FINAL BILL REPORT

E2SSB 5074

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Synopsis as Enacted

Brief Description: Increasing interstate trade through tax incentives for warehouse and grain operations.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Sellar and Snyder).

Senate Committee on Commerce & Labor
Senate Committee on Ways & Means

Background: In 1996 the Legislature passed SHB 2708 which directed the Department of Revenue to undertake a comprehensive warehouse and distribution study. The study compared the major state and local taxes on warehouse firms in Washington with a group of selected states: Oregon, Idaho, California, Nevada, Louisiana, Texas, and Utah. The legislation established an advisory committee to the Department of Revenue, made up of legislators, representatives of local governments, port districts, and members of the private sector.

The Department of Revenue and the advisory committee published a report in December of 1996 making the following findings and recommendations:

- Large warehousing and distribution operations are becoming more consolidated with fewer firms operating increasingly larger and more regionalized facilities, thus creating greater competition between ports and third-party warehouses in Washington compared with neighboring states;

- Due to competitive cost factors, large regional facilities, along with retail and wholesale firms, have an increasing incentive to locate their distribution facilities in states that offer the greatest tax advantage;

- Smaller and localized operations need to be closer to customers and are less influenced by interstate tax differentials; and

- That the state should provide new tax incentives for investment in large warehousing operations in order to increase trade and create new family wage jobs, while minimizing the impact on existing tax revenues.

Summary: The following warehouse operations are determined to be eligible to receive state tax incentives: wholesalers, third-party warehousers, grain elevator operators and retailers who own or operate a distribution center.

Eligible warehouse operations may receive tax incentives on material handling and racking equipment; labor and services rendered in installing, repairing, cleaning, altering, or improving the equipment; and construction including materials, service and labor costs.

The tax incentives listed are provided in the form of remittances where the eligible warehouse or grain elevator operations are required to initially pay all applicable taxes and then apply for reimbursement to the Department of Revenue for the state portion of the sales tax.

Warehouses over 200,000 square feet are exempt on 50 percent of machinery and equipment purchases and 100 percent of construction costs.

Grain elevators with capacities between one million and two million bushels receive a 50 percent sales and use tax exemption on machinery, equipment and construction.

Grain elevators larger than two million bushels receive a 50 percent sales and use tax exemption on machinery and equipment and 100 percent on construction.

The legislative fiscal committees are directed to report to the Legislature by December 1, 2001, on the performance of this program. The report is required to analyze the effect of the program in creating or retaining family wage jobs, the program's impact on diversifying the state's economy, and outline recommendations for possible improvement. In addition, the report may include a comparative analysis of Washington with other states. The fiscal committees must consult with other state agencies, along with business and labor.

Votes on Final Passage:

Senate	45	0
House	84	14

Effective: May 20, 1997