
Ways & Means Committee

HB 2278

Brief Description: Concerning annual accountability surveys for the warehousing and distribution center sales and use tax exemption.

Sponsors: Representatives Moeller, Pettigrew, Hasegawa, Fitzgibbon, Pollet, Tharinger, Moscoso and Santos.

Brief Summary of Bill

- Requires taxpayers claiming the warehousing and distribution center sales and use tax exemption to file an annual accountability survey.

Hearing Date: 1/25/12

Staff: Jeffrey Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3.0 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Washington law provides a sales and use tax exemption for the construction of warehouses, grain elevators, and distribution centers, and the purchase of material-handling and racking equipment and installation and repair services for this equipment. The exemption is in the form of a remittance. The exemption only applies to state sales and use taxes.

For grain elevators with a bushel capacity between one million and two million, the exemption is equal to 50 percent of the amount of tax paid on the labor and materials for construction of the

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elevator. The exemption is also 50 percent of the amount of tax paid for material-handling and racking equipment, including installation and repair services for the equipment. For grain elevators with a bushel capacity over two million and warehouses with a square footage of 200,000 or more, the exemption is equal to 100 percent of the tax paid on the materials and labor for the construction of the grain elevator or warehouse. The exemption is 50 percent of the tax paid for material-handling and racking equipment, including installation and repair services for the equipment.

In recent years, the Legislature has enacted or extended numerous tax preferences that require the annual accountability reporting of information to the Department of Revenue (DOR) by the taxpayer. A taxpayer submits the initial accountability document in the year following the year in which a tax preference, which is subject to reporting, is first claimed. There are two types of accountability documents—annual reports and annual surveys. Both of these documents are fairly similar. Both documents require taxpayers to report the number of employment positions and certain types of wage and benefit information for the prior calendar year. One important difference between the annual report and the annual survey is that the annual survey also requires a taxpayer to report the amount of tax preference claimed in the prior year. This particular information is not required for the annual report. Another difference between the two documents relates to the confidentiality of the information contained in the document. For annual reports, all information may be disclosed. For annual surveys, the amount of the tax preference claimed in the prior year is not confidential and may be disclosed; however, other information in the document is considered confidential. A taxpayer is required to submit an annual report or survey by April 30 of each year. The Department of Revenue prepares summary statistics of the data contained within the documents by October 1 of each year. Taxpayers who did not file an annual report or survey in the previous calendar year must include the information described above for the preceding two calendar years.

Summary of Bill:

Taxpayers claiming the state sales and use tax exemption for warehouses and grain elevators are required to submit an annual survey beginning in 2012. For 2012, the April 30 deadline is extended to October 31.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2012.