary alcohol takeout and delivery liquor license privileges to July 1, 2025, except with respect to curbside service and cocktail kits. The legislation requires the department's Business Licensing Service to update the names and descriptions of impacted liquor endorsements.

SSB 5448 takes effect July 1, 2023.