
Finance Committee

HB 1995

Brief Description: Concerning tax preferences.

Sponsors: Representative Thomas.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Repeals unused tax preferences.

Hearing Date: 2/24/25

Staff: Kristina King (786-7190).

Background:

Brokered Natural Gas Tax.

When a consumer uses natural or manufactured gas, and the person who sold the gas to the consumer has not yet paid public utility tax on the sale, use tax is due for the privilege of using the gas. The tax does not apply to gas delivered to the consumer by means other than through a pipeline. This includes compressed natural gas and liquefied natural gas. The state tax rate is 3.852 percent, which is equivalent to the rate of the public utility tax on gas distribution businesses.

Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss. A taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing and wholesaling; and 1.5 percent

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(businesses with taxable income of less than \$1 million) or 1.75 percent (businesses with taxable income of \$1 million or more) for services and for activities not classified elsewhere. There are many specialized B&O tax rates and preferential rates that apply to specific business activities.

Hazardous Substance Tax.

Hazardous substance tax is a tax on the first possession of hazardous substances in Washington. The tax applies to petroleum products, substances listed in the Comprehensive Environmental Response, Compensation and Liability Act, and Federal Insecticide, Fungicide, and Rodenticide Act registered pesticides. The rate of the tax for petroleum products is by barrel and adjusted for inflation every fiscal year. The rate for fiscal year 2025 is \$1.48 per barrel. Non-petroleum products and petroleum products that do not remain in a liquid state are taxed at a rate of 0.7 percent multiplied by the wholesale value of the product.

Leasehold Excise Tax.

State leasehold excise taxes are levied and collected on the act or privilege of occupying or using publicly owned real or personal property through a leasehold interest. A leasehold interest is an interest in publicly owned real or personal property that exists by virtue of any lease, permit, license, or other written or verbal agreement between a public owner and a person who would not be exempt from property taxes if that person owned the property. The leasehold excise tax is levied at a rate of 12.84 percent of taxable rent.

Oil Spill Response and Administration Taxes.

Oil spill response and oil spill administration taxes apply when a marine terminal or bulk oil terminal receives crude oil or petroleum products in Washington from a vessel or barge, rail tank car, or a pipeline. The oil spill response tax rate is 1 cent per 42-gallon barrel of crude oil or petroleum product. The oil spill administration tax rate is 4 cents per 42-gallon barrel. When funds in the oil spill response account fall to \$8 million, owners of crude oil or petroleum products must pay the oil spill response tax. Once the account balance exceeds \$9 million, the department turns the tax off until the account balance dips below \$8 million again.

Petroleum Products Processing Tax.

A tax is imposed on the first possession of petroleum products in Washington. The tax is imposed on the wholesale value of petroleum products in the state. Petroleum products include plant condensate, lubricating oil, gasoline, aviation fuel, kerosene, diesel motor fuel, benzol, fuel oil, residual oil, and every other product derived from the refining of crude oil. Crude oil or liquefiable gases are not petroleum products. The rate of the tax is 0.003 percent.

Property Tax.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the

lesser of inflation or 1 percent plus the value of new construction.

Public Utility Tax.

The gross income derived from the operation of publicly and privately owned utilities is subject to the public utility tax (PUT), unless otherwise exempt. The tax is imposed in lieu of B&O tax and is applied only on sales to consumers. Other income of the utility, such as retail sale of tangible personal property, is subject to the B&O tax. There are six different PUT rates, depending on the specific utility activity. The rates are:

- 3.852 percent on telegraph companies, distribution of natural gas, and the collection of sewage;
- 3.8734 percent on the generation or distribution of electrical power;
- 0.642 percent on urban transportation and watercraft vessels under 65 feet in length;
- 1.926 percent on motor transportation, railroads, railroad car companies, and all other public service businesses;
- 5.029 percent on the distribution of water; and
- 1.3696 percent on log transportation.

Real Estate Excise Tax.

Real Estate Excise Tax (REET) applies to real estate transactions including the sale of property and the transfer of controlling interest in property. The rate applies to the selling price and is usually paid by the seller. The REET is due and payable to the county treasurer in which the property is located on the date of the sale, regardless of the date of recording, except in a controlling interest transfer. The REET is imposed at the following rates:

- 1.1 percent if the selling price is equal to or less than \$525,000;
- 1.28 percent on the portion of the selling price that is greater than \$525,000 but equal to or less than \$1.525 million;
- 2.75 percent on the portion of the selling price that is greater than \$1.525 million but equal to or less than \$3.025 million; and
- 3 percent on the portion of the selling price that is greater than \$3.025 million.

Retail Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes are not collected when the user acquires the property, digital product, or service, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 4.1 percent, depending on the location.

Soft Drinks Syrup Tax.

Soft drinks syrup tax is a tax on the wholesale or retail sale of syrup used in making carbonated beverages. Successive sales of previously taxed syrup are not subject to the tax. The rate is \$1 per gallon.

Tax Preferences.

Tax preferences confer reduced tax liability upon a designated class of taxpayers. These include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. There are over 700 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Baseball Stadium Sales and Use Tax Deferral.

The original construction of a public baseball stadium, owned by a public facilities district, qualifies for a sales and use tax deferral if it has a retractable roof or canopy and has natural turf. The preference has the purpose of encouraging the construction of a professional baseball stadium in King County. The construction of Safeco Field, now T-Mobile Park, was completed in January 2000, and the repayments of deferred sales and use taxes were completed in 2014.

Football Stadium Sales and Use Tax Deferral.

Public stadium authorities are eligible to defer sales and use taxes on the construction of professional football and soccer stadiums and adjacent exhibition centers. Deferred sales tax is repayable over 10 years, starting five years after the stadium becomes operational. The preference has a purpose of encouraging the construction of a professional football and soccer stadium and adjacent exhibition center in Washington. Qwest Field, now Lumen Field, and its exhibition center, which qualified for the deferral, were completed in 2002. Repayment began in 2007 and was completed in 2016.

Ferrosilicon Sales and Use Tax Exclusion.

The definition of retail sale excludes property used in producing ferrosilicon, which is then used to make magnesium. These sales are classified as wholesale transactions. The exempt items must be used primarily to create a chemical reaction with an ingredient of ferrosilicon. No taxpayers claim this exemption.

Aluminum Master Alloy Producers Business and Occupation Tax Exclusion.

A person who produces aluminum master alloys is a processor for hire rather than a manufacturer, regardless of the portion of aluminum provided by the person's customer. Producers of aluminum master alloys pay processing for hire B&O tax upon the total charge for those services. There are no aluminum smelters in Washington. No taxpayers qualify for this exclusion.

Packing Agricultural Products Business and Occupation Tax Exclusion.

Manufacturing B&O tax excludes the process of packing agricultural products. This includes sorting, washing, rinsing, grading, waxing, treating with fungicide, packaging, chilling, or placing in a controlled atmospheric storage. This exclusion is a duplication of the B&O tax deduction under RCW 82.04.4287.

Seafood Products Manufacturing Business and Occupation Preferential Rate.

Beginning July 1, 2035, manufacturers of seafood products that remain in a raw, raw frozen, or salted state receive a preferential B&O tax rate of 0.138 percent for the manufacturing of seafood products and the sale of manufactured seafood products to purchasers who transport it out of state in the ordinary course of business. The general manufacturing B&O tax rate is 0.484 percent; however, seafood product manufacturing is exempt from B&O tax until July 1, 2035.

Nonprofit Research and Development Business and Occupation Preferential Rate.

Income from nonprofit corporations and associations performing research and development services is subject to a B&O tax rate of 0.484 percent. No taxpayers claim this preferential rate.

Nonprofit Student Loan Organizations Business and Occupation Tax Exemption.

Nonprofit organizations exempt from federal income tax may exempt income subject to B&O tax if they:

- are guarantee agencies under the federal guaranteed student loan program;
- issue debt for student loans; and
- provide guarantees for student loans.

Due to the discontinuation of the Federal Family Education Loan Program, the federal government now directly distributes financial aid for education rather than through a nonprofit organization. No taxpayers claim this exemption.

Group Discount Purchases Business and Occupation Tax Exemption.

Memberships in a qualifying discount program are exempt from B&O tax if the seller delivers the membership materials to a point outside the state. No taxpayers claim this exemption.

Semiconductor Microchip Manufacturing After \$1 billion Investment Business and Occupation Tax Exemption.

Businesses that manufacture semiconductor microchips, defined as embedding integrated circuits on semiconductor wafers, are exempt from B&O tax on their manufacturing activity. The exemption is contingent on commencement of commercial operations by a new semiconductor material fabrication facility with an investment in new buildings and equipment amounting to at least \$1 billion. This exemption expired January 1, 2024, due to the contingency not being met.

Endowment Funds Business and Occupation Tax Deduction.

Businesses may deduct income received from endowment funds. Any amounts being claimed under this deduction are deductible under other statutes.

Minor Final Assembly Completed in Washington Business and Occupation Tax Deduction.

The value of a product initially manufactured outside the state may be deducted from the gross amount reported under the manufacturing B&O tax, by manufacturers in Washington, when the following criteria are met:

- any additional processing in Washington consists of minor final assembly;

- minor final assembly does not exceed 2 percent of the sales value; and
- the product is sold and shipped outside of Washington.

The amount of the deduction is equal to the value of the product prior to being brought into Washington. Changes in federal import regulations have resulted in imported truck components no longer being assembled at Washington ports and no taxpayers claim this deduction.

Insurance Claims for State Health Care Coverage Business and Occupation Tax Deduction.

Insurance companies may take a B&O tax deduction for amounts paid on medical or dental claims for state employees incurred prior to July 1, 1990. The purpose of the deduction is to prevent placing commercial insurers at a competitive disadvantage in bidding for state contracts by providing commercial insurers with a deduction that is available to health care contractors and health maintenance organizations. However, the state now self-insures, and no commercial insurer was selected to provide the uniform health plan for state employees. No taxpayers claim this deduction.

Tuition Fees of Foreign Degree-Granting Institutions Business and Occupation Tax Deduction.

Approved branch campuses of foreign degree-granting institutions may deduct income from B&O taxes if exempt from federal income taxes. No taxpayers claim this deduction.

Hospital Delivery System Reform Incentive Payments Business and Occupation Tax Deduction.

Certain hospitals may take a B&O tax deduction for income from Medicaid delivery system reform incentive payments and the transformation project funding distributed by the Health Care Authority through Medicaid demonstration project number 11-W-00304/0. The Centers for Medicare and Medicaid Services approved the project in accordance with section 1115(a) of the Social Security Act. To claim this deduction, a hospital must be owned by a municipal corporation or political subdivision or must be affiliated with a state institution. No taxpayers claim this deduction.

Testing and Safety Labs Business and Occupation Tax Credit.

Nonprofit corporations providing public safety services and information to Washington receive a B&O tax credit for these services. The state must request the services. Qualifying nonprofit corporations must not have any direct or indirect industry affiliation and not charge the state for the provided services. No taxpayers claim this credit.

Natural Gas Sold to Direct Service Industry Business and Occupation Tax Credit.

Direct service industry (DSI) customers, persons who purchase electric power directly from the Bonneville Power Administration, may take a B&O tax credit for the amount of public utility tax due on purchases of natural or manufactured gas used to generate electric power consumed by the DSI customer at its own gas turbine electrical generation facility. The DSI customer may use the tax credit for 60 months following the first qualifying gas purchase and the DSI customer must maintain its existing level of employment to take the credit. No taxpayers claim this credit.

Semiconductor Materials Manufacturing after \$1 Billion Investment New Jobs Business and

Occupation Tax Credit.

Businesses may take a B&O tax credit of \$3,000 for each new manufacturing job created in new structures that manufacture semiconductor materials for up to eight consecutive years if the position is kept on a consecutive annual basis. If the employee works for less than six months during a calendar year, then the credit is reduced to half or \$1,500. The credit is contingent on commencement of commercial operations by a new semiconductor materials fabrication facility with an investment in new buildings and equipment amounting to at least \$1 billion. This credit expired January 1, 2024, due to the contingency not being met.

Aluminum Smelter Purchases of Electricity or Natural Gas Business and Occupation Tax Credit.

Businesses selling electricity, natural gas, or manufactured gas are exempt from B&O tax on sales made to an aluminum smelter when the contract requires the seller to pass the tax savings on to the buyer in the form of reduced power prices. The seller takes the exemption in the form of a tax credit. This tax incentive applies principally to sellers of brokered natural gas because most sellers of power are subject to the PUT and not B&O tax. No taxpayers claim this credit.

Electricity or Gas Sold to Silicon Smelters Business and Occupation Tax Credit.

Persons subject to B&O tax are eligible to take a credit against the tax on the gross income from sales of electricity, natural gas or manufactured gas made to a silicon smelter. The credit is equal to the gross income from the sale multiplied by the corresponding tax rate in effect at the time of the sale. The person taking the credit must specify in the contract of sale of electricity or gas to the silicon smelter that the price charged will be reduced by the credit amount. Resale or remarketing of the electricity or gas originally obtained by contract for the smelting process is not eligible for the credit. This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024. Smelters did not meet the contingency, and the tax preference expired.

Aircraft Part Prototypes Sales and Use Tax Exemption.

Sales of tangible personal property incorporated into or used for modifications made to prototypes of aircraft parts and auxiliary equipment are exempt from sales and use taxes if the business developing the prototypes has taxable annual income of \$20 million or less. The exemption is limited to \$100,000 per business per calendar year. No taxpayers claim this exemption.

Aluminum Production Anodes and Cathodes Sales and Use Tax Exemption.

The sale or use of carbon, petroleum coke, coal tar, pitch, and similar substances that become an ingredient or component of anodes and cathodes used in manufacturing aluminum for sale are exempt from sales and use tax. No taxpayers claim this exemption.

Gravitational Wave Observatory Sales and Use Tax Exemption.

Tangible personal property incorporated into a structure which is an integral part of a laser interferometer gravitational wave observatory is exempt from sales and use tax. No taxpayers claim this exemption.

Semiconductor Materials Manufacturing After \$1 Billion Investment Construction Costs Sales and Use Tax Exemption.

Sales and use tax exemption is available to manufacturers of semiconductor materials who construct new buildings, including parts of new buildings used for qualified manufacturing activities, labor and services in conjunction with construction of facilities for manufacturing semiconductor materials. To qualify for the sales and use tax exemption the firm must keep at least 75 percent of the employees they initially showed would constitute full employment for the plant for at least eight years. Failure to meet the 75 percent employment requirement for any year will result in the loss of one-eighth of the sales and use tax exemption. This exemption is contingent upon commencement of commercial operations by a new semiconductor material fabrication facility with an investment in new buildings and equipment amounting to at least \$1 billion. The necessary facility investment did not occur prior to January 1, 2024.

Semiconductor Materials Manufacturing After \$1 Billion Investment Gases and Chemicals Sales and Use Tax Exemption.

Manufacturers and processors for hire of semiconductor materials are exempt from sales and use taxes on purchases of gasses and chemicals used in the manufacturing process. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least \$1 billion. The exemptions expired January 1, 2024, because the contingency did not occur.

Natural and Manufactured Gas Not Delivered by Pipeline Brokered Natural Gas Tax Exemption.

Natural or manufactured gas delivered to customers by means other than through a pipeline is not subject to a brokered natural gas use tax. Natural gas is only delivered via pipeline and no taxpayers claim this exemption.

Silicon Smelter Use of Natural or Manufactured Gas Brokered Natural Gas Tax Exemption.

Brokered natural gas use tax does not apply to using natural or manufactured gas by silicon smelters. This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024. The tax preference expired as there are no silicon smelter facilities in Washington nor were there any permits for facility projects issued.

Direct Service Industries Brokered Natural Gas Deferral.

A deferral of the tax on brokered natural and manufactured gas is created for DSIs that construct a new gas turbine power plant. DSIs are large industrial manufacturers that purchase power directly from the Bonneville Power Administration. This deferral does not require the amount of this tax to be repaid if the DSI continues generating electricity from the gas turbine for a minimum of five calendar years and the DSI's average employment levels have not dropped below the six-year average level. No taxpayers claim this deferral.

Bailed Tangible Personal Property for Research and Development Sales and Use Tax

Exemption.

A bailee's research, development, experimental, and testing activities is not subject to use tax so long as the property was not subject to sales tax or use taxes when acquired by the bailor. Bailment consists of a bailor granting the temporary right of possession of tangible personal property to another person for a stated purpose without consideration or transfer of ownership. No taxpayers claim this exemption.

Second Narrows Bridge Public Utility Tax Exemption.

A PUT exemption is allowed on income derived from operation of State Route 16 (SR 16) corridor transportation systems and facilities constructed and operated. This exemption addresses the second bridge over Puget Sound at the Tacoma Narrows and exempts any tolls received by the operator of the bridge from a PUT. However, the state receives the tolls, not the business contracted to collect the tolls. Income derived from the operation of SR 16 does not fall under the PUT classifications. Normally, the contractor is subject to B&O tax under the service classification on amounts paid by the state to perform this service. No taxpayer claims this exemption.

Electricity Sold to Direct Service Industry Public Utility Tax Credit.

Sales of electricity from a gas turbine electrical generation facility to a DSI customer are eligible for a PUT credit if the facility makes such sales for at least 10 consecutive years and reduces the price of the electricity by an amount equal to the credit. The tax credit lasts for 60 months following the first qualifying sale of electricity. The DSI customer must maintain existing employment levels for at least five years to qualify. A DSI customer is an industrial customer that purchases power from the Bonneville Power Administration for its own consumption. No taxpayers claim this credit.

Aluminum Smelter Purchases of Power Public Utility Tax Credit.

A business with gross income from the sale of electricity, natural gas, or manufactured gas to an aluminum smelter is eligible for a credit against the PUT owed. The contract for the sale of the electricity or gas must specify that the price charged for the electricity or gas will be reduced by an amount equal to the credit. No taxpayers claim this credit.

Electricity or Gas Sold to Silicon Smelters Public Utility Tax Credit.

Persons who sell electricity, natural gas or manufactured gas to a silicon smelter are eligible to take a credit against public utility tax. The credit is equal to the gross income from the sale multiplied by the corresponding tax rate in effect at the time of the sale. The contract for sale of electricity or gas to the silicon smelter must specify that the price charged will be reduced by the credit amount. Resale or remarketing of the electricity or gas originally obtained by contract for the smelting process is not eligible for the credit. This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024. The contingency was not met, the investment did not occur, and the preference expired.

Alumina and Natural Gas Hazardous Substance Tax Exemption.

Any alumina or natural gas possession is exempt from the tax imposed on the privilege of

possessing hazardous substances in Washington. However, natural gas is not defined as a hazardous substance and is not taxable under the hazardous substance tax. Additionally, there is no aluminum smelter production in the state. No taxpayers claim this exemption.

Petroleum Used Prior to July 1, 1989, Petroleum Products Tax Exemption.

Possession of petroleum before the effective date of tax, July 1, 1989, is exempt. This exemption expires on July 1, 2030. However, no petroleum products obtained before July 1, 1989, remain in inventory in Washington. No taxpayers claim this exemption.

Secondary Transportation Oil Spill Tax Exemption.

Successive receipt or transportation of crude oil or petroleum products is exempt from the oil spill tax after the initial receipt of the same products at a marine or bulk terminal from a vessel or barge, rail tank car, or pipeline. However, for this exemption to be applicable, oil would have to be off-loaded in Washington from a vessel, rail tank car, or pipeline, then reloaded onto another vessel, rail tank car, or pipeline, before being off-loaded a second time in the state. It is assumed this scenario does not happen. No taxpayers claim this exemption.

Inmate Employment Programs Leasehold Excise Tax Exemption.

All leasehold interests for businesses that use space in in-state adult correctional facilities in conjunction with comprehensive inmate work programs are exempt from leasehold excise tax. However, class 1 Department of Corrections industries are unconstitutional, as ruled by the Washington Supreme Court in 2004. No taxpayers claim this exemption.

Second Narrows Bridge Leasehold Excise Tax Exemption.

All leasehold interests in the SR 16 corridor transportation systems and facilities constructed and operated are exempt from leasehold excise tax. This includes the second bridge over Puget Sound at the Tacoma Narrows and its approaches. This exemption was predicated upon the assumption that upon completion of the bridge, the state would lease the bridge to the private entity that constructed the facility to operate and maintain it for the term of the lease. This preference exempts such a lease from leasehold excise tax. However, the ownership arrangements have since changed and no lease of the facility is contemplated. No taxpayer claims this exemption.

Super-Efficient Airplane Production Facilities Leasehold Excise Tax Exemption.

Leasehold interests held by a manufacturer of a super-efficient airplane in property of a port district are exempt from leasehold excise tax. This exemption expires July 1, 2040. However, no known manufacturers of super-efficient airplanes are located on port property in Washington. No taxpayers claim this exemption.

Transfer where REET Previously Paid or the Lease or Contract Began Prior to the 1951 Exemption.

Transfers of real property for which REET taxes have already been paid or through a lease that began prior to 1951 are not subject to state or local REET. No taxpayers claim this exemption.

Foreclosure Relocation Assistance REET Exclusion.

For REET purposes, "total consideration paid" does not include any outstanding lien or encumbrances in favor of a governmental body or any relocation assistance provided during a foreclosure. This exclusion clarifies that governmental liens and relocation assistance are not part of the market price of a property. No taxpayers qualify under this exclusion.

Second Narrows Bridge REET Exemption.

This preference provides a REET exemption for the transfer of SR 16 corridor transportation systems and facilities constructed under a public-private transportation initiative. As originally planned, this exemption enabled the transfer of the newly constructed second bridge at the Tacoma Narrows to the private operator of the bridge without incurring REET. More broadly, this exemption applies to any sale of transportation systems and facilities along the SR 16 corridor, including capital improvements and additions to the corridor's infrastructure, roads, bridges, equipment, park and ride lots, transit stations, transportation management systems, and other related transportation investments. No taxpayers claim this exemption.

Trademarked Carbonated Beverage Syrup Tax Exemption.

Wholesale sales of carbonated beverage syrup are exempt from syrup tax if the syrup sales are to a bottler appointed by the owner of the syrup trademark to manufacture, distribute, and sell the syrup. This preference avoids double taxation since the carbonated beverage syrup is taxed when originally sold by the manufacturer to the bottler. No taxpayers claim this exemption.

Carbonated Beverage Syrup Purchased Before June 1, 1991, Syrup Tax Exemption.

Carbonated beverage syrup taxed at first possession prior to June 1, 1991, is exempt from syrup tax. The imposition of the carbonated beverage tax changed in 1991. Instead of taxation at first possession of the product, the tax applies to the wholesale transaction. This exemption avoids double taxation of the same product in 1991. This exemption no longer applies due to the shelf-life of syrup.

Second Narrows Bridge Property Tax Exemption.

A property tax exemption is provided for SR 16 corridor transportation systems and facilities constructed. This exemption is intended to exempt any private property used in conjunction with construction and operation of the second Narrows bridge in Pierce County which spans Puget Sound. When adopted, the exemption was predicated upon the assumption that the bridge would be built with private funding until construction was complete and subsequently deeded to the state. This exemption was therefore intended to lower the overall cost of the project to enhance the likelihood of private investors funding the cost of construction. There is no private property in use on the second Narrows Bridge project. No taxpayers claim this exemption.

Student Loan Organizations Property Tax Exemption.

Property owned by nonprofit organizations, exempt from federal income tax, that guarantee federal student loans or issue debt to provide student loans is exempt from property tax. No taxpayers claim this exemption.

Nonprofit Radio and TV Broadcast Facilities Property Tax Exemption.

Property tax does not apply to real and personal property used by nonprofit organizations that rebroadcast or amplify the transmission or reception of free radio or television signals broadcast by foreign or domestic government agencies. No taxpayers claim this exemption.

Summary of Bill:

Beginning January 1, 2027, the following tax preferences are repealed or sunset:

- baseball stadium sales and use tax deferral;
- football stadium sales and use tax deferral;
- ferrosilicon sales and use tax exclusion;
- aluminum master alloy producers B&O tax exclusion;
- packing agricultural products B&O tax exclusion;
- seafood products manufacturing B&O preferential tax rate;
- nonprofit research and development B&O preferential tax rate;
- nonprofit student loan organizations B&O tax exemption;
- group discount purchases B&O tax exemption;
- semiconductor microchip manufacturing after \$1 billion investment B&O tax exemption;
- endowment funds B&O tax deduction;
- minor final assembly completed in Washington B&O tax deduction;
- insurance claims for state health care coverage B&O tax deduction;
- tuition fees of foreign degree-granting institutions B&O tax deduction;
- hospital delivery system reform incentive payments B&O tax deduction;
- testing and safety labs B&O tax credit;
- natural gas sold to direct service industry B&O tax credit;
- semiconductor materials manufacturing after \$1 billion investment new jobs B&O tax credit;
- aluminum smelter purchases of electricity or natural gas B&O tax credit;
- electricity or gas sold to silicon smelters B&O tax credit;
- aircraft part prototypes sales and use tax exemption;
- aluminum production anodes and cathodes sales and use tax exemption;
- gravitational wave observatory sales and use tax exemption;
- semiconductor materials manufacturing after \$1 billion investment construction costs sales and use tax exemption;
- semiconductor materials manufacturing after \$1 billion investment gases and chemicals sales and use tax exemption;
- natural and manufactured gas not delivered by pipeline brokered natural gas tax exemption;
- silicon smelter use of natural or manufactured gas brokered natural gas tax exemption;
- direct service industries brokered natural gas tax deferral;
- bailed tangible personal property for research and development sales and use tax exemption;
- second narrows bridge PUT exemption;
- electricity sold to direct service industry PUT credit;

- aluminum smelter purchases of power PUT credit;
- electricity or gas sold to silicon smelters PUT credit;
- alumina and natural gas hazardous substance tax exemption;
- petroleum used prior to July 1, 1989, petroleum products tax exemption;
- secondary transportation oil spill tax exemption;
- inmate employment programs leasehold excise tax exemption;
- second narrows bridge leasehold excise tax exemption;
- super-efficient airplane production facilities leasehold excise tax exemption;
- transfer where REET previously paid or the lease or contract began prior to 1951 exemption;
- foreclosure relocation assistance REET exclusion;
- second narrows bridge REET exemption;
- trademarked carbonated beverage syrup tax exemption;
- carbonated beverage syrup purchased before June 1, 1991, syrup tax exemption;
- second narrows bridge property tax exemption;
- student loan organizations property tax exemption;
- nonprofit radio and TV broadcast facilities property tax exemption.

Appropriation: None.

Fiscal Note: Requested on February 17, 2025.

Effective Date: The bill contains multiple effective dates. Please see the bill.