

# 2017 Legislative Update

## Property Tax Bills

### **HB 1166** - Concerning fire protection district tax levies

This bill eliminates the requirement that a fire protection district must have at least one full-time paid or contracted employee to levy an additional regular property tax levy.

HB 1166 is effective July 23, 2017.

### **SHB 1344** - Extending the period for which a bond levy may be increased

This bill allows taxing districts in Thurston County upon voter approval to increase the maximum period from nine years to 25 years in which the district may raise their property tax growth limit to repay bond debt.

SHB 1344 is effective July 23, 2017 and applies to taxes levied for collection in 2018 and thereafter.

### **SHB 1526** - Exempting multipurpose senior citizen centers from property taxation.

This bill:

- Creates a property tax exemption for one or more contiguous real property parcels and personal property owned by a nonprofit “senior citizen organization.”
- Requires the property be used for the actual operation of a multipurpose senior citizen center, but allows for various other uses including loaning or renting the property for any purpose, fundraising events and activities, and operating a farmers market or thrift store. Inadvertent uses inconsistent with the purposes of the exemption will not nullify the exemption, if the inadvertent use is not a pattern of use.
- A “senior citizen” is a person age sixty or older.
- A “senior citizen organization” is a private organization that has a mission, in whole or in part, to support senior citizens, is exempt from federal income tax under section 501(c)(3) of the internal revenue code, and operates a multipurpose senior citizen center.

SHB 1526 is effective July 23, 2017.

## **SSB 5138** - Concerning metropolitan park districts

This bill:

- Allows a city, county, or contiguous group of cities or counties forming the metropolitan (metro) park district to limit the purpose and the taxing powers of the district when formed for specifically identified facilities.
- Requires the ballot proposition to create a metro park district to include both the regular levy rate limitation (if limited) and to specify the public parks or recreational facilities proposed for funding. The levy rate limitation may be set at or below the maximum aggregate levy rate of (\$0.75/\$1,000 AV).
- Clarifies the purpose for general obligation bonds and increases the maximum term from twenty to forty years.
- Allows a city treasurer to act as the metro park district treasurer when the city and metro park district boundaries are coterminous. City or county treasurers acting in as ex officio treasurers for the metro park district may provide a bridge loan or line of credit to the newly formed metro park district until the district receives sufficient levy proceeds to pay for maintenance and operations.

SSB 5138 is effective July 23, 2017.

## **SB 5454** - Allowing fire protection district annexations and mergers within a reasonable geographic proximity and eliminating cross-county restrictions for annexations to a fire protection district.

This bill:

- Allows a fire protection district to annex a city or town with a population of 300,000 if the city or town is located within a “reasonable proximity” to that fire district.
- Eliminates references as to how a fire protection district may annex a partial city.
- Clarifies that fire protection districts located within a “reasonable proximity” may merge with one another.
- Defines “reasonable proximity” as “geographical areas near enough to each other so that governance, management, and services can be delivered effectively.”

SB 5454 is effective July 23, 2017.

## **ESSB 5628** - Providing for fire protection district formation by the legislative authority of a city or town subject to voter approval

This bill:

- Allows voters to approve the creation of a fire protection district with the same corporate boundaries of a city or town.
- Requires the city or town to reduce its general fund regular property tax levy upon creation of the new fire protection district.

- Authorizes the transfer of all powers and property of a city or town fire department to the newly formed fire district.
- Allows the new fire district to establish an ambulance service, unless the ambulance service competes with an existing private ambulance service.

ESSB 5628 is effective July 23, 2017.

## **Tax and Administration Bills**

### **EHB 1201 – Concerning the taxing authority of public facilities districts**

This bill extends the expiration date of the state-shared local sales and use tax imposed by a public facilities district to finance a regional center to the earlier of:

- Retirement of the bonds issued to finance or refinance the construction, improvement, rehabilitation, or expansion of a regional center and related parking facilities; or
- 40 years after the tax is first collected.

This bill also clarifies that a public facilities district created before July 21, 2002, need only have started construction on one regional center before January 1, 2004, to impose the tax.

EHB 1201 is effective July 23, 2017.

### **HB 1352 - Concerning licensing and regulatory requirements of small business owners**

The bill seeks to ensure that small business owners receive adequate notification of their rights before agency enforcement actions by requiring:

- The Attorney General (ATG) to review the Administrative Procedures Act, related administrative rules, statutes, and case law to identify rights and protections afforded to small business owners selected for agency enforcement actions, such as audits, inspections, site visits, and record reviews.
- The Departments of Agriculture, Ecology, Employment Security, Labor and Industries, and Revenue, and the State Fire Marshall to identify, review, and provide certain information to the ATG about the rights afforded to small business owners selected for agency enforcement action by August 31, 2017.
- The ATG to report recommendations by November 30, 2017, to the legislature to clarify the rights and improve notification to small business owners of their rights.

HB 1352 is effective July 23, 2017.

**ESHB 1538** - Requiring prime contractors to bond the subcontractors portion of retainage upon request

This bill amends RCW 60.28.011 to require the prime contractor to provide a bond for the subcontractor's portion of retainage if requested.

- A subcontractor may request that the prime contractor provide a bond for the subcontractor's portion of the retainage.
- The bond must be provided within 30 days.
- The prime contractor may withhold the retainage bond premium from the subcontractor under prescribed circumstances.

ESHB 1538 is effective July 23, 2017.

**EHB 2005** - Improving the business climate in this state by simplifying the administration of municipal general business licenses

This bill requires most cities to partner with the Department of Revenue's (Department) Business Licensing Service (BLS) for the issuance and renewal of municipal general business licenses. It provides a phased-in approach to partnering with all cities by December 31, 2027; or December 31, 2022, if the Legislature provides funding in the omnibus appropriations act.

This bill also:

- Requires cities to develop and adopt a general business licensing model ordinance that defines the term "engaging in business within the city" and establishes a uniform minimum licensing threshold.
- Establishes the Local Business and Occupation Tax Apportionment Task Force, chaired and staffed by the Department, to recommend changes to simplify the two-factor apportionment formula.

EHB 2005 is effective July 23, 2017.

**SHB 2138** - Concerning tax relief for the construction of adapted housing for disabled veterans

This bill allows a disabled or severely disabled veteran to apply to the Department of Revenue for a remittance of the state portion of retail sales or use tax paid for materials incorporated in and/or labor and services rendered in respect to adapted housing performed under certain grants awarded by the United States Department of Veterans Affairs.

The bill limits the remittance to \$2,500 for each project and total amount of exemptions for adapted housing to \$125,000 annually.

SHB 2138 is effective July 23, 2017.

**SSB 5358** - Improving tax and licensing laws administered by the department of revenue, but not including changes to tax laws that are estimated to affect state or local tax collections as reflected in any fiscal note prepared and approved under the process established in chapter 43.88A RCW.

This bill makes revenue neutral technical and administrative changes to tax statutes administered by the Department by:

- Making general administrative provisions of excise tax law applicable to the public utility privilege tax (Part I);
- Clarifying the taxation of pet adoption fees (Part II);
- Making certain technical corrections to legislation enacted during the 2015 Legislative Session (Part III);
- Clarifying the legal possession of sales suppression devices by the Department's employees (Part IV);
- Making a variety of technical corrections, such as correcting or eliminating incorrect or obsolete statutory references (Part V);
- Relieving certain estates of the requirement to file a Washington estate tax return (Part VI);
- Clarifying that the Department may not disclose certain basic licensing information for commercial purposes (Part VII);
- Requiring the Department to establish background investigation policies for employees and contractors that have access to federal tax information (Part VIII);
- Altering the annual date by which the Department must provide estimates of the amount of public forestland that is available for harvest (Part IX); and
- Allowing the Department to provide confidential property tax information electronically (Part X)

SSB 5358 is effective July 23, 2017, except Part 1, which is effective January 1, 2018 and Sec. 102, which is effective April 1, 2018.

**SB 5734** - Bringing Washington state government contracting provisions into compliance with federal law as it relates to small works bonding requirements.

This bill:

- Increases from \$35,000 to \$150,000 the threshold contract amount for which a contractor may choose to have a public entity retain a percentage of the contract amount.
- Reduces the percentage of the contract amount that a public entity may retain in lieu of a bond on small works for the public entity from 50% to 10%.
- Provides priority for the recovery of unpaid wages and benefits for any claims against retained amounts.
- Raises the threshold amount on contracts for which a public entity may accept full payment and performance bond from a surety, from \$100,000 to \$150,000.

SB 5734 is effective July 23, 2017.

## **Marijuana & Alcohol Bills**

### **SHB 1176** Relating to the alcoholic beverage mead

This bill excludes mead, an alcoholic drink of fermented honey and water, from the agricultural commodity assessment that applies to the production of wine. The bill also allows businesses licensed to sell beer or cider in growlers to sell mead in growlers if the alcohol content is 14 percent or less.

SHB 1176 is effective July 23, 2017.

### **HB 1250** Relating to authorizing retail marijuana outlets to give a free lockable drug box to adults age twenty-one years and over and to qualifying patients age eighteen years and over subject to restrictions

This bill allows marijuana retailers to receive donated lockable marijuana boxes for subsequent donation to customers for the secure storage of marijuana. Marijuana retailers may not condition or incentivize the donation on the purchase of marijuana or paraphernalia.

HB 1250 is effective July 23, 2017.

### **E2SHB 1351** Relating to authorizing under one license, the sale of spirits, beer, and wine at retail for off-premises consumption

This bill establishes a combination spirits, beer, and wine license that allows sales of these items at retail for off-premises consumption. The annual license fee is \$316. Existing licensees holding a grocery store, beer and wine specialty shop, or spirits retailer license may transition to the combination license with approval from the Liquor and Cannabis Board (LCB).

E2SHB 1351 is effective July 23, 2017.

### **SB 5130** Relating to Increasing marijuana license fees and adding a temporary additional fee on marijuana licenses issued by the Washington state liquor and cannabis board

This bill establishes a temporary additional fee of \$480 for applications and renewals of all marijuana business licenses. Beginning July 1, 2018, the temporary fee expires and the fee for marijuana producer, processor, retailer, and research licenses increases by \$300 to \$1,300. The Liquor and Cannabis Board's (LCB) must use the increased fees to fund the replacement of its marijuana traceability system.

SB 5130 is effective July 23, 2017, with the exceptions of Sections 2 and 3, which are effective July 1, 2018.

**ESSB 5131** - Addressing provisions concerning marijuana with respect to research licenses, local authority notifications, the retail licensing application process, processor wholesale events, and jurisdictional requirements.

This Liquor and Cannabis Board (LCB) agency request legislation makes a variety of regulatory changes to the marijuana statutes, only a few of which affect the Department of Revenue (Department). Changes that affect the Department include the following:

- Cooperatives, medical marijuana patients with recognition cards, and marijuana research licensees may purchase sales-taxable marijuana seeds and plants from a marijuana producer.
- Individuals and other persons or entities may hold a collective total of not more than five retail marijuana licenses.
- LCB may make rules concerning the forfeiture of a marijuana retailer license if the business does not become operational within a specified period.

ESSB 5131 is effective July 23, 2017.

**ESB 5834** - Relating to licensing of bonded spirits warehouses

This bill establishes a spirits warehouse license that allows for the storage and handling of spirits off the premises of a distillery. The licensee must physically separate the sections of the warehouse for bonded and nonbonded spirits.

ESB 5834 is effective July 23, 2017.