

# SENATE BILL REPORT

## SB 6481

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As of February 21, 2018

**Title:** An act relating to creating a sales tax deferral for construction and expenditure costs of manufacturing facilities.

**Brief Description:** Creating a sales tax deferral for construction and expenditure costs of manufacturing facilities.

**Sponsors:** Senators Brown, Palumbo, Rivers and Wilson.

**Brief History:**

**Committee Activity:** Ways & Means: 2/22/18.

**Brief Summary of Bill**

- Establishes a sales tax deferral on the construction and expenditure costs of new, renovated, or expanded manufacturing facilities until January 1, 2028.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Alia Kennedy (786-7405)

**Background:** Invest in Washington Pilot Program. In 2015, the Invest in Washington pilot program was established to evaluate the effectiveness of providing a tax incentive for businesses that invest in manufacturing facilities and equipment and reinvest those tax savings in employee training programs. The pilot program consists of five qualified industrial facilities, two of which were required to be located in eastern Washington.

Eligible investment projects include up to \$10 million in sales and use tax on construction costs or purchases of qualified machinery and equipment. Amounts paid for the construction of qualified buildings, machinery, and equipment are eligible for a sales and use tax deferral. The recipient of the deferral must begin repaying the deferred taxes five years after the date that the project is operationally complete. There is no interest charged on deferred taxes, and the taxes may be repaid over a ten-year period in equal annual payments.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Deferred taxes, when repaid, are deposited in the Invest in Washington Account. The Invest in Washington Account, administered by the State Board for Community and Technical Colleges, must be used to support customized job training programs, job skills programs, job readiness training, workforce professional development, and to assist employers with state-approved apprenticeship programs for manufacturing and production occupations.

All five projects allowed by statute were approved as of March 2016. The approved projects are located in Benton, Pierce, Snohomish, which has two, and Spokane counties.

Annual Tax Performance Report. In 2013, the Legislature directed the Department of Revenue (DOR), in consultation with the Joint Legislative Audit and Review Committee, to recommend improvements for the tax preference Report and Survey. DOR made six recommendations to provide more meaningful data, reduce the administrative burden on taxpayers, and improve transparency, including combining the Report and Survey into a single tax preference accountability document now referred to as the Annual Tax Performance Report.

**Summary of Bill:** Provisions creating the Invest in Washington pilot program are removed and the Invest in Washington program is established. A sales and use tax deferral is provided on the construction and expenditure costs of any new, renovated, or expanded manufacturing facilities. The sales and use tax deferral expires January 1, 2028.

The definition of eligible investment program is expanded to include that eligible investment projects that utilize or produce green technologies are encouraged.

References to an annual tax preference survey are changed to instead refer to the combined Annual Tax Performance Report.

**Appropriation:** None.

**Fiscal Note:** Requested on February 20, 2018.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.