

# FINAL BILL REPORT

## ESHB 1862

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Synopsis as Enacted

**Brief Description:** Providing tax exemptions for the assistance of disabled veterans and members of the armed forces of the United States of America.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Leavitt, Barnard, Tharinger, Graham, Couture, Duerr, Barkis, Bronoske, Slatter, Chapman, Simmons, Jacobsen, Timmons, Callan, Street, Sandlin, Donaghy, Doglio, Goodman, Caldier, Robertson, Hutchins, Reeves, Lekanoff, Riccelli, Hackney, Pollet and Shavers).

**House Committee on Finance**  
**Senate Committee on Ways & Means**

### **Background:**

#### 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.

#### 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 were not collected when the user acquired the property, digital products, or services, 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 4.0 percent, depending on the location.

#### Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions,

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exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 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.

Adaptive Recreation and Rehabilitation.

Adaptive recreation or rehabilitation is the use of activity modifications or assistive technologies to allow people with disabilities to participate in recreational activities, sports, or physical rehabilitation efforts.

**Summary:**

Sales made on a military reservation by a nonprofit operating an adaptive recreational and rehabilitation facility that is dedicated to the assistance of disabled veterans and members of the armed forces are exempt from retail sales and use tax and B&O tax. A TPPS is included, and the exemptions expire January 1, 2035.

**Votes on Final Passage:**

House	90	0
Senate	49	0

**Effective:** October 1, 2024