

SENATE BILL REPORT

SB 5259

As of January 24, 2023

Title: An act relating to ensuring commerce and workplaces are safe from product theft.

Brief Description: Ensuring commerce and workplaces are safe from product theft.

Sponsors: Senators Keiser, King, Conway, Lovick, Hunt, Kuderer, Nobles and Wilson, C..

Brief History:

Committee Activity: Labor & Commerce: 1/26/23.

Brief Summary of Bill

- Establishes the Organized Retail Theft Task Force.
- Establishes a business and occupation tax credit for physical security improvements to mercantile establishments.
- Reduces the cannabis excise tax for physical security improvements to cannabis retail establishments.
- Prohibits certain retail establishments from disciplining an individual who intervenes with the purpose of investigating or questioning the ownership of merchandise at a mercantile establishment, subject to certain conditions.

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Jarrett Sacks (786-7448)

Background: Organized Retail Theft. A person is guilty of organized retail theft if the person:

- commits theft of property with a value of at least \$750 from a mercantile establishment with an accomplice;

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- possesses stolen property with a value of at least \$750 from a mercantile establishment with an accomplice;
- commits theft of property with a cumulative value of at least \$750 from one or more mercantile establishments within a period of 180 days; or
- commits theft of property with a cumulative value of at least \$750 from a mercantile establishment with no less than six accomplices and makes or sends at least one electronic communication seeking participation in the theft in the course of planning or commission of the theft.

A person is guilty of organized retail theft in the first degree if the property stolen or possessed has a value of \$5,000 or more. Organized retail theft in the first degree is a class B felony. A person is guilty of organized retail theft in the second degree if the property stolen or possessed has a value of at least \$750, but less than \$5,000. Organized retail theft in the second degree is a class C felony.

Retail Theft with Special Circumstances. Retail theft with special circumstances is theft from a mercantile establishment with one of the following special circumstances:

- to facilitate the theft, the person leaves the mercantile establishment through a designated emergency exit;
- the person was, at the time of the theft, in possession of an item, article, implement, or device designed to overcome security systems including, but not limited to, lined bags or tag removers; or
- the person committed theft at three or more separate and distinct mercantile establishments within a 180-day period.

Retail theft with special circumstances in the first degree involves theft of property worth \$5,000 or more. It is a class B felony. A person is guilty of retail theft with special circumstances in the second degree if the property is worth \$750 to \$4,999. Retail theft with special circumstances in the second degree is a class C felony. Retail theft with special circumstances in the third degree involves theft of property worth under \$750. It is also a class C felony.

Organized Retail Theft Task Force. In June of 2022, Attorney General Bob Ferguson announced the creation of the Organized Retail Theft Task Force to improve coordination and collaboration among law enforcement agencies to address organized retail theft. The first meeting of the task force occurred July 7, 2022.

Business and Occupation Tax. The business and occupation (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. The B&O tax rate varies by classification.

Cannabis Excise Tax. The cannabis excise tax is equal to 37 percent of the selling price on each retail sale in Washington of cannabis concentrates, useable cannabis, and cannabis-infused products. This tax is separate and in addition to general state and local sales and use

taxes that apply to retail sales of tangible personal property, and is not part of the total retail price to which general state and local sales and use taxes apply. The tax must be reflected in the price list or quoted shelf price in the licensed cannabis retail store and in any advertising that includes prices for all cannabis products. All revenues collected from the cannabis excise tax must be deposited each day in the Dedicated Cannabis Account.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Retail Theft Task Force. The organized retail theft task force is established to improve coordination and collaboration among law enforcement agencies. The attorney general must appoint members on the task force and may increase the size of the task force as necessary. Staff support for the task force is provided by the Attorney General's Office. The task force must work with mercantile establishments and their associations to collect and aggregate data on incidents of organized retail theft. The task force must also work with the Liquor and Cannabis Board and its retail licensees to collect and aggregate similar data. Mercantile establishments and cannabis retail licensees that experience incidents of retail theft must report incidents to the task force.

Business and Occupation Tax Credit and Cannabis Excise Tax Reduction. A person is allowed a B&O tax credit for physical security improvements to a mercantile establishment owned by the person claiming the credit. The credit equals the amount spent on physical security improvements in the previous four quarters up to \$3,000. Unused credit may be carried over and used in subsequent tax reporting periods, but may not be claimed more than 12 months after the reporting period in which the credit was earned. A person must apply with the Department of Revenue (DOR) prior to claiming the credit and file documents electronically as required by DOR. The tax credit expires on June 30, 2030.

The cannabis excise tax is reduced from 37 percent to 32 percent for cannabis retailers that spend \$3,000 or more for physical security improvements to prevent theft at a cannabis retail establishment in a calendar year. The reduced rate begins the month after the \$3,000 threshold is met and expires after 12 months. The reduced tax may be applied to multiple cannabis retail stores owned by the same person if the \$3,000 threshold is met at each individual retail store. The reduced tax rate may only be claimed once for each cannabis retail establishment. The provisions related to the excise tax reduction expire June 30, 2030.

"Physical security improvements" means physical improvements, additions, or other similar changes to a mercantile establishment exclusively for the purposes of preventing the theft of merchandise, including, but not limited to:

- security cameras;
- antitheft mirrors and signage;
- merchandising security equipment;
- locking display cases or display locks;

- electronic article surveillance; and
- storefront crash barriers or safety bollards.

A tax preferences performance statement is included, stating that the public policy objective is to reduce theft at retailers in Washington and to incentivize retailers to implement security precautions that reduce or prevent theft and ensure that such measures are accessible to all retailers.

Employee Intervention in Retail Theft. Retail establishments with 50 or more employees are prohibited from disciplining, terminating, or discriminating against an individual who engaged, intervened, or attempted to intervene with a person for the purpose of investigation or questioning as to the ownership of any merchandise, provided:

- the employee does not physically detain or restrain the person;
- the person is engaged in a reasonable manner and for not more than a reasonable time to permit an investigation or questioning by a peace officer or by the owner of the mercantile establishment or their authorized employees; and
- the employee had reasonable grounds to believe that the person was committing or attempting to commit theft on the premises of the merchandise.

An employer who violates the prohibition is liable in a civil cause of action for actual or statutory damages of \$10,000, whichever is more, as well as reasonable attorneys' fees and costs.

Reasonable grounds includes, but is not limited to, knowledge that a person has concealed unpurchased merchandise of a mercantile establishment. A reasonable time means the time necessary to permit the person detained to make a statement or to refuse to make a statement, and the time necessary to examine employees and records of the mercantile establishment relative to the ownership of the merchandise.

Effective Dates. The bill contains an emergency clause and the non-tax related provisions take effect immediately. The tax-related provisions take effect January 1, 2024.

Appropriation: None.

Fiscal Note: Requested on January 18, 2023.

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

Effective Date: The bill contains several effective dates. Please refer to the bill.