

INDEPENDENT BUSINESS ASSOCIATION

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SMALL BUSINESS REPORT SMALL BUSINESS REPORT SMALL

IBA SMALL BUSINESS REPORT - March 17, 2017

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NOTICE: The information contained in the publication is intended to alert the reader to issues, laws, regulations and events which may affect the operations of a small business. The information is presented in a summary form and is not intended to assure compliance with laws or regulations which may apply to any specific business. The information is not intended as legal advice. The reader is advised to seek the advice of a qualified attorney, accountant or other advisor to obtain specific compliance advice with respect to the laws, regulations or other issues which may apply to a specific business.

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IBA SMALL BUSINESS REPORT



March 17, 2017

Sales Taxes Increase April 1st

On April 1, 2017, an additional 0.5% Sound Transit Regional Transit Authority (RTA) Sales Tax Rate Increase will take effect in much of King, Pierce and Snohomish Counties (but not all areas in these counties – more details below). This higher tax rate applies to all sales into the RTA tax area of these three counties. If you ship, deliver or provide services subject to sales taxes into the RTA tax area, this new tax applies to those sales.

The RTA tax area includes mainly the metropolitan areas of these three counties. For example, in King County Seattle, Bellevue, Redmond, Kirkland, Sammamish, and Woodinville are in the RTA tax area. Duval, Carnation, Fall City, Preston, Snoqualmie are not in the RTA tax area but they are in King County,

The sales and use tax rate increase for RTA areas go from 0.9 percent through March 31, 2017 to 1.4 percent effective April 1, 2017.

You must check each location where you deliver goods or services subject to sales tax in King, Pierce and Snohomish counties to determine if the higher Sound Transit Sales Tax applies. You can do this via the Internet at:
www.ibaw.net/salestax2017.pdf

For businesses like contractors and other firms who are working in the field, there is a cellphone app to help the taxpayer to determine what tax rate applies, where the business's representative is located. This cellphone

app is available from the Department of Revenue website.

You can use this app to find the sales and use tax rate and code for any location in Washington. You can look up rates by your current location (it uses GPS), address, or zip code. It's an ideal tool if you make deliveries or do work to/for your customers in multiple locations.

Sales tax rates for lodging, motor vehicle sales and rentals, and liquor are different than the general sales tax rate and are not included in this app.

The app is available at:
www.ibaw.net/salestax2017.pdf

State Senate Adopts 2/3 Vote To Increase State Taxes

The Washington State Senate recently adopted a new permanent rule requiring a 2/3s vote to raise state taxes.

The rule states that when any legislation that increases current tax rates or adds new taxes is moved to final passage, the motion to move the legislation to final passage must pass by a 2/3's vote of the Senate.

The Senate Majority strongly argue that the voters have consistently approved initiatives to require a two-thirds vote by the Legislature to adopt new taxes or increase current taxes.

Those initiatives have been overturned by the Washington State Supreme Court and no longer are part of state law.

The Senate Majority passed this internal rule to the Senate's procedures to put the 2/3's requirement in place as part of the Senate's procedures.

Senator Doug Ericksen from Ferndale stated, "The fundamental core principle that the voters of Washington have said over and over and over again, in the vast majority of our districts by huge majorities, that they want extra protection before we as a legislative body reach into their bank account and give it to somebody else. It is a protection they want and deserve."

Senator Mike Baumgartner from Spokane stated, "I want to congratulate the people of the state of Washington for enabling the Senate to adopt its own rules to protect the voters. Good job!"

All members of the Senate Majority Caucus voted Yea and all of the Democrat members of the State Senate voted Nay.

Car Tab Sticker Shock for Many

With the passage of the Sound Transit-3 ballot measure in King, Pierce and Snohomish counties last November, citizens are now receiving their new car-tab renewal fees. Many are outraged by their new car-tab fees. The voter-approved \$54 Billion Sound

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Transit-3 tax plan included a **1.1% tax – up from 0.3% (nearly four times higher)** - on the value of a vehicle based upon a previously set, 1996, Department of Licensing vehicle value table which has since been changed to better reflect real-life depreciation. Below is a chart to compare that 1996 DOL vehicle value table to the average real-life value table for most passenger vehicles. Understand that the real-life value of any used vehicle is dependent on the vehicle's mileage, accident history, condition, etc. at time of sale.

You can view the Department of Li-

Year of Service	DOL Value Percentage	Average Real-Life Value*	DOL Value Compared To Real Life Value*
New	100%	100%	100%
1	95%	70%	136%
2	89%	58%	154%
3	83%	48%	174%
4	74%	39%	188%
5	65%	32%	200%
6	57%	27%	213%
7	48%	22%	217%
8	40%	18%	220%
9	31%	15%	206%
10	22%	12%	178%
11	14%	10%	137%
12 or older	10%	8%	119%

Real-Life value varies by vehicle mileage (chart based on <12,000 miles per year), accident history, condition, etc.

censing's vehicle value chart via the Internet at: www.ibaw.net/2017cartabs.pdf

How the Department of Licensing ar-

rived at this current vehicle valuation chart is a long story that the Seattle Times has done an excellent job in explaining. You can find it at: www.ibaw.net/2017cartabs.pdf

State Senate Proposes Changes To Car Tab Fees

The Washington State Senate has proposed three pieces of legislation to revise the car tab fees in Washington State. They are:

SB 5817 - Any RTA taxes approved by voters after January 1, 2015, may be nullified within a city or county within the RTA district by either an approved voter proposition or a majority vote of a city or county legislative authority. Any nullified RTA taxes may not be imposed within the affected city or county.

A voter proposition must be submitted to the voters at a special election if a petition to nullify RTA taxes submitted to the county auditor includes signatures of 8 percent of registered voters from the city or county area petitioning.

SB 5851 - For the RTA MVET tax, the value must be based on the base model Kelley Blue Book values or National Automobile Dealer Association values, whichever

is lower. The valuation change would be applied retroactively, beginning July 15, 2015.

SB 5854 - Any property taxes approved by RTA voters for the purpose of funding an RTA may be nullified within a city or county within the RTA district by either an approved voter proposition or a majority vote of a city or county legislative authority. Any nullified property taxes may not be imposed within the affected city or county. A voter proposition must be submitted to the voters at a special election if a petition to nullify RTA property taxes submitted to the county auditor includes signatures of 8 percent of registered voters from the city or county area petitioning.

Washington State Driver's License Will Not Be Good At Airports In 2018

Your current Washington State's Driver's License will no longer be acceptable ID when accessing airport security beginning in January 2018. The reason is the federal REAL ID Act requires that your ID confirm your USA citizenship and the Washington State regular driver's license does not include this. Beginning in January 2018 you must have a federally compliant form of identification to board a commercial airline flight.

The 2017 Legislature has proposed legislation to address this Washington State driver's license ID issue.

SB 5008 will direct the Department of Licensing (DOL) to mark standard driver's licenses and identicards in accordance with federal REAL ID Act regulations to indicate that they are **not** acceptable for federal identification purposes.

The legislation reduces the fee for a full-term enhanced driver's license and

an enhanced identicard from \$108 to \$90 for four years.

Since your current driver's license will not be valid federal ID past January 2018, IBA advises its members not to wait until late 2017 to get a new driver's license as the lines will be very, very long and it could require days of waiting in lines to get a new enhanced driver's license late in 2017. You can upgrade your current license NOW to an Enhanced WA Driver License/ID Card by showing a USA passport, USA passport card, USA military ID, permanent resident card, tribal-issued ID cards from federally recognized tribes, Transportation Worker Identification Credential (TWIC card) and several other types of identification.

You can use the same ID's listed above as an alternative to a new driver's license to get on an airline after January 1, 2018. There is a complete list of acceptable alternative IDs to board an airline flight after January 2018 available via the Internet at: www.tsa.gov/travel/security-screening/identification

Paid Family Leave Biz Proposal – Your Thoughts Please

Since early January, IBA has been working with large, medium and small businesses across Washington State to develop workable paid family leave legislation. IBA helped fund a comprehensive voter poll to determine how voters would vote on this issue. We reported that to you in IBA's February 2017 Small Business Report and you can find the poll results at www.ibaw.net/pflpoll.pdf. Then, IBA sat next to Microsoft, the Hospitality Association (restaurants), the Washington Retail Association, Associated General Contractors, and interests from

Boeing, Walmart and other larger businesses and many other large, medium and small business interests from across the state. In the past couple of weeks, the business community came together and, to the extent possible, agreed to a draft paid family leave proposal the "business community" could live with. Early this past week, the business community, including IBA, presented its proposal to Democrat leaders from the House and Senate and Republican leaders from the House and Senate. Now, we present it to you and ask for your input. The bottom line, there is a great deal of negotiating to go on yet within the business community and with legislators before any final proposal is put into legislation and starts its way through the legislative process. Below is a summary explanation of the business community Paid Family Leave concept proposal.

Workers

- Workers will be eligible for Paid Family Leave benefits after working 1,250 hours in the previous 12 months with the employer they will be taking Paid Family Leave from. This is consistent with the current federal Family Leave law.
- Workers will pay 75% of the cost of the Paid Family Leave program costs through a payroll deduction.

Paid Family Leave benefit

- Up to 12 weeks – 3 months – in a 12 month period. Can be broken into 3 separate leaves
- Benefit amount up to 75% of the worker's average weekly wage to a maximum of 100% of the state's average wage (adjusted annually – currently \$1082)
- Workers must first take paid sick leave benefit to be implemented funder I-1433 before taking Paid Family Leave
- Workers can take Paid Family Leave for the following reasons:
 - Birth or adoption of a child, including a foster child.

- Worker's illness.
- To care for a spouse, child or immediate family member with serious health condition.
- Military deployment or return.
- Worker's job is protected while on leave.

Employers

- Requires employers with 50 or more employees to provide Paid Family Leave benefits to their employees.
- Employers with fewer than 50 employees can opt-in to provide this benefit to their employees. Once an employer opts-in the employer must stay in the program for 3 years.
- Employers will pay 25% of the cost of the Paid Family Leave cost and deduct 75% of the cost of the program from their employee's pay.
- Small Business protections (developed by IBA)
 - If employee John Doe takes paid family leave from Company ABC that has 10 employees, and Company ABC hires a temporary replacement worker Al Smith to replace John Doe until John comes back to work and then lays off Al Smith when John Doe comes back to work, Company ABC will see its state unemployment tax rates skyrocket for the next 3 years if temporary replacement worker Al Smith collects unemployment benefits after being laid off. IBA's fix to avoid Company ABC's unemployment rates from skyrocketing is to have the state's Paid Family Leave fund pay back the state unemployment benefits collected by Al Smith to the state's unemployment system so Company ABC will not be charged for the unemployment benefits collected by John Smith and Company ABC will

not suffer huge state unemployment tax increases because Al Smith temporarily replaced John Doe. The rest of the business community has embraced this IBA solution.

- Replacing a worker who takes family leave can be a very costly challenge to a small business given the recruiting costs, hiring costs, training costs, and productivity reductions. IBA proposed to the business community that the paid family leave fund provide up to \$3,000 in replacement cost benefits to an employer who temporarily replaces a worker taking paid family leave to help offset the costs of replacing that worker. That \$3,000 will come from employer paid family leave premiums and will be provided to the employer in the form of a check to help the business with cash flow. This is now part of the business community proposal on Paid Family Leave legislation.

- Employer pays the cost to collect the taxes from the worker and report the worker and employer taxes to the Paid Family Leave fund.

Other Provisions/Issues

- Taxes begin 1/1/2019
- Benefits begin 1/1/2021.
- Benefits will be phased in to build up the Paid Family Leave fund so it is financially stable.
- It will take ESD 2 years to get the program started. It requires a complete new program be created similar to the state unemployment insurance system. Federal law does not allow the two programs to operate together.
- It will cost \$60 million to start up this program with a new computer system, new computer programs and new staff. The \$60 million will be paid from the Paid Family

Leave fund, not from other state taxes.

- State Paid Family Leave law will pre-empt local cities and counties laws that implement a paid family leave benefit.

Paid Family Leave Taxes

Early estimates are that the business community proposal will result in a payroll tax of about 0.3% to 0.4% paid 75% by the workers, and 25% by employers.

Your Thoughts Please

Please share your thoughts about the “business community” Paid Family Leave proposal explained in the previous report by completing the IBA Small Business Directive on page 7 of this IBA Small Business Report or via the Internet at: www.ibaw.net/directive

Distracted Driving Legislation

HB 1371 and SB 5289 propose to significantly change the prohibitions on using cell phones, other electronic devices, and engaging in other distracting activities while operating a motor vehicle. If either bill passed it will replace current laws that prohibit use of a hand-held cellular phone and texting while driving with a prohibition on a driver using a personal electronic device with his or her hands while driving to conduct a range of activities.

SB 5289 also prohibits a person who engages in any activity, i.e. eating, shaving, etc. not related to the actual operation of a motor vehicle in a manner that interferes with the safe operation of such motor vehicle on any highway.

Both bills define dangerously distracted as a person who engages in any activity not related to the actual operation

of a motor vehicle in a manner that interferes with the safe operation of such motor vehicle on any highway. The new infraction may only be enforced as a secondary action when the driver has been detained for a suspected violation of a separate traffic infraction.

The first violation of the infraction carries a penalty of \$136. Second and subsequent violations of this infraction result in a penalty of approximately \$235. Fines for violations must be deposited into the Distracted Driving Prevention account and may only be appropriated for programs dedicated to reducing distracted driving and improving driver education on distracted driving.

Both bills permit minimal use of a finger to activate, deactivate, or initiate a function of a device to control a built-in feature of a motor vehicle through the use of a touch screen control panel.

Provides for exceptions to prohibited personal electronic device usage for:
Contacting emergency services;

- Specified uses by transit system employees;
- Activities that are federally authorized for commercial motor vehicle drivers;
- The operation of an amateur radio station and two-way or citizens band radio services;
- The operation of an authorized emergency vehicle; and
- The operation of a tow truck in certain specified circumstances.

Preempts local laws that restrict the use of electronic devices while driving.

Doubles the penalty amount due for personal electronic device use infractions for second and subsequent offenses within five years.

Both bills are moving through the Legislature with strong bi-partisan support

after the Legislature heard from mothers who have lost their children due to distracted driving by other drivers..

How The Republican Proposal To Repeal and Replace the Affordable Care Act (aka: Obamacare) Affects You

YOU will be affected by the repeal and replacement of the Affordable Care Act. It will affect what insurance you can buy, how much it may cost, and how the new law may affect your small business. So, IBA wants to keep you informed about what is going on and how it may affect you so you can communicate with your Congressional Representative and U.S. Senators if you feel you should, and plan accordingly.

On March 6th the House Republicans released their proposal to repeal and replace the Affordable Care Act (ACA) (aka: Obamacare). This repeal and replace proposal is in three parts.

1. **Reconciliation Legislation** that will take 50 votes in the Senate to pass the Senate and Congress. It primarily repeals major elements of the Affordable Care Act (aka Obamacare) so it effectively cannot function. YOU can view this legislation via the Internet at: www.ibaw.net/gophealthreform.pdf
2. **Rule revisions.** About 2/3's of the Affordable Care Act was put in place by federal rules adopted by federal agencies such as the Department of Health and Human Services, the Department of Labor, and the Department of Treasury (IRS). Stage two of the plan is to direct the agencies to rewrite most of those rules and thus repeal the ACA (aka:

Obamacare) rules.

3. **The replacement legislation** has not yet been officially had a public hearing but will require, because of Senate rules, at least 8 Democrat votes to pass the Senate and pass Congress. That will be a very difficult requirement to meet.

Speaker Ryan's recently provided a Power Point presentation about what the full Republican health care repeal and replacement package will do. You can view the 30-minute presentation via the Internet at:

www.ibaw.net/gophealthreform.pdf

Speaker Ryan also has prepared a fact sheet about how the Republican Plan will save money and reduce taxes. You can view it via the Internet at:

www.ibaw.net/gophealthreform.pdf

Below is a brief summary taken from some of the House Republican information on their proposal to repeal and replace the ACA (aka: Obamacare).

The plan means the new Republican plan they are proposing

ACA means the Affordable Care Act (aka: Obamacare)

- **The plan** will deliver relief from the taxes and mandates that have hurt job creators, increased premiums, and limited options for patients and health care providers.
- **The plan** intends to return control of health care away from Washington D.C. and back to the states and citizens and restore the competitive insurance market so Americans can access the quality, affordable health care options that are tailored to their needs. **IBA Observation:** This is the goal, it is unclear if it will become the reality.
- The ACA (aka Obamacare) was based on a one-size-fits-all approach. **The plan** is designed to deliver the control and choice indi-

viduals and families need, to access health care that's right for them. Individuals and businesses will have more freedom and flexibility to choose the health care plan they want.

The plan is intended to decrease premiums and expand and enhance health care options so Americans can find a plan that's right for them.

Citizens should never be denied coverage or charged more because of a pre-existing condition. **The plan** proposes to preserve vital patient protections, such as (1) prohibiting health insurers from denying coverage to patients based on pre-existing conditions, and (2) lifting lifetime caps on medical care. Children can stay on their parents' plan until they are 26.

IBA Observation: This provision has not yet been clearly defined and **the plan** may impose waiting periods for care of pre-existing conditions for individuals with pre-existing conditions who have a break in insurance coverage for more than 60 days and may also impose a premium sur-charge for pre-existing conditions for individuals who had more than a 60-day break in coverage.

The plan immediately eliminates the individual and employer mandate penalties, which forced millions of people into Obamacare plans they didn't want and couldn't afford. **The plan** dismantles taxes on prescription drugs, over-the-counter medications, health-insurance premiums, and medical devices. **IBA Observation:** while repealing the mandates will be welcomed by many, repealing the mandates will also likely increase the cost of health care insurance as fewer healthy people purchase health care insurance.

The ACA (aka: Obamacare) health care tax credits are repealed and replaced by new tax credits that

helps Americans buy health care that meets their needs.

- **The plan** intends to strengthen Medicaid and targets the program's limited resources to the patients most in need.
- **The plan** intends to ensure low-income Americans have access to quality, affordable options through a new, competitive, state-based private insurance marketplace.
- **The plan** intends to give all Americans a stable transition toward a system that empowers citizens with more choices and lower costs.
- Through 2018, Americans will continue to have access to ACA health care options. **The plan** is proposed to provide more flexibility and choice for the people who purchase insurance through the individual marketplace. For example, individuals and families will be able to use their existing subsidy to purchase insurance—including the catastrophic coverage—that is not currently current subsidized through the ACA exchanges.
- **The plan** preserves employer-sponsored coverage—a vital benefit that helps more than 150 million workers and families access affordable, quality health care.
- The ACA (aka: Obamacare) subsidies were based on income and were limited to government approved health care plans **The plan** repeals Obamacare's subsidies in 2020 and instead provides a tax credit to low- and middle-income citizens and families who do not receive insurance through work or a government program. Unlike Obamacare, **the plan's** tax credits are based on age and family size and will gradually phase out as your income increases—making sure work always pays and hard-working Americans are never left behind.
- **The plan's** tax credits are based on age and family size and will range from \$2,000 (for individual) to \$14,000 (family) to purchase health insurance, depending on how old you are and how big your family is.

The plan intends that you should have a greater choice of health care plans. **IBA Observation:** **The plan** will provide substantially less federal tax credits for lower income individuals and families than does the ACA (aka: Obamacare) and thus make insurance less affordable to lower-income individuals and families.

- **The plan** specifically prohibits any gender discrimination. Women will have equal access to the same affordable, quality health care options as men do under **the plan**.
- **The plan** will not cover abortion costs.
- By repealing taxes, rolling back regulations and mandates, and restoring control back to the states, Republicans trust **the plan** unleashes innovation and competition in the health care market that lowers health care costs to citizens. **IBA Observation:** While repealing the mandates will be welcomed by most, repealing the mandates will also likely increase the cost of health care insurance as fewer healthy people purchase health care insurance.
- **The plan** is intended to result in lower costs and more choices.
- **The plan** proposes to increase the amounts citizens can put into their Health Savings Account to spend the way they deem appropriate
- **The plan** is expected to lower premiums. It is intended to deliver much more flexibility for people to save and spend their health care dollars the way they want and need.
- **The plan** proposes to allow health insurers to compete across state lines. **IBA Observation:** This will create a very unique market for health care plans. It will decrease the purchase of and increase the cost of health care plans in states with additional mandated benefits. This also creates significant new issues when an insured individual has a health care dispute with an insurance company when the insurer is regulated by another state than the state where the insured individual is locat-

ed.

- **The plan** authorizes the creation of association health care plans that are intended to make health care insurance more affordable for small businesses. **IBA Observation:** Many details must be worked out before association health care plans will be available.

The non-partisan Congressional Budget Office has recently “scored” “**The plan**” to determine its costs to the federal budget and effects on individuals, families and businesses. You can review that report via the Internet at:

www.ibaw.net/gophealthreform.pdf

Big News in Recent Weeks

IBA has run out of space to provide you important information that affects your small business. Those issues are listed below and you can get full reports on them via the Internet at:

www.ibaw.net/recentnews.pdf

Legislature Passed Its 3rd Deadline

On March 8th, the 59th day of the 105-day regular 2017 Legislature, reached its third, self-imposed deadline. Many small businesses bills are still alive.

Senate and House pass school funding levy cliff legislation.

This starts the process to fully fund K-12 schools.

Employers Must Accommodate Pregnant Employees

Legislation requiring employer to reasonably accommodate pregnant employees is likely to pass the 2017 Legislature.

Marijuana State legislators strongly object to U.S. Attorney General trying to regulate recreational marijuana.

Court Rules Insufficient Grounds To Recall Senator

Court ruled there were insufficient grounds for a citizens' recall effort against Senator Doug Ericksen, R-Ferndale.

YOUR Small Business Directive - please reply

IBA needs your input on the draft Paid Family Leave proposal developed by the business community. You can complete this Directive via the internet at www.ibaw.net/directive or you can complete it below and fax it to IBA at: 425-358-3213. You can also email your completed directive to IBA at iba@isomedia.com - put "Directive" in the subject line. Thank you!

The draft Paid Family Leave proposal by the business community is summarized on page 3 of this March IBA Small Business Report.

We generally ___ Support ___ Oppose ___ Have No Position on the business community Paid Family Leave proposal

Please briefly explain why you are taking this position: _____

Please indicate your position on the following elements of the business community Paid Family Leave proposal:

Element	Agree	Should be More	Should be Less
Up to 13 weeks of benefits	_____	_____	_____
75% of average worker's age	_____	_____	_____
Worker pays 75% of cost	_____	_____	_____
Exempts firms under 50 workers	_____	_____	_____
Allows small employers to opt in	_____	_____	_____
Reasons for taking PFL	_____	_____	_____

Do you have a questions about this proposal? (Be sure to include your business name at the top) _____

Do you have any ideas to improve this proposal? _____

Attach additional paper as needed or send IBA additional comments via email to iba@isomedia.com please put, "Paid Family Leave" in the subject line.

Please return your completed directive to IBA by email at iba@isomedia.com or fax it to 425-358-3213, or by mail to: **IBA 16541 Redmond Way #336C, Redmond, WA 98052**