



STATE OF WASHINGTON
— OFFICE OF GOVERNOR BOB FERGUSON —

May 20, 2025

To the Honorable President and Members,
The Senate of the State of Washington

Esteemed Colleagues:

I am returning herewith, without my approval as to Section 105(4) and (5), Engrossed Substitute Senate Bill No. 5794 entitled:

"AN ACT Relating to improving the administration of tax preferences by adopting recommendations from the tax preference performance review process, eliminating obsolete tax preferences, clarifying legislative intent, and addressing changes in constitutional law."

I am vetoing subsections 4 and 5 of section 105 of this bill, which repeal the business and occupation (B&O) tax deduction for interest that community banks receive on loans for residential property. Housing affordability is a major challenge for many Washingtonians. Repealing this B&O tax deduction would significantly increase lending costs for community banks at a time when we are trying to keep housing expenses as low as possible. In addition, it is important to continue to incentivize community banks to underwrite home loans and affordable housing projects in our state.

For these reasons I have vetoed Section 105(4) and (5) of Engrossed Substitute Senate Bill No. 5794.

With the exception of Section 105(4) and (5), Engrossed Substitute Senate Bill No. 5794 is approved.

Respectfully submitted,

Bob Ferguson
Governor