
SENATE BILL 5438

State of Washington 58th Legislature 2003 Regular Session

By Senators Benton, Carlson, West, Mulliken, Schmidt, Esser and Oke

Read first time 01/24/2003. Referred to Committee on Economic Development.

1 AN ACT Relating to sales and use tax exemptions for new employment
2 positions; adding a new section to chapter 82.08 RCW; and adding a new
3 section to chapter 82.12 RCW.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08 RCW
6 to read as follows:

7 (1) The tax levied by RCW 82.08.020 does not apply to (a) the sale
8 of tangible goods used in the construction of qualified buildings; (b)
9 the sale of qualified machinery and equipment that will be part of a
10 qualified building; or (c) the sale of services and labor performed in
11 respect to the construction of a qualified building.

12 (2) Application for exemption of taxes under this section must be
13 made before initiation of the construction of the qualified building or
14 acquisition of qualified equipment or machinery. The application shall
15 be made to the department in a form and manner prescribed by the
16 department. The application shall contain information regarding the
17 location of the qualified building, the applicant's average employment
18 in the state for the prior year, estimated or actual new employment
19 related to the project, estimated or actual wages of employees related

1 to the project, estimated or actual costs, time schedules for
2 completion and operation, and other information required by the
3 department. The department shall rule on the application within sixty
4 days.

5 (3) The department shall issue a sales and use tax exemption
6 certificate for state and local sales and use taxes due under this
7 chapter and chapters 82.12 and 82.14 RCW, if the applicant establishes
8 that at the time the construction is operationally complete the
9 applicant will create at least fifteen qualified employment positions
10 per one million dollars of investment.

11 (4) The qualified employment position must be filled by the end of
12 the calendar year following the year in which the project is certified
13 as operationally complete. If a person does not meet the requirements
14 for qualified employment positions by the end of the second calendar
15 year following the year in which the project is certified as
16 operationally complete, the department shall determine the total amount
17 of taxes that have been exempted under this section and section 2 of
18 this act and collect the taxes in the same manner as other deficient
19 taxes. The taxes shall be considered deficient from the time the
20 department determines that the person has not met the requirements of
21 this subsection (4) and has notified the person.

22 (5) Unless the context clearly requires otherwise, the following
23 definitions apply throughout this section.

24 (a) "Applicant" means a person applying for a tax exemption under
25 this section.

26 (b) "Manufacturing" means the same as defined in RCW 82.04.120.
27 "Manufacturing" also includes computer programming, the production of
28 computer software and hardware, and other computer-related services,
29 and the activities performed by research and development laboratories
30 and commercial testing laboratories.

31 (c) "Person" has the meaning given in RCW 82.04.030.

32 (d) "Qualified building" means construction of new structures, and
33 expansion or renovation of existing structures for the purpose of
34 increasing floor space or production capacity used for manufacturing
35 and research and development activities, including plant offices and
36 warehouses or other facilities for the storage of raw material or
37 finished goods if the facilities are an essential or an integral part
38 of a factory, mill, plant, or laboratory used for manufacturing or

1 research and development and will create upon completion of the
2 qualified building at least fifteen qualified employment positions per
3 one million dollars of investment. The qualified building may be
4 partly used for other purposes, as long as the construction costs for
5 these other purposes do not constitute more than twenty-five percent of
6 the total cost of the qualified building as determined by the
7 department.

8 (e) "Qualified employment position" means a permanent full-time
9 employee employed at the qualified building during the entire year.

10 (f) "Qualified machinery and equipment" means all new industrial
11 and research fixtures, equipment, and support facilities that are an
12 integral and necessary part of a manufacturing or research and
13 development operation. "Qualified machinery and equipment" includes:
14 Computers; software; data processing equipment; laboratory equipment;
15 manufacturing components such as belts, pulleys, shafts, and moving
16 parts; molds, tools, and dies; operating structures; and all equipment
17 used to control or operate the machinery.

18 (g) "Research and development" means the development, refinement,
19 testing, marketing, and commercialization of a product, service, or
20 process before commercial sales have begun. As used in this
21 subsection, "commercial sales" excludes sales of prototypes or sales
22 for market testing if the total gross receipts from such sales of the
23 product, service, or process do not exceed one million dollars.

24 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.12 RCW
25 to read as follows:

26 (1) The tax levied by RCW 82.08.020 does not apply to (a) the sale
27 of tangible goods used in the construction of qualified buildings; (b)
28 the sale of qualified machinery and equipment that will be part of a
29 qualified building; or (c) the sale of services and labor performed in
30 respect to the construction of qualified buildings.

31 (2) The provisions of section 1 of this act apply to this section.

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