

SUMMARY OF 2016 TAX & LICENSING LEGISLATION

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

May 2016

This report summarizes the significant revenue and tax legislation of interest to the Department of Revenue (Department) and approved during the 2016 Regular Session and 1st Special Session of the Washington State Legislature. Legislation impacting the Department's Business Licensing Service (BLS) is also summarized. This summary is based on information developed by the Department's Legislation & Policy and Research & Fiscal Analysis Divisions, and is not intended to cover technical details or provide a legal interpretation of the bills. Instead, this report is intended to alert readers to new legislation, assist in its implementation, and serve as a resource for historical research. Fiscal impacts of tax legislation in this summary may be found in "*State Revenue Impact of Major 2016 Tax Legislation*," beginning on page 3.

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STATE REVENUE IMPACT OF MAJOR 2016 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:							
E3SHB 1713	Mental health and chemical dependency	(\$14,000)	(\$1,926,000)	(\$1,940,000)	(\$2,294,000)	(\$2,294,000)	(\$4,588,000)
ESHB 2380	Relating to the capital budget ¹						
SHB 2519	Nuisance abatement cost recovery for cities ¹						
ESHB 2524	Transportation funding and appropriations ¹						
SHB 2539	Inheritance exemption for the real estate excise tax	\$0	(\$32,000)	(\$32,000)	(\$37,000)	(\$38,000)	(\$75,000)
ESHB 2540	Modifying taxpayer annual survey/report penalty	\$0	(\$602,000)	(\$602,000)	(\$330,000)	(\$330,000)	(\$660,000)
HB 2565	Frequency of local sales and use tax changes	\$0	\$0	\$0	\$0	\$0	\$0
HB 2768	Taxes and service charges on certain dental plans	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
2ESHB 2778	Criteria for clean alternative fuel vehicles exemptions	\$0	\$1,618,000	\$1,618,000	\$71,000	\$1,942,000	\$2,013,000
2SHB 2839	Sales and use tax exemption for certain construction	\$0	\$0	\$0	\$0	\$0	\$0
HB 2842	Financing of improvements for state lands	\$0	\$0	\$0	\$0	\$0	\$0
SHB 2884	Alternative fuel commercial vehicles	\$0	\$0	\$0	\$0	\$0	\$0
SHB 2938	Modifying nexus for Washington trade conventions	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
EHB 2959	Local business and licensing simplification	\$0	\$0	\$0	\$0	\$0	\$0
EHB 2971	Relating to real estate and local government	\$0	\$0	\$0	\$0	\$0	\$0
Senate Bills:							
E2SSB 5109	Infrastructure financing for local governments	\$0	\$0	\$0	\$0	\$0	\$0
SSB 5767	Local government treasurer practices and procedures ¹						
SSB 5864	Sales and use tax for cities/newly annexed areas	\$0	\$0	\$0	\$0	(\$2,725,000)	(\$2,725,000)
ESSB 6206	Authorizing the growing of industrial hemp ¹						
SSB 6211	Exemption of property taxes/nonprofit homeownership	\$0	\$0	\$0	\$0	\$0	\$0
SB 6299	Correcting drafting errors (Transportation revenue)	\$0	\$0	\$0	\$0	\$0	\$0
SSB 6337	Tax foreclosed property to cities/affordable housing ¹						
ESSB 6427	County electronic public auctions	\$0	\$0	\$0	\$0	\$0	\$0
NET GENERAL FUND IMPACT		(\$14,000)	(\$942,000)	(\$956,000)	(\$2,590,000)	(\$3,445,000)	(\$6,035,000)

BLS License, Fee & Registration Bills

Bill Num	Bill Description	FY 2016	FY 2017	2015-17 Bien	FY 2018	FY 2019	2017-19 Bien
E2SHB 1763	Regulating music licensing agencies	\$0	\$0	\$0	\$0	\$0	\$0
SHB 2831	Assisting small businesses licensed to sell liquor ¹						
5ESSB 5857	Pharmacy benefit managers	\$0	(\$5,000)	(\$5,000)	(\$12,000)	(\$12,000)	(\$24,000)
SSB 6177	Marijuana research license ¹						
ESSB 6328	Vapor product regulation and taxation	\$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
SHB 2357	Authority of the pollution liability insurance agency - NEW fund	\$0	\$10,000,000	\$10,000,000	\$8,655,000	\$11,155,000	\$19,810,000
SHB 2357	Authority of the pollution liability insurance agency - NEW fund	\$0	\$8,032,000	\$8,032,000	\$18,373,000	(\$2,313,000)	\$16,060,000
SHB 2539	Inheritance exemption for the real estate excise tax - City Couny Assistance Fund	\$0	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$2,000)
SHB 2539	Inheritance exemption for the real estate excise tax - Education Legacy Account	\$0	(\$1,000)	(\$1,000)	(\$2,000)	(\$2,000)	(\$4,000)
SHB 2539	Inheritance exemption for the real estate excise tax - Public Works Assistance Account	\$0	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$2,000)
2ESHB 2778	Criteria for clean alternative fuel vehicles exemptions - Multimodal Transportation Account	\$0	\$75,000	\$75,000	\$3,000	\$90,000	\$93,000
2ESHB 2778	Criteria for clean alternative fuel vehicles exemptions - Performance Audit Account	\$0	\$3,000	\$3,000	\$0	\$3,000	\$3,000

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

HOUSE BILLS

E3SHB 1713 Relating to integrating the treatment systems for mental health and chemical dependency ([Chapter 29, Laws of 2016 1st sp. sess.](#))

This bill integrates the involuntary treatment provisions and systems for chemical dependency and mental health. RCW 82.04.4277 (section 532) is amended to:

- Expand the current business and occupation (B&O) tax deduction for health and social welfare organizations providing mental health services under a government funded program to include chemical dependency services;
- Expand the current B&O tax deduction for behavioral health organizations (BHOs) to include amounts received by BHOs from the state of Washington for distribution to a health and social welfare organization for providing chemical dependency services; and
- Extend the B&O tax deductions described above to January 1, 2020, from August 1, 2016.

Section 532 of E3SHB 1713 is effective April 1, 2016.

SHB 2357 Authority of the pollution liability insurance agency ([Chapter 161, Laws of 2016](#))

This bill deals with several issues affecting the authority of the Pollution Liability Insurance Agency (PLIA). Changes impacting the Department of Revenue:

- Extends the petroleum products tax (PPT) by 10 years to July 1, 2030.
- Decreases the PPT rate from 0.3% to 0.15% after July 1, 2021.
- Transfers from the pollution liability insurance program trust account to the newly created PLIA underground storage tank revolving loan and grant account will occur as follows:
 - On July 1, 2016, the State Treasurer must transfer the excess of \$7.5 million from the pollution liability insurance program trust account, up to \$10 million.
 - On July 1, 2017, and at the beginning of each succeeding biennium:
 - The State Treasurer must transfer the excess of \$7.5 million from the pollution liability insurance program trust account, up to \$20 million.
 - If \$20 million is not available for transfer, at the start of the subsequent fiscal year, the State Treasurer must again transfer the excess of \$7.5 million from the pollution liability insurance program trust account.
 - Total biennial transfers may not exceed \$20 million.

SHB 2357 is effective June 9, 2016.

ESHB 2380 Relating to the capital budget ([Chapter 35, Laws of 2016 1st sp. sess.](#) - Partial Veto)

This bill modifies the 2015-2017 Enacted Capital Budget. Under the bill, the Office of Financial Management (OFM) must submit a report to the Legislature by November 1, 2016, with recommendations on strategies to stabilize revenue and provide more funding for the Model Toxics Control Account. OFM must consult with the Department of Revenue, the Department of Ecology, fiscal and budget staff from the House of Representatives and the Senate, and independent policy experts.

The report must include the following information:

- Historic spending rates and trends for cleaning up toxic sites, preventing and controlling pollution, and splits between operating and capital spending;
- Recommendations on prioritizing funding under the Toxic Controls Account and budget strategies to meet existing and projected needs;
- An evaluation of options to increase sustainability and decrease the volatility of the revenue from the hazardous substance tax;
- An analysis of revenue for toxic cleanup and prevention in other states; and
- Measures to improve transparency, efficiency, and budget accountability.

ESHB 2380 is effective April 18, 2016.

SHB 2519 Relating to nuisance abatement cost recovery for cities ([Chapter 100, Laws of 2016](#))

The bill authorizes cities and towns to levy special assessments against property for the expense of abating a nuisance, which threatens health or safety. The special assessment constitutes a lien against the property, where up to \$2,000 of the lien is of equal rank with state, county, and municipal taxes. The city or town must provide prior notice to the property owner and any identifiable mortgage holder.

SHB 2519 is effective June 9, 2016.

ESHB 2524 Relating to transportation funding and appropriations ([Chapter 14, Laws of 2016](#) - Partial Veto)

This bill makes supplemental transportation appropriations for the 2015-17 fiscal biennium. Section 205(4)(a)(ii) requires the Washington State Transportation Commission to consult with the Department of Transportation, Department of Licensing, Department of Revenue, and State Treasurer in developing the *Road Usage Charge Pilot Project Implementation Plan*.

ESHB 2524 is effective March 25, 2016.

**SHB 2539 Relating to the inheritance exemption for the real estate excise tax
([Chapter 174, Laws of 2016](#))**

This bill allows heirs who inherit real property by operation of law or through a non-probated will to claim a real estate excise tax exemption by using a certified copy of the death certificate and a lack of probate affidavit, 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.

Under the bill, 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.

ESHB 2540 Relating to modifying the penalty for taxpayers that do not submit an annual survey or report ([Chapter 175, Laws of 2016](#))

This bill provides relief to taxpayers who are required to file a tax incentive annual survey or report by:

- Extending the due date for submitting annual surveys and reports from April 30th to May 31st.
- Requiring taxpayers to repay 35 percent of the tax preference taken in the previous calendar year for failing to timely submit the survey or report (reduced from 100 percent).
- Requiring taxpayers to repay an additional 15 percent of the tax preference if they've previously failed to timely submit a survey or report for the same tax preference.
- Relieving taxpayers from interest on amounts due.

The changes to the amount required to be repaid for failing to timely file an annual report or survey apply prospectively as well as retroactively to any taxpayer that had been assessed 100 percent of the tax preference taken for failing to timely submit the annual report or survey, if the taxpayer formally contested such assessment before January 1, 2016, and the matter is pending before the Department or Board of Tax Appeals as of July 1, 2016.

The bill also extends the date by which the Department must publish annual descriptive statistics from annual surveys and reports from December 1st to December 31st.

ESHB 2540 is effective July 1, 2016.

HB 2565 Reducing the frequency of local sales and use tax changes
(Chapter 46, Laws of 2016)

This bill reduces the frequency of local sales and use tax changes from four times per year to three times per year. Under this bill, local sales and use tax changes may be made effective on January 1st, April 1st, or July 1st.

HB 2565 is effective June 9, 2016.

HB 2768 Relating to taxes and service charges on certain qualified stand-alone dental plans offered in the individual or small group markets
(Chapter 133, Laws of 2016)

This bill imposes the insurance premiums tax on stand-alone family dental plans and allows the Washington Healthplanfinder to levy an assessment on standalone family dental plans to help fund operations. The Office of the Insurance Commissioner administers the insurance premiums tax. Amounts subject to the insurance premiums tax are exempt from the business and occupation tax, which the Department of Revenue administers.

HB 2768 is effective June 9, 2016.

2ESHB 2778 Relating to retail sales and use tax exemption criteria for certain clean alternative fuel vehicles (Chapter 32, Laws of 2016 1st sp. sess.)

This bill modifies existing retail sales and use tax exemptions for certain clean alternative fuel vehicles by:

- Expanding the exemptions to include qualifying vehicles whose lowest manufacturer's suggested retail price for the base model is \$42,500 or less, as determined by the Department of Licensing (DOL).
- Narrowing the exemption to a maximum of \$32,000 of:
 - The vehicle's selling price; or
 - The total lease payments made plus the selling price of the leased vehicle if the original lessee purchases the vehicle.
- Expiring the exemptions when the cumulative number of qualified vehicles titled in the state reaches 7,500, as determined by DOL. Leased vehicles that qualified for the exemption before it expires remain exempt from sales tax through the end of the lease, up to the \$32,000 maximum.
- Requiring the Department of Revenue to report to the legislative transportation committees every six months the number of exempt vehicles titled and the amount of exempted tax.

2ESHB 2778 is effective July 1, 2016.

2SHB 2839 Relating to providing a sales and use tax exemption for certain new building construction to be used by maintenance repair operators for airplane repair and maintenance ([Chapter 191, Laws of 2016](#))

This bill provides a sales and use tax exemption for the construction of new buildings located in an international airport owned by a county with a population that exceeds 1.5 million (currently only King County) that will be owned by or leased from a port district, political subdivision, or municipal corporation by a federal aviation regulation (FAR) part 145 certificated repair station.

Specifically, the exemption applies to charges for:

- Labor and services to construct new buildings;
- Tangible personal property incorporated as an ingredient or component of such buildings; and
- Labor and services to install building fixtures not otherwise eligible for exemption as manufacturing machinery and equipment.

The exemption is in the form of a remittance, which requires the buyer to pay tax at the time of purchase and then submit a quarterly refund request to the Department of Revenue (Department). The Department may refund the local portion of the sales tax after July 1, 2016.

Subject to certain employment requirements, the Department may refund the state portion of the tax after the building has been operationally complete for four years, providing that date occurs after December 1, 2021. Refund of the state portion of the tax is authorized if the buyer reports 100 employment positions with an average annualized wage of \$80,000 between September 1, 2020, and September 1, 2021.

2SHB 2839 is effective July 1, 2016.

HB 2842 Relating to financing of improvements for state-owned lands to be transferred for private development ([Chapter 192, Laws of 2016](#))

This bill creates a new tax increment financing program, which allows 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 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 finance public improvement projects.

HB 2842 is effective June 9, 2016.

SHB 2884 Modifying the business and occupation tax and public utility tax credits for alternative fuel commercial vehicles ([Chapter 29, Laws of 2016](#))

This bill expands the business and occupation (B&O) tax and public utility tax (PUT) credits for purchases of clean alternative fuel commercial vehicles to include leased vehicles.

The credit for leased vehicles equals the credit for purchased vehicles multiplied by a lease reduction factor. The lease reduction factor is defined as the gross capitalized cost of the vehicle less the residual value, divided by the gross capitalized cost.

SHB 2884 is effective June 9, 2016.

SHB 2938 Relating to encouraging participation in Washington trade conventions by modifying tax provisions related to establishing substantial nexus ([Chapter 137, Laws of 2016](#))

This bill allows representatives of an out-of-state business to attend or participate in, including exhibiting, a single trade convention in Washington per year without that activity causing the business to have physical presence nexus with the state.

This exception to physical presence nexus does not apply if representatives of the business make retail sales at the trade convention. “Trade convention” is defined as an exhibition for a specific industry or profession that is not marketed to the general public.

The Joint Legislative Audit and Review Committee (JLARC) is directed to review this new tax preference by December 1, 2025. If the review finds that the number of businesses participating in trade conventions in Washington has not increased above 2015 levels, the Department of Revenue and the Washington State Trade and Convention center must provide data necessary for JLARC to make recommendations on how to improve the existing tax preference.

SHB 2938 is effective July 1, 2016.

EHB 2959 Relating to local business tax and licensing simplification ([Chapter 55, Laws of 2016](#))

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 that imposes a local B&O tax.
- One representative from a city or town with a population of fewer than 100,000 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.

EHB 2971 Relating to real estate as it concerns the local government authority in the use of real estate excise tax revenues and regulating real estate transactions ([Chapter 138, Laws of 2016](#))

This bill directs local municipalities and the Municipal Research and Services Center to post electronically a summary and Internet link to adopted ordinances, resolutions, or policies that impose specific requirements on landlords or sellers of real estate. These posting requirements must be met before the adopted requirements can take effect.

It also creates a provision that disqualifies a local municipality from using real estate excise tax (REET) revenues if it enacts any new requirement on landlords, at the time of executing a lease, to perform or provide physical improvements or modifications to real property or fixtures. Such improvements or modifications may be required only if they are necessary to address an immediate threat to health or safety, or are specifically authorized by certain state or federal laws.

EHB 2971 is effective June 9, 2016.

SENATE BILLS

E2SSB 5109 Relating to infrastructure financing for local governments **([Chapter 207, Laws of 2016](#))**

This bill:

- Forfeits all state contribution award amounts approved for jurisdictions that do not impose the Local Revitalization Financing (LRF) tax by December 31, 2016, or send an intent letter as required to the Department of Revenue by July 1, 2016.
- Allows cities or counties to avoid forfeiting their award by sending the Department of Revenue a letter by July 1, 2016, stating their intent to impose the LRF tax by July 1, 2022.
- Moves responsibility for approving awards after June 9, 2016, to the Department of Commerce.
- 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.

Background

Under chapter 39.104 RCW, the Local Revitalization Financing (LRF) program authorizes cities and counties to create “revitalization areas” and allows certain increases in local sales and use tax revenues and local property tax revenues generated from within the revitalization area, additional funds from other local public sources, and a state contribution to be used for financing local public improvements within the revitalization area. The state contribution is provided through a new local sales and use tax, authorized by RCW 82.14.510, that is credited against the state sales and use tax (the "LRF tax").

SSB 5767 Relating to local government treasury practices and procedures **([Chapter 5, Laws of 2016 1st sp. sess.](#) – Veto Overridden)**

The bill revises the authority of county treasurers to accept electronic payments 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.

While SSB 5767 was vetoed by the Governor, the Legislature overrode the veto and passed the bill into law. As a result, SSB 5767 is effective June 28, 2016.

SSB 5864 Relating to sales and use tax for cities to offset municipal service costs to newly annexed areas ([Chapter 5, Laws of 2016](#))

This bill:

- Increases from \$5 million to \$7.725 million per fiscal year the amount of state-shared sales and use tax a city meeting specific population and location requirements may receive when it annexes a new area.
- Reduces the length of time the city may impose the tax from 10 years to 6 years.
- Requires a vote of the people residing in the annexed area.
- Disallows the tax if the city provides sewer service in the annexed area.

This bill affects the North Highline area, an unincorporated area located between Burien and Seattle, which Seattle plans to annex.

SSB 5864 takes effect June 9, 2016.

ESSB 6206 Authorizing the growing of industrial hemp ([Chapter 11, Laws of 2016 1st sp. sess.](#) – Veto Overridden)

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, a plant related to marijuana but not meeting its legal definition, into products for topical use, oral consumption, or human inhalation. Unlike growers of 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.

SSB 6211 Exemption of property taxes for nonprofit homeownership ([Chapter 217, Laws of 2016](#))

This bill:

- Creates a new exemption from state and local property taxes for real property owned by a nonprofit 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.
- Requires the nonprofit to notify the Department when the property becomes occupied and certify that the occupants are low income.
- Defines “low-income household” as a single person, family, or unrelated persons living together whose adjusted income is less than 80 percent of the median family

income as most recently determined by the federal Department of Housing and Urban Development (HUD) for the county in which the property is located.

- 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.

SSB 6211 is effective June 9, 2016.

SB 6299 Relating to correcting certain manifest drafting errors in chapter 44, Laws of 2015 3rd sp. sess. (transportation revenue) ([Chapter 32, Laws of 2016](#))

This bill corrects certain drafting errors that occurred in [2ESSB 5987](#) *Relating to transportation revenue*, passed during the 2015 Legislative Session. In that legislation, two conflicting amounts, \$2.75 million and \$1.5 million, were indicated as the statewide cap for the Commute Trip Reduction Credit Program. The Legislature provided retroactive clarification in section 3 of this bill that the cap was intended to be \$2.75 million.

SB 6299 became effective on March 25, 2016.

SSB 6337 Disposing tax foreclosed property to cities for affordable housing purposes ([Chapter 63, Laws of 2016](#))

Under this bill, when a county does not purchase a tax title property for a public purpose, the county must notify the city in which any tax title property is located and provide the city the 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.

SSB 6337 is effective June 9, 2016.

ESSB 6427 Relating to specifying the documentation that must be provided to determine when sales tax applies to the sale of a motor vehicle to a tribal member ([Chapter 232, Laws of 2016](#))

This bill codifies the documentation and delivery requirements necessary to substantiate tax exempt sales of motor vehicles to Indian tribes or tribal members in their Indian country.

To substantiate the tax exempt status of a tribal member, the seller must require the buyer to present:

- The buyer's tribal membership or citizenship card;
- The buyer's certificate of tribal enrollment; or
- A letter signed by a tribal official confirming the buyer's tribal membership status.

The vehicle must be delivered to the tribe or tribal member in their Indian country and both the buyer and seller must sign a declaration limited to attesting to the delivery location and the tribal member's enrollment status. No other proof of delivery may be accepted in place of or in addition to such declaration. A declaration is not necessary if the sale occurs in the buyer's Indian country.

The seller must keep copies of this documentation for the statutory recordkeeping period as required by RCW [82.32.070](#).

ESSB 6427 is effective June 9, 2016.

BILLS AFFECTING THE BUSINESS LICENSING SERVICE (BLS)

E2SHB 1763 Relating to regulating music licensing agencies ([Chapter 38, Laws of 2016](#))

This bill establishes regulations for performing rights societies and requires the performing rights societies to register and file annually with the Department of Licensing an electronic copy of each performing rights agreement. The Department of Revenue's Business Licensing Service must inform proprietors of their rights and responsibilities regarding the public performance of copyrighted music.

E2SHB 1763 is effective January 1, 2017.

SHB 2831 Relating to assisting small businesses licensed to sell liquor in Washington State ([Chapter 190, Laws of 2016](#))

This bill creates a "wine retailer reseller endorsement" that allows qualifying beer and/or wine specialty shop licensees to sell wine to other retailers, such as restaurants, for on-premise consumption. The endorsement is authorized by the Liquor and Cannabis Board and issued through the Department's Business Licensing Service, for a fee of \$110 per store.

SHB 2831 is effective June 9, 2016.

5ESSB 5857 Relating to registration and regulation of pharmacy benefit managers ([Chapter 210, Laws of 2016](#))

This bill:

- Moves responsibility for pharmacy benefit manager (PBM) registration and annual renewal from the Department of Revenue's Business Licensing Service to the Office of the Insurance Commissioner (OIC).
- Provides for OIC regulation of PBMs.

5ESSB 5857 is effective June 9, 2016, except for section 1 which takes effect January 1, 2017.

SSB 6177 Relating to the marijuana research license ([Chapter 9, Laws of 2016 1st sp. sess.](#) – Veto Overridden)

This bill allows the Liquor and Cannabis Board (LCB) to select a scientific reviewer to review the qualifications of marijuana research license applications. Originally, the Life Sciences Discovery Fund Authority (LSDFA) was required to review these applications, but funding for the LSDFA was eliminated. The Department of Revenue's Business Licensing Service will process the marijuana research license applications after the LCB opens the application process.

While SSB 6177 was vetoed by the Governor, the Legislature overrode the veto and passed the bill into law. As a result, SSB 6177 is effective June 28, 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 ([Chapter 38, Laws of 2016 1st sp. sess.](#))

This bill addresses the regulation of vapor products through licensing requirements and public health/youth access restrictions administered by the Liquor and Cannabis Board (LCB). It does not impose new taxes.

The Department's Business Licensing Service (BLS) issues licenses on behalf of LCB and collects fees under this bill. 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 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.