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**SUBSTITUTE HOUSE BILL 1123**

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**State of Washington**

**55th Legislature**

**1997 Regular Session**

**By** House Committee on Trade & Economic Development (originally sponsored by Representatives Schoesler, Sheldon, Alexander, Hatfield, DeBolt, Chandler, Thompson, Kessler and Dunn)

Read first time 02/24/97.

1 AN ACT Relating to increasing interstate trade through tax  
2 incentives for warehouse and grain elevator operations; adding a new  
3 section to chapter 82.08 RCW; adding a new section to chapter 82.12  
4 RCW; adding a new section to chapter 82.44 RCW; adding a new section to  
5 chapter 46.87 RCW; creating new sections; providing an effective date;  
6 and declaring an emergency.

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

8 NEW SECTION. **Sec. 1.** The legislature finds that the state's  
9 overall economic health and prosperity is bolstered through tax  
10 incentives targeted to specific industries. The warehouse and  
11 distribution industry is critical to other businesses. The  
12 transportation sector, the retail sector, the ports, and the  
13 wholesalers all rely on the warehouse and distribution industry. It is  
14 the intent of the legislature to stimulate interstate trade by  
15 providing tax incentives to those persons in the warehouse and  
16 distribution industry engaged in highly competitive trade.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08 RCW  
18 to read as follows:

1 (1) Wholesalers or third-party warehouseers who own or operate  
2 warehouses or grain elevators and retailers who own or operate  
3 distribution centers, and who have paid the tax levied by RCW 82.08.020  
4 and chapter 82.14 RCW on:

5 (a) Material-handling and racking equipment, and labor and services  
6 rendered in respect to installing, repairing, cleaning, altering, or  
7 improving the equipment;

8 (b) Construction of a warehouse or grain elevator, including  
9 materials, and including service and labor costs; or

10 (c) Trucks for use at a warehouse or grain elevator that has  
11 received the construction exemption if the trucks are used for  
12 distribution or transport of finished goods to and from the warehouse  
13 or grain elevator and if the trucks are purchased or leased within  
14 eighteen months after construction is completed,  
15 are eligible for an exemption in the form of a remittance. The amount  
16 of the remittance is computed under subsection (3) of this section.

17 (2) For purposes of this section and sections 3, 4, and 5 of this  
18 act:

19 (a) "Agricultural products" has the meaning given in RCW 82.04.213;

20 (b) "Construction" means the actual construction of a warehouse or  
21 grain elevator that did not exist before the construction began.  
22 "Construction" includes expansion if the expansion adds at least one  
23 hundred thousand square feet of additional space to an existing  
24 warehouse or additional storage capacity of at least seven hundred  
25 fifty thousand bushels to an existing grain elevator. "Construction"  
26 does not include renovation, remodeling, or repair;

27 (c) "Department" means the department of revenue;

28 (d) "Distribution center" means a warehouse that is used  
29 exclusively by a retailer solely for the storage and distribution of  
30 finished goods to retail outlets of the retailer. "Distribution  
31 center" does not include a warehouse at which retail sales occur;

32 (e) "Finished goods" means tangible personal property intended for  
33 sale by a retailer or wholesaler. "Finished goods" does not include  
34 agricultural products stored by wholesalers, third-party warehouses, or  
35 retailers if the storage takes place on the land of the person who  
36 produced the agricultural product. "Finished goods" does not include  
37 logs, minerals, petroleum, gas, or other extracted products stored as  
38 raw materials or in bulk;

1 (f) "Grain elevator" means a structure used for storage and  
2 handling of grain in bulk;

3 (g) "Material-handling equipment and racking equipment" means  
4 equipment in a warehouse or grain elevator that is primarily used to  
5 handle, store, organize, convey, package, or repackage finished goods.  
6 The term includes tangible personal property with a useful life of one  
7 year or more that becomes an ingredient or component of the equipment,  
8 including repair and replacement parts. The term does not include  
9 equipment in offices, lunchrooms, restrooms, and other like space,  
10 within a warehouse or grain elevator, or equipment used for  
11 nonwarehousing purposes. "Material-handling equipment" includes but is  
12 not limited to: Conveyers, carousels, lifts, positioners, pick-up-and-  
13 place units, cranes, hoists, mechanical arms, and robots; mechanized  
14 systems, including containers that are an integral part of the system,  
15 whose purpose is to lift or move tangible personal property; and  
16 automated handling, storage, and retrieval systems, including computers  
17 that control them, whose purpose is to lift or move tangible personal  
18 property; and forklifts and other off-the-road vehicles that are used  
19 to lift or move tangible personal property and that cannot be operated  
20 legally on roads and streets. "Racking equipment" includes, but is not  
21 limited to, conveying systems, chutes, shelves, racks, bins, drawers,  
22 pallets, and other containers and storage devices that form a necessary  
23 part of the storage system;

24 (h) "Person" has the meaning given in RCW 82.04.030;

25 (i) "Retailer" means a person who makes "sales at retail" as  
26 defined in chapter 82.04 RCW of tangible personal property;

27 (j) "Square footage" means the product of the two horizontal  
28 dimensions of each floor of a specific warehouse. The entire footprint  
29 of the warehouse shall be measured in calculating the square footage,  
30 including space that juts out from the building profile such as loading  
31 docks. "Square footage" does not mean the aggregate of the square  
32 footage of more than one warehouse at a location or the aggregate of  
33 the square footage of warehouses at more than one location;

34 (k) "Third-party warehouser" means a person taxable under RCW  
35 82.04.280(4);

36 (l) "Truck" means a motor vehicle, as defined in chapter 46.04 RCW,  
37 used for the transport of goods, and includes a tractor or trailer;

38 (m) "Warehouse" means an enclosed building or structure in which  
39 finished goods are stored. A warehouse building or structure may have

1 more than one storage room and more than one floor. Office space,  
2 lunchrooms, restrooms, and other space within the warehouse and  
3 necessary for the operation of the warehouse are considered part of the  
4 warehouse as are loading docks and other such space attached to the  
5 building and used for handling of finished goods. Landscaping and  
6 parking lots are not considered part of the warehouse. A storage yard  
7 is not a warehouse, nor is a building in which manufacturing takes  
8 place; and

9 (n) "Wholesaler" means a person who makes "sales at wholesale" as  
10 defined in chapter 82.04 RCW of tangible personal property, but  
11 "wholesaler" does not include a person who makes sales exempt under  
12 82.04.330.

13 (3)(a) A person claiming an exemption from tax in the form of a  
14 remittance under this section must pay the tax imposed by RCW 82.08.020  
15 and chapter 82.14 RCW. The buyer may then apply to the department for  
16 remittance of all or part of the tax paid under RCW 82.08.020 and  
17 chapter 82.14 RCW. For warehouses with square footage of one hundred  
18 thousand or more but less than one hundred fifty thousand, and for  
19 grain elevators with bushel capacity of seven hundred fifty thousand or  
20 more but less than one million, the remittance is equal to fifty  
21 percent of the amount of tax paid. For warehouses with square footage  
22 of one hundred fifty thousand or more but less than two hundred  
23 thousand, and for grain elevators with bushel capacity of one million  
24 or more but less than one million five hundred thousand, the remittance  
25 is equal to seventy-five percent of the amount of tax paid. For  
26 warehouses with square footage of two hundred thousand or more, and for  
27 grain elevators with bushel capacity of one million five hundred  
28 thousand or more, the remittance is equal to one hundred percent of the  
29 amount of tax paid.

30 (b) The department shall determine eligibility under this section  
31 based on information provided by the buyer and through audit and other  
32 administrative records. The buyer shall on a quarterly basis submit an  
33 information sheet, in a form and manner as required by the department  
34 by rule, specifying the amount of exempted tax claimed and the  
35 qualifying purchases or acquisitions for which the exemption is  
36 claimed. The buyer shall retain, in adequate detail to enable the  
37 department to determine whether the equipment, truck, or construction  
38 meets the criteria under this section: Invoices; proof of tax paid;  
39 documents describing the material-handling equipment and racking

1 equipment; location and size of warehouses and grain elevators; and  
2 construction invoices and documents.

3 (c) The department shall on a quarterly basis remit exempted  
4 amounts to those qualifying persons who submitted applications during  
5 the previous quarter.

6 (4) Warehouses, grain elevators, and material-handling equipment  
7 and racking equipment for which an exemption, credit, or deferral has  
8 been or is being received under chapter 82.60, 82.61, 82.62, or 82.63  
9 RCW or RCW 82.08.02565 or 82.12.02565 are not eligible for any  
10 remittance under this section. Warehouses and grain elevators upon  
11 which construction was initiated before the effective date of this act  
12 are not eligible for a remittance under this section.

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

20 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12 RCW  
21 to read as follows:

22 (1) Wholesalers or third-party warehouseers who own or operate  
23 warehouses or grain elevators, and retailers who own or operate  
24 distribution centers, and who have paid the tax levied under RCW  
25 82.12.020 and chapter 82.14 RCW on:

26 (a) Material-handling equipment and racking equipment;

27 (b) Materials incorporated in the construction of a warehouse or  
28 grain elevator; or

29 (c) Trucks for use at a warehouse or grain elevator that has  
30 received the construction exemption if the trucks are used for  
31 distribution or transport of finished goods to and from the warehouse  
32 or grain elevator and if the trucks are acquired or leased within  
33 eighteen months after construction is completed,  
34 are eligible for an exemption on tax paid in the form of a remittance  
35 or credit against tax owed. The amount of the remittance or credit is  
36 computed under subsection (2) of this section.

37 (2)(a) A person claiming an exemption from tax in the form of a  
38 remittance under this section must pay the tax imposed by RCW 82.12.020

1 and chapter 82.14 RCW to the department. The person may then apply to  
2 the department for remittance of all or part of the tax paid under RCW  
3 82.12.020 and chapter 82.14 RCW. For warehouses with square footage of  
4 one hundred thousand or more but less than one hundred fifty thousand,  
5 and for grain elevators with bushel capacity of seven hundred fifty  
6 thousand or more but less than one million, the remittance is equal to  
7 fifty percent of the amount of tax paid. For warehouses with square  
8 footage of one hundred fifty thousand or more but less than two hundred  
9 thousand, and for grain elevators with bushel capacity of one million  
10 or more but less than one million five hundred thousand, the remittance  
11 is equal to seventy-five percent of the amount of tax paid. For  
12 warehouses with square footage of two hundred thousand or more, and for  
13 grain elevators with bushel capacity of one million five hundred  
14 thousand or more, the remittance is equal to one hundred percent of the  
15 amount of tax paid.

16 (b) The department shall determine eligibility under this section  
17 based on information provided by the buyer and through audit and other  
18 administrative records. The buyer shall on a quarterly basis submit an  
19 information sheet, in a form and manner as required by the department  
20 by rule, specifying the amount of exempted tax claimed and the  
21 qualifying purchases or acquisitions for which the exemption is  
22 claimed. The buyer shall retain, in adequate detail to enable the  
23 department to determine whether the equipment, truck, or construction  
24 meets the criteria under this section: Invoices; proof of tax paid;  
25 documents describing the material-handling equipment and racking  
26 equipment; location and size of warehouses, if applicable; and  
27 construction invoices and documents.

28 (c) The department shall on a quarterly basis remit or credit  
29 exempted amounts to qualifying persons who submitted applications  
30 during the previous quarter.

31 (3) Warehouse, grain elevators, and material-handling equipment and  
32 racking equipment for which an exemption, credit, or deferral has been  
33 or is being received under chapter 82.60, 82.61, 82.62, or 82.63 RCW or  
34 RCW 82.08.02565 or 82.12.02565 are not eligible for any remittance  
35 under this section. Materials incorporated in warehouses and grain  
36 elevators upon which construction was initiated prior to the effective  
37 date of this act are not eligible for a remittance under this section.

38 (4) The lessor or owner of the warehouse or grain elevator is not  
39 eligible for a remittance or credit under this section unless the

1 underlying ownership of the warehouse or grain elevator,  
2 material-handling equipment and racking equipment, or trucks vests  
3 exclusively in the same person, or unless the lessor by written  
4 contract agrees to pass the economic benefit of the exemption to the  
5 lessee in the form of reduced rent payments.

6 (5) The definitions in section 2 of this act apply to this section.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.44 RCW  
8 to read as follows:

9 (1) Wholesalers, third-party warehouseurs, and retailers, who  
10 qualify for exemption under section 2 or 3 of this act for trucks used  
11 at a warehouse, and who paid the tax owed under RCW 82.44.020(1) on  
12 trucks exempted under section 2 or 3 of this act, are eligible for an  
13 exemption in the form of a remittance as computed under subsection (2)  
14 of this section. Trucks used at a grain elevator are not eligible for  
15 a remittance under this section.

16 (2) Persons eligible for remittance under this section shall pay  
17 the tax to the department of licensing. The taxpayer may then apply to  
18 the department of revenue for a remittance, from the general fund, of  
19 fifty-seven percent of the tax paid on eligible trucks multiplied by  
20 the applicable proration factor, multiplied by the multiple-warehouse  
21 ratio if applicable. Proration factors are: For warehouses with  
22 square footage of one hundred thousand or more but less than one  
23 hundred fifty thousand the factor is fifty percent; for warehouses with  
24 square footage of one hundred fifty thousand or more but less than two  
25 hundred thousand the factor is seventy-five percent; and for facilities  
26 with square footage of two hundred thousand or more the factor is one  
27 hundred percent. If a qualifying truck is used at more than one  
28 warehouse and some of these warehouses do not qualify for the  
29 construction exemption, the remittance shall reflect this nonqualifying  
30 use through calculation of the multiple-warehouse ratio. The multiple-  
31 warehouse ratio is the square footage of qualifying warehouses served  
32 by the truck divided by the square footage of nonqualifying warehouses  
33 served by the truck.

34 (3) The taxpayer shall submit to the department of revenue, on an  
35 annual basis, an information sheet, in a form and manner as required by  
36 the department by rule, specifying the amount of exempted tax claimed  
37 and the qualifying acquisitions for which the exemption is claimed.  
38 The taxpayer shall retain, in adequate detail to enable the department

1 to determine if a truck meets the criteria under this section:  
2 Invoices; proof of tax paid; and documents describing location and size  
3 of warehouses, if applicable. The department of revenue shall on an  
4 annual basis remit exempted amounts to those persons determined to be  
5 eligible under this section.

6 (4) Trucks for which an exemption, credit, or deferral has been or  
7 is being received under chapter 82.60, 82.61, 82.62, or 82.63 RCW or  
8 RCW 82.08.02565 or 82.12.02565 are not eligible for any remittance  
9 under this section. Acquisition or use of trucks that occurred before  
10 the effective date of this act is not eligible for remittance under  
11 this section. If a truck is sold or other such an action by which it  
12 is not used at the warehouse to which it was originally assigned, the  
13 exemption under this section is not available.

14 (5) The lessor or owner of the warehouse is not eligible for a  
15 remittance unless the underlying ownership of the warehouse, equipment,  
16 and trucks vests exclusively in the same person, or unless the lessor  
17 by written contract agrees to pass the economic benefit of the  
18 remittance to the lessee in the form of reduced rent payments.

19 (6) The definitions in section 2 of this act apply to this section.

20 NEW SECTION. **Sec. 5.** A new section is added to chapter 46.87 RCW  
21 to read as follows:

22 (1) Wholesalers, third-party warehouse, and retailers, who  
23 qualify for the exemption under section 2 or 3 of this act for trucks  
24 used at a warehouse, and who paid the tax owed under RCW 82.44.020(1)  
25 on the trucks exempted under section 2 or 3 of this act, are eligible  
26 for an exemption in the form of a remittance as computed under  
27 subsection (2) of this section. Trucks used at a grain elevator are  
28 not eligible for a remittance under this section.

29 (2) Persons eligible for remittance under this section shall pay  
30 the tax to the department of licensing. The taxpayer may then apply to  
31 the department of revenue for a remittance, from the general fund, of  
32 fifty-seven percent of the tax paid on eligible trucks multiplied by  
33 the applicable proration factor, multiplied by the multiple-warehouse  
34 ratio if applicable. Proration factors are: For warehouses with  
35 square footage of one hundred thousand or more but less than one  
36 hundred fifty thousand the factor is fifty percent; for warehouses with  
37 square footage of one hundred fifty thousand or more but less than two  
38 hundred thousand the factor is seventy-five percent; and for facilities



1 with square footage of two hundred thousand or more the factor is one  
2 hundred percent. If a qualifying truck is used at more than one  
3 warehouse and some of these warehouses do not qualify for the  
4 construction exemption, the remittance shall reflect this nonqualifying  
5 use through calculation of the multiple-warehouse ratio. The multiple-  
6 warehouse ratio is the square footage of qualifying warehouses served  
7 by the truck divided by the square footage of nonqualifying warehouses  
8 served by the truck.

9 (3) The taxpayer shall submit to the department of revenue, on an  
10 annual basis, an information sheet, in a form and manner as required by  
11 the department by rule, specifying the amount of exempted tax claimed  
12 and the qualifying acquisitions for which the exemption is claimed.  
13 The taxpayer shall retain, in adequate detail to enable the department  
14 to determine if a truck meets the criteria under this section:  
15 Invoices; proof of tax paid; and documents describing location and size  
16 of warehouses, if applicable. The department of revenue shall on an  
17 annual basis remit exempted amounts to those persons determined to be  
18 eligible under this section.

19 (4) Trucks for which an exemption, credit, or deferral has been or  
20 is being received under chapter 82.60, 82.61, 82.62, or 82.63 RCW or  
21 RCW 82.08.02565 or 82.12.02565 are not eligible for any remittance  
22 under this section. Acquisition or use of trucks that occurred before  
23 the effective date of this act is not eligible for remittance under  
24 this section. If a truck is sold or other such an action in which it  
25 is not used at the warehouse to which it was originally assigned, the  
26 exemption under this section is not available.

27 (5) The lessor or owner of the warehouse is not eligible for a  
28 remittance unless the underlying ownership of the warehouse, equipment,  
29 and trucks vests exclusively in the same person, or unless the lessor  
30 by written contract agrees to pass the economic benefit of the  
31 remittance to the lessee in the form of reduced rent payments.

32 (6) Chapter 82.32 RCW applies to this section.

33 (7) The definitions in section 2 of this act apply to this section.

34 NEW SECTION. **Sec. 6.** The legislative fiscal committees shall  
35 report to the legislature by December 1, 1999, on the economic impacts  
36 of this act. This report shall analyze employment and other relevant  
37 economic data pertaining to the tax exemptions authorized under this  
38 act and shall measure the effect on the creation or retention of

1 family-wage jobs and diversification of the state's economy. Analytic  
2 techniques may include, but not be limited to, comparisons of  
3 Washington to other states that did not enact business tax changes,  
4 comparisons across Washington counties based on usage of the tax  
5 exemptions, and comparisons across similar firms based on their use of  
6 the tax exemptions. In performing the analysis, the legislative fiscal  
7 committees shall consult with business and labor interests. The  
8 department of revenue, the employment security department, and other  
9 agencies shall provide to the legislative fiscal committees such data  
10 as the legislative fiscal committees may request in performing the  
11 analysis required under this section.

12 NEW SECTION. **Sec. 7.** This act is necessary for the immediate  
13 preservation of the public peace, health, or safety, or support of the  
14 state government and its existing public institutions, and takes effect  
15 July 1, 1997.

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