

WASHINGTON CREDIT UNIONS

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To: Members of the Washington Governmental Affairs Committee

From: Joe Adamack, VP of Legislative Affairs for WA, GoWest

CC: Jennifer Kutcher, WA GAC Co-Chair, WECU
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The Washington Legislature will clear its first major deadline for most bills to be approved by committees on Friday before shifting to full House and Senate votes next week. Issues supported by credit unions remain alive and other legislation previously of concern has been amended to fix issues or is no longer under consideration.

- *Today is the 45th day of the 105-day session which has seen 1,742 bills introduced so far.*

1. Bill addressing state attempts to tax certain digital services purchased by financial institutions moving forward.

Why it matters: The state Department of Revenue has been using conflicting statutes and a questionable interpretation of some tax exclusion definitions to claim that sales taxes are owed on certain purchases and has indicated that moving forward it will likely broaden and seek to formalize that position pending litigation, which would lead to an increase in sales taxes owed by state-chartered credit unions.

What's new: We are asking legislators to modernize the law to provide clarity and fix an inappropriate application of sales tax to certain digital services credit unions and other financial institutions purchase to provide online tools and services.

- Both SB 5843 and HB 1557 are currently before the appropriate fiscal committees and negotiations on language remains ongoing.
- As a result of our discussions with DOR the agency has finally answered key questions on what they are relying on make this determination, which helps us better address and explain the issue to key legislators and refine specific language in the active legislation.

- **Of note:** The overall policy change as introduced would reduce revenue to the state by \$50 million/year, but state-chartered credit unions only account for only 1% of that amount, with the remaining 22% attributed to state-based banks and the rest -- 77% -- to out-of-state banks.

What's next: We will continue working with sponsors, budget writers, and DOR to advance legislation (which is not subject to the previously mentioned deadlines) addressing this problem.

2. Proposals with the potential to impact operations fixed or tabled.

- An attempt to reduce fraudulent robocalls -- a laudable goal -- had multiple unintended consequences and potential impacts to normal ongoing processes by financial institutions. We worked directly with the state's Attorney General's Office and the legislative sponsor to secure multiple amendments that have fully addressed our concerns.
- A bill aimed at preventing "doxxing" (publishing another's personal information online with malicious intent) would have created multiple issues for credit unions and other organizations, including some items credit unions are legally required to do.
 - Thank you to Alison Phelan of BECU for working jointly to fix this by successfully amending the bill.
- A proposal to create a Residential Property Assessed Clean Energy (R-PACE) program was shelved by the sponsor after we explained issues that the priority lien position created and impacts it would have on getting federal backing or purchase of mortgages with them, along with many consumer protection issues found in the three states where these programs are active.
 - Given credit unions' interest in helping members access a range of energy efficiency or resiliency home improvements the sponsor wants to work with us after session to identify a potential state and credit union partnership that could provide similar benefits for lower- and middle-income homeowners without the problems associated with R-PACE.
- While the broad data privacy legislation from past years is not under consideration there is work to adopt similar policies specific to certain health care data. While our review and feedback does not show any credit unions collecting the type of data contemplated in the bill, out of an abundance of caution, language exempting anything covered by federal law for financial institutions was added to avoid unanticipated problems.

Next steps: Many important proposals and issues we support remain under consideration and will be discussed in future updates, so this is a snapshot of some key issues we've already influenced. More information to come.

3. Overhaul of state's business tax code discussed, unlikely to advance.

Why it matters: Many Washington businesses have complained that the state's Business and Occupation tax on gross receipts is problematic especially for small and low-margin entities.

- A bipartisan legislative working group met over the last five years and is now recommending moving to a margins tax on net income. Any change to the state's business tax structure would also require adding the existing credit union tax exemption into the new law.

What happened: Prior to session we were successful in adding important language exempting credit unions from the new business tax legislation drafted by DOR. Key language was included in both bills introduced in the Senate and House this session and does not need to be added by the Legislature.

What's new: Lawmakers heard almost exclusively negative feedback from stakeholders advocating against the overall proposal and it is highly unlikely that it will move forward in any form this year.

- The concept and effort will remain under review in future years so our efforts to impact the bill in its drafting stage will be beneficial for years to come.

4. The next Washington Governmental Affairs Committee meeting is on May 23rd, from 10 am to 2 pm in SeaTac, WA. Please always feel free to reach out to me directly with any questions and thank you for your participation and engagement in the important work of this committee.

Also, thank you for participating and/or bringing team members to the 2023 Credit Union Day at the Capitol on February 9th. It was great to see 200+ credit union advocates connecting with each other and state legislators -- including many first-time attendees -- in Olympia for the first time in person since 2020. [Read more about the day here.](#)

Thank you,

Joe Adamack

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