

From: Association of Washington Business <members@awb.org>
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March 27, 2023



FAST FACTS

Bringing Business Up to Speed



TOP NEWS

Washington Supreme Court upholds capital gains tax

In a much-anticipated ruling, the state's highest court has upheld Washington's tax on capital gains income. The 7-2 ruling, released Friday, said the 7% tax on capital gains income above \$250,000 is properly considered an excise tax, not an income tax.

Not overturning precedent: The court's ruling does not overturn a 1933 legal precedent that considers income to be property, which the state constitution said must be taxed uniformly, and which has prevented the Legislature from creating a progressive income tax. Still, "the court did seem to go out of its way to both cast doubt on and bemoan the results of that opinion," The Seattle Times reports.

- The ruling “contradicts common sense,” [The Wall Street Journal](#) wrote: “The majority opinion boasts that ‘forty-one other states and the District of Columbia tax capital gains.’ Yes, and every one considers capital gains to be income.”

Immediate impact: In response to the ruling, Camas-based Fisher Investments announced that it will [relocate its corporate headquarters to Dallas, Texas](#).

- Fisher Investments, founded in 1979 by investing guru Ken Fisher, [expressed its disagreement with the ruling](#) by saying its decision to move is “in honor of the Washington State Supreme Court’s wisdom and knowledge of the law, and in recognition of whatever it may do next.”

AWB statement: This ruling hurts the state’s competitiveness and moves Washington closer to an income tax, which voters have rejected many times, AWB said in response to the ruling.

- “Proponents argue the capital gains tax makes Washington’s tax system more progressive, but we have not seen an equivalent reduction in sales tax or business and occupation tax,” [said AWB President Kris Johnson](#). “It is simply a new tax at a time when it’s not needed. In the last five years, the Legislature has raised 22 other taxes which will collectively raise \$40 billion over 10 years. Instead of constantly looking for ways to raise more taxes, we encourage lawmakers to consider ways to invest in the economy.”

Impact on budget: The tax is expected to bring in roughly \$500 million a year in extra revenue. That includes an estimated \$248 million this biennium, \$1.1 billion in 2023-2025, and \$1.5 billion in 2025-2027. The state’s revenue forecast and this year’s legislative budget proposals all assume the tax will be collected, so the Supreme Court’s ruling will not affect budget projections.

Contact Government Affairs Director [Emily Shay](#) to learn more and get involved.



Senate, House unveil operating budgets; Senate plan would leave more in reserves

Senate budget: The Senate last week [released](#) its \$69.2 billion operating budget, which calls for large boosts in funding for special education, housing, behavioral health services and addressing climate change. The two-year budget includes \$5.1 billion in new spending and leaves \$3.8 billion in total reserves.

- The plan includes \$424 million for behavioral health facilities and \$298 million for housing and shelter for the state's homeless population. The Senate's capital and operating budgets combined promise nearly \$1 billion in new housing investments, a record level of funding.

AWB's position: AWB is encouraged to see that the Senate's budget proposal does not contain any new taxes nor drain the state's reserves. The budget reflects a slowdown in the record spending growth the state has seen over the past few years and possibility of a downturn.

- “Washington’s economy is beginning to show signs of cooling, as evidenced in the latest revenue forecast and AWB’s [employer surveys](#), and the risk of a recession is growing,” [AWB President Kris Johnson said](#). “This means budget writers should be especially focused on preparing the state to weather a downturn.”

Bipartisan support: Republican leaders applauded the Senate's spending plan, and [Sen. Lynda Wilson](#) called it the most inclusive

budget proposal in years.

House budget: Today the House [released](#) its two-year \$69.5 billion operating budget. Similar to the Senate's proposal, there are no new general taxes. The biggest difference is that the House's plan spends more and saves less, leaving \$2.6 billion in total reserves.

- While the Senate's budget would leave 10.2% of revenues in reserves by the end of 2025-2027, the House's proposal would leave just 7.2% of revenues in reserves. The [Washington Research Council](#) has details.

Contact Government Affairs Director [Emily Shay](#) to learn more and get involved.



AWB urges opposition to real estate excise tax increase

Still alive: Lawmakers are still considering [House Bill 1628](#), which would raise the real estate excise tax. In contrast with the capital budget and other housing proposals, this bill would only add costs to housing and worsen the affordability crisis. The bill could come up for a vote in the House any day.

Highest tax in America: HB 1628 would only make housing more expensive, increasing costs at every rung of the housing ladder. A [new AWB one-pager](#) breaks it down.

- The measure's fiscal note estimates the proposal would raise housing costs by more than \$2.7 billion over the next five years. If passed, the bill would cause Washington to have the highest combined state and local REET tax rate in America.

Builder speaks out: Kevin Wallace, president of Wallace Properties, laid out concerns in a [new column in the Tri-City Herald](#).

- “The tax on the sale of a typical 100-unit apartment community would be \$1.8 million, or \$18,000 per unit,” Wallace said. “Over time, this extremely high tax on almost all apartments in Washington state will get baked into the rent, meaning apartment renters will have to pay more than they are already paying.”

Contact your legislators: Urge your lawmakers to oppose HB 1628 through [AWB's Action Alert](#).



Senate, House capital budgets fund housing construction at record levels

Bipartisan budget: The Senate unanimously passed its \$7.9 billion [capital budget](#) on Friday. The biennial budget includes a record \$625 million for housing, including \$400 million for the Housing Trust Fund. The fund will finance more than 20 affordable housing construction projects around the state.

Record funding: Lawmakers voted to dedicate nearly 8% of the capital budget for housing, while previous budgets allocated less than 4%, a [Washington Research Council analysis](#) shows. It's more than what the state put toward housing in the three biennia before the pandemic, and a record amount for the Housing Trust Fund.

- While the last biennium showed even higher funding for housing, that's because legislators had COVID-19 relief funds to spend and made an unusual transfer from the operating into the capital budget. Read more in AWB's [blog post](#).

House proposal: Housing also got a big boost in the House's [\\$8.3 billion capital construction budget](#) unveiled today. There will be a hearing on the proposal Tuesday at 8 a.m.

- The House plan calls to spend \$704 million on housing, including \$400 million for the Housing Trust Fund, \$75 million for utility and infrastructure for affordable housing, \$50 million to build housing near transit, and more.

Right direction: AWB is encouraged to see lawmakers prioritize housing in both budgets and urge them to pass a bipartisan package of housing legislation. The two pieces would bring the state closer to solving Washington's housing needs: the 1 million homes the state needs over the next 20 years to house a growing population.



Don't miss early-bird discount for Spring Meeting; Vancouver mayor to speak

Lock in lowest price: The early-bird deadline to register for Spring Meeting is quickly approaching. [Register before April 1 for the 2023 AWB Spring Meeting](#) and save. Early-bird discounts are still available for this event, which will be held May 9-10 in Vancouver.

- The Spring Meeting will be delivered in person at the Hilton Vancouver Washington hotel, with plenty of in-person networking opportunities.
- Book your room by April 8 to receive [special pricing](#): \$194 per night (AWB room block) versus the \$300 regular nightly price.
- Room availability for this special offer is limited - [reserve your room today!](#)

New speakers: Vancouver Mayor Anne McEnerny-Ogle will deliver opening remarks and Pierce County Executive Bruce Dammeier will present on "Housing Washington's Growing Economy."

Lots of choices: Cap-and-trade, public safety, workforce and more are on the agenda this year. You can also expect a legislative review from AWB government affairs staff and a women's leadership roundtable.

Innovation theme: Gourmet coffee. Craft beer. Microsoft. Father's Day. All of these things were pioneered in Washington. We'll be highlighting Washington's innovative spirit at Spring Meeting and looking to the future. Futurist [Sheryl Connelly](#) will bring it full circle in an evening keynote.

Limited sponsorship opportunities available. To lock in now, please email carlym@awb.org.

[Reserve your spot](#) today!



LEGISLATION OF NOTE

Workplace law and human resources issues

Workplace laws are coming into focus. Government Affairs Director [Bob Battles](#) will be testifying this week on these bills:

- [Shoring up Paid Family and Medical Leave](#): The Senate's operating budget, [Senate Bill 5187](#), includes \$225 million to shore up the state's Paid Family and Medical Leave program. The budget reallocates \$225 million initially funded last session to set up a reserve fund for Paid Family and Medical Leave. AWB supports the move, which is critical to making the program more solvent and sustainable.
- [Ergonomics](#): Senate Bill [5217](#) has been referred to the House Appropriations Committee. The bill would repeal a longstanding

law prohibiting the Department of Labor and Industries (L&I) from adopting rules related to ergonomics or musculoskeletal disorders. AWB continues to oppose this unnecessary measure, although an amendment in the Senate reduces the negative impact. The state already has the ability to protect workers, and trend lines show that employers in every category continue to improve in the area of musculoskeletal issues. Get more background on ergonomics in this 2022 [AWB Amplified](#) video.

- **Personnel records:** House Bill [1320](#) passed out of the Senate Labor & Commerce Committee last week on a 5-4 vote. AWB opposes the bill, which requires employers to provide an employee's complete personnel file within 14 days of a request without allowing for reasonable redactions to protect other employees. It also includes a private right of action, which AWB opposes. The bill will be especially burdensome for small businesses.
- **Warehouse staffing mandates:** AWB opposes House Bill [1762](#), which would allow the Department of Labor & Industries to set staffing ratios for warehouses. Nearly every warehouse in the state would be affected. AWB opposes quotas of these kinds and this level of government regulation of day-to-day business operations. The bill passed out of the Senate Labor & Commerce Committee last week by a 5-2 vote.

Environmental and energy legislation

[Peter Godlewski](#), AWB's lead on energy and environmental issues, is tracking a number of issues, including:

- **Ensuring power adequacy:** House Bill [1117](#), sponsored by Rep. Gina Mosbrucker, R- Goldendale, addresses the extent to which Washington residents are at risk of rolling blackouts and power supply inadequacy events. AWB supports the bill, which is

similar to a bill from last year that passed the Legislature but was vetoed by Gov. Jay Inslee. HB 1117 passed the House earlier this month 95-0. The bill passed out of the House Environment, Energy & Technology Committee with a unanimous vote on Friday.

Transportation and infrastructure legislation

Ensuring that commerce can travel throughout the state is of crucial importance to employers. AWB's [Mike Ennis](#) is closely tracking a number of bills, including:

- **Sustainable aviation fuel:** Senate Bill [5447](#), sponsored by Sen. Andy Billig, D-Spokane, will have a hearing in the House Finance Committee on Tuesday. AWB supports the bill, which would create tax credits and incentives to spur sustainable aviation fuel production in Washington state.
- **Transportation budgets:** House Bill [1125](#), the [House transportation budget](#), was released ([TVW video](#)) and had a hearing today. The Senate budget, SB [5162](#), will be released Wednesday with a hearing Thursday.
- **Increasing bonds in Connecting Washington:** Also on Thursday, a transportation bonding bill, Senate Bill [5763](#), will have a hearing. SB 5763, which would require a 60% supermajority vote, proposes re-bonding some of the 2015 Connecting Washington package dollars to help fill in a possible transportation revenue gap in the budget forecast over the next 10 years. Senate Transportation Committee Chair Marko Liias sponsored the bill. His goal is to fund 90% of the Connecting Washington projects within the original 16-year time horizon, leaving 10% of the projects unfunded within that time frame.





FEDERAL ISSUES

Bills unveiled to save Snake River dams

U.S. Reps. Cathy McMorris Rodgers and Dan Newhouse introduced legislation last week to protect the Snake River dams, days after President Biden committed to working with leaders in the Pacific Northwest to save Columbia River and Snake River salmon.

Biden did not say he supported removing the four lower Snake River dams, but pledged to work with Idaho Rep. Mike Simpson, who has publicly backed breaching the dams, [The Lewiston Tribune reported](#).

"I am growing increasingly concerned about President Biden's openness to breaching our dams," [McMorris Rodgers said](#). "From his administration's recommendation to rip them out — without any scientific evidence to back it up — to his desire to work with anti-dam advocates, it's clear our dams are in danger."

Newhouse said the dams are critical to clean energy, flood control, navigation, irrigation, agriculture and recreation in Central Washington.

Read more on the importance of the Snake River dams in the [fall edition](#) of Washington Business Magazine.

Fed raises key rate by quarter-point despite bank turmoil

The Federal Reserve raised interest rates another quarter-point last week in its continued fight against inflation despite recent bank failures that have shaken the banking system.

Federal Reserve Chair Jerome Powell said Americans' deposits remain safe, two weeks after Silicon Valley Bank collapsed in the second largest bank failure in U.S. history.

Powell said high inflation may spur additional rate hikes, but that future increases may not be needed if banks pull back their lending in the coming months. If banks were to reduce their lending, it could help cool inflation and act as the equivalent of another quarter-point rate increase, the [Associated Press](#) reported.



OTHER NEWS

Biodiesel hub coming to Pasco

A [new biodiesel hub](#) is coming to the Tri-Cities thanks to a \$3 million federal grant to the Tidewater Terminal Company.

The grant was announced last week by U.S. Sens. Maria Cantwell and Patty Murray. The hub will supply cleaner fuel to Eastern Washington farmers and help reduce the carbon footprint of wheat, barley and potato harvests, according to a Murray [news release](#).

The hub is part of the Higher Blends Infrastructure Incentive Program, which aims to increase the sales of ethanol and biodiesel. Tidewater will work with the program to install equipment to blend, store and distribute biodiesel fuel along Pasco's section of the Columbia River.

“Supplying homegrown fossil fuel alternatives to Washington state’s agriculture economy will help farmers meet their fuel needs while lowering their carbon footprint,” Cantwell said.



AWB EVENTS & RESOURCES



AWB members and their employees can now get pet insurance

Protect your pet: AWB members and their employees now have access to pet insurance to protect pets from costly vet bills. A small monthly payment can help you prepare for those unexpected vet expenses down the road.

Why pet insurance: Pet owners spend nearly \$4,500 on vet care annually and a quarter of pet owners have gone into credit card or personal loan debt as a result. **MetLife Pet Insurance offers:**

- Flexible coverage with up to 100% reimbursement
- Optional preventive care coverage
- 24/7 access to telehealth concierge services
- Discounts and offers on pet care
- Coverage of pre-existing conditions when switching providers
- MetLife Pet mobile app to submit and track claims and manage your pet's health and wellness

Get a quote: Members, and your employees, can get a quote by visiting: www.metlife.com/getpetquote and entering **ProPoint** in the employer drop down menu at the bottom of the website. Feel free to forward this information to other employees at your company.



Highlight manufacturing excellence with AWB's annual awards

Get on the Manufacturing Week tour: Did you know that nine of the stops on AWB's annual Manufacturing Week bus tour are reserved for our Manufacturing Excellence Award finalists? If you want your shop floor to be part of Manufacturing Week, nominate your business for the

MEAs!

Nominations open: All employers are now eligible to [submit nominations](#) for the Washington Excellence Awards and the Manufacturing Excellence Awards, AWB's broad range of honors for excellence in business.

Available to all: Even if your favorite business is not an AWB member, you can still nominate them for these prestigious statewide awards. Employers are also encouraged to enter self-nominations. You can nominate for multiple awards by filling out the one single entry form.

- Nominations are due by 5 p.m. June 30.

Manufacturing Excellence Awards are given for:

- [Operational Excellence](#), for a distinctive manufacturing process with continuous improvement (see last year's winner, [Advanced Nutrients/Applied Plant Science](#));
- [Innovation](#), for forging ahead while responding to market demands (see last year's winner, [BRINC Drones](#)); and
- [Manufacturer of the Year](#), for overall business excellence and raising the industry standard (see last year's winner, [SAFE Boats International](#)).

Washington Excellence Awards presented in these categories:

- [Washington Achieve Award](#), honoring workforce and educational development;
- [Leading Environmental Practices](#), recognizing green and clean business operations;
- [Washington Advance Award](#), honoring community-minded and generous employers;

- [Washington Veterans & Families Award](#), for hiring, retaining or supporting veterans, transitioning service members and their spouses;
- [Excellence in Washington Family-Owned Business](#);
- [Entrepreneur of the Year](#), for the innovator behind a business less than five years old;
- [Employer of the Year](#), recognizing the overall business providing a thriving work environment for employees.

Gala event: The awards will be presented at the Evening of Excellence on Nov. 16, held this year for the first time at the Fairmont Olympic Hotel in Seattle.

[Nominate an excellent Washington business](#), including your own, today!



AWB's Delta Dental members have access to new discounts

AWB HealthChoice members who are enrolled in a dental plan through Delta Dental can now access [Delta Dental of Washington's Member Discount Program](#). This allows access to hundreds of discounts on products and services nationwide from well-known brands.

Discounts are available for movie tickets and concerts, hotels and cruises, car rentals and repairs, in-home care and nursery assistance, household supplies and pet care, and more.

Manage this new benefit through your [MySmile account dashboard](#). Log in and access the link to your new savings.

If you're not enrolled in HealthChoice and would like more information,

please visit the ProPoint website at www.propointservices.com or contact Helen Siggins at helens@propointservices.com.



Learn the latest on wage and hour laws with upcoming HR webinar

Monthly series: You can still sign up to be part of AWB's ongoing HR [online learning series on human resources and employment law](#) for the professional development and business management needs of small- and medium-sized businesses.

- **Continuing education credits are available** for the [2023 Human Resources and Employment Law webinar series](#), which runs through July and covers a range of topics that will help your business foster a world-class workforce, no matter your industry.
- Experts from Washington's top law firms will give quick updates (60-90 minutes), including ample Q&A time.

Designed for you: This series is designed for CEOs, HR managers, payroll personnel and other department managers, and is equally valuable to any small business owner. The series package includes all six webinars, topic materials and a wrap-up package that will include all webinar materials, extra information and sample documents.

- [April 12](#): Wage & hours
- [May 3](#): Performance evaluations, disciplinary action & termination
- [June 7](#): Accident prevention & accident investigation plans
- [July 12](#): Non-competes, confidentiality agreements, non-solicitations & intellectual property protection

[Register now!](#) You can still purchase the remaining webinars in the series plus get access to previous webinar materials by purchasing the On Demand Combo.



Save the date: Workforce Summit coming June 1 to Museum of Flight in Seattle

The need: Workforce is the most pressing issue facing employers. The Manufacturing and Aerospace Industries remain the top employing sectors in Washington.

Finding solutions: The [2023 Workforce Summit](#) will bring together employers to discuss the most pressing needs facing their industry when it comes to workforce, and how best to connect/collaborate with educational partners to ensure strong career pathways for young people into these high-wage, high-growth careers.

The event: The event, from 9:30 a.m. to 3 p.m., will include networking, presentation of a workforce report, a session on employer best practices, lunch, an educator panel, and partnerships in action.

[Register here.](#)



Find an intern with the Washington Workforce Portal

Internship season is just around the corner. Is your company ready? Find the ideal internship candidate to start your business off on the right foot this new year. AWB Institute's [Washington Workforce Portal](#) is a free platform that pairs Washington businesses offering internships, apprenticeships, and mentorships with Washington high-school and college students seeking real-world work experience.

Learn more about how you can start using it today: www.washingtonworkforceportal.org.





POST OF THE WEEK



THEY SAID IT

"The tax is an income tax, regardless of the label placed on it by the legislature." ~ [Washington Supreme Court Justice Sheryl Gordon McCloud](#), writing in a dissenting opinion in Friday's 7-2 ruling upholding Washington's capital gains tax.



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