

NWHPBA WASHINGTON STATE LEGISLATIVE UPDATE – March 26, 2025

WHAT'S HAPPENING

As we enter the last month of the 2025 Legislative Session, I wanted to make sure everyone knows where things stand. But first, I want to provide you [this important link](#) to carry you through the month of April as a business in Washington State. It is also ironic that April is “Stress Awareness Month” according to the National Institute for mental health.

Natural Gas Initiative Ruled Unconstitutional – But Not Done Yet

In a disappointing ruling, a King County Superior Court judge nodded at former Governor Jay Inslee in the audience (who appointed her) and ruled in favor of the plaintiff's challenge to I-2066 – that it violated the two subject rule under the state Constitution. This is a major set back in the efforts to protect fuel choice in Washington, but we are not done yet. All involved in I-2066 are going to appeal this decision to the State Supreme Court.

It is important to remember that this does not mean the people support banning natural gas. In fact, it is just the opposite. Through polling and the fact that the initiative passed despite overwhelming losses by other initiatives on the ballot, it is obvious that Washington citizens support fuel choice.

Legislators Begin Debate on Operating Budgets – with Billions in New Taxes

Late last week, both [Senate](#) and [House](#) Democrats unveiled a series of tax proposals designed to fill the \$15 billion gap in the state budget and then on Monday unveiled budgets that increased our state budget with new spending and some cuts but increasing our state budget from \$71 billion to over \$77.8 billion for the House and \$78.5 billion for the Senate.

For business, while we care about budget impacts, the bigger news is the tax proposals. Many of these tax increases are designed to hit only large tax payers, but there is concern about downstream economic impact. In addition, the removal of the 1% property tax cap will impact all businesses and both sides have proposed this.

The big pieces of the Senate plan include:

Financial Intangibles Tax (Wealth Tax)

- 1% tax on assessed value of certain financial assets held by individuals with more than \$50 million of these assets.
- Estimated to impact 4,300 taxpayers.
- Applies to both financial intangible assets and nonfinancial intangible assets.
- "Financial intangible assets" include cash, cash equivalents, and various financial investments like bonds, stocks, mutual funds, options, futures, commodities, and ownership units in business entities.
- "Nonfinancial intangible assets" cover intangible property beyond financial assets, such as trademarks, patents, copyrights, trade secrets, licenses, customer lists, goodwill, reputation, and private service or sports contracts.
- **According to Senate Democrats, this will generate approximately \$4 billion per year starting in fiscal year 2027**

Payroll Tax Paid by Employers

- 5% tax on payroll expenses above the Social Security threshold — currently \$176,100 per year.
- Limited only to companies with \$7 million or more in payroll expenses.

Bill Status Report

March 26, 2025

Page 1 of 5

- Estimated to impact about 5,300 taxpayers.
- Includes full credit for businesses already paying Seattle’s “JumpStart” tax.
- **According to Senate Democrats, this would raise about \$2.3 billion per year once fully implemented.**

Removing the Property Tax Levy Lid of 1%

- Removes the 1% cap on the property tax growth limit for the state’s common schools levy and for cities and counties, as well as special purpose districts.
- The updated definition to “limit factor” now allows taxing districts to use the greater of 100% plus population change and inflation or 101% for their growth rate.
- Changes the definition of “Inflation” to the annual percentage increase in the CPI for all urban consumers in the western region, based on the most recent 12-month data from the U.S. Bureau of Labor Statistics, as of July 25th of the year before taxes are due.
- Adds definition for “population change”: The annual percentage increase in a taxing district's population based on the latest two years of official estimates from the Office of Financial Management as of April 1st of the year before taxes are due. For counties, this includes both incorporated and unincorporated areas, except for county road funds, which only consider unincorporated areas. If a taxing district spans multiple areas, its population change is determined by the city, county, or county with the highest taxable assessed value. Population change is rounded to the nearest 0.1%.
- **According to the Senate Democrats, about \$779 million in additional state funding over the full four-year budget cycle**

Cutting the Sales Tax

- Reduces the sales tax from 6.5% to 6%
- **According to the Senate Democrats, this would decrease revenue approximately by \$1.3 billion per year**

Repealing Tax Preferences

- Repeals various tax preferences, deductions, and exemptions across multiple industries, including transportation, agriculture, international commerce, healthcare, energy, and nonprofits, while updating job creation tax credits and clarifying public policy objectives for certain tax benefits. (see high-level summary attached to this email)
- These preferences were identified by JLARC as failing to meet their public policy objectives, having unclear outcomes, or being legally obsolete.
- **According to the Senate Democrats, this would generate just over \$1 billion over the full four-year budget cycle.**

The House took a slightly different approach with the biggest difference being a B&O surcharge on the dollars a business earns over \$250 million in gross receipts rather than the payroll tax:

Financial Intangibles Tax (Wealth Tax)

- HB 2046 – Rep. Berg & Rep. Street
- 0.8% tax on assessed value of certain financial assets held by individuals with more than \$50 million of these assets.
- Estimated to impact 4,300 taxpayers.

- "Financial intangible assets" include cash, cash equivalents, and various financial investments like bonds, stocks, mutual funds, options, futures, commodities, and ownership units in business entities.
- **According to House Democrats, this will generate approximately ~~\$4 billion~~ \$2 billion per year starting in fiscal year 2027**

Property Tax Levy Lid Lift (1% to 3%)

- HB 2049 – Rep. Bergquist & Rep. Pollet
- Allows for state and local property tax increases based on inflation and population changes, not to exceed 3%
- Changes the definition of "Inflation" to the annual percentage increase in the CPI for all urban consumers in the western region, based on the most recent 12-month data from the U.S. Bureau of Labor Statistics, as of July 25th of the year before taxes are due.
- Adds definition for "population change": The annual percentage increase in a taxing district's population based on the latest two years of official estimates from the Office of Financial Management as of April 1st of the year before taxes are due. For counties, this includes both incorporated and unincorporated areas, except for county road funds, which only consider unincorporated areas. If a taxing district spans multiple areas, its population change is determined by the city, county, or county with the highest taxable assessed value. Population change is rounded to the nearest 0.1%.
- **DOR estimates the change will increase funding for state investment in K-12 schools by \$50 million in fiscal year 2026 and \$150 million in fiscal year 2027.**

B&O Surcharge on Large Corporations and Financial Institutions

- HB 2045 – Rep. Fitzgibbon & Rep. Parshley
- Beginning January 1, 2026, 1% B&O surcharge on businesses with taxable income over \$250 million.
 - Exemptions: manufactures, semiconductor manufacturing, commercial airplane activities, alternative jet fuel manufacturing, aluminum manufacturing, and manufacturing solar energy systems.
 - Estimated to impact 400 taxpayers.
- Beginning July 1, 2025, increases B&O surcharge from 1.2% to 1.9% for financial institutions outlined in RCW 82.04.29004.
 - Estimated to impact 200 taxpayers.
- **According to House Democrats, this will generate nearly \$600 million in fiscal year 2026 and nearly \$2 billion in fiscal year 2027**

We expect to see budgets and possibly taxes pass each of the houses in the next week so they can get the bills into "conference committees" for reconciliation over the next month. We will be very active in these discussions to ensure all concerns for the industry will be heard loud and clear.

More Taxes for Transportation Budget

The House and Senate also unveiled their respective transportation budgets in the past few days each of which include a series of tax and fee increases – including increased gas taxes and a new Highway User Fee (different than the Road Usage Charge that was put forward earlier this year) in the House budget. Major road projects underway, such as the Puget Sound Gateway and the North-South Freeway in Spokane are fully funded in both budgets.

While all of the revenue increases are controversial, the most controversial piece for businesses and the general public is the 6 cent gas tax increase in the Senate Transportation Budget and the 9 cent increase in the House Transportation Budget. In both budgets, the amount of the increase will be indexed. The House also includes a new "Highway Use Fee" which is an annual fee (that would not apply to EVs or Plug-in Hybrid vehicles which already pay fees) on motor vehicles over 10,000 lbs with a fuel economy greater than 25 mpg to make up for the reduction in gas (and subsequent tax) used by these vehicles.

On a positive note, the Senate transfers a portion of the sales on motor vehicle sales from the operating budget to the transportation budget – but does not clarify that this money should go to roads. There will be a concerted effort to make sure the sales tax for CARS is used for roads, not transit.

Road projects are important for businesses and definitively can help economic development in a community, however we will be fighting to ensure that the economic benefit of road projects is not negated by increased costs.

For a full look at the House Transportation Revenue Proposal, click [HERE](#). For the Senate Transportation Revenue Proposal, click [HERE](#).

Below are bills that are still considered “alive” this session. If they have not been voted out of the opposite house policy committee by April 2nd, they will be considered “dead” unless necessary to implement one of the budgets. I have highlighted bills that have already moved out of the opposite house policy committee.

General Business

| Bill # | Abbrev. Title | Short Description | Status | Sponsor | Priority | Position |
|---------------------------------------|------------------------------|--|-------------------|------------|----------|----------|
| SHB 1121 | Work restrictions/age 16, 17 | Concerning restrictions on the working conditions and hours of sixteen- and seventeen-year olds. | S Labor & Comm | McClintock | High | Support |
| E2SHB 1213 (SB 5539) | Paid family & medical leave | Expanding protections for workers in the state paid family and medical leave program. | S Labor & Comm | Berry | Medium | Oppose |
| SHB 1308 (SB 5345) | Access to personnel records | Concerning access to personnel records. | S Labor & Comm | Reed | High | Oppose |
| SHB 1402 | Job posting/driver's license | Concerning job postings requiring driver's licenses. | S Labor & Comm | Scott | Medium | Concerns |
| 2SHB 1788 (2SSB 5548) | Workers' compensation | Concerning workers' compensation benefits. | S Ways & Means | Richards | Medium | Oppose |
| ESSB 5041 | Unemp ins/strikes & lockouts | Concerning unemployment insurance benefits for striking or lockout workers. | H Approps | Riccelli | High | Oppose |
| SSB 5408 (HB 1831) | Wage and salary disclosures | Allowing for corrections to wage and salary disclosures. | H Labor & Workpla | King | Medium | Support |

General Energy/Environment

| Bill # | Abbrev. Title | Short Description | Status | Sponsor | Priority | Position |
|--|-----------------------|---|-------------------------|----------------|-----------------|-----------------|
| <u>ESHB 1819</u> | Transmission capacity | Increasing transmission capacity. | S Environment, En | Barnard | Medium | Oppose |
| <u>ESSB 5360</u> | Environmental crimes | Concerning environmental crimes. | H Env & Energy | Trudeau | High | Oppose |
| <u>ESSB 5628</u> (SHB 1756) | Lead in cookware | Concerning lead in cookware. -- NEEDS AMENDMENT TO EXPAND DEFINITIONS TO INCLUDE BARBECUES | H Env & Energy | Harris | High | Support |