



THE LEGISLATURE IS IN!

Beginning in early January, the Washington Legislature began what will hopefully be a 60-day regular session (and that is all). Given that this is an election year, one would expect that Legislators would not want to extend into special sessions, but you never know.

Here at ACEC, we are actively tracking a number of bills. These involve potential changes to broad array of areas including liability exposure, procurement statutes, making contracting out more difficult, taxation, surveying, and changes to laws involving utilization of minority and women's business enterprises.

While the "first cutoff" is this Friday, February 2nd, there was a bill just introduced ([HB 2940](#)) regarding the amount of **B&O tax** owed by businesses. ACEC is in the process of evaluating the full practical effects of the bill, but what is clear is that the bill makes a company's B&O tax subject to a graduated scale and thus more like an income tax.

This is accomplished by a calculation of each company's "margin", where the margin for the current tax year is determined by deducting the cost of goods sold and cost of labor, accrued for the immediately preceding tax year, from the greater of the company's total gross income of the business. However, the bill is silent as to what constitutes one's "cost of labor" so it is uncertain as to what expenses would be allowable as part of the calculation.

What we do know is if the margin is:

- Less than \$250,000, then the company pays no B&O tax
- More than \$250,000, but less than \$1,000,000, then the company pays the same B&O tax as is currently owed (i.e. 1.5% of gross receipts)
- More than \$1,000,000, the firm pays the existing B&O tax amount, plus a surcharge equal to 6% of the B&O tax amount owed (i.e. 1.59% effective rate)

It would be appreciated if you would take the time to let us know how this proposal would affect your firm, either positively, neutrally, or negatively. Please send your comments to Van Collins (vcollins@acec-wa.org) to let us know how our industry is impacted.

It is noteworthy that there was a change in control of the Senate going into this session. Whereas the Senate had been in control of the Republicans, the passing of Senator Andy Hill (R-45th) prompted a special election this fall which was won by Democratic candidate Manka Dhingra. Senator Dhingra's election switched the Senate from a one-vote Republican majority to a one-vote Democratic majority. This means that the Senate, the Governorship, and the House are all within Democratic hands (although the House also only has a one-vote majority). These tight majorities make for interesting politics regardless of which party is in control.

One of the notable accomplishments thus far in the session is the Legislature's passage on January 19th of a **Hirst fix** ([SB 6091](#)) related to water rights in rural areas. While this was very important on its own,

passage of this bipartisan bill also finally allowed passage of a **capital budget** ([SSB-6090](#)) and the accompany bond bill ([ESSHB-1080](#)). This was because passage of the capital budget had been held up until the *Hirst* fix was negotiated.

Again, please let us know about HB 2940 and the impact it would have on your firm.