
SENATE BILL 6433

State of Washington

65th Legislature

2018 Regular Session

By Senators Keiser and Fain

1 AN ACT Relating to providing a business and occupation tax credit
2 for certain processing; amending RCW 82.08.820; and creating a new
3 section.

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

5 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
6 performance statement for the tax exemption contained in section 2,
7 chapter . . . , Laws of 2018 (section 2 of this act). This performance
8 statement is only intended to be used for subsequent evaluation of
9 the tax preference. It is not intended to create a private right of
10 action by any party or be used to determine eligibility for
11 preferential tax treatment.

12 (2) The legislature categorizes this tax exemption as one
13 intended to: Provide tax relief for certain businesses or
14 individuals; improve industry competitiveness; and create or retain
15 jobs; as indicated in RCW 82.32.808(2) (b), (c), and (e).

16 (3) The legislature finds that the state's overall economic
17 health and prosperity is bolstered through tax incentives targeted to
18 specific industries. The warehouse and processing industry is
19 critical to other businesses. Therefore, it is the legislature's
20 specific public policy objective to stimulate interstate trade by

1 providing tax incentives to those persons in the warehouse and
2 processing industry engaged in highly competitive trade.

3 (4) If a review finds the tax preference increases economic
4 growth in the warehouse and processing industry as measured by an
5 increase in the number of jobs and processing businesses collocated to
6 warehouses, then the legislature intends to extend the expiration
7 date of the tax preference.

8 (5) In order to obtain the data necessary to perform the review
9 in subsection (4) of this section, the joint legislative audit and
10 review committee may refer to data available from the department of
11 revenue and any other data it deems necessary.

12 **Sec. 2.** RCW 82.08.820 and 2014 c 140 s 23 are each amended to
13 read as follows:

14 (1)(a) Wholesalers or third-party warehouseers who own or operate
15 warehouses or grain elevators and retailers who own or operate
16 distribution centers, and who have paid the tax levied by RCW
17 82.08.020 on the following are eligible for an exemption in the form
18 of a remittance:

19 ~~((a))~~ (i) Material-handling and racking equipment, and labor
20 and services rendered in respect to installing, repairing, cleaning,
21 altering, or improving the equipment; ~~((e~~

22 ~~(b))~~ (ii) Construction of a warehouse or grain elevator,
23 including materials, and including service and labor costs ~~((~~
24 ~~are eligible for an exemption in the form of a remittance))~~; or

25 (iii) Until January 1, 2029, processing. For purposes of this
26 subsection, "processing" means manufacturing as defined in RCW
27 82.04.120, which consists of the canning, preserving, freezing,
28 processing, or dehydrating fresh fruits and/or vegetables. The term
29 "processing" only includes processing in facilities that are
30 collocated next to the warehouse to store fresh and/or frozen
31 perishable fruits or vegetables, dairy products, seafood products, or
32 any combination thereof, at a desired temperature to maintain the
33 quality of the product for orderly marketing.

34 (b) The amount of the remittance is computed under subsection (3)
35 of this section and is based on the state share of sales tax.

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

37 (a) "Agricultural products" has the meaning given in RCW
38 82.04.213;

1 (b) "Construction" means the actual construction of a warehouse
2 or 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
7 include 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
14 for sale by a retailer or wholesaler. "Finished goods" does not
15 include:

16 (i) Agricultural products stored by wholesalers, third-party
17 warehouses, or retailers if the storage takes place on the land of
18 the person who produced the agricultural product;

19 (ii) Logs, minerals, petroleum, gas, or other extracted products
20 stored as raw materials or in bulk; or

21 (iii) Marijuana, useable marijuana, or marijuana-infused
22 products;

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

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

1 vehicles that are used to lift or move tangible personal property and
2 that cannot be operated legally on roads and streets. "Racking
3 equipment" includes, but is not limited to, conveying systems,
4 chutes, shelves, racks, bins, drawers, pallets, and other containers
5 and storage devices that form a necessary part of the storage system;

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

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

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

17 (k) "Third-party warehouser" means a person taxable under RCW
18 82.04.280(1)(d);

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

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

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

1 or more, the remittance is equal to one hundred percent of the amount
2 of tax paid for qualifying construction, materials, service, and
3 labor, and fifty percent of the amount of tax paid for qualifying
4 material-handling equipment and racking equipment, and labor and
5 services rendered in respect to installing, repairing, cleaning,
6 altering, or improving the equipment.

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

19 (c) The department must on a quarterly basis remit exempted
20 amounts to qualifying persons who submitted applications during the
21 previous quarter.

22 (4) Warehouses, grain elevators, and material-handling equipment
23 and racking equipment for which an exemption, credit, or deferral has
24 been or is being received under chapter 82.60, 82.62, or 82.63 RCW or
25 RCW 82.08.02565 or 82.12.02565 are not eligible for any remittance
26 under this section. Warehouses and grain elevators upon which
27 construction was initiated before May 20, 1997, are not eligible for
28 a remittance under this section.

29 (5) The lessor or owner of a warehouse or grain elevator is not
30 eligible for a remittance under this section unless the underlying
31 ownership of the warehouse or grain elevator and the material-
32 handling equipment and racking equipment vests exclusively in the
33 same person, or unless the lessor by written contract agrees to pass
34 the economic benefit of the remittance to the lessee in the form of
35 reduced rent payments.

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