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## Finance Committee

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### HB 2289

**Brief Description:** Providing a sales and use tax exemption for inputs required for salmon recovery projects.

**Sponsors:** Representatives Wilcox, Chapman, Kretz, Walen, Dent, Barkis and Barnard.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Creates a sales and use tax exemption for inputs used for salmon recovery projects.</li></ul>
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**Hearing Date:** 1/23/24

**Staff:** Kristina King (786-7190).

**Background:**

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 defined as 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 Washington. The state, all counties, and all cities levy retail sales and use taxes. The Washington 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,

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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.

Qualified Salmon Recovery Project and Sponsor.

A qualified salmon recovery project is defined as a project with the goal of increasing salmon and steelhead stocks and includes the construction, restoration, or improvement of habitat, hatchery facilities, and fish barrier removal or replacement, including land acquisition and easements. A qualified salmon recovery project sponsor is any private, public, or tribal entity engaging in the construction or rehabilitation of a qualified salmon recovery project for which it has received state funding to do so.

**Summary of Bill:**

A sales and use tax exemption is created for inputs used for a qualified salmon recovery project. Labor and services rendered in respect to the construction and the installation of any equipment or tangible personal property incorporated into a qualified project are exempt. Building materials, equipment, and tangible personal property incorporated into a qualified salmon recovery project are also exempt.

A salmon recovery project sponsor is required to obtain an exemption certificate to qualify, and the sales and use tax exemption expires once the project is deemed operationally complete and is capable of being used for its intended purpose.

The exemption is excluded from TPPS requirements, including a JLARC review and the 10-year automatic tax preference expiration.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.