

SB 5901 -- Redline

Bill to Engrossed -- Concerning economic development tax incentives for targeted counties.

Deletions ~~struck~~ · Insertions underlined

~~S 3510-4~~ ENGROSSED SENATE BILL 5901 State of Washington 67th Legislature 2022 Regular Session By Senators Randall, Billig, Holy, Mullet, Nguyen, and Saldana Read first time 01/19/22.

1 ~~SB~~ ESB 5901 The legislature declares that this limited program serves the vital public purpose of creating employment opportunities and generally spurring economic development in these counties of the state.

~~(5)~~ (5)(a) "Initiation of construction" has means the same date meaning that a building permit is issued under the building code adopted under RCW 82.63.010-19.27.031 for:

~~(6) "Investment project" means an investment in qualified buildings or qualified machinery and equipment, including labor and p.~~

2 ~~SB~~ ESB 5901 ~~services(i) rendered~~ Construction in of the planning, qualified installation, building, and if construction the underlying ownership of the project building vests exclusively with the person receiving the economic benefit of the deferral;

(ii) Construction of the qualified building, if the economic benefits of the deferral are passed to a lessee as provided in RCW 82.60.025;

or (iii) Tenant improvements for a qualified building, if the economic benefits of the deferral are passed to a lessee as provided in RCW 82.60.025.

(b) "Initiation of construction" does not include soil testing, site clearing and grading, site preparation, or any other related activities that are initiated before the issuance of a building permit for the construction of the foundation of the building.

(c) If the eligible investment project is a phased project, "initiation of construction" applies separately to each phase.

(6) "Investment project" means an investment in qualified buildings or qualified machinery and equipment, including labor and services rendered in the planning, installation, and construction of the project.

(10) "Qualified buildings" means construction of new structures, and expansion or renovation of existing structures for the purpose of increasing floor space or production capacity used for manufacturing or research and development activities, including plant offices and warehouses or other facilities for the storage of raw material or finished goods if such facilities are an essential or an integral part of a factory, mill, plant, or laboratory used for manufacturing ~~or p. research and development.~~

3 ESB 5901 or research and development.

manufacturing components such as belts, pulleys, shafts, and moving ~~p.~~ parts;

~~3 SB 5901 parts;~~

The application must contain information regarding the location of the investment project, the applicant's ~~p. average employment in the state for the prior year, estimated or actual new employment related to the project, estimated or actual wages of employees related to the project, estimated or actual costs, time schedules for completion and operation, and other information required by the department.~~

4 ESB 5901 applicant's average employment in the state for the prior year, estimated or actual new employment related to the project, estimated or actual wages of employees related to the project, estimated or actual costs, time schedules for completion and operation, and other information required by the department.

The amount of state and local sales and use taxes eligible for deferral under this ~~p.~~ chapter is limited to \$400,000 per eligible investment project per person.

~~4 SB 5901 chapter is limited to \$400,000 per eligible investment project per person.~~

If the economic benefits of the deferral are passed to a lessee as provided in section 108 of this act, the lessee must file a complete ~~annual p. tax performance report, and the applicant is not required to file a complete annual tax performance report.~~

5 ESB 5901 annual tax performance report, and the applicant is not required to file a complete annual tax performance report.

(b) If the investment project is not operationally complete within five calendar years from the issuance of the tax deferral certificate, or if, on the basis of the tax performance report under RCW 82.32.534 or other information, the department finds that an investment project is used for purposes other than a qualified p. manufacturing or research and development operation at any time during the calendar year in which the investment project is certified by the department as having been operationally completed, or at any time during any of the seven succeeding calendar years, a portion of deferred taxes is immediately due according to the following schedule:

~~5~~Year ~~SB~~in ~~5901~~which manufacturing% orof researchdeferred andtaxes developmentdue operationuse atoccurs any1 time100% during2 the87.5% calendar3 year75% in4 which62.5% the5 investment50% project6 is37.5% certified7 by25% the8 department12.5% as(c) havingIf beenthe operationallyeconomic completed,benefits or at any time during any of the seven~~deferral~~ succeedingare calendar~~passed~~ years, to a portionlessee ofas deferredprovided taxesin issection immediately108 dueof accordingthis toact, the followinglessee schedule:is p.

~~Year in which % of deferred taxes due use occurs 1 100% 2 87.5% 3 75% 4 62.5% 5 50% 6 37.5%~~ESB ~~75901~~ 25% 8 12.5% (c) If the economic benefits of the deferral are passed to a lessee as provided in section 108 of this act, the lessee is responsible for payment to the extent the lessee has received the economic benefit.

~~p-~~(a) Machinery and equipment, and sales of or charges made for labor and services, which at the time of purchase would have qualified for exemption under RCW 82.08.02565;

~~6 SB 5901 (a) Machinery and equipment, and sales of or charges made for labor and services, which at the time of purchase would have qualified for exemption under RCW 82.08.02565;~~

and (c)~~p-~~The economic benefit of the deferral passed to the lessee is no less than the amount of tax deferred by the lessor and is evidenced by written documentation of any type of payment, credit, or other financial arrangement between the lessor or owner of the qualified building and the lessee.

7 ESB 5901 (c) The economic benefit of the deferral passed to the lessee is no less than the amount of tax deferred by the lessor and is evidenced by written documentation of any type of payment, credit, or other financial arrangement between the lessor or owner of the qualified building and the lessee.

PART II MODIFYING THE SALES AND USE TAX EXEMPTION FOR WAREHOUSES, DISTRIBUTION CENTERS, AND GRAIN ELEVATORS ~~p-~~Sec.

~~7 SB 5901 Sec.~~

((("Construction"))) Except as provided in (b)(ii) of this subsection, "construction" includes expansion if the expansion adds at least two hundred thousand square feet of ~~additionalp-~~space to an existing warehouse or additional storage capacity of at least one million bushels to an existing grain elevator.

8 ESB 5901 additional space to an existing warehouse or additional storage capacity of at least one million bushels to an existing grain elevator.

~~p-~~(i) Agricultural products stored by wholesalers, third-party warehouses, or retailers if the storage takes place on the land of the person who produced the agricultural product;

~~8 SB 5901 (i) Agricultural products stored by wholesalers, third-party warehouses, or retailers if the storage takes place on the land of the person who produced the agricultural product;~~

and automated handling, storage, and retrieval systems, including computers that control them, whose purpose is to lift or ~~movep-~~tangible personal property;

9 ESB 5901 move tangible personal property;

"Square footage" does not mean the aggregate of the square footage of more than one warehouse at a location or the ~~p-~~aggregate of the square footage of warehouses at more than one location;

~~9 SB 5901 aggregate of the square footage of warehouses at more than one location;~~

((("For"))) Except as provided under (d) of this subsection, ~~forp-~~warehouses with square footage of two hundred thousand or more and for grain elevators with bushel capacity of two million or more, the remittance is equal to one hundred percent of the amount of tax paid for qualifying construction, materials, service, and labor, and fifty percent of the amount of tax paid for qualifying material-handling equipment and racking equipment, and labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment.

10 ESB 5901 for warehouses with square footage of two hundred thousand or more and for grain elevators with bushel capacity of two million or more, the remittance is equal to one hundred percent of the amount of tax paid for qualifying construction, materials, service, and labor, and fifty percent of the amount of tax paid for qualifying material-handling equipment and racking equipment, and labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment.

The buyer must on a quarterly basis submit an information sheet, in a form and manner as required by the department by rule, specifying the amount of exempted tax claimed and ~~p-~~the qualifying purchases or acquisitions for which the exemption is claimed.

~~10 SB 5901 the qualifying purchases or acquisitions for which the exemption is claimed.~~

(5) The lessor or owner of a warehouse or grain elevator is not eligible for a remittance under this section unless the underlying ownership of the warehouse or grain elevator and the material-handling equipment and racking equipment vests exclusively in the same person, or unless the lessor by written contract agrees to pass ~~thep-~~economic benefit of the remittance to the lessee in the form of reduced rent payments.

11 ESB 5901 the economic benefit of the remittance to the lessee in the form of reduced rent payments.

or (b) Materials incorporated in the construction of a warehouse or grain elevator, are eligible for an exemption on tax paid in the form ~~p-~~of a remittance or credit against tax owed.

~~11 SB 5901 of a remittance or credit against tax owed.~~

The buyer shall on a quarterly basis submit an information sheet, in a form and manner as required by the department by rule, specifying the amount of exempted tax claimed and the qualifying purchases or acquisitions for which the exemption is ~~claimed~~ p.

12 ESB 5901 claimed.

(3) Warehouse, grain elevators, and material-handling equipment and racking equipment for which an exemption, credit, or deferral has been or is being received under chapter 82.60, 82.62, or 82.63 RCW or ~~p. RCW 82.08.02565 or 82.12.02565 are not eligible for any remittance under this section.~~

~~12 SB 5901 RCW 82.08.02565 or 82.12.02565 are not eligible for any remittance under this section.~~

(2) The legislature categorizes this tax preference as one intended to accomplish the general purposes indicated in RCW ~~82.32.808(2)p. (a) and (c) to induce certain designated behavior by businesses and to create jobs.~~

13 ESB 5901 82.32.808(2) (a) and (c) to induce certain designated behavior by businesses and to create jobs.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and ~~p. review committee may refer to the remittance data prepared by the department of revenue and the annual tax preference performance report submitted by the beneficiary of the tax preference under RCW 82.32.534.~~

~~13 SB 5901 review committee may refer to the remittance data prepared by the department of revenue and the annual tax preference performance report submitted by the beneficiary of the tax preference under RCW 82.32.534.~~

14 ~~SB~~ESB 5901