

HOUSE BILL REPORT

ESHB 1862

As Passed House:

February 15, 2024

Title: An act relating to providing tax exemptions for the assistance of disabled veterans and members of the armed forces of the United States of America.

Brief Description: Providing tax exemptions for the assistance of disabled veterans and members of the armed forces of the United States of America.

Sponsors: House Committee on Finance (originally sponsored by Representatives Leavitt, Barnard, Tharinger, Graham, Couture, Duerr, Barkis, Bronoske, Slatter, Chapman, Simmons, Jacobsen, Timmons, Callan, Street, Sandlin, Donaghy, Doglio, Goodman, Caldier, Robertson, Hutchins, Reeves, Lekanoff, Riccelli, Hackney, Pollet and Shavers).

Brief History:

Committee Activity:

Finance: 1/9/24, 1/18/24 [DPS].

Floor Activity:

Passed House: 2/15/24, 90-0.

Brief Summary of Engrossed Substitute Bill

- Provides a business and occupation tax exemption for amounts received from sales on a military reservation by a nonprofit that operates an adaptive recreational facility that serves disabled veterans and members of the armed forces.
- Provides a retail sales and use tax exemption for sales on a military reservation by a nonprofit that operates an adaptive recreational facility that serves disabled veterans and members of the armed forces.

HOUSE COMMITTEE ON FINANCE

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.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Thai, Walen, Wilcox and Wylie.

Staff: Kristina King (786-7190).

Background:

Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The 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. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss.

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. Currently, 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 (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) 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.

Adaptive Recreation and Rehabilitation.

Adaptive recreation or rehabilitation is the use of activity modifications or assistive technologies to allow people with disabilities to participate in recreational activities, sports, or physical rehabilitation efforts.

Summary of Engrossed Substitute Bill:

Sales made on a military reservation by a nonprofit operating an adaptive recreational and rehabilitation facility that is dedicated to the assistance of disabled veterans and members of

the armed forces are exempted from the B&O tax.

Sales made on a military reservation by a nonprofit operating an adaptive recreational and rehabilitation facility that is dedicated to the assistance of disabled veterans and members of the armed forces are exempted from retail sales tax. Additionally, use tax is exempted for sales made on a military reservation by a nonprofit operating an adaptive recreational and rehabilitation facility to a disabled veteran or member of the armed forces.

A TPPS is included, and the exemptions expire January 1, 2035.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 15, 2024.

Effective Date: The bill takes effect on October 1, 2024.

Staff Summary of Public Testimony:

(In Support) Veterans serve this country and this bill gives back to them for their service. This is especially important at a time when veteran suicidal ideation is at an all-time high, particularly for disabled veterans. This bill provides opportunities for recreational activities that are modified and adaptive to the needs of disabled veterans. It increases their opportunity both for physical and mental strength. This golf course has changed many lives for the better and provided opportunities to disabled veterans they wouldn't have had access to otherwise.

This bill is a codification of existing practice. The American Lake Veterans Golf Course program used to be operated by the Department of Veteran's Affairs (VA) and was tax exempt. The American Lake Veterans Golf Course was built at the Joint Base Lewis-McChord in 1956, specifically for veterans and active-duty military and their families, with a budget of \$25,000. However, in 1995, the federal government withdrew all funding for the operation and maintenance of all VA golf courses. At this time, the American Lake Veterans Golf Course fell into serious disrepair and was nearly abandoned.

In 2004 the Friends of American Lake Golf Course was formed, and the course is now run by nearly 200 volunteers who volunteer on the base as well as on the course. Friends of the American Lake Veterans Golf Course, a 501(c)(3) nonprofit organization, legally must remit B&O, and retail sales and use taxes. As it stands today, they have not been paying these taxes. Testifiers are asking for a very simple solution to allow the nonprofit to continue to serve the disabled population tax-free.

The nonprofit is simply a shopkeeper for the VA. One hundred percent of the nonprofit's revenue pays for the golf course's overhead and is invested back into its programs and equipment. The course also relies heavily on grants and donations. Any state taxes paid at

this point would only add to the financial burden of the veterans, defeating the goal of providing a first-class venue at an affordable price. Therefore, it's in the state's best interest to grant the course an exemption from the B&O, and retail sales and use taxes.

(Opposed) None.

Persons Testifying: Representative Mari Leavitt, prime sponsor; Jason Bryan, Bruce Mckenty, and James Martinson, American Lake Veterans Golf Course; and Allen Acosta, Veteran Legislative Coalition.

Persons Signed In To Testify But Not Testifying: Jessie Baird, Friends of American Lake Veterans Golf Course; Randy Moen and Robert Funseth, American Lake Veterans Golf Course; and J Craig Morris.