
HOUSE BILL 2411

State of Washington 60th Legislature 2007 Regular Session

By Representatives Linville, Bailey, B. Sullivan, Kristiansen,
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Read first time 04/21/2007. Referred to Committee on Community &
Economic Development & Trade.

1 AN ACT Relating to providing a source of funding to assist small
2 manufacturers in obtaining modernization and manufacturing extension
3 services; reenacting and amending RCW 82.32.590; adding new sections to
4 chapter 82.04 RCW; adding a new chapter to Title 43 RCW; and providing
5 an expiration date.

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

7 NEW SECTION. **Sec. 1.** The legislature finds that a viable
8 manufacturing industry is critical to providing the state economy with
9 family-wage jobs and improving the quality of life for workers and
10 communities. To perform in the emerging global marketplace, Washington
11 manufacturers must master new technologies, streamline production
12 processes, improve quality assurance, expand environmental compliance,
13 and enhance methods of work organization. Only through modernization
14 techniques, reflecting the specific needs and capabilities of the
15 individual firms, can Washington manufacturers both compete
16 successfully in the market of the future and pay good living wages.

17 Most small and midsize manufacturers do not have the resources that
18 will allow them to easily access modernization technical assistance and
19 the skills training needed to make them globally competitive. Because

1 of the statewide public benefit to be gained from increasing the
2 availability of modernization services, it is the intent of the
3 legislature to create a new mechanism in a manner that reduces the
4 up-front costs of these services for small and midsize manufacturing
5 firms. It is further the intent of the legislature that Washington
6 state increase its support for the manufacturing extension program, to
7 expand the delivery of modernization services to small and midsize
8 Washington manufacturers, and to leverage federal funding and private
9 resources devoted to such efforts.

10 The successful implementation of modernization services will enable
11 a firm to reduce costs, increase sales, and to become more profitable.
12 Such growth will result in increased revenue from the state business
13 and occupation taxes paid by manufacturers who have engaged in
14 modernization services. It is the intent of the legislature to set
15 aside a portion of these new revenues to assure the success of a
16 continuing modernization service program.

17 NEW SECTION. **Sec. 2.** The definitions in this section apply
18 throughout this chapter unless the context clearly requires otherwise.

19 (1) "Costs of extension services" and "extension service costs"
20 mean the direct costs experienced under a contract with a qualified
21 manufacturing extension partnership affiliate for modernization
22 extension services, including but not limited to amounts in the
23 contract for costs of consulting, instruction, materials, equipment,
24 rental of class space, marketing, and overhead.

25 (2) "Department" means the department of community, trade, and
26 economic development.

27 (3) "Director" means the director of the department of community,
28 trade, and economic development.

29 (4) "Modernization extension allowance" and "allowance" mean a
30 voucher, credit, or other instrument issued to a participant from the
31 department, verifying that funds from the manufacturing modernization
32 account will be forwarded to the qualified manufacturing extension
33 partnership affiliate selected by the participant and will cover
34 identified costs of extension services.

35 (5) "Modernization extension services" and "service" mean a service
36 funded under this chapter and performed by a qualified manufacturing
37 extension partnership affiliate. The services may include but are not

1 limited to strategic planning, continuous improvement, business
2 development, six sigma, quality improvement, environmental health and
3 safety, lean processes, energy management, innovation and product
4 development, human resources and training, supply chain management, and
5 project management.

6 (6) "Outreach services" means those activities performed by an
7 affiliate to increase the awareness of Washington manufacturers on the
8 opportunities and benefits of implementing cutting edge technology,
9 techniques, and best practices. "Outreach services" includes but is
10 not limited to salaries of outreach staff, client follow-up, public
11 educational events, manufacturing orientated trade shows, electronic
12 communications, newsletters, advertising, direct mail efforts, and
13 contacting business organizations for names of manufacturers who might
14 need assistance.

15 (7) "Program" means the Washington manufacturing modernization
16 extension service program created in section 3 of this act.

17 (8) "Qualified manufacturing extension partnership affiliate" and
18 "affiliate" mean a private nonprofit organization established under RCW
19 24.50.010 or other organizations that are eligible or certified to
20 receive federal matching funds from the national institute of standards
21 and technology manufacturing extension partnership program of the
22 United States department of commerce.

23 (9) "Small manufacturer" means a private employer whose primary
24 business is adding value to a product through a manufacturing process
25 and employs one hundred or fewer employees within Washington state.

26 NEW SECTION. **Sec. 3.** (1) The Washington manufacturing
27 modernization extension service program is created to provide
28 assistance to small manufacturers located in the state of Washington.

29 (2)(a) Application to receive funding under this program must be
30 made to the department of community, trade, and economic development in
31 a form and manner specified by the department. Successful applicants
32 are eligible to receive a modernization extension allowance from the
33 department to cover the costs of assistance by a qualified
34 manufacturing extension partnership affiliate. An applicant may not
35 receive an allowance or allowances of over two hundred thousand dollars
36 per calendar year.

1 (b) The department must grant allowances to applicants who meet the
2 following criteria:

3 (i) The applicant has a valid agreement with a qualified
4 manufacturing extension partnership affiliate to engage in
5 modernization extension services;

6 (ii) The applicants must agree to: (A) Make a payment to the
7 manufacturing modernization account created in section 8 of this act in
8 an amount equal to one-quarter of the amount of the modernization
9 extension allowance, upon completion of the modernization extension
10 service; and (B) make monthly or quarterly payments over the subsequent
11 eighteen months, as specified in their agreement with the affiliate, to
12 the manufacturing modernization account created in section 8 of this
13 act in an amount equal to three-quarters of the amount of the
14 modernization extension allowance;

15 (iii) The applicant is a small manufacturer at the time the
16 applicant entered into an agreement with a qualified manufacturing
17 extension partnership affiliate; and

18 (iv) The applicant must ensure that the number of employees the
19 applicant has in the state during the calendar year following the
20 completion of the program will be equal to or greater than the number
21 of employees the applicant had in the state in the calendar year
22 preceding the start of the program.

23 (3) The director may solicit and receive gifts, grants, funds,
24 fees, and endowments, in trust or otherwise, from tribal, local,
25 federal, or other governmental entities, as well as private sources,
26 for the purpose of providing modernization extension allowances under
27 this chapter. All revenue solicited and received by the department
28 under this chapter must be deposited into the manufacturing
29 modernization account created in section 8 of this act.

30 (4) The department may adopt rules to implement this section.

31 NEW SECTION. **Sec. 4.** This chapter, being necessary for the
32 welfare of the state and its inhabitants, shall be liberally construed
33 to effect its purposes. Insofar as the provisions of this chapter are
34 inconsistent with the provisions of any general or special law, or
35 parts thereof, the provisions of this chapter shall be controlling.

1 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.04 RCW
2 to read as follows:

3 In computing the tax imposed under this chapter, a credit is
4 allowed for participants in the Washington manufacturing modernization
5 extension services program created in section 3 of this act. The
6 credit allowed under this section is equal to fifty percent of the
7 value of a program participant's payments to the manufacturing
8 modernization account created in section 8 of this act. If a
9 participant in the program does not meet the qualifications in section
10 3(2)(b)(iv) of this act, the participant must remit to the department
11 the value of any credits taken plus interest. The credit earned by a
12 participant in one calendar year may be carried over to be credited
13 against taxes incurred in a subsequent calendar year.

14 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.04 RCW
15 to read as follows:

16 (1) The legislature finds that accountability and effectiveness are
17 important aspects of setting tax policy. In order to make policy
18 choices regarding the best use of limited state resources the
19 legislature needs information on how a tax incentive is used.

20 (2) Each person claiming a tax credit under section 5 of this act
21 shall report information to the department by filing a complete annual
22 survey. The survey is due by March 31st of the year following any
23 calendar year in which a tax credit under section 5 of this act is
24 taken. The department may extend the due date for timely filing of
25 annual surveys under this section as provided in RCW 82.32.590. The
26 survey shall include the amount of tax credit taken. The survey shall
27 also include the following information for employment positions in
28 Washington:

29 (a) The number of total employment positions;

30 (b) Full-time, part-time, and temporary employment positions as a
31 percent of total employment;

32 (c) The number of employment positions according to the following
33 wage bands: Less than thirty thousand dollars; thirty thousand dollars
34 or greater, but less than sixty thousand dollars; and sixty thousand
35 dollars or greater. A wage band containing fewer than three
36 individuals may be combined with another wage band; and

1 (d) The number of employment positions that have employer-provided
2 medical, dental, and retirement benefits, by each of the wage bands.

3 The first survey filed under this subsection shall also include
4 information for the twelve-month period immediately before first use of
5 a tax incentive.

6 (3) The department may request additional information necessary to
7 measure the results of the credit program, to be submitted at the same
8 time as the survey.

9 (4) All information collected under this section, except the amount
10 of the tax credit taken, is deemed taxpayer information under RCW
11 82.32.330. Information on the amount of tax credit taken is not
12 subject to the confidentiality provisions of RCW 82.32.330.

13 (5) If a person fails to submit an annual survey under subsection
14 (2) of this section by the due date of the report or any extension
15 under RCW 82.32.590, the department shall declare the amount of taxes
16 credited for the previous calendar year to be immediately due and
17 payable. The department shall assess interest, but not penalties, on
18 the amounts due under this section. The interest shall be assessed at
19 the rate provided for delinquent taxes under this chapter,
20 retroactively to the date the credit was claimed, and shall accrue
21 until the taxes for which the credit was claimed are repaid. This
22 information is not subject to the confidentiality provisions of RCW
23 82.32.330.

24 (6) The department shall use the information from this section to
25 prepare summary descriptive statistics by category. No fewer than
26 three taxpayers shall be included in any category. The department
27 shall report these statistics to the legislature each year by September
28 1st.

29 (7) The department shall study the tax credit authorized in section
30 5 of this act. The department shall submit a report to the appropriate
31 committees of the legislature by December 1, 2013. The report shall
32 measure the effect of the credit on job creation, job retention,
33 company growth, the movement of firms or the consolidation of firms'
34 operations into the state, and such other factors as the department
35 selects.

36 **Sec. 7.** RCW 82.32.590 and 2006 c 354 s 17, 2006 c 300 s 10, 2006

1 c 177 s 8, 2006 c 112 s 7, and 2006 c 84 s 7 are each reenacted and
2 amended to read as follows:

3 (1) If the department finds that the failure of a taxpayer to file
4 an annual survey or annual report under RCW 82.04.4452, section 6 of
5 this act, 82.32.5351, 82.32.650, 82.32.635, 82.32.640, 82.32.630,
6 82.32.610, or 82.74.040 by the due date was the result of circumstances
7 beyond the control of the taxpayer, the department shall extend the
8 time for filing the survey or report. Such extension shall be for a
9 period of thirty days from the date the department issues its written
10 notification to the taxpayer that it qualifies for an extension under
11 this section. The department may grant additional extensions as it
12 deems proper.

13 (2) In making a determination whether the failure of a taxpayer to
14 file an annual survey or annual report by the due date was the result
15 of circumstances beyond the control of the taxpayer, the department
16 shall be guided by rules adopted by the department for the waiver or
17 cancellation of penalties when the underpayment or untimely payment of
18 any tax was due to circumstances beyond the control of the taxpayer.

19 NEW SECTION. **Sec. 8.** (1) The manufacturing modernization account
20 is hereby created in the custody of the state treasurer. Only the
21 director may authorize expenditures from the account and no
22 appropriation is required for expenditures.

23 (2) The money in the account must be used solely for allowances
24 under the Washington manufacturing modernization extension services
25 program created in section 3 of this act, conducting outreach services
26 by a qualified manufacturing extension partnership affiliate, or the
27 department's costs for the administration of the Washington
28 manufacturing modernization extension service program.

29 (3) Annually, the director must appropriate ten percent of the
30 funds in the manufacturing modernization account to qualified
31 manufacturing extension partnership affiliates for the purpose of
32 conducting outreach services.

33 (4) Upon receipt of a modernization extension allowance, the
34 director must make an appropriation to the qualified manufacturing
35 extension partnership affiliate chosen by the program participant in an
36 amount equal to the full costs of extension services.

1 (5) All payments received from a program participant in the
2 Washington manufacturing modernization extension services program
3 created in section 3 of this act must be deposited into the
4 manufacturing modernization account. The deposit of payments under
5 this section from a program participant cease when the department
6 specifies that the program participant has met the monetary obligations
7 of the program.

8 (6) All revenue solicited and received under the provisions of
9 section 3(3) of this act must be deposited into the manufacturing
10 modernization account.

11 (7) The legislature intends that all appropriations from the
12 manufacturing modernization account made to qualified manufacturing
13 extension partnership affiliates will be eligible as the state match in
14 an affiliate's application for federal matching funds under the
15 manufacturing extension partnership program of the United States
16 department of commerce's national institute of standards and
17 technology.

18 (8) The definitions in section 2 of this act apply to this section.

19 NEW SECTION. **Sec. 9.** A new section is added to chapter 82.04 RCW
20 to read as follows:

21 (1) On an annual basis, qualified manufacturing extension
22 partnership affiliates must provide the department with a list of
23 companies with which they have conducted modernization services during
24 the previous year. The department will identify the amount of the
25 business and occupation taxes that each of these companies paid to the
26 state during the year when the affiliate provided modernization
27 services. This amount will become the company's base tax year payment.

28 (2) During the first year following the year in which the
29 modernization service was conducted by the affiliate, the department
30 will identify the amount of the business and occupation taxes paid by
31 the company. If the amount exceeds the company's base tax year payment
32 under subsection (1) of this section, ninety percent of the portion of
33 the payment that is in excess of the base tax year payment will be
34 deposited into the manufacturing modernization account and the
35 remainder will be deposited into the state general fund.

36 (3) During the second year following the year in which the
37 modernization service was conducted by the affiliate, the department

1 will identify the amount of the business and occupation taxes paid by
2 the company. If the amount exceeds the company's base tax year
3 payment, seventy-five percent of the portion of the payment that is in
4 excess of the base tax year payment will be deposited into the
5 manufacturing modernization account and the remainder will be deposited
6 into the state general fund.

7 (4) The definitions in section 2 of this act apply to this section.

8 NEW SECTION. **Sec. 10.** If any provision of this act or its
9 application to any person or circumstance is held invalid, the
10 remainder of the act or the application of the provision to other
11 persons or circumstances is not affected.

12 NEW SECTION. **Sec. 11.** Sections 1 through 4 and 8 of this act
13 constitute a new chapter in Title 43 RCW.

14 NEW SECTION. **Sec. 12.** Section 5 of this act expires July 1, 2018.

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