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**SUBSTITUTE SENATE BILL 6626**

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**State of Washington**

**60th Legislature**

**2008 Regular Session**

**By** Senate Economic Development, Trade & Management (originally sponsored by Senators Kilmer, Kastama, Rasmussen, Regala, Franklin, Marr, Carrell, and Shin)

READ FIRST TIME 01/24/08.

1       AN ACT Relating to creating a sales and use tax deferral program  
2 for eligible investment projects in community empowerment zones;  
3 amending RCW 82.63.030; reenacting and amending RCW 82.32.590 and  
4 82.32.600; adding a new chapter to Title 82 RCW; and providing an  
5 effective date.

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

7       NEW SECTION. **Sec. 1.** The definitions in this section apply  
8 throughout this chapter unless the context clearly requires otherwise.

9       (1) "Applicant" means a person applying for a tax deferral under  
10 this chapter.

11       (2) "Corporate headquarters" means a facility or facilities where  
12 corporate staff employees are physically employed, and where the  
13 majority of the company's management services are handled either on a  
14 regional or a national basis. Company management services may include:  
15 Accounts receivable and payable, accounting, data processing,  
16 distribution management, employee benefit plan, financial and  
17 securities accounting, information technology, insurance, legal,  
18 merchandising, payroll, personnel, purchasing procurement, planning,

1 reporting and compliance, research and development, tax, treasury, or  
2 other headquarters-related services.

3 (3) "Department" means the department of revenue.

4 (4) "Eligible area" means a designated community empowerment zone  
5 approved under RCW 43.31C.020.

6 (5)(a) "Eligible investment project" means an investment project in  
7 a qualified building or buildings in an eligible area, as defined in  
8 subsection (4) of this section, which will have employment at the  
9 qualified building or buildings of at least three hundred employees in  
10 qualified employment positions, each of whom must earn for the year  
11 reported at least the average annual wage for the state for that year  
12 as determined by the employment security department.

13 (b) The lessor or owner of a qualified building or buildings is not  
14 eligible for a deferral unless:

15 (i) The underlying ownership of the building or buildings vests  
16 exclusively in the same person; or

17 (ii)(A) The lessor by written contract agrees to pass the economic  
18 benefit of the deferral to the lessee;

19 (B) The lessee that receives the economic benefit of the deferral  
20 agrees in writing with the department to complete the annual survey  
21 required under section 2 of this act; and

22 (C) The economic benefit of the deferral passed to the lessee is no  
23 less than the amount of tax deferred by the lessor and is evidenced by  
24 written documentation of any type of payment, credit, or other  
25 financial arrangement between the lessor or owner of the qualified  
26 building and the lessee.

27 (6) "Investment project" means a capital investment of at least  
28 thirty million dollars in a qualified building or buildings including  
29 tangible personal property and fixtures that will be incorporated as an  
30 ingredient or component of such buildings during the course of their  
31 construction, and including labor and services rendered in the  
32 planning, installation, and construction of the project.

33 (7) "Person" has the same meaning as provided in RCW 82.04.030.

34 (8) "Qualified building or buildings" means construction of a new  
35 structure or structures to be used for corporate headquarters. If a  
36 building is used partly for corporate headquarters and partly for other  
37 purposes, the applicable tax deferral is determined by apportionment of  
38 the costs of construction under rules adopted by the department.

1 (9) "Qualified employment position" means a permanent full-time  
2 employee employed in the eligible investment project during the entire  
3 tax year. The term "entire tax year" means a full-time position that  
4 is filled for a period of twelve consecutive months. The term "full-  
5 time" means at least thirty-five hours a week, four hundred fifty-five  
6 hours a quarter, or one thousand eight hundred twenty hours a year.

7 (10) "Recipient" means a person receiving a tax deferral under this  
8 chapter.

9 NEW SECTION. **Sec. 2.** (1) Application for deferral of taxes under  
10 this chapter can be made at any time prior to completion of  
11 construction of a qualified building or buildings, but tax liability  
12 incurred prior to the department's receipt of an application may not be  
13 deferred. The application must be made to the department in a form and  
14 manner prescribed by the department. The application must contain  
15 information regarding the location of the investment project, the  
16 applicant's average employment in the state for the prior year,  
17 estimated or actual new employment related to the project, estimated or  
18 actual wages of employees related to the project, estimated or actual  
19 costs, time schedules for completion and operation, and other  
20 information required by the department. The department must rule on  
21 the application within sixty days.

22 (2)(a) The legislature finds that accountability and effectiveness  
23 are important aspects of setting tax policy. In order to make policy  
24 choices regarding the best use of limited state resources the  
25 legislature needs information on how a tax incentive is used.

26 (b) Applicants for deferral of taxes under this chapter must agree  
27 to complete an annual survey. If the economic benefits of the deferral  
28 are passed to a lessee as provided in section 1(5) of this act, the  
29 lessee must agree to complete the annual survey and the applicant is  
30 not required to complete the annual survey. The survey is due by March  
31 31st of the year following the calendar year in which the investment  
32 project is certified by the department as having been operationally  
33 complete and the seven succeeding calendar years. The survey must  
34 include the amount of tax deferred. The survey must also include the  
35 following information for employment positions in Washington:

36 (i) The number of total employment positions;

1 (ii) Full-time, part-time, and temporary employment positions as a  
2 percent of total employment;

3 (iii) The number of employment positions according to the following  
4 wage bands: Less than thirty thousand dollars; thirty thousand dollars  
5 or greater, but less than sixty thousand dollars; and sixty thousand  
6 dollars or greater. A wage band containing fewer than three  
7 individuals may be combined with another wage band; and

8 (iv) The number of employment positions that have employer-provided  
9 medical, dental, and retirement benefits, by each of the wage bands.

10 (c) The department may request additional information necessary to  
11 measure the results of the deferral program, to be submitted at the  
12 same time as the survey.

13 (d) All information collected under this subsection, except the  
14 amount of the tax deferral taken, is deemed taxpayer information under  
15 RCW 82.32.330 and is not disclosable. Information on the amount of tax  
16 deferral taken is not subject to the confidentiality provisions of RCW  
17 82.32.330 and may be disclosed to the public upon request.

18 (3) The department must use the information to study the tax  
19 deferral program authorized under this chapter. The department must  
20 report to the legislature by December 1, 2014, and December 1, 2018.  
21 The reports must measure the effect of the program on job creation, the  
22 number of jobs created for Washington residents, company growth, the  
23 introduction of new products, the diversification of the state's  
24 economy, growth in research and development investment, the movement of  
25 firms or the consolidation of firms' operations into the state, and  
26 such other factors as the department selects. If fewer than three  
27 deferrals are granted under this chapter, the department may not report  
28 statistical information.

29 (4) Applications for deferral of taxes under this section may not  
30 be made after December 31, 2020.

31 NEW SECTION. **Sec. 3.** (1) The department must issue a sales and  
32 use tax deferral certificate for state and local sales and use taxes  
33 due under chapters 82.08, 82.12, and 82.14 RCW on each eligible  
34 investment project meeting the requirements of this chapter.

35 (2) No certificate may be issued for an investment project that has  
36 already received a deferral under chapter 82.60 or 82.63 RCW or this  
37 chapter, except that an investment project for qualified research and

1 development that has already received a deferral may also receive an  
2 additional deferral certificate for adapting the investment project for  
3 use in pilot scale manufacturing.

4 (3) The department must keep a running total of all deferrals  
5 granted under this chapter during each fiscal biennium.

6 (4) The number of eligible investment projects for which the  
7 benefits of this chapter will be allowed is limited to two per  
8 biennium. The department must approve deferral certificates for  
9 completed applications on a first in-time basis. During any biennium,  
10 only one deferral certificate may be issued per community empowerment  
11 zone.

12 **Sec. 4.** RCW 82.63.030 and 2004 c 2 s 5 are each amended to read as  
13 follows:

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

18 (2) No certificate may be issued for an investment project that has  
19 already received a deferral under chapter 82.60 (~~or 82.61~~) RCW or  
20 this chapter, except that an investment project for qualified research  
21 and development that has already received a deferral may also receive  
22 an additional deferral certificate for adapting the investment project  
23 for use in pilot scale manufacturing.

24 (3) This section shall expire January 1, 2015.

25 NEW SECTION. **Sec. 5.** (1) Except as provided in subsection (2) of  
26 this section, taxes deferred under this chapter need not be repaid.

27 (2)(a) If, on the basis of the survey under section 2 of this act  
28 or other information, the department finds that an investment project  
29 is no longer an "eligible investment project" under section 1 of this  
30 act at any time during the calendar year in which the investment  
31 project is certified by the department as having been operationally  
32 completed, or at any time during any of the seven succeeding calendar  
33 years, a portion of deferred taxes are immediately due according to the  
34 following schedule:

	Year in which use occurs	% of deferred taxes due
1		
2	1	100%
3	2	87.5%
4	3	75%
5	4	62.5%
6	5	50%
7	6	37.5%
8	7	25%
9	8	12.5%

10 (b) If a recipient of the deferral fails to complete the annual  
11 survey required under section 2 of this act by the date due, twelve and  
12 one-half percent of the deferred tax is immediately due. If the  
13 economic benefits of the deferral are passed to a lessee as provided in  
14 section 1(5) of this act, the lessee is responsible for payment to the  
15 extent the lessee has received the economic benefit.

16 (c) If an investment project is meeting the requirement of section  
17 1(5) of this act at any time during the calendar year in which the  
18 investment project is certified as having been operationally complete  
19 and the recipient of the deferral fails to complete the annual survey  
20 due under section 2 of this act, the portion of deferred taxes  
21 immediately due is the amount on the schedule in (a) of this  
22 subsection. If the economic benefits of the deferral are passed to a  
23 lessee as provided in section 1(5) of this act, the lessee is  
24 responsible for payment to the extent the lessee has received the  
25 economic benefit.

26 (3) The department must assess interest at the rate provided for  
27 delinquent taxes, but not penalties, retroactively to the date of  
28 deferral. The debt for deferred taxes will not be extinguished by  
29 insolvency or other failure of the recipient. Transfer of ownership  
30 does not terminate the deferral. The deferral is transferred, subject  
31 to the successor meeting the eligibility requirements of this chapter,  
32 for the remaining periods of the deferral.

33 NEW SECTION. **Sec. 6.** The qualified employment positions must be  
34 filled by the end of the calendar year following the year in which the

1 project is certified as operationally complete. If a recipient does  
2 not meet the requirements for qualified employment positions by the end  
3 of the second calendar year following the year in which the project is  
4 certified as operationally complete, all deferred taxes are immediately  
5 due.

6 **Sec. 7.** RCW 82.32.590 and 2006 c 354 s 17, 2006 c 300 s 10, 2006  
7 c 177 s 8, 2006 c 112 s 7, and 2006 c 84 s 7 are each reenacted and  
8 amended to read as follows:

9 (1) If the department finds that the failure of a taxpayer to file  
10 an annual survey or annual report under RCW 82.04.4452, 82.32.5351,  
11 82.32.650, 82.32.635, 82.32.640, 82.32.630, 82.32.610, section 2 of  
12 this act, or 82.74.040 by the due date was the result of circumstances  
13 beyond the control of the taxpayer, the department shall extend the  
14 time for filing the survey or report. Such extension shall be for a  
15 period of thirty days from the date the department issues its written  
16 notification to the taxpayer that it qualifies for an extension under  
17 this section. The department may grant additional extensions as it  
18 deems proper.

19 (2) In making a determination whether the failure of a taxpayer to  
20 file an annual survey or annual report by the due date was the result  
21 of circumstances beyond the control of the taxpayer, the department  
22 shall be guided by rules adopted by the department for the waiver or  
23 cancellation of penalties when the underpayment or untimely payment of  
24 any tax was due to circumstances beyond the control of the taxpayer.

25 **Sec. 8.** RCW 82.32.600 and 2007 c 54 s 23 and 2007 c 54 s 22 are  
26 each reenacted and amended to read as follows:

27 (1) Persons required to file annual surveys or annual reports under  
28 RCW 82.04.4452 or 82.32.5351, 82.32.610, 82.32.630, 82.32.635,  
29 82.32.640, section 2 of this act, or 82.74.040 must electronically file  
30 with the department all surveys, reports, returns, and any other forms  
31 or information the department requires in an electronic format as  
32 provided or approved by the department. As used in this section,  
33 "returns" has the same meaning as "return" in RCW 82.32.050.

34 (2) Any survey, report, return, or any other form or information  
35 required to be filed in an electronic format under subsection (1) of

1 this section is not filed until received by the department in an  
2 electronic format.

3 (3) The department may waive the electronic filing requirement in  
4 subsection (1) of this section for good cause shown.

5 NEW SECTION. **Sec. 9.** Sections 1 through 3, 5, and 6 of this act  
6 constitute a new chapter in Title 82 RCW.

7 NEW SECTION. **Sec. 10.** This act takes effect July 1, 2009.

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