

FINAL BILL REPORT

SHB 1711

C 355 L 23
Synopsis as Enacted

Brief Description: Providing a sales and use tax exemption related to internet and telecommunications infrastructure projects involving a federally recognized Indian tribe.

Sponsors: House Committee on Finance (originally sponsored by Representatives Chapman, Tharinger, Lekanoff, Ryu, Callan, Reed, Volz, Kloba, Stearns, Stokesbary and Santos).

House Committee on Finance
Senate Committee on Ways & Means

Background:

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 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, exemptions, preferential tax rates, deferrals, and credits. 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 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 10 years unless an alternative expiration date is provided.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Summary:

A state sales and use tax exemption for building materials, telecommunications equipment, or any personal property used or incorporated into a qualified infrastructure project is provided. The exemption also applies to charges made for the labor and services related to the construction of a qualified infrastructure project or the installation of any equipment or personal property incorporated into such project. The total amount of state sales and use tax that may be exempted for a project is limited to \$8 million.

A taxpayer seeking the exemption must submit an application to the Department of Revenue in order to obtain an exemption certificate. The application must include a certification from the owner of a qualified infrastructure project that the taxpayer is associated with the project.

The exemption certificate must be presented to the seller at the time of sale. The exemption certificate is effective from the date of issuance and no refunds may be issued for purchases made prior to the effective date. The exemption certificate expires on the earlier of the date the project is certified complete or on January 1, 2030, whichever is first.

The work on the qualified infrastructure project must be performed under the terms of a community workforce agreement or project labor agreement negotiated prior to the start of a qualified infrastructure project.

A "qualified infrastructure project" means the construction of buildings and utilities related to the deployment of modern global internet and telecommunications infrastructure that occurs in part in a distressed county located on the coast in Washington.

A "qualified infrastructure project owner" means a wholly owned subsidiary of a federally recognized tribe and that is located in a county that borders the Pacific Ocean that is developing a qualified infrastructure project.

The act expires January 1, 2030, and the requirements of a Tax Preference Performance Statement, including a review by the Joint Legislative Audit and Review Committee, do not apply to this exemption.

Votes on Final Passage:

House	95	0	
Senate	48	0	(Senate amended)
House	96	0	(House concurred)

Effective: July 1, 2023