

FINAL BILL REPORT

ESB 5849

C 172 L 22
Synopsis as Enacted

Brief Description: Concerning tax incentives.

Sponsors: Senator Warnick.

Senate Committee on Business, Financial Services & Trade
Senate Committee on Ways & Means
House Committee on Finance

Background: Targeted Urban Area Property Tax Exemption. Cities and towns are authorized to grant a ten-year local property tax exemption for new industrial or manufacturing facilities in designated areas. Industrial or manufacturing facilities must be at least 10,000 square feet with an improvement value of at least \$800,000 and meet certain building use standards by the United States Department of Labor. New construction of industrial or manufacturing facilities must:

- be within a targeted area designated by the city;
- be on land that has no existing building improvements and that is zoned for an industrial or manufacturing use as of December 31, 2014;
- meet all construction and development regulations of the city; and
- be completed within three years from the date of approval of the application.

Within one year of building occupancy, the facility must create at least 25 family living wage jobs with an average wage of at least \$23 per hour.

A property owner seeking the exemption must apply to the city, pay any applicable fees, and enter into a contract with the city agreeing to terms and conditions of the implementation of the development. An application must be approved by a city governing authority or its authorized representative. The contract into which an applicant must enter with the city must be approved by the city governing authority, or an administrative official or commission authorized by the governing authority. No application for exemption may be submitted on or after December 31, 2030.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

The value of the property tax exemption is provided on the value of eligible improvements and applies only to the city portion of the property tax. A county may, by resolution, allow any property receiving an exemption from city property taxes to also receive an exemption from county property taxes.

Reduced Business and Occupation Tax Rate for Solar Energy and Silicon Product Manufacturers. There is a reduced business and occupation (B&O) tax rate of 0.275 percent to manufacturers of certain kinds of solar energy systems and their components. Without the preference, these manufacturers would pay a B&O tax rate of 0.484 percent.

The preference applies to:

- manufacturers of solar energy systems using photovoltaic modules or stirling converters; and
- manufacturers of certain components of solar energy systems, specifically, solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers for use exclusively in solar energy systems.

The preference also includes the wholesale sales of these systems or components by their manufacturers.

The reduced B&O tax rate expires July 1, 2027.

Tax Preference Performance Statement. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a tax preference performance statement that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided.

Summary: Targeted Urban Area Property Tax Exemption. The requirement that new construction of industrial or manufacturing facilities must be on land that has no existing building improvements and is zoned for an industrial or manufacturing use as of December 31, 2014, is removed.

Reduced Business and Occupation Tax Rate for Solar Energy and Silicon Product Manufacturers. The expiration date for the reduced B&O tax rate of 0.275 percent to manufacturers of certain kinds of solar energy systems and their components is extended from July 1, 2027, to July 1, 2032.

Tax Preference Performance Statement. The act contains a tax preference performance statement that applies to the reduced B&O tax rate for solar energy and silicon product

manufactures. If a review finds that the number of people employed by the solar silicon industry in Washington is the same or more than in 2019, and that at least 60 percent of employees earn \$60,000 a year or more, then the Legislature intends to extend the expiration date of the tax preference.

Votes on Final Passage:

Senate	46	1
House	96	1

Effective: July 1, 2022