SUMMARY OF 2015 TAX LEGISLATION

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

July 2015

This report summarizes the significant revenue and tax legislation approved during the 2015 regular and special sessions of the Washington State Legislature. It also summarizes legislation impacting non-tax programs administered by the Department of Revenue (Department), such as the Business Licensing Service (BLS) and the Unclaimed Property Program. Estimated fiscal impacts are summarized for those bills for which the Department prepared a fiscal note. The material was compiled from information developed by the Department's Legislation & Policy and Research & Fiscal Analysis Divisions. The summary is not intended to cover technical details or provide a legal interpretation of the bills. Rather, its primary purposes are to alert agency personnel of the changes, to assist in developing implementation programs, and to serve as a resource for historical research.

CONTENTS

[1] First Special Session
[2] Second Special Session
[3] Third Special Session

III. Senate Bills

Bill	Chapter	Subject	Page
2SSB 5052	70	Cannabis Patient Protection Act	13
SSB 5186	30[4]	Property tax exemptions for service-connected disabled veterans and senior citizens	14
SB 5249	112	Local Revitalization Financing Program	14
SSB 5275	86	Tax code improvements not affecting state revenue	15
SSB 5276	174	Property tax refunds due to certain manifest errors	15
SSB 5322	88	Conservation districts' rates and charges	15
ESB 5761	9[5]	Property tax exemption for new construction of industrial/mfg. facilities in targeted urban areas	16
2ESSB 5987	44[6]	Relating to transportation revenues	17
ESB 6013	32[7]	Use tax relief for individuals who support charitable activities	17
ESSB 6057	6[8]	Stimulating economic development through tax preferences and streamlined tax administration	18
ESSB 6138	5[9]	Increasing state revenue	23

IV. BLS License, Fee & Registration Bills

Bill	Chapter	Subject	Page
SHB 1183	166	Radiology benefit managers	25
ESHB 1965	26[10]	Temporary additional fee on LCB licenses/permits	25
SB 5121	71	Marijuana research license	25
SSB 5280	192	Sale of beer and cider by grocery store licensees	26
E2SSB 5353	194	Marketing opportunities for spirits	26

[4] Third Special Session
[5] First Special Session
[6] Third Special Session
[7] Third Special Session
[8] Third Special Session
[9] Third Special Session
[10] Third Special Session

I. STATE REVENUE IMPACT OF MAJOR 2015 TAX LEGISLATION - Sources Impacting Dept. of Revenue Only

State General Fund

Bill Num	Bill Description	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
House Bills:							
ESHB 1060	Litter tax revenues	($1,000)	($2,000)	($3,000)	($2,000)	($2,000)	($4,000)
SHB 1223	Lodging taxes for workforce housing financing	$0	$0	$0	$0	$0	$0
SHB 1279	Local tourism promotion areas	$0	$0	$0	$0	$0	$0
2ESHB 1299	Transportation appropriations for 2015-2017 [1]						
SHB 1337	Industrial development district levies	$0	$0	$0	$0	$0	$0
ESHB 1449	Oil transportation safety	$0	$0	$0	$0	$0	$0
SHB 1516	Exemption for certain lodging services	$18,000	$24,000	$42,000	$24,000	$24,000	$48,000
HB 1550	Amusement, recreation, and physical fitness services	($639,000)	($1,607,000)	($2,246,000)	($1,909,000)	($1,987,000)	($3,896,000)
SHB 1619	B&O exemption for environmental handling charges	($8,000)	($9,000)	($17,000)	($9,000)	($9,000)	($18,000)
HB 1940	Flood control zone districts	$0	$0	$0	$0	$0	$0
HB 2000	Governor and Indian marijuana agreements	$0	$0	$0	$0	$0	$0
2E2SHB 2136	Comprehensive marijuana market reforms	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
EHB 2190	Electronic submission of vessel reports of sale [1]						
ESHB 2263	Vulnerable people/services	$0	$0	$0	$0	$0	$0
Senate Bills:							
2SSB 5052	Cannabis patient protection act	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
SSB 5186	Property tax exemptions for service-connected disabled veterans and senior citizens	$0	$0	$0	$0	$0	$0
SB 5249	Bond issuance exemption and revitalization projects	$0	$0	$0	$0	$0	$0
SSB 5275	Tax code improvements not affecting state revenue	$0	$0	$0	$0	$0	$0
SSB 5276	Refund of property tax paid	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal
SSB 5322	Conservation districts' rates and charges	$0	$0	$0	$0	$0	$0
ESB 5761	Property tax exemption for new construction of industrial/mfg facilities in targeted urban areas	$0	$0	$0	$0	$0	$0
2ESSB 5987	Relating to transportation revenues (section breakdown below)	($5,696,000)	($9,835,000)	($15,531,000)	($12,968,000)	($17,792,000)	($30,760,000)

ESB 6013	Use tax relief for individuals who support charitable activities	($5,000)	($5,000)	($10,000)	($15,000)	($15,000)	($30,000)
ESB 6057	Tax prefs & admin/econ devel (part breakdown below)	($14,986,000)	($20,420,000)	($35,406,000)	($28,921,000)	($37,735,000)	($66,656,000)
ESB 6138	Tax pref elimination and compliance (part breakdown below)	$73,838,000	$111,419,000	$185,257,000	$126,221,000	$140,581,000	$266,802,000
NET GENERAL FUND IMPACT		$52,521,000	$79,565,000	$132,086,000	$82,421,000	$83,065,000	$165,486,000

BLS License, Fee & Registration Bills

Bill Num	Bill Description	FY 2016	FY 2017	2015-17 Bien	FY 2018	FY 2019	2017-19 Bien
SHB 1183	Radiology benefit managers	$22,000	$22,000	$44,000	$22,000	$22,000	$44,000
ESHB 1965	Temporary additional fee on LCB licenses/permits [1]						
SB 5121	Marijuana research license [1]						
SSB 5280	Sale of beer and cider by grocery store licensees [1]						
E2SSB 5353	Marketing opportunities for spirits	$0	$0	$0	$0	$0	$0

State Funds other than General or BLS Funds

Bill Num	Bill Description	FY 2016	FY 2017	2015-17 Bien	FY 2018	FY 2019	2017-19 Bien
ESHB 1449	Oil transportation safety -Oil Spill Prevention	$642,000	$1,100,000	$1,742,000	$1,300,000	$1,500,000	$2,800,000
ESHB 1449	Oil transportation safety -Oil Spill Response	$675,000	$675,000	$1,350,000	$0	$0	$0
HB 1550	Amusement, recreation, and physical fitness services - Performance Audit Account	($100)	($3,000)	($3,100)	($4,000)	($4,000)	($8,000)
2ESSB 5987	Relating to transportation revenues - Motor Vehicle Account	$0	$203,000	$203,000	$495,000	$504,000	$999,000
2ESSB 5987	Relating to transportation revenues - Multimodal Transportation	($148,000)	($177,000)	($325,000)	($195,000)	($214,000)	($409,000)
2ESSB 5987	Relating to transportation revenues - Performance Audit Account	($5,000)	($6,000)	($11,000)	($7,000)	($14,000)	($21,000)
ESB 6057	Tax prefs & admin/econ devel - Performance Audit Account	($14,000)	($16,000)	($30,000)	($24,000)	($37,000)	($61,000)
ESB 6057	Tax prefs & admin/econ devel - Environmental Legacy Stewardship Account	($225,000)	($300,000)	($525,000)	($300,000)	($300,000)	($600,000)
ESB 6138	Tax pref elimination and compliance - Performance Audit Account	$59,000	$75,000	$134,000	$81,000	$86,000	$167,000

2ESSB 5987 by Part (State General Fund)

Sections	Description	FY 2016	FY 2017	2015-17 Bien	FY 2018	FY 2019	2017-19 Bien
405	Narrows Bridge Repayment	$0	$0	$0	$0	($4,402,000)	($4,402,000)
407 to 409	Alternate Fuel Vehicle Tax Exemptions	($3,196,000)	($3,835,000)	($7,031,000)	($4,218,000)	($4,640,000)	($8,858,000)
410 to 412	Alternate Fuel Credits	($2,500,000)	($6,000,000)	($8,500,000)	($6,000,000)	($6,000,000)	($12,000,000)
413 to 419	Commute Trip Reduction Credit	$0	$0	$0	($2,750,000)	($2,750,000)	($5,500,000)
NET GENERAL FUND IMPACT		($5,696,000)	($9,835,000)	($15,531,000)	($12,968,000)	($17,792,000)	($30,760,000)

ESB 6057 by Part (State General Fund)

Part	Description	FY 2016	FY 2017	2015-17 Bien	FY 2018	FY 2019	2017-19 Bien
II	Extend expiration date of food processing tax preferences	($6,050,000)	($6,600,000)	($12,650,000)	($6,600,000)	($6,600,000)	($13,200,000)
III	Data center server equipment sales and use tax exemption	($4,153,000)	($8,307,000)	($12,460,000)	($12,460,000)	($20,767,000)	($33,227,000)
IV	Pilot program - Washington State job creation	($3,245,000)	$0	($3,245,000)	$0	$0	$0
V	Extend aluminum smelters tax preferences	$0	($2,742,000)	($2,742,000)	($6,924,000)	($7,251,000)	($14,175,000)
VI	Newspapers preferential rate	($186,000)	($248,000)	($434,000)	($248,000)	($248,000)	($496,000)
VII	Reduced PUT for log transportation	($754,000)	($1,000,000)	($1,754,000)	($1,000,000)	($1,100,000)	($2,100,000)
VIII	Increasing Jobs in the Maritime Trades Industry	($966,000)	($1,368,000)	($2,334,000)	($1,445,000)	($1,513,000)	($2,958,000)
IX	Distribution of aircraft excise taxes	$0	$0	$0	$0	$0	$0
X	B&O tax credit to hire veterans [2]	$0	($500,000)	($500,000)	($500,000)	($500,000)	($1,000,000)
XI	Honey bee products and services	$0	$0	$0	($79,000)	($85,000)	($164,000)
XII	Wax and ceramic materials for molds	($267,000)	($290,000)	($557,000)	($300,000)	($310,000)	($610,000)
XX	Taxation of rental property by nonprofit fair associations	$0	$0	$0	$0	$4,000	$4,000
XXI	Improving administration of unclaimed property laws	$635,000	$635,000	$1,270,000	$635,000	$635,000	$1,270,000
NET GENERAL FUND IMPACT		($14,986,000)	($20,420,000)	($35,406,000)	($28,921,000)	($37,735,000)	($66,656,000)

ESB 6138 by Part (State General Fund)

Part	Description	FY 2016	FY 2017	2015-17 Bien	FY 2018	FY 2019	2017-19 Bien
1	Repeal preferential B&O tax rate for royalty income	$13,908,000	$17,502,000	$31,410,000	$18,337,000	$19,198,000	$37,535,000
2	Click-through nexus for retailing activities	$11,810,000	$16,507,000	$28,317,000	$17,274,000	$17,973,000	$35,247,000
2	Extend economic nexus to wholesaling activities	$12,000,000	$33,400,000	$45,400,000	$44,100,000	$54,200,000	$98,300,000
3	Repeal M&E sales/use tax exemption for software manufacturers	$25,700,000	$31,500,000	$57,200,000	$34,000,000	$36,700,000	$70,700,000
4	Late Payment Penalties	$10,420,000	$12,510,000	$22,930,000	$12,510,000	$12,510,000	$25,020,000
NET GENERAL FUND IMPACT		$73,838,000	$111,419,000	$185,257,000	$126,221,000	$140,581,000	$266,802,000

[1]The Department did not receive a fiscal note request for proposal.

[2] Credits can be earned for tax reporting periods through June 30, 2022. No credits can be claimed after June 30, 2023.

II. HOUSE BILLS

ESHB 1060 Relating to directing state investments of existing litter tax revenues under chapter 82.19 RCW in material waste management efforts without increasing the tax rate
(Chapter 15, Laws of 2015)

This bill:

- Amends and makes permanent a matching fund grant program administered by the Department of Ecology. This program provides grants to local governments and nonprofit organizations for local or statewide education programs relating to waste reduction, litter control, recycling, and composting of primarily the products subject to litter tax.
- Provides a business and occupation (B&O) tax exemption for grants received by nonprofit organizations under the matching fund grant program mentioned above.
- Amends and makes permanent certain allowed uses of litter tax revenue that were established in the 2013-15 operating budget.
- Adds composting as a purpose of the Waste Reduction, Recycling, and Model Litter Control Act.

Most of ESHB 1060, including the B&O tax exemption, is effective July 24, 2015. The remainder of the bill (sections 3 and 6) take effect June 30, 2017.

SHB 1223 Relating to allowing the use of lodging taxes for financing workforce housing
(Chapter 102, Laws of 2015)

This bill:

- Allows cities and counties to issue general obligation or revenue bonds for funding affordable workforce housing within 0.5 mile of a transit station and allows lodging taxes authorized under chapter 67.28 RCW to be used to repay the bonds.
- Beginning January 1, 2021, at least 37.5 percent of lodging taxes authorized under RCW 67.28.180 and received by King County must be used:
    - For contracts, loans, or grants to nonprofit organizations or housing authorities for affordable workforce housing within 0.5 miles of a transit station or for services for homeless youth, or to repay general obligation or revenue bonds to finance those contracts, loans, or grants; or
    - To repay revenue bonds used to finance projects authorized by a Community Preservation and Development Authority to promote sustainable workplace opportunities near a community impacted by the construction or operation of tourism-related facilities.

SHB 1223 is effective July 24, 2015.

SHB 1279 Relating to local tourism promotion areas
(Chapter 131, Laws of 2015)

This bill allows a city legislative authority to establish and operate a tourism promotion area if the city meets the following conditions:

- Was incorporated after January 1990;
- Has a population greater than 89,000; and
- Is located in a county with a population of one million or more.

SHB 1279 is effective July 24, 2015.

2ESHB 1299 Relating to transportation funding and appropriations
(Chapter 10, Laws of 2015, 1st Special Session, Partial Veto)

2ESHB 1299 is the base transportation budget for 2015-2017. The bill appropriates funds for various state transportation agencies and programs, but only sections 708-711 affect the Department of Revenue (Department). These sections extend the Commute Trip Reduction (CTR) tax credit through June 30, 2017.

There are no policy changes to the CTR tax credit in this bill. However, a subsequent bill enacted during the Third Special Session of the 2015 Legislature (2ESSB 5987) modified and further extended the CTR tax credit.

Sections 708-711 of 2ESHB 1299 are not affected by Governor Inslee's partial veto and are effective June 11, 2015.

SHB 1337 Relating to increasing the flexibility for industrial development district levies for public port districts
(Chapter 135, Laws of 2015)

For taxes levied for collection beginning in 2016, this bill expands the duration a port district may impose an industrial development district levy for the first and second levy periods to 20 years per period.

- The total aggregate amount levied over the 20-year period cannot exceed what could have been collected in a six-year period at the annual rate of $0.45 per $1,000 dollars of assessed value.
- The third period has a six-year maximum length and is available only to counties that border the Pacific Ocean.

SHB 1337 is effective July 24, 2015.

ESHB 1449 Relating to oil transportation safety
([Chapter 274, Laws of 2015])

This bill addresses oil transportation safety and expands the oil spill administration tax and oil spill response tax to the receipt of crude oil at a bulk terminal within this state from railroad tank cars. The bill modifies the definition of "crude oil" for purposes of these taxes to specifically include crude oil, bitumen, synthetic crude oil, and natural gas well condensate.

The bill also directs the State Treasurer to transfer $2,225,000 from the Oil Spill Response Account to the Oil Spill Prevention Account by July 31, 2015.

ESHB 1449 is effective July 1, 2015.

SHB 1516 Relating to providing an exemption for certain lodging services from the convention and trade center tax
([Chapter 151, Laws of 2015])

This bill exempts hostels from the lodging taxes imposed by the public facilities district that operates the Washington State Convention Center.

The bill defines "hostel" to essentially mean a lodging facility where a majority of the lodging rooms are used as nonprivate communal sleeping quarters and contain four or more beds. Hostels must include at least one common area and at least one common kitchen for guest use.

SHB 1516 is effective August 1, 2015.

HB 1550 Relating to simplifying the taxation of amusement, recreation, and physical fitness services
([Chapter 169, Laws of 2015])

This Department of Revenue request legislation simplifies the taxation of amusement, recreation, and physical fitness activities by amending the definition of retail sale to:

- Eliminate the undefined terms "amusement and recreation services" and "physical fitness services";
- Replace the term amusement and recreation services with specifically enumerated amusement and recreational activities that are defined as a retail sale; and
- Replace the term physical fitness services with language defining the term retail sale to include, with certain exceptions, all charges for the use of an "athletic or fitness facility." The bill defines "athletic or fitness facility" as a facility or portion of a facility primarily used for specified activities, such as exercise classes, aerobic exercise, weight training, racket sports, combat sports, or martial arts training.

Under this bill, some activities will cease to be treated as a retail sale, including:

- Team sports such as soccer, hockey, baseball, football, and basketball;
- Running and cycling events;
- Dancing offered by establishments that impose a cover charge on patrons; and
- Karaoke.

Likewise, some activities that were previously not treated as a retail sale will become retail sales under this bill. These include:

- Most martial arts activities;
- Admission to amusement and theme parks; and
- Instructional lessons by an athletic or fitness facility and for many of the specifically enumerated amusement and recreational activities.

Use tax does not apply to the activities taxed as a retail sale under this bill.

HB 1550 is effective January 1, 2016.

SHB 1619 Relating to providing a business and occupation tax exemption for environmental handling charges
(Chapter 185, Laws of 2015)

This bill creates a business and occupation tax exemption for the environmental handling charge (EHC) added to the price of all mercury-containing lights sold at retail in this state. The EHC funds a stewardship program responsible for the collection, recycling, and disposal of mercury-containing lights. The stewardship program is operated by a stewardship organization, which is selected by the producers of mercury containing lights sold in this state.

The exemption applies to producers, retailers, and stewardship organizations.

- The exemption for producers applies to EHCs added to the purchase price of mercury containing lights either by the producer or a retailer pursuant to an agreement with the producer.
- The exemption for retailers applies to EHCs added to the purchase price of mercury containing lights sold at retail, including the portion of environmental handling charges retained as reimbursement for any costs associated with the collection and remittance of the EHCs.
- The exemption for the stewardship organization applies to EHCs received from producers and retailers.

SHB 1619 is effective July 24, 2015.

HB 1940 Relating to exempting levies imposed by qualifying flood control zone districts from certain limitations upon regular property tax levies (Chapter 170, Laws of 2015, Partial Veto)

Beginning with taxes levied for collection in 2018, a county-wide flood control zone district located in a county with a population of 775,000, or a county-wide flood control zone district located in the Chehalis River Basin, may protect up to $0.25 of its property tax levy rate from reduction or elimination under the $5.90 aggregate rate limit.

The bill as passed the Legislature included an expiration date of January 1, 2023. However, the governor vetoed that section.

HB 1940 is effective January 1, 2018.

HB 2000 Relating to authorizing the Governor to enter into agreements with federally-recognized Indian tribes in the state of Washington concerning marijuana (Chapter 207, Laws of 2015)

This bill authorizes the Governor to enter into agreements with the state's federally recognized Indian tribes concerning the sale and regulation of marijuana. The Liquor and Cannabis Board (LCB) will negotiate the agreements and must consult with the Department of Revenue (Department) when necessary.

Tribal marijuana agreements:

- Apply to sales of marijuana:
  - By tribal businesses to LCB-licensed marijuana businesses,
  - By LCB-licensed marijuana businesses to tribal businesses, or
  - Where marijuana is physically transferred by sellers in Indian country;
- Require a tribe to impose a tribal marijuana tax on sales under the agreement that is at least 100 percent of the state marijuana excise tax and state and local sales and use tax on marijuana. Such sales are exempt from the state marijuana excise tax and state and local sales and use tax;
- Allow a tribe to establish a tribal marijuana tax exemption for:
  - Sales of marijuana grown, produced, or processed within its Indian country to tribal businesses or tribal members,
  - Sales that are exempt under state or federal law from the marijuana excise tax or state and local sales/use tax, and
  - Sales of medical marijuana products used for medical treatment by a tribal healthcare facility within its Indian country;
- Must address public health and safety, security of marijuana facilities, and cross-border commerce in marijuana; and
- May also address criminal and civil law enforcement, commercial regulatory issues, medical research, dispute resolution, and other issues.

The bill also amends existing law to allow LCB-licensed retailers to buy marijuana from tribes, and licensed processors to sell, deliver, and distribute marijuana to tribes, if such activities are permitted under the agreement between the State and the tribe.

HB 2000 is effective July 24, 2015.

2E2SHB 2136 Relating to comprehensive marijuana market reforms to ensure a well-regulated and taxed marijuana market in Washington State (Chapter 4, Laws of 2015, 2nd Special Session)

This bill makes a variety of tax and regulatory changes affecting marijuana businesses, including:

- From July 1, 2015, to June 30, 2016, a sales and use tax exemption is provided for marijuana products and low THC products provided by a collective garden to qualifying patients and designated providers if in compliance with the medical marijuana laws (chapter 69.51A RCW).
- Beginning July 1, 2016, sales and use tax exemptions are provided for:
  - Marijuana products the Department of Health (DOH) determines are "medically beneficial" and low THC products, sold by Liquor and Cannabis Board (LCB)-licensed marijuana retailers with a medical endorsement to qualifying patients and designated providers;
  - Marijuana products DOH determines have a low THC, high CBD ratio, sold by medical endorsed retailers to all consumers;
  - Topical, noningestible low THC products, sold by health care professionals; and
  - Marijuana products and low THC products produced by a cooperative and provided to its members.
- Beginning July 1, 2015, the marijuana excise taxes on producers, processors, and retailers are consolidated into one 37 percent tax on the consumer to be collected by the retailer.

Until January 1, 2025, the LCB is required to report marijuana-related data to the Legislature every two years. The report will require the Department of Revenue to:

- Consult with the LCB on recommendations related to the effects of marijuana excise tax levels on discouraging use and undercutting illegal market prices; and
- Provide the LCB with the total amount of reported sales and use taxes exempted for qualifying patients.

This bill's tax, exemption, and reporting provisions (sections 205, 207, and 208) take effect July 1, 2015.

EHB 2190 Relating to vessel reports of sale (Chapter 148, Laws of 2015)

This bill directs the Department of Licensing (DOL) to establish an electronic system for submitting vessel reports of sale. It also directs DOL each quarter to send the Department of Revenue a list of vessels for which a report of sale has been received but no transfer of ownership has taken place.

EHB 2190 is effective January 1, 2017.

ESHB 2263 Relating to providing local governments with options to strengthen their communities by providing services and facilities for people with mental illness, developmental disabilities, and other vulnerable populations, and by increasing access to educational experiences through cultural organizations (Chapter 24, Laws of 2015, 3rd Special Session)

This bill:

- Permits counties to create a cultural access program (CAP) that provides funding to cultural organizations whose primary purpose is the advancement or preservation of science or technology, the visual or performing arts, zoology, botany, anthropology, heritage, or natural history;
- Authorizes cities to create a CAP if the county where the city is located either expressly forfeits its own option or does not propose a choice to voters for creating a CAP before June 30, 2017;
- Authorizes counties or cities that create a CAP to fund the CAP by imposing a new voter-approved sales and use tax or, except for counties with a population of 1.5 million or more, a new voter-approved regular property tax. A city or county may not impose both of these taxes at the same time;
- Provides restrictions and requirements for how revenues may be allocated within a CAP, including a requirement to create and fund public school programs; and
- Authorizes a county to impose a new sales and use tax of up to 0.1 percent for affordable housing, housing-related services, and mental and behavioral health-related services. The tax is subject to voter approval. If a county does not use its full taxing authority within a certain period of time, the remaining taxing authority may be utilized by a city within the county, subject to voter approval.

ESHB 2263 takes effect October 9, 2015.

III. SENATE BILLS

2SSB 5052 Relating to establishing the cannabis patient protection act (Chapter 70, Laws of 2015, Partial Veto)

The bill establishes a regulatory system for medical marijuana, including provisions that:

- Beginning July 24, 2015, establish a medical marijuana endorsement to a Liquor and Cannabis Board (LCB)-issued marijuana retailer license that allows the sale of marijuana for medical use to qualifying patients and their designated providers;
- Eliminate collective gardens as of July 1, 2016;

- Beginning July 1, 2016, require patients be entered into a medical marijuana database and issued a recognition card to receive the higher possession limits and arrest protections under the bill, and the sales and use tax exemptions in 2E2SHB 2136; and
- Beginning July 1, 2016, allow up to four patients to form "cooperatives" to grow, manufacture, and sell marijuana to members of the cooperative. All cooperative members must be in the database, membership changes are restricted, and the cooperative's location must be registered with LCB. A business and occupation tax exemption is also provided for cooperatives.

2SSB 5052 is generally effective July 24, 2015, with some sections taking effect April 24, 2015, and others taking effect July 1, 2016. The sections vetoed by Governor Inslee do not affect any of the tax provisions in the bill.

SSB 5186 Relating to property tax exemptions for service-connected disabled veterans and senior citizens
(Chapter 30, Laws of 2015, 3rd Special Session)

This bill increases income thresholds for the senior citizen and disabled persons property tax relief programs by $5,000.

SSB 5186 applies to taxes due beginning in 2016.

SB 5249 Relating to creating a bond issuance exemption for qualifying local revitalization financing projects
(Chapter 112, Laws of 2015)

This bill modifies the Local Revitalization Financing (LRF) Program to eliminate the requirement to issue bonds for a demonstration project in Tacoma and for city-sponsored projects receiving a project award of less than $150,000.

The LRF Program authorized cities and counties to create revitalization areas and allows certain increases in local sales, use, and property tax revenues generated from within the revitalization area, other local public funds, and a state contribution to be used for payment of bonds issued for financing local public improvements within the revitalization area. The state contribution comes from a local sales and use tax that is credited against the state sales and use tax. Except as provided in SB 5249, before this tax can be imposed the local jurisdiction must have issued bonds to finance the public improvements.

SB 5249 is effective July 24, 2015.

SSB 5275 Relating to tax code improvements that do not affect state revenue collections ([Chapter 86, Laws of 2015])

This bill makes a variety of changes to tax statutes, which include eliminating obsolete provisions of law, making statutory corrections or clarifications, providing consistency between statutes, fixing inadvertent errors and oversights in prior legislation, and making other changes that improve administration of the tax laws.

SSB 5275 is effective July 24, 2015.

SSB 5276 Relating to refunds of property tax paid as a result of manifest errors in descriptions of property ([Chapter 174, Laws of 2015])

This bill allows:

- County legislative authorities to authorize property tax refunds more than three years after the due date of the taxes paid, but only when the refund is a result of a manifest error in the description of property; and
- County assessors or county treasurers to make manifest error cancellations or corrections to the assessment or tax rolls more than three years preceding the year in which the error is discovered, but only if:
  - Authorized by the county legislative authority; and
  - The cancellation or correction results in a refund or reduction of taxes for a property owner.

SSB 5276 is effective July 24, 2015.

SSB 5322 Relating to conservation districts' rates and charges ([Chapter 88, Laws of 2015])

This bill revises the maximum per-parcel rate for a special benefit assessment charge imposed by conservation districts as follows:

- $15 for counties with a population over 1.5 million;
- $10 for counties with a population over 480,000 but not exceeding 1.5 million; and
- $5 (unchanged) for counties with a population of 480,000 or less.

SSB 5322 is effective July 24, 2015.

ESB 5761 **Relating to providing for property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas (Chapter 9, Laws of 2015, 1st Special Session)**

This bill creates a limited property tax exemption for new construction of industrial manufacturing facilities in city-designated areas when the facilities meet specific conditions and create 25 or more family living wage jobs.

The exemption:

- Applies to the value of new facility improvements only (not the land) meeting minimum size and value criteria (10,000 sq. ft. and $800,000 in value) located in designated areas;
- Is limited to local property taxes but excludes county property taxes unless the county legislative authority specifically authorizes by resolution;
- Continues for up to 10 successive years provided the improvements are not converted to a different use and continue to satisfy all applicable conditions, including job creation; and
- Must be applied for by December 31, 2022, on applications provided by a city authorized to approve the exemption. A city may impose an application fee to cover the costs of administration.

Property targeted for the exemption program must be:

- Undeveloped land zoned for industrial and manufacturing use as of December 31, 2014;
- Located within or contiguous to an innovation partnership zone, foreign trade zone, or EB-5 regional center; and
- Designated by an authorized city.

Cities authorized to approve the exemption must:

- Have a population of at least 18,000;
- Be located north or east of the largest city in the county in which the city is located;
- Be located in a county that has a population of at least 700,000, but less than 800,000; and
- File an annual report with the Department of Commerce that provides the number of tax exemption certificates granted, number and type of constructed facilities, number of family living wage jobs resulting from the new facilities, and the value of tax exemptions.

This bill takes effect August 27, 2015, and applies beginning with taxes levied for collection in 2016.

2ESSB 5987 Relating to transportation revenue
(Chapter 44, Laws of 2015, 3rd Special Session)

This bill increases transportation revenue and provides transportation-related tax preferences. Among other things, the bill increases the motor vehicle and special fuel taxes by 7 cents per gallon beginning August 1, 2015, and 4.9 cents per gallon beginning July 1, 2016.

The following provisions of the bill impact the Department of Revenue (Department):

- A new studded tire fee of $5.00 is imposed on each new studded tire sold at retail on or after July 1, 2016. The seller retains 10 percent of the fee.
- A qualifying public transportation benefit area (PTBA) is authorized to impose an additional local sales/use tax of up to 0.3 percent with voter approval.
- A qualifying PTBA is authorized to create one or more passenger-only ferry districts within its boundaries and to impose a local sales/use tax of up to 0.3 percent with voter approval.
- Additional taxing authority is provided for Sound Transit.
- The sales and use tax deferral on the Tacoma Narrows Bridge is extended by 13 years.
- The sales and use tax exemption for clean alternative fuel vehicles is modified and extended to July 1, 2019.
- New business and occupation and public utility tax credits are provided for purchases of new and qualifying used commercial vehicles, and the conversion costs of qualifying commercial vehicles, principally powered by clean alternative fuel.
- The Commute Trip Reduction (CTR) tax credit is extended to July 1, 2024, and the statewide credit cap is raised to $2.75 million per year.
- A sales and use tax offset fee is imposed on Sound Transit beginning January 1, 2017. This fee only applies with respect to new projects approved by voters after January 1, 2015, and that are taxed as public road construction. The fee would end when Sound Transit has paid $518 million in fees to the Department.

All bill sections impacting the Department take effect July 15, 2015.

ESB 6013 Relating to providing use tax relief for individuals who support charitable activities
(Chapter 32, Laws of 2015, 3rd Special Session)

This bill:

- Increases the limit on the use tax exemption for items purchased or received from a nonprofit organization or library as part of a fundraising activity from $10,000 to $12,000; and
- Extends the expiration date for the exemption from July 1, 2017, to July 1, 2020.

ESB 6013 takes effect October 9, 2015.

ESSB 6057 Relating to stimulating economic development through the use of tax preferences and streamlined tax administration
(Chapter 6, Laws of 2015 3rd Special Session)

Engrossed Substitute Senate Bill 6057 is a 15-part bill that primarily extends or reinstates a number of tax preferences. It also creates several new tax incentives and improves the administration of unclaimed property laws.

Note: The original bill contained 23 parts. As a result of the budget negotiations, some parts of the bill were omitted and the remaining parts of the enrolled bill were not renumbered.

Part II – Food Processing
This part extends the B&O tax exemptions for:

- The manufacturing of dairy products, fruits and vegetables, and seafood products;
- Wholesale sales of dairy products sold to a manufacturer for use as an ingredient or component in the manufacturing of dairy products; and
- Certain sales of manufactured dairy products, fruits and vegetables, and seafood products to persons who transport the goods out of state.

This part takes effect July 1, 2015.

Part III – Data Centers
This part:

- Provides sales and use tax exemptions for server equipment and power infrastructure for a maximum of 12 data centers constructed between July 1, 2015, and July 1, 2025, of which only eight may be constructed between July 1, 2015, and July 1, 2019;
- Provides sales and use tax exemptions for replacement server equipment for data centers constructed between July 1, 2015, and July 1, 2025, for 12 years after the date of the certificate of occupancy for the data center;
- Extends the sales and use tax exemptions for replacement server equipment to April 1, 2024, for data centers constructed between April 1, 2012, and July 1, 2015; and
- Extends the sales and use tax exemptions for replacement server equipment to April 1, 2024, for qualifying tenants who lease space within an eligible computer data center.

This part takes effect July 1, 2015.

Part IV – New sales and use tax deferral
This part establishes the Invest in Washington pilot program, which includes a new sales and use tax deferral for no more than five manufacturing facilities, at least two of which must be located in Eastern Washington.

This pilot program:

- Defers sales and use taxes on the first $10 million in costs for qualifying buildings, machinery, and equipment on each eligible project;
- Requires the recipient to begin paying the deferred taxes in the fifth year after the date the eligible project is operationally complete; and
- Requires that payments of the state portion of deferred sales and use taxes be deposited in the Invest in Washington Account for use by the State Board for Community and Technical Collages for various job training programs.

This part takes effect September 1, 2015.

Part V – Aluminum Smelters
This part extends existing tax preferences for the aluminum industry as follows:

- The expiration date of the preferential business and occupation (B&O) tax rate for aluminum smelters is extended from January 1, 2017, to January 1, 2027;
- The B&O tax credit for property taxes paid by aluminum smelters is extended to include property taxes paid from 2017 through 2026;
- The sales tax credit for state sales taxes paid on qualifying purchases made by an aluminum smelter is extended from January 1, 2017, to January 1, 2027;
- The use tax credit for the state portion of use tax due on qualifying property and services used at an aluminum smelter is extended from January 1, 2017, to January 1, 2027; and
- The expiration date of the state brokered natural gas use tax exemption for aluminum smelters is extended from January 1, 2017, to January 1, 2027.

This part takes effect July 1, 2015.

Part VI –Newspapers
This part makes permanent a definition of "newspaper" that includes the electronic version of a printed newspaper, which expired July 1, 2015. This reinstates a preferential business and occupation (B&O) tax rate for advertising and subscription revenue generated from the online version of a printed newspaper.

This part also extends until July 1, 2024, the 0.35 percent preferential B&O tax rate for persons who print or publish a newspaper. Effective July 1, 2024, the tax rate will increase from 0.35 percent to 0.484 percent.

Due to error in the bill, this part takes effect September 1, 2015. To maintain the B&O tax treatment for the printing and publishing of newspapers, including the online version of printed newspapers, after June 30, 2015, the bill should have included a July 1, 2015, effective date for Part VI.

Part VII – Log Transportation Businesses
This part:

- Reinstates a preferential public utility rate of 1.3696 for log transportation businesses, which had expired June 30, 2013; and

- Defines “log transportation business” as the business of transporting logs by truck over public highways except when the transportation meets the definition of “urban transportation business” or occurs exclusively upon private roads.

The preferential rate is effective August 1, 2015.

Part VIII – Vessels & Maritime Trades
This part seeks to bolster the state’s maritime industry by incentivizing nonresident entity vessel owners to keep large recreational vessels in Washington waters for longer periods.

Under current law, vessels owned by nonresident entities and individuals may be used in Washington for up 60 days without incurring liability for use tax and watercraft excise tax. Vessels owned by nonresident individuals may remain in Washington for up to six months (180 days) during 12 consecutive months without incurring tax liability if the owner purchases two $25 nonresident vessel permits from the Department of Licensing (DOL). No such extension is available for nonresident entity-owned vessels.

Part VIII allows a nonresident entity vessel owner to apply to the Department of Revenue for approval to obtain a nonresident vessel permit from the DOL if:

- The vessel length is between 30 and 164 feet;
- No Washington resident is a principal of the nonresident entity; and
- The nonresident entity vessel owner provides sufficient documentation to verify eligibility for the permit.

After the Department of Revenue provides written approval, the nonresident entity vessel owner may obtain the nonresident vessel permit from the DOL. The charge to a nonresident entity vessel owner for the permit is based on vessel length. A nonresident entity vessel owner may not obtain more than two nonresident vessel permits within any 36-month period.

This part is effective September 1, 2015, and the bill contains a July 1, 2019, expiration date. However, the expiration date is inconsistent with other provisions in Part VII that preclude:

- The Department of Revenue from providing approval to a nonresident entity vessel owner for the nonresident vessel permit after November 30, 2025; and
- The DOL from issuing a permit to such an owner after December 31, 2025.

Part IX – Aircraft Excise Tax
This part directs all aircraft excise tax revenue to the Aeronautics Account. Under current law, the General Fund receives 90 percent of the tax while the Aeronautics Account receives the remaining 10 percent. The Department of Transportation administers the aircraft excise tax.

Part IX takes effect July 1, 2015.

Part X – Credit for Businesses that Hire Veterans
This part provides business and occupation (B&O) tax and public utility tax (PUT) credits for businesses that hire unemployed veterans.

- The credit is equal to 20 percent of wages and benefits paid per qualified employee, up to $1,500 per qualified employee.
- Credits can be claimed after an employee has been employed for at least two consecutive full calendar quarters.
- The combined statewide cap for the credits is $500,000 per fiscal year.
- A business may claim either the B&O tax credit or the PUT credit but may not claim both credits for the same qualified employee.
- Credits can be earned for tax reporting periods through June 30, 2022.
- No credits may be claimed after June 30, 2023.

This part takes effect October 1, 2016.

Part XI – Honey Bees
This part treats “eligible apiarists” as farmers for purposes of business and occupation (B&O), sales, and use taxes. It does this by:

- Amending the definition of “farmer” to include eligible apiarists who grow, raise, or produce honey bee products for sale or provide bee pollination services;
- Amending the definition of “agricultural product” to include honey bee products;
- Amending the definition of “retail sale” to exclude the sale of certain specified items, including feed and agents for enhanced pollination, to farmers for the purpose of providing bee pollination services;
- Providing a B&O tax exemption for bee pollination services provided to farmers by eligible apiarists; and
- Making conforming amendments to the sales and use tax exemption for eligible farmers for replacement parts and related services for qualifying farm machinery and equipment.

In addition, this part repeals the honey-bee industry tax preferences made redundant by this bill.

Part XI takes effect July 1, 2015.

Part XII – Casting Molds
This part makes permanent a sales and use tax exemption on purchases of wax and ceramic materials used to create molds during the process of creating ferrous and nonferrous investment castings used in industrial applications.

Part XII takes effect June 30, 2015.

Part XIX – Agricultural Crop Protection Products
This part creates an exemption from the hazardous substance tax for possession of agricultural crop protection products, if the products are:

- Solely for use by a farmer or certified applicator;

- Warehoused in this state, or transported to or from this state; and
- Not otherwise used, manufactured, packaged for sale, or sold in this state by the person possessing the products.

This exemption takes effect September 1, 2015, and expires January 1, 2026.

Part XX – Nonprofit Fair Association
This part removes the January 1, 2019, expiration date for the property tax exemption for real and personal property owned by a qualifying nonprofit fair association and used for fair purposes. To qualify for this exemption, a nonprofit fair association must have been organized under chapter 24.06 RCW, and the majority of its fair property, as measured by assessed value, was purchased or acquired by the nonprofit fair association from a county or a city between 1995 and 1998.

Effective January 1, 2019, this part also provides that if any portion of the exempt property is rented for more than 50 consecutive days during any calendar year, the rental is subject to leasehold excise tax.

Part XXI – Unclaimed Property
This part, which incorporates Department of Revenue (Department) request legislation (HB 1551/SB 5543), makes changes to the unclaimed property statutes by:

- Clarifying that gift certificates presumed abandoned and compliant with the gift certificate laws (RCW 19.240) need not be included in the unclaimed property report or remitted to the Department;
- Providing the online version of a printed newspaper as an option for the Department to publish notice to apparent owners of unclaimed property;
- Providing a three-year limitations period for enforcement actions on assessments;
- Providing a six-year limitations period for refunds;
- Restructuring penalty provisions as follows:
  - Eliminating the 100 percent penalty for the willful failure to file a report,
  - Adding a 10 percent penalty for failure to timely file a report or deliver property under a report,
  - Adding a 10 percent assessment penalty,
  - Adding a 5 percent penalty for failure to pay an assessment by the due date, and
  - Authorizing the Department to waive these penalties for all holders until October 31, 2017, if the Department determines that it is unable to effectively implement any of these penalty provisions after October 31, 2016;
- Establishing the right to an administrative review within the Department for holders who disagree with an assessment or refund denial;
- Providing holders with a right to seek a refund or return of property in the Thurston County Superior Court;
- Clarifying the Department's settlement authority;
- Requiring electronic reporting and payment, and authorizing a waiver of these requirements for good cause;

- Providing for the confidentiality of information obtained during an examination (audit); and
- Authorizing the waiver of interest and late penalties for holders that voluntarily report and pay or deliver unclaimed property to the Department after June 30, 2015, and before November 1, 2016. The holder must file a completed waiver request with the Department before November 1, 2016. The waiver is not available for penalties and interest on unclaimed property identified by the Department through an investigation or examination.

Part XXI generally takes effect July 1, 2015. Provisions for electronic filing, electronic payments, and penalties take effect July 1, 2016. If the Department determines that it is unable to implement any of the electronic filing, electronic payment, or penalty provisions by July 1, 2016, then the effective date for these provisions is July 1, 2017.

ESSB 6138 Relating to increasing state revenue through improved compliance methods and eliminating tax preferences for royalties and certain manufacturing equipment
(Chapter 5, Laws of 2015, 3rd Special Session)

ESSB 6138 generates revenue by eliminating and narrowing certain tax preferences, extending sales tax collection obligations on certain out-of-state sellers, and increasing penalties on delinquent tax returns.

Part I – Royalty Income
This part eliminates the preferential business and occupation (B&O) tax rate for royalty income. The rate increases from 0.484 percent to 1.5 percent effective August 1, 2015.

Part II – Nexus
This part addresses nexus for B&O and retail sales tax purposes by:

- Expanding economic nexus for B&O tax purposes to out-of-state businesses making wholesale sales in this state taxable under the general Wholesaling classification and who exceed any of the applicable nexus thresholds;
- Changing the period for determining whether a business has exceeded any of the economic nexus thresholds from the current tax year to the immediately preceding tax year; and
- Adopting "click-through" nexus for both retailing B&O tax and retail sales tax purposes. As a result, remote sellers are presumed to have nexus with this state if they enter into agreements with Washington residents who, for a commission or other consideration, refer potential customers to the remote seller such as by a link on a website, and generate more than $10,000 in gross receipts during the prior calendar year under such agreements from sales into this state.

The "click-through" nexus provisions were part of the Department of Revenue's agency request legislation (HB 1678/SB 5541).

Part II takes effect September 1, 2015.

Part III – Software Manufacturing Machinery and Equipment

This part amends the manufacturing machinery and equipment sales and use tax exemption by:

- Clarifying that the exemption applies to persons engaged in developing prewritten computer software delivered to customers electronically rather than by means of tangible storage media; and
- Making businesses ineligible for the exemption if:
  - They are a member of an affiliated group having at least one member who was registered to do business in Washington on or before July 1, 1981,
  - The combined employment in the state of the affiliated group exceeds 40,000 full-time and part-time employees as of August 1, 2015, and
  - The business activities of the affiliated group primarily include development, sales, and licensing of computer software and services.

Part III takes effect August 1, 2015.

Part IV - Late Penalties

This part increases penalties for delinquent excise tax returns as follows:

Delinquent period	**Penalty rate until July 31, 2015**	**Penalty rate beginning August 1, 2015**
Payment is received after the due date but on or before the last day of the month following the due date.	5 percent	9 percent
Payment is received after the last day of the month following the due date but on or before the last day of the second month following the due date.	15 percent	19 percent
Payment is not received on or before the last day of the second month following the due date.	25 percent	29 percent

Part IV takes effect August 1, 2015.

IV. BILLS AFFECTING THE BUSINESS LICENSING SERVICE (BLS)

SHB 1183 Relating to radiology benefit managers
(Chapter 166, Laws of 2015)

This bill requires radiology benefit managers (RBM) to register with the Department's Business Licensing Service and annually renew their registration. The registration and renewal fee is $200 and must be deposited into the Business License Account. This registration requirement is in addition to any other registration duties required by law.

When registering, the RBM must provide the:

- Identity of the RBM;
- Name, address, phone number, and medical director of the RBM; and
- Its Federal Employer Identification Number.

SHB 1183 is effective July 24, 2015.

ESHB 1965 Relating to a temporary additional fee on licenses and permits issued by the Washington State Liquor Control Board
(Chapter 26, Laws of 2015 3rd sp. sess.)

This bill authorizes a temporary additional fee of 6.2 percent on all applications and renewals of licenses and permits issued by the Liquor Control Board (renamed the Liquor and Cannabis Board in 2SSB 5052, chapter 70, Laws of 2015) relating to spirits, beer, wine, and marijuana. The Department will collect this fee for the Liquor and Cannabis Board (LCB) through the Business Licensing Service.

The purpose of the fee is to provide funding for replacing and modernizing the LCB's licensing, enforcement, and imaging systems.

The bill's effective date is contingent on the LCB receiving a funding allocation by June 30, 2016, for the licensing and modernization project from the information technology pool appropriated in the 2015-2017 operating budget act.

The additional fee expires June 30, 2017.

SB 5121 Relating to establishing a marijuana research license
(Chapter 71, Laws of 2015)

This bill establishes a marijuana research license, administered by the Liquor and Cannabis Board (LCB), to allow a licensee to produce and process marijuana to test chemical potency and composition levels, conduct clinical investigations of marijuana-derived drug products, conduct research on the efficacy and safety of administering marijuana as part of medical treatment, and conduct genomic or agricultural research.

The Life Sciences Discovery Fund Authority will review and approve or deny license applications. The application fee for a marijuana research license is $250, and the annual fee for issuance and renewal of the license is $1,000. Fifty percent of the application and renewal fees must be deposited to the Life Sciences Discovery Fund.

While not explicitly stated in the bill, the LCB may decide through rule making for applicants to apply for a marijuana research license through the Department's Business Licensing Service.

SB 5121 is effective July 24, 2015.

SSB 5280 Relating to the sale of beer and cider by grocery store licensees (Chapter 192, Laws of 2015)

This bill allows a grocery store licensee to receive an endorsement permitting the sale of beer and cider in growlers if:

- The licensee's beer and/or wine sales exceeds 50 percent of total sales; or
- The licensee maintains an alcohol inventory of at least $15,000.

SSB 5280 is effective July 24, 2015.

E2SSB 5353 Relating to marketing opportunities for spirits produced in Washington by craft and general licensed distilleries (Chapter 194, Laws of 2015)

This bill authorizes general and craft distilleries to apply to the Liquor and Cannabis Board (LCB) for an:

- Endorsement to sell their own spirits at retail for off-premises consumption at qualifying farmers markets. The fee for this endorsement is $75; and
- A special permit to allow the distillery to hold a private event for the purpose of tasting and selling spirits of its own production. The permit fee is $10 and is limited to 12 events per distillery per year.

A qualifying farmers market wishing to allow a distillery to sell its spirits at the farmers market must apply to the LCB for authorization.

The bill also contains provisions relating to the delivery of spirits and gift certificates and gift cards.

E2SSB 5353 is effective July 24, 2015.