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**SUBSTITUTE HOUSE BILL 1711**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** House Finance (originally sponsored by Representatives Chapman, Tharinger, Lekanoff, Ryu, Callan, Reed, Volz, Kloba, Stearns, Stokesbary, and Santos)

AN ACT Relating to providing a sales and use tax exemption related to internet and telecommunications infrastructure projects involving a federally recognized Indian tribe; adding new sections to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating a new section; and providing expiration dates.

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

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) Subject to the requirements of this section, the tax levied by RCW 82.08.020 does not apply to sales of, or charges made for:

(a) Labor and services rendered in respect to the construction of a qualified infrastructure project, or the installation of any equipment or tangible personal property incorporated into a qualified infrastructure project; or

(b) Building materials, telecommunications equipment, and tangible personal property incorporated into a qualified infrastructure project.

(2) The exemption provided in subsection (1) of this section also applies to the applicable local sales taxes due on transactions exempt under this section.

(3)(a) In order to obtain an exemption certificate under this section, a taxpayer working on a qualified infrastructure project must submit an application to the department for an exemption certificate. The application must include the information necessary, as required by the department to determine that the taxpayer qualifies for the exemption under this section. The application must also include certification from the owner of the qualified infrastructure project that the taxpayer is associated with the qualified infrastructure project and any other information as required by the department. The department must issue an exemption certificate to qualified taxpayers.

(b) A qualified taxpayer claiming the exemption under this section must present the seller with an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

(c) The exemption certificate is effective on the date the application is received by the department, which is the date of issuance. The exemption provided in this section does not apply to any property or services that are received by the qualified infrastructure project owner, or its agent, before the effective date of this section or after December 31, 2029. For the purpose of this subsection (3)(c), "received" means:

(i) Taking physical possession of, or having dominion and control over, the tangible personal property eligible for the exemption in subsection (1)(b) of this section; and

(ii) The labor and services in subsection (1)(a) of this section have been performed.

(d) An exemption certificate expires on the date the project is certified as complete by the qualified infrastructure project owner or December 31, 2029, whichever is first.

(4) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Local sales tax" means a sales tax imposed by a local government under the authority of chapter 82.14 or 81.104 RCW.

(b) "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 of Washington. The infrastructure may include, but is not limited to, cable landing stations, communications hubs, buried utility connections and extension, and any related equipment and buildings that will add broadband capacity and infrastructure to the area.

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

(5) This section expires December 31, 2030.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) Provided an exemption certificate has been issued pursuant to section 1 of this act, the provisions of this chapter do not apply with respect to the use of:

(a) Labor and services rendered in respect to the installation of any equipment or other tangible personal property incorporated into a qualified infrastructure project;

(b) Building materials, telecommunications equipment, and tangible personal property incorporated into a qualified infrastructure project.

(2) The exemption provided in subsection (1) of this section also applies to the applicable local use taxes due on transactions exempt under this section.

(3) All of the eligibility requirements, conditions, limitations, and definitions in section 1 of this act apply to this section.

(4) For purposes of this section, "local use tax" means a use tax imposed by a local government under the authority of chapter 82.14 or 81.104 RCW.

(5) This section expires December 31, 2030.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) In order to obtain the exemption provided in this act, a qualified taxpayer or qualified infrastructure project owner must certify to the department that the work performed on the qualified infrastructure project by the prime contractor and its subcontractors was performed under the terms of a community workforce agreement or project labor agreement negotiated prior to the start of the qualified infrastructure project. The agreements must include worker compensation requirements consistent with the payment of area standard prevailing wages in accordance with chapter 39.12 RCW, apprenticeship utilization requirements, and tribal employment and contracting opportunities, provided the following:

(a) The owner and the prime contractor and all of its subcontractors regardless of tier have the absolute right to select any qualified and responsible bidder for the award of contracts on a specified project without reference to the existence or nonexistence of any agreements between such bidder and any party to such project labor agreement, and only when such bidder is willing, ready, and able to become a party to, signs a letter of assent, and complies with such agreement or agreements, should it be designated the successful bidder; and

(b) It is understood that this is a self-contained, stand-alone agreement, and that by virtue of having become bound to such agreement or agreements, neither the project contractor nor the subcontractors are obligated to sign any other local, area, or national agreement.

(2) This section expires December 31, 2030.

NEW SECTION. **Sec.**  RCW 82.32.808 does not apply to this act.

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