
HOUSE BILL 2297

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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

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1 AN ACT Relating to incentivizing grocery stores located in
2 underserved communities; amending RCW 35.102.040 and 82.04.050;
3 adding new sections to chapter 82.04 RCW; adding a new chapter to
4 Title 84 RCW; creating new sections; providing an effective date; and
5 providing expiration dates.

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

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

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

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

4 **PART I**

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

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

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

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

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

36 (a) A system of credits that meets the requirements of RCW
37 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

PART II

35 **Sec. 201.** RCW 82.04.050 and 2025 c 422 s 101 are each amended to
36 read as follows:

37 (1)(a) "Sale at retail" or "retail sale" means every sale of
38 tangible personal property (including articles produced, fabricated,

1 or imprinted) to all persons irrespective of the nature of their
2 business and including, among others, without limiting the scope
3 hereof, persons who install, repair, clean, alter, improve,
4 construct, or decorate real or personal property of or for consumers
5 other than a sale to a person who:

6 (i) Purchases for the purpose of resale as tangible personal
7 property in the regular course of business without intervening use by
8 such person, but a purchase for the purpose of resale by a regional
9 transit authority under RCW 81.112.300 is not a sale for resale; or

10 (ii) Installs, repairs, cleans, alters, imprints, improves,
11 constructs, or decorates real or personal property of or for
12 consumers, if such tangible personal property becomes an ingredient
13 or component of such real or personal property without intervening
14 use by such person; or

15 (iii) Purchases for the purpose of consuming the property
16 purchased in producing for sale as a new article of tangible personal
17 property or substance, of which such property becomes an ingredient
18 or component or is a chemical used in processing, when the primary
19 purpose of such chemical is to create a chemical reaction directly
20 through contact with an ingredient of a new article being produced
21 for sale; or

22 (iv) Purchases for the purpose of consuming the property
23 purchased in producing ferrosilicon which is subsequently used in
24 producing magnesium for sale, if the primary purpose of such property
25 is to create a chemical reaction directly through contact with an
26 ingredient of ferrosilicon; or

27 (v) Purchases for the purpose of providing the property to
28 consumers as part of competitive telephone service, as defined in RCW
29 82.04.065; or

30 (vi) Purchases for the purpose of satisfying the person's
31 obligations under an extended warranty as defined in subsection (7)
32 of this section, if such tangible personal property replaces or
33 becomes an ingredient or component of property covered by the
34 extended warranty without intervening use by such person.

35 (b) The term includes every sale of tangible personal property
36 that is used or consumed or to be used or consumed in the performance
37 of any activity defined as a "sale at retail" or "retail sale" even
38 though such property is resold or used as provided in (a)(i) through
39 (vi) of this subsection following such use.

1 (c) The term also means every sale of tangible personal property
2 to persons engaged in any business that is taxable under RCW
3 82.04.280(1) (a), (b), and (~~(g)~~) (f), 82.04.290, and 82.04.2908.

4 (2) The term "sale at retail" or "retail sale" includes the sale
5 of or charge made for tangible personal property consumed and/or for
6 labor and services rendered in respect to the following:

7 (a) The installing, repairing, cleaning, altering, imprinting, or
8 improving of tangible personal property of or for consumers,
9 including charges made for the mere use of facilities in respect
10 thereto, but excluding charges made for the use of self-service
11 laundry facilities, and also excluding sales of laundry service to
12 nonprofit health care facilities, and excluding services rendered in
13 respect to live animals, birds and insects;

14 (b) The constructing, repairing, decorating, or improving of new
15 or existing buildings or other structures under, upon, or above real
16 property of or for consumers, including the installing or attaching
17 of any article of tangible personal property therein or thereto,
18 whether or not such personal property becomes a part of the realty by
19 virtue of installation, and also includes the sale of services or
20 charges made for the clearing of land and the moving of earth
21 excepting the mere leveling of land used in commercial farming or
22 agriculture;

23 (c) The constructing, repairing, or improving of any structure
24 upon, above, or under any real property owned by an owner who conveys
25 the property by title, possession, or any other means to the person
26 performing such construction, repair, or improvement for the purpose
27 of performing such construction, repair, or improvement and the
28 property is then reconveyed by title, possession, or any other means
29 to the original owner;

30 (d) The cleaning, fumigating, razing, or moving of existing
31 buildings or structures, but does not include the charge made for
32 janitorial services; and for purposes of this section the term
33 "janitorial services" means those cleaning and caretaking services
34 ordinarily performed by commercial janitor service businesses
35 including, but not limited to, wall and window washing, floor
36 cleaning and waxing, and the cleaning in place of rugs, drapes and
37 upholstery. The term "janitorial services" does not include painting,
38 papering, repairing, furnace or septic tank cleaning, snow removal or
39 sandblasting;

1 (e) Automobile towing and similar automotive transportation
2 services, but not in respect to those required to report and pay
3 taxes under chapter 82.16 RCW;

4 (f) The furnishing of lodging and all other services by a hotel,
5 rooming house, tourist court, motel, trailer camp, and the granting
6 of any similar license to use real property, as distinguished from
7 the renting or leasing of real property, and it is presumed that the
8 occupancy of real property for a continuous period of one month or
9 more constitutes a rental or lease of real property and not a mere
10 license to use or enjoy the same. For the purposes of this
11 subsection, it is presumed that the sale of and charge made for the
12 furnishing of lodging for a continuous period of one month or more to
13 a person is a rental or lease of real property and not a mere license
14 to enjoy the same. For the purposes of this section, it is presumed
15 that the sale of and charge made for the furnishing of lodging
16 offered regularly for public occupancy for periods of less than a
17 month constitutes a license to use or enjoy the property subject to
18 sales and use tax and not a rental or lease of property;

19 (g) The installing, repairing, altering, or improving of digital
20 goods for consumers;

21 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g)
22 of this subsection when such sales or charges are for property, labor
23 and services which are used or consumed in whole or in part by such
24 persons in the performance of any activity defined as a "sale at
25 retail" or "retail sale" even though such property, labor and
26 services may be resold after such use or consumption. Nothing
27 contained in this subsection may be construed to modify subsection
28 (1) of this section and nothing contained in subsection (1) of this
29 section may be construed to modify this subsection.

30 (3) The term "sale at retail" or "retail sale" includes the sale
31 of or charge made for personal, business, or professional services
32 including amounts designated as interest, rents, fees, admission, and
33 other service emoluments however designated, received by persons
34 engaging in the following business activities:

35 (a) Abstract, title insurance, and escrow services;

36 (b) Credit bureau services;

37 (c) Automobile parking and storage garage services;

38 (d) Landscape maintenance and horticultural services but
39 excluding (i) horticultural services provided to farmers and (ii)
40 pruning, trimming, repairing, removing, and clearing of trees and

1 brush near electric transmission or distribution lines or equipment,
2 if performed by or at the direction of an electric utility;

3 (e) Service charges associated with tickets to professional
4 sporting events;

5 (f) The following personal services: Tanning salon services,
6 tattoo parlor services, steam bath services, turkish bath services,
7 escort services, and dating services;

8 (g) Information technology training services, technical support,
9 and other services including, but not limited to, assisting with
10 network operations and support, help desk services, in-person
11 training related to hardware or software, network system support
12 services, data entry services, and data processing services;

13 (h) Custom website development services. For the purposes of this
14 subsection (3), "website development services" means the design,
15 development, and support of a website provided by a website developer
16 to a customer;

17 (i) Investigation, security services, security monitoring
18 services, and armored car services including, but not limited to,
19 background checks, security guard and patrol services, personal and
20 event security, armored car transportation of cash and valuables, and
21 security system services and monitoring. This does not include
22 locksmith services. For purposes of this subsection (3)(i), the terms
23 "sale at retail" and "retail sale" do not include a sale made to a
24 grocery store, farmers market, or other food retailer;

25 (j) Temporary staffing services. For the purposes of this
26 subsection (3), "temporary staffing services" means providing workers
27 to other businesses, except for hospitals licensed under chapter
28 70.41 or 71.12 RCW, for limited periods of time to supplement their
29 workforce and fill employment vacancies on a contract or for fee
30 basis;

31 (k) Advertising services. (i) For the purposes of this subsection
32 (3), "advertising services" means all digital and nondigital services
33 related to the creation, preparation, production, or dissemination of
34 advertisements including, but not limited to:

35 (A) Layout, art direction, graphic design, mechanical
36 preparation, production supervision, placement, referrals,
37 acquisition of advertising space, and rendering advice concerning the
38 best methods of advertising products or services; and

39 (B) Online referrals, search engine marketing((~~r~~)) and lead
40 generation optimization, web campaign planning, the acquisition of

1 advertising space in the internet media, and the monitoring and
2 evaluation of website traffic for purposes of determining the
3 effectiveness of an advertising campaign.

4 (ii) "Advertising services" do not include:

5 (A) Web hosting services and domain name registration;

6 (B) Services rendered in respect to the following:

7 (I) "Newspapers" as defined in RCW 82.04.214;

8 (II) Printing or publishing under RCW 82.04.280; and

9 (III) "Radio and television broadcasting" within this state as
10 defined in RCW 82.04.281; and

11 (C) Services rendered in respect to out-of-home advertising,
12 including: Billboard advertising; street furniture advertising;
13 transit advertising; place-based advertising, such as in-store
14 display advertising or point-of-sale advertising; dynamic or static
15 signage at live events; naming rights; and fixed signage advertising.
16 Out-of-home advertising does not include direct mail;

17 (l) Live presentations including, but not limited to, lectures,
18 seminars, workshops, or courses where participants attend either in-
19 person or via the internet or telecommunications equipment that
20 allows audience members and the presenter or instructor to give,
21 receive, and discuss information with each other in real time; and

22 (m)(i) Operating an athletic or fitness facility, including all
23 charges for the use of such a facility or for any associated services
24 and amenities, except as provided in (m)(ii) of this subsection.

25 (ii) Notwithstanding anything to the contrary in (m)(i) of this
26 subsection (3), the term "sale at retail" and "retail sale" under
27 this subsection does not include:

28 (A) Separately stated charges for the use of an athletic or
29 fitness facility where such use is primarily for a purpose other than
30 engaging in or receiving instruction in a physical fitness activity;

31 (B) Separately stated charges for the use of a discrete portion
32 of an athletic or fitness facility, other than a pool, where such
33 discrete portion of the facility does not by itself meet the
34 definition of "athletic or fitness facility" in this subsection;

35 (C) Separately stated charges for services, such as massage,
36 nutritional consulting, and body composition testing, that do not
37 require the customer to engage in physical fitness activities to
38 receive the service. The exclusion in this subsection (3)(m)(ii)(C)
39 does not apply to personal training services and instruction in a
40 physical fitness activity;

1 (D) Separately stated charges for physical therapy provided by a
2 physical therapist, as those terms are defined in RCW 18.74.010, or
3 occupational therapy provided by an occupational therapy
4 practitioner, as those terms are defined in RCW 18.59.020, when
5 performed pursuant to a referral from an authorized health care
6 practitioner or in consultation with an authorized health care
7 practitioner. For the purposes of this subsection (3)(m)(ii)(D), an
8 authorized health care practitioner means a health care practitioner
9 licensed under chapter 18.83, 18.25, 18.36A, 18.57, 18.71, or 18.71A
10 RCW, or, until July 1, 2022, chapter 18.57A RCW;

11 (E) Rent or association fees charged by a landlord or residential
12 association to a tenant or residential owner with access to an
13 athletic or fitness facility maintained by the landlord or
14 residential association, unless the rent or fee varies depending on
15 whether the tenant or owner has access to the facility;

16 (F) Services provided in the regular course of employment by an
17 employee with access to an athletic or fitness facility maintained by
18 the employer for use without charge by its employees or their family
19 members;

20 (G) The provision of access to an athletic or fitness facility by
21 an educational institution to its students and staff. However,
22 charges made by an educational institution to its alumni or other
23 members of the public for the use of any of the educational
24 institution's athletic or fitness facilities are a retail sale under
25 this subsection (3)(m). For purposes of this subsection
26 (3)(m)(ii)(G), "educational institution" has the same meaning as in
27 RCW 82.04.170;

28 (H) Yoga, chi gong, or martial arts classes, training, or events
29 held at a community center, park, school gymnasium, college or
30 university, hospital or other medical facility, private residence, or
31 any other facility that is not operated within and as part of an
32 athletic or fitness facility.

33 (iii) Nothing in (m)(ii) of this subsection (3) may be construed
34 to affect the taxation of sales made by the operator of an athletic
35 or fitness facility, where such sales are defined as a retail sale
36 under any provision of this section other than this subsection (3).

37 (iv) For the purposes of this subsection (3)(m), the following
38 definitions apply:

39 (A) "Athletic or fitness facility" means an indoor or outdoor
40 facility or portion of a facility that is primarily used for:

1 Exercise classes; strength and conditioning programs; personal
2 training services; tennis, racquetball, handball, squash, or
3 pickleball; or other activities requiring the use of exercise or
4 strength training equipment, such as treadmills, elliptical machines,
5 stair climbers, stationary cycles, rowing machines, pilates
6 equipment, balls, climbing ropes, jump ropes, and weightlifting
7 equipment.

8 (B) "Martial arts" means any of the various systems of training
9 for physical combat or self-defense. "Martial arts" includes, but is
10 not limited to, karate, kung fu, tae kwon do, Krav Maga, boxing,
11 kickboxing, jujitsu, shootfighting, wrestling, aikido, judo, hapkido,
12 Kendo, tai chi, and mixed martial arts.

13 (C) "Physical fitness activities" means activities that involve
14 physical exertion for the purpose of improving or maintaining the
15 general fitness, strength, flexibility, conditioning, or health of
16 the participant. "Physical fitness activities" includes participating
17 in yoga, chi gong, or martial arts.

18 For the purposes of (g) through (i) and (k) of this subsection
19 (3), the terms "sale at retail" and "retail sale" do not include a
20 sale between members of an affiliated group as defined in RCW
21 82.04.299(1)(f).

22 (4)(a) The term also includes the renting or leasing of tangible
23 personal property to consumers.

24 (b) The term does not include the renting or leasing of tangible
25 personal property where the lease or rental is for the purpose of
26 sublease or subrent.

27 (5) The term also includes the providing of "competitive
28 telephone service," "telecommunications service," or "ancillary
29 services," as those terms are defined in RCW 82.04.065, to consumers.

30 (6)(a) The term also includes the sale of prewritten computer
31 software, custom software, and customization of prewritten computer
32 software to a consumer, regardless of the method of delivery to the
33 end user. For purposes of this subsection (6)(a), the sale of
34 prewritten computer software includes the sale of or charge made for
35 a key or an enabling or activation code, where the key or code is
36 required to activate prewritten computer software and put the
37 software into use. There is no separate sale of the key or code from
38 the prewritten computer software, regardless of how the sale may be
39 characterized by the vendor or by the purchaser.

1 (b) (i) The term also includes the charge made to consumers for
2 the right to access and use prewritten computer software, custom
3 software, and customization of prewritten computer software, where
4 possession of the software is maintained by the seller or a third
5 party, regardless of whether the charge for the service is on a per
6 use, per user, per license, subscription, or some other basis.

7 (ii) (A) The service described in (b) (i) of this subsection (6)
8 includes the right to access and use prewritten computer software,
9 custom software, and customization of prewritten computer software to
10 perform data processing.

11 (B) For purposes of this subsection (6) (b) (ii), "data processing"
12 means the systematic performance of operations on data to extract the
13 required information in an appropriate form or to convert the data to
14 usable information. Data processing includes check processing, image
15 processing, form processing, survey processing, payroll processing,
16 claim processing, and similar activities.

17 (7) The term also includes the sale of or charge made for an
18 extended warranty to a consumer. For purposes of this subsection,
19 "extended warranty" means an agreement for a specified duration to
20 perform the replacement or repair of tangible personal property at no
21 additional charge or a reduced charge for tangible personal property,
22 labor, or both, or to provide indemnification for the replacement or
23 repair of tangible personal property, based on the occurrence of
24 specified events. The term "extended warranty" does not include an
25 agreement, otherwise meeting the definition of extended warranty in
26 this subsection, if no separate charge is made for the agreement and
27 the value of the agreement is included in the sales price of the
28 tangible personal property covered by the agreement. For purposes of
29 this subsection, "sales price" has the same meaning as in RCW
30 82.08.010.

31 (8) (a) The term also includes the following sales to consumers of
32 digital goods, digital codes, and digital automated services:

33 (i) Sales in which the seller has granted the purchaser the right
34 of permanent use;

35 (ii) Sales in which the seller has granted the purchaser a right
36 of use that is less than permanent;

37 (iii) Sales in which the purchaser is not obligated to make
38 continued payment as a condition of the sale; and

39 (iv) Sales in which the purchaser is obligated to make continued
40 payment as a condition of the sale.

1 (b) A retail sale of digital goods, digital codes, or digital
2 automated services under this subsection (8) includes any services
3 provided by the seller exclusively in connection with the digital
4 goods, digital codes, or digital automated services, whether or not a
5 separate charge is made for such services.

6 (c) A retail sale of digital goods, digital codes, or digital
7 automated services does not include the following services if the
8 sale occurs between members of an affiliated group as defined in RCW
9 82.04.299(1)(f):

10 (i) Any service that primarily involves the application of human
11 effort by the seller, and the human effort originated after the
12 customer requested the service;

13 (ii) Live presentations, such as lectures, seminars, workshops,
14 or courses, where participants are connected to other participants
15 via the internet or telecommunications equipment, which allows
16 audience members and the presenter or instructor to give, receive,
17 and discuss information with each other in real time;

18 (iii) Advertising services. For purposes of this subsection
19 (8)(c), "advertising services" means all services directly related to
20 the creation, preparation, production, or dissemination of
21 advertisements. Advertising services include layout, art direction,
22 graphic design, mechanical preparation, production supervision,
23 placement, and rendering advice to a client concerning the best
24 methods of advertising that client's products or services.
25 Advertising services also include online referrals, search engine
26 marketing and lead generation optimization, web campaign planning,
27 the acquisition of advertising space in the internet media, and the
28 monitoring and evaluation of website traffic for purposes of
29 determining the effectiveness of an advertising campaign. Advertising
30 services do not include web hosting services and domain name
31 registration; and

32 (iv) Data processing services. For purposes of this subsection
33 (8)(c), "data processing service" means a primarily automated service
34 provided to a business or other organization where the primary object
35 of the service is the systematic performance of operations by the
36 service provider on data supplied in whole or in part by the customer
37 to extract the required information in an appropriate form or to
38 convert the data to usable information. Data processing services
39 include check processing, image processing, form processing, survey
40 processing, payroll processing, claim processing, and similar

1 activities. Data processing does not include the service described in
2 subsection (6)(b) of this section.

3 (d) For purposes of this subsection, "permanent" means perpetual
4 or for an indefinite or unspecified length of time. A right of
5 permanent use is presumed to have been granted unless the agreement
6 between the seller and the purchaser specifies or the circumstances
7 surrounding the transaction suggest or indicate that the right to use
8 terminates on the occurrence of a condition subsequent.

9 (9) The term also includes the charge made for providing tangible
10 personal property along with an operator for a fixed or indeterminate
11 period of time. A consideration of this is that the operator is
12 necessary for the tangible personal property to perform as designed.
13 For the purpose of this subsection (9), an operator must do more than
14 maintain, inspect, or set up the tangible personal property.

15 (10) The term does not include the sale of or charge made for
16 labor and services rendered in respect to the building, repairing, or
17 improving of any street, place, road, highway, easement, right-of-
18 way, mass public transportation terminal or parking facility, bridge,
19 tunnel, or trestle which is owned by a municipal corporation or
20 political subdivision of the state or by the United States and which
21 is used or to be used primarily for foot or vehicular traffic
22 including mass transportation vehicles of any kind.

23 (11) The term also does not include sales of chemical sprays or
24 washes to persons for the purpose of postharvest treatment of fruit
25 for the prevention of scald, fungus, mold, or decay, nor does it
26 include sales of feed, seed, seedlings, fertilizer, agents for
27 enhanced pollination including insects such as bees, and spray
28 materials to: (a) Persons who participate in the federal conservation
29 reserve program, the environmental quality incentives program, the
30 wetlands reserve program, and the wildlife habitat incentives
31 program, or their successors administered by the United States
32 department of agriculture; (b) farmers for the purpose of producing
33 for sale any agricultural product; (c) farmers for the purpose of
34 providing bee pollination services; and (d) farmers acting under
35 cooperative habitat development or access contracts with an
36 organization exempt from federal income tax under 26 U.S.C. Sec.
37 501(c)(3) of the federal internal revenue code or the Washington
38 state department of fish and wildlife to produce or improve wildlife
39 habitat on land that the farmer owns or leases.

1 (12) The term does not include the sale of or charge made for
2 labor and services rendered in respect to the constructing,
3 repairing, decorating, or improving of new or existing buildings or
4 other structures under, upon, or above real property of or for the
5 United States, any instrumentality thereof, or a county or city
6 housing authority created pursuant to chapter 35.82 RCW, including
7 the installing, or attaching of any article of tangible personal
8 property therein or thereto, whether or not such personal property
9 becomes a part of the realty by virtue of installation. Nor does the
10 term include the sale of services or charges made for the clearing of
11 land and the moving of earth of or for the United States, any
12 instrumentality thereof, or a county or city housing authority. Nor
13 does the term include the sale of services or charges made for
14 cleaning up for the United States, or its instrumentalities,
15 radioactive waste and other by-products of weapons production and
16 nuclear research and development.

17 (13) The term does not include the sale of or charge made for
18 labor, services, or tangible personal property pursuant to agreements
19 providing maintenance services for bus, rail, or rail fixed guideway
20 equipment when a regional transit authority is the recipient of the
21 labor, services, or tangible personal property, and a transit agency,
22 as defined in RCW 81.104.015, performs the labor or services.

23 (14) The term does not include the sale for resale of any service
24 described in this section if the sale would otherwise constitute a
25 "sale at retail" and "retail sale" under this section.

26 (15)(a) The term "sale at retail" or "retail sale" includes
27 amounts charged, however labeled, to consumers to engage in any of
28 the activities listed in this subsection (15)(a), including the
29 furnishing of any associated equipment or, except as otherwise
30 provided in this subsection, providing instruction in such
31 activities, where such charges are not otherwise defined as a "sale
32 at retail" or "retail sale" in this section:

33 (i)(A) Golf, including any variant in which either golf balls or
34 golf clubs are used, such as miniature golf, hitting golf balls at a
35 driving range, and golf simulators, and including fees charged by a
36 golf course to a player for using his or her own cart. However,
37 charges for golf instruction are not a retail sale, provided that if
38 the instruction involves the use of a golfing facility that would
39 otherwise require the payment of a fee, such as green fees or driving
40 range fees, such fees, including the applicable retail sales tax,

1 must be separately identified and charged by the golfing facility
2 operator to the instructor or the person receiving the instruction.

3 (B) Notwithstanding (a) (i) (A) of this subsection (15) and except
4 as otherwise provided in this subsection (15) (a) (i) (B), the term
5 "sale at retail" or "retail sale" does not include amounts charged to
6 participate in, or conduct, a golf tournament or other competitive
7 event. However, amounts paid by event participants to the golf
8 facility operator are retail sales under this subsection (15) (a) (i).
9 Likewise, amounts paid by the event organizer to the golf facility
10 are retail sales under this subsection (15) (a) (i), if such amounts
11 vary based on the number of event participants;

12 (ii) Ballooning, hang gliding, indoor or outdoor sky diving,
13 paragliding, parasailing, and similar activities;

14 (iii) Air hockey, billiards, pool, foosball, darts, shuffleboard,
15 ping pong, and similar games;

16 (iv) Access to amusement park, theme park, and water park
17 facilities, including but not limited to charges for admission and
18 locker or cabana rentals. Discrete charges for rides or other
19 attractions or entertainment that are in addition to the charge for
20 admission are not a retail sale under this subsection (15) (a) (iv).
21 For the purposes of this subsection, an amusement park or theme park
22 is a location that provides permanently affixed amusement rides,
23 games, and other entertainment, but does not include parks or zoos
24 for which the primary purpose is the exhibition of wildlife, or
25 fairs, carnivals, and festivals as defined in (b) (i) of this
26 subsection;

27 (v) Batting cage activities;

28 (vi) Bowling, but not including competitive events, except that
29 amounts paid by the event participants to the bowling alley operator
30 are retail sales under this subsection (15) (a) (vi). Likewise, amounts
31 paid by the event organizer to the operator of the bowling alley are
32 retail sales under this subsection (15) (a) (vi), if such amounts vary
33 based on the number of event participants;

34 (vii) Climbing on artificial climbing structures, whether indoors
35 or outdoors;

36 (viii) Day trips for sightseeing purposes;

37 (ix) Bungee jumping, zip lining, and riding inside a ball,
38 whether inflatable or otherwise;

39 (x) Horseback riding offered to the public, where the seller
40 furnishes the horse to the buyer and providing instruction is not the

1 primary focus of the activity, including guided rides, but not
2 including therapeutic horseback riding provided by an instructor
3 certified by a nonprofit organization that offers national or
4 international certification for therapeutic riding instructors;

5 (xi) Fishing, including providing access to private fishing areas
6 and charter or guided fishing, except that fishing contests and
7 license fees imposed by a government entity are not a retail sale
8 under this subsection;

9 (xii) Guided hunting and hunting at game farms and shooting
10 preserves, except that hunting contests and license fees imposed by a
11 government entity are not a retail sale under this subsection;

12 (xiii) Swimming, but only in respect to (A) recreational or
13 fitness swimming that is open to the public, such as open swim, lap
14 swimming, and special events like kids night out and pool parties
15 during open swim time, and (B) pool parties for private events, such
16 as birthdays, family gatherings, and employee outings. Fees for
17 swimming lessons, to participate in swim meets and other
18 competitions, or to join a swim team, club, or aquatic facility are
19 not retail sales under this subsection (15) (a) (xiii);

20 (xiv) Go-karting, bumper cars, and other motorized activities
21 where the seller provides the vehicle and the premises where the
22 buyer will operate the vehicle;

23 (xv) Indoor or outdoor playground activities, such as inflatable
24 bounce structures and other inflatables; mazes; trampolines; slides;
25 ball pits; games of tag, including laser tag and soft-dart tag; and
26 human gyroscope rides, regardless of whether such activities occur at
27 the seller's place of business, but not including playground
28 activities provided for children by a licensed child day care center
29 or licensed family day care provider as those terms are defined in
30 RCW 43.216.010;

31 (xvi) Shooting sports and activities, such as target shooting,
32 skeet, trap, sporting clays, "5" stand, and archery, but only in
33 respect to discrete charges to members of the public to engage in
34 these activities, but not including fees to enter a competitive
35 event, instruction that is entirely or predominately classroom based,
36 or to join or renew a membership at a club, range, or other facility;

37 (xvii) Paintball and airsoft activities;

38 (xviii) Skating, including ice skating, roller skating, and
39 inline skating, but only in respect to discrete charges to members of
40 the public to engage in skating activities, but not including skating

1 lessons, competitive events, team activities, or fees to join or
2 renew a membership at a skating facility, club, or other
3 organization;

4 (xix) Nonmotorized snow sports and activities, such as downhill
5 and cross-country skiing, snowboarding, ski jumping, sledding, snow
6 tubing, snowshoeing, and similar snow sports and activities, whether
7 engaged in outdoors or in an indoor facility with or without snow,
8 but only in respect to discrete charges to the public for the use of
9 land or facilities to engage in nonmotorized snow sports and
10 activities, such as fees, however labeled, for the use of ski lifts
11 and tows and daily or season passes for access to trails or other
12 areas where nonmotorized snow sports and activities are conducted.
13 However, fees for the following are not retail sales under this
14 subsection (15)(a)(xix): (A) Instructional lessons; (B) permits
15 issued by a governmental entity to park a vehicle on or access public
16 lands; and (C) permits or leases granted by an owner of private
17 timberland for recreational access to areas used primarily for
18 growing and harvesting timber; and

19 (xx) Scuba diving; snorkeling; river rafting; surfing;
20 kiteboarding; flyboarding; water slides; inflatables, such as water
21 pillows, water trampolines, and water rollers; and similar water
22 sports and activities.

23 (b) Notwithstanding anything to the contrary in this subsection
24 (15), the term "sale at retail" or "retail sale" does not include
25 charges:

26 (i) Made for admission to, and rides or attractions at, fairs,
27 carnivals, and festivals. For the purposes of this subsection, fairs,
28 carnivals, and festivals are events that do not exceed 21 days and a
29 majority of the amusement rides, if any, are not affixed to real
30 property;

31 (ii) Made by an educational institution to its students and staff
32 for activities defined as retail sales by (a)(i) through (xx) of this
33 subsection. However, charges made by an educational institution to
34 its alumni or other members of the general public for these
35 activities are a retail sale under this subsection (15). For purposes
36 of this subsection (15)(b)(ii), "educational institution" has the
37 same meaning as in RCW 82.04.170;

38 (iii) Made by a vocational school for commercial diver training
39 that is licensed by the workforce training and education coordinating
40 board under chapter 28C.10 RCW; or

1 (iv) Made for day camps offered by a nonprofit organization or
2 state or local governmental entity that provide youth not older than
3 age 18, or that are focused on providing individuals with
4 disabilities or mental illness, the opportunity to participate in a
5 variety of supervised activities.

6 (16)(a) The term "sale at retail" or "retail sale" includes the
7 purchase or acquisition of tangible personal property and specified
8 services by a person who receives either a qualifying grant exempt
9 from tax under RCW 82.04.767 or 82.16.320 or a grant deductible under
10 RCW 82.04.4339, except for transactions excluded from the definition
11 of "sale at retail" or "retail sale" by any other provision of this
12 section. Nothing in this subsection (16) may be construed to limit
13 the application of any other provision of this section to purchases
14 by a recipient of either a qualifying grant exempt from tax under RCW
15 82.04.767 or a grant deductible under RCW 82.04.4339, or by any other
16 person.

17 (b) For purposes of this subsection (16), "specified services"
18 means:

19 (i) The constructing, repairing, decorating, or improving of new
20 or existing buildings or other structures under, upon, or above real
21 property, including the installing or attaching of any article of
22 tangible personal property therein or thereto, whether or not such
23 personal property becomes a part of the realty by virtue of
24 installation;

25 (ii) The clearing of land or the moving of earth, whether or not
26 associated with activities described in (b)(i) of this subsection
27 (16);

28 (iii) The razing or moving of existing buildings or structures;
29 and

30 (iv) Landscape maintenance and horticultural services.

31 **PART III**

32 NEW SECTION. **Sec. 301.** INTENT. The purpose of this chapter is
33 to provide local communities options to preserve and increase access
34 to healthy and affordable food for Washingtonians living in
35 underserved communities. It is also the purpose of this chapter to
36 encourage grocery retailers to maintain their presence in underserved
37 communities and to incentivize the construction of new stores in
38 underserved areas based on community needs.

1 NEW SECTION. **Sec. 302.** DEFINITIONS. The definitions in this
2 section apply throughout this chapter unless the context clearly
3 requires otherwise.

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

5 (2) "Frontier county" means a county with a population density of
6 fewer than 50 persons per square mile.

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

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

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

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

16 (7) "Rural county" means a county with a population density of
17 fewer than 100 persons per square mile or a county smaller than 225
18 square miles, as determined by the office of financial management and
19 published each year by the department for the period July 1st to June
20 30th.

21 (8) "Small food retailer" means a retail outlet with less than
22 2,500 square feet that sells a limited selection of foods and other
23 products, such as a bodega, convenience store, corner store,
24 neighborhood store, small grocery, or small-scale store.

25 (9) "Supermarket" means a retail outlet with at least 16,000
26 square feet, of which at least 90 percent is occupied by food and
27 related products.

28 (10) "Underserved community zone" means an area of land
29 designated by a governing authority in this chapter.

30 (11) "Urban area" means a zip code with a population of more than
31 3,000 residents per square mile.

32 (12) "Urban county" means a county located in a metropolitan
33 statistical area as determined and defined by the United States
34 office of management and budget or other appropriate agency or office
35 of the federal government.

36 NEW SECTION. **Sec. 303.** UNDERSERVED COMMUNITY GROCERY STORE
37 PROPERTY TAX EXEMPTION PROGRAM. (1) A city governing authority may by
38 ordinance or resolution establish an underserved community grocery
39 store property tax exemption program to provide property tax

1 exemptions to preserve existing grocery stores, to incentivize the
2 rehabilitation of existing or vacant grocery store buildings, and to
3 incentivize the construction of new grocery store buildings in
4 underserved communities.

5 (2) A county governing authority may by ordinance or resolution
6 establish an underserved community grocery store property tax
7 exemption program for unincorporated areas to provide property tax
8 exemptions to preserve existing grocery stores, to incentivize the
9 rehabilitation of existing or vacant grocery store buildings, and to
10 incentivize the construction of new grocery store buildings in
11 underserved communities.

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

- 17 (a) Existing grocery stores;
- 18 (b) Rehabilitated grocery stores; or
- 19 (c) Newly constructed grocery stores.

20 NEW SECTION. **Sec. 304.** AUTHORIZING RESOLUTION. (1) For the
21 purpose of creating an underserved community grocery store property
22 tax exemption program, the governing authority of a city or county
23 must adopt a resolution of intent to create an underserved community
24 grocery store property tax exemption program and designate one or
25 more areas as underserved community zones as generally described in
26 the resolution. The resolution must state the time and place of a
27 hearing to be held by the governing authority to consider the
28 creation of the program and the designation of the zones and may
29 include such other information pertaining to the creation of the
30 program and the designation of the zones as the governing authority
31 determines to be appropriate to apprise the public of the action
32 intended. However, the resolution must provide information pertaining
33 to:

- 34 (a) The application process;
- 35 (b) The approval process;
- 36 (c) The appeals process for applications denied approval; and
- 37 (d) Requirements, conditions, and obligations that must be
38 followed postapproval of an application.

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

9 (3) Following the hearing or a continuance of the hearing, and
10 subject to the limit on underserved community zones in section 305 of
11 this act, the governing authority may create the program and
12 designate all or a portion of the area or areas described in the
13 resolution of intent as an underserved community zone or zones if it
14 finds, in its sole discretion, that the criteria in section 305 of
15 this act have been met.

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

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

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

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

27 (2) For a property tax exemption for an existing grocery store,
28 as an alternative to meeting the requirements in subsection (1) of
29 this section, a governing authority must establish that without the
30 creation of an underserved community tax incentive program and the
31 designation of an underserved community zone, the area will meet the
32 requirements of subsection (1) of this section due to the closure of
33 an existing grocery store.

34 (3) A governing authority may use an alternative methodology for
35 the creation of an underserved community zone that fits its
36 community's needs if the methodology and accompanying data is
37 submitted to and it is approved by the department of commerce.

38 (4) The total underserved community zone designations allowed per
39 county are as follows:

1 (a) For urban counties, a maximum of 10 underserved community
2 zones;

3 (b) For rural counties, a maximum of five underserved community
4 zones; and

5 (c) For frontier counties, a maximum of three underserved
6 community zones.

7 (5) Five years after the establishment of an underserved
8 community zone and every five years thereafter, a governing authority
9 may add, remove, or alter the boundaries of an underserved community
10 zone. The governing authority must provide the department of commerce
11 with the methodology and reasoning for the change in the zone
12 location.

13 (6) The removal or altering of an underserved community zone does
14 not disqualify any existing property tax exemptions granted under
15 this chapter.

16 (7) The governing authority must provide information regarding
17 the location of the designated zones to the department of commerce.

18 (8) Low-income criteria are as follows:

19 (a) Census tracts meeting one or more income criteria used in the
20 food access research atlas published by the United States department
21 of agriculture; or

22 (b) Census tracts in which 25 percent or more of the population
23 have incomes at or below 200 percent of poverty thresholds reflected
24 in the most recently available five-year American community survey
25 estimates.

26 (9) The definitions in this subsection apply throughout this
27 section unless the context clearly requires otherwise.

28 (a) "Health disadvantaged areas" include census tracts with an
29 index score of eight or above on the most recently published
30 department of health environmental health disparities map index,
31 indicating the highest composite levels of health disadvantage based
32 on a combination of environmental, health, socioeconomic, and
33 demographic factors.

34 (b) "Low-access area" means a grouping of contiguous census
35 tracts in which at least 500 people or 33 percent of the population
36 is greater than 0.5 miles from the nearest supermarket or an urban
37 area or greater than 10 miles for a rural area.

38 (c) "Low-transportation-access area" means a grouping of census
39 tracts in which:

- 1 (i) More than 100 households have no access to a vehicle,
2 according to the most recently published five-year American community
3 survey estimate and the grouping of census tracts is located more
4 than 0.5 miles from the nearest supermarket; or
5 (ii) At least 500 people or 33 percent of the population live
6 more than 20 miles from the nearest supermarket.

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

11 (2) For existing grocery stores, the value of the real property
12 consisting of a grocery store building or a portion of a building
13 used as a grocery store within an underserved community zone as
14 identified by a governing authority is exempt from taxation for
15 properties for which an application for a certificate of tax
16 exemption is submitted and approved under this chapter. The value is
17 exempt under this section for 30 successive years beginning on the
18 day the certificate is approved by the governing authority.

19 (3) For rehabilitated grocery stores, the value of the new
20 construction and the value of the real property consisting of a
21 grocery store or a portion of a building used as a grocery store
22 within an underserved community zone as identified by a governing
23 authority is exempt from taxation for properties for which an
24 application for a certificate of tax exemption is submitted under
25 this chapter. The value is exempt under this section for 30
26 successive years beginning on the day the certificate is granted by
27 the governing authority.

28 (4) For newly constructed grocery stores, the value of the new
29 construction consisting of a grocery store or a portion of a building
30 used as a grocery store within an underserved community zone as
31 identified by a governing authority is exempt from taxation for
32 properties for which an application for a certificate of tax
33 exemption is submitted and approved under this chapter. The value is
34 exempt under this section for 30 successive years beginning on the
35 day the certificate is approved by the governing authority.

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

1 (6) The exemptions provided in this section do not apply to
2 increases in assessed valuation made by the assessor on nonqualifying
3 portions of building and value of land nor to increases made by
4 lawful order of a county board of equalization, the department, or a
5 county to a class of property throughout the county or specific area
6 of the county to achieve the uniformity of assessment or appraisal
7 required by law.

8 (7) The real property consisting of an existing grocery store, a
9 rehabilitated grocery store, or newly constructed grocery store must
10 be located in an underserved community zone as identified by the
11 governing authority under section 305 of this act on the date the tax
12 exemption certificate is granted to the owner by the governing
13 authority.

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

15 (a) Meet all construction and development regulations of the city
16 or county;

17 (b) Be zoned as a commercial or mixed-use development; and

18 (c) Be party to a contract with the city or county approved by
19 the governing authority under which the applicant has agreed to the
20 implementation of the development on terms and conditions
21 satisfactory to the governing authority.

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

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

27 (11) At the conclusion of the exemption period, the cost of new
28 construction and rehabilitative improvements to the property must be
29 considered as new construction for the purposes of chapters 84.55 and
30 36.21 RCW.

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

34 (1) The owner must apply to the city or county on forms adopted
35 by the governing authority. The application must contain the
36 following:

37 (a) Information setting forth the grounds supporting the
38 requested exemption including information indicated on the
39 application form or required by this chapter;

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

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

8 (2) The applicant must verify the application by oath or
9 affirmation; and

10 (3) The application must be accompanied by the application fee,
11 if any, required under this chapter. The governing authority may
12 permit the applicant to revise an application before final action by
13 the governing authority.

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

16 (a) The existing grocery store, the rehabilitated grocery store,
17 or the newly constructed grocery store will provide fresh and
18 affordable groceries to an underserved community located in an
19 underserved community zone;

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

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

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

27 (3) If the application is denied by the city or county, the city
28 or county must state in writing the reasons for denial and send the
29 notice to the applicant at the applicant's last known address within
30 10 days of the denial.

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

1 (5) (a) If the application for a rehabilitated grocery store or a
2 newly constructed grocery store is approved, the city or county must
3 issue the owner of the property a conditional certificate of tax
4 exemption. The certificate must contain a statement by a duly
5 authorized administrative official of the governing authority that
6 the property has complied with the required criteria of this chapter.

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

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

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

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

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

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

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

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

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

37 (4) The city or county must notify the applicant that a
38 certificate of tax exemption is denied if the city or county
39 determines that:

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

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

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

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

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

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

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

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

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

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

6 (b) The total number and type of existing buildings exempted, and
7 the total number and type of rehabilitated and new grocery stores
8 constructed;

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

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

13 (e) An explanation of how the program is working to supply fresh
14 and healthy food and new job opportunities to underserved
15 communities.

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

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

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

1 payable by the transferor as required in subsection (4) of this
2 section.

3 (3) If an owner voluntarily opts to discontinue compliance with
4 the requirements of this chapter, the owner must notify the county
5 assessor within 60 days of the change in use or intended
6 discontinuance and all exempted property taxes from the date of the
7 transfer are immediately due and payable by the transferor as
8 required in subsection (4) of this section.

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

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

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

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

1 (5) Upon a determination that a tax exemption is to be terminated
2 for a reason stated in this section, the city's or county's governing
3 authority must notify the record owner of the property as shown by
4 the tax rolls by mail, return receipt requested, of the determination
5 to terminate the exemption. The owner may appeal the determination to
6 the city or county, within 30 days by filing a notice of appeal with
7 the city or county, which notice must specify the factual and legal
8 basis on which the determination of termination is alleged to be
9 erroneous. At an appeal hearing, all affected parties may be heard
10 and all competent evidence received. After the hearing, the deciding
11 body or officer must either affirm, modify, or repeal the decision of
12 termination of exemption based on the evidence received. An aggrieved
13 party may appeal the decision of the deciding body or officer to the
14 superior court as provided in RCW 34.05.510 through 34.05.598.

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

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

32 **PART IV**

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

35 (1) Beginning January 1, 2027, a person is allowed a credit
36 against the tax imposed in this chapter equal to 0.029 percent

1 multiplied by the gross income of the grocery store operating in an
2 underserved community zone.

3 (2) To qualify for this credit, a person must be located in an
4 underserved community zone established in section 305 of this act.

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

11 (4) The credit claimed may not exceed the tax that would
12 otherwise be due under this chapter. Refunds may not be granted in
13 the place of credits. Any amount of credit earned under this section
14 not claimed by the person in one calendar year may be carried forward
15 for no more than one calendar year immediately following the year
16 that the credit was earned.

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

19 (6) No application is necessary for the tax credit. The person
20 must keep records necessary for the department to verify eligibility
21 under this section. To claim a credit a person must electronically
22 file with the department all returns, forms, and other information
23 the department requires in an electronic format as provided and
24 approved by the department. Any return, form, or information required
25 to be filed in electronic format under this section is not filed
26 until received by the department in an electronic format. For
27 purposes of this subsection, "returns" has the same meaning as
28 "return" in RCW 82.32.050.

29 (7) The definitions in this subsection apply throughout this
30 section unless the context clearly requires otherwise.

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

33 (b) "Underserved community zone" means an underserved community
34 zone established in section 305 of this act.

35 (8) This section expires January 1, 2037.

36

PART V

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

1 (1) This chapter does not apply to any person engaging within
2 this state in the business as a locally owned, employee-owned, union
3 run, or cultural grocery store that operates in an underserved
4 community zone established in section 305 of this act.

5 (2) Cities and counties with established underserved community
6 grocery store property tax exemption programs must annually provide a
7 report to the department of revenue that includes the established
8 underserved community zone boundaries and any other information
9 required by the department of revenue to verify taxpayer eligibility
10 under this section.

11 (3) For purposes of this section, the following definitions
12 apply:

13 (a) "Cultural grocery store" means a grocery store whose sales of
14 culturally relevant food or items make up a minimum of 40 percent of
15 the store's total annual sales.

16 (b) "Employee-owned grocery store" means a grocery store in which
17 a significant portion of the ownership is held by employees.

18 (c) "Grocery store" has the same meaning as in section 302 of
19 this act.

20 (d) "Underserved community zone" means an underserved community
21 zone established in section 305 of this act.

22 (e) "Union run grocery store" means a grocery store in which a
23 labor union serves as the primary operator or controlling entity and
24 exercises direct authority over management, governance, and business
25 operations.

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

27 **PART VI**

28 NEW SECTION. **Sec. 601.** (1) This section is the tax preference
29 performance statement for the tax preferences contained in sections
30 301 through 312, 401, and 501, chapter . . . , Laws of 2026 (sections
31 301 through 312, 401, and 501 of this act). This performance
32 statement is only intended to be used for subsequent evaluation of
33 the tax preferences. It is not intended to create a private right of
34 action by any party or to be used to determine eligibility for
35 preferential tax treatment.

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

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

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

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

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

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

13 (d) Any number of grocery stores operating in underserved
14 community zones have avoided closure since the effective date of this
15 section.

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

19 **PART VII**

20 NEW SECTION. **Sec. 701.** RCW 82.32.805 and 82.32.808 do not apply
21 to section 201 of this act.

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

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

26 NEW SECTION. **Sec. 704.** This act takes effect July 1, 2026.

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