

SENATE BILL REPORT

SB 5169

As of January 25, 1999

Title: An act relating to warehouses in distressed counties.

Brief Description: Expanding sales and use tax exemptions for certain warehouses in distressed counties.

Sponsors: Senators T. Sheldon, Rasmussen, Swecker, Honeyford, Hargrove, Morton, Haugen, Goings, Snyder and McCaslin.

Brief History:

Committee Activity: Agriculture & Rural Economic Development:

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Staff: David Schumacher (786-7474)

Background: In 1996, SHB 2708 directed the Department of Revenue to undertake a comprehensive warehouse and distribution study. In 1997, 2SSB 5174 provided sales tax incentives to large warehouse operations. These include wholesalers, third-party warehouse operators, 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.

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

Washington has developed various incentives that are designed to assist in job creation or retention in economically distressed areas. The incentives available to businesses located in distressed areas include a sales and use tax exemption on equipment purchases and building construction as well as a tax credit for job creation. A distressed area is a geographic area characterized by high unemployment rates, low median household income levels, or substantial job loss in major industries.

Summary of Bill: Tax incentives are provided to smaller warehouses (those with square footage between 100,000 and 200,000 square feet) if they locate in a distressed area.

The tax exemption is equal to 100 percent of the construction costs and 50 percent of the costs for material handling and racking equipment.

Appropriation: None.

Fiscal Note: Requested on January 15, 1999.

Effective Date: The bill takes effect on August 1, 1999.

Testimony For: This is a good way to attract new basic employers. We have to stop losing these business to other states. Washington is at a competitive disadvantage because of its tax structure.

Testimony Against: None.

Testified: PRO: Bill Lotto, Lewis Co. EDC; Don White, WA Assn. of Economic Development Councils, Scott Taylor, WPPA; Bo Wandell, Safe Harbor Technology Corp; Lynn Micheau, Grays Harbor EDC.