

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5601 S SB	<b>Title:</b> Alternative jet fuels
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## Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	0	0	0	0	0	0	(25,310,000)	(25,310,000)	(25,350,000)
Department of Ecology	0	0	352,747	0	0	0	0	0	0
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>352,747</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(25,310,000)</b>	<b>(25,310,000)</b>	<b>(25,350,000)</b>

Agency Name	2025-27		2027-29		2029-31	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other						(11,592,900)
Local Gov. Total						(11,592,900)

## Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	Fiscal note not available											
Department of Commerce	2.6	1,278,780	1,278,780	1,278,780	.7	322,676	322,676	322,676	.7	322,676	322,676	322,676
Department of Revenue	.0	0	0	0	2.5	1,075,700	1,075,700	1,075,700	1.1	276,700	276,700	276,700
Department of Ecology	1.8	0	0	1,262,369	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>4.4</b>	<b>1,278,780</b>	<b>1,278,780</b>	<b>2,541,149</b>	<b>3.2</b>	<b>1,398,376</b>	<b>1,398,376</b>	<b>1,398,376</b>	<b>1.8</b>	<b>599,376</b>	<b>599,376</b>	<b>599,376</b>

## Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	Fiscal note not available								
Department of Commerce	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

# Estimated Capital Budget Breakout

Department of Commerce	Non-zero but indeterminate cost and/or savings. Please see discussion.
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<b>Prepared by:</b> Val Terre, OFM	<b>Phone:</b> (360) 280-3073	<b>Date Published:</b> Preliminary 2/28/2025
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# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 5601 S SB	<b>Title:</b> Alternative jet fuels	<b>Agency:</b> 103-Department of Commerce
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## Part I: Estimates

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No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.1	2.2	2.6	0.7	0.7
<b>Account</b>					
General Fund-State 001-1	868,285	410,495	1,278,780	322,676	322,676
<b>Total \$</b>	868,285	410,495	1,278,780	322,676	322,676

### Estimated Capital Budget Impact:

Non-zero but indeterminate cost and/or savings. Please see discussion.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

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If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

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If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

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Capital budget impact, complete Part IV.

☐

Requires new rule making, complete Part V.

Legislative Contact: Alia Kennedy	Phone: 360-786-7405	Date: 02/26/2025
Agency Preparation: Joseph Piper	Phone: 360-725-3042	Date: 02/27/2025
Agency Approval: Joseph Piper	Phone: 360-725-3042	Date: 02/27/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 02/28/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

SSB 5601 aims to incentivize in-state production and use of alternative jet fuel and support the development of Washington's alternative jet fuel industry.

Section 1 amends RCW 43.330.570, adding to the duties of the Office of Renewable Fuels with the Department of Commerce (Department):

Section 1(5)(a) directs the Department to establish a competitive grant program to support research, development, demonstration, engineering designs, production facilities, blending, and use of alternative jet fuel infrastructure. This new grant program that would require additional staff and impact the workload of existing staff to lead an environmental justice assessment and community engagement process, develop the grant program, and manage the grant-making and contract processes.

Section 1(5)(e) requires that the Department support grant recipients with continued work on responsible streamlining of permitting processes, which will require additional capacity from the Department. We assume that this support will be for permitting processes related to recipients of grants from the new program established by this bill.

Section 1(5)(f) requires the Department to report annually to the governor and relevant legislative committees on grant recipients and project status, starting December 1, 2026. The grant program would be subject to the availability of funding appropriations.

Section 1(6)(a) requires the Department to report to the governor and appropriate legislative committees by June 1, 2026, on the availability and adequacy of feedstock supply and in-state feedstock for alternative jet fuels and renewable fuels production, including the availability of biomethane.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

General Assumptions:

The Department assumes all meetings to support community engagement in FY26 are held virtually. The Department also assumes that the initial work to establish the grant program, including conducting an RFP process, will be in FY26-FY27. The Department assumes that the Office of Renewable Fuels would hire a contractor to support the development of the legislative report on the availability and adequacy of feedstock supply and in-state feedstock for alternative jet fuels and renewable fuels production, including the availability of biomethane, described in section 1(6). The Department anticipates five monthly virtual meetings during FY26 between November 2025 and March 2026, each two hours long, with a project advisory group that includes the Department of Ecology to report progress and collect feedback.

To start up the grant program as directed in section 1(5)(a), the Department estimates:

0.10 FTE EMS2 Senior Energy Policy Specialist (208 hours) in FY26-FY31 to provide subject matter expertise and expert

policy advice or consultation in coordinating program development.

0.10 FTE WMS3 Managing Director (208 hours) in FY26-FY31 for policy and program alignment strategy, implementation planning, leadership, oversight, supervision, and decision-making over all program elements.

0.20 FTE WMS2 Section Supervisor (416 hours) in FY26-FY31 for staffing, implementation planning, leadership, oversight, supervision, and decision-making over all program elements.

0.50 FTE Commerce Specialist 5 (1044 hours) in FY26-FY27 will work with the section supervisor to develop the program's implementation plan.

0.50 FTE Management Analyst 4 (1044 hours) in FY26-FY27 to lead and monitor the environmental justice assessments and community engagement process required under the HEAL Act (RCW 70A.02).

0.50 FTE Commerce Specialist 3 (1044 hours) in FY26-FY27 to develop, solicit, and originate the procurement and grant-making process and contracts, provide evaluation and subject matter expertise on the grant program, and provide consultative planning for the grant program established in this bill.

In supporting grant recipients with continued work on responsible streamlining of permitting processes for awarded grant projects, the Department estimates that support will be needed for six years, dependent upon regulatory requirements for grant-funded projects. To support grant recipients with continued work on responsible streamlining of permitting processes in section 1(5)(e), the Department estimates:

0.20 FTE EMS2 Senior Energy Policy Specialist (416 hours) in FY26-FY31 to provide subject matter expertise and expert policy advice or consultation to support grant recipients with related permitting processes.

To report annually to the governor and relevant legislative committees on grant recipients and project status in section 1(5)(f) the Department estimates:

0.10 FTE EMS2 Senior Energy Policy Specialist (208 hours) in FY26-FY31 to provide subject matter expertise, expert policy advice, and manage reporting to the governor and relevant legislative committees.

To develop the legislative report on the availability and adequacy of feedstock supply and in-state feedstock for alternative jet fuels and renewable fuels production, including availability of biomethane, described in section 1(6), by June 1, 2026, the Department estimates:

0.40 FTE EMS2 Senior Energy Policy Specialist (832 hours) in FY26 to provide expertise and guidance on the report, support the competitive process, develop the contract, coordinate with the contractor, oversee the contractor, manage and coordinate meetings for a project advisory group, review preliminary drafts, and submit the final report to the Legislature.

0.25 FTE Management Analyst 4 (522 hours) in FY26 to provide coordination and recommendations for public and stakeholder engagement, participate in support project advisory group, and review and provide technical support and guidance for the report.

0.20 FTE Commerce Specialist 3 (416 hours) in FY26 to solicit, originate, manage, and monitor the competitive process and contract and to provide contract management, coordination support, contract monitoring, and invoicing.

Professional Service Contracts: The Department estimates \$300,000 in FY26 to hire the contractor for expert analytical and data services and to write the report based on similar contracts.

Salaries and Benefits

FY26: \$413,984  
 FY27: \$296,535  
 FY28-FY31: \$115,830 per fiscal year

Professional Services  
 FY26: \$300,000

Goods and Other Services  
 FY26: \$15,050  
 FY27: \$14,200  
 FY28-FY31: \$6,700 per fiscal year

Travel  
 FY26: \$3,050  
 FY27: \$2,200  
 FY28-FY31: \$700 per fiscal year

Intra-Agency Reimbursements  
 FY26: \$136,201  
 FY27: \$97,560  
 FY28-FY31: \$38,108 per fiscal year

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Total Costs  
 FY26: \$868,285  
 FY27: \$410,495  
 FY28-FY31: \$161,338 per fiscal year

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
001-1	General Fund	State	868,285	410,495	1,278,780	322,676	322,676
Total \$			868,285	410,495	1,278,780	322,676	322,676

#### III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.1	2.2	2.6	0.7	0.7
A-Salaries and Wages	315,558	225,845	541,403	180,338	180,338
B-Employee Benefits	98,426	70,690	169,116	51,322	51,322
C-Professional Service Contracts	300,000		300,000		
E-Goods and Other Services	15,050	14,200	29,250	13,400	13,400
G-Travel	3,050	2,200	5,250	1,400	1,400
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	136,201	97,560	233,761	76,216	76,216
9-					
Total \$	868,285	410,495	1,278,780	322,676	322,676

**III. C - Operating FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
Commerce Specialist 3	84,518	0.7	0.5	0.6		
Commerce Specialist 5	98,040	0.5	0.5	0.5		
EMS Band 2	126,529	0.8	0.4	0.6	0.4	0.4
Management Analyst 4	88,794	0.8	0.5	0.6		
WMS Band 2	126,529	0.2	0.2	0.2	0.2	0.2
WMS Band 3	142,511	0.1	0.1	0.1	0.1	0.1
<b>Total FTEs</b>		3.1	2.2	2.6	0.7	0.7

**III. D - Expenditures By Program (optional)**

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Energy Division (500)	868,285	410,495	1,278,780	322,676	322,676
<b>Total \$</b>	868,285	410,495	1,278,780	322,676	322,676

## Part IV: Capital Budget Impact

**IV. A - Capital Budget Expenditures**

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

**IV. B - Expenditures by Object Or Purpose**

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**General Assumptions:**

Section 1 requires the Department to create and administer an alternative jet fuel infrastructure grant program, subject to the availability of appropriated funds. The bill provides no basis for an assumption about the amount of money that would be appropriated for the grant program, so the impact of the capital budget is indeterminate.

For illustrative purposes, the Department assumes an appropriation of \$5 million, resulting in ten \$500,000 grants awarded for projects as described in section 1(5). The Department uses these assumptions as the basis for its staffing costs but notes that costs would vary if the number of contracted grants is higher, subject to total appropriation and size of each grant award. The Department assumes this will be an ongoing grant program with a set appropriation for each biennium. The Department believes that contracts will be signed in FY27.

The Department estimates that upon execution of the implementation plan:

0.20 FTE Commerce Specialist 3 (417 hours) in FY27-FY31 will transition to manage, monitor, and solicit the procurement and grant-making process and contracts, provide evaluation and subject matter expertise on the grant program, monitor budget and expenditures, conduct detailed analysis, and provide consultative planning for the grant program established in this bill.

0.20 FTE Commerce Specialist 2 (417 hours) in FY27-FY31 to provide coordination support, contract management, contract

monitoring, invoicing, and data entry.

Salaries and Benefits  
FY27-FY31: \$42,683 per fiscal year

Goods and Other Services  
FY27-FY31: \$4,400 per fiscal year

Travel  
FY27-FY31: \$400 per fiscal year

Grants  
The Department uses grant assumptions for illustrative purposes. The Department uses these assumptions as a basis for its staffing costs that could vary depending on the grant number.

FY27: \$5,000,000  
FY29: \$5,000,000  
FY31: \$5,000,000

Intra-Agency Reimbursements FY27-FY31: \$14,043 per fiscal year

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Total Costs  
FY27: \$5,061,526  
FY28: \$61,526  
FY29: \$5,061,526  
FY30: \$61,526  
FY31: \$5,061,526

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*



# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5601 S SB	<b>Title:</b> Alternative jet fuels	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

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No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax					(25,310,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax					(40,000)
<b>Total \$</b>					(25,350,000)

### Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years				2.5	1.1
<b>Account</b>					
GF-STATE-State 001-1				1,075,700	276,700
<b>Total \$</b>				1,075,700	276,700

### Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

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If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐

If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☒

Requires new rule making, complete Part V.

Legislative Contact: Alia Kennedy	Phone: (360) 786-7405	Date: 02/26/2025
Agency Preparation: Beth Leech	Phone: (360) 534-1513	Date: 02/26/2025
Agency Approval: Marianne McIntosh	Phone: (360) 534-1505	Date: 02/26/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/26/2025

Request # 5601-3-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Note: This fiscal note reflects language in SSB 5601, 2025 Legislative Session.

This fiscal note only addresses sections 4 through 7 of the bill, which impact the Department of Revenue (department).

#### COMPARISON OF THE SUBSTITUTE BILL WITH THE ORIGINAL:

This substitute bill adds an effective date of July 1, 2029, for the sales and use taxes deferral, the property tax exemption, and the leasehold excise tax exemption. The last date the county assessor can receive claims for a property tax or leasehold excise tax exemption changed to December 31, 2034. The last date the department can receive claims for a leasehold excise tax exemption was changed to December 31, 2034. The expiration date of these exemptions was also changed to December 31, 2047.

#### CURRENT LAW:

##### SALES AND USE TAXES DEFERRAL

Investment projects in clean technology manufacturing, clean alternative fuels production, and renewable energy storage qualify for sales and use taxes deferral.

Eligible investment projects are those with at least \$2 million in either qualified buildings or qualified machinery and equipment, or both.

Applications for deferral must be received no later than June 30, 2032.

##### PROPERTY TAX EXEMPTION

Buildings, machinery, equipment, and other personal property (facilities) used primarily for the manufacturing or blending (manufacturing) of alternative jet fuel are not exempt from property tax.

##### LEASEHOLD EXCISE TAX EXEMPTION

Facilities used primarily for the manufacturing of alternative jet fuel are not exempt from leasehold taxes.

#### PROPOSAL:

##### SALES AND USE TAXES DEFERRAL

This section adds facilities to produce alternative jet fuels to the eligible investment projects qualifying for a sales and use taxes deferral. Facilities producing alternative jet fuels include fueling infrastructure.

Alternative jet fuel means a fuel that can be blended and used with conventional petroleum jet fuels without the need to modify aircraft engines and existing fuel distribution infrastructure, and having a lower carbon intensity than the applicable annual carbon intensity standard as it existed on July 1, 2023.

Fueling infrastructure means facilities or equipment used to store, handle, blend, load, unload, transport, deliver, or distribute neat or blended alternative jet fuel to facilitate end-use in an aircraft.

##### PROPERTY TAX EXEMPTION

This section provides an exemption from state property taxes on new or expanded facilities used primarily for the manufacturing of alternative jet fuel. The exemption also applies to the land upon which the facilities are located and land

that is reasonably necessary for the manufacturing of alternative jet fuel. The exemption does not apply to land necessary for producing feedstock.

To qualify for the property tax exemption:

- The claimant must file an application with the county assessor.
- The fuel manufactured at the facility must contain 50% less carbon dioxide equivalent emissions than conventional petroleum jet fuel.
- The claimant may be required to provide documentation to the county assessor or the department that the fuel produced meets the standard of alternative jet fuel.

The exemption applies for 10 assessment years following the date the facility first becomes operational and may not be renewed.

For facilities producing products in addition to alternative jet fuel, the property tax exemption is based on the annual percentage of the total value of all the products manufactured, that is, the value of the alternative jet fuel manufactured.

This exemption only applies to state property taxes, however, local taxing jurisdictions may authorize the exemption as long as the facility meets the requirements of the state exemption.

No exemptions may be applied for after December 31, 2034.

This section expires on December 31, 2047.

#### LEASEHOLD EXCISE TAX EXEMPTION

This section provides an exemption from the state portion of leasehold taxes on new or expanded facilities used primarily for the manufacturing of alternative jet fuel. The exemption also applies to the land upon which the facilities are located and land that is reasonably necessary for the manufacturing of alternative jet fuel. The exemption does not apply to land necessary for producing feedstock.

To qualify for the leasehold tax exemption;

- The claimant must file an application with the department.
- The fuel manufactured at the facility must contain 50% less carbon dioxide equivalent emissions than conventional petroleum jet fuel.
- The claimant may be required to provide documentation to the department that the fuel produced meets the standard of alternative jet fuel.

The exemption is valid for 10 assessment years following the date the facility first becomes operational and may not be renewed.

For facilities that produce products in addition to alternative jet fuel, the leasehold tax exemption is based on the annual percentage of the total value of all the products manufactured, that is the value of the alternative jet fuel manufactured.

This exemption only applies to state leasehold taxes, however, local taxing jurisdictions may authorize the exemption as long as the facility meets the requirements of the state exemption.

No exemptions may be applied for after December 31, 2034.

This section expires on December 31, 2047.

#### TAX PREFERENCE PERFORMANCE STATEMENT

This section provides the tax preference performance statement for the preferences sales and use taxes deferral, property tax exemption, and leasehold excise tax exemption. This bill intends to improve industry competitiveness. Any taxpayer claiming these new tax preferences must file an annual tax performance report.

#### EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session. The sales and use taxes deferral is effective July 1, 2029. The property tax and leasehold excise tax exemptions are effective July 1, 2029 for taxes payable in 2030.

#### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

#### ASSUMPTIONS:

- There will be two facilities constructed, one beginning in fiscal year 2030 and one beginning in fiscal year 2031.
- Both facilities will be built on land owned by the claimants, so no leasehold excise tax exemptions would occur. Should a leasehold tax exemption occur, there would be additional state revenue losses.
- The cost of constructing a new alternative jet fuel production facility is approximately \$260 million.
- The average time to complete a new alternative jet fuels production facility is 2 years.
- Local revenue estimates use the statewide average local sales and use taxes rate of 3.00%.
- Currently, tribes with compacts receive a share of state sales and use taxes and certain business and occupation taxes (RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use taxes. Under this legislation, the amount of revenue shared with tribes and local governments may decrease.

#### PROPERTY TAX EXEMPTION ASSUMPTIONS:

- One existing facility as of the start of the property tax exemption at an estimated value of \$260 million. The exemption of this facility will result in a shift of state property taxes.
- Due to the timing of when new construction is added to the tax roll and when the exemptions are received, \$130 million of each facility would have been added to the tax roll, and the exemption results in a shift.
- The other \$130 million of each facility would be exempt from property tax prior to being added to the tax roll, resulting in a loss of state revenue.
- Analysis of local property tax levies shows that with a new property tax exemption, 90% of local taxes would shift to non-exempt property owners and 10% of local taxes would decrease revenues for local taxing districts.
- Based on five years of state property tax collections, 52.35% of state property tax collections occur in April and 47.65% occur in October. When converting from calendar year to fiscal year, this estimate assumes revenue shifts and losses follow this trend.
- No local taxing districts will opt-in to allow the property tax exemption.

#### POTENTIAL LITIGATION (SALES AND USE TAXES DEFERRAL):

Legislation creating new exemptions and deferrals for construction projects presents a risk the federal government or federal contractors will seek to re-litigate Washington v. United States. This risk increases with each additional exemption or deferral the state enacts.

The department's legal counsel at the Attorney General's Office opined that the federal contractor risk applies to all exemptions and deferrals of construction activity, not just construction projects of the type the federal government is likely

to engage in. It also applies even if the exemption or deferral applies to federal construction projects as well as non-federal construction projects.

Sales or use tax exemptions pose the greatest legal risk because they plainly treat the beneficiaries of the exemption more favorably than federal contractors. Sales or use tax deferrals also pose a significant legal risk. Each such exemption or deferral increases the likelihood the federal government or federal contractors will seek to re-litigate Washington v. United States claiming Washington now discriminates against federal contractors.

If a legal challenge to a deferral or exemption was successful, in addition to lost future revenues, Washington would potentially owe refunds for taxes paid by impacted federal contractors during the statutory period (current year plus four previous years). Each year the department collects approximately \$90 million from federal government contracting. If a court decision included refunds, the revenue impact could reach nearly \$500 million.

DATA SOURCES:

- Economic Revenue and Forecast Council, November 2024 Forecast
- Department of Revenue, Property Tax Levy Model, November 2024
- Department of Revenue, Excise tax data
- International Air Transport Association, Sustainable Aviation Fuels, Fact Sheet 8

SALES AND USE TAX DEFERRAL REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$8.45 million of impacted collections in fiscal year 2030, and by \$16.9 million in fiscal year 2031.

This bill also decreases local revenues by an estimated \$3.9 million of impacted collections in fiscal year 2030, and by \$7.81 million in fiscal year 2031.

PROPERTY TAX EXEMPTION REVENUE ESTIMATES:

The Economic and Revenue Forecast Council predicts the state property tax levy remains below the \$3.60 limit throughout the 2027-29 biennium. A new exemption results in a shift and no loss to the state levy.

PROPERTY TAX SHIFTS:

This legislation results in a state levy shift to other taxpayers of an estimated \$246,000 for fiscal year 2030 and \$471,000 in fiscal year 2031, the first full fiscal year. The one facility that is operational before the exemption results in a shift of taxes. Any future facilities will result in both a shift and loss because of the timing of when new construction is added to the tax roll and when the exemption is applied.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 0
FY 2027 -	\$ 0
FY 2028 -	\$ 0
FY 2029 -	\$ 0
FY 2030 -	(\$ 8,450)
FY 2031 -	(\$ 16,900)

Local Government, if applicable (cash basis, \$000):

FY 2026 -	\$ 0
FY 2027 -	\$ 0
FY 2028 -	\$ 0
FY 2029 -	\$ 0
FY 2030 -	(\$ 3,900)
FY 2031 -	(\$ 7,810)

SALES TAX REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 0
FY 2027 -	\$ 0
FY 2028 -	\$ 0
FY 2029 -	\$ 0
FY 2030 -	(\$ 8,450)
FY 2031 -	(\$ 16,900)

Local Government, if applicable (cash basis, \$000):

FY 2026 -	\$ 0
FY 2027 -	\$ 0
FY 2028 -	\$ 0
FY 2029 -	\$ 0
FY 2030 -	(\$ 3,900)
FY 2031 -	(\$ 7,810)

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis:

State Government, Impact on Revenues (\$000): None.

State Government, (\$000), Shift of Tax Burden:

CY 2026 -	\$ 0
CY 2027 -	\$ 0
CY 2028 -	\$ 0
CY 2029 -	\$ 0
CY 2030 -	\$ 468
CY 2031 -	\$ 474

Local Government, Impact on Revenues (\$000): None

Local Government, (\$000), Shift of Tax Burden: None

**II. C - Expenditures**

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

**ASSUMPTIONS:**

- The sales and use taxes deferral affects fewer than five taxpayers.
- The department will not incur costs in fiscal years 2026 or 2027.

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### THIRD YEAR COSTS:

The department will incur total costs of \$483,700 in fiscal year 2028. These costs include:

Labor Costs – Time and effort equate to 2.3 FTEs.

- Set up, program, and test computer system changes.
- Gathering requirements, attending implementation meetings, and documenting and testing system changes.
- Program oversight and management.

Object Costs - \$130,700.

- Computer system changes, including contract programming.

### FOURTH YEAR COSTS:

The department will incur total costs of \$592,000 in fiscal year 2029. These costs include:

Labor Costs – Time and effort equate to 2.6 FTEs.

- Amend one administrative rule.
- Create a special notice and update relevant information on the department's website.
- Set up, program, and test computer system changes.
- Respond to data requests and questions, compile statistics, and manage data.
- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email, web message and paper correspondence.
- Examine accounts and make corrections as necessary.
- Continued computer system testing, monitoring, and maintenance.
- Program oversight and management.

Object Costs - \$233,400.

- Computer system changes, including contract programming.

### ONGOING COSTS:

Ongoing costs for the 2029-31 biennium equal \$276,700. These costs include:

Labor Costs – Time and effort equate to 1.05 FTE.

- Accounting activities for the new tax; compiling receivable information for statewide financial statements and stakeholders.
- Respond to data requests and questions, compile statistics, and manage data.
- Continued computer system testing, monitoring, and maintenance.
- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email, web message and paper correspondence.
- Examine accounts and make corrections as necessary.
- Program oversight and management.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years				2.5	1.1
A-Salaries and Wages				456,900	178,100
B-Employee Benefits				164,400	64,200
C-Professional Service Contracts				364,100	
E-Goods and Other Services				72,500	29,800
G-Travel				400	
J-Capital Outlays				17,400	4,600
<b>Total \$</b>				<b>\$1,075,700</b>	<b>\$276,700</b>

**III. B - Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
EMS BAND 4	135,635				0.0	
EXCISE TAX EX 3	66,012				0.2	0.2
EXCISE TAX EX 4	72,924				0.1	0.2
FISCAL ANALYST 4	67,716					0.1
IT B A-JOURNEY	94,728				0.6	0.3
IT B A-SR/SPEC	104,412				0.6	
IT QA-JOURNEY	94,728				0.1	
IT QA-SR/SPEC	104,412					0.1
IT SYS ADM-JOURNEY	99,444				0.4	
MGMT ANALYST4	78,468				0.3	
TAX POLICY SP 2	80,460				0.0	
TAX POLICY SP 3	91,068				0.2	0.1
TAX POLICY SP 4	98,040				0.0	
WMS BAND 2	101,410				0.2	0.1
WMS BAND 3	115,352				0.0	
<b>Total FTEs</b>					<b>2.5</b>	<b>1.1</b>

### III. C - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

### IV. C - Capital Budget Breakout

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

Request # 5601-3-1



**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Should this legislation become law, the department will use the expedited process to amend WAC 458-29A-400, titled: "Leasehold excise tax-Exemptions."

This rulemaking would affect facilities producing alternative jet fuels.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5601 S SB	<b>Title:</b> Alternative jet fuels	<b>Agency:</b> 461-Department of Ecology
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## Part I: Estimates

☐

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2026	FY 2027	2025-27	2027-29	2029-31
Clean Fuels Program Account-State 25Q-1	150,187	202,560	352,747		
<b>Total \$</b>	150,187	202,560	352,747		

### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	1.6	2.1	1.9	0.0	0.0
<b>Account</b>					
Clean Fuels Program Account-State 25Q-1	150,187	202,560	352,747	0	0
Climate Commitment Account-State 26C-1	579,811	329,811	909,622	0	0
<b>Total \$</b>	729,998	532,371	1,262,369	0	0

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

☒

If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐

If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☒

Requires new rule making, complete Part V.

Legislative Contact: Alia Kennedy	Phone: 360-786-7405	Date: 02/26/2025
Agency Preparation: Kelcy Shaffer	Phone: 564-200-3781	Date: 02/27/2025
Agency Approval: Garret Ward	Phone: 360-789-7938	Date: 02/27/2025
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/27/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Compared to SB 5601, SSB 5601 (1535.1-S) makes the following changes related to the Department of Ecology (Ecology):

Section 2 would require Ecology to explore development of one or more non-project environmental impact statements (EISs) for alternative jet fuel (AJF) production pathways, which may include blending and distribution infrastructure. This expands the work identified in the original bill. The substitute also requires Ecology to submit a report to the Legislature report by June 30, 2027.

Section 3 would no longer require Ecology to submit a report to the Governor and Legislature on the availability of biomethane. The section no longer limits Ecology’s ability to adopt, by rule, restrictions related to pipeline flow or geographic origin of biomethane claimed as a feedstock to produce alternative jet fuel until after the publication of a report, but rather prohibits such restrictions outright. Instead of prohibiting Ecology from adopting rules to limit crediting periods to less than 20 years for the voluntary capture of methane associated with biomethane, section 3 would require Ecology to ensure that any such rules are consistent with rules adopted by the California Air Resources Board relating to avoided methane crediting periods.

The changes to sections 2 and 3 would change the fiscal impact to Ecology.

Under Chapter 70A.535 RCW, Ecology administers the Clean Fuel Standard Program, which reduces carbon pollution from transportation by reducing emissions from the production and supply of transportation fuels. RCW 43.21C.535 requires Ecology to prepare non-project environmental impact statements that assess and disclose the probable significant adverse environmental impacts and identify related mitigation measures for some categories of clean energy projects.

Section 2 would amend RCW 43.21C.535 to require Ecology to explore the development of one or more non-project environmental impact statements for alternative jet fuel production pathways, including blending and distribution infrastructure. Ecology must submit a report to the Legislature by June 30, 2027.

Section 3 no longer requires Ecology to write a report to the Governor and Legislature. Therefore, costs related to contracting for this report are no longer needed. It also changes the scope for rulemaking, thus further reducing costs for this section.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

The cash receipts impact to Ecology under this bill is estimated to be greater than \$50,000 in Fiscal Year (FY) 2026 and FY 2027.

RCW 70A.535 directs Ecology to implement the Clean Fuel Standard Program intended to reduce greenhouse gas emissions from transportation fuels in Washington and collect a fee equal to the cost to run the program.

Section 3 would require Ecology to amend WAC 173-424, Clean Fuels Program Rule. Ecology would increase the fee to cover the cost to update the rule.

Ecology estimates the following revenue would be collected into the Clean Fuels Program Account:

FY 2026: \$150,187

FY 2027: \$202,560

**II. C - Expenditures**

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

The expenditure impact to Ecology under this bill is estimated to be greater than \$50,000 in Fiscal Year 2026 and Fiscal Year 2027 to implement the requirements of sections 2 and 3.

Section 2 would require Ecology to explore development of one or more non-project EISs for AJF pathways, including blending and distribution infrastructure. Ecology must submit a report to the Legislature by June 30, 2027. Ecology assumes this report would provide findings from the process to explore the development of non-project EISs and provide recommendations for next steps.

Ecology would be required to identify alternative jet fuel technologies, siting considerations, inputs and outputs, facility types, and infrastructure. This would include analysis of existing and new pipelines and movement by rail, vessel, and truck. The process would identify potential areas of concern or risk for study with early engagement with Tribes, communities, and other interested parties.

Ecology estimates the cost to implement Section 2 would include:

In FY 2026, Ecology would contract with consultants with expertise in AJF facilities and technologies. The expected cost is estimated based on a study done by the Department of Commerce to assess the future of Washington’s refineries and would be \$250,000 in FY 2026. Work would include conducting research, gathering input on technical aspects, and identifying risks and opportunities for alternative jet fuel pathways, including blending and distribution infrastructure. Ecology does not have the technical expertise to conduct the complex research and would therefore need to contract this work to outside experts.

In FY 2026 and FY 2027, Ecology would contract with a consultant to support information sharing and facilitate meetings. The expected cost for this work is estimated based on similar contracts would be \$500,000 split evenly between the two fiscal years. Work would include engagement and consultation with Tribes to identify potential impacts to Tribal rights, resources, interests, and cultural resources. Other engagement would include state, local, and federal agencies; industry; refineries; labor; state research institutions; environmental organizations; and ports. The collaborative process to explore non-project environmental impact statements would require consultants to facilitate information sharing and meetings with Tribes and interested parties. Consultants would also assist in preparing the report to the Legislature. Work would be similar to the geothermal energy collaborative process and Washington State University studies on risks and opportunities for clean energy.

0.5 FTE Environmental Specialist 4 (ES4) would be required in FY 2026 and FY 2027 to manage the contract consultant, coordinate with Tribes, interested parties, and state, local, and federal agencies, and develop a report on the collaborative process and identify issues for consideration in a future non-project environmental impact statement.

Section 3 would require Ecology to conduct rulemaking to amend Chapter 173-424 beginning in early 2025.

Ecology is currently conducting rulemaking to amend WAC 173-424. If the bill were to be enacted, Ecology assumes section 3 would require revision to ongoing rulemaking to remove amendments that are currently expected be adopted in June 2025 and take effect July 2025.

Ecology estimates the cost to implement Section 3 would include rulemaking to align Ecology’s crediting periods with California’s, as a carve out for alternative jet fuel. The current rulemaking has different crediting periods, and they apply to all fuels – not just alternative jet. The crediting period Washington has proposed in ongoing rulemaking is 15 years and the

rulemaking required by this bill would align with California's much longer period of 20 to 30 years depending on the end use of the fuel.

Ecology estimates that rulemaking would be moderately complex and generate substantial public interest and input. It would require eighteen months, from July 2025 to January 2027.

This type of rulemaking would include two preproposal meetings to gather input from interested parties and develop the Environmental Justice Assessment and then two public hearings to accept comments on the rule proposal.

Rulemaking Lead: Ecology estimates that an Environmental Planner 3 (EP3) would spend 0.5 FTE in Fiscal Year 2026 and 0.25 FTE in Fiscal Year 2027 coordinating the rulemaking effort.

Technical Lead: Ecology estimates that a Natural Resources Scientist 4 (NRSci4) would spend 0.25 FTE in Fiscal Year 2026 and 0.13 FTE in Fiscal Year 2027 to provide support for rule development and engagement with subject matter experts from the regulated community and to establish implementable compliance and exemption pathways and requirements in rule.

Public Outreach Coordinator: Ecology estimates that a Community Outreach and Environmental Education Specialist 3 would spend 0.13 FTE in Fiscal Year 2026 and 0.07 FTE in Fiscal Year 2027 support the public engagement required to develop an Environmental Justice Assessments (EJAs). This position would organize rule advisory committee meetings, public meetings, prepare informational materials, and respond to questions from interested parties throughout rulemaking.

The following positions would complete an economic and regulatory analysis of the rule:

Economic Analyst 3, 0.2 FTE in FY 2027;

Regulatory Analyst 2, 0.05 FTE in FY 2027

Ecology would hold 2 public hearings in FY 2027 for rulemaking.

Attorney General (AG) costs are estimated to be \$5,800 for 0.02 FTE in FY 2027 and 2028 to provide legal consultation during rulemaking ( $\$290,000 \times 0.02 = \$5,800$ ).

SUMMARY: The expenditure impact to Ecology under this bill is:

Section 2 is estimated to require:

FY 2026: \$579,811 and 0.6 FTE

FY 2027: \$329,811 and 0.6 FTE

Section 3 (Rulemaking) is estimated to require:

FY 2026: \$150,187 and 1.0 FTE

FY 2027: \$202,560 and 1.5 FTEs

THE TOTAL EXPENDITURE IMPACT to Ecology under this bill is estimated to be:

FY 2026: \$729,998 and 1.6 FTEs

FY 2027: \$532,371 and 2.1 FTEs

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are the agency average of 33.7% of salaries.

Profession Service Contracts include consultants for AJF facilities and technologies, and facilitation for information sharing on non-project environmental impact statements.

Goods and Services are the agency average of \$5,552 per direct program FTE.  
 Travel is the agency average of \$2,398 per direct program FTE.  
 Equipment is the agency average of \$1,074 per direct program FTE.  
 Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 29.9% of direct program salaries and benefits, and is shown as object 9. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT App Development - Journey.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
25Q-1	Clean Fuels Program Account	State	150,187	202,560	352,747	0	0
26C-1	Climate Commitment Account	State	579,811	329,811	909,622	0	0
Total \$			729,998	532,371	1,262,369	0	0

#### III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	1.6	2.1	1.9		
A-Salaries and Wages	121,918	149,735	271,653		
B-Employee Benefits	41,087	50,460	91,547		
C-Professional Service Contracts	500,000	250,000	750,000		
E-Goods and Other Services	13,462	15,960	29,422		
G-Travel	3,310	4,390	7,700		
J-Capital Outlays	1,483	1,967	3,450		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Administrative Overhead	48,738	59,859	108,597		
Total \$	729,998	532,371	1,262,369	0	0

#### III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
COMM OUTRCH & ENVIRO ED SPEC 3	67,716	0.1	0.7	0.4		
ECONOMIC ANALYST 3	95,652		0.2	0.1		
ENVIRONMENTAL PLANNER 3	86,712	0.5	0.3	0.4		
ENVIRONMENTAL SPEC 4	86,712	0.5	0.5	0.5		
FISCAL ANALYST 2		0.1	0.2	0.2		
IT APP DEVELOPMENT-JOURNEY		0.1	0.1	0.1		
NATURAL RESOURCE SCIENTIST	105,612	0.3	0.1	0.2		
REGULATORY ANALYST 2	88,800		0.1	0.0		
Total FTEs		1.6	2.1	1.9		0.0

#### III. D - Expenditures By Program (optional)

NONE

### Part IV: Capital Budget Impact

#### IV. A - Capital Budget Expenditures

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Section 3 would require amendments to Chapter 173-424 WAC following the completion of the rulemaking currently underway, to adopt any amendments to the Clean Fuel Standard as directed by this bill. Rulemaking would begin in July 2025

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

**Bill Number:** 5601 S SB

**Title:** Alternative jet fuels

**Part I: Jurisdiction**—Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- ☒ Cities: sales and use tax decrease
- ☒ Counties: sales and use tax decrease
- ☒ Special Districts: sales and use tax decrease
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

**Part II: Estimates**

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

**Estimated revenue impacts to:**

Jurisdiction	FY 2026	FY 2027	2025-27	2027-29	2029-31
City					(3,497,578)
County					(4,312,559)
Special District					(3,782,763)
<b>TOTAL \$</b>					(11,592,900)
<b>GRAND TOTAL \$</b>					(11,592,900)

**Estimated expenditure impacts to:**

None

**Part III: Preparation and Approval**

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/27/2025
Leg. Committee Contact: Alia Kennedy	Phone: 360-786-7405	Date: 02/26/2025
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/27/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 02/27/2025



## Part IV: Analysis

### A. SUMMARY OF BILL

*Description of the bill with an emphasis on how it impacts local government.*

#### CHANGES FROM PREVIOUS BILL VERSION

This substitute bill:

- creates an effective date of 7/1/2029
- alters the last day a county assessor and the DOR may receive a claim to 12/31/2034.
- alters the expiration date to 12/31/2047.

#### SUMMARY OF CURRENT BILL VERSION

This bill:

- Creates a sales and use taxes deferral for facilities to produce alternative jet fuels. Alternative jet fuel and fueling infrastructure is defined.
- Create a state property tax exemption on new or expanded facilities that expires 12/31/2034. Local taxing jurisdictions may (local option) authorize the exemption as long as the facility meets the requirements of the state exemption.
- Creates an exemption from the state portion of leasehold taxes on new or expanded facilities that expires 12/31/2034. Local taxing jurisdictions may (local option) authorize the exemption as long as the facility meets the requirements of the state exemption.
- Require a tax preference performance statement

### B. SUMMARY OF EXPENDITURE IMPACTS

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

#### CHANGES FROM PREVIOUS BILL VERSION

This substitute bill does not alter the previous analysis of expenditure impacts.

#### SUMMARY OF CURRENT BILL'S EXPENDITURE IMPACT

This bill will not impact local government expenditures.

### C. SUMMARY OF REVENUE IMPACTS

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

#### CHANGES FROM PREVIOUS BILL VERSION

This substitute bill creates an effective date of 7/1/2029, which pushes the revenue impacts to local governments out by two years.

#### SUMMARY OF CURRENT BILL'S REVENUE IMPACT

The Washington State Dept. of Revenue, assumes:

1. analysis of local property tax levies shows that with a new property tax exemption, 90% of local taxes would shift to non-exempt property owners and 10% of local taxes would decrease revenues for local taxing districts.
2. No local taxing districts will opt-in to allow the property tax exemption.

The sales and use tax deferral part of this bill decreases local revenues by an estimated \$3.9 million of impacted collections in fiscal year 2030, and by \$7.81 million in fiscal year 2031.

#### LOCAL GOVERNMENT REVENUE LOSS

FY 2026 -	\$	0
FY 2027 -	\$	0
FY 2028 -	\$	0
FY 2029 -	\$	0

FY 2030 - -\$ 3,900,000  
FY 2031 - -\$ 7,810,000

#### COUNTIES

FY 2026 \$0  
FY 2027 \$0  
FY 2028 \$0  
FY 2029 \$0  
FY 2030 -\$ 1,436,292  
FY 2031 -\$ 2,876,267

#### CITIES

FY 2026 \$0  
FY 2027 \$0  
FY 2028 \$0  
FY 2029 \$0  
FY 2030 -\$ 1,164,864  
FY 2031 -\$ 2,332,714

#### SPECIAL DISTRICTS

FY 2026 \$0  
FY 2027 \$0  
FY 2028 \$0  
FY 2029 \$0  
FY 2030 -\$ 1,259,844  
FY 2031 -\$ 2,522,919

#### METHODOLOGY

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2023. Distributions in 2023 were 37.20 percent to counties, 30.17 percent to cities, and 32.63 percent to special districts. A one percent DOR administrative fee has been deducted from the total.

#### SOURCES

Department of Revenue Fiscal Note  
Department of Revenue Local Tax Distributions