
SUBSTITUTE HOUSE BILL 1714

State of Washington

54th Legislature

1995 Regular Session

By House Committee on Trade & Economic Development (originally sponsored by Representatives Thompson, Cairnes, Horn, Elliot, Goldsmith, Reams, Koster, Kessler, Kremen, Basich, Padden and McMahan)

Read first time 03/01/95.

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; and
3 providing an effective date.

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 an investment in qualified
16 buildings, including labor and services rendered in the planning and
17 construction of the project.

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) "Qualified buildings" means new or expanded structures
11 necessary for a manufacturing operation, including plant offices and
12 warehouses. If a building is used partly for manufacturing and partly
13 for other purposes, the applicable tax deferral shall be determined by
14 appropriation of the costs of construction under rules adopted by the
15 department.

16 (7) "Recipient" means a person receiving a tax deferral under this
17 chapter.

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

29 Applicants for deferral of taxes under this chapter shall agree to
30 supply the department with nonproprietary information necessary to
31 measure the results of the tax deferral program. The department shall
32 use the information to perform three assessments on the tax deferral
33 program authorized under this chapter. The assessments will take place
34 in 1998, 2001, and 2004. The department shall prepare reports on each
35 assessment and deliver their reports by September 1, 1998, September 1,
36 2001, and September 1, 2004. The assessments shall measure the effect
37 of the program on job creation, the number of jobs created for
38 Washington residents, company growth, the introduction of new products,

1 the diversification of the state's economy, the movement of firms or
2 the consolidation of firms' operations into the state, and such other
3 factors as the department selects.

4 NEW SECTION. **Sec. 4.** (1) Except as provided in subsection (2) of
5 this section, the department shall issue a sales and use tax deferral
6 certificate for state and local sales and use taxes due under chapters
7 82.08, 82.12, and 82.14 RCW on each eligible investment project.

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

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

19	Repayment Year	% of Deferred Tax Repaid
20	1	10%
21	2	15%
22	3	20%
23	4	25%
24	5	30%

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

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

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

1 NEW SECTION. **Sec. 7.** This act shall take effect July 1, 1996.

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