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HOUSE BILL 2260

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State of Washington

57th Legislature 2001 First Special Session

By Representatives Cairnes, Morris, Kessler, Linville, McMorris, Doumit, Anderson, Hatfield, Poulsen, Crouse, Veloria, Benson, DeBolt, Reardon, Ericksen, Armstrong, Dunshee, Mastin and Delvin

Read first time . Referred to Committee on .

1 AN ACT Relating to the taxation of grocery distribution  
2 cooperatives; amending RCW 82.04.270; adding a new section to chapter  
3 82.04 RCW; creating a new section; providing an effective date; and  
4 declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that the procurement  
7 and distribution of groceries, general merchandise, products, and  
8 commodities that are necessary or useful in the retail grocery business  
9 incur different tax costs, depending upon the means chosen to procure  
10 and distribute such inventory. Independent grocery stores have  
11 organized themselves into cooperatives to gain volume-buying power that  
12 enable them to benefit from the economies of scale. It is the intent  
13 of the legislature to provide these grocery distribution cooperatives  
14 the same tax treatment enjoyed by vertically integrated grocery chains.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW  
16 to read as follows:

17 (1) The amount of tax with respect to a grocery distribution  
18 cooperative's sales to customer-owners of the grocery distribution

1 cooperative or of the entity controlling the grocery distribution  
2 cooperative is equal to the gross income of the business derived from  
3 sales multiplied by the rate of one and one-half percent.

4 (2) A grocery distribution cooperative is allowed a deduction from  
5 the gross income derived from sales of groceries or related goods for  
6 resale, excluding items subject to tax under RCW 82.04.260(4), to  
7 customer-owners of the grocery distribution cooperative or of the  
8 entity controlling the grocery distribution cooperative that is equal  
9 to the gross income the represents the actual cost of the merchandise  
10 sold by the grocery distribution cooperative to customer-owners.

11 (3) For purposes of this section, a "grocery distribution  
12 cooperative" means an entity that: (a) Sells groceries and related  
13 items to customer-owners of the grocery distribution cooperative or to  
14 customer-owners of another entity controlling the grocery distribution  
15 cooperative; (b) has annual gross income derived from sales to  
16 customer-owners whose stores are primarily located in the state of  
17 Washington in excess of three hundred million dollars annually; and (c)  
18 has customer-owners, in the aggregate, who own a majority of the  
19 outstanding ownership interests of the grocery distribution cooperative  
20 or of the entity controlling the grocery distribution cooperative. A  
21 "customer-owner" means a person who has an ownership interest in a  
22 grocery distribution cooperative or an entity controlling a grocery  
23 distribution cooperative, and purchases groceries and related items at  
24 wholesale from that grocery distribution cooperative. "Controlling"  
25 means holding fifty percent or more of the voting interests of an  
26 entity and having at least equal power to direct or cause the direction  
27 of the management and policies of the entity, whether through the  
28 ownership of voting securities, by contract, or otherwise.

29 **Sec. 3.** RCW 82.04.270 and 1999 c 358 s 2 are each amended to read  
30 as follows:

31 Upon every person except persons taxable under RCW 82.04.260(5),  
32 section 2 of this act, or 82.04.272 engaging within this state in the  
33 business of making sales at wholesale; as to such persons the amount of  
34 tax with respect to such business shall be equal to the gross proceeds  
35 of sales of such business multiplied by the rate of 0.484 percent.

36 NEW SECTION. **Sec. 4.** This act is necessary for the immediate  
37 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and takes effect  
2 July 1, 2001.

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