

# SENATE BILL REPORT

## SB 5074

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As Reported By Senate Committee On:  
Commerce & Labor, February 18, 1997  
Ways & Means, April 7, 1997

**Title:** An act relating to increasing interstate trade through tax incentives for warehouse and grain elevator operations.

**Brief Description:** Increasing interstate trade through tax incentives for warehouse and grain operations.

**Sponsors:** Senators Sellar and Snyder.

**Brief History:**

**Committee Activity:** Commerce & Labor: 1/28/97, 2/18/97 [DPS-WM].  
Ways & Means: 3/26/97, 4/7/97 [DP2S].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** That Substitute Senate Bill No. 5074 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Schow, Chair; Horn, Vice Chair; Anderson, Franklin, Fraser, Heavey and Newhouse.

**Staff:** Patrick Woods (786-7430)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5074 be substituted therefor, and the second substitute bill do pass.

Signed by Senators West, Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, Loveland, McDonald, Roach, Rossi, Schow, Sheldon, Snyder, Spanel, Swecker, Winsley and Zarelli.

**Staff:** David Schumacher (786-7474)

**Background:** In 1996 the Legislature passed SHB 2708 which directed the Department of Revenue to undertake a comprehensive warehouse and distribution study. The study compared the major state and local taxes on warehouse firms in Washington with a group of selected states: Oregon, Idaho, California, Nevada, Louisiana, Texas, and Utah. The legislation established an advisory committee to the Department of Revenue, made up of legislators, representatives of local governments, port districts, and members of the private sector.

The Department of Revenue and the advisory committee published a report in December of 1996 making the following findings and recommendations:

- \* Large warehousing and distribution operations are becoming more consolidated with fewer firms operating increasingly larger and more regionalized facilities, thus creating greater competition between ports and third-party warehouses in Washington compared with neighboring states;
- \* Due to competitive cost factors, large regional facilities, along with retail and wholesale firms, have an increasing incentive to locate their distribution facilities in states that offer the greatest tax advantage;
- \* Smaller and localized operations need to be closer to customers and are less influenced by interstate tax differentials; and
- \* That the state should provide new tax incentives for investment in large warehousing operations in order to increase trade and create new family wage jobs, while minimizing the impact on existing tax revenues.

**Summary of Second Substitute Bill:** The following warehouse operations are determined to be eligible to receive state tax incentives: wholesalers, third party warehouse operators, grain elevator operators and retailers who own or operate a distribution center.

Eligible warehouse operations may receive tax incentives on material handling and racking equipment; labor and services rendered in installing, repairing, cleaning, altering, or improving the equipment; and construction including materials, service and labor costs.

The tax incentives listed are provided in the form of remittances where the eligible warehouse or grain elevator operations are required to initially pay all applicable taxes and then apply for reimbursement to the Department of Revenue for the state portion of the sales tax.

Warehouses over 200,000 square feet are exempt on 50 percent of machinery and equipment purchases and 100 percent of construction costs.

Grain elevators with capacities between one million and two million bushels receive 50 percent exemption of both machinery and equipment and construction.

Grain elevators larger than two million bushels receive a 50 percent exemption on machinery and equipment and 100 percent on construction.

The legislative fiscal committees are directed to report to the Legislature by December 1, 2001, on the performance of this program. The report is required to analyze the effect of the program in creating or retaining family wage jobs, the program's impact on diversifying the state's economy and outline recommendations for possible improvement. In addition, the report may include a comparative analysis of Washington with other states. The fiscal committees must consult with other state agencies, along with business and labor.

**Second Substitute Bill Compared to Substitute Bill:** The substitute bill included a motor vehicle excise tax exemption and a remittance of the local sales tax.

**Appropriation:** None.

**Fiscal Note:** Requested on January 24, 1997.

**Effective Date:** The bill takes effect July 1, 1997.

**Testimony For:** The tax incentives included in the bill will make Washington a competitive state for the siting of warehouse facilities throughout the northwest.

**Testimony Against:** None.

**Testified:** PRO: John Wagner, Spokane Economic Development; John Mohr, Port of Shelton; Scott Taylor, WPPA; David Dean, Port of Seattle; Gary Alexander, Port of Olympia; John Pietramonaco, Hill-Raum Pietramonaco; Lincoln Ferris, Services Group of America.