
SENATE BILL 5169

State of Washington

56th Legislature

1999 Regular Session

By Senators T. Sheldon, Rasmussen, Swecker, Honeyford, Hargrove, Morton, Haugen, Goings, Snyder and McCaslin

Read first time 01/15/1999. Referred to Committee on Agriculture & Rural Economic Development.

1 AN ACT Relating to warehouses in distressed counties; amending RCW
2 82.08.820 and 82.12.820; and providing an effective date.

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

4 **Sec. 1.** RCW 82.08.820 and 1997 c 450 s 2 are each amended to read
5 as follows:

6 (1) Wholesalers or third-party warehouseers who own or operate
7 warehouses or grain elevators and retailers who own or operate
8 distribution centers, and who have paid the tax levied by RCW 82.08.020
9 on:

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

13 (b) Construction of a warehouse or grain elevator, including
14 materials, and including service and labor costs,
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 and
17 is based on the state share of sales tax.

18 (2) For purposes of this section and RCW 82.12.820:

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

1 (b) "Construction" means the actual construction of a warehouse or
2 grain elevator that did not exist before the construction began.
3 "Construction" includes expansion if the expansion adds at least two
4 hundred thousand square feet of additional space to an existing
5 warehouse or additional storage capacity of at least one million
6 bushels to an existing grain elevator. "Construction" does not include
7 renovation, remodeling, or repair;

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

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

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

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

22 (g) "Material-handling equipment and racking equipment" means
23 equipment in a warehouse or grain elevator that is primarily used to
24 handle, store, organize, convey, package, or repackage finished goods.
25 The term includes tangible personal property with a useful life of one
26 year or more that becomes an ingredient or component of the equipment,
27 including repair and replacement parts. The term does not include
28 equipment in offices, lunchrooms, restrooms, and other like space,
29 within a warehouse or grain elevator, or equipment used for
30 nonwarehousing purposes. "Material-handling equipment" includes but is
31 not limited to: Conveyers, carousels, lifts, positioners, pick-up-and-
32 place units, cranes, hoists, mechanical arms, and robots; mechanized
33 systems, including containers that are an integral part of the system,
34 whose purpose is to lift or move tangible personal property; and
35 automated handling, storage, and retrieval systems, including computers
36 that control them, whose purpose is to lift or move tangible personal
37 property; and forklifts and other off-the-road vehicles that are used
38 to lift or move tangible personal property and that cannot be operated
39 legally on roads and streets. "Racking equipment" includes, but is not

1 limited to, conveying systems, chutes, shelves, racks, bins, drawers,
2 pallets, and other containers and storage devices that form a necessary
3 part of the storage system;

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

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

7 (j) "Square footage" means the product of the two horizontal
8 dimensions of each floor of a specific warehouse. The entire footprint
9 of the warehouse shall be measured in calculating the square footage,
10 including space that juts out from the building profile such as loading
11 docks. "Square footage" does not mean the aggregate of the square
12 footage of more than one warehouse at a location or the aggregate of
13 the square footage of warehouses at more than one location;

14 (k) "Third-party warehouser" means a person taxable under RCW
15 82.04.280(4);

16 (l) "Warehouse" means an enclosed building or structure in which
17 finished goods are stored. A warehouse building or structure may have
18 more than one storage room and more than one floor. Office space,
19 lunchrooms, restrooms, and other space within the warehouse and
20 necessary for the operation of the warehouse are considered part of the
21 warehouse as are loading docks and other such space attached to the
22 building and used for handling of finished goods. Landscaping and
23 parking lots are not considered part of the warehouse. A storage yard
24 is not a warehouse, nor is a building in which manufacturing takes
25 place; and

26 (m) "Wholesaler" means a person who makes "sales at wholesale" as
27 defined in chapter 82.04 RCW of tangible personal property, but
28 "wholesaler" does not include a person who makes sales exempt under
29 82.04.330.

30 (3)(a) A person claiming an exemption from state tax in the form of
31 a remittance under this section must pay the tax imposed by RCW
32 82.08.020. The buyer may then apply to the department for remittance
33 of all or part of the tax paid under RCW 82.08.020. For grain
34 elevators with bushel capacity of one million but less than two
35 million, the remittance is equal to fifty percent of the amount of tax
36 paid. For warehouses with square footage of two hundred thousand or
37 more and for grain elevators with bushel capacity of two million or
38 more, the remittance is equal to one hundred percent of the amount of
39 tax paid for qualifying construction, materials, service, and labor,

1 and fifty percent of the amount of tax paid for qualifying material-
2 handling equipment and racking equipment, and labor and services
3 rendered in respect to installing, repairing, cleaning, altering, or
4 improving the equipment.

5 (b) This subsection (3)(b) applies to persons located in an
6 eligible area as defined in RCW 82.60.020. For warehouses with square
7 footage of one hundred thousand, the remittance is equal to one hundred
8 percent of the amount of tax paid for qualifying construction,
9 materials, service, and labor, and fifty percent of the amount of tax
10 paid for qualifying material-handling equipment and racking equipment,
11 and labor and services rendered in respect to installing, repairing,
12 cleaning, altering, or improving the equipment.

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

25 ~~((e))~~ (d) The department shall on a quarterly basis remit
26 exempted amounts to qualifying persons who submitted applications
27 during the previous quarter.

28 (4) Warehouses, grain elevators, and material-handling equipment
29 and racking equipment for which an exemption, credit, or deferral has
30 been or is being received under chapter 82.60, 82.61, 82.62, or 82.63
31 RCW or RCW 82.08.02565 or 82.12.02565 are not eligible for any
32 remittance under this section. Warehouses and grain elevators upon
33 which construction was initiated before May 20, 1997, are not eligible
34 for a remittance under this section.

35 (5) The lessor or owner of a warehouse or grain elevator is not
36 eligible for a remittance under this section unless the underlying
37 ownership of the warehouse or grain elevator and the material-handling
38 equipment and racking equipment vests exclusively in the same person,
39 or unless the lessor by written contract agrees to pass the economic

1 benefit of the remittance to the lessee in the form of reduced rent
2 payments.

3 **Sec. 2.** RCW 82.12.820 and 1997 c 450 s 3 are each amended to read
4 as follows:

5 (1) Wholesalers or third-party warehouseurs who own or operate
6 warehouses or grain elevators, and retailers who own or operate
7 distribution centers, and who have paid the tax levied under RCW
8 82.12.020 on:

9 (a) Material-handling equipment and racking equipment; or

10 (b) Materials incorporated in the construction of a warehouse or
11 grain elevator,

12 are eligible for an exemption on tax paid in the form of a remittance
13 or credit against tax owned. The amount of the remittance or credit is
14 computed under subsection (2) of this section and is based on the state
15 share of use tax.

16 (2)(a) A person claiming an exemption from state tax in the form of
17 a remittance under this section must pay the tax imposed by RCW
18 82.12.020 to the department. The person may then apply to the
19 department for remittance of all or part of the tax paid under RCW
20 82.12.020. For grain elevators with bushel capacity of one million but
21 less than two million, the remittance is equal to fifty percent of the
22 amount of tax paid. For warehouses with square footage of two hundred
23 thousand and for grain elevators with bushel capacity of two million or
24 more, the remittance is equal to one hundred percent of the amount of
25 tax paid for qualifying construction materials, and fifty percent of
26 the amount of tax paid for qualifying material-handling equipment and
27 racking equipment.

28 (b) This subsection (2)(b) applies to persons located in an
29 eligible area as defined in RCW 82.60.020. For warehouses with square
30 footage of one hundred thousand, the remittance is equal to one hundred
31 percent of the amount of tax paid for qualifying construction
32 materials, and fifty percent of the amount of tax paid for qualifying
33 material-handling equipment and racking equipment.

34 (c) The department shall determine eligibility under this section
35 based on information provided by the buyer and through audit and other
36 administrative records. The buyer shall on a quarterly basis submit an
37 information sheet, in a form and manner as required by the department
38 by rule, specifying the amount of exempted tax claimed and the

1 qualifying purchases or acquisitions for which the exemption is
2 claimed. The buyer shall retain, in adequate detail to enable the
3 department to determine whether the equipment or construction meets the
4 criteria under this section: Invoices; proof of tax paid; documents
5 describing the material-handling equipment and racking equipment;
6 location and size of warehouses, if applicable; and construction
7 invoices and documents.

8 ~~((e))~~ (d) The department shall on a quarterly basis remit or
9 credit exempted amounts to qualifying persons who submitted
10 applications during the previous quarter.

11 (3) Warehouse, grain elevators, and material-handling equipment and
12 racking equipment for which an exemption, credit, or deferral has been
13 or is being received under chapter 82.60, 82.61, 82.62, or 82.63 RCW or
14 RCW 82.08.02565 or 82.12.02565 are not eligible for any remittance
15 under this section. Materials incorporated in warehouses and grain
16 elevators upon which construction was initiated prior to May 20, 1997,
17 are not eligible for a remittance under this section.

18 (4) The lessor or owner of the warehouse or grain elevator is not
19 eligible for a remittance or credit under this section unless the
20 underlying ownership of the warehouse or grain elevator and
21 material-handling equipment and racking equipment vests exclusively in
22 the same person, or unless the lessor by written contract agrees to
23 pass the economic benefit of the exemption to the lessee in the form of
24 reduced rent payments.

25 (5) The definitions in RCW 82.08.820 apply to this section.

26 NEW SECTION. **Sec. 3.** This act takes effect August 1, 1999.

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