
SENATE BILL 6481

State of Washington

65th Legislature

2018 Regular Session

By Senators Brown, Palumbo, and Rivers

1 AN ACT Relating to creating a sales tax deferral for construction
2 and expenditure costs of manufacturing facilities; amending RCW
3 82.85.010, 82.85.020, 82.85.030, 82.85.040, 82.85.050, and 82.85.080;
4 and providing expiration dates.

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

6 **Sec. 1.** RCW 82.85.010 and 2017 3rd sp.s. c 37 s 801 are each
7 amended to read as follows:

8 (1) Businesses that invest capital create jobs and generate
9 economic activity that supports a healthy Washington economy. The
10 legislature finds that these investments result in future revenues
11 that support schools and our communities. Therefore, the legislature
12 (~~finds that a pilot program must be conducted to evaluate the~~
13 ~~effectiveness of~~) establishes a program that invests business taxes
14 from new investments into workforce training programs that support
15 manufacturing businesses in the state of Washington thereby creating
16 jobs and capital investments in the state for the benefit of its
17 citizens.

18 (2)(a) This subsection is the tax preference performance
19 statement for the sales and use tax deferral provided in RCW
20 82.85.040 on expenditures made to build or expand qualified
21 investment projects and purchases of machinery and equipment. This

1 performance statement is only intended to be used for subsequent
2 evaluation of the tax preference. It is not intended to create a
3 private right of action by any party or be used to determine
4 eligibility for preferential tax treatment.

5 (b) The legislature categorizes the tax preference as one
6 intended to create or retain jobs and to provide funding to support
7 job readiness training, professional development, or apprenticeship
8 programs in manufacturing or production occupations, as indicated in
9 RCW 82.32.808(2) (c) and (f).

10 (c) It is the legislature's specific public policy objective to
11 provide a ~~((pilot program that would provide a))~~ sales tax deferral
12 on the construction and expenditure costs of ~~((up to two new
13 manufacturing facilities per calendar year, one of which must be
14 located in eastern Washington and one of which must be located in
15 western Washington))~~ new, renovated, or expanded manufacturing
16 facilities. When deferred taxes are repaid, the deferred taxes are
17 reinvested to support job readiness training, professional
18 development, or apprenticeship programs in manufacturing or
19 production occupations.

20 (d) To measure the effectiveness of the deferral provided in this
21 part in achieving the specific public policy objective described in
22 (c) of this subsection, the joint legislative audit and review
23 committee should refer to information available from the employment
24 security department and department of revenue. If a review finds that
25 each eligible investment project generated at least twenty full-time
26 jobs and increased training opportunities for manufacturing and
27 production jobs, then the legislature intends for the legislative
28 auditor to recommend extending the expiration date of the tax
29 preference. For purposes of this subsection (2)(d), the term full-
30 time jobs include both temporary construction jobs and permanent
31 full-time employment positions created at the eligible investment
32 project within one year of the date that the facility became
33 operationally complete as determined by the department of revenue.

34 (3) This section expires January 1, ~~((2026))~~ 2028.

35 **Sec. 2.** RCW 82.85.020 and 2017 3rd sp.s. c 37 s 802 are each
36 amended to read as follows:

37 (1) The definitions in this section apply throughout this chapter
38 unless the context clearly requires otherwise.

1 (a) "Applicant" means a person applying for a tax deferral under
2 this chapter.

3 (b) "Eligible investment project" means an investment project for
4 qualified buildings and machinery and equipment on ~~((two))~~ new,
5 renovated, or expanded manufacturing operations ~~((per calendar year,~~
6 ~~one of which must be located east of the crest of the Cascade~~
7 ~~mountains and one of which must be located west of the crest of the~~
8 ~~Cascade mountains))~~. Eligible investment projects that utilize or
9 produce green technologies are encouraged. The deferral provided in
10 this section only applies to the state and local sales and use taxes
11 due on the first ten million dollars in costs for qualified buildings
12 and machinery and equipment.

13 (c) "Initiation of construction" has the same meaning as in RCW
14 82.63.010.

15 (d) "Investment project" means an investment in qualified
16 buildings or qualified machinery and equipment, including labor and
17 services rendered in the planning, installation, and construction of
18 the project.

19 (e) "Manufacturing" has the same meaning as provided in RCW
20 82.04.120.

21 (f) "Person" has the same meaning as provided in RCW 82.04.030.

22 (g) "Qualified buildings" means construction of new structures,
23 and expansion or renovation of existing structures for the purpose of
24 increasing floor space or production capacity, used for
25 manufacturing, including plant offices and warehouses or other
26 buildings for the storage of raw material or finished goods if such
27 facilities are an essential or an integral part of a factory, mill,
28 plant, or laboratory used for manufacturing. If a qualified building
29 is used partly for manufacturing and partly for other purposes, the
30 applicable tax deferral must be determined by apportionment of the
31 costs of construction under rules adopted by the department.

32 (h) "Qualified machinery and equipment" means all new industrial
33 fixtures, equipment, and support facilities that are an integral and
34 necessary part of a manufacturing operation. "Qualified machinery and
35 equipment" includes: Computers; software; data processing equipment;
36 laboratory equipment; manufacturing components such as belts,
37 pulleys, shafts, and moving parts; molds, tools, and dies; operating
38 structures; and all equipment used to control, monitor, or operate
39 the machinery.

1 (i) "Recipient" means a person receiving a tax deferral under
2 this chapter.

3 (2) This section expires January 1, (~~2026~~) 2028.

4 **Sec. 3.** RCW 82.85.030 and 2015 3rd sp.s. c 6 s 403 are each
5 amended to read as follows:

6 The lessor or owner of a qualified building is not eligible for a
7 deferral unless:

8 (1) The underlying ownership of the building, machinery, and
9 equipment vests exclusively in the same person; or

10 (2)(a) The lessor by written contract agrees to pass the economic
11 benefit of the deferral to the lessee;

12 (b) The lessee that receives the economic benefit of the deferral
13 agrees in writing with the department to complete the annual
14 (~~survey~~) tax performance report required under RCW (~~82.32.585~~)
15 82.32.534; and

16 (c) The economic benefit of the deferral passed to the lessee is
17 no less than the amount of tax deferred by the lessor and is
18 evidenced by written documentation of any type of payment, credit, or
19 other financial arrangement between the lessor or owner of the
20 qualified building and the lessee.

21 (3) This section expires January 1, 2028.

22 **Sec. 4.** RCW 82.85.040 and 2017 3rd sp.s. c 37 s 803 are each
23 amended to read as follows:

24 (1) Application for deferral of taxes under this chapter must be
25 made before initiation of the construction of the investment project
26 or acquisition of equipment or machinery. The application must be
27 made to the department in a form and manner prescribed by the
28 department. (~~The deferrals are available on a first-in-time basis.~~)
29 The application must contain information regarding the location of
30 the investment project, the applicant's average employment in the
31 state for the prior year, estimated or actual new employment related
32 to the project, estimated or actual wages of employees related to the
33 project, estimated or actual costs, time schedules for completion and
34 operation, and other information required by the department. The
35 department must rule on the application within sixty days.

36 (2) (~~The department may not approve applications for more than
37 two eligible investment projects per calendar year.~~

38 ~~(3)~~) This section expires January 1, (~~2026~~) 2028.

1 **Sec. 5.** RCW 82.85.050 and 2015 3rd sp.s. c 6 s 405 are each
2 amended to read as follows:

3 (1) Except as otherwise provided in subsection (2) of this
4 section, the department must issue a sales and use tax deferral
5 certificate for state and local sales and use taxes due under
6 chapters 82.08, 82.12, 82.14, and 81.104 RCW on each eligible
7 investment project.

8 (2) No certificate may be issued for an investment project that
9 has already received a deferral under this (~~(part-[chapter])~~) chapter
10 or chapter 82.60 RCW.

11 (3) The department must keep a running total of all deferrals
12 granted under this chapter during each fiscal biennium.

13 (4) This section expires January 1, 2028.

14 **Sec. 6.** RCW 82.85.080 and 2015 3rd sp.s. c 6 s 408 are each
15 amended to read as follows:

16 (1) Each recipient of a deferral of taxes granted under this
17 chapter must file a complete annual (~~(survey)~~) tax preference report
18 with the department under RCW (~~(82.32.585)~~) 82.32.534. If the
19 economic benefits of the deferral are passed to a lessee as provided
20 in RCW 82.85.030, the lessee must file a complete annual (~~(survey)~~)
21 tax preference report, and the applicant is not required to file a
22 complete annual (~~(survey)~~) tax preference report.

23 (2) If, on the basis of a (~~(survey)~~) tax preference report under
24 RCW (~~(82.32.585)~~) 82.32.534 or other information, the department
25 finds that an investment project is not eligible for tax deferral
26 under this chapter due to the fact the investment project is no
27 longer used for qualified activities, the amount of deferred taxes
28 outstanding for the investment project is immediately due and
29 payable.

30 (3) If the economic benefits of a tax deferral under this chapter
31 are passed to a lessee as provided in RCW 82.85.030, the lessee is
32 responsible for payment to the extent the lessee has received the
33 economic benefit.

--- END ---