H-0053.2

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**HOUSE BILL 1002**

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**State of Washington 67th Legislature 2021 Regular Session**

**By** Representatives Walen, Ryu, Wicks, Leavitt, Boehnke, Shewmake, Ortiz-Self, Lekanoff, Duerr, Orcutt, Corry, Slatter, Wylie, Tharinger, Ramel, Senn, Goodman, Callan, Graham, Ramos, Hackney, Vick, Robertson, Kirby, Paul, Barkis, Riccelli, Springer, Stonier, Fey, Santos, Stokesbary, and Rule

AN ACT Relating to providing a business and occupation tax exemption for qualifying grants related to COVID-19 relief; adding a new section to chapter 82.04 RCW; adding a new section to chapter 82.16 RCW; creating a new section; providing expiration dates; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  A new section is added to chapter 82.04 RCW to read as follows:

(1) This chapter does not apply to any person with respect to the value proceeding or accruing from a qualifying grant.

(2) For purposes of this section, "qualifying grant" means an amount received, or relief from debt or other legal obligation, that:

(a) Does not otherwise qualify for an exemption or deduction under this chapter;

(b)(i) Is received directly from the United States government, the state of Washington or any of its municipal corporations or political subdivisions, or a federally recognized Indian tribe located at least partially within the geographical boundaries in the state of Washington, except that the relief from debt or other legal obligation may also be received from a private entity under circumstances where, in exchange for providing the relief, the private entity receives some form of direct financial benefit from any of these government entities; or

(ii) Is received directly from a nonprofit organization as defined in RCW 82.04.3651;

(c) Is provided to address the impacts of conditions giving rise to an official proclamation of a national emergency by the president of the United States or an official proclamation of a state of emergency by the governor of this state related to the COVID-19 pandemic; and

(d) Is not an amount received:

(i) Under a contract, including a sole source contract, for the acquisition of specific goods or services, or both, by purchase, lease, or barter, that was solicited and established in accordance with procurement laws or regulations; or

(ii) For manufacturing, extracting, or making sales of products, when the amount received is determined based on the quantity of products manufactured, extracted, or sold. For purposes of this subsection (2)(d)(ii), "products" has the same meaning as in RCW 82.32.023.

(3) For purposes of a grant awarded to address the impacts of conditions giving rise to a national emergency or state of emergency related to the COVID-19 pandemic, the exemption under this section applies only if the legislation authorizing the grant or the associated legislative history, or public records created by the grantor, clearly indicate that the grant was established to address the impacts of conditions giving rise to a national emergency or state of emergency.

(4) This section expires January 1, 2023.

NEW SECTION. **Sec.**  A new section is added to chapter 82.16 RCW to read as follows:

(1) This chapter does not apply to any person with respect to the value proceeding or accruing from a qualifying grant.

(2) For purposes of this section, "qualifying grant" means an amount received, or relief from debt or other legal obligation, that:

(a) Does not otherwise qualify for an exemption or deduction under this chapter;

(b)(i) Is received directly from the United States government, the state of Washington or any of its municipal corporations or political subdivisions, or a federally recognized Indian tribe located at least partially within the geographical boundaries in the state of Washington, except that the relief from debt or other legal obligation may also be received from a private entity under circumstances where, in exchange for providing the relief, the private entity receives some form of direct financial benefit from any of these government entities; or

(ii) Is received directly from a nonprofit organization as defined in RCW 82.04.3651;

(c) Is provided to address the impacts of conditions giving rise to an official proclamation of a national emergency by the president of the United States or an official proclamation of a state of emergency by the governor of this state related to the COVID-19 pandemic; and

(d) Is not an amount received:

(i) Under a contract, including a sole source contract, for the acquisition of specific goods or services, or both, by purchase, lease, or barter, that was solicited and established in accordance with procurement laws or regulations; or

(ii) When the amount received or accrued during a tax reporting period is determined based on the amount of business actually conducted during that tax reporting period, such as the quantity, volume, or weight of products sold or transported, or the number of passengers transported. For purposes of this subsection (2)(d)(ii), "products" has the same meaning as in RCW 82.32.023 and includes electrical energy, water, natural gas, manufactured gas, and transporting persons or property.

(3) For purposes of a grant awarded to address the impacts of conditions giving rise to a national emergency or state of emergency related to the COVID-19 pandemic, the exemption under this section applies only if the legislation authorizing the grant or the associated legislative history, or public records created by the grantor, clearly indicate that the grant was established to address the impacts of conditions giving rise to a national emergency or state of emergency.

(4) This section expires January 1, 2023.

NEW SECTION. **Sec.**  This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately.

NEW SECTION. **Sec.**  This act applies both prospectively and retroactively to February 29, 2020. However, this act may not be construed by the department of revenue, the Washington state board of tax appeals, or any court as authorizing the refund of any tax legally due and paid before the effective date of this section.

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