




SUMMARY OF 2025 LEGISLATION

Washington Department Of Revenue
Legislation & Policy And Research & Fiscal Analysis Divisions

June 2025





This report summarizes legislation enacted during the 2025 session of the Washington Legislature that significantly impacts taxes and other programs administered by the Department of Revenue. The summaries are based on information developed by the department's Legislation & Policy (L&P) and Research & Fiscal Analysis (RFA) divisions. The summaries 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 newly enacted tax laws and serve as a resource for historical research. The charts beginning on page 24 summarize the fiscal impact of the legislation.

During the 2025 legislative session, the L&P Division analyzed 746 bills and 1,024 amendments to bills that would impact the department. The L&P Division worked with the legislative liaison and assistant legislative liaison to provide written feedback to legislators and/or legislative staff on 133 of those bills and provided technical and administrative support on 53 bill drafts. The RFA Division completed 431 official fiscal note requests from the Office of Financial Management. RFA also provided legislative staff with 109 draft fiscal notes. The division also provided 642 fiscal estimates to a variety of customers.

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Business & Occupation Tax (B&O)

[ESHB 2081](#)

[Chapter 420](#),
Laws of 2025

B&O Tax Rate Increases and Surcharges

This bill:

- Increases most business and occupation (B&O) tax rates.
 - 0.484% and 0.471% rates increase to 0.5%.
 - Service and Other Activities tax classification is restructured to a three-tiered system, with a top rate of 2.1%.
 - Base gambling rate increases from 1.5% to 1.8%.
- Creates a 0.5% surcharge on businesses with Washington taxable income of more than \$250 million per calendar year, with the following exceptions:
 - Businesses that owe the advanced computing surcharge.
 - Businesses that owe the financial institution surcharge.
 - Manufacturing and the initial sale of manufactured goods.
 - Timber industry businesses subject to rates in RCW 82.04.260(12).
 - Wholesale or retail fuel transactions defined in RCW 82.38.020.
 - Farmers or apiarists.
 - Amounts for which a credit is received on the multiple activities tax credit.
 - Retail sales of sales-tax-exempt food, items eligible under the Supplemental Nutrition Assistance Program (SNAP), or prescription drugs.
 - Sales of petroleum products manufactured by a processor for hire affiliated with an out-of-state manufacturer.
- Increases the financial institution surcharge to 1.5%.
- Increases the advanced computing surcharge to 7.5%, with an annual per-taxpayer cap of \$75 million.
- Clarifies that the B&O tax deduction for incidental investment income applies to income that is less than 5% of gross worldwide income.
- Provides specific entities a deduction for investment income regardless of whether the income is incidental. A separate bill (SSB 5167, listed under the Enforcement section) requires the department to implement an expanded voluntary disclosure program for all entities engaged in investment activities other than banking, lending, or securities businesses.

This bill contains several effective dates, depending on the section. The three-tiered B&O service and other activities tax rate takes effect October 1, 2025.

ESSB 5794

[Chapter 423](#),
Laws of 2025

Repeal of B&O Tax Preferences

This bill repeals or sunsets the following business and occupation (B&O) tax preferences, effective January 1, 2026:

- B&O preferential tax rate for title insurance agents.
- B&O tax credit for labs conducting safety testing.
- B&O tax credit for employment related to international services.
- B&O tax and sales and use tax exemptions for precious metals and bullion.
- B&O tax and public utility tax credit for home energy assistance.

Beginning January 1, 2026, if a state-chartered credit union merges with or acquires a bank regulated by the Department of Financial Institutions, the credit union is no longer exempt from the B&O tax. The B&O tax will be 1.2% of the gross income of the state-chartered credit union.

Beginning April 1, 2026, the rental or lease of individual self-service storage space at self-storage facilities, regardless of duration, is subject to B&O tax at the service and other activities classification at a rate of 1.5 or 1.75%.

SHB 2020

[Chapter 401](#),
Laws of 2025

Credit Card Processing

This bill creates:

- A new 3.1% business and occupation (B&O) tax rate for payment card processing activities.
- New deductions for interchange fees, network fees, and portions of fees retained by other processors.

The new rate does not apply to transactions where a processor operates the network handling the transaction, known as “closed-loop” payment networks. This bill takes effect January 1, 2026.

SHB 2047

[Chapter 366](#),
Laws of 2025

Employee Ownership Program

This bill ends the Washington Employee Ownership Program administered by the Department of Commerce, subject to the availability of amounts appropriated. Businesses may not earn the business and occupation (B&O) credits after June 30, 2025, and must use any earned credit before July 1, 2026.

[SB 5682](#)

[Chapter 289](#),
Laws of 2025

Employment Training

This bill extends the expiration date for the Washington Customized Employment Training Program's business and occupation (B&O) tax credit to July 1, 2031. The bill takes effect July 27, 2025.

Capital Gains Tax

[ESSB 5813](#)

[Chapter 421](#),
Laws of 2025

Capital Gains Rate Surcharge

This bill enacts an additional 2.9% tax on the sale or exchange of an individual's Washington long-term capital gains exceeding \$1 million. This tax is in addition to the existing 7% excise tax on an individual's sale or exchange of long-term capital assets. The 2.9% additional tax on capital gains exceeding \$1 million takes effect January 1, 2025, for tax year 2025.

[SSB 5314](#)

[Chapter 409](#),
Laws of 2025

Capital Gains Process and Calculations

The Department of Revenue requested this legislation. The bill:

- Replaces the business and occupation (B&O) tax credit for capital gains paid on the same property with a capital gains tax credit.
- Clarifies the exemption for capital gains derived from retirement plans and qualified family-owned small businesses.
- Specifies that for the sale or exchange of a section 1256 contract, the entire amount is treated as a long-term gain or loss if the contract was held for more than a year.
- Clarifies documentation required to be supplied by taxpayers when filing the Washington capital gains tax return.
- Requires taxpayers to amend their Washington capital gains tax return when an amendment to their federal income tax return impacts their WA capital gains tax liability.
- Clarifies when the department is authorized to waive or cancel penalties in certain circumstances.
- Specifies that for an estimated tax payment made in April, the maximum penalty for substantially underpaying the Washington capital gains tax is 5% of the actual tax due.
- Requires broker or barter exchanges to provide copies of federal tax form 1099-B to the Department of Revenue for sales or exchanges generating a long-term capital gain allocated to Washington.

Parts of this bill take effect July 27, 2025; other parts take effect January 1, 2026.

Digital/Media Tax Preferences

HB 1060

Tax Exemption for Publishing

[Chapter 15,](#)
Laws of 2025

This bill clarifies that a business claiming a business and occupation (B&O) tax exemption for publishing newspapers and digital content must file an Annual Tax Performance Report. If a business is found ineligible for the exemption, a tax rate of 0.484% applies. The tax rate is specified by number in the bill itself and was not affected by the across-the-board increase in the standard B&O tax rate changed by ESHB 2081. The bill takes effect January 1, 2026.

SB 5457

Tax Rate for Broadcasters

[Chapter 9,](#)
Laws of 2025

This bill creates a definition of “radio and television broadcasting” limited to broadcasting stations licensed by the FCC, which is consistent with current department guidance. The bill moves the imposition of the broadcasting business and occupation tax to a new section in RCW 82.04 and makes technical adjustments. This bill has no impact on the current tax treatment of broadcasters. This bill takes effect July 27, 2025.

Energy and Environment

ESHB 1293

Shopping Bag Penalties

[Chapter 312,](#)
Laws of 2025

Overall, this bill delays a pending ban on reusable carryout bags and creates a 4-cent penalty, in addition to the 12-cent fee, for retailers offering plastic bags thicker than four millimeters.

As it relates to the Department of Revenue, this bill impacts retail sales tax and business and occupation (B&O) tax collections by:

- Increasing the plastic carryout bag pass-through charge (bag fee) collected from consumers by retailers from 8 to 12 cents per bag.
- Imposing a new 4-cent per bag penalty charge on the same transaction. (The department does not administer the collection of this penalty.)

The bag fee and penalty charge are subject to retail sales tax. However, only the penalty charge is subject to the B&O tax. In this case, it is reported under the retailing classification.

This bill takes effect July 27, 2025, but the penalties are not imposed until January 1, 2026.

E2SSB 5284

[Chapter 316,](#)
Laws of 2025

Solid Waste Management

This bill establishes a program to make manufacturers more responsible for the end-of-life management of their consumer product packaging. The bill requires the Department of Ecology and the Department of Revenue to study possible improvements to the administration, compliance, and incidence of the current litter tax. The bill has several enactment dates; the tax study is due to the Legislature by January 1, 2030. The bill takes effect July 27, 2025.

SHB 2077

[Chapter 419,](#)
Laws of 2025

Zero-Emission Vehicle Credit Tax

This bill imposes an excise tax on the banking and sale of surplus zero-emission vehicle credits by a manufacturer for each model year beginning with model year 2024. The Department of Revenue must notify manufacturers of their tax liability. This bill takes effect May 20, 2025.

Enforcement

E2SSB 5651

[Chapter 391,](#)
Laws of 2025

Value Thresholds for Property Garnishment Exemptions

This bill maintains the exemption thresholds in current law for property subject to execution, attachment, and garnishment that are set to expire July 1, 2025. The bill adds alimony and spousal support to the exemptions. This bill requires the Department of Revenue to adjust the values of personal property that are exempt (in cases other than bankruptcy) by the change in the Consumer Price Index every three years, beginning July 1, 2027. This bill takes effect July 1, 2025

SSB 5167

[Chapter 424,](#)
Laws of 2025

Waived Penalties for Voluntary Disclosure

This bill enacts the State's Operating Budget, taking effect on May 20, 2025. A proviso of this budget bill requires the Department of Revenue to implement an expanded voluntary disclosure program for all entities engaged in investment activities other than banking, lending, or securities businesses. By voluntarily disclosing taxes potentially owed in previous years, the department sometimes waives penalties for paying late. This specific voluntary disclosure instruction relates to the clarification of B&O tax treatment for investment income incidental to the purpose of a business. (See B&O Rate Increases and Surcharge, ESHB 2081).

Estate Tax

[ESSB 5813](#)

[Chapter 421,](#) Laws of 2025

Estate Tax Rates, Exclusions, and Deductions

This bill increases the applicable exclusion amount to \$3 million for estates of decedents dying on or after July 1, 2025, but before January 1, 2026. The bill annually adjusts the applicable exclusion amount for inflation beginning with estates of decedents dying on or after January 1, 2026.

The bill increases the estate tax rates as follows:

- For Washington taxable estates of less than \$1 million, the tax rate remains at 10%.
- For Washington taxable estates of at least \$1 million but less than \$2 million, the rate increases from 14% to 15%.
- For Washington taxable estates of at least \$2 million but less than \$3 million, the rate increases from 15% to 17%.
- For Washington taxable estates of at least \$3 million but less than \$4 million, the rate increases from 16% to 19%.
- For Washington taxable estates of at least \$4 million but less than \$6 million, the rate increases from 18% to 23%.
- For Washington taxable estates of at least \$6 million but less than \$7 million, the rate increases from 19% to 26%.
- For Washington taxable estates of at least \$7 million but less than \$9 million, the rate increases from 19.5% to 30%.
- For Washington taxable estates of at least \$9 million or more, the tax rate increases from 20% to 35%.

The bill increases the maximum allowable qualified family-owned business interest (QFOBI) deduction from \$2.5 million to \$3 million for estates with decedents dying on or after July 1, 2025, but before July 2026. The maximum deduction is adjusted for inflation annually beginning with estates of decedents dying in calendar year 2026.

The bill adds tangible personal property used by a qualified nonfamilial heir (employee of the farm) to the farm deduction allowed for estate tax.

These estate tax changes take effect for estates of decedents dying on or after July 1, 2025.

Forest/Timber Excise Tax

HB 1389

[Chapter 155,](#)
Laws of 2025

Timber Excise Tax

This bill extends the expiration date for certain timber purchase reporting requirements from September 30, 2025, to September 30, 2029. Currently, purchasers of more than 200,000 board feet of privately owned timber from a voluntary sale are required to report the purchase and specific details of the sale to the Department of Revenue. The department uses the data to establish valuation tables for calculating and administering the timber excise tax. The bill takes effect on July 27, 2025.

Housing and Development

SHB 1791

[Chapter 159,](#)
Laws of 2025

Local Real Estate Excise Tax

The real estate excise tax (REET) is due on all sales or transfers of real property unless exempted. This bill creates a REET exemption for sales of qualified space used for an “exempt community purpose.” The buyer must be a nonprofit organization, housing authority, or public corporation.

The bill defines a “community purpose” to include, but is not limited to:

- Services to affordable housing development tenants.
- Health clinics.
- Senior day care centers.
- Food banks.
- Community centers.
- Early learning facilities.

The bill also defines a qualified space as a portion of an affordable housing development that constitutes a separate legal parcel of property and is accessible to tenants or the public.

This bill makes various changes to the reporting requirements and criteria for local jurisdictions to use the proceeds from local REET taxes.

This bill takes effect July 27, 2025. The exemption applies to sales of qualified space that take place on or after January 1, 2026.

3SHB 1491

[Chapter 267,](#)
Laws of 2025

Transit-Oriented Housing Development

As it relates to the Department of Revenue, this bill creates a 20-year multi-family tax exemption (MFTE) from property tax for properties fully or partially within a transit station area to promote transit-oriented development. Exempted properties also must meet affordability requirements for 50 years. This bill takes effect July 27, 2025; sections 12-19 apply to property taxes due in 2026 and after.

HB 1494

[Chapter 164,](#)
Laws of 2025

Multiple Unit Dwellings

The Multi-Family Housing Property Tax Exemption (MFTE) program provides a property tax exemption in exchange for the development of multifamily and affordable housing in designated “residential targeted areas.” To encourage affordable housing development, certain cities, towns, and counties may authorize up to 20-year exemptions, with varying requirements based on affordability and infrastructure.

This bill amends the MFTE exemption criteria to require certain covenants and deed restrictions, allow households to continue living in income-restricted units if their income increases, eliminate some density restrictions, eliminate maximum population limits for certain exemptions, and allow more exemptions near transit or higher education institutions. This bill takes effect on July 27, 2025.

ESB 5529

[Chapter 207,](#)
Laws of 2025

Accessory Dwelling Units (ADUs)

This bill authorizes additional counties (population more than 900,000) and cities within those counties to enact property tax exemptions for accessory dwelling units (ADUs) that are rented to low-income tenants and satisfy other requirements. The bill takes effect on July 27, 2025, beginning with property taxes due for calendar year 2026, and expires in 2034.

Licenses and Permits

HB 1698

[Chapter 167,](#)
Laws of 2025

Liquor Permits and Licensing

This bill requires a permit for anyone selling or serving alcohol for on-site consumption and modifies several definitions, all of which affect the collection of liquor taxes. The bill removes a specific liquor permit for military installations and discontinues the “public house” liquor license. The bill takes effect July 27, 2025.

2SSB 5786

[Chapter 343](#),
Laws of 2025

Fees for Liquor Licenses, Permits, and Endorsements

This bill directs the Liquor and Cannabis Board (LCB) to increase fees by 50% for most liquor licenses, permits, and endorsements. The Department of Revenue's Business Licensing Service (BLS) provides administrative support for many liquor licenses. The LCB will coordinate with the department to adjust annual fees for about 100 license types. The bill takes effect July 27, 2025.

ESSB 5281

[Chapter 244](#),
Laws of 2025

Non-resident Vessel Permitting

This bill increases the maximum vessel length for non-resident vessel permits from 200ft to 300ft if the vessel owner is not a natural person or is a natural person who intends to charter the vessel with a captain or crew.

Until May 1, 2026, the permit fee for 201-300ft vessels owned by non-resident, non-natural persons is the same as a 200ft vessel. After May 1, 2026, the bill creates a new fee tier for vessels 201-300ft at \$100/ft.

The bill takes effect September 1, 2025, and expires January 1, 2029.

Local Government

HB 1109

[Chapter 302](#),
Laws of 2025

Public Facilities Districts — Sales and Use Tax

This bill extends the public facilities districts' sales and use taxes for regional centers to 55 years after the taxes are first imposed, but only if the bonds used to finance the regional centers have not retired. Previously, these taxes expired upon the earlier of when the bonds retired or 40 years after the taxes were first imposed. The bill takes effect July 27, 2025.

SB 5138

[Chapter 376](#),
Laws of 2025

Public Facilities Districts — Equitable Development

This bill authorizes a county receiving Public Facilities District tax revenue from short-term rental lodging sales to use the funds for community-initiated equitable development. "Community-initiated equitable development" means strategic capacity-building and capital investments determined and directed by communities that have experienced significant historical and ongoing social and economic vulnerabilities with the purpose of offsetting disparities, preventing or reducing displacement, addressing marginalization, and improving access to opportunities, resources, and outcomes. This bill takes effect July 27, 2025, and expires July 1, 2035.

[HB 1488](#)

[Chapter 262](#),
Laws of 2025

Conservation Districts — Parcel Rates

This bill increases the maximum annual per-parcel rate charge for conservation district special assessments to \$25 per parcel from the existing maximum rates of \$5 to \$15 per parcel, depending on the county's population. This bill also requires the Department of Revenue to update the rates for inflation every three years, beginning in March 2029. This bill takes effect July 27, 2025.

[ESHB 2015](#)

[Chapter 350](#),
Laws of 2025

Local Sales and Use Tax for Criminal Justice

This bill authorizes qualified cities and counties to impose up to a 0.1% local sales and use tax for criminal justice services without voter approval by December 31, 2027. The bill creates a Law Enforcement Grant Program, administered by the Criminal Justice Training Commission, and creates the Supplemental Criminal Justice Account. This bill takes effect July 27, 2025.

[SB 5315](#)

[Chapter 245](#),
Laws of 2025

Local Tax Rate Notification

The Department of Revenue requested this legislation. This bill clarifies that a local jurisdiction must notify the department in writing of a local sales and use tax rate change. If the tax change is the result of an annexation, the written notification must include a copy of the complete ordinance containing a legal description, a map showing the boundaries of the annexed territory, and a list of all included parcel numbers in the annexed territory. The bill also requires public facility districts that impose a local sales and use tax (credited against the state sales and use tax) to finance bonds to notify the department in writing at least 75 days before the retirement of the bonds. This bill takes effect July 27, 2025.

Property Taxes

[HB 1094](#)

[Chapter 16](#),
Laws of 2025

Property Used for Social Services

This bill provides a property tax exemption for property that is owned by a qualifying nonprofit organization and loaned, leased, or rented to and used by any government entity or another nonprofit to provide character-building, benevolent, protective, or rehabilitative social services.

This bill takes effect July 27, 2025, and applies to property taxes due in 2026 and after.

SSB 5221

[Chapter 130](#),
Laws of 2025

Personal Property Distraint – Process and Timelines

This bill:

- Allows the county treasurer to cancel personal property taxes, including taxes for a titled manufactured or mobile home, if the cost of collection and distraint is more than the tax amount due.
- Removes the requirement that counties pay property owners any excess amount received in a distraint sale.
- Requires the property owner to apply for a refund within three years to receive the excess amount, or it will be deposited in the county's current expense fund.

This bill takes effect July 27, 2025.

EHB 1106

[Chapter 200](#),
Laws of 2025

Disabled Veterans Property Tax Exemption

This bill reduces the combined service-connected evaluation rating percentage for disabled veterans to qualify for a property tax exemption from 80% to 40%.

This bill takes effect July 27, 2025, and applies to property taxes due in 2027 and after.

SSB 5516

[Chapter 340](#),
Laws of 2025

Community Center Property Tax Exemption

This bill expands the property tax exemption for community centers by including surplus property of an exempt nonprofit university acquired by a nonprofit organization for the purposes of converting the property into a community center.

This bill takes effect July 27, 2025, and applies to property taxes due in 2026 through 2035.

SHB 1261

[Chapter 138](#),
Laws of 2025

Incidental Uses of Open Space Farm and Agricultural Land

This bill adds the wholesale value of agricultural products sold to consumers participating in harvest-your-own operations to the calculation of income that qualifies land for the open space farm and agricultural land classification. This bill allows minor upgrades and alterations to appurtenances (such as cement pads, plumbing, electrical) and limited compatible uses (such as hosting celebrations) without loss of the agricultural land classification, so long as the incidental uses do not exceed 20% of the classified land. The land may be removed from open space and agricultural classification if the other uses exceed 20% of the land or the upgraded structures no longer qualify as appurtenances that remain tied to the land.

The bill takes effect July 27, 2025. Beginning September 1, 2025, the additional tax due for open space farm and agricultural land classification removal or withdrawal is reduced to four years of back taxes.

ESSB 5445

[Chapter 265](#),
Laws of 2025

Agrivoltaic Facilities

Relevant to the Department of Revenue, the bill allows farms and agricultural land classified under the Open Space Taxation Act (i.e. “current use program”) to operate agrivoltaic facilities if designed to be operated with continued agricultural use of the land. The bill specifies that the addition of an agrivoltaic facility cannot create the basis for removal or withdrawal from the program.

The bill takes effect on July 27, 2025.

ESSB 5801

[Chapter 417](#),
Laws of 2025

Local Tax Increment Finance Areas

A local government sponsoring a local tax increment finance (LTIF) area that funds certain public improvements may exceed assessed value limitations (\$200 million or 20% of the total value for the sponsoring jurisdiction, whichever is less) when the assessed value is greater than \$200 million but no more than \$500 million in 2026, and if the sponsoring jurisdiction is:

- A city with a population of more than 150,000 but less than 170,000 people.
- In a county with a population of more than 1.5 million.
- An LTIF area connected to Interstate 405.
- The transportation-related public improvements enhance the integration and connection of neighborhoods adjacent to the LTIF area.
- The governing body of a taxing district location within the LTIF increment area approves its participation, in full or in part, to apportionment of tax revenues.

If a taxing district’s governing authority does not approve the district’s participation in the project funded by the LTIF, then the taxing district may not increase its regular annual property tax levy by an additional amount from real property within an LTIF area. This section of the bill takes effect on July 27, 2025.

ESHB 2049

[Chapter 404](#),
Laws of 2025

K-12 Education Funding

This bill increases the maximum per-pupil limit for local school enrichment levies over several years, as calculated by the Office of Superintendent of Public Instruction (OSPI). This bill also requires OSPI to convene a K-12 funding equity workgroup to analyze options for revising K-12 funding formulas. The bill contains several effective dates.

Sales and Use Taxes

ESSB 5814

[Chapter 422,](#)
Laws of 2025

Retail Sales Tax Expansion

This bill extends the retail sales tax and use tax to the following specified services:

- Information technology training services and technical support.
- Custom website development services.
- Custom software and customization of prewritten computer software.
- Investigation, security services, security monitoring services, and armored car services.
- Temporary staffing services.
- Advertising services.
- Live presentations.

This bill also classifies select digital automated services as retail services.

These changes take effect on October 1, 2025.

ESSB 5801

[Chapter 417,](#)
Laws of 2025

Motor Vehicle Sales Tax

For motor vehicle sales and long-term leases, the state imposes the standard 6.5% sales and use tax rate plus an additional “motor vehicle sales/use tax.” Beginning January 1, 2026, this bill increases the motor vehicle sales/use tax from 0.3% to 0.5%.

Beginning January 1, 2026, the bill imposes an 8% luxury tax on the amount that exceeds \$100,000 for the purchase or lease of a motor vehicle. The \$100,000 deduction will increase by 2% at the beginning of each fiscal year. The value of a trade-in vehicle may not be deducted from the vehicle price when determining the tax. The tax does not apply to commercial vehicles, as defined in federal law, or a motor vehicle with a gross vehicle weight greater than 10,000 pounds, other than motor homes.

ESSB 5801

[Chapter 417,](#)
Laws of 2025

Rental Car and Peer-to-Peer Car Tax

This bill increases the retail rental car tax to 11.9% on January 1, 2026. The rate then falls to 9.9% beginning January 1, 2027.

This bill imposes a 9.9% tax on peer-to-peer vehicle sharing transactions in which the vehicle owner obtains the shared vehicle without paying retail sales or use tax. This tax takes effect January 1, 2027.

ESSB 5801

[Chapter 417,](#)
Laws of 2025

Aircraft Luxury Sales Tax

This bill imposes a 10% luxury tax on the purchase or lease of a non-commercial aircraft exceeding \$500,000. The tax takes effect April 1, 2026.

ESSB 5801

[Chapter 417,](#)
Laws of 2025

Watercraft Vessel Sales Tax

This bill adds a 0.5% sales/use tax to the current base sales/use tax rate and the annual excise tax for recreational water vessels. The value of a trade-in vessel may not be deducted from the vessel price to determine the tax. This tax takes effect on July 1, 2026.

ESSB 5801

[Chapter 417,](#)
Laws of 2025

Zero-Emission Vehicle Tax Incentives

This bill provides sales and use tax exemptions on purchases of zero-emission buses by a transit authority or a federally recognized Indian tribe to provide public transportation services. This exemption takes effect July 1, 2025.

ESHB 2061

[Chapter 406,](#)
Laws of 2025

Duty-Free Stores

This bill imposes a 10% concession fee on the gross proceeds of merchandise sales by duty-free sales enterprises operating in Washington. This fee is separate and in addition to business and occupation (B&O) and all other taxes and fees applicable to duty-free sales enterprises operating in the state, including concession fees paid to a port authority or other governmental authority. This bill takes effect January 1, 2026.

Tax Code Implementation

SSB 5431

[Chapter 411,](#)
Laws of 2025

Clarifying Existing Tax Laws

The Department of Revenue requested this legislation. This bill improves tax and revenue laws by making technical corrections, clarifying ambiguities, and providing administrative efficiencies for taxpayers and the department as follows:

- Corrects erroneous references in the uncodified notes of the manufacturers/wholesalers of solar energy systems' preferential rate statute.
- Codifies the process medical supply vendors may use when collecting and remitting state retail sales tax on qualifying sales and adds a definition for "health insurance providers."
- Clarifies the sales and use tax exemption for data centers regarding employment positions.
- Changes the due date for the next tax exemption study to the first Monday of the legislative session in January 2029 and every four years after that.

This bill takes effect July 27, 2025.

2SSB 5802

[Chapter 418,](#)
Laws of 2025

Fund Transfers and Dedication of Revenue

This bill:

- Redirects 0.1% of the selling price or value of retail sales and use taxes into the multimodal transportation account, beginning July 1, 2027.
- Requires payment of deferred taxes for the Highway 520 bridge projects by June 30, 2026.
- Requires payment of deferred taxes on the Tacoma Narrows bridge project by June 30, 2026.

This bill takes effect July 27, 2025.

SSB 5167

[Chapter 424,](#)
Laws of 2025

Funding to Implement Tax Changes

This bill makes operating budget appropriations for the 2025-27 fiscal biennium and supplemental operating budget appropriations for the 2023-25 fiscal biennium. The bill appropriates varying amounts for the Department of Revenue to implement tax legislation, including the capital gains tax, the Working Families' Tax Credit, and concession fees by duty-free sales enterprises.

This bill also provides funding for the department to support the Underground Economy Task Force. This appropriation was moved from FY 2025 to FY 2026.

This bill also requires the department to implement an expanded voluntary disclosure program for all entities engaged in investment activities other than banking, lending, or securities businesses. (See Enforcement section, Waived Penalties for Voluntary Disclosure.)

The provisions related to the department take effect May 20, 2025.

Tobacco and Nicotine

ESSB 5814

[Chapter 422,](#)
Laws of 2025

Other Tobacco Products Tax Expansion

This bill modifies the definition of tobacco products to include products containing nicotine (whether derived from tobacco or created synthetically), thus subjecting those products to the other tobacco products (OTP) tax. Because most vapor products contain nicotine, it also changes the method of taxation for nicotine vapes to the OTP tax rather than their current volumetric-based vapor products tax. These changes take effect January 1, 2026.

Transportation

ESSB 5801

Tire Disposal Fee

[Chapter 417](#),
Laws of 2025

This bill increases the fee for the retail sale of new replacement vehicle tires to \$5 each. This provision takes effect January 1, 2026.

ESSB 5801

Public Transportation Benefit Area

[Chapter 417](#),
Laws of 2025

The boundaries of a public transportation benefit area (PTBA) may be expanded by annexing territory contiguous to the PTBA through a vote of the people. The area to be annexed may be located in another county. Once the annexation has been approved, the local sales and use taxes associated with the PTBA will be levied in the annexed area.

The bill authorizes a PTBA to annex, through agreement, an adjacent city that is currently operating a transit system within the county in which the PTBA is located. After such an annexation, the county may annex additional county area under its jurisdiction into the PTBA.

This section of the bill takes effect July 27, 2025.

Tribal Compacts

HB 1355

Revenue Sharing

[Chapter 136](#),
Laws of 2025

The Department of Revenue requested this legislation. This bill increases the state sales and use tax revenue-sharing percentage to 100% for compacting tribes that have completed a qualified capital investment contribution.

The bill takes effect on July 27, 2025. The department is not authorized to begin administering the new law until July 1, 2027, and the bill applies to a compact or compact amendment with an effective date on or after January 1, 2028.

Unclaimed Property

[SSB 5316](#)

[Chapter 29](#),
Laws of 2025

Unclaimed Property Program

The Department of Revenue requested this legislation. The department administers the state's Unclaimed Property Program (UCP), which searches for the rightful owners of unclaimed property (bank accounts, insurance proceeds, utility deposits, trust accounts) so that it may be returned to them. The program does not handle most physical property, such as real estate or vehicles. But the program does handle the contents of safe deposit boxes. In fiscal year 2024, the department's UCP program received \$365 million in unclaimed property from holders (mostly businesses) and returned \$154 million in unclaimed property to owners.

This bill modifies the Revised Unclaimed Property Act (RUUPA) by reinstating sections inadvertently omitted from the RUUPA, removing unnecessary language, harmonizing conflicting language, and clarifying ambiguous language. Specifically, the bill:

- Clarifies the abandonment period and reporting procedures for prearranged funeral service contract trusts.
- Excludes government agencies that provide workers' compensation insurance from the definition of insurance company.
- Clarifies the abandonment period for municipal bonds held by a government entity.
- Removes a specific required minimum distribution age for individual retirement accounts to conform with current and future changes to the Internal Revenue Code.
- Removes unnecessary language concerning sales of securities.
- Lowers aggregate holder reporting amount.
- Lowers due diligence notification requirement for holders and the department to \$50.
- Requires holders to notify owners before ceasing interest payments or charging dormancy fees.
- Makes changes to safe deposit box holder requirements.
- Provides mechanisms and procedures for holder refunds.
- Clarifies circumstances when a 6-year or 10-year statute of limitation applies concerning actions against a holder.
- Removes the requirement that the department notify a holder 60 days before assigning a third-party auditor to conduct an examination.
- Clarifies and makes changes to when the terms "holder" and "putative holder" apply.
- Deems that locator agreements are unenforceable if the locator fee exceeds 5%.

The bill's effective dates vary depending on the section, some applying retroactively to January 1, 2023.

State General Fund

Bill Number	Bill Title	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
HB 1060	Newspaper tax preference	\$0	\$0	\$0	\$0	\$0	\$0
HB 1109	Public facilities districts	\$0	\$0	\$0	\$0	\$0	\$0
E SHB 1293	Litter	\$0	\$0	\$0	\$0	\$0	\$0
HB 1355	Tax compacts/capital invest	\$0	\$0	\$0	(\$9,000,000)	(\$28,000,000)	(\$37,000,000)
HB 1389	Timber purchase reporting	\$0	\$0	\$0	\$0	\$0	\$0
SHB 1488	Conservation district limits	\$0	\$0	\$0	\$0	\$0	\$0
3SHB 1491	Transit-oriented housing dev	\$0	\$0	\$0	\$0	\$0	\$0
HB 1494	Multiple-unit dwellings/tax	\$0	\$0	\$0	\$0	\$0	\$0
HB 1698	Liquor permits & licensing	\$0	\$0	\$0	\$0	\$0	\$0
SHB 1791	Local real estate excise tax	(\$12,000)	(\$12,000)	(\$24,000)	(\$12,000)	(\$13,000)	(\$25,000)
SHB 2015	Public safety funding	\$200,000	\$1,300,000	\$1,500,000	\$2,900,000	\$3,100,000	\$6,000,000
SHB 2020	Payment card processing/tax	\$1,900,000	\$4,700,000	\$6,600,000	\$4,900,000	\$5,100,000	\$10,000,000
SHB 2047	Employee ownership program	\$0	\$387,000	\$387,000	\$419,000	\$419,000	\$838,000
E SHB 2049	K-12 education funding	\$0	\$0	\$0	\$0	\$0	\$0
E SHB 2061	Duty-free sales enterprises	\$210,000	\$14,000	\$224,000	\$0	\$0	\$0
SHB 2077	Zero-emission vehicle prg.	\$0	\$54,500,000	\$54,500,000	\$0	\$0	\$0

Bill Number	Bill Title	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
E SHB 2081	Business and occupation tax	\$308,500,000	\$1,104,500,000	\$1,413,000,000	\$1,261,500,000	\$1,327,600,000	\$2,589,100,000
SB 5138	Public facilities districts	\$0	\$0	\$0	\$0	\$0	\$0
E SSB 5281	Vessel length/ nonresident	\$0	\$0	\$0	\$0	\$0	\$0
E2SSB 5284	Solid waste management	\$610,000	\$1,360,000	\$1,970,000	\$1,390,000	\$1,450,000	\$2,840,000
SSB 5314	Capital gains tax	\$0	\$0	\$0	\$0	\$0	\$0
SB 5315	Local tax rate changes	\$0	\$0	\$0	\$0	\$0	\$0
SSB 5316	Unclaimed property	\$2,145,000	\$2,413,000	\$4,558,000	\$2,863,000	\$3,303,000	\$6,166,000
SSB 5393	Rainier school	Indeterminate					
SSB 5431	Tax and revenue laws	\$0	\$0	\$0	\$0	\$0	\$0
E SSB 5445	Distributed energy resources	\$0	\$0	\$0	\$0	\$0	\$0
SB 5457	Broadcasters	\$0	\$0	\$0	\$0	\$0	\$0
E SB 5529	ADU tax exemptions	\$0	\$0	\$0	\$0	\$0	\$0
2SSB 5651	Garnishment exemptions	\$0	\$0	\$0	\$0	\$0	\$0
SB 5682	Employment training program	\$0	(\$66,000)	(\$66,000)	(\$70,000)	(\$70,000)	(\$140,000)
2SSB 5786	Liquor license fees	\$0	\$0	\$0	\$0	\$0	\$0
E SSB 5794	Tax preferences	\$12,060,000	\$37,740,000	\$49,800,000	\$41,150,000	\$45,150,000	\$86,300,000
E SSB 5801	Transportation resources	(\$1,690,000)	(\$10,090,000)	(\$11,780,000)	(\$2,220,000)	\$0	(\$2,220,000)
2SSB 5802	Transportation funds	\$155,200,000	\$0	\$155,200,000	(\$285,300,000)	(\$295,800,000)	(\$581,100,000)
E SSB 5814	Excise taxes	\$446,650,000	\$746,410,000	\$1,193,060,000	\$780,410,000	\$813,855,000	\$1,594,265,000
Net General Fund Impact		\$925,773,000	\$1,943,156,000	\$2,868,929,000	\$1,798,930,000	\$1,876,094,000	\$3,675,024,000

State Funds other than General Funds

Bill Number	Bill Title	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
SHB 1791	Local real estate excise tax	Public Works Assistance Account	(\$1,000)	(\$1,000)	(\$2,000)	(\$1,000)	(\$1,000)	(\$2,000)
SHB 1791	Local real estate excise tax	Education Legacy Trust Account	(\$2,000)	(\$2,000)	(\$4,000)	(\$2,000)	(\$2,000)	(\$4,000)
SHB 2020	Payment card processing/tax	Workforce Education Investment Account	(\$1,700,000)	(\$4,400,000)	(\$6,100,000)	(\$4,600,000)	(\$4,800,000)	(\$9,400,000)
E SHB 2061	Duty-free sales enterprises	Sustainable Aviation Fuel Account (NEW)	\$545,000	\$1,593,000	\$2,138,000	\$1,700,000	\$1,800,000	\$3,500,000
E SHB 2061	Duty-free sales enterprises	Statewide Tourism Marketing Account	\$545,000	\$1,593,000	\$2,138,000	\$1,700,000	\$1,800,000	\$3,500,000
SHB 2077	Zero-emission vehicle prg.	Carbon Emissions Reduction Account	\$0	\$0	\$0	\$71,500,000	\$70,500,000	\$142,000,000
SHB 2077	Zero-emission vehicle prg.	Electric Vehicle Incentive Account	\$0	\$23,400,000	\$23,400,000	\$30,700,000	\$30,200,000	\$60,900,000
E SHB 2081	Business and occupation tax	Workforce Education Investment Account	\$188,100,000	\$465,100,000	\$653,200,000	\$477,700,000	\$490,000,000	\$967,700,000

Bill Number	Bill Title	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
E2SSB 5284	Solid waste management	Workforce Education Investment Account	\$110,000	\$230,000	\$340,000	\$240,000	\$240,000	\$480,000
E SSB 5794	Tax preferences	Performance Audits of Government Account	\$10,000	\$30,000	\$40,000	\$26,000	\$26,000	\$52,000
E SSB 5794	Tax preferences	Workforce Education Investment Account	\$0	\$10,000	\$10,000	\$10,000	\$10,000	\$20,000
E SSB 5801	Transportation resources	Motor Vehicle Account	\$8,853,000	\$25,303,000	\$34,156,000	\$25,715,000	\$26,148,000	\$51,863,000
E SSB 5801	Transportation resources	Waste Tire Removal Account	(\$1,191,000)	(\$4,308,000)	(\$5,499,000)	(\$4,386,000)	(\$4,468,000)	(\$8,854,000)
E SSB 5801	Transportation resources	Multimodal Transportation Account	\$54,120,000	\$127,150,000	\$181,270,000	\$119,360,000	\$119,850,000	\$239,210,000
E SSB 5801	Transportation resources	Sustainable Aviation Fuel Account (NEW)	\$600,000	\$3,900,000	\$4,500,000	\$4,000,000	\$4,200,000	\$8,200,000
E SSB 5801	Transportation resources	Performance Audits of Government Account	(\$2,000)	(\$20,000)	(\$22,000)	(\$4,000)	\$0	(\$4,000)
2SSB 5802	Transportation funds	Multimodal Transportation Account	\$0	\$0	\$0	\$285,300,000	\$295,800,000	\$581,100,000

Bill Number	Bill Title	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
2SSB 5802	Transportation funds	Performance Audits of Government Account	\$250,000	\$0	\$250,000	\$0	\$0	\$0
E SSB 5813	Tax rates/cap. gains, estate	Education Legacy Trust Account	\$160,900,000	\$160,700,000	\$321,600,000	\$157,800,000	\$156,100,000	\$313,900,000
E SSB 5813	Tax rates/cap. gains, estate	Common School Construction Account	\$0	\$0	\$0	\$0	\$0	\$0
E SSB 5814	Excise taxes	Performance Audits of Government Account	\$822,000	\$1,274,000	\$2,096,000	\$1,366,000	\$1,397,000	\$2,763,000
E SSB 5814	Excise taxes	Workforce Education Investment Account	(\$17,870,000)	(\$28,435,000)	(\$46,305,000)	(\$29,640,000)	(\$30,880,000)	(\$60,520,000)
E SSB 5814	Excise taxes	Foundational Public Health Services Account	(\$3,800,000)	(\$9,200,000)	(\$13,000,000)	(\$9,200,000)	(\$9,200,000)	(\$18,400,000)
E SSB 5814	Excise taxes	Andy Hill Cancer Research Endowment Fund Match Transfer Account	(\$3,800,000)	(\$9,200,000)	(\$13,000,000)	(\$9,200,000)	(\$9,200,000)	(\$18,400,000)
State Funds Other Than General Fund			\$386,489,000	\$754,717,000	\$1,141,206,000	1,120,084,000	\$1,139,520,000	2,259,604,000

ESHB 2081 by Part and Fund

Part	Description	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
I	Standard B&O tax rate increase	General Fund	\$0	\$64,800,000	\$64,800,000	\$162,900,000	\$168,500,000	\$331,400,000
I	Service & other activities B&O tax rate increase	General Fund	\$167,700,000	\$423,900,000	\$591,600,000	\$442,000,000	\$460,600,000	\$902,600,000
I	Service & other activities B&O tax rate increase	Workforce Education Investment Account	\$28,000,000	\$70,700,000	\$98,700,000	\$73,700,000	\$76,900,000	\$150,600,000
II	B&O tax surcharge rate increase	General Fund	\$99,000,000	\$550,000,000	\$649,000,000	\$588,000,000	\$627,000,000	\$1,215,000,000
II	Financial Institution Surcharge Increase	General Fund	\$41,800,000	\$65,800,000	\$107,600,000	\$68,600,000	\$71,500,000	\$140,100,000
III	Advanced computing surcharge	Workforce Education Investment Account	\$160,100,000	\$394,400,000	\$554,500,000	\$404,000,000	\$413,100,000	\$817,100,000
IV	Modifying deduction under RCW 82.04.4281		Indeterminate					
Net State Impact for ESHB 2081			\$496,600,000	\$1,569,600,000	\$2,066,200,000	\$1,739,200,000	\$1,817,600,000	\$3,556,800,000

ESSB 5794 by Part and Fund

Part	Description	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
I	Repeal billing discounts provided to low-income households - credit	General Fund	\$1,040,000	\$2,500,000	\$3,540,000	\$2,500,000	\$2,500,000	\$5,000,000
I	Repeal the title insurance agents preferential B&O tax rate	General Fund	\$20,000	\$40,000	\$60,000	\$50,000	\$50,000	\$100,000
I	Repeal the title insurance agents preferential B&O tax rate	Workforce Education Investment Account	\$0	\$10,000	\$10,000	\$10,000	\$10,000	\$20,000
I	Repeal international services B&O tax credit	General Fund	Confidential taxpayer information					
I	Repeal precious metals and bullion B&O tax exemption	General Fund	\$7,400,000	\$17,600,000	\$25,000,000	\$17,600,000	\$17,600,000	\$35,200,000
I	Repeal precious metals and bullion B&O tax exemption	Performance Audits of Government Account	\$10,000	\$30,000	\$40,000	\$26,000	\$26,000	\$52,000

Part	Description	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
I	Repeal testing and safety labs B&O tax credit	General Fund	\$0	\$0	\$0	\$0	\$0	\$0
I	Credit union exemption amendment	General Fund	\$2,000,000	\$7,700,000	\$9,700,000	\$10,600,000	\$13,900,000	\$24,500,000
III	Eliminate B&O tax exemption for storage unit	General Fund	\$1,600,000	\$9,900,000	\$11,500,000	\$10,400,000	\$11,100,000	\$21,500,000
Net State Impact for ESSB 5794			\$12,070,000	\$37,780,000	\$49,850,000	\$41,186,000	\$45,186,000	\$86,372,000

ESSB 5801 by Part and Fund

Part	Description	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
II	Increased motor vehicle sales/ lease tax	Multimodal Transportation Account	\$17,900,000	\$44,300,000	\$62,200,000	\$45,600,000	\$46,900,000	\$92,500,000
II	Recreational vessel sales tax	Multimodal Transportation Account	\$0	\$2,700,000	\$2,700,000	\$3,000,000	\$3,100,000	\$6,100,000
II	Luxury tax on motor vehicles	Multimodal Transportation Account	\$16,300,000	\$38,200,000	\$54,500,000	\$36,800,000	\$35,000,000	\$71,800,000
II	Luxury tax on aircraft		\$600,000	\$3,900,000	\$4,500,000	\$4,000,000	\$4,200,000	\$8,200,000
II	Increase on rental car tax and peer-to-peer vehicle rentals	Multimodal Transportation Account	\$20,000,000	\$42,420,000	\$62,420,000	\$34,060,000	\$34,850,000	\$68,910,000
III	Increase tire disposal fee	Waste tire removal	(\$1,191,000)	(\$4,308,000)	(\$5,499,000)	(\$4,386,000)	(\$4,468,000)	(\$8,854,000)
III	Increase tire disposal fee	Motor Vehicle Fund	\$8,853,000	\$25,303,000	\$34,156,000	\$25,715,000	\$26,148,000	\$51,863,000
VIII	Exemption for certain zero emission busses	GF-State	(\$1,690,000)	(\$10,090,000)	(\$11,780,000)	(\$2,220,000)	\$0	(\$2,220,000)
VIII	Exemption for certain zero emission busses	Multimodal Transportation	(\$80,000)	(\$470,000)	(\$550,000)	(\$100,000)	\$0	(\$100,000)
VIII	Exemption for certain zero emission busses	Performance Audit (PAA)	(\$2,000)	(\$20,000)	(\$22,000)	(\$4,000)	\$0	(\$4,000)
Net State Impact for ESSB 5801			\$60,690,000	\$141,935,000	\$202,625,000	\$142,465,000	\$145,730,000	\$288,195,000

ESSB 5813 by Part and Fund

Part	Description	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
I	Increasing capital gains tax rate	Education legacy trust	\$151,000,000	\$131,000,000	\$282,000,000	\$136,000,000	\$143,000,000	\$279,000,000
I	Increasing capital gains tax rate	Common School Construction Account	\$0	\$0	\$0	\$0	\$0	\$0
Part	Description	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
II	Modifying estate tax	Education legacy trust	\$9,900,000	\$29,700,000	\$39,600,000	\$21,800,000	\$13,100,000	\$34,900,000
Net State Impact for ESSB 5813			\$160,900,000	\$160,700,000	\$321,600,000	\$157,800,000	\$156,100,000	\$313,900,000

ESSB 5814 by Part and Fund

Part	Description	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
I	Extending retail sales tax to select services	General Fund	\$252,420,000	\$401,600,000	\$654,020,000	\$419,350,000	\$436,460,000	\$855,810,000
I	Extending retail sales tax to select services	Workforce Education Investment Account	(\$10,590,000)	(\$16,870,000)	(\$27,460,000)	(\$17,590,000)	(\$18,290,000)	(\$35,880,000)
I	Extending retail sales tax to select services	Performance Audits of Government Account	\$520,000	\$800,000	\$1,320,000	\$870,000	\$880,000	\$1,750,000
II	Eliminating certain digital automated services exclusions	General Fund	\$164,230,000	\$270,710,000	\$434,940,000	\$284,460,000	\$298,095,200	\$582,555,200
II	Eliminating certain digital automated services exclusions	Workforce Education Investment Account	(\$7,280,000)	(\$11,565,000)	(\$18,845,000)	(\$12,050,000)	(\$12,590,000)	(\$24,640,000)
II	Eliminating certain digital automated services exclusions	Performance Audits of Government Account	\$305,000	\$483,000	\$788,000	\$505,000	\$525,800	\$1,030,800
III	Concerning taxation of nicotine products	General Fund	\$30,000,000	\$74,100,000	\$104,100,000	\$76,600,000	\$79,300,000	\$155,900,000

Part	Description	Fund Name	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
III	Concerning taxation of nicotine products	Performance Audits of Government Account	(\$3,000)	(\$9,000)	(\$12,000)	(\$9,000)		(\$18,000)
III	Concerning taxation of nicotine products	Andy Hill Cancer Research Endowment Fund Match Transfer Account	(\$3,800,000)	(\$9,200,000)	(\$13,000,000)	(\$9,200,000)	(\$9,200,000)	(\$18,400,000)
III	Concerning taxation of nicotine products	Foundational Public Health Services Account	(\$3,800,000)	(\$9,200,000)	(\$13,000,000)	(\$9,200,000)	(\$9,200,000)	(\$18,400,000)
Net State Impact for ESSB 5814			\$422,002,000	\$700,849,000	\$1,122,851,000	\$733,736,000	\$765,981,000	\$1,499,708,000