

## Summary of Legislative Actions Regarding Tax Preferences: 2023 Legislative Session

The Legislature adjourned on April 23. Below are the relevant bills that the Legislature passed and sent to the Governor for signature. As of 4/28/23, not all have been signed.

- 3 bills implement Legislative Auditor recommendations.
- 2 bills relate to future JLARC reviews on our existing schedule.
- 14 bills create new preferences, or expand or amend existing preferences.

### Implement Legislative Auditor recommendations

| Bill #     | Preference   | Performance Statement/JLARC assignment  |
|------------|--|---|
| HB 1018    | <b>Hog fuel</b><br>Implements the 2019 LA recommendation to extend the preference.   | New performance statement extends the expiration date to 1/1/2034 in order to increase the ability of beneficiary facilities to provide at least 75% of their employees with medical & dental insurance and retirement funding.   |
| HB 1573    | <b>Dairy, fruit and vegetable, and seafood processors</b><br>Implements 2 out of 3 of the 2022 LA recommendations by extending preferences to July 1, 2035.                        | New performance statement requires JLARC to evaluate 1) the # of businesses claiming exemptions, 2) the change in total taxable income and total employment for taxpayers using preferences, and 3) total exemptions claimed as a percentage of total taxable income.   |
| E2SSB 5199 | <b>Newspaper publishers</b><br>Implements the 2021 LA recommendation by increasing, expanding, and extending the tax benefit to newspaper and eligible digital content publishers. | -New performance statement requires JLARC to evaluate 1) whether 75% of WA journalism jobs, local newspapers, and community-focused online news outlets are retained, 2) if the preference enables locally based journalism outlets to continue to exist when compared to states that did not provide similar tax incentives.<br>-Beneficiaries are exempt from requirement to report amount of taxpayer savings. |

### Relate to future JLARC reviews on our existing schedule

| Bill #    | Preference   | Performance Statement/JLARC assignment  |
|-----------|--|---|
| SHB 1318  | <b>Airplane repair facilities - new construction</b><br>Amends the preference by extending expiration date, changing employment and wage requirements, and the definition of a qualifying facility.          | -Exempt from tax preference performance statement requirement in 82.32.808.<br>-Current performance statement applies, requiring JLARC to evaluate 3 years after qualifying facility is complete a) whether beneficiaries are on target to meet employment and average annualized wage requirements by end of 4th year of operation; and b) whether the average annualized employee wages are on par with industry standards. |
| 2SHB 1477 | <b>Working families' tax credit</b><br>Expands preference to allow individuals submitting their taxes as "married filing separately" to qualify & allows applications to be submitted for up to three years. | Amends existing performance statement to require JLARC to provide written notice of the expiration to DOR, Chief Clerk of the House, Secretary of the Senate, and the Office of the Code Reviser if JLARC's review finds preference doesn't provide meaningful financial relief.  |

### New, expanded, or amended preferences

| Bill #   | Preference  | Performance Statement/JLARC Assignment  |
|----------|---|---|
| SHB 1163 | <b>Arenas that seat more than 4,000 and meet several other requirements</b><br>Creates new leasehold excise tax exemption for arenas meeting certain requirements.  | -Performance statement requires JLARC to evaluate, for facilities greater than 17,000:<br>1) State and local fiscal impacts.<br>2) The number of employment positions and wages at the facility for all employers, the degree to which employment positions at the facility are filled by people residing in economically distressed regions of the county where the facility is located, and the race and ethnicity of the employees.<br>3) The extent to which the operational entity provides opportunities for patrons of all income levels to enjoy programming by offering seating at a range of price points that are equitably distributed throughout the facility.<br>4) The extent to which the operational entity generally contributes resources to a) organizations that serve the region, b) the communities surrounding the facility, and c) programs and services for youth, arts, music, and culture.<br>-Performance statement includes different evaluation criteria for smaller facilities. |
| HB 1265  | <b>Adult family homes</b><br>Expands property tax exemption for housing for individuals with developmental disabilities regardless of the nonprofit status of the adult family home provider.   | Exempt from tax preference performance statement requirement in RCW 82.32.808.  |
| SHB 1355 | <b>Senior and disabled homeowners</b><br>Increases income threshold for senior, disabled, and qualifying veterans' property tax relief. Allows continued eligibility if income exceeds the threshold due to cost of living adjustments for taxes collected in 2024.                           | Exempt from tax preference performance statement requirement in RCW 82.32.808.  |
| SHB 1431 | <b>Senior living community meals</b><br>Creates a sales/use tax exemption for food, drink, or meals provided by a senior living community to tenants as part of a rental or residency agreement where no separate charge is made, no matter if the tenant meets the definition of "resident." | Exempt from tax preference performance statement requirement in RCW 82.32.808.  |

## New, expanded, or amended preferences

| Bill #     | Preference   | Performance Statement/JLARC Assignment  |
|------------|--|---|
| SHB 1711   | <b>Internet and telecommunications infrastructure for tribes</b><br>Creates new sales/use tax exemptions for qualifying infrastructure projects on land owned by a federally recognized tribe located in a county bordering the Pacific Ocean.   | Exempt from tax preference performance statement requirement in RCW 82.32.808.  |
| SHB 1756   | <b>Renewable energy systems</b><br>Creates a new chapter and excise tax under Title 82 RCW for using qualified renewable energy systems as an electric power source in the state. Also creates a new property tax exemption under 84.36 RCW for taxpayers that pay the new tax.  | Exempt from tax preference performance statement requirement in RCW 82.32.808.  |
| EHB 1812   | <b>Medicaid/B&amp;O tax deductions</b><br>Expands existing B&O tax deduction for certain Medicaid payments to accountable communities of health and public hospitals to include Medicaid transformation project funding.   | Exempt from tax preference performance statement requirement in RCW 82.32.808.  |
| E2SSB 5045 | <b>Incentivizing rental of accessory dwelling units (ADUs) to low-income households</b><br>Creates a new property tax exemption for ADUs if enacted by a county legislative authority. The ADU must be used as a rental property for low income households and meet other requirements.  | Performance statement requires JLARC to:<br>1) Review costs and benefits of the exemption, including the # of applicants, the # of exempted units, any fees or costs to administer the program.<br>2) Evaluate Commerce's inventory and analysis of existing and projected housing needs.<br>3) Summarize statewide costs and benefits attributable to the exemption.<br>4) Evaluate program's impact on low-income households. |
| SSB 5096   | <b>Employee ownership</b><br>Creates a new B&O tax credit for costs related to converting a qualifying business to a worker-owned cooperative, employee ownership trust, or an employee stock ownership plan.  | Performance statement requires JLARC to evaluate the effect of the credit on the number of Washington businesses offering employee stock ownership plans, employee ownership trusts, or ones that have converted to a worker-owned cooperative.   |
| E2SSB 5144 | <b>Environmental management of used batteries</b><br>Creates a new chapter in Title 70A RCW to address a new program for the environmental management of used batteries. Includes a new B&O tax exemption for receipts from a new battery stewardship program.   | Exempt from tax preference performance statement requirement in RCW 82.32.808.  |
| SB 5166    | <b>Cooperative finance organizations</b><br>Creates a new B&O tax deduction for cooperative finance organizations that loan money to rural utility coops, or government/nonprofit entities that operate utilities in rural counties.   | Performance statement requires JLARC to evaluate whether one Washington cooperative finance organization used the deduction.  |
| SSB 5218   | <b>Complex needs mobility enhancing equipment</b><br>Creates a new sales/use tax exemption for mobility enhancing equipment required for patients with complex needs as defined in RCW 74.09.557.  | Exempt from tax preference performance statement requirement in RCW 82.32.808.  |
| ESB 5336   | <b>Neighborhood revitalizations (Main Street Trust Fund)</b><br>Clarifies the tax incentive program population criteria and the approval timeline. No substantive changes to the B&O/PUT tax exemption.  | -Preference is not substantively changed, so no new performance statement is required.<br>-Current performance statement applies, requiring JLARC to evaluate the number of businesses that are a part of main street communities.  |
| ESSB 5447  | <b>Alternative jet fuel production</b><br>Creates three new B&O tax preferences and one new PUT preference to encourage alternative jet fuel production and sales in WA. Preferences cannot be used until the Department of Ecology notifies DOR that there are one or more facilities operating in WA with a cumulative production capacity of at least 20 million gallons of alternative jet fuel each year. | -Performance statement requires JLARC to evaluate:<br>1) Production and use of alternative jet fuels by beneficiaries.<br>2) Any additional pollution resulting from production and use of alternative jet fuels.<br>3) Economic growth in the alternative jet fuel industry.<br>-JLARC review to include racial equity analysis on air travel-related pollution in communities near SeaTac.                                    |