

SUMMARY OF 2021 LEGISLATION

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

June 2021

This report summarizes the significant legislation impacting the taxes and other programs administered by the Department of Revenue (Department) and passed during the 2021 Regular Session of the Washington State Legislature. The summaries are based on information developed by the Department’s Legislation & Policy and Research & Fiscal Analysis divisions, and are not intended to cover all technical details or provide a legal interpretation of the bills. Instead, this report is intended to alert readers to new legislation and serve as a resource for historical research. Fiscal impacts of legislation in this summary may be found in “*State Revenue Impact of Major 2021 Tax Legislation*,” beginning on page 3.

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STATE REVENUE IMPACT OF MAJOR 2021 TAX LEGISLATION - Sources Impacting Dept. of Revenue Only
(Bills listed below in gray were vetoed by the Governor)

NOTE: Bills listed below in grey were vetoed by the Governor.

State General Fund

Bill #	Type	Bill Description	FY 2022	FY 2023	2021-23 Bien	FY 2024	FY 2025	2023-25 Bien
House Bills:								
1033	2SHB	Employment training program	(\$65,000)	(\$65,000)	(\$130,000)	(\$65,000)	(\$65,000)	(\$130,000)
1034	HB	Park & rec. district levies	\$0	\$0	\$0	\$0	\$0	\$0
1055	HB	Timber purchase reporting	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal
1070	ESHB	Housing/local tax revenue	\$0	\$0	\$0	\$0	\$0	\$0
1091	E3SHB	Transportation fuel/carbon	\$0	\$0	\$0	\$0	\$0	\$0
1095	SHB	Emergency assistance/tax	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
1107	SHB	Nonresident vessel permits	(\$23,000)	(\$27,000)	(\$50,000)	(\$27,000)	(\$27,000)	(\$54,000)
1155	SHB	Emergency comm. sales tax	\$0	\$0	\$0	\$0	\$0	\$0
1189	ESHB	Tax increment financing	\$0	\$0	\$0	\$0	\$0	\$0
1271	SHB	County officials/continuity	\$0	\$0	\$0	\$0	\$0	\$0
1279	SHB	Main street program	(\$250,000)	(\$750,000)	(\$1,000,000)	(\$1,250,000)	(\$1,750,000)	(\$3,000,000)
1296	HB	Behavioral health admin orgs	(\$40,000)	(\$570,000)	(\$610,000)	(\$600,000)	(\$630,000)	(\$1,230,000)
1297	ESHB	Working families' tax exempt.	\$0	(\$236,000,000)	(\$236,000,000)	(\$249,000,000)	(\$257,000,000)	(\$506,000,000)
1309	SHB	Levy certification dates	\$0	\$0	\$0	\$0	\$0	\$0
1322	SHB	Off-road vehicle enforcement	\$0	\$0	\$0	\$0	\$0	\$0
1332	ESHB	Property tax deferral/COVID	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
1386	EHB	Industrial/manuf. facilities	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
1410	ESHB	Home foreclosure/taxes	\$0	\$0	\$0	\$0	\$0	\$0
1438	SHB	Property tax/health expenses	\$0	\$0	\$0	\$0	\$0	\$0
1471	EHB	Community preservation auth.	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal
1477	E2SHB	National 988 system	\$0	\$0	\$0	\$0	\$0	\$0
1480	E2SHB	Liquor licensee privileges	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
1495	HB	Auto dealers/cash incentives ¹	\$0	(\$700,000)	(\$700,000)	(\$1,800,000)	(\$1,800,000)	(\$3,600,000)
1512	E2SHB	Lodging-related assessments	(\$545,000)	(\$568,000)	(\$1,113,000)	(\$593,000)	(\$605,000)	(\$1,198,000)
1514	SHB	Transportation demand	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
1521	ESHB	Warehousing & manuf. jobs	\$0	\$0	\$0	\$0	\$0	\$0

Senate Bills:								
5000	2SSB	Hydrogen/electric vehicles	\$0	(\$40,000)	(\$40,000)	(\$80,000)	(\$130,000)	(\$210,000)
5008	SB	BPA ratepayer assist/B&O tax	(\$590,000)	(\$640,000)	(\$1,230,000)	(\$640,000)	(\$640,000)	(\$1,280,000)
5096	ESSB	Capital gains tax	\$0	(\$77,000,000)	(\$77,000,000)	(\$82,000,000)	(\$88,000,000)	(\$170,000,000)
5220	ESB	Salmon recovery grants/tax	(\$1,800,000)	(\$1,900,000)	(\$3,700,000)	(\$2,000,000)	(\$2,100,000)	(\$4,100,000)
5251	ESSB	Tax and revenue laws	\$0	\$0	\$0	\$0	\$0	\$0
5287	E2SSB	Afford. housing incentives	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
5315	2SSB	Concerning captive insurance ²	\$0	\$0	\$0	\$0	\$0	\$0
5396	2SSB	Farmworker housing/tax	(\$1,200,000)	(\$2,500,000)	(\$3,700,000)	(\$2,500,000)	(\$2,500,000)	(\$5,000,000)
5454	ESB	Prop. tax/natural disasters	\$0	\$0	\$0	\$0	\$0	\$0
NET GENERAL FUND IMPACT (Does not included vetoed bills)			(\$4,513,000)	(\$320,060,000)	(\$324,573,000)	(\$338,755,000)	(\$353,447,000)	(\$692,202,000)

NOTE: Bills listed below in grey were vetoed by the Governor.

BLS License, Fee & Registration Bills - MLS Account Funds

Bill #	Type	Bill Description	FY 2022	FY 2023	2021-23 Bien	FY 2024	FY 2025	2023-25 Bien
1480	E2SHB	Liquor licensee privileges	\$0	\$0	\$0	\$0	\$0	\$0
5272	ESSB	Liquor & cannabis board fees	\$0	\$0	\$0	\$0	\$0	\$0

NOTE: Bills listed below in grey were vetoed by the Governor.

State Funds other than General or BLS Funds

Bill #	Type	Bill Description	Fund/Account	Fund/Account	FY 2023	2021-23 Bien	FY 2024	FY 2025	2023-25 Bien
1107	SHB	Nonresident vessel permits	Performance Audits of Government Account	(\$1,000)	(\$1,000)	(\$2,000)	(\$2,000)	(\$1,000)	(\$3,000)
1296	HB	Behavioral health admin orgs	Workforce Educational Investment Account	(\$10,000)	(\$90,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$200,000)
1297	HB	Working families' tax exempt.	Performance Audits of Government Account	\$0	(\$6,000,000)	(\$6,000,000)	(\$6,000,000)	(\$6,000,000)	(\$12,000,000)
1477	E2SHB	National 988 system	988 behavioral health crisis response and suicide prevention line account	\$17,900,000	\$36,100,000	\$54,000,000	\$54,000,000	\$45,700,000	\$99,700,000

1495	HB	Auto dealers/cash incentives ¹	Workforce Educational Investment Account	\$0	(\$100,000)	(\$100,000)	(\$100,000)	(\$300,000)	(\$400,000)
1512	ESHB	Lodging-related assessments	Performance Audits of Government Account	(\$1,000)	(\$1,000)	(\$2,000)	(\$2,000)	(\$1,000)	(\$3,000)
5003	2SSB	Hydrogen/electric vehicles	Multimodal Transportation Account	\$0	(\$2,000)	(\$2,000)	(\$4,000)	(\$6,000)	(\$10,000)
5003	2SSB	Hydrogen/electric vehicles	Performance Audits of Government Account	\$0	\$0	\$0	\$0	\$0	\$0
5096	ESSB	Capital gains tax	Permanent Common School Account	\$0	\$27,000,000	\$27,000,000	\$51,000,000	\$83,000,000	\$134,000,000
5096	ESSB	Capital gains tax	Education Legacy Trust Account	\$0	\$500,000,000	\$500,000,000	\$509,000,000	\$519,000,000	\$1,028,000,000
5096	ESSB	Capital gains tax	Workforce Educational Investment Account	\$0	(\$8,000,000)	(\$8,000,000)	(\$9,000,000)	(\$9,000,000)	(\$18,000,000)
5220	ESB	Salmon recovery grants/tax	Performance Audits of Government Account	(\$3,000)	(\$3,000)	(\$6,000)	(\$3,000)	(\$3,000)	(\$6,000)
5396	2SSB	Farmworker housing/tax	Performance Audits of Government Account	(\$2,000)	(\$4,000)	(\$6,000)	(\$4,000)	(\$4,000)	(\$8,000)

¹The revenue impact for vetoed bills is shown, but is not included in any totals.

²The Department did not receive a fiscal note request for proposal.

HOUSE BILLS

2SHB 1033 Concerning the Washington customized employment training program (Chapter 116, Laws of 2021)

This bill:

- Extends the existing business and occupation (B&O) tax credit for participants in the Washington Customized Employment Training Program through June 30, 2026.
- Requires the State Board for Community and Technical Colleges to report certain data from the Washington Customized Employment Training Program to the Higher Education Committees of the Legislature.

2SHB 1033 takes effect July 1, 2021.

HB 1034 Concerning park and recreation district levies (Chapter 117, Laws of 2021)

For regular property tax levies of park and recreation districts located on an island within a county with a population of more than two million persons, this bill modifies the aggregate rate limits in tax years 2022 through 2026 as follows:

- Removes these levies from the \$5.90 aggregate rate limit.
- Revises the pro-rationing order within the constitutional one percent aggregate rate limit.
- Expires these changes effective January 1, 2027.

HB 1034 takes effect July 25, 2021.

HB 1055 Extending the expiration date for reporting requirements on timber purchases (Chapter 24, Laws of 2021)

This bill:

- Extends the expiration date for certain timber purchase reporting requirements from July 1, 2021, to September 30, 2025.
- These reporting requirements apply to every purchaser of more than 200,000 board feet of privately owned timber in a voluntary sale.
- The report, which is due by the last day of the month immediately following the purchase, must include details regarding the purchase, such as purchaser and seller data, sale date and price, location of sale, acres involved, volume of timber purchased, permit number if available, and description/value of required property improvements.

The Department of Revenue uses the data collected from these reports in the calculation of stumpage value tables, which are used to calculate the amount of forest excise tax due to the Department by the person who owns the timber at the time it is harvested.

HB 1055 takes effect June 30, 2021.

ESHB 1070 Modifying allowed uses of local tax revenue for affordable housing and related services to include the acquisition and construction of affordable housing and facilities (Chapter 27, Laws of 2021)

This bill expands the allowable uses of revenue from the following local taxes:

- The housing and related services local sales and use tax imposed under [RCW 82.14.530](#) to include acquiring land for affordable housing, facilities providing housing-related services, and behavioral health-related facilities. Affordable housing may now include emergency, transitional, and supportive housing.
- The state-shared lodging tax imposed under [RCW 67.28.180](#) to include housing and facilities for homeless youth for counties with a population of at least 1.5 million.

ESHB 1070 takes effect April 14, 2021.

E3SHB 1091 Reducing greenhouse gas emissions by reducing the carbon intensity of transportation fuel (Chapter 317, Laws of 2021)

This bill:

- Allows the Department of Ecology to create a clean fuels program that caps the greenhouse gas emissions associated with transportation fuels.
- Creates a carbon intensity pollution credit system for covered fuels:
 - Each credit is worth approximately one metric ton of carbon dioxide emissions.
 - Entities may use, generate, buy, sell, or trade credits.
- Provides a B&O exemption for amounts received from the generation, purchase, sale, transfer, or retirement of credits.

E3SHB 1091 takes effect July 25, 2021.

SHB 1095 Concerning the taxation of governmental financial assistance programs addressing the impacts of conditions giving rise to a gubernatorial or presidential emergency proclamation by creating state business and occupation tax and state public utility tax exemptions, a sales and use tax exemption for the receipt of such financial assistance, and clarifying the sales and use tax obligations for goods and services purchased by recipients of such financial assistance (Chapter 4, Laws of 2021)

This bill:

- Exempts qualifying grants from B&O tax, public utility tax, and sales and use tax.

- A “qualifying grant” means government-funded financial assistance given to address the impacts of conditions giving rise to a national emergency or state of emergency, including the COVID-19 pandemic.
- A qualifying grant may be an actual amount of money received or relief from debt, and must be received directly from a government entity or through a non-governmental third party entity authorized to distribute program funds.
- Updates the definition of “retail sale” to clarify that purchases of tangible personal property or certain services made using qualifying grant funds are subject to sales tax.

SHB 1095 takes effect February 19, 2021, and applies retroactively to February 29, 2020.

SHB 1107 Expanding certain nonresident vessel permit provisions (Chapter 150, Laws of 2021)

This bill:

- Broadens eligibility for the nonresident vessel permit to include nonresident vessels chartered with a captain or crew, as long as the charter is three or more days in length, not including transit time to the starting point or from the end point of the charter.
- Subjects permitted vessels that operate as skippered charter vessels to use tax based on the reasonable bare boat rental value of the vessel while it is in Washington.
- Increases the maximum length of vessels eligible for the permit from 164 feet to 200 feet.
- Removes the December 31, 2025, date on which the Department of Revenue would no longer be authorized to approve nonresident vessel permits for entities that are not natural persons.
- Removes the limit of two nonresident vessel permits per vessel within any 36 month period.
- Requires that a vessel owner applying for a permit under [RCW 82.32.865](#) must provide clear, cogent, and convincing evidence that the vessel owner is eligible for the permit, including proof that no Washington resident has an ownership interest in the vessel.

SHB 1107 takes effect July 25, 2021.

SHB 1155 Concerning sales and use tax for emergency communication systems and facilities (Chapter 297, Laws of 2021)

This bill:

- Modifies the distribution of the local sales and use tax counties can impose on retail sales and services within their boundaries to fund emergency communications systems and facilities.

- Requires counties to enter into an inter-local agreement with cities of a certain population within their boundaries to share the revenue from the additional local sales and use tax to fund emergency communication services and facilities.
- Mandates the amount of time the county and city have to enter into the inter-local agreement based on certain population thresholds and provides for when an extension may be granted.
- Provides for the city or county to seek an equitable apportionment of the tax in the county's superior court, if an inter-local agreement is not reached.

SHB 1155 takes effect July 25, 2021.

ESHB 1189 Authorizing tax increment financing for local governments (Chapter 207, Laws of 2021)

This bill:

- Establishes a tax increment financing (TIF) program for financing public improvements within a designated area by using increased revenues from local regular property taxes generated within that area.
- Provides that property taxes to be apportioned using TIF include property tax levies subject to the constitutional one percent and \$5.90 aggregate rate limits.
 - Each taxing district receives that portion of its regular property taxes produced by the rate of tax levied by the taxing district on the “tax allocation base value” within the designated area.
 - The local government that created the designated area receives an additional portion of the regular property taxes levied by each taxing district upon the “increment value” within the designated area. The local government that created the designated area may agree to receive less than the full amount of this portion as long as bond debt service, reserve, and other bond covenant requirements are satisfied. The portion of the tax receipts distributed to the local government may be expended only to finance public improvement costs financed by TIF.
 - The apportionment of regular property taxes must cease when the local government that created the designated area certifies to the county assessor that these revenues are no longer needed to pay the public improvement costs.
 - Any excess apportioned tax revenues must be returned to the county treasurer and distributed to the taxing districts that imposed the taxes.
- Excludes from TIF excess levies, taxes levied by port districts or public utility districts specifically for making payment on bonds, and taxes levied by the state for supporting common schools.

ESHB 1189 takes effect July 25, 2021.

EHB 1271 **Ensuring continuity of operations in the offices of county elected officials during the current COVID-19 pandemic and future public health crises (Chapter 122, Laws of 2021)**

This bill includes a variety of provisions aimed at ensuring the continuity of operations for various local government offices during the COVID-19 pandemic and future public health crises. Relevant to the Department of Revenue, this bill:

- Replaces the requirement for county assessors to physically inspect real property with a requirement to review the characteristics of real property in accordance with the International Association of Assessing Officers standards for physical inspection.
- Provides that when the total amount of personal property taxes due for a year is at least \$50 and at least half of those taxes are paid after April 30 of that year (after the due date for the first tax payment), along with applicable interest and penalties, the remainder is due by October 31 of that year, and is delinquent after that date.

These provisions of EHB 1271 take effect July 25, 2021.

SHB 1279 **Modifying the Washington main street program incentive to respond to the economic impacts of the COVID-19 pandemic (Chapter 112, Laws of 2021)**

This bill makes changes to the Main Street Tax Credit Program by:

- Increasing the allowable business and occupation B&O tax credit and public utility tax (PUT) credit for contributions made to the Main Street Trust Fund from 50% to 75% of the contribution amount.
- Increasing the combined total allowable statewide B&O tax and PUT credit amount from \$2 million to \$5 million per calendar year.
- Increasing the combined total allowable B&O tax and PUT credits for each Main Street Program from \$100,000 to \$160,000 per calendar year.
- Allowing credits for contributions made in 2020 to be carried over an additional two years until December 31, 2023.
- Expiring the preference on January 1, 2032.

These changes take effect October 1, 2021.

HB 1296 **Providing a business and occupation tax preference for behavioral health administrative services organizations (Chapter 124, Laws of 2021)**

This bill:

- Creates a B&O tax deduction for health or social welfare organizations, as defined under [RCW 82.04.431](#), on amounts received as compensation for providing mental health services or substance use disorder treatment services under a government-funded program.
- Provides a B&O tax deduction for behavioral health administrative services organizations, as defined under [RCW 71.24.025](#), for amounts received from the

state for distribution to a health or social welfare organization eligible for a deduction under this bill.

HB 1296 takes effect April 26, 2021.

ESHB 1297 Concerning working families tax credit (Chapter 195, Laws of 2021)

This bill modifies the existing Working Families Tax Credit under [RCW 82.08.0206](#) by:

- Expanding credit eligibility to individuals who would otherwise qualify for the federal Earned Income Tax Credit but filed their federal tax return using an Individual Taxpayer Identification Number instead of a social security number.
- Changing how the amount of the credit is calculated and incorporating a reduced payment structure based on federal phase-out income levels.
- Removing the requirement that the credit be funded in the state budget before individuals can claim the credit.
- Setting credit amounts based on the number of qualifying children, beginning in 2023.
- Establishing percentage payout rate reductions based on the number of qualifying children, as income increases.
- Requiring annual adjustments to the credit amounts to account for inflation based on the Consumer Price Index beginning in 2024.

ESHB 1297 takes effect July 25, 2021.

SHB 1309 Concerning the dates of certification of levies (Chapter 42, Laws of 2021)

This bill:

- Extends the due date from November 30 to December 15 for a county legislative authority (CLA) to certify the county levy amount to the county assessor.
- Extends the due date from November 30 to the first Monday in December for a CLA to certify levy amounts to the county assessor for taxes levied on behalf of taxing districts within or adjacent to the county.
- Clarifies that the county assessor may not certify a levy amount that exceeds the previous year's certified levy amount for a taxing district whose levy was certified to the county assessor after the deadlines mentioned above.

SHB 1309 takes effect July 25, 2021.

SHB 1322 Addressing off-road vehicle and snowmobile registration enforcement (Chapter 216, Laws of 2021)

This bill:

- Requires an Oregon resident who operates an off-road vehicle (ORV) in Washington to register the ORV in this state.

- Waives the registration fee and metal tag fee if the Oregon resident presents an unexpired driver's license and a current ORV registration from Oregon.
- Requires the Department of Licensing to work with the Department of Revenue to contact Washington residents who purchase an ORV or snowmobile warranty from an out-of-state dealer and who have not registered the vehicle in Washington, informing them of the obligation to register and pay the use tax.
- Imposes a fine on Washington residents who register their ORV or snowmobile in another state to avoid the sales and use tax.

SHB 1322 takes effect October 1, 2021.

ESHB 1332 Concerning property tax deferral during the COVID-19 pandemic (Chapter 73, Laws of 2021)

This bill:

- Requires a county treasurer to extend payment of property taxes otherwise due on April 30, 2021, via a payment plan for eligible taxpayers due to the state of emergency related to COVID-19 if all of the following conditions are met:
 - The property is used for business purposes.
 - The owner can demonstrate at least a 25% loss of revenue in 2020, compared to calendar year 2019.
 - The owner requests an extension by April 30, 2021.
- Allows county treasurers to determine the payment schedule and plan, requiring that no penalties or interest apply to taxes due under the payment plan if the taxpayer fully complies with the payment plan.
- Requires that an owner must pass the entire benefit of the payment plan to the tenant if the tenant is responsible for payment of the property taxes.
- Allows a county treasurer to deny extensions within its county if granting such extensions will prevent any taxing jurisdiction from making scheduled bond payments.
- Requires county treasurers to process all requests for extension by June 30, 2021.

ESHB 1332 takes effect April 16, 2021.

EHB 1386 Modifying the property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas (Chapter 218, Laws of 2021)

This bill revises the existing 10-year local property tax exemption for the value of new construction improvements for industrial or manufacturing facilities in targeted urban areas as follows:

- Expands eligibility to allow any city to offer the exemption, rather than certain target cities, and expands the definition of city to include towns.
- Provides certain labor specifications that must be given priority by a city when evaluating applications for the exemption.

- Expands the definition of family living wage jobs to mean a job that offers health care benefits and pays an average of at least \$23 per hour to qualify for the exemption.
- Allows a city to limit the exemption to facilities for manufacturing uses.
- Extends the deadline to apply for an exemption from December 31, 2022, to December 31, 2030.

EHB 1386 takes effect July 25, 2021.

ESHB 1410 Protecting taxpayers from home foreclosure (Chapter 257, Laws of 2021)

This bill:

- Eliminates penalties on delinquent property taxes for residential parcels with four or fewer units beginning January 1, 2022.
- Creates a penalty moratorium for all other properties from January 1, 2022, through December 31, 2022.
- Reduces interest on delinquent property taxes to 9% for residential parcels with four or fewer units beginning January 1, 2023, while all other properties continue to be subject to interest on delinquent property taxes at the rate of 12% per annum.

ESHB 1410 takes effect January 1, 2022.

SHB 1438 Expanding eligibility for property tax exemptions for service-connected disabled veterans and senior citizens by modifying income thresholds for eligibility to allow deductions for common health care-related expenses (Chapter 220, Laws of 2021)

This bill adds a number of new medical costs that may be deducted when calculating "combined disposable income" for purposes of determining eligibility in the following property tax relief programs:

- Senior citizen and people with disabilities property tax exemption program.
- Senior citizen and people with disabilities property tax deferral program.
- Widows and widowers of veteran's property tax grant program.
- Limited income property tax deferral program.

SHB 1438 takes effect July 25, 2021.

E2SHB 1477 Implementing the national 988 system to enhance and expand behavioral health crisis response and suicide prevention services (Chapter 302, Laws of 2021)

Among other things, this bill imposes a new tax to provide funding for the 988 crisis hotline. The tax applies to subscribers of phone lines and consumers of prepaid wireless services.

From October 1, 2021, through December 31, 2022, the tax rate is 24 cents per month for each cell phone line, voice over internet protocol line, or land line, and 24 cents for each retail transaction involving the sale of prepaid wireless services. Beginning January 1, 2023, the tax rate increases to 40 cents.

The tax is collected from the subscriber of the phone service by the service provider, and from the consumer by the seller of prepaid wireless services. All telephone service companies and sellers of prepaid wireless services must remit the collected tax to the Department of Revenue.

E2SHB 1477 contains various effective dates; however, the new tax takes effect October 1, 2021.

E2SHB 1480 Extending certain privileges granted to liquor licensees to mitigate the impact of the coronavirus pandemic ([Chapter 48, Laws of 2021](#))

This bill:

- Extends temporary privileges granted to certain liquor licensees in response to the COVID-19 pandemic, including, but not limited to, granting permission for eligible licensees to sell premixed cocktails and cocktail kits for takeout, curbside service, and delivery. These licensees must obtain an endorsement from the Liquor and Cannabis Board to maintain the temporary privileges.
- Provides a temporary exemption from the spirits sales and liter taxes for mini-bottles of spirits when they are sold by a qualifying liquor licensee holding the proper endorsement. The exemption expires July 1, 2023.

E2SHB 1480 takes effect April 14, 2021.

HB 1495 Providing that qualified dealer cash incentives paid to auto dealers are bona fide discounts for purposes of the business and occupation tax ([Governor vetoed](#))

This bill would have provided a B&O tax deduction to motor vehicle dealers for qualified dealer cash incentives. The bill defined "qualified dealer cash incentive" as a payment or credit offered to a motor vehicle dealer by a manufacturer of a motor vehicle, where all of the following apply:

- The amount of the payment or credit is based on the quantity of a specified type of motor vehicle to be sold at retail by the seller, regardless of whether the seller is required to sell a specified minimum number of vehicles.
- The seller knew the terms of the offer before making the retail sales that generated the payment or credit from the manufacturer.

- The seller is not required to provide any services to the manufacturer in order to receive the payment or credit from the manufacturer.

The Governor stated in his veto message that this bill would nullify a Washington State Supreme Court decision and depart from normal principles of good tax policy without a compelling public policy reason for that departure.

**ESHB 1512 Concerning lodging-related assessments under chapter 35.87A RCW
(Chapter 225, Laws of 2021)**

This bill:

- Authorizes lodging businesses to collect from their guests, as a separately-stated charge, parking and business improvement area special assessments. A lodging business that passes these assessments on to its guests as a separately-stated charge is deemed to be collecting such assessments as an agent for the jurisdiction levying the assessment.
- Establishes that the separately-stated charge is not part of the selling price of the lodging for state and local sales tax purposes or part of the gross proceeds of sales for purposes of the state’s B&O tax.
- Applies retroactively for any taxpayer who has been assessed taxes on any special assessment amounts collected by a lodging business prior to the effective date of the bill. No refunds may be made on taxes lawfully paid prior to the effective date of this legislation.

ESHB 1512 takes effect May 10, 2021.

SHB 1514 Addressing transportation demand management (Chapter 135, Laws of 2021)

This bill:

- Replaces the existing definition of “commuter ride sharing” and “flexible ride sharing” that are used for determining eligibility for various tax credits and exemptions available to ride sharing operations, with a new, broader definition of “ride sharing.”
- Adds “public transportation agencies” to the list of entities defined as ride sharing operators.
- Excludes the following businesses from the definition of “ride sharing,” thereby making them ineligible for the various tax credits and exemptions available to ride sharing operations:
 - Taxi cabs.
 - Charter party or excursion carriers.
 - Auto transportation companies.
 - Private, nonprofit transportation providers.
 - Limousine carriers.
 - Commercial transportation service providers.
 - Peer-to-peer car sharing companies.

- Results in a broader application of the B&O tax, the public utility tax, sales and use tax, and the motor vehicle excise tax credits/exemptions available to ride sharing operations.

SHB 1514 takes effect September 1, 2021.

ESHB 1521 Streamlined Sales and Use Tax Agreement-Local sales tax mitigation payments ([Chapter 83, Laws of 2021](#))

This bill:

- Creates the Manufacturing and Warehousing Job Centers Account.
- Provides quarterly mitigation payments to cities that received a quarterly streamlined sales tax mitigation payment of at least \$60,000 on June 30, 2020.
- States that, beginning July 1, 2021, each qualifying city receives a quarterly mitigation payment equal to the payment provided to that city on June 30, 2020.
- Reduces the amount of the quarterly mitigation payments by 20% from the previous year's payment for that same quarter, beginning July 1, 2022.
- Expires mitigation payments effective July 1, 2026.

ESHB 1521 takes effect July 1, 2021.

SENATE BILLS

2SSB 5000 **Creating a hydrogen fuel cell electric vehicle pilot sales and use tax exemption program ([Chapter 171, Laws of 2021](#))**

This bill:

- Creates a sales and use tax exemption for sales and leases of new and used hydrogen fuel cell powered passenger cars, light trucks, and medium-duty passenger vehicles.
- Exempts 50% of the state sales or use tax due on a qualifying new vehicle.
- Exempts 100% of the state sales or use tax due on a qualifying used vehicle. However, if the sales price or fair market value of the vehicle exceeds \$16,000, the exemption is limited to the amount of tax otherwise due on \$16,000 of the sales price or fair market value.
- Requires the Department of Licensing to maintain a list of qualifying vehicles.
- Provides that once 650 exemptions have been claimed, the exemption will expire at the end of the following month.
- Requires the Washington State Treasurer to transfer funds from the Electric Vehicle Account to the General Fund to offset the lost General Fund revenue that results from this exemption.

2SSB 5000 takes effect July 1, 2022.

SB 5008 **Extending the business and occupation tax exemption for amounts received as credits against contracts with or funds provided by the Bonneville Power Administration and used for low-income ratepayer assistance and weatherization ([Chapter 226, Laws of 2021](#))**

This bill:

- Provides a B&O exemption for funds provided by, or credits against power contracts with, the Bonneville Power Administration to utilities for purposes of implementing energy conservation programs or demand-side management programs.
- Requires that:
 - The tax savings must be used for low-income ratepayer assistance or weatherization.
 - The funds generated for low-income ratepayer assistance and weatherization be additive and not supplant existing funds used for these purposes.
- Expires the credit as of January 1, 2031.

SB 5008 takes effect July 1, 2021.

ESSB 5096 Concerning an excise tax on gains from the sale or exchange of certain capital assets (Chapter 196, Laws of 2021)

This bill:

- Imposes a 7% tax on the sale or exchange of certain long-term capital assets. The taxable amount is an individual's Washington capital gains.
- Establishes that revenues from the tax, and any associated interest and penalties, are distributed as follows:
 - The first \$500 million received each year is deposited into the Education Legacy Trust Account.
 - The remainder is deposited into the Common School Construction Account.
- Exempts the sale or exchange of certain assets from the tax.
- Creates the following deductions from the capital gains tax:
 - A standard deduction of \$250,000 per year per individual, married couple, or domestic partnership. This amount is adjusted for inflation annually.
 - A deduction for the long term capital gain from a taxpayer's sale of a qualified family-owned small business.
 - A charitable donations deduction not to exceed \$100,000 per year per taxpayer, for taxpayers making charitable donations in excess of \$250,000 per year. These amounts are adjusted for inflation annually.
- Creates a B&O tax credit for B&O taxes due on the same sale or exchange that is also subject to the Washington capital gains tax.

ESSB 5096 takes effect July 25, 2021; however, the new tax is not imposed until January 1, 2022.

ESB 5220 Concerning the taxation of salmon recovery grants by updating the state business and occupation tax deduction for these grants, creating a sales and use tax exemption for grant proceeds received by recipients of these grants, and clarifying the sales and use tax obligations for goods and services purchased by recipients of these grants (Chapter 143, Laws of 2021)

This bill:

- Expands the existing B&O tax exemption for salmon restoration grants to include grants by tribal governments, and changes the phrase “salmon restoration” to “salmon recovery.”
- Defines “salmon recovery grant.”
- Exempts the receipt of qualifying salmon recovery grants from retail sales tax.
- Updates the definition of “retail sale” to clarify that purchases of tangible personal property or certain services made using qualified grant funds are subject to sales tax.

ESB 5220 takes effect April 26, 2021.

ESSB 5251 Modifying tax and revenue laws in a manner that is not estimated to affect state or local tax collections, by easing compliance burdens for taxpayers, clarifying ambiguities, making technical corrections, and providing administrative efficiencies (Chapter 145, Laws of 2021)

This bill makes a number of technical corrections and other improvements to tax statutes. These include:

- Changing the due date of the public utility district (PUD) privilege tax.
- Changing the frequency of distributions to local governments of PUD privilege tax and local leasehold excise tax revenue, so that these distributions align with other tax distributions to local governments.
- Changing an out-of-date property tax reference from “maintenance and operation special levies” to “enrichment levies.”
- Clarifying that the term “services rendered in respect to” applies both to B&O tax and retail sales taxes.
- Clarifying when a business’s tax liability begins for businesses reestablishing nexus in Washington.
- Removing ambiguous tax preference claw-back language for semiconductor industry preferences.
- Clarifying that the threshold for the preferential B&O tax rate for travel agents and tour operators is based on the previous year’s taxable income.
- Clarifying royalty income is subject to a B&O tax rate of 1.5%.
- Clarifying that the automatic 10-year expiration date for new tax preferences also applies to the local tax component of a new tax preference.
- Clarifying the effective date of the sales tax exemption for clean alternative fuel and electric vehicles.
- Allowing the Department to disclose confidential tax information in the following circumstances:
 - In response to a federal grand jury subpoena or a subpoena issued by a United States attorney, to be used only in the associated criminal investigation or court proceedings.
 - To individuals against whom the Department has issued an assessment of unpaid trust fund taxes of a defunct or insolvent entity.
- Clarifying that taxpayers need not report employee benefit information on the annual tax performance report required for certain tax preferences.
- Modifying and clarifying the term “inflation” for purposes of calculating school district enrichment levies and thresholds for the senior citizen/disabled person property tax exemption.
- Repealing a duplicate vapor products tax credit statute.

ESSB 5251 takes effect July 25, 2021.

E2SSB 5287 Concerning affordable housing incentives (Chapter 187, Laws of 2021)

This bill makes numerous changes to the multi-family property tax exemption (MFTE), including:

- Creating a new 20-year property tax exemption in cities meeting certain criteria for properties that meet certain conditions, including that 25% of the units must be built by or sold to a qualified non-profit organization or local government that will assure permanently affordable homeownership. Cities not otherwise eligible to offer this exemption may offer this exemption in areas that meet certain minimum zoning density requirements.
- Creating a new 20-year property tax exemption in cities meeting certain criteria, for properties that commit to renting at least 20% of their units to low-income households for at least 99 years and are located within one mile of high capacity transit of at least 15-minute scheduled frequency.
- Authorizing, until December 31, 2026, cities not otherwise eligible to offer the existing MFTE, to offer the 12-year exemption for properties that meet certain affordability requirements and are located in areas that meet certain density requirements.
- Allowing 12-year extensions to the existing 8- and 12-year MFTE exemptions, if the projects meet affordability requirements.
- Prohibiting the approval of new exemptions beginning January 1, 2032, and the granting of extensions beginning January 1, 2046.
- Requiring relocation assistance to qualifying tenants at the end of the 12-year exemption or 12-year extension, unless certain affordability requirements are maintained.
- Decreasing the required unincorporated population for qualifying counties to 170,000, thus expanding eligibility.
- Allowing the use of the median family income for the city or metropolitan statistical area where the project is located, as alternatives to using the median family income for the county where the project is located, in determining whether a household is a low- or moderate-income household.
- Defining “multiple-unit housing” to allow for groups of buildings to qualify as long as the total number of dwelling units is four or more.

E2SSB 5287 takes effect July 25, 2021.

2SSB 5315 Concerning captive insurance (Chapter 281, Laws of 2021)

This bill creates a framework for registering and collecting a premiums tax on eligible captive insurers by the Office of the Insurance Commissioner.

RCW 82.04.320 exempts insurers from the business and occupation (B&O) tax on their insurance business upon which they pay a premiums tax to the state. This bill amends RCW 82.04.320 as follows:

- Provides that for periods before May 12, 2021, the effective date of this bill, captive insurers are deemed to have paid the premiums tax with regard to their insurance business.
- Exempts from B&O tax eligible captive insurers affiliated with a public institution of higher education and that are exempt from premiums tax.

2SSB 5315 takes effect May 12, 2021.

2SSB 5396 **Expanding the sales and use tax exemption for farmworker housing**
(Chapter 250, Laws of 2021)

This bill modifies the existing farmworker sales and use tax exemption by:

- Providing that structures may qualify if 50% of the units in the development are used as farmworker housing.
- Defining the terms “farm work” and “farmworker.”
- Modifying the definition of “farmworker housing” to include housing in which at least one person is a farmworker, or that is used seasonally to house farmworkers.
- Expanding the definition of “agricultural employer” to include employers engaged in aquaculture.
- Providing that the exemption does not apply to housing built exclusively for workers in the United States on an H-2A visa.
- Expiring the exemption effective January 1, 2032.

2SSB 5396 takes effect October 1, 2021.

ESB 5454 **Creating a property tax exemption for homes damaged by natural disasters**
(Chapter 192, Laws of 2021)

This bill establishes a new three-year property tax exemption for improvements to single-family dwellings that have been damaged, and suffered a loss in assessed value of more than 20%, due to a natural disaster. The exemption cannot exceed the amount of the reduction in value resulting from the damage to, or destruction of, the property. This can include a complete re-build of a destroyed home. Qualifying properties must be located in a disaster area declared by the governor or a county legislative authority.

Property owners must apply for the exemption with the county assessor. The county assessor may not approve any applications for exemptions received after June 30, 2026.

ESB 5454 takes effect July 25, 2021.

BILLS AFFECTING THE BUSINESS LICENSING SERVICE

E2SHB 1480 Extending certain privileges granted to liquor licensees to mitigate the impact of the coronavirus pandemic ([Chapter 48, Laws of 2021](#))

This bill:

- Extends temporary privileges granted to certain liquor licensees in response to the COVID-19 pandemic, including, but not limited to, granting permission for eligible licensees to sell premixed cocktails and cocktail kits for takeout, curbside service, and delivery. These licensees must obtain an endorsement from the Liquor and Cannabis Board to maintain the temporary privileges.
- Provides a temporary exemption from the spirits sales and liter taxes for mini-bottles of spirits when they are sold by a qualifying liquor licensee holding the proper endorsement. The exemption expires July 1, 2023.

E2SHB 1480 takes effect April 14, 2021.

ESSB 5272 Concerning temporarily waiving certain Liquor and Cannabis Board annual licensing fees ([Chapter 6, Laws of 2021](#))

This bill:

- Waives certain liquor license renewal fees for the following licenses:
 - Licenses that expire during the 12-month waiver period beginning in the second calendar month after the effective date of the bill.
 - Licenses issued during the 12-month waiver period to persons who previously possessed a valid license in the 12-months prior to the 12-month waiver period.
- Establishes that persons are ineligible for the fee waiver if either:
 - They have received an order of immediate restraint or citation from the Department of Labor and Industries (L&I) for allowing an employee to perform work when their type of business activity was prohibited as a violation of an emergency proclamation of the Governor under [RCW 43.06.220](#).
 - They have a suspended license due to actions taken by the Liquor and Cannabis Board (LCB) for health and safety violations of state COVID-19 guidelines.
- Requires that LCB and L&I each provide the Department of Revenue, upon request, a list of persons that are ineligible for the renewal fee waiver. The lists must be provided within 15 days following a request, unless otherwise agreed.

ESSB 5272 takes effect February 28, 2021.