

JAY INSLEE  
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To the Honorable President and Members,  
The Senate of the State of Washington

Ladies and Gentlemen:

I am returning herewith, without my approval, Engrossed Senate Bill No. 5901 entitled:

“AN ACT Relating to economic development tax incentives for targeted counties.”

Engrossed Senate Bill 5901 establishes a new sales and use tax deferral program for investment in manufacturing or research and development operations projects. It also expands the existing warehouse sales and use tax exemption to include smaller warehouse that are at least 100,000 square feet. Both of these tax incentives are only available in counties with a population greater than 650,000.

I recognize that manufacturing and warehousing are important components of the state's rural economy, but the tax incentives in this bill are overly broad. The legislatively stated intent of this bill was to establish a tax deferral program to be effective solely in certain targeted counties outside of the central Puget Sound region. This bill does not accomplish this goal, as currently 36 of Washington's 39 counties would be considered qualifying areas for these incentives based on the population limit established in the bill. Additionally, due to the increasing consumer preference for online shopping over the past few years, which only increased with the pandemic, the warehousing industry has remained strong and does not require an expanded tax incentive program to remain competitive at this time.

For these reasons I have vetoed Engrossed Senate Bill No. 5901 in its entirety.

Respectfully submitted,

Jay Inslee  
Governor