

**SB 5977-S - DIGEST**

(DIGEST AS ENACTED)

Addresses revenue provisions as follows: (1) Provides tax credits to businesses in main street communities;

(2) Creates a business and occupation tax exemption for agricultural fertilizer and seed;

(3) Extends preferential business and occupation tax rates for manufacturers and wholesalers of specific solar energy material and parts and for manufacturers and processors for hire of semiconductor materials;

(4) Extends preferential sales and use tax rates for gases and chemicals used in the production of semiconductor materials;

(5) Provides a public utility tax credit, a business and occupation tax credit, and an exemption from the brokered natural gas use tax for silicon smelters;

(6) Extends the sales tax deferral on construction and expenditure costs of up to two new manufacturing facilities per calendar year;

(7) Extends the sales and use tax deferral for historical auto museums;

(8) Exempts land removed from the designated forest land program, due to certain natural disasters, from payment of compensating taxes;

(9) Increases the business and occupation tax credit for qualifying activities to attract additional motion picture and film projects;

(10) Exempts martial arts from retail sales taxes and makes it subject to service and other business and occupation tax;

(11) Provides a leasehold excise tax credit to the University of Washington and Washington State University; and

(12) Provides a leasehold excise tax exemption for certain leasehold interests in facilities owned or used by community or technical colleges.

VETO MESSAGE ON SSB 5977

July 7, 2017

To the Honorable President and Members,  
The Senate of the State of Washington

Ladies and Gentlemen:

I am returning herewith, without my approval as to Sections 201-205 and 601-606, Substitute Senate Bill No. 5977 entitled:

"AN ACT Relating to revenue."

Sections 201 to 205 reduce the general manufacturing business and occupation tax rate and the processing [for] hire rate over four years, beginning in 2019. But at a time when we are asking homeowners to pay more in property taxes to support our children's education, Sections 201 to 205 instead give a tax break to business; and, 21 percent of the revenue from this tax break goes to out-of-state oil companies. This revenue could be used for education, mental health, public safety, and a host of other important public services.

Moreover, these tax reductions should be considered in a thoughtful, transparent process that incorporates public input and business accountability.

Sections 601 to 606 make sales and use tax exemptions to encourage the conversion of power plants to natural gas or biomass from coal. These sections incentivize a company to do something that it is already required to do by law, giving it an unfair advantage over other Washington companies.

For these reasons I have vetoed Sections 201-205 and 601-606 of Substitute Senate Bill No. 5977.

With the exception of Sections 201-205 and 601-606, Substitute Senate Bill No. 5977 is approved.

Respectfully submitted,  
Jay Inslee  
Governor