
ENGROSSED SENATE BILL 5901

State of Washington

67th Legislature

2022 Regular Session

By Senators Randall, Billig, Holy, Mullet, Nguyen, and Saldaña

Read first time 01/19/22. Referred to Committee on Business,
Financial Services & Trade.

1 AN ACT Relating to economic development tax incentives for
2 targeted counties; amending RCW 82.08.820 and 82.12.820; adding a new
3 chapter to Title 82 RCW; creating a new section; providing an
4 effective date; and providing expiration dates.

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

6

PART I

7

CREATING A SALES AND USE TAX DEFERRAL PROGRAM TO INCENTIVIZE

8

MANUFACTURING AND RESEARCH AND DEVELOPMENT ACTIVITIES IN CERTAIN

9

DESIGNATED COUNTIES

10 NEW SECTION. **Sec. 101.** (1) The legislature finds that there are
11 counties in the state that face additional economic development
12 challenges beyond the challenges faced by counties located in the
13 central Puget Sound region. The legislature further finds that these
14 regions do not experience the same degree of job growth and
15 investment. The legislature further finds that, in some areas,
16 increased economic development incentives are needed to help support
17 economic growth and that a one-size-fits-all approach to economic
18 development does not work for the diversity of the statewide economy.
19 For these reasons, the legislature intends to establish a tax
20 deferral program to be effective solely in certain targeted counties.

1 The legislature declares that this limited program serves the vital
2 public purpose of creating employment opportunities and generally
3 spurring economic development in these counties of the state.

4 (2) The legislature also finds that this act is consistent with
5 the Substitute House Bill No. 1170, the Washington BEST manufacturing
6 act, enacted in 2021. The 2021 Washington BEST manufacturing act
7 recognized that the state must retain and build on its leadership in
8 the manufacturing and research and development sectors and also
9 recognized that a thriving manufacturing and research sector are
10 complimentary and should be promoted in every region of the state.
11 Therefore, the legislature further finds the sales and use tax
12 deferral program for manufacturing and research and development in
13 this act is a critical tool and strategy to help achieve the goals
14 expressed in the Washington BEST manufacturing act of doubling the
15 state's manufacturing employment base, the number of small
16 businesses, and the number of women and minority-owned manufacturing
17 businesses in the next 10 years.

18 NEW SECTION. **Sec. 102.** Unless the context clearly requires
19 otherwise, the definitions in this section apply throughout this
20 chapter.

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

23 (2) "Department" means the department of revenue.

24 (3) "Eligible area" means a qualifying county.

25 (4)(a) "Eligible investment project" means an investment project
26 that is located, as of the date the application required by section
27 103 of this act is received by the department, in an eligible area as
28 defined in subsection (3) of this section.

29 (b) "Eligible investment project" does not include any portion of
30 an investment project undertaken by a light and power business as
31 defined in RCW 82.16.010(4), other than that portion of a
32 cogeneration project that is used to generate power for consumption
33 within the manufacturing site of which the cogeneration project is an
34 integral part, or investment projects that have already received
35 deferrals under this chapter.

36 (5)(a) "Initiation of construction" means the date that a
37 building permit is issued under the building code adopted under RCW
38 19.27.031 for:

1 (i) Construction of the qualified building, if the underlying
2 ownership of the building vests exclusively with the person receiving
3 the economic benefit of the deferral;

4 (ii) Construction of the qualified building, if the economic
5 benefits of the deferral are passed to a lessee as provided in RCW
6 82.60.025; or

7 (iii) Tenant improvements for a qualified building, if the
8 economic benefits of the deferral are passed to a lessee as provided
9 in RCW 82.60.025.

10 (b) "Initiation of construction" does not include soil testing,
11 site clearing and grading, site preparation, or any other related
12 activities that are initiated before the issuance of a building
13 permit for the construction of the foundation of the building.

14 (c) If the eligible investment project is a phased project,
15 "initiation of construction" applies separately to each phase.

16 (6) "Investment project" means an investment in qualified
17 buildings or qualified machinery and equipment, including labor and
18 services rendered in the planning, installation, and construction of
19 the project.

20 (7) "Manufacturing" means the same as defined in RCW 82.04.120.
21 "Manufacturing" also includes:

22 (a) The activities performed by research and development
23 laboratories and commercial testing laboratories; and

24 (b) The conditioning of vegetable seeds.

25 (8) "Meaningful construction" means an active construction site,
26 where excavation of a building site, laying of a building foundation,
27 or other tangible signs of construction are taking place and that
28 clearly show a progression in the construction process at the
29 location designated by the taxpayer in the application for deferral.
30 Planning, permitting, or land clearing before excavation of the
31 building site, without more, does not constitute "meaningful
32 construction."

33 (9) "Person" has the meaning given in RCW 82.04.030.

34 (10) "Qualified buildings" means construction of new structures,
35 and expansion or renovation of existing structures for the purpose of
36 increasing floor space or production capacity used for manufacturing
37 or research and development activities, including plant offices and
38 warehouses or other facilities for the storage of raw material or
39 finished goods if such facilities are an essential or an integral
40 part of a factory, mill, plant, or laboratory used for manufacturing

1 or research and development. If a building is used partly for
2 manufacturing or research and development and partly for other
3 purposes, the applicable tax deferral must be determined by
4 apportionment of the costs of construction under rules adopted by the
5 department.

6 (11) "Qualified employment position" means a permanent full-time
7 employee employed in the eligible investment project during the
8 entire tax year. The term "entire tax year" means a full-time
9 position that is filled for a period of 12 consecutive months. The
10 term "full-time" means at least 35 hours a week, 455 hours a quarter,
11 or 1,820 hours a year.

12 (12) "Qualified machinery and equipment" means all new industrial
13 and research fixtures, equipment, and support facilities that are an
14 integral and necessary part of a manufacturing or research and
15 development operation. "Qualified machinery and equipment" includes:
16 Computers; software; data processing equipment; laboratory equipment;
17 manufacturing components such as belts, pulleys, shafts, and moving
18 parts; molds, tools, and dies; operating structures; and all
19 equipment used to control or operate the machinery.

20 (13) "Qualifying county" means a county that has a population
21 less than 650,000 at the time an application is submitted under
22 section 103 of this act.

23 (14) "Recipient" means a person receiving a tax deferral under
24 this chapter.

25 (15) "Research and development" means the development,
26 refinement, testing, marketing, and commercialization of a product,
27 service, or process before commercial sales have begun, but only when
28 such activities are intended to ultimately result in the production
29 of a new, different, or useful substance or article of tangible
30 personal property for sale. As used in this subsection, "commercial
31 sales" excludes sales of prototypes or sales for market testing if
32 the total gross receipts from such sales of the product, service, or
33 process do not exceed \$1,000,000.

34 NEW SECTION. **Sec. 103.** (1) Application for deferral of taxes
35 under this chapter must be made before initiation of the construction
36 of the investment project or acquisition of equipment or machinery.
37 The application must be made to the department in a form and manner
38 prescribed by the department. The application must contain
39 information regarding the location of the investment project, the

1 applicant's average employment in the state for the prior year,
2 estimated or actual new employment related to the project, estimated
3 or actual wages of employees related to the project, estimated or
4 actual costs, time schedules for completion and operation, and other
5 information required by the department. The department must rule on
6 the application within 60 days.

7 (2) The department may not accept applications for the deferral
8 under this chapter after June 30, 2032.

9 (3) This section expires July 1, 2032.

10 NEW SECTION. **Sec. 104.** (1) The department must issue a sales
11 and use tax deferral certificate for state and local sales and use
12 taxes due under chapters 82.08, 82.12, and 82.14 RCW on each eligible
13 investment project.

14 (2) The department must keep a running total of all deferrals
15 granted under this chapter during each fiscal biennium. The amount of
16 state and local sales and use taxes eligible for deferral under this
17 chapter is limited to \$400,000 per eligible investment project per
18 person.

19 (3) This section expires July 1, 2032.

20 NEW SECTION. **Sec. 105.** (1) The recipient of a deferral
21 certificate under section 104 of this act must begin meaningful
22 construction on an eligible investment project within two years of
23 receiving a deferral certificate, unless construction was delayed due
24 to circumstances beyond the recipient's control. Lack of funding is
25 not considered a circumstance beyond the recipient's control.

26 (2) If the recipient does not begin meaningful construction on an
27 eligible investment project within two years of receiving a deferral
28 certificate, the deferral certificate issued under section 104 of
29 this act is invalid and taxes deferred under this chapter are due
30 immediately.

31 NEW SECTION. **Sec. 106.** (1)(a) Each recipient of a deferral of
32 taxes granted under this chapter must file a complete annual tax
33 performance report with the department under RCW 82.32.534 during the
34 period covered by the schedule under subsection (2) of this section.
35 If the economic benefits of the deferral are passed to a lessee as
36 provided in section 108 of this act, the lessee must file a complete

1 annual tax performance report, and the applicant is not required to
2 file a complete annual tax performance report.

3 (b) The joint legislative audit and review committee, as part of
4 its tax preference review process under chapter 43.136 RCW, must use
5 the information reported on the annual tax performance report
6 required by this section to study the tax deferral program authorized
7 under this chapter. The committee must report to the legislature by
8 December 1, 2030. The report must measure the effect of the program
9 on job creation, the number of jobs created for residents of eligible
10 areas, company growth, and such other factors as the committee
11 selects.

12 (2)(a) Except as otherwise provided in this chapter, taxes
13 deferred under this chapter need not be repaid.

14 (b) If the investment project is not operationally complete
15 within five calendar years from the issuance of the tax deferral
16 certificate, or if, on the basis of the tax performance report under
17 RCW 82.32.534 or other information, the department finds that an
18 investment project is used for purposes other than a qualified
19 manufacturing or research and development operation at any time
20 during the calendar year in which the investment project is certified
21 by the department as having been operationally completed, or at any
22 time during any of the seven succeeding calendar years, a portion of
23 deferred taxes is immediately due according to the following
24 schedule:

25	Year in which	% of deferred taxes due
26	use occurs	
27	1	100%
28	2	87.5%
29	3	75%
30	4	62.5%
31	5	50%
32	6	37.5%
33	7	25%
34	8	12.5%

35 (c) If the economic benefits of the deferral are passed to a
36 lessee as provided in section 108 of this act, the lessee is

1 responsible for payment to the extent the lessee has received the
2 economic benefit.

3 (3) A recipient who must repay deferred taxes under this section
4 because the department has found that an investment project is not
5 eligible for tax deferral under this chapter is no longer required to
6 file annual tax performance reports under RCW 82.32.534 beginning on
7 the date an investment project is used for nonqualifying purposes.

8 (4) The department must assess interest at the rate provided for
9 delinquent taxes, but not penalties, retroactively to the date of
10 deferral for a recipient who must repay deferred taxes under this
11 section because the department has found that an investment project
12 is not eligible for tax deferral. The debt for deferred taxes will
13 not be extinguished by insolvency or other failure of the recipient.
14 Transfer of ownership does not terminate the deferral. The deferral
15 is transferred, subject to the successor meeting the eligibility
16 requirements of this chapter, for the remaining periods of the
17 deferral.

18 (5) Notwithstanding any other provision of this section or RCW
19 82.32.534, deferred taxes on the following need not be repaid:

20 (a) Machinery and equipment, and sales of or charges made for
21 labor and services, which at the time of purchase would have
22 qualified for exemption under RCW 82.08.02565; and

23 (b) Machinery and equipment which at the time of first use would
24 have qualified for exemption under RCW 82.12.02565.

25 NEW SECTION. **Sec. 107.** The department must establish a list of
26 qualifying counties, effective July 1, 2022. The list of qualifying
27 counties is effective for a 24-month period and must be updated by
28 July 1st of the year that is two calendar years after the list was
29 established or last updated, as the case may be.

30 NEW SECTION. **Sec. 108.** The lessor or owner of a qualified
31 building is not eligible for a deferral unless:

32 (1) The underlying ownership of the buildings, machinery, and
33 equipment vests exclusively in the same person; or

34 (2) (a) The lessor by written contract agrees to pass the economic
35 benefit of the deferral to the lessee;

36 (b) The lessee that receives the economic benefit of the deferral
37 agrees in writing with the department to complete the annual tax
38 performance report required under section 106 of this act; and

1 (c) The economic benefit of the deferral passed to the lessee is
2 no less than the amount of tax deferred by the lessor and is
3 evidenced by written documentation of any type of payment, credit, or
4 other financial arrangement between the lessor or owner of the
5 qualified building and the lessee.

6 NEW SECTION. **Sec. 109.** Chapter 82.32 RCW applies to the
7 administration of this chapter.

8 NEW SECTION. **Sec. 110.** Applications, reports, and any other
9 information received by the department under this chapter, except
10 applications not approved by the department, are not confidential and
11 are subject to disclosure.

12 **PART II**
13 **MODIFYING THE SALES AND USE TAX EXEMPTION FOR WAREHOUSES,**
14 **DISTRIBUTION CENTERS, AND GRAIN ELEVATORS**

15 **Sec. 201.** RCW 82.08.820 and 2014 c 140 s 23 are each amended to
16 read as follows:

17 (1) Wholesalers or third-party warehouse owners who own or operate
18 warehouses or grain elevators and retailers who own or operate
19 distribution centers, and who have paid the tax levied by RCW
20 82.08.020 on:

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

24 (b) Construction of a warehouse or grain elevator, including
25 materials, and including service and labor costs,
26 are eligible for an exemption in the form of a remittance. The amount
27 of the remittance is computed under subsection (3) of this section
28 and is based on the state share of sales tax.

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

30 (a) "Agricultural products" has the meaning given in RCW
31 82.04.213;

32 (b) (i) "Construction" means the actual construction of a
33 warehouse or grain elevator that did not exist before the
34 construction began. (~~"Construction"~~) Except as provided in (b) (ii)
35 of this subsection, "construction" includes expansion if the
36 expansion adds at least two hundred thousand square feet of

1 additional space to an existing warehouse or additional storage
2 capacity of at least one million bushels to an existing grain
3 elevator. "Construction" does not include renovation, remodeling, or
4 repair;

5 (ii) For an existing warehouse located in a qualifying county, as
6 defined in section 102 of this act, "construction" includes expansion
7 if the expansion adds at least 100,000 square feet of additional
8 space to an existing warehouse;

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

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

14 (e) "Finished goods" means tangible personal property intended
15 for sale by a retailer or wholesaler. "Finished goods" does not
16 include:

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

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

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

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

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

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

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

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

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

18 (k) "Third-party warehouser" means a person taxable under RCW
19 82.04.280(1)(d);

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

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

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

1 for warehouses with square footage of two hundred thousand or more
2 and for grain elevators with bushel capacity of two million or more,
3 the remittance is equal to one hundred percent of the amount of tax
4 paid for qualifying construction, materials, service, and labor, and
5 fifty percent of the amount of tax paid for qualifying material-
6 handling equipment and racking equipment, and labor and services
7 rendered in respect to installing, repairing, cleaning, altering, or
8 improving the equipment. The maximum amount of tax that may be
9 remitted under this section and RCW 82.12.820 for the construction or
10 expansion of a warehouse or grain elevator is \$400,000.

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

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

26 (d) For warehouses located in a qualifying county, as defined in
27 section 102 of this act, the square footage requirement is 100,000
28 square feet or more.

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

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

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

3 (6) This section expires July 1, 2032.

4 **Sec. 202.** RCW 82.12.820 and 2006 c 354 s 13 are each amended to
5 read as follows:

6 (1) Wholesalers or third-party warehouse owners 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 under RCW
9 82.12.020 on:

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

13 (b) Materials incorporated in the construction of a warehouse or
14 grain elevator, are eligible for an exemption on tax paid in the form
15 of a remittance or credit against tax owed. The amount of the
16 remittance or credit is computed under subsection (2) of this section
17 and is based on the state share of use tax.

18 (2)(a) A person claiming an exemption from state tax in the form
19 of a remittance under this section must pay the tax imposed by RCW
20 82.12.020 to the department. The person may then apply to the
21 department for remittance of all or part of the tax paid under RCW
22 82.12.020. For grain elevators with bushel capacity of one million
23 but less than two million, the remittance is equal to fifty percent
24 of the amount of tax paid. ~~((For))~~ Except as provided under (d) of
25 this subsection, for warehouses with square footage of two hundred
26 thousand or more and for grain elevators with bushel capacity of two
27 million or more, the remittance is equal to one hundred percent of
28 the amount of tax paid for qualifying construction materials, and
29 fifty percent of the amount of tax paid for qualifying material-
30 handling equipment and racking equipment. The maximum amount of tax
31 that may be remitted under this section and RCW 82.08.820 for the
32 construction or expansion of a warehouse or grain elevator is
33 \$400,000.

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

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

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

10 (d) For warehouses located in a qualifying county, as defined in
11 section 102 of this act, the square footage requirement is 100,000
12 square feet or more.

13 (3) Warehouse, grain elevators, and material-handling equipment
14 and racking equipment for which an exemption, credit, or deferral has
15 been or is being received under chapter 82.60, 82.62, or 82.63 RCW or
16 RCW 82.08.02565 or 82.12.02565 are not eligible for any remittance
17 under this section. Materials incorporated in warehouses and grain
18 elevators upon which construction was initiated prior to May 20,
19 1997, are not eligible for a remittance under this section.

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

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

28 (6) This section expires July 1, 2032.

29 NEW SECTION. Sec. 203. (1) This section is the tax preference
30 performance statement for the warehousing, distribution, and grain
31 elevator sales and use tax exemptions in sections 201 and 202,
32 chapter . . ., Laws of 2022 (sections 201 and 202 of this act). The
33 performance statement is only intended to be used for subsequent
34 evaluation of the tax preference. It is not intended to create a
35 private right of action by any party or be used to determine
36 eligibility for preferential tax treatment.

37 (2) The legislature categorizes this tax preference as one
38 intended to accomplish the general purposes indicated in RCW

1 82.32.808(2) (a) and (c) to induce certain designated behavior by
2 businesses and to create jobs.

3 (3) It is the legislature's specific public policy objective to
4 induce the construction of new or expanded warehouses and
5 distribution centers in certain targeted counties by reducing the
6 square footage requirement in order to diversify the tax base and
7 increase employment within the targeted counties.

8 (4) To measure the effectiveness of these exemptions in achieving
9 the specific public policy objectives described in subsection (3) of
10 this section, the joint legislative audit and review committee must
11 evaluate the changes in the number of employment positions in the
12 warehousing and distribution industry sector in the targeted counties
13 and changes to the tax base as a result of increased warehousing and
14 distribution activity.

15 (5) In order to obtain the data necessary to perform the review
16 in subsection (4) of this section, the joint legislative audit and
17 review committee may refer to the remittance data prepared by the
18 department of revenue and the annual tax preference performance
19 report submitted by the beneficiary of the tax preference under RCW
20 82.32.534. A person claiming an exemption from state tax in the form
21 of a remittance under RCW 82.08.820 or 82.12.820 for a warehouse or
22 distribution center must file the annual tax preference performance
23 report under RCW 82.32.534 beginning in the first calendar year
24 following the year the warehouse or distribution center is
25 operationally complete and for the next two subsequent years.

26 NEW SECTION. **Sec. 204.** Sections 101 through 110 of this act
27 constitute a new chapter in Title 82 RCW.

28 NEW SECTION. **Sec. 205.** This act takes effect July 1, 2022.

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