
SUBSTITUTE HOUSE BILL 2297

State of Washington

69th Legislature

2026 Regular Session

By House Finance (originally sponsored by Representatives Farivar, Mena, Berry, Parshley, Ryu, Tharinger, Reeves, Reed, Cortes, Street, Kloba, Scott, Thomas, Taylor, Doglio, Stonier, Morgan, Gregerson, Ormsby, Fosse, Hill, Pollet, Bernbaum, Salahuddin, and Timmons)

READ FIRST TIME 02/09/26.

1 AN ACT Relating to incentivizing grocery stores located in
2 underserved communities; amending RCW 35.102.040 and 35.21.710;
3 adding a new section to chapter 82.08 RCW; adding a new section to
4 chapter 82.12 RCW; adding new sections to chapter 82.04 RCW; adding a
5 new chapter to Title 84 RCW; creating new sections; providing an
6 effective date; and providing expiration dates.

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

8 NEW SECTION. **Sec. 1.** (1) The legislature finds that access to
9 affordable, nutritious, and culturally relevant food is essential to
10 health, economic stability, and community well-being. Yet many
11 Washington residents, particularly low-income households, communities
12 of color, rural residents, immigrants and refugees, and people with
13 limited transportation options continue to face barriers to food
14 access due to store closures, uneven infrastructure, and long-
15 standing patterns of disinvestment.

16 (2) It is the intent of the legislature to provide locally
17 controlled tools to preserve existing grocery stores and support the
18 development and retention of grocery stores in underserved
19 communities where market forces alone have not met community needs.
20 By reducing structural cost barriers, this act is intended to
21 strengthen community-serving food retailers and support local jobs

1 and neighborhood stability. The legislature further intends that
2 these incentives be implemented in a manner responsive to local
3 conditions and as part of a broader effort to promote health equity,
4 economic justice, and long-term community stability.

5 **PART I**

6 **Sec. 101.** RCW 35.102.040 and 2010 c 271 s 706 are each amended
7 to read as follows:

8 (1)(a) The cities, working through the association of Washington
9 cities, shall form a model ordinance development committee made up of
10 a representative sampling of cities that as of July 27, 2003, impose
11 a business and occupation tax. This committee shall work through the
12 association of Washington cities to adopt a model ordinance on
13 municipal gross receipts business and occupation tax. The model
14 ordinance and subsequent amendments shall be adopted using a process
15 that includes opportunity for substantial input from business
16 stakeholders and other members of the public. Input shall be
17 solicited from statewide business associations and from local
18 chambers of commerce and downtown business associations in cities
19 that levy a business and occupation tax.

20 (b) The department of commerce shall contract to post the model
21 ordinance on an internet website and to make paper copies available
22 for inspection upon request. The department of revenue and the
23 department of licensing shall post copies of or links to the model
24 ordinance on their internet websites. Additionally, a city that
25 imposes a business and occupation tax must make copies of its
26 ordinance available for inspection and copying as provided in chapter
27 42.56 RCW.

28 (c) The definitions and tax classifications in the model
29 ordinance may not be amended more frequently than once every four
30 years, however the model ordinance may be amended at any time to
31 comply with changes in state law. Any amendment to a mandatory
32 provision of the model ordinance must be adopted with the same
33 effective date by all cities.

34 (2) A city that imposes a business and occupation tax must adopt
35 the mandatory provisions of the model ordinance. The following
36 provisions are mandatory:

37 (a) A system of credits that meets the requirements of RCW
38 35.102.060 and a form for such use;

1 (b) A uniform, minimum small business tax threshold of at least
2 the equivalent of twenty thousand dollars in gross income annually. A
3 city may elect to deviate from this requirement by creating a higher
4 threshold or exemption but it shall not deviate lower than the level
5 required in this subsection. If a city has a small business threshold
6 or exemption in excess of that provided in this subsection as of
7 January 1, 2003, and chooses to deviate below the threshold or
8 exemption level that was in place as of January 1, 2003, the city
9 must notify all businesses licensed to do business within the city at
10 least one hundred twenty days prior to the potential implementation
11 of a lower threshold or exemption amount;

12 (c) Tax reporting frequencies that meet the requirements of RCW
13 35.102.070;

14 (d) Penalty and interest provisions that meet the requirements of
15 RCW 35.102.080 and 35.102.090;

16 (e) Claim periods that meet the requirements of RCW 35.102.100;

17 (f) Refund provisions that meet the requirements of RCW
18 35.102.110; and

19 (g) Definitions, which at a minimum, must include the definitions
20 enumerated in RCW 35.102.030 and 35.102.120. The definitions in
21 chapter 82.04 RCW shall be used as the baseline for all definitions
22 in the model ordinance, and any deviation in the model ordinance from
23 these definitions must be described by a comment in the model
24 ordinance.

25 (3) Except for the deduction required by RCW 35.102.160 and the
26 system of credits developed to address multiple taxation under
27 subsection (2)(a) of this section, a city may adopt its own
28 provisions for tax exemptions, tax credits, preferential rates, and
29 tax deductions.

30 (4) Any city that adopts an ordinance that deviates from the
31 nonmandatory provisions of the model ordinance shall make a
32 description of such differences available to the public, in written
33 and electronic form.

34 **Sec. 102.** RCW 35.21.710 and 2002 c 179 s 1 are each amended to
35 read as follows:

36 ~~((Any city which imposes a license fee or tax upon business
37 activities consisting of the making of retail sales of tangible
38 personal property which are measured by gross receipts or gross
39 income from such sales, shall impose such tax at a single uniform~~

1 ~~rate upon all such business activities.)~~ The taxing authority
2 granted to cities for taxes upon business activities measured by
3 gross receipts or gross income from sales shall not exceed a rate
4 of .0020; except that any city with an adopted ordinance at a higher
5 rate, as of January 1, 1982 shall be limited to a maximum increase of
6 ten percent of the January 1982 rate, not to exceed an annual
7 incremental increase of two percent of current rate: PROVIDED, That
8 any adopted ordinance which classifies according to different types
9 of business or services shall be subject to both the ten percent and
10 the two percent annual incremental increase limitation on each tax
11 rate: PROVIDED FURTHER, That all surtaxes on business and occupation
12 classifications in effect as of January 1, 1982, shall expire no
13 later than December 31, 1982, or by expiration date established by
14 local ordinance. Cities which impose a license fee or tax upon
15 business activities consisting of the making of retail sales of
16 tangible personal property which are measured by gross receipts or
17 gross income from such sales shall be required to submit an annual
18 report to the state auditor identifying the rate established and the
19 revenues received from each fee or tax. This section shall not apply
20 to any business activities subject to the tax imposed by chapter
21 82.16 RCW. For purposes of this section, the providing to consumers
22 of competitive telephone service, as defined in RCW 82.04.065, or the
23 providing of payphone service, shall be subject to tax at the same
24 rate as business activities consisting of the making of retail sales
25 of tangible personal property. As used in this section, "payphone
26 service" means making telephone service available to the public on a
27 fee-per-call basis, independent of any other commercial transaction,
28 for the purpose of making telephone calls, when the telephone can
29 only be activated by inserting coins, calling collect, using a
30 calling card or credit card, or dialing a toll-free number, and the
31 provider of the service owns or leases the telephone equipment but
32 does not own the telephone line providing the service to that
33 equipment and has no affiliation with the owner of the telephone
34 line.

35 **PART II**

36 NEW SECTION. **Sec. 201.** A new section is added to chapter 82.08
37 RCW to read as follows:

1 (1) The tax levied by RCW 82.08.020 does not apply to sales of
2 investigation and security services subject to the tax imposed in RCW
3 82.04.050 to grocery stores located in underserved community zones as
4 defined in section 302 of this act.

5 (2) A person claiming a remittance under this section must pay
6 the state and local sales and use tax on such sales and apply to the
7 department for a remittance of the tax paid.

8 (3) The remittance is equal to 100 percent of state and local
9 sales tax paid.

10 (4) To receive a remittance under this section, a person must
11 submit:

12 (a) A remittance application in a form and manner as required by
13 the department;

14 (b) An information sheet, in a form and manner as required by the
15 department, specifying the amount of exempted tax claimed and the
16 qualifying purchases or acquisitions for which the remittance is
17 claimed; and

18 (c) Any other documentation supporting the remittance
19 application.

20 (5) A person may not apply for more than one remittance under
21 this section in a calendar quarter.

22 (6) The department must rule on the application within 90 days,
23 except that the department may extend the time of processing such
24 application upon providing notice to the person that ruling on the
25 application cannot be completed within such time.

26 NEW SECTION. **Sec. 202.** A new section is added to chapter 82.12
27 RCW to read as follows:

28 (1) The provisions of this chapter do not apply with respect to
29 the use of investigation and security services subject to the tax
30 imposed in RCW 82.12.020 by grocery stores located in underserved
31 community zones as defined in section 302 of this act.

32 (2) A person claiming a remittance under this section must pay
33 the state and local sales and use tax on such sales and apply to the
34 department for a remittance of the tax paid.

35 (3) The conditions and requirements of section 201 of this act
36 apply to this section.

37 **PART III**

1 NEW SECTION. **Sec. 301.** INTENT. The purpose of this chapter is
2 to provide local communities options to preserve and increase access
3 to healthy and affordable food for Washingtonians living in
4 underserved communities. It is also the purpose of this chapter to
5 encourage grocery retailers to maintain their presence in underserved
6 communities and to incentivize the construction of new stores in
7 underserved areas based on community needs.

8 NEW SECTION. **Sec. 302.** DEFINITIONS. The definitions in this
9 section apply throughout this chapter unless the context clearly
10 requires otherwise.

11 (1) "City" means any city or town.

12 (2) "Frontier county" means a rural county with a population
13 density of fewer than 50 persons per square mile as determined by the
14 office of financial management and published each year by the
15 department for the period July 1st to June 30th.

16 (3) "Governing authority" means the local legislative authority
17 of a city or county having jurisdiction over the property for which
18 an exemption may be applied under this chapter.

19 (4) "Grocery store" means a small food retailer, a mid-sized food
20 retailer, or a supermarket.

21 (5) "Mid-sized food retailer" means a medium-sized retail outlet
22 with at least 2,500 but less than 16,000 square feet, of which at
23 least 75 percent is occupied by food and related products.

24 (6) "Owner" means the property owner of record.

25 (7) "Rural census tract" means a census tract with a population-
26 weighted centroid that is not within a census urban area as
27 classified by the United States census bureau for the most recent
28 decennial census.

29 (8) "Rural county" means a county with a population density of
30 fewer than 100 persons per square mile or a county smaller than 225
31 square miles, as determined by the office of financial management and
32 published each year by the department for the period July 1st to June
33 30th.

34 (9) "Small food retailer" means a retail outlet with less than
35 2,500 square feet that sells a limited selection of foods and other
36 products, such as a bodega, convenience store, corner store,
37 neighborhood store, small grocery, or small-scale store.

1 (10) "Supermarket" means a retail outlet with at least 16,000
2 square feet, of which at least 90 percent is occupied by food and
3 related products.

4 (11) "Urban census tract" means a census tract with a population-
5 weighted centroid that is within a census urban area as classified by
6 the United States census bureau for the most recent decennial census.

7 (12) "Underserved community zone" means an area of land
8 designated by a governing authority in this chapter.

9 (13) "Urban county" means a county that is not a rural county as
10 determined by the office of financial management and that is located
11 in a metropolitan statistical area as determined and defined by the
12 United States office of management and budget or other appropriate
13 agency or office of the federal government.

14 NEW SECTION. **Sec. 303.** UNDERSERVED COMMUNITY GROCERY STORE
15 PROPERTY TAX EXEMPTION PROGRAM. (1) A city governing authority may by
16 ordinance or resolution establish an underserved community grocery
17 store property tax exemption program to provide property tax
18 exemptions to preserve existing grocery stores, to incentivize the
19 rehabilitation of existing or vacant grocery store buildings, and to
20 incentivize the construction of new grocery store buildings in
21 underserved communities.

22 (2) A county governing authority may by ordinance or resolution
23 establish an underserved community grocery store property tax
24 exemption program for unincorporated areas to provide property tax
25 exemptions to preserve existing grocery stores, to incentivize the
26 rehabilitation of existing or vacant grocery store buildings, and to
27 incentivize the construction of new grocery store buildings in
28 underserved communities.

29 (3) An underserved community grocery store property tax exemption
30 program established by a governing authority may offer one or more
31 property tax exemptions for the following categories of grocery
32 stores located within an underserved community zone designated by the
33 governing authority pursuant to section 305 of this act:

- 34 (a) Existing grocery stores;
35 (b) Rehabilitated grocery stores; or
36 (c) Newly constructed grocery stores.

37 NEW SECTION. **Sec. 304.** AUTHORIZING RESOLUTION. (1) For the
38 purpose of creating an underserved community grocery store property

1 tax exemption program, the governing authority of a city or county
2 must adopt a resolution of intent to create an underserved community
3 grocery store property tax exemption program and designate one or
4 more areas as underserved community zones as generally described in
5 the resolution. The resolution must state the time and place of a
6 hearing to be held by the governing authority to consider the
7 creation of the program and the designation of the zones and may
8 include such other information pertaining to the creation of the
9 program and the designation of the zones as the governing authority
10 determines to be appropriate to apprise the public of the action
11 intended. However, the resolution must provide information pertaining
12 to:

- 13 (a) The application process;
- 14 (b) The approval process;
- 15 (c) The appeals process for applications denied approval; and
- 16 (d) Requirements, conditions, and obligations that must be
17 followed postapproval of an application.

18 (2) The governing authority must give notice of a hearing held
19 under this chapter by publication of the notice once each week for
20 two consecutive weeks, not less than seven days, nor more than 30
21 days before the date of the hearing in a paper having a general
22 circulation in the city or county. The notice must state the time,
23 date, place, and purpose of the hearing and generally identify the
24 area or areas proposed to be designated as an underserved community
25 zone.

26 (3) Following the hearing or a continuance of the hearing, and
27 subject to the limit on underserved community zones in section 305 of
28 this act, the governing authority may create the program and
29 designate all or a portion of the area or areas described in the
30 resolution of intent as an underserved community zone or zones if it
31 finds, in its sole discretion, that the criteria in section 305 of
32 this act have been met.

33 NEW SECTION. **Sec. 305.** UNDERSERVED COMMUNITY ZONES. (1) Except
34 as otherwise provided in this section, the governing authority of a
35 county may designate an underserved community zone if it determines
36 that a census tract or contiguous group of census tracts within the
37 city's or county's jurisdiction meets the following requirements:

- 38 (a) The area must meet one or more low-income criteria and the
39 low-access criterion; or

1 (b) The area must meet the criterion for health disadvantaged
2 areas and the low-access criterion; or

3 (c) The area must meet the criterion for a low-transportation-
4 access area.

5 (2) The governing authority of a county, when designating an
6 underserved community zone, must consider designating zones in areas
7 with the highest disparities and where the highest number of
8 Washingtonians will be positively affected.

9 (3) A city may apply to the governing authority of a county to
10 request the creation of an underserved community zone using an
11 application process designated by the county.

12 (4) For a property tax exemption for an existing grocery store,
13 as an alternative to meeting the requirements in subsection (1) of
14 this section, a governing authority must establish that without the
15 creation of an underserved community tax incentive program and the
16 designation of an underserved community zone, the area will meet the
17 requirements of subsection (1) of this section due to the closure of
18 an existing grocery store.

19 (5) A governing authority may use an alternative methodology for
20 the identification of underserved areas and the creation of an
21 underserved community zone that fits its community's needs if the
22 methodology and accompanying data is submitted to and it is approved
23 by the department of commerce.

24 (6) The total underserved community zone designations allowed per
25 county are as follows:

26 (a) For urban counties, a maximum of 10 underserved community
27 zones;

28 (b) For rural counties that are not frontier counties, a maximum
29 of five underserved community zones; and

30 (c) For frontier counties, a maximum of three underserved
31 community zones.

32 (7) Five years after the establishment of an underserved
33 community zone and every five years thereafter, a governing authority
34 may add, remove, or alter the boundaries of an underserved community
35 zone. The governing authority must provide the department of commerce
36 with the methodology and reasoning for the change in the zone
37 location.

38 (8) The removal or altering of an underserved community zone does
39 not disqualify any existing property tax exemptions granted under
40 this chapter.

1 (9) The governing authority must provide information regarding
2 the location of the designated zones to the department of commerce.

3 (10) Low-income criteria are as follows:

4 (a) Each census tract within the area meets one or more income
5 criteria used in the food access research atlas published by the
6 United States department of agriculture; or

7 (b) Twenty-five percent or more of the population in each census
8 tract within the area has an income at or below 200 percent of
9 poverty thresholds reflected in the most recently available five-year
10 American community survey estimates.

11 (11) To meet the criteria for a health disadvantaged area, each
12 census tract in the area must have an index score of eight or above
13 on the most recently published department of health environmental
14 health disparities map index, indicating the highest composite levels
15 of health disadvantage based on a combination of environmental,
16 health, socioeconomic, and demographic factors.

17 (12) To meet the criteria for a low-access area, at least 500
18 people within each tract or 33 percent of the population within each
19 tract must reside more than 0.5 miles from the nearest grocery store
20 for an urban census tract or greater than 10 miles from the nearest
21 grocery store for a rural census tract.

22 (13) To meet the criteria for a low-transportation-access area:

23 (a) Each urban census tract in the area has more than 100
24 households that do not have access to a vehicle, according to the
25 most recently published five-year American community survey estimate,
26 and reside more than 0.5 miles from the nearest grocery store; or

27 (b) In each census tract in the area, at least 500 people or 33
28 percent of the population live more than 20 miles from the nearest
29 grocery store for a rural census tract.

30 NEW SECTION. **Sec. 306.** QUALIFYING REAL PROPERTY. (1) The value
31 of real property qualifying under this chapter is exempt from local
32 and state property taxation under this title as provided in this
33 chapter.

34 (2) For existing grocery stores, the value of the real property
35 consisting of a grocery store building or a portion of a building
36 used as a grocery store within an underserved community zone as
37 identified by a governing authority is exempt from taxation for
38 properties for which an application for a certificate of tax
39 exemption is submitted and approved under this chapter. The value is

1 exempt under this section for 30 successive years beginning January
2 1st of the year immediately following the calendar year of issuance
3 of the certificate.

4 (3) For rehabilitated grocery stores, the value of the new
5 construction and the value of the real property consisting of a
6 grocery store or a portion of a building used as a grocery store
7 within an underserved community zone as identified by a governing
8 authority is exempt from taxation for properties for which an
9 application for a certificate of tax exemption is submitted under
10 this chapter. The value is exempt under this section for 30
11 successive years beginning January 1st of the year immediately
12 following the calendar year of issuance of the conditional
13 certificate. If a final certificate is not issued due to a denial
14 under section 309(4) of this act, taxes are immediately due and
15 payable by the property owner under section 312(4) of this act.

16 (4) For newly constructed grocery stores, the value of the new
17 construction consisting of a grocery store or a portion of a building
18 used as a grocery store within an underserved community zone as
19 identified by a governing authority is exempt from taxation for
20 properties for which an application for a certificate of tax
21 exemption is submitted and approved under this chapter. The value is
22 exempt under this section for 30 successive years beginning January
23 1st of the year immediately following the calendar year of issuance
24 of the conditional certificate. If a final certificate is not issued
25 due to a denial under section 309(4) of this act, taxes are
26 immediately due and payable by the property owner under section
27 312(4) of this act.

28 (5) The exemptions provided in this section do not include the
29 value of real property not qualifying under this chapter and do not
30 apply to the value of the land.

31 (6) The exemptions provided in this section do not apply to
32 increases in assessed valuation made by the assessor on nonqualifying
33 portions of building and value of land nor to increases made by
34 lawful order of a county board of equalization, the department, or a
35 county to a class of property throughout the county or specific area
36 of the county to achieve the uniformity of assessment or appraisal
37 required by law.

38 (7) The real property consisting of an existing grocery store, a
39 rehabilitated grocery store, or newly constructed grocery store must
40 be located in an underserved community zone as identified by the

1 governing authority under section 305 of this act on the date the tax
2 exemption certificate is granted to the owner by the governing
3 authority.

4 (8) Rehabilitated and new construction grocery stores must:

5 (a) Meet all construction and development regulations of the city
6 or county; and

7 (b) Be party to a contract with the city or county approved by
8 the governing authority under which the applicant has agreed to the
9 implementation of the development on terms and conditions
10 satisfactory to the governing authority.

11 (9) The exemptions provided in this section do not apply to
12 property taxes levied by school districts.

13 (10) The exemption provided in this section is in addition to any
14 other exemptions, deferrals, credits, grants, or other tax incentives
15 provided by law.

16 (11) At the conclusion of the exemption period, the value of new
17 construction and rehabilitative improvements to the property must be
18 considered as new construction for the purposes of chapters 84.55 and
19 36.21 RCW.

20 NEW SECTION. **Sec. 307.** APPLICATIONS. An owner of a property
21 seeking an exemption under this chapter must complete the following
22 procedures:

23 (1) The owner must apply to the city or county on forms adopted
24 by the governing authority. The application must contain the
25 following:

26 (a) Information setting forth the grounds supporting the
27 requested exemption including information indicated on the
28 application form or required by this chapter;

29 (b) For rehabilitation projects and new construction, a
30 description of the site plan, a statement that the applicant would
31 not have built in this location but for the availability of the tax
32 exemption under this chapter, and other information requested; and

33 (c) A statement that the applicant is aware of the potential tax
34 liability involved when the property ceases to be eligible for the
35 incentive provided under this chapter;

36 (2) The applicant must verify the application by oath or
37 affirmation; and

38 (3) The application must be accompanied by the application fee,
39 if any, required under this chapter. The governing authority may

1 permit the applicant to revise an application before final action by
2 the governing authority.

3 NEW SECTION. **Sec. 308.** APPROVAL OF APPLICATIONS. (1) The city
4 or county may approve the application if it finds that:

5 (a) The existing grocery store, the rehabilitated grocery store,
6 or the newly constructed grocery store will provide fresh and
7 affordable groceries to an underserved community located in an
8 underserved community zone and complies with any city or county
9 requirements to accept supplemental nutrition assistance program
10 benefits or Washington basic food benefits or participate in
11 applicable local, state, or federally supported fruit and vegetable
12 nutrition incentive programs including, but not limited to, fresh
13 bucks, fruit and vegetable prescription programs, or similar
14 incentive programs that increase purchasing power for fruits and
15 vegetables;

16 (b) For rehabilitated or newly constructed grocery stores, the
17 proposed project is, or will be, at the time of completion, in
18 conformance with all local plans and regulations that apply at the
19 time the application is approved; and

20 (c) The criteria of this chapter have been satisfied.

21 (2) The city or county must approve or deny an application filed
22 under this chapter within 90 days after receipt of the application.

23 (3) If the application is denied by the city or county, the city
24 or county must state in writing the reasons for denial and send the
25 notice to the applicant at the applicant's last known address within
26 10 days of the denial.

27 (4) Upon denial by the city or county, an applicant may appeal
28 the denial to the city's or county's governing authority within 30
29 days after receipt of the denial. The appeal before the city's or
30 county's governing authority must be based upon the record made
31 before the governing authority with the burden of proof on the
32 applicant to show that there was no substantial evidence to support
33 the decision. The decision of the city's or county's governing
34 authority in denying or approving the application is final.

35 (5) (a) If the application for a rehabilitated grocery store or a
36 newly constructed grocery store is approved, the city or county must
37 issue the owner of the property a conditional certificate of tax
38 exemption. The certificate must contain a statement by a duly

1 authorized administrative official of the governing authority that
2 the property has complied with the required criteria of this chapter.

3 (b) The city or county must file the conditional certificate of
4 tax exemption with the county assessor within 10 days of approval.

5 (6) (a) If the application for an existing grocery store is
6 approved, the city or county must issue the owner of the property a
7 certificate of tax exemption. The certificate must contain a
8 statement by a duly authorized administrative official of the
9 governing authority that the property has complied with the required
10 criteria of this chapter.

11 (b) The city or county must file the certificate of tax exemption
12 with the county assessor within 10 days of approval.

13 NEW SECTION. **Sec. 309.** COMPLETION OF PROJECTS. (1) Upon

14 completion of a rehabilitation project or new construction of a
15 grocery store building for which an application for an exemption
16 under this chapter has been approved and issued a certificate of
17 occupancy, the owner must file with the city or county the following:

18 (a) A description of the work that has been completed and a
19 statement that the new construction on the owner's property qualifies
20 the property for a partial or total exemption under this chapter; and

21 (b) A statement regarding the fresh food and new jobs offered as
22 a result of the new construction of the grocery store.

23 (2) Within 30 days after receipt of the statements required under
24 subsection (1) of this section, the city or county must determine
25 whether the work completed is consistent with the application
26 approved by the city or county and whether the property qualifies for
27 a tax exemption under this chapter.

28 (3) If the criteria of this chapter have been satisfied and the
29 owner's property is qualified for a tax exemption under this chapter,
30 the city or county must file the certificate of tax exemption with
31 the county assessor within 40 days after receipt of the statements
32 required under subsection (1) of this section.

33 (4) The city or county must notify the applicant that a
34 certificate of tax exemption is denied if the city or county
35 determines that:

36 (a) The work was not constructed consistent with the application
37 or other applicable requirements; or

38 (b) The owner's property is otherwise not qualified for an
39 exemption under this chapter.

1 (5) The city's or county's governing authority may enact an
2 ordinance to provide a process for an owner to appeal a decision by
3 the city or county that the owner is not entitled to a certificate of
4 tax exemption to the city or county. The owner may appeal a decision
5 by the city or county to deny a certificate of tax exemption in
6 superior court under RCW 34.05.510 through 34.05.598 if the appeal is
7 filed within 30 days of notification by the city or county to the
8 owner of the exemption denial.

9 NEW SECTION. **Sec. 310.** APPLICATION FEE. The governing authority
10 may establish an application fee for the tax exemption under this
11 chapter. This fee may not exceed an amount determined to be required
12 to cover the cost to be incurred by the governing authority and the
13 assessor in administering this chapter. The application fee must be
14 paid at the time the application is filed. If the application is
15 approved, the governing authority of the city or county must pay the
16 application fee to the county assessor for deposit in the county
17 current expense fund, after first deducting that portion of the fee
18 attributable to its own administrative costs in processing the
19 application. If the application is denied, the city's or county's
20 governing authority may retain that portion of the application fee
21 attributable to its own administrative costs and refund the balance
22 to the applicant.

23 NEW SECTION. **Sec. 311.** REPORT. (1) Thirty days after the
24 anniversary of the date of the certificate of tax exemption and each
25 year for the tax exemption period, the owner of the exempted property
26 must file with a designated authorized representative of the city or
27 county an annual report indicating the following:

28 (a) A certification by the owner that the property has not
29 changed use that is, if the owner of the property and the retailer
30 are not the same individual, verified by the grocery store retailer;

31 (b) A description of changes or improvements constructed after
32 issuance of the certificate of tax exemption; and

33 (c) Any additional information requested by the city or county.

34 (2) A city or county that issues a certificate of tax exemption
35 under this chapter must report annually by December 31st of each
36 year, beginning in 2026, to the department of commerce. The report
37 must include the following information:

38 (a) The number of tax exemption certificates granted;

1 (b) The total number and type of existing buildings exempted, and
2 the total number and type of rehabilitated and new grocery stores
3 constructed;

4 (c) The value of the tax exemption for each project receiving a
5 tax exemption and the total value of tax exemptions granted;

6 (d) The methodology and data used by the governing authority when
7 designating underserved community zones; and

8 (e) An explanation of how the program is working to supply fresh
9 and healthy food and new or ongoing job opportunities to underserved
10 communities.

11 (3) A city or county that issues a certificate of tax exemption
12 under this chapter must annually provide a report to the department
13 of revenue that provides the information required in subsection (2)
14 of this section and any other information that the department of
15 revenue requires to verify eligibility for the business and
16 occupation tax incentives created in sections 401 and 501 of this
17 act.

18 NEW SECTION. **Sec. 312.** CONDITIONS FOR TRANSFER. (1) If the
19 value of the real property or real property improvements have been
20 exempted under this chapter, the real property and real property
21 improvements continue to be exempted for the applicable period under
22 this chapter so long as they are not converted to another use and
23 continue to satisfy all applicable conditions including, but not
24 limited to, zoning, land use, and building requirements.

25 (2) Transfer of property ownership does not terminate the
26 exemption. The exemption is subject to the successor meeting the
27 eligibility requirements under this chapter. The transferor of an
28 exempted property must notify the governing authority of the
29 transfer. The governing authority must certify that the successor
30 meets the requirements of the exemption. The transferor must provide
31 the information necessary for the county assessor to transfer the
32 exemption. If the transferor fails to notify the city or county
33 within 60 days, the tax exemption is terminated and all exempted
34 property taxes from the date of the transfer are immediately due and
35 payable by the transferor as required in subsection (4) of this
36 section.

37 (3) If an owner voluntarily opts to discontinue compliance with
38 the requirements of this chapter, the owner must notify the county
39 assessor within 60 days of the change in use or intended

1 discontinuance and all exempted property taxes from the date of the
2 initial exemption are immediately due and payable by the transferor
3 as required in subsection (4) of this section.

4 (4) If, after a certificate of tax exemption has been filed with
5 the county assessor, the city or county discovers that a portion of
6 the property has changed or will be changed to disqualify the
7 property for exemption eligibility under this chapter, the tax
8 exemption must be canceled, and the following occurs:

9 (a) Additional real property tax must be imposed on the value of
10 the nonqualifying improvements in the amount that would be imposed if
11 an exemption had not been available under this chapter, plus a
12 penalty equal to 20 percent of the additional value. This additional
13 tax is calculated based upon the difference between the property tax
14 paid and the property tax that would have been paid if it had
15 included the value of the nonqualifying improvements dated back to
16 the date that the improvements were converted to a nonqualifying use;

17 (b) Interest upon the amounts of the additional tax at the same
18 statutory rate charged on delinquent property taxes must be included
19 from the dates on which the additional tax could have been paid
20 without penalty if the improvements had been assessed at a value
21 without regard to this chapter; and

22 (c) The additional tax owed together with interest and penalty
23 becomes a lien on the property and attaches at the time the property
24 or portion of the property is removed from the qualifying use under
25 this chapter, or the amenities no longer meet the applicable
26 requirements for exemption under this chapter. A lien under this
27 section has priority to, and must be fully paid and satisfied before,
28 a recognizance, mortgage, judgment, debt, obligation, or
29 responsibility to or with which the property may become charged or
30 liable. The lien may be foreclosed upon expiration of the same period
31 after delinquency and in the same manner provided by law for
32 foreclosure of liens for delinquent real property taxes. An
33 additional tax unpaid on its due date is delinquent. From the date of
34 delinquency until paid, interest must be charged at the same rate
35 applied by law to delinquent property taxes.

36 (5) Upon a determination that a tax exemption is to be terminated
37 for a reason stated in this section, the city's or county's governing
38 authority must notify the record owner of the property as shown by
39 the tax rolls by mail, return receipt requested, of the determination
40 to terminate the exemption. The owner may appeal the determination to

1 the city or county, within 30 days by filing a notice of appeal with
2 the city or county, which notice must specify the factual and legal
3 basis on which the determination of termination is alleged to be
4 erroneous. At an appeal hearing, all affected parties may be heard
5 and all competent evidence received. After the hearing, the deciding
6 body or officer must either affirm, modify, or repeal the decision of
7 termination of exemption based on the evidence received. An aggrieved
8 party may appeal the decision of the deciding body or officer to the
9 superior court as provided in RCW 34.05.510 through 34.05.598.

10 (6) Upon determination by the city or county to terminate an
11 exemption, the county officials having possession of the assessment
12 and tax rolls must correct the rolls in the manner provided for
13 omitted property under RCW 84.40.080. The county assessor must make
14 such a valuation of the property and improvements as is necessary to
15 permit the correction of the rolls. The value of the new construction
16 from the rehabilitated grocery store or the newly constructed grocery
17 store added to the rolls is considered new construction for the
18 purposes of chapter 84.40 RCW. The owner may appeal the valuation to
19 the county board of equalization as provided in chapter 84.40 RCW. If
20 there has been a failure to comply with this chapter, the property
21 must be listed as an omitted assessment for assessment years
22 beginning January 1st of the calendar year in which the noncompliance
23 first occurred, but the listing as an omitted assessment may not be
24 for a period more than three calendar years preceding the year in
25 which the failure to comply was discovered.

26 NEW SECTION. **Sec. 313.** This chapter expires January 1, 2037.

27 **PART IV**

28 NEW SECTION. **Sec. 401.** A new section is added to chapter 82.04
29 RCW to read as follows:

30 (1) Beginning January 1, 2027, a person is allowed a credit
31 against the tax imposed in this chapter equal to 0.029 percent
32 multiplied by the gross income of a grocery store operating in an
33 underserved community zone.

34 (2) To qualify for this credit, a grocery store must be located
35 in an underserved community zone established in section 305 of this
36 act. The credit applies only to the gross income of the grocery store
37 located in the underserved community zone.

1 (3) Cities and counties with established underserved community
2 grocery store property tax exemption programs must annually provide a
3 report to the department that includes the established underserved
4 community zone boundaries within their jurisdiction and any other
5 information required by the department to verify taxpayer eligibility
6 under this section.

7 (4) The credit claimed may not exceed the tax that would
8 otherwise be due under this chapter. Refunds may not be granted in
9 the place of credits. Any amount of credit earned under this section
10 not claimed by the person in one calendar year may be carried forward
11 for no more than one calendar year immediately following the year
12 that the credit was earned and may be used until January 1, 2038.

13 (5) The total amount of credit authorized under this section may
14 not exceed an annual statewide limit of \$5,000,000 per calendar year.

15 (6) Credits are available on a first-in-time basis. The
16 department must disallow any credits, or portion thereof, that would
17 cause the total amount of credits claimed under this section during
18 any calendar year to exceed \$5,000,000. The department must provide
19 notification on its website monthly on the number of credits that
20 have been applied for, the number issued, and the number remaining
21 before the statewide annual limit is reached. In addition, the
22 department must provide written notice to any person who has applied
23 to claim tax credits in excess of the limitation in this subsection.

24 (7) No refunds may be granted for credits under this section.

25 (8) For the purposes of the limits provided in this section, a
26 credit must be counted against such limits for the calendar year in
27 which the credit is earned.

28 (9) To claim a credit under this section, the person applying
29 must complete an application for the credit as required by the
30 department. A person must also electronically file with the
31 department all returns, forms, and other information the department
32 requires in an electronic format as provided and approved by the
33 department. Any return, form, or information required to be filed in
34 an electronic format under this section is not filed until received
35 by the department in an electronic format. For purposes of this
36 subsection, "returns" has the same meaning as "return" in RCW
37 82.32.050.

38 (10) The definitions in this subsection apply throughout this
39 section unless the context clearly requires otherwise.

- 1 (a) "Grocery store" has the same meaning as in section 302 of
2 this act.
- 3 (b) "Underserved community zone" means an underserved community
4 zone established in section 305 of this act.
- 5 (8) This section expires January 1, 2037.

6 **PART V**

7 NEW SECTION. **Sec. 501.** A new section is added to chapter 82.04
8 RCW to read as follows:

9 (1) This chapter does not apply to any person engaging within
10 this state in the business as a consumer-owned, cultural, employee-
11 owned, locally owned, or union-represented grocery store that
12 operates in an underserved community zone established in section 305
13 of this act.

14 (2) Cities and counties with established underserved community
15 grocery store property tax exemption programs must annually provide a
16 report to the department of revenue that includes the established
17 underserved community zone boundaries and any other information
18 required by the department of revenue to verify taxpayer eligibility
19 under this section.

20 (3) For purposes of this section, the following definitions
21 apply:

22 (a) "Consumer-owned grocery store" means a grocery store in which
23 a significant portion of the ownership is held by customers, such as,
24 but not limited to, through purchase of membership that qualifies as
25 a controlling stake, or cooperative ownership.

26 (b) "Cultural grocery store" means a grocery store whose sales of
27 culturally relevant food or items make up a minimum of 40 percent of
28 the store's total annual sales the year before the exemption in this
29 section is taken.

30 (c) "Employee-owned grocery store" means a grocery store in which
31 a significant portion of the ownership is held by employees.

32 (d) "Grocery store" has the same meaning as in section 302 of
33 this act.

34 (e) "Locally owned" means a grocery store that is family-owned or
35 privately held.

36 (f) "Underserved community zone" means an underserved community
37 zone established in section 305 of this act.

1 (g) "Union-represented grocery store" means a grocery store that
2 is party to a collective bargaining agreement with a labor
3 organization representing the grocery store's nonsupervisory
4 employees.

5 (4) This section expires January 1, 2037.

6 **PART VI**

7 NEW SECTION. **Sec. 601.** (1) This section is the tax preference
8 performance statement for the tax preferences contained in sections
9 301 through 312, 401, and 501, chapter . . ., Laws of 2026 (sections
10 301 through 312, 401, and 501 of this act). This performance
11 statement is only intended to be used for subsequent evaluation of
12 the tax preferences. It is not intended to create a private right of
13 action by any party or to be used to determine eligibility for
14 preferential tax treatment.

15 (2) The legislature categorizes these tax preferences as ones
16 intended to provide tax relief for certain businesses or individuals,
17 as indicated in RCW 82.32.808(2)(e).

18 (3) It is the legislature's specific public policy objective to
19 provide reduced tax liability for businesses that operate grocery
20 stores in underserved communities.

21 (4) If a review finds that after the effective date of these tax
22 preferences the following parameters are met, then the legislature
23 intends to extend the expiration date of these tax preferences:

24 (a) The number of grocery stores operating in underserved
25 community zones has increased;

26 (b) The number of jobs created in grocery stores located in or
27 constructed in underserved community zones has increased;

28 (c) The amount of fresh food offered in grocery stores located in
29 underserved community zones has increased; and

30 (d) Any number of grocery stores operating in underserved
31 community zones have avoided closure since the effective date of this
32 section.

33 (5) In order to obtain the data necessary to perform the review
34 in subsection (4) of this section, the joint legislative audit and
35 review committee may refer to any data collected by the state.

36 **PART VII**

1 NEW SECTION. **Sec. 701.** RCW 82.32.805 and 82.32.808 do not apply
2 to sections 201 and 202 of this act.

3 NEW SECTION. **Sec. 702.** Sections 301 through 312 of this act
4 apply to taxes levied for collection in 2027 and thereafter.

5 NEW SECTION. **Sec. 703.** Sections 301 through 313 of this act
6 constitute a new chapter in Title 84 RCW.

7 NEW SECTION. **Sec. 704.** This act takes effect January 1, 2027.

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