

2016 Legislative Update

Property Tax bills

SHB 2519 - Allowing nuisance abatement cost recovery for cities.

Authorizes cities and towns to levy special assessments against property for the expense of abating a nuisance, which threatens health or safety.

- Up to \$2,000 of special assessment lien constitutes a lien of equal rank with state, county, and municipal taxes.
- The city/town must provide prior notice to the property owner and any identifiable mortgage holder.
- The city/town may contract with county treasurer to collect under RCW 84.56.035.
- Effective date June 9, 2016.

DOR Contact: Peggy Davis at PeggyD@dor.wa.gov or (360) 534-1410

HB 2842 - Financing of improvements for state-owned lands to be transferred for private development.

Creates a new type of tax increment financing tool, allowing a city to designate a state land improvement finance area (SLIFA) to finance public improvement projects.

- A city that designates a SLIFA must be located in Eastern Washington, abut north of the Columbia River, and have a population that exceeds 60,000.
 - ✓ One city – Pasco – currently meets these requirements.
- A SLIFA is created by city ordinance and may include only state-owned land or land whose immediately preceding owner was the state, and the land was or will be sold by the state for private development.
 - ✓ The Department of Natural Resources currently owns a 300-acre parcel of irrigation land within Pasco that is planned for auction for private development.
- Except for the state school levy, all regular property taxes levied within the SLIFA will be distributed to Pasco to finance public improvement projects.
- Effective date June 9, 2016.

DOR Contact: Diann Locke at DiannL@dor.wa.gov or (360) 534-1427

SSB 5767 - Revising local government treasury practices and procedures.

Revises the authority of county treasurers to accept electronic payments of any kind and charge transaction processing costs to the payer with certain exceptions.

- Electronic communication transaction fees may also be absorbed within the treasurer's banking services budget.
- The bill further updates and clarifies guidelines for duplicating lost or destroyed warrants.
- Effective date June 28, 2016.

DOR Contact: Peggy Davis at PeggyD@dor.wa.gov or (360) 534-1410

ESSB 6206 - Authorizing the growing of industrial hemp.

Establishes an industrial hemp research program in the state, supervised by the Washington State Department of Agriculture.

- Allows approved growers to import hemp seeds and grow industrial hemp.
- Prohibits processing industrial hemp into products for topical use, oral consumption, or human inhalation.
- Unlike growers of medical and recreational marijuana, hemp growers will be eligible for the same tax preferences as growers of other agricultural products.
- Effective date June 28, 2016.

DOR Contact (Property Tax related questions): Jeri Lux at JeriL@dor.wa.gov or (360) 534-1360

SSB 6211 - Concerning the exemption of property taxes for nonprofit homeownership development.

Creates a new property tax exemption for real property owned by a nonprofit, as defined, for the purpose of developing or redeveloping one or more residences to be sold to low-income households.

- Provides that the exemption ceases the earlier of:
 1. When the nonprofit entity transfers title to the real property,
 2. Seven years or up to a maximum of ten years if an extension is granted, or
 3. When the property is no longer held for the purpose for which the exemption was granted.
- Nonprofit to notify the Department when the property becomes occupied and certify that the occupants are low income.
- Defines “low-income household.”
- Requires payment of taxes and interest that would have otherwise been due if the property is disqualified from the exemption.
- Provides that when the exemption ceases, the value of new construction and improvements, not previously considered as new construction, must be considered as new construction for purposes of calculating levies under chapter 84.55 RCW.
- Effective date June 9, 2016.

DOR Contact: Sindy Armstrong at SindyA@dor.wa.gov or (360) 534-1412

SSB 6337 - Disposing tax foreclosed property to cities for affordable housing purposes.

When a county does not purchase a tax title property for public purpose, the county must notify the city in which any tax title property is located and provide the city first opportunity to purchase the property for affordable housing development.

- The purchase price must be the original minimum bid amount offered at the foreclosure sale (which includes all unpaid taxes, assessments, deferred tax amounts, penalty and interest) plus any direct costs incurred by the county in the sale of the property.
- When the city transfers the property to a housing authority or qualified nonprofit entity, the housing authority or nonprofit entity must reimburse the city for the amount it paid to purchase the property plus any direct costs resulting from the transfer.
- Effective date June 9, 2016.

DOR Contact: Peggy Davis at PeggyD@dor.wa.gov or (360) 534-1410

Tax and administration bills

SHB 2539 - Relating to the inheritance exemption for the real estate excise tax

This bill makes it easier to claim a real estate excise tax (REET) exemption in cases where an heir inherits real property by operation of law or through a non-probated will. It allows the use of a certified copy of the death certificate and a lack of probate affidavit by the heir or heirs, including cases where the decedent-transferor had failed to transfer title in community property into the decedent-transferor's name.

A lack of probate affidavit is an affidavit affirming that the affiant or affiants are the rightful heir or heirs to the real property.

The bill also requires that the documentation required to be provided to the county treasurer to claim the REET exemption for inherited property must also be recorded with the county auditor.

SHB 2539 is effective June 9, 2016.

HB 2565 - Reducing the frequency of local sales and use tax changes

This bill limits local sales and use tax changes to January 1st, April 1st, or July 1st, provided that the Department receives notice of the change at least 75 days in advance. Before HB 2565 goes into effect, changes could also occur on October 1st.

HB 2565 is effective June 9, 2016.

EHB 2959 - Relating to local business tax and licensing simplification

This bill establishes a task force to evaluate options for the continued simplification of the administration of local business and occupation (B&O) taxes and licensing. The nine-member task force includes:

- One representative of the Department of Revenue. The Department will serve as chair and staff the task force.
- Two representatives of the Association of Washington Business (AWB).
- One representative of the National Federation of Independent Business (NFIB).
- One representative of the Washington Retail Association (WRA).
- One representative of the Association of Washington Cities (AWC).
- One representative from a city or town with a population of more than 100,000 people that imposes a local B&O tax.
- One representative from a city or town with a population of fewer than 100,000 people that imposes a local B&O tax.
- One representative of FileLocal.

The task force is directed to provide a report to the legislature by January 1, 2017, that evaluates options for:

- Coordinating local B&O tax administration.

- Centralizing local B&O tax administration.
- Partnering with the state Business Licensing Service.
- Implementing data sharing and establishing a seamless state and local interface for cities and towns that participate in FileLocal.

The report must be adopted by a majority of the task force, and include a minority report if no consensus is reached.

EHB 2959 is effective June 9, 2016.

E2SSB 5109 - Relating to infrastructure financing for local governments

This bill:

- Forfeits all award amounts approved for jurisdictions that do not impose the Local Revitalization Financing tax by December 31, 2016.
- Allows a city or county to avoid forfeiting their award by sending the Department of Revenue a letter by July 1, 2016, stating their intent to impose the tax by July 1, 2022.
- Allows for a new competitive bidding process (administered by the Department of Commerce) to re-award these forfeited funds to new projects.

E2SSB 5109 is effective June 9, 2016.

ESSB 6328 - Relating to youth vapor product substance use prevention, and vapor product regulation, without permitting a tax on the sale or production of vapor products

This bill addresses the regulation of vapor products through licensing requirements and public health/youth access restrictions. It does not impose new taxes.

The Department's interest in this bill is limited to the administration of various licenses and fees administered by the Department's Business Licensing Service (BLS). Specifically, the bill:

- Creates four new licenses for sales of vapor products:
 - Retailer: In-person sales of vapor products to consumers (\$175).
 - Delivery sales: Telephone, internet, or mail order sales of vapor products to consumers (\$250).
 - Distributor: Wholesale sales or importing vapor products into the state for sale (\$150).
 - Combination vapor and cigarette retailer or vapor and OTP retailer license (\$250).
- Increases license fees for cigarette and "Other Tobacco Products" (OTP) retailers (\$93 to \$175).

The bill also directs all licensing fees and penalties collected by the Washington State Liquor and Cannabis Board (LCB) pursuant to the new vapor chapter to the youth tobacco and vapor products prevention account.

ESSB 6328 is effective June 28, 2016, except Sections 5 through 10 and 28 which take effect 30 days after LCB prescribes the application form for the four licenses listed above.

Marijuana bills

HB 2520 - Concerning the sale of marijuana to regulated cooperatives

This bill, requested by the Liquor and Cannabis Board (LCB), requires all marijuana plants grown by a medical marijuana cooperative be purchased or cloned from a plant purchased from a licensed marijuana producer. Cooperatives, which are authorized beginning July 1, 2016, may grow and process marijuana for consumption by up to four qualifying patient members with recognition cards. Sales of marijuana plants or seeds to a cooperative are retail sales requiring the collection of sales tax.

HB 2520 is effective July 1, 2016.

ESSB 6206 - Authorizing the growing of industrial hemp

This bill establishes an industrial hemp research program in the state, supervised by the Washington State Department of Agriculture. It allows approved growers to import hemp seeds and grow industrial hemp. The bill also prohibits processing industrial hemp into products for topical use, oral consumption, or human inhalation. Unlike growers of medical and recreational marijuana, hemp growers will be eligible for the same tax preferences as growers of other agricultural products.

While ESSB 6206 was vetoed by the Governor, the Legislature overrode the veto and passed the bill into law. As a result, ESSB 6206 is effective June 28, 2016.