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HOUSE BILL 1526

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State of Washington

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By Representatives Benton, Carlson, Pennington, Boldt, Van Luven, D. Schmidt, Ballasiotes, Thompson, Campbell, Basich, Hargrove, Chandler, Johnson, Blanton, Koster, McMahan, Hymes, Clements, Cooke, Fuhrman and Brumsickle

Read first time 01/30/95. Referred to Committee on Finance.

1 AN ACT Relating to sales and use tax deferral for construction of  
2 new or expanded business; adding a new chapter to Title 82 RCW;  
3 providing an effective date; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** It is the legislature's intent to grant a  
6 deferral of sales and use taxes for construction of new or expanded  
7 manufacturing operations, and thereby provide an incentive to the  
8 continuous improvement of our business economy.

9 NEW SECTION. **Sec. 2.** Unless the context clearly indicates  
10 otherwise, the definitions in this section apply throughout this  
11 chapter.

12 (1) "Applicant" means a person applying for a deferral under this  
13 chapter.

14 (2) "Department" means the department of revenue.

15 (3) "Eligible investment project" means construction of new or  
16 expanded manufacturing operations on land owned by the recipient prior  
17 to the effective date of this act.

1 (4) "Manufacturing operation" means the manufacturing of articles,  
2 substances, or commodities for sale as tangible personal property. The  
3 manufacturing operation begins at the point where the raw materials  
4 enter the manufacturing site and ends at the point where the finished  
5 product leaves the manufacturing site. The term does not include  
6 research and development, cogeneration or the production of  
7 electricity, or the preparation of food products on the premises of a  
8 person selling food products at retail.

9 (5) "Person" has the meaning given in RCW 82.04.030.

10 (6) "Recipient" means a person receiving a tax deferral under this  
11 chapter.

12 NEW SECTION. **Sec. 3.** Application for deferral of taxes under this  
13 chapter must be made before initiation of construction of, or  
14 acquisition of equipment or machinery for the investment project. The  
15 application shall be made to the department in a form and manner  
16 prescribed by the department. The application shall contain  
17 information regarding the location of the investment project, the  
18 applicant's average employment in the state for the prior year,  
19 estimated or actual new employment related to the project, estimated or  
20 actual wages of employees related to the project, estimated or actual  
21 costs, time schedules for completion and operation, and other  
22 information required by the department. The department shall rule on  
23 the application within sixty days.

24 Applicants for deferral of taxes under this chapter shall agree to  
25 supply the department with nonproprietary information necessary to  
26 measure the results of the tax deferral program. The department shall  
27 use the information to perform three assessments on the tax deferral  
28 program authorized under this chapter. The assessments will take place  
29 in 1998, 2001, and 2004. The department shall prepare reports on each  
30 assessment and deliver their reports by September 1, 1998, September 1,  
31 2001, and September 1, 2004. The assessments shall measure the effect  
32 of the program on job creation, the number of jobs created for  
33 Washington residents, company growth, the introduction of new products,  
34 the diversification of the state's economy, the movement of firms or  
35 the consolidation of firms' operations into the state, and such other  
36 factors as the department selects.

1        NEW SECTION.    **Sec. 4.**    (1) Except as provided in subsection (2) of  
2 this section, the department shall issue a sales and use tax deferral  
3 certificate for state and local sales and use taxes due under chapters  
4 82.08, 82.12, and 82.14 RCW on each eligible investment project.

5        (2) No certificate may be issued for an investment project that has  
6 already received a deferral under chapter 82.60 or 82.61 RCW or this  
7 chapter.

8        NEW SECTION.    **Sec. 5.**    (1) A recipient shall begin paying taxes  
9 deferred under this chapter on December 31st of the third calendar year  
10 after the date certified by the department as the date on which the  
11 investment project has been operationally completed, or on December  
12 31st of the fifth calendar year after the certificate was granted,  
13 whichever is sooner.    Subsequent annual payments shall be due on  
14 December 31st of the following four years with amounts of payment  
15 scheduled as follows:

16	Repayment Year	% of Deferred Tax Repaid
17	1	10%
18	2	15%
19	3	20%
20	4	25%
21	5	30%

22        (2) The department may authorize an accelerated repayment schedule  
23 upon request of the recipient.

24        (3) Interest may not be charged on taxes deferred under this  
25 chapter for the period of deferral, although all other penalties and  
26 interest applicable to delinquent excise taxes may be assessed and  
27 imposed for delinquent payments under this chapter.    The debt for  
28 deferred taxes will not be extinguished by insolvency or other failure  
29 of the recipient.

30        NEW SECTION.    **Sec. 6.**    Sections 1 through 5 of this act shall  
31 constitute a new chapter in Title 82 RCW.

32        NEW SECTION.    **Sec. 7.**    This act is necessary for the immediate  
33 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and shall take  
2 effect July 1, 1995.

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