

SENATE BILL REPORT

ESHB 1862

As of February 20, 2024

Title: An act relating to providing tax exemptions for the assistance of disabled veterans and members of the armed forces of the United States of America.

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).

Brief History: Passed House: 2/15/24, 90-0.

Committee Activity: Ways & Means: 2/20/24.

Brief Summary of Bill

- Provides a business and occupation tax exemption for amounts received from sales on a military reservation by a nonprofit that operates an adaptive recreational and rehabilitation facility that serves disabled veterans and members of the armed forces.
- Provides a retail sales and use tax exemption for sales on a military reservation by a nonprofit that operates an adaptive recreational and rehabilitation facility dedicated to the assistance of disabled veterans and members of the armed forces.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Tianyi Lan (786-7432)

Background: Retail Sales and Use Tax. Retail sales taxes are imposed on retail sales of

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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. Both the state and local governments impose 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. Unless specifically exempt, all transactions or uses of property or services in the tax base are subject to retail sales and use taxes.

Business and Occupation Tax. The state business and occupation tax (B&O) is Washington's primary business tax. It is a gross receipts tax measured on the value of products, gross proceeds of sale, or gross income of the business. There are no deductions from the B&O tax for labor, materials, taxes, or other costs of doing business.

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, exemptions, preferential tax rates, deferrals, and credits. Washington currently has over 700 tax preferences. 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 can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten 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. Sales and use tax, as well as B&O tax, applies to the operation of an athletic or fitness facility, which would include facilities used for adaptive recreation and rehabilitation.

Summary of Bill: This bill creates B&O and retail sales tax exemptions for amounts received from sales on a military reservation by a nonprofit organization operating an adaptive recreational and rehabilitation facility dedicated to the assistance of disabled veterans and members of the armed forces. The bill also creates a use tax exemption for the use of tangible personal property purchased by a disabled veteran or members of the armed forces on a military reservation from such an organization.

Adaptive recreational and rehabilitation facility means a facility that provides activity modifications, assistive technologies, or other services to allow people with disabilities to participate in recreational activities, sports, or physical rehabilitation efforts.

A TPPS is included, and all exemptions expire January 1, 2035.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on October 1, 2024.

Staff Summary of Public Testimony: PRO: Veterans serve this country and this bill gives back to them for their service by supporting their healing process. This is especially important for disabled veterans. This bill provides opportunities for recreational activities that are modified and adaptive to the needs of disabled veterans. The golf course changed many lives for the better and increases their opportunities for both physical and mental strength.

This bill is a codification of existing practice. The American Lake Veterans Golf Course Program used to be operated by the Department of Veteran's Affairs (VA) and was tax exempt. However, in 1995, the federal government withdrew all funding for the operation and maintenance of all VA golf courses. The American Lake Veterans Golf Course fell into serious disrepair and was nearly abandoned. In 2004 the Friends of American Lake Golf Course, a nonprofit organization, was formed and the course is now run by volunteers. Nonprofit organizations legally must remit B&O, and retail sales and use taxes. The bill is a very simple solution to allow the nonprofit to continue to serve the disabled population tax-free.

Persons Testifying: PRO: Allen Acosta, Veterans Legislative Coalition; Jerry Fugich, Veterans Legislative Coalition; Jason Bryan, American Lake Veterans Golf Course.

Persons Signed In To Testify But Not Testifying: No one.