



Dear Governor Ferguson,

This legislative session, the passage of ESSB 5814 introduced a new retail sales tax on services and eliminated certain digital automated service exclusions. This bill places a new tax burden on many previously exempt industries, including numerous small businesses that form the backbone of our state's economy. On behalf of our 1,300+ members across Washington, GSBA—the state's LGBTQ+ Chamber of Commerce—respectfully urges you to issue a *partial veto* of this bill.

GSBA recognizes the value of robust state programming and has consistently supported public investments that deliver high returns—such as tourism promotion and technical assistance programs for small businesses. We've also advocated for progressive tax solutions, including a statewide income tax or revenue streams targeting Washington's wealthiest residents. Unfortunately, ESSB 5814 shifts the burden instead to small businesses that are least equipped to absorb it.

**This new tax threatens to place Washington-based service providers at a distinct competitive disadvantage.** Most client contracts do not currently allow for sales tax to be added—because it was never previously applicable. Renegotiating contracts will be costly and time-consuming, and many clients may simply turn to out-of-state providers who remain untaxed. Washington firms, particularly in industries like advertising, tech, and consulting, already face aggressive competition from firms in lower-cost jurisdictions.

The impact of this bill extends beyond businesses to the communities they serve. Nonprofits depend on affordable services like website development, advertising, and software support to fulfill their missions. Higher costs will reduce their outreach and impact. Similarly, local employers in hospitality and tourism—restaurants, wineries, hotels—are still recovering from the pandemic, inflation, and tariff threats. These important industries also rely on utilizing temporary workers to allow them to meet the needs of consumer demand during popular seasons. **These added financial pressures could stunt the recovery and job creation potential of essential small businesses statewide.**

**Of particular concern is the chilling effect this legislation will have on small businesses led by entrepreneurs from historically marginalized communities.** The pandemic spurred a wave of business formation, especially among people who experienced discrimination or inequity in traditional employment. These entrepreneurs—many sole proprietors—are building businesses in areas like DEI consulting, tech services, and creative industries. They operate with slim margins and volatile revenue streams. For them, the burden of collecting and remitting sales tax, along with diminished competitiveness, could be the difference between survival and closure.

Washington should not raise revenue on the backs of those who are striving hardest to innovate, employ, and uplift underserved communities. We strongly encourage you to consider more equitable alternatives that do not stifle the state's most dynamic and vulnerable businesses.

Thank you for your consideration.

Sincerely,

**Gabriel Neuman**, Policy Counsel & Government Relations Manager  
(He/Him/His)

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