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SENATE BILL 5443

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State of Washington

61st Legislature

2009 Regular Session

By Senators Kastama and Hobbs

Read first time 01/22/09. Referred to Committee on Economic Development, Trade & Innovation.

1 AN ACT Relating to reporting requirements of state and local tax  
2 programs; amending RCW 82.04.240, 82.04.2404, 82.04.250, 82.04.2909,  
3 82.04.294, 82.04.426, 82.04.4266, 82.04.4268, 82.04.4269, 82.04.4452,  
4 82.04.4461, 82.04.4463, 82.04.448, 82.04.4481, 82.04.4483, 82.04.4484,  
5 82.04.449, 82.08.805, 82.08.965, 82.08.9651, 82.08.970, 82.08.980,  
6 82.12.022, 82.12.805, 82.12.965, 82.12.9651, 82.12.970, 82.12.980,  
7 82.16.0421, 82.29A.137, 82.60.020, 82.60.070, 82.63.020, 82.63.045,  
8 82.74.040, 82.74.050, 82.75.010, 82.75.020, 82.75.040, 82.82.020,  
9 82.82.040, 84.36.645, and 84.36.655; reenacting and amending RCW  
10 82.04.260, 82.32.590, and 82.32.600; adding new sections to chapter  
11 82.32 RCW; adding a new section to chapter 82.75 RCW; creating new  
12 sections; repealing RCW 82.32.535, 82.32.5351, 82.32.545, 82.32.560,  
13 82.32.570, 82.32.610, 82.32.620, 82.32.630, 82.32.645, 82.32.650, and  
14 82.16.140; repealing 2005 c 301 s 5 (uncodified); and providing  
15 expiration dates.

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

17 NEW SECTION. **Sec. 1.** (1) The legislature finds that  
18 accountability and effectiveness are important aspects of setting tax  
19 policy. In order to make policy choices regarding the best use of

1 limited state resources, the legislature needs information on how a tax  
2 preference is used. In recent years, the legislature has enacted or  
3 extended numerous tax preferences that require the reporting of  
4 information to the department of revenue. Although there are many  
5 similarities in the requirements, and only two distinct accountability  
6 documents, there is a lack of uniformity in the information reported,  
7 penalties for failure to file, due dates, filing extensions, and filing  
8 requirements. Greater uniformity in the data reported is necessary to  
9 adequately compare tax preference programs. The legislature intends to  
10 create two sets of uniform reporting requirements that apply to the  
11 existing tax preferences and can be used in future legislation granting  
12 additional tax preferences.

13 (2) The legislative fiscal committees or the department of revenue  
14 are required to study many of the existing tax preferences and report  
15 to the legislature at least once. Because chapter 43.136 RCW now  
16 requires the joint legislative audit and review committee, with support  
17 from the department of revenue, to comprehensively review most tax  
18 preferences every ten years and provide a report to the legislature, a  
19 number of redundant studies by the legislative fiscal committees and  
20 the department of revenue have been eliminated. However, the  
21 department of revenue will continue to prepare summary descriptive  
22 statistics by category and report the statistics to the legislature  
23 each year.

24 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.32 RCW  
25 to read as follows:

26 (1)(a) Every person claiming a tax preference that requires a  
27 survey under this section must file a complete annual survey with the  
28 department.

29 (i) Except as provided in (a)(ii) of this subsection, the survey is  
30 due by April 30th of the year following any calendar year in which a  
31 person becomes eligible to claim the tax preference that requires a  
32 survey under this section.

33 (ii) If the tax preference is a deferral of tax, the first survey  
34 must be filed by April 30th of the calendar year following the calendar  
35 year in which the investment project is certified by the department as  
36 operationally complete, and a survey must be filed by April 30th of  
37 each of the seven succeeding calendar years.

1 (b) The department may extend the due date for timely filing of  
2 annual surveys under this section as provided in RCW 82.32.590.

3 (2)(a) The survey must include the amount of the tax preference  
4 claimed for the calendar year covered by the survey.

5 (b) The survey must also include the following information for  
6 employment positions in Washington, not to include names of employees,  
7 for the year that the tax preference was claimed:

8 (i) The number of total employment positions;

9 (ii) Full-time, part-time, and temporary employment positions as a  
10 percent of total employment;

11 (iii) The number of employment positions according to the following  
12 wage bands: Less than thirty thousand dollars; thirty thousand dollars  
13 or greater, but less than sixty thousand dollars; and sixty thousand  
14 dollars or greater. A wage band containing fewer than three  
15 individuals may be combined with another wage band; and

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

18 (c) For persons claiming the tax preference provided under chapter  
19 82.60 or 82.63 RCW, the survey must also include the number of new  
20 products or research projects by general classification, and the number  
21 of trademarks, patents, and copyrights associated with activities at  
22 the investment project.

23 (d) For persons claiming the credit provided under RCW 82.04.4452,  
24 the survey must also include the qualified research and development  
25 expenditures during the calendar year for which the credit was claimed,  
26 the taxable amount during the calendar year for which the credit was  
27 claimed, the number of new products or research projects by general  
28 classification, the number of trademarks, patents, and copyrights  
29 associated with the research and development activities for which the  
30 credit was claimed, and whether the tax preference has been assigned,  
31 and who assigned the credit. The definitions in RCW 82.04.4452 apply  
32 to this subsection (2)(d).

33 (e) If the person filing a survey under this section did not file  
34 a survey with the department in the previous calendar year, the survey  
35 filed under this section must also include the employment, wage, and  
36 benefit information required under (b)(i) through (iv) of this  
37 subsection for the calendar year immediately preceding the calendar  
38 year for which a tax preference was claimed.

1 (3) As part of the annual survey, the department may request  
2 additional information necessary to measure the results of, or  
3 determine eligibility for, the tax preference.

4 (4) All information collected under this section, except the amount  
5 of the tax preference claimed, is deemed taxpayer information under RCW  
6 82.32.330. Information on the amount of tax preference claimed is not  
7 subject to the confidentiality provisions of RCW 82.32.330 and may be  
8 disclosed to the public upon request, except as provided in subsection  
9 (5) of this section. If the amount of the tax preference claimed as  
10 reported on the survey is different than the amount actually claimed or  
11 otherwise allowed by the department based on the taxpayer's excise tax  
12 returns or other information known to the department, the amount  
13 actually claimed or allowed may be disclosed.

14 (5) Persons for whom the actual amount of the tax reduced or saved  
15 is less than ten thousand dollars during the period covered by the  
16 survey may request the department to treat the amount of the tax  
17 reduction or savings as confidential under RCW 82.32.330.

18 (6)(a) Except as otherwise provided by law, if a person claims a  
19 tax preference that requires an annual survey under this section but  
20 fails to submit a complete annual survey by the due date of the survey  
21 or any extension under RCW 82.32.590, the department must declare the  
22 amount of the tax preference claimed for the previous calendar year to  
23 be immediately due. If the tax preference is a deferral of tax, twelve  
24 and one-half percent of the deferred tax is immediately due. If the  
25 economic benefits of the deferral are passed to a lessee, the lessee is  
26 responsible for payment to the extent the lessee has received the  
27 economic benefit.

28 (b) The department must assess interest, but not penalties, on the  
29 amounts due under this subsection. The interest must be assessed at  
30 the rate provided for delinquent taxes under this chapter,  
31 retroactively to the date the tax preference was claimed, and accrues  
32 until the taxes for which the tax preference was claimed are repaid.  
33 Amounts due under this subsection are not subject to the  
34 confidentiality provisions of RCW 82.32.330 and may be disclosed to the  
35 public upon request.

36 (7) The department must use the information from this section to  
37 prepare summary descriptive statistics by category. No fewer than

1 three taxpayers may be included in any category. The department must  
2 report these statistics to the legislature each year by October 1st.

3 (8) For the purposes of this section:

4 (a) "Person" has the meaning provided in RCW 82.04.030 and also  
5 includes the state and its departments and institutions.

6 (b) "Tax preference" has the meaning provided in RCW 43.136.021 and  
7 includes only the tax preferences requiring a survey under this  
8 section.

9 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.32 RCW  
10 to read as follows:

11 (1)(a) Every person claiming a tax preference that requires a  
12 report under this section must file a complete annual report with the  
13 department. The report is due by April 30th of the year following any  
14 calendar year in which a person becomes eligible to claim the tax  
15 preference that requires a report under this section. The department  
16 may extend the due date for timely filing of annual reports under this  
17 section as provided in RCW 82.32.590.

18 (b) The report must include information detailing employment,  
19 wages, and employer-provided health and retirement benefits for  
20 employment positions in Washington for the year that the tax preference  
21 was claimed. However, persons engaged in manufacturing commercial  
22 airplanes or components of such airplanes may report employment, wage,  
23 and benefit information per job at the manufacturing site for the year  
24 that the tax preference was claimed. The report must not include names  
25 of employees. The report must also detail employment by the total  
26 number of full-time, part-time, and temporary positions for the year  
27 that the tax preference was claimed.

28 (c) Persons receiving the benefit of the tax preference provided by  
29 RCW 82.16.0421 or claiming any of the tax preferences provided by RCW  
30 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, or 82.12.022(5) must  
31 indicate on the annual report the quantity of product produced in this  
32 state during the time period covered by the report.

33 (d) If a person filing a report under this section did not file a  
34 report with the department in the previous calendar year, the report  
35 filed under this section must also include employment, wage, and  
36 benefit information for the calendar year immediately preceding the  
37 calendar year for which a tax preference was claimed.

1 (2) As part of the annual report, the department may request  
2 additional information necessary to measure the results of, or  
3 determine eligibility for, the tax preference.

4 (3) Other than information requested under subsection (2) of this  
5 section, the information contained in an annual report filed under this  
6 section is not subject to the confidentiality provisions of RCW  
7 82.32.330 and may be disclosed to the public upon request.

8 (4) Except as otherwise provided by law, if a person claims a tax  
9 preference that requires an annual report under this section but fails  
10 to submit a report by the due date or any extension under RCW  
11 82.32.590, the department must declare the amount of the tax preference  
12 claimed for the previous calendar year to be immediately due and  
13 payable. The department must assess interest, but not penalties, on  
14 the amounts due under this subsection. The interest must be assessed  
15 at the rate provided for delinquent taxes under this chapter,  
16 retroactively to the date the tax preference was claimed, and accrues  
17 until the taxes for which the tax preference was claimed are repaid.  
18 Amounts due under this subsection are not subject to the  
19 confidentiality provisions of RCW 82.32.330 and may be disclosed to the  
20 public upon request.

21 (5) The department must use the information from this section to  
22 prepare summary descriptive statistics by category. No fewer than  
23 three taxpayers may be included in any category. The department must  
24 report these statistics to the legislature each year by October 1st.

25 (6) For the purposes of this section:

26 (a) "Person" has the meaning provided in RCW 82.04.030 and also  
27 includes the state and its departments and institutions.

28 (b) "Tax preference" has the meaning provided in RCW 43.136.021 and  
29 includes only the tax preferences requiring a survey under this  
30 section.

31 **Sec. 4.** RCW 82.04.240 and 2003 c 149 s 3 are each amended to read  
32 as follows:

33 (1) Upon every person engaging within this state in business as a  
34 manufacturer, except persons taxable as manufacturers under other  
35 provisions of this chapter; as to such persons the amount of the tax  
36 with respect to such business (~~shall be~~) is equal to the value of the

1 products, including byproducts, manufactured, multiplied by the rate of  
2 0.484 percent.

3 (2)(a) Upon every person engaging within this state in the business  
4 of manufacturing semiconductor materials, as to such persons the amount  
5 of tax with respect to such business (~~shall~~) is, in the case of  
6 manufacturers, (~~be~~) equal to the value of the product manufactured,  
7 or, in the case of processors for hire, (~~be~~) equal to the gross  
8 income of the business, multiplied by the rate of 0.275 percent. For  
9 the purposes of this subsection "semiconductor materials" means silicon  
10 crystals, silicon ingots, raw polished semiconductor wafers, compound  
11 semiconductors, integrated circuits, and microchips.

12 (b) A person reporting under the tax rate provided in this  
13 subsection (2) must file a complete annual report with the department  
14 under section 3 of this act.

15 (c) This subsection (2) expires twelve years after the effective  
16 date of this act.

17 (3) The measure of the tax is the value of the products, including  
18 byproducts, so manufactured regardless of the place of sale or the fact  
19 that deliveries may be made to points outside the state.

20 **Sec. 5.** RCW 82.04.2404 and 2006 c 84 s 2 are each amended to read  
21 as follows:

22 (1) Upon every person engaging within this state in the business of  
23 manufacturing or processing for hire semiconductor materials, as to  
24 such persons the amount of tax with respect to such business (~~shall~~)  
25 is, in the case of manufacturers, (~~be~~) equal to the value of the  
26 product manufactured, or, in the case of processors for hire, (~~be~~)  
27 equal to the gross income of the business, multiplied by the rate of  
28 0.275 percent.

29 (2) For the purposes of this section "semiconductor materials"  
30 means silicon crystals, silicon ingots, raw polished semiconductor  
31 wafers, and compound semiconductor wafers.

32 (3) A person reporting under the tax rate provided in this section  
33 must file a complete annual report with the department under section 3  
34 of this act.

35 (4) This section expires (~~twelve years after~~) December 1,  
36 (~~2006~~) 2018.

1       **Sec. 6.** RCW 82.04.250 and 2008 c 81 s 5 are each amended to read  
2 as follows:

3       (1) Upon every person engaging within this state in the business of  
4 making sales at retail, except persons taxable as retailers under other  
5 provisions of this chapter, as to such persons, the amount of tax with  
6 respect to such business (~~((shall be))~~) is equal to the gross proceeds of  
7 sales of the business, multiplied by the rate of 0.471 percent.

8       (2) Upon every person engaging within this state in the business of  
9 making sales at retail that are exempt from the tax imposed under  
10 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
11 82.08.0263, except persons taxable under RCW 82.04.260(11) or  
12 subsection (3) of this section, as to such persons, the amount of tax  
13 with respect to such business (~~((shall be))~~) is equal to the gross  
14 proceeds of sales of the business, multiplied by the rate of 0.484  
15 percent.

16       (3)(a) Upon every person classified by the federal aviation  
17 administration as a federal aviation regulation part 145 certificated  
18 repair station and that is engaging within this state in the business  
19 of making sales at retail that are exempt from the tax imposed under  
20 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
21 82.08.0263, as to such persons, the amount of tax with respect to such  
22 business (~~((shall be))~~) is equal to the gross proceeds of sales of the  
23 business, multiplied by the rate of .2904 percent.

24       (b) A person reporting under the tax rate provided in this  
25 subsection (3) must file a complete annual report with the department  
26 under section 3 of this act.

27       **Sec. 7.** RCW 82.04.260 and 2008 c 296 s 1, 2008 c 217 s 100, and  
28 2008 c 81 s 4 are each reenacted and amended to read as follows:

29       (1) Upon every person engaging within this state in the business of  
30 manufacturing:

31       (a) Wheat into flour, barley into pearl barley, soybeans into  
32 soybean oil, canola into canola oil, canola meal, or canola byproducts,  
33 or sunflower seeds into sunflower oil; as to such persons the amount of  
34 tax with respect to such business (~~((shall be))~~) is equal to the value of  
35 the flour, pearl barley, oil, canola meal, or canola byproduct  
36 manufactured, multiplied by the rate of 0.138 percent;



1 (b) Beginning July 1, 2012, seafood products that remain in a raw,  
2 raw frozen, or raw salted state at the completion of the manufacturing  
3 by that person; or selling manufactured seafood products that remain in  
4 a raw, raw frozen, or raw salted state at the completion of the  
5 manufacturing, to purchasers who transport in the ordinary course of  
6 business the goods out of this state; as to such persons the amount of  
7 tax with respect to such business (~~(shall be)~~) is equal to the value of  
8 the products manufactured or the gross proceeds derived from such  
9 sales, multiplied by the rate of 0.138 percent. Sellers must keep and  
10 preserve records for the period required by RCW 82.32.070 establishing  
11 that the goods were transported by the purchaser in the ordinary course  
12 of business out of this state;

13 (c) Beginning July 1, 2012, dairy products that as of September 20,  
14 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,  
15 including byproducts from the manufacturing of the dairy products such  
16 as whey and casein; or selling the same to purchasers who transport in  
17 the ordinary course of business the goods out of state; as to such  
18 persons the tax imposed (~~(shall be)~~) is equal to the value of the  
19 products manufactured or the gross proceeds derived from such sales  
20 multiplied by the rate of 0.138 percent. Sellers must keep and  
21 preserve records for the period required by RCW 82.32.070 establishing  
22 that the goods were transported by the purchaser in the ordinary course  
23 of business out of this state;

24 (d) Beginning July 1, 2012, fruits or vegetables by canning,  
25 preserving, freezing, processing, or dehydrating fresh fruits or  
26 vegetables, or selling at wholesale fruits or vegetables manufactured  
27 by the seller by canning, preserving, freezing, processing, or  
28 dehydrating fresh fruits or vegetables and sold to purchasers who  
29 transport in the ordinary course of business the goods out of this  
30 state; as to such persons the amount of tax with respect to such  
31 business (~~(shall be)~~) is equal to the value of the products  
32 manufactured or the gross proceeds derived from such sales multiplied  
33 by the rate of 0.138 percent. Sellers must keep and preserve records  
34 for the period required by RCW 82.32.070 establishing that the goods  
35 were transported by the purchaser in the ordinary course of business  
36 out of this state;

37 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
38 feedstock, as those terms are defined in RCW 82.29A.135; as to such

1 persons the amount of tax with respect to the business (~~shall be~~) is  
2 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel  
3 feedstock manufactured, multiplied by the rate of 0.138 percent; and

4 (f) (~~Alcohol fuel or~~) Wood biomass fuel(~~(r)~~) as (~~those terms~~  
5 ~~are~~) defined in RCW 82.29A.135; as to such persons the amount of tax  
6 with respect to the business (~~shall be~~) is equal to the value of  
7 (~~alcohol fuel or~~) wood biomass fuel manufactured, multiplied by the  
8 rate of 0.138 percent.

9 (2) Upon every person engaging within this state in the business of  
10 splitting or processing dried peas; as to such persons the amount of  
11 tax with respect to such business (~~shall be~~) is equal to the value of  
12 the peas split or processed, multiplied by the rate of 0.138 percent.

13 (3) Upon every nonprofit corporation and nonprofit association  
14 engaging within this state in research and development, as to such  
15 corporations and associations, the amount of tax with respect to such  
16 activities (~~shall be~~) is equal to the gross income derived from such  
17 activities multiplied by the rate of 0.484 percent.

18 (4) Upon every person engaging within this state in the business of  
19 slaughtering, breaking and/or processing perishable meat products  
20 and/or selling the same at wholesale only and not at retail; as to such  
21 persons the tax imposed (~~shall be~~) is equal to the gross proceeds  
22 derived from such sales multiplied by the rate of 0.138 percent.

23 (5) Upon every person engaging within this state in the business of  
24 acting as a travel agent or tour operator; as to such persons the  
25 amount of the tax with respect to such activities (~~shall be~~) is equal  
26 to the gross income derived from such activities multiplied by the rate  
27 of 0.275 percent.

28 (6) Upon every person engaging within this state in business as an  
29 international steamship agent, international customs house broker,  
30 international freight forwarder, vessel and/or cargo charter broker in  
31 foreign commerce, and/or international air cargo agent; as to such  
32 persons the amount of the tax with respect to only international  
33 activities (~~shall be~~) is equal to the gross income derived from such  
34 activities multiplied by the rate of 0.275 percent.

35 (7) Upon every person engaging within this state in the business of  
36 stevedoring and associated activities pertinent to the movement of  
37 goods and commodities in waterborne interstate or foreign commerce; as  
38 to such persons the amount of tax with respect to such business (~~shall~~

1 be)) is equal to the gross proceeds derived from such activities  
2 multiplied by the rate of 0.275 percent. Persons subject to taxation  
3 under this subsection (~~shall be~~) are exempt from payment of taxes  
4 imposed by chapter 82.16 RCW for that portion of their business subject  
5 to taxation under this subsection. Stevedoring and associated  
6 activities pertinent to the conduct of goods and commodities in  
7 waterborne interstate or foreign commerce are defined as all activities  
8 of a labor, service or transportation nature whereby cargo may be  
9 loaded or unloaded to or from vessels or barges, passing over, onto or  
10 under a wharf, pier, or similar structure; cargo may be moved to a  
11 warehouse or similar holding or storage yard or area to await further  
12 movement in import or export or may move to a consolidation freight  
13 station and be stuffed, unstuffed, containerized, separated or  
14 otherwise segregated or aggregated for delivery or loaded on any mode  
15 of transportation for delivery to its consignee. Specific activities  
16 included in this definition are: Wharfage, handling, loading,  
17 unloading, moving of cargo to a convenient place of delivery to the  
18 consignee or a convenient place for further movement to export mode;  
19 documentation services in connection with the receipt, delivery,  
20 checking, care, custody and control of cargo required in the transfer  
21 of cargo; imported automobile handling prior to delivery to consignee;  
22 terminal stevedoring and incidental vessel services, including but not  
23 limited to plugging and unplugging refrigerator service to containers,  
24 trailers, and other refrigerated cargo receptacles, and securing ship  
25 hatch covers.

26 (8) Upon every person engaging within this state in the business of  
27 disposing of low-level waste, as defined in RCW 43.145.010; as to such  
28 persons the amount of the tax with respect to such business (~~shall~~  
29 ~~be~~) is equal to the gross income of the business, excluding any fees  
30 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3  
31 percent.

32 If the gross income of the taxpayer is attributable to activities  
33 both within and without this state, the gross income attributable to  
34 this state (~~shall~~) must be determined in accordance with the methods  
35 of apportionment required under RCW 82.04.460.

36 (9) Upon every person engaging within this state as an insurance  
37 producer or title insurance agent licensed under chapter 48.17 RCW; as

1 to such persons, the amount of the tax with respect to such licensed  
2 activities (~~shall be~~) is equal to the gross income of such business  
3 multiplied by the rate of 0.484 percent.

4 (10) Upon every person engaging within this state in business as a  
5 hospital, as defined in chapter 70.41 RCW, that is operated as a  
6 nonprofit corporation or by the state or any of its political  
7 subdivisions, as to such persons, the amount of tax with respect to  
8 such activities (~~shall be~~) is equal to the gross income of the  
9 business multiplied by the rate of 0.75 percent through June 30, 1995,  
10 and 1.5 percent thereafter. The moneys collected under this subsection  
11 (~~shall~~) must be deposited in the health services account created  
12 under RCW 43.72.900.

13 (11)(a) Beginning October 1, 2005, upon every person engaging  
14 within this state in the business of manufacturing commercial  
15 airplanes, or components of such airplanes, or making sales, at retail  
16 or wholesale, of commercial airplanes or components of such airplanes,  
17 manufactured by the seller, as to such persons the amount of tax with  
18 respect to such business (~~shall~~) is, in the case of manufacturers,  
19 (~~be~~) equal to the value of the product manufactured and the gross  
20 proceeds of sales of the product manufactured, or in the case of  
21 processors for hire, (~~be~~) equal to the gross income of the business,  
22 multiplied by the rate of:

23 (i) 0.4235 percent from October 1, 2005, through (~~the later of~~)  
24 June 30, 2007; and

25 (ii) 0.2904 percent beginning July 1, 2007.

26 (b) Beginning July 1, 2008, upon every person who is not eligible  
27 to report under the provisions of (a) of this subsection (11) and is  
28 engaging within this state in the business of manufacturing tooling  
29 specifically designed for use in manufacturing commercial airplanes or  
30 components of such airplanes, or making sales, at retail or wholesale,  
31 of such tooling manufactured by the seller, as to such persons the  
32 amount of tax with respect to such business (~~shall~~) is, in the case  
33 of manufacturers, (~~be~~) equal to the value of the product manufactured  
34 and the gross proceeds of sales of the product manufactured, or in the  
35 case of processors for hire, (~~be~~) equal to the gross income of the  
36 business, multiplied by the rate of 0.2904 percent.

37 (c) For the purposes of this subsection (11), "commercial airplane"  
38 and "component" have the same meanings as provided in RCW 82.32.550.

1 (d) In addition to all other requirements under this title, a  
2 person (~~(eligible for)~~) reporting under the tax rate (~~(under)~~) provided  
3 in this subsection (11) must (~~report as required~~) file a complete  
4 annual report with the department under (~~RCW 82.32.545~~) section 3 of  
5 this act.

6 (e) This subsection (11) does not apply on and after July 1, 2024.

7 (12)(a) Until July 1, 2024, upon every person engaging within this  
8 state in the business of extracting timber or extracting for hire  
9 timber; as to such persons the amount of tax with respect to the  
10 business (~~(shall)~~) is, in the case of extractors, (~~(be)~~) equal to the  
11 value of products, including byproducts, extracted, or in the case of  
12 extractors for hire, be equal to the gross income of the business,  
13 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
14 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
15 2024.

16 (b) Until July 1, 2024, upon every person engaging within this  
17 state in the business of manufacturing or processing for hire: (i)  
18 Timber into timber products or wood products; or (ii) timber products  
19 into other timber products or wood products; as to such persons the  
20 amount of the tax with respect to the business (~~(shall)~~) is, in the  
21 case of manufacturers, (~~(be)~~) equal to the value of products, including  
22 byproducts, manufactured, or in the case of processors for hire, (~~(be)~~)  
23 equal to the gross income of the business, multiplied by the rate of  
24 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
25 percent from July 1, 2007, through June 30, 2024.

26 (c) Until July 1, 2024, upon every person engaging within this  
27 state in the business of selling at wholesale: (i) Timber extracted by  
28 that person; (ii) timber products manufactured by that person from  
29 timber or other timber products; or (iii) wood products manufactured by  
30 that person from timber or timber products; as to such persons the  
31 amount of the tax with respect to the business (~~(shall be)~~) is equal to  
32 the gross proceeds of sales of the timber, timber products, or wood  
33 products multiplied by the rate of 0.4235 percent from July 1, 2006,  
34 through June 30, 2007, and 0.2904 percent from July 1, 2007, through  
35 June 30, 2024.

36 (d) Until July 1, 2024, upon every person engaging within this  
37 state in the business of selling standing timber; as to such persons  
38 the amount of the tax with respect to the business (~~(shall be)~~) is

1 equal to the gross income of the business multiplied by the rate of  
2 0.2904 percent. For purposes of this subsection (12)(d), "selling  
3 standing timber" means the sale of timber apart from the land, where  
4 the buyer is required to sever the timber within thirty months from the  
5 date of the original contract, regardless of the method of payment for  
6 the timber and whether title to the timber transfers before, upon, or  
7 after severance.

8 (e) For purposes of this subsection, the following definitions  
9 apply:

10 (i) "Biocomposite surface products" means surface material products  
11 containing, by weight or volume, more than fifty percent recycled paper  
12 and that also use nonpetroleum-based phenolic resin as a bonding agent.

13 (ii) "Paper and paper products" means products made of interwoven  
14 cellulosic fibers held together largely by hydrogen bonding. "Paper  
15 and paper products" includes newsprint; office, printing, fine, and  
16 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
17 kraft bag, construction, and other kraft industrial papers; paperboard,  
18 liquid packaging containers, containerboard, corrugated, and solid-  
19 fiber containers including linerboard and corrugated medium; and  
20 related types of cellulosic products containing primarily, by weight or  
21 volume, cellulosic materials. "Paper and paper products" does not  
22 include books, newspapers, magazines, periodicals, and other printed  
23 publications, advertising materials, calendars, and similar types of  
24 printed materials.

25 (iii) "Recycled paper" means paper and paper products having fifty  
26 percent or more of their fiber content that comes from postconsumer  
27 waste. For purposes of this subsection (12)(e)(iii), "postconsumer  
28 waste" means a finished material that would normally be disposed of as  
29 solid waste, having completed its life cycle as a consumer item.

30 (iv) "Timber" means forest trees, standing or down, on privately or  
31 publicly owned land. "Timber" does not include Christmas trees that  
32 are cultivated by agricultural methods or short-rotation hardwoods as  
33 defined in RCW 84.33.035.

34 (v) "Timber products" means:

35 (A) Logs, wood chips, sawdust, wood waste, and similar products  
36 obtained wholly from the processing of timber, short-rotation hardwoods  
37 as defined in RCW 84.33.035, or both;

1 (B) Pulp, including market pulp and pulp derived from recovered  
2 paper or paper products; and

3 (C) Recycled paper, but only when used in the manufacture of  
4 biocomposite surface products.

5 (vi) "Wood products" means paper and paper products; dimensional  
6 lumber; engineered wood products such as particleboard, oriented strand  
7 board, medium density fiberboard, and plywood; wood doors; wood  
8 windows; and biocomposite surface products.

9 (f) Except for small harvesters as defined in RCW 84.33.035, a  
10 person reporting under the tax rate provided in this subsection (12)  
11 must file a complete annual survey with the department under section 2  
12 of this act.

13 (13) Upon every person engaging within this state in inspecting,  
14 testing, labeling, and storing canned salmon owned by another person,  
15 as to such persons, the amount of tax with respect to such activities  
16 (~~shall be~~) is equal to the gross income derived from such activities  
17 multiplied by the rate of 0.484 percent.

18 **Sec. 8.** RCW 82.04.2909 and 2006 c 182 s 1 are each amended to read  
19 as follows:

20 (1) Upon every person who is an aluminum smelter engaging within  
21 this state in the business of manufacturing aluminum; as to such  
22 persons the amount of tax with respect to such business (~~shall~~) is,  
23 in the case of manufacturers, (~~be~~) equal to the value of the product  
24 manufactured, or in the case of processors for hire, (~~be~~) equal to  
25 the gross income of the business, multiplied by the rate of .2904  
26 percent.

27 (2) Upon every person who is an aluminum smelter engaging within  
28 this state in the business of making sales at wholesale of aluminum  
29 manufactured by that person, as to such persons the amount of tax with  
30 respect to such business (~~shall be~~) is equal to the gross proceeds of  
31 sales of the aluminum multiplied by the rate of .2904 percent.

32 (3) A person reporting under the tax rate provided in this section  
33 must file a complete annual report with the department under section 3  
34 of this act.

35 (4) This section expires January 1, 2012.

1       **Sec. 9.** RCW 82.04.294 and 2007 c 54 s 8 are each amended to read  
2 as follows:

3       (1) Beginning October 1, 2005, upon every person engaging within  
4 this state in the business of manufacturing solar energy systems using  
5 photovoltaic modules, or of manufacturing solar grade silicon to be  
6 used exclusively in components of such systems; as to such persons the  
7 amount of tax with respect to such business (~~(shall)~~) is, in the case  
8 of manufacturers, (~~(be)~~) equal to the value of the product  
9 manufactured, or in the case of processors for hire, (~~(be)~~) equal to  
10 the gross income of the business, multiplied by the rate of 0.2904  
11 percent.

12       (2) Beginning October 1, 2005, upon every person engaging within  
13 this state in the business of making sales at wholesale of solar energy  
14 systems using photovoltaic modules and manufactured by the seller, or  
15 of solar grade silicon manufactured by the seller to be used  
16 exclusively in components of such systems(~~(, manufactured by that~~  
17 ~~person))~~); as to such persons the amount of tax with respect to such  
18 business (~~(shall be)~~) is equal to the gross proceeds of sales of the  
19 solar energy systems using photovoltaic modules, or of the solar grade  
20 silicon to be used exclusively in components of such systems,  
21 multiplied by the rate of 0.2904 percent.

22       (3) The definitions in this subsection apply throughout this  
23 section.

24       (a) "Module" means the smallest nondivisible self-contained  
25 physical structure housing interconnected photovoltaic cells and  
26 providing a single direct current electrical output.

27       (b) "Photovoltaic cell" means a device that converts light directly  
28 into electricity without moving parts.

29       (c) "Solar energy system" means any device or combination of  
30 devices or elements that rely upon direct sunlight as an energy source  
31 for use in the generation of electricity.

32       (d) "Solar grade silicon" means high-purity silicon used  
33 exclusively in components of solar energy systems using photovoltaic  
34 modules to capture direct sunlight. "Solar grade silicon" does not  
35 include silicon used in semiconductors.

36       (4) A person reporting under the tax rate provided in this section  
37 must file a complete annual report with the department under section 3  
38 of this act.



1       (5) This section expires June 30, 2014.

2       **Sec. 10.** RCW 82.04.426 and 2003 c 149 s 2 are each amended to read  
3 as follows:

4       (1) The tax imposed by RCW 82.04.240(2) does not apply to any  
5 person in respect to the manufacturing of semiconductor microchips.

6       (2) For the purposes of this section:

7       (a) "Manufacturing semiconductor microchips" means taking raw  
8 polished semiconductor wafers and embedding integrated circuits on the  
9 wafers using processes such as masking, etching, and diffusion; and

10       (b) "Integrated circuit" means a set of microminiaturized,  
11 electronic circuits.

12       (3) A person reporting under the tax rate provided in this section  
13 must file a complete annual report with the department under section 3  
14 of this act.

15       (4) This section expires nine years after the effective date of  
16 this act.

17       **Sec. 11.** RCW 82.04.4266 and 2006 c 354 s 3 are each amended to  
18 read as follows:

19       (1) This chapter (~~shall~~) does not apply to the value of products  
20 or the gross proceeds of sales derived from:

21       (a) Manufacturing fruits or vegetables by canning, preserving,  
22 freezing, processing, or dehydrating fresh fruits or vegetables; or

23       (b) Selling at wholesale fruits or vegetables manufactured by the  
24 seller by canning, preserving, freezing, processing, or dehydrating  
25 fresh fruits or vegetables and sold to purchasers who transport in the  
26 ordinary course of business the goods out of this state. A person  
27 taking an exemption under this subsection (1)(b) must keep and preserve  
28 records for the period required by RCW 82.32.070 establishing that the  
29 goods were transported by the purchaser in the ordinary course of  
30 business out of this state.

31       (2) A person claiming the exemption provided in this section must  
32 file a complete annual survey with the department under section 2 of  
33 this act.

34       (3) This section expires July 1, 2012.

1       **Sec. 12.** RCW 82.04.4268 and 2006 c 354 s 1 are each amended to  
2 read as follows:

3       (1) This chapter (~~shall~~) does not apply to the value of products  
4 or the gross proceeds of sales derived from:

5       (a) Manufacturing dairy products; or

6       (b) Selling manufactured dairy products to purchasers who transport  
7 in the ordinary course of business the goods out of this state. A  
8 person taking an exemption under this subsection (1)(b) must keep and  
9 preserve records for the period required by RCW 82.32.070 establishing  
10 that the goods were transported by the purchaser in the ordinary course  
11 of business out of this state.

12       (2) "Dairy products" means dairy products that as of September 20,  
13 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,  
14 including byproducts from the manufacturing of the dairy products such  
15 as whey and casein.

16       (3) A person claiming the exemption provided in this section must  
17 file a complete annual survey with the department under section 2 of  
18 this act.

19       (4) This section expires July 1, 2012.

20       **Sec. 13.** RCW 82.04.4269 and 2006 c 354 s 2 are each amended to  
21 read as follows:

22       (1) This chapter does not apply to the value of products or the  
23 gross proceeds of sales derived from:

24       (a) Manufacturing seafood products that remain in a raw, raw  
25 frozen, or raw salted state at the completion of the manufacturing by  
26 that person; or

27       (b) Selling manufactured seafood products that remain in a raw, raw  
28 frozen, or raw salted state to purchasers who transport in the ordinary  
29 course of business the goods out of this state. A person taking an  
30 exemption under this subsection (1)(b) must keep and preserve records  
31 for the period required by RCW 82.32.070 establishing that the goods  
32 were transported by the purchaser in the ordinary course of business  
33 out of this state.

34       (2) A person claiming the exemption provided in this section must  
35 file a complete annual survey with the department under section 2 of  
36 this act.

37       (3) This section expires July 1, 2012.

1       **Sec. 14.** RCW 82.04.4452 and 2005 c 514 s 1003 are each amended to  
2 read as follows:

3       (1) In computing the tax imposed under this chapter, a credit is  
4 allowed for each person whose research and development spending during  
5 the year in which the credit is claimed exceeds 0.92 percent of the  
6 person's taxable amount during the same calendar year.

7       (2) The credit (~~shall be~~) is calculated as follows:

8       (a) Determine the greater of the amount of qualified research and  
9 development expenditures of a person or eighty percent of amounts  
10 received by a person other than a public educational or research  
11 institution in compensation for the conduct of qualified research and  
12 development;

13       (b) Subtract 0.92 percent of the person's taxable amount from the  
14 amount determined under (a) of this subsection;

15       (c) Multiply the amount determined under (b) of this subsection by  
16 the following:

17       (i) For the period June 10, 2004, through December 31, 2006, the  
18 person's average tax rate for the calendar year for which the credit is  
19 claimed;

20       (ii) For the calendar year ending December 31, 2007, the greater of  
21 the person's average tax rate for that calendar year or 0.75 percent;

22       (iii) For the calendar year ending December 31, 2008, the greater  
23 of the person's average tax rate for that calendar year or 1.0 percent;

24       (iv) For the calendar year ending December 31, 2009, the greater of  
25 the person's average tax rate for that calendar year or 1.25 percent;

26       (v) For the calendar year ending December 31, 2010, and thereafter,  
27 1.50 percent.

28       For purposes of calculating the credit, if a person's reporting  
29 period is less than annual, the person may use an estimated average tax  
30 rate for the calendar year for which the credit is claimed by using the  
31 person's average tax rate for each reporting period. A person who uses  
32 an estimated average tax rate must make an adjustment to the total  
33 credit claimed for the calendar year using the person's actual average  
34 tax rate for the calendar year when the person files its last return  
35 for the calendar year for which the credit is claimed.

36       (3) Any person entitled to the credit provided in subsection (2) of  
37 this section as a result of qualified research and development

1 conducted under contract may assign all or any portion of the credit to  
2 the person contracting for the performance of the qualified research  
3 and development.

4 (4) The credit, including any credit assigned to a person under  
5 subsection (3) of this section, ~~((shall))~~ must be claimed against taxes  
6 due for the same calendar year in which the qualified research and  
7 development expenditures are incurred. The credit, including any  
8 credit assigned to a person under subsection (3) of this section, for  
9 each calendar year ~~((shall))~~ may not exceed the lesser of two million  
10 dollars or the amount of tax otherwise due under this chapter for the  
11 calendar year.

12 (5) For any person claiming the credit, including any credit  
13 assigned to a person under subsection (3) of this section, whose  
14 research and development spending during the calendar year in which the  
15 credit is claimed fails to exceed 0.92 percent of the person's taxable  
16 amount during the same calendar year or who is otherwise ineligible,  
17 the department ~~((shall))~~ must declare the taxes against which the  
18 credit was claimed to be immediately due and payable. The department  
19 ~~((shall))~~ must assess interest, but not penalties, on the taxes against  
20 which the credit was claimed. Interest ~~((shall))~~ must be assessed at  
21 the rate provided for delinquent excise taxes under chapter 82.32 RCW,  
22 retroactively to the date the credit was claimed, and ~~((shall))~~ accrues  
23 until the taxes against which the credit was claimed are repaid. Any  
24 credit assigned to a person under subsection (3) of this section that  
25 is disallowed as a result of this section may be claimed by the person  
26 who performed the qualified research and development subject to the  
27 limitations set forth in subsection (4) of this section.

28 ~~((a))~~ ~~The legislature finds that accountability and~~  
29 ~~effectiveness are important aspects of setting tax policy. In order to~~  
30 ~~make policy choices regarding the best use of limited state resources~~  
31 ~~the legislature needs information on how a tax incentive is used.~~

32 ~~((b))~~ A person claiming the credit ~~((shall))~~ provided in this  
33 section must file a complete annual survey with the department under  
34 section 2 of this act. ~~((The survey is due by March 31st following any~~  
35 ~~year in which a credit is claimed. The department may extend the due~~  
36 ~~date for timely filing of annual surveys under this section as provided~~  
37 ~~in RCW 82.32.590. The survey shall include the amount of the tax~~  
38 ~~credit claimed, the qualified research and development expenditures~~

1 during the calendar year for which the credit is claimed, the taxable  
2 amount during the calendar year for which the credit is claimed, the  
3 number of new products or research projects by general classification,  
4 the number of trademarks, patents, and copyrights associated with the  
5 research and development activities for which a credit was claimed, and  
6 whether the credit has been assigned under subsection (3) of this  
7 section and who assigned the credit. The survey shall also include the  
8 following information for employment positions in Washington:

9 (i) The number of total employment positions;

10 (ii) Full-time, part-time, and temporary employment positions as a  
11 percent of total employment;

12 (iii) The number of employment positions according to the following  
13 wage bands: Less than thirty thousand dollars; thirty thousand dollars  
14 or greater, but less than sixty thousand dollars; and sixty thousand  
15 dollars or greater. A wage band containing fewer than three  
16 individuals may be combined with another wage band; and

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

19 (c) The department may request additional information necessary to  
20 measure the results of the tax credit program, to be submitted at the  
21 same time as the survey.

22 (d)(i) All information collected under this subsection, except the  
23 amount of the tax credit claimed, is deemed taxpayer information under  
24 RCW 82.32.330. Information on the amount of tax credit claimed is not  
25 subject to the confidentiality provisions of RCW 82.32.330 and may be  
26 disclosed to the public upon request, except as provided in this  
27 subsection (6)(d). If the amount of the tax credit as reported on the  
28 survey is different than the amount actually claimed on the taxpayer's  
29 tax returns or otherwise allowed by the department, the amount actually  
30 claimed or allowed may be disclosed.

31 (ii) Persons for whom the actual amount of the tax credit claimed  
32 on the taxpayer's returns or otherwise allowed by the department is  
33 less than ten thousand dollars during the period covered by the survey  
34 may request the department to treat the tax credit amount as  
35 confidential under RCW 82.32.330.

36 (e) If a person fails to file a complete annual survey required  
37 under this subsection with the department by the due date or any  
38 extension under RCW 82.32.590, the person entitled to the credit

1 provided in subsection (2) of this section is not eligible to claim or  
2 assign the credit provided in subsection (2) of this section in the  
3 year the person failed to timely file a complete survey.

4 ~~(7) The department shall use the information from subsection (6) of~~  
5 ~~this section to prepare summary descriptive statistics by category. No~~  
6 ~~fewer than three taxpayers shall be included in any category. The~~  
7 ~~department shall report these statistics to the legislature each year~~  
8 ~~by September 1st.~~

9 ~~(8) The department shall use the information from subsection (6) of~~  
10 ~~this section to study the tax credit program authorized under this~~  
11 ~~section. The department shall report to the legislature by December 1,~~  
12 ~~2009, and December 1, 2013. The reports shall measure the effect of~~  
13 ~~the program on job creation, the number of jobs created for Washington~~  
14 ~~residents, company growth, the introduction of new products, the~~  
15 ~~diversification of the state's economy, growth in research and~~  
16 ~~development investment, the movement of firms or the consolidation of~~  
17 ~~firms' operations into the state, and such other factors as the~~  
18 ~~department selects.~~

19 ~~(9))~~ (7) For the purpose of this section:

20 (a) "Average tax rate" means a person's total tax liability under  
21 this chapter for the calendar year for which the credit is claimed  
22 divided by the taxpayer's total taxable amount under this chapter for  
23 the calendar year for which the credit is claimed.

24 (b) "Qualified research and development expenditures" means  
25 operating expenses, including wages, compensation of a proprietor or a  
26 partner in a partnership as determined under rules adopted by the  
27 department, benefits, supplies, and computer expenses, directly  
28 incurred in qualified research and development by a person claiming the  
29 credit provided in this section. The term does not include amounts  
30 paid to a person other than a public educational or research  
31 institution to conduct qualified research and development. Nor does  
32 the term include capital costs and overhead, such as expenses for land,  
33 structures, or depreciable property.

34 (c) "Qualified research and development" shall have the same  
35 meaning as in RCW 82.63.010.

36 (d) "Research and development spending" means qualified research  
37 and development expenditures plus eighty percent of amounts paid to a

1 person other than a public educational or research institution to  
2 conduct qualified research and development.

3 (e) "Taxable amount" means the taxable amount subject to the tax  
4 imposed in this chapter required to be reported on the person's  
5 combined excise tax returns for the calendar year for which the credit  
6 is claimed, less any taxable amount for which a credit is allowed under  
7 RCW 82.04.440.

8 ((+10)) (8) This section expires January 1, 2015.

9 **Sec. 15.** RCW 82.04.4461 and 2008 c 81 s 7 are each amended to read  
10 as follows:

11 (1)(a)(i) In computing the tax imposed under this chapter, a credit  
12 is allowed for each person for qualified aerospace product development.  
13 For a person who is a manufacturer or processor for hire of commercial  
14 airplanes or components of such airplanes, credit may be earned for  
15 expenditures occurring after December 1, 2003. For all other persons,  
16 credit may be earned only for expenditures occurring after June 30,  
17 2008.

18 (ii) For purposes of this subsection, "commercial airplane" and  
19 "component" have the same meanings as provided in RCW 82.32.550.

20 (b) Before July 1, 2005, any credits earned under this section must  
21 be accrued and carried forward and may not be used until July 1, 2005.  
22 These carryover credits may be used at any time thereafter, and may be  
23 carried over until used. Refunds may not be granted in the place of a  
24 credit.

25 (2) The credit is equal to the amount of qualified aerospace  
26 product development expenditures of a person, multiplied by the rate of  
27 1.5 percent.

28 (3) Except as provided in subsection (1)(b) of this section the  
29 credit ((shall)) must be ((taken)) claimed against taxes due for the  
30 same calendar year in which the qualified aerospace product development  
31 expenditures are incurred. Credit earned on or after July 1, 2005, may  
32 not be carried over. The credit for each calendar year ((shall)) may  
33 not exceed the amount of tax otherwise due under this chapter for the  
34 calendar year. Refunds may not be granted in the place of a credit.

35 (4) Any person claiming the credit ((shall)) must file a form  
36 prescribed by the department that ((shall)) must include the amount of  
37 the credit claimed, an estimate of the anticipated aerospace product

1 development expenditures during the calendar year for which the credit  
2 is claimed, an estimate of the taxable amount during the calendar year  
3 for which the credit is claimed, and such additional information as the  
4 department may prescribe.

5 (5) The definitions in this subsection apply throughout this  
6 section.

7 (a) "Aerospace product" has the meaning given in RCW 82.08.975.

8 (b) "Aerospace product development" means research, design, and  
9 engineering activities performed in relation to the development of an  
10 aerospace product or of a product line, model, or model derivative of  
11 an aerospace product, including prototype development, testing, and  
12 certification. The term includes the discovery of technological  
13 information, the translating of technological information into new or  
14 improved products, processes, techniques, formulas, or inventions, and  
15 the adaptation of existing products and models into new products or new  
16 models, or derivatives of products or models. The term does not  
17 include manufacturing activities or other production-oriented  
18 activities, however the term does include tool design and engineering  
19 design for the manufacturing process. The term does not include  
20 surveys and studies, social science and humanities research, market  
21 research or testing, quality control, sale promotion and service,  
22 computer software developed for internal use, and research in areas  
23 such as improved style, taste, and seasonal design.

24 (c) "Qualified aerospace product development" means aerospace  
25 product development performed within this state.

26 (d) "Qualified aerospace product development expenditures" means  
27 operating expenses, including wages, compensation of a proprietor or a  
28 partner in a partnership as determined by the department, benefits,  
29 supplies, and computer expenses, directly incurred in qualified  
30 aerospace product development by a person claiming the credit provided  
31 in this section. The term does not include amounts paid to a person or  
32 to the state and any of its departments and institutions, other than a  
33 public educational or research institution to conduct qualified  
34 aerospace product development. The term does not include capital costs  
35 and overhead, such as expenses for land, structures, or depreciable  
36 property.

37 (e) "Taxable amount" means the taxable amount subject to the tax



1 imposed in this chapter required to be reported on the person's tax  
2 returns during the year in which the credit is claimed, less any  
3 taxable amount for which a credit is allowed under RCW 82.04.440.

4 (6) In addition to all other requirements under this title, a  
5 person (~~taking~~) claiming the credit under this section must file a  
6 complete annual report (~~as required~~) with the department under (~~RCW~~  
7 ~~82.32.545~~) section 3 of this act.

8 (7) Credit may not be claimed for expenditures for which a credit  
9 is claimed under RCW 82.04.4452.

10 (8) This section expires July 1, 2024.

11 **Sec. 16.** RCW 82.04.4463 and 2008 c 81 s 8 are each amended to read  
12 as follows:

13 (1) In computing the tax imposed under this chapter, a credit is  
14 allowed for property taxes and leasehold excise taxes paid during the  
15 calendar year.

16 (2) The credit is equal to:

17 (a)(i)(A) Property taxes paid on buildings, and land upon which the  
18 buildings are located, constructed after December 1, 2003, and used  
19 exclusively in manufacturing commercial airplanes or components of such  
20 airplanes; and

21 (B) Leasehold excise taxes paid with respect to buildings  
22 constructed after January 1, 2006, the land upon which the buildings  
23 are located, or both, if the buildings are used exclusively in  
24 manufacturing commercial airplanes or components of such airplanes; and

25 (C) Property taxes or leasehold excise taxes paid on, or with  
26 respect to, buildings constructed after June 30, 2008, the land upon  
27 which the buildings are located, or both, and used exclusively for  
28 aerospace product development, manufacturing tooling specifically  
29 designed for use in manufacturing commercial airplanes or their  
30 components, or in providing aerospace services, by persons not within  
31 the scope of (a)(i)(A) and (B) of this subsection (2) and are(~~(I)~~  
32 ~~Engaged in manufacturing tooling specifically designed for use in~~  
33 ~~manufacturing commercial airplanes or their components; or (II))~~)  
34 taxable under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); or

35 (ii) Property taxes attributable to an increase in assessed value  
36 due to the renovation or expansion, after: (A) December 1, 2003, of a  
37 building used exclusively in manufacturing commercial airplanes or

1 components of such airplanes; and (B) June 30, 2008, of buildings used  
2 exclusively for aerospace product development, manufacturing tooling  
3 specifically designed for use in manufacturing commercial airplanes or  
4 their components, or in providing aerospace services, by persons not  
5 within the scope of (a)(ii)(A) of this subsection (2) and are(~~(I)~~)  
6 ~~Engaged in manufacturing tooling specifically designed for use in~~  
7 ~~manufacturing commercial airplanes or their components; or (II))~~  
8 taxable under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); and

9 (b) An amount equal to:

10 (i)(A) Property taxes paid, by persons taxable under RCW  
11 82.04.260(11)(a), on machinery and equipment exempt under RCW  
12 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

13 (B) Property taxes paid, by persons taxable under RCW  
14 82.04.260(11)(b), on machinery and equipment exempt under RCW  
15 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

16 (C) Property taxes paid, by persons taxable under RCW  
17 (~~82.04.0250(3)~~ ~~[82.04.250(3)]~~) 82.04.250(3) or 82.04.290(3), on  
18 computer hardware, computer peripherals, and software exempt under RCW  
19 82.08.975 or 82.12.975 and acquired after June 30, 2008.

20 (ii) For purposes of determining the amount eligible for credit  
21 under (i)(A) and (B) of this subsection (2)(b), the amount of property  
22 taxes paid is multiplied by a fraction.

23 (~~(I)~~) (A) The numerator of the fraction is the total taxable  
24 amount subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on  
25 the applicable business activities of manufacturing commercial  
26 airplanes, components of such airplanes, or tooling specifically  
27 designed for use in the manufacturing of commercial airplanes or  
28 components of such airplanes.

29 (~~(II)~~) (B) The denominator of the fraction is the total taxable  
30 amount subject to the tax imposed under all manufacturing  
31 classifications in chapter 82.04 RCW.

32 (~~(III)~~) (C) For purposes of both the numerator and denominator of  
33 the fraction, the total taxable amount refers to the total taxable  
34 amount required to be reported on the person's returns for the calendar  
35 year before the calendar year in which the credit under this section is  
36 earned. The department may provide for an alternative method for  
37 calculating the numerator in cases where the tax rate provided in RCW

1 82.04.260(11) for manufacturing was not in effect during the full  
2 calendar year before the calendar year in which the credit under this  
3 section is earned.

4 ~~((+IV))~~ (D) No credit is available under (b)(i)(A) or (B) of this  
5 subsection (2) if either the numerator or the denominator of the  
6 fraction is zero. If the fraction is greater than or equal to nine-  
7 tenths, then the fraction is rounded to one.

8 ~~((+V))~~ (E) As used in ~~((+III))~~ (C) of this subsection  
9 (2)(b)(ii)~~((+C))~~, "returns" means the tax returns for which the tax  
10 imposed under this chapter is reported to the department.

11 (3) The definitions in this subsection apply throughout this  
12 section, unless the context clearly indicates otherwise.

13 (a) "Aerospace product development" has the same meaning as  
14 provided in RCW 82.04.4461.

15 (b) "Aerospace services" has the same meaning given in RCW  
16 82.08.975.

17 (c) "Commercial airplane" and "component" have the same meanings as  
18 provided in RCW 82.32.550.

19 (4) A credit earned during one calendar year may be carried over to  
20 be credited against taxes incurred in a subsequent calendar year, but  
21 may not be carried over a second year. No refunds may be granted for  
22 credits under this section.

23 (5) In addition to all other requirements under this title, a  
24 person ~~((taking))~~ claiming the credit under this section must file a  
25 complete annual report ~~((as required))~~ with the department under ~~((RCW~~  
26 ~~82.32.545))~~ section 3 of this act.

27 (6) This section expires July 1, 2024.

28 **Sec. 17.** RCW 82.04.448 and 2003 c 149 s 9 are each amended to read  
29 as follows:

30 (1) Subject to the limits and provisions of this section, a credit  
31 is authorized against the tax otherwise due under RCW 82.04.240(2) for  
32 persons engaged in the business of manufacturing semiconductor  
33 materials. For the purposes of this section "semiconductor materials"  
34 has the same meaning as provided in RCW 82.04.240(2).

35 (2)(a) The credit under this section ~~((shall))~~ equals three  
36 thousand dollars for each employment position used in manufacturing  
37 production that takes place in a new building exempt from sales and use

1 tax under RCW 82.08.965 and 82.12.965. A credit is earned for the  
2 calendar year a person fills a position. Additionally a credit is  
3 earned for each year the position is maintained over the subsequent  
4 consecutive years, up to eight years. Those positions that are not  
5 filled for the entire year are eligible for fifty percent of the credit  
6 if filled less than six months, and the entire credit if filled more  
7 than six months.

8 (b) To qualify for the credit, the manufacturing activity of the  
9 person must be conducted at a new building that qualifies for the  
10 exemption from sales and use tax under RCW 82.08.965 and 82.12.965.

11 (c) In those situations where a production building in existence on  
12 the effective date of this section will be phased out of operation,  
13 during which time employment at the new building at the same site is  
14 increased, the person is eligible for credit for employment at the  
15 existing building and new building, with the limitation that the  
16 combined eligible employment not exceed full employment at the new  
17 building. "Full employment" has the same meaning as in RCW 82.08.965.  
18 The credit may not be earned until the commencement of commercial  
19 production, as that term is used in RCW 82.08.965.

20 (3) No application is necessary for the tax credit. The person is  
21 subject to all of the requirements of chapter 82.32 RCW. In no case  
22 may a credit earned during one calendar year be carried over to be  
23 credited against taxes incurred in a subsequent calendar year. No  
24 refunds may be granted for credits under this section.

25 (4) If at any time the department finds that a person is not  
26 eligible for tax credit under this section, the amount of taxes for  
27 which a credit has been claimed (~~((shall be))~~) is immediately due. The  
28 department (~~((shall))~~) must assess interest, but not penalties, on the  
29 taxes for which the person is not eligible. The interest (~~((shall))~~)  
30 must be assessed at the rate provided for delinquent excise taxes under  
31 chapter 82.32 RCW, (~~((shall be))~~) is retroactive to the date the tax  
32 credit was taken, and (~~((shall))~~) accrues until the taxes for which a  
33 credit has been used are repaid.

34 (5) A person (~~((taking))~~) claiming the credit under this section must  
35 file a complete annual report with the department under (~~((RCW~~  
36 ~~82.32.535))~~) section 3 of this act.

37 (6) Credits may be (~~((taken))~~) claimed after twelve years after the  
38 effective date of this act, for those buildings at which commercial

1 production began before twelve years after the effective date of this  
2 act, subject to all of the eligibility criteria and limitations of this  
3 section.

4 (7) This section expires twelve years after the effective date of  
5 this act.

6 **Sec. 18.** RCW 82.04.4481 and 2006 c 182 s 2 are each amended to  
7 read as follows:

8 (1) In computing the tax imposed under this chapter, a credit is  
9 allowed for all property taxes paid during the calendar year on  
10 property owned by a direct service industrial customer and reasonably  
11 necessary for the purposes of an aluminum smelter.

12 (2) A person (~~taking~~) claiming the credit under this section is  
13 subject to all the requirements of chapter 82.32 RCW. A credit earned  
14 during one calendar year may be carried over to be credited against  
15 taxes incurred in the subsequent calendar year, but may not be carried  
16 over a second year. Credits carried over must be applied to tax  
17 liability before new credits. No refunds may be granted for credits  
18 under this section.

19 (3) Credits may not be claimed under this section for property  
20 taxes levied for collection in 2012 and thereafter.

21 (4) A person claiming the credit provided in this section must file  
22 a complete annual report with the department under section 3 of this  
23 act.

24 **Sec. 19.** RCW 82.04.4483 and 2004 c 25 s 1 are each amended to read  
25 as follows:

26 (1) Subject to the limits and provisions of this section, a credit  
27 is authorized against the tax otherwise due under this chapter for  
28 persons engaged in a rural county in the business of manufacturing  
29 computer software or programming, as those terms are defined in this  
30 section.

31 (2) A person who partially or totally relocates a business from one  
32 rural county to another rural county is eligible for any new qualifying  
33 employment positions created as a result of the relocation but is not  
34 eligible to receive credit for the jobs moved from one county to the  
35 other.

1 (3)(a) To qualify for the credit, the qualifying activity of the  
2 person must be conducted in a rural county and the new qualified  
3 employment position must be located in the rural county.

4 (b) If an activity is conducted both from a rural county and  
5 outside of a rural county, the credit is available if at least ninety  
6 percent of the qualifying activity is conducted within a rural county.  
7 If the qualifying activity is a service taxable activity, the place  
8 where the work is performed is the place at which the activity is  
9 conducted.

10 (4)(a) The credit under this section shall equal one thousand  
11 dollars for each new qualified employment position created after  
12 January 1, 2004, in an eligible area. A credit is earned for the  
13 calendar year the person is hired to fill the position. Additionally  
14 a credit is earned for each year the position is maintained over the  
15 subsequent consecutive years, up to four years. The county must meet  
16 the definition of a rural county at the time the position is filled.  
17 If the county does not have a rural county status the following year or  
18 years, the position is still eligible for the remaining years if all  
19 other conditions are met.

20 (b) Participants who claimed credit under RCW 82.04.4456 for  
21 qualified employment positions created before December 31, 2003, are  
22 eligible to earn credit for each year the position is maintained over  
23 the subsequent consecutive years, for up to four years, which four  
24 years include any years claimed under RCW 82.04.4456. Those persons  
25 who did not receive a credit under RCW 82.04.4456 before December 31,  
26 2003, are not eligible to earn credit for qualified employment  
27 positions created before December 31, 2003.

28 (c) Credit is authorized for new employees hired for new qualified  
29 employment positions created on or after January 1, 2004. New  
30 qualified employment positions filled by existing employees are  
31 eligible for the credit under this section only if the position vacated  
32 by the existing employee is filled by a new hire. A business that is  
33 a sole proprietorship without any employees is equivalent to one  
34 employee position and this type of business is eligible to receive  
35 credit for one position.

36 (d) If a position is filled before July 1st, the position is  
37 eligible for the full yearly credit for that calendar year. If it is

1 filled after June 30th, the position is eligible for half of the credit  
2 for that calendar year.

3 (5) No application is necessary for the tax credit. The person  
4 must keep records necessary for the department to verify eligibility  
5 under this section. This information includes information relating to  
6 description of qualifying activity conducted in the rural county and  
7 outside the rural county by the person as well as detailed records on  
8 positions and employees.

9 (6) If at any time the department finds that a person is not  
10 eligible for tax credit under this section, the amount of taxes for  
11 which a credit has been claimed (~~((shall be))~~) is immediately due. The  
12 department (~~((shall))~~) must assess interest, but not penalties, on the  
13 taxes for which the person is not eligible. The interest (~~((shall))~~)  
14 must be assessed at the rate provided for delinquent excise taxes under  
15 chapter 82.32 RCW, (~~((shall be assessed))~~) applies retroactively to the  
16 date the tax credit was taken, and (~~((shall accrue))~~) accrues until the  
17 taxes for which a credit has been used are repaid.

18 (7) The credit under this section may be used against any tax due  
19 under this chapter, but in no case may a credit earned during one  
20 calendar year be carried over to be credited against taxes incurred in  
21 a subsequent calendar year. A person is not eligible to receive a  
22 credit under this section if the person is receiving credit for the  
23 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking  
24 a credit under this chapter for information technology help desk  
25 services conducted from a rural county. No refunds may be granted for  
26 credits under this section.

27 (8) Transfer of ownership does not affect credit eligibility.  
28 However, the successive credits are available to the successor for  
29 remaining periods in the five years only if the eligibility conditions  
30 of this section are met.

31 (9) A person (~~((taking))~~) claiming a tax credit(~~((s))~~) under this  
32 section (~~((shall make an))~~) must file a complete annual (~~((report to))~~)  
33 survey with the department under section 2 of this act. (~~((The report~~  
34 ~~shall be in a letter form and shall include the following information:~~  
35 ~~Number of positions for which credit is being claimed, type of position~~  
36 ~~for which credit is being claimed, type of activity in which the person~~  
37 ~~is engaged in the county, how long the person has been located in the~~  
38 ~~county, and taxpayer name and registration number. The report must be~~

1 ~~filed by January 30th of each year for which credit was claimed during~~  
2 ~~the previous year. Failure to file a report will not result in the~~  
3 ~~loss of eligibility under this section. However, the department,~~  
4 ~~through its research division, shall contact taxpayers who have not~~  
5 ~~filed the report and obtain the data from the taxpayer or assist the~~  
6 ~~taxpayer in the filing of the report, so that the data and information~~  
7 ~~necessary to measure the program's effectiveness is maintained.))~~

8 (10) As used in this section:

9 (a) "Computer software" has the meaning as defined in RCW 82.04.215  
10 after June 30, 2004, and includes "software" as defined in RCW  
11 82.04.215 before July 1, 2004.

12 (b) "Manufacturing" means the same as "to manufacture" under RCW  
13 82.04.120. Manufacturing includes the activities of both manufacturers  
14 and processors for hire.

15 (c) "Programming" means the activities that involve the creation or  
16 modification of computer software, as that term is defined in this  
17 chapter, and that are taxable as a service under RCW 82.04.290(2) or as  
18 a retail sale under RCW 82.04.050.

19 (d) "Qualifying activity" means manufacturing of computer software  
20 or programming.

21 (e) "Qualified employment position" means a permanent full-time  
22 position doing programming of computer software or manufacturing of  
23 computer software. This excludes administrative, professional,  
24 service, executive, and other similar positions. If an employee is  
25 either voluntarily or involuntarily separated from employment, the  
26 employment position is considered filled on a full-time basis if the  
27 employer is either training or actively recruiting a replacement  
28 employee. Full-time means a position for at least thirty-five hours a  
29 week.

30 (f) "Rural county" means the same as in RCW 82.14.370.

31 (11) No credit may be taken or accrued under this section on or  
32 after January 1, 2011.

33 (12) This section expires January 1, 2011.

34 **Sec. 20.** RCW 82.04.4484 and 2004 c 25 s 2 are each amended to read  
35 as follows:

36 (1) Subject to the limits and provisions of this section, a credit



1 is authorized against the tax otherwise due under this chapter for  
2 persons engaged in a rural county in the business of providing  
3 information technology help desk services to third parties.

4 (2) To qualify for the credit, the help desk services must be  
5 conducted from a rural county.

6 (3) The amount of the tax credit for persons engaged in the  
7 activity of providing information technology help desk services in  
8 rural counties (~~shall be~~) is equal to one hundred percent of the  
9 amount of tax due under this chapter that is attributable to providing  
10 the services from the rural county. In order to qualify for the credit  
11 under this subsection, the county must meet the definition of rural  
12 county at the time the person begins to conduct qualifying business in  
13 the county.

14 (4) No application is necessary for the tax credit. The person  
15 must keep records necessary for the department to verify eligibility  
16 under this section. These records include information relating to  
17 description of activity engaged in a rural county by the person.

18 (5) If at any time the department finds that a person is not  
19 eligible for tax credit under this section, the amount of taxes for  
20 which a credit has been used is immediately due. The department  
21 (~~shall~~) must assess interest, but not penalties, on the credited  
22 taxes for which the person is not eligible. The interest (~~shall~~)  
23 must be assessed at the rate provided for delinquent excise taxes under  
24 chapter 82.32 RCW, (~~shall be assessed~~) retroactively to the date the  
25 tax credit was taken, and (~~shall~~) will accrue until the taxes for  
26 which a credit has been used are repaid.

27 (6) The credit under this section may be used against any tax due  
28 under this chapter, but in no case may a credit earned during one  
29 calendar year be carried over to be credited against taxes incurred in  
30 a subsequent calendar year. No refunds may be granted for credits  
31 under this section.

32 (7) Transfer of ownership does not affect credit eligibility.  
33 However, the credit is available to the successor only if the  
34 eligibility conditions of this section are met.

35 (8) A person (~~taking~~) claiming a tax credit(~~s~~) under this  
36 section (~~shall make an~~) must file a complete annual (~~report to~~)  
37 survey with the department under section 2 of this act. (~~The report~~  
38 ~~shall be in a letter form and shall include the following information:~~

1 ~~Type of activity in which the person is engaged in the county, number~~  
2 ~~of employees in the rural county, how long the person has been located~~  
3 ~~in the county, and taxpayer name and registration number. The report~~  
4 ~~must be filed by January 30th of each year for which credit was claimed~~  
5 ~~during the previous year. Failure to file a report will not result in~~  
6 ~~the loss of eligibility under this section. However, the department,~~  
7 ~~through its research division, shall contact taxpayers who have not~~  
8 ~~filed the report and obtain the data from the taxpayer or assist the~~  
9 ~~taxpayer in the filing of the report, so that the data and information~~  
10 ~~necessary to measure the program's effectiveness is maintained.))~~

11 (9) As used in this section:

12 (a) "Information technology help desk services" means the following  
13 services performed using electronic and telephonic communication:

14 (i) Software and hardware maintenance;

15 (ii) Software and hardware diagnostics and troubleshooting;

16 (iii) Software and hardware installation;

17 (iv) Software and hardware repair;

18 (v) Software and hardware information and training; and

19 (vi) Software and hardware upgrade.

20 (b) "Rural county" means the same as in RCW 82.14.370.

21 (10) This section expires January 1, 2011.

22 **Sec. 21.** RCW 82.04.449 and 2006 c 112 s 5 are each amended to read  
23 as follows:

24 (1) In computing the tax imposed under this chapter, a credit is  
25 allowed for participants in the Washington customized employment  
26 training program created in RCW 28B.67.020. The credit allowed under  
27 this section is equal to fifty percent of the value of a participant's  
28 payments to the employment training finance account created in RCW  
29 28B.67.030. If a participant in the program does not meet the  
30 qualifications in RCW 28B.67.020(2)(b)(ii), the participant must remit  
31 to the department the value of any credits taken plus interest. The  
32 credit earned by a participant in one calendar year may be carried over  
33 to be credited against taxes incurred in a subsequent calendar year.  
34 No credit may be allowed for repayment of training allowances received  
35 from the Washington customized employment training program on or after  
36 July 1, 2016.

1       (2) A person claiming the credit provided in this section must file  
2 a complete annual survey with the department under section 2 of this  
3 act.

4       **Sec. 22.** RCW 82.08.805 and 2006 c 182 s 3 are each amended to read  
5 as follows:

6       (1) A person who has paid tax under RCW 82.08.020 for tangible  
7 personal property used at an aluminum smelter, tangible personal  
8 property that will be incorporated as an ingredient or component of  
9 buildings or other structures at an aluminum smelter, or for labor and  
10 services rendered with respect to such buildings, structures, or  
11 tangible personal property, is eligible for an exemption from the state  
12 share of the tax in the form of a credit, as provided in this section.  
13 A person claiming an exemption must pay the tax and may then take a  
14 credit equal to the state share of retail sales tax paid under RCW  
15 82.08.020. The person (~~shall~~) must submit information, in a form and  
16 manner prescribed by the department, specifying the amount of  
17 qualifying purchases or acquisitions for which the exemption is claimed  
18 and the amount of exempted tax.

19       (2) For the purposes of this section, "aluminum smelter" has the  
20 same meaning as provided in RCW 82.04.217.

21       (3) A person claiming the tax preference provided in this section  
22 must file a complete annual report with the department under section 3  
23 of this act.

24       (4) Credits may not be claimed under this section for taxable  
25 events occurring on or after January 1, 2012.

26       **Sec. 23.** RCW 82.08.965 and 2003 c 149 s 5 are each amended to read  
27 as follows:

28       (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to  
29 charges made for labor and services rendered in respect to the  
30 constructing of new buildings used for the manufacturing of  
31 semiconductor materials, to sales of tangible personal property that  
32 will be incorporated as an ingredient or component of such buildings  
33 during the course of the constructing, or to labor and services  
34 rendered in respect to installing, during the course of constructing,  
35 building fixtures not otherwise eligible for the exemption under RCW  
36 82.08.02565(2)(b). The exemption is available only when the buyer

1 provides the seller with an exemption certificate in a form and manner  
2 prescribed by the department. The seller (~~shall~~) must retain a copy  
3 of the certificate for the seller's files.

4 (2) To be eligible under this section the manufacturer or processor  
5 for hire must meet the following requirements for an eight-year period,  
6 such period beginning the day the new building commences commercial  
7 production, or a portion of tax otherwise due (~~shall~~) will be  
8 immediately due and payable pursuant to subsection (3) of this section:

9 (a) The manufacturer or processor for hire must maintain at least  
10 seventy-five percent of full employment at the new building for which  
11 the exemption under this section is claimed.

12 (b) Before commencing commercial production at a new facility the  
13 manufacturer or processor for hire must meet with the department to  
14 review projected employment levels in the new buildings. The  
15 department, using information provided by the taxpayer, (~~shall~~) must  
16 make a determination of the number of positions that would be filled at  
17 full employment. This number (~~shall~~) must be used throughout the  
18 eight-year period to determine whether any tax is to be repaid. This  
19 information is not subject to the confidentiality provisions of RCW  
20 82.32.330 and may be disclosed to the public upon request.

21 (c) In those situations where a production building in existence on  
22 the effective date of this section will be phased out of operation  
23 during which time employment at the new building at the same site is  
24 increased, the manufacturer or processor for hire (~~shall~~) must  
25 maintain seventy-five percent of full employment at the manufacturing  
26 site overall.

27 (d) No application is necessary for the tax exemption. The person  
28 is subject to all the requirements of chapter 82.32 RCW. A person  
29 (~~taking~~) claiming the exemption under this section must file a  
30 complete annual report (~~as required~~) with the department under (~~RCW~~  
31 ~~82.32.535~~) section 3 of this act.

32 (3) If the employment requirement is not met for any one calendar  
33 year, one-eighth of the exempt sales and use taxes (~~shall~~) will be  
34 due and payable by April 1st of the following year. The department  
35 (~~shall~~) must assess interest to the date the tax was imposed, but not  
36 penalties, on the taxes for which the person is not eligible.

37 (4) The exemption applies to new buildings, or parts of buildings,

1 that are used exclusively in the manufacturing of semiconductor  
2 materials, including the storage of raw materials and finished product.

3 (5) For the purposes of this section:

4 (a) "Commencement of commercial production" is deemed to have  
5 occurred when the equipment and process qualifications in the new  
6 building are completed and production for sale has begun; and

7 (b) "Full employment" is the number of positions required for full  
8 capacity production at the new building, for positions such as line  
9 workers, engineers, and technicians.

10 (c) "Semiconductor materials" has the same meaning as provided in  
11 RCW 82.04.240(2).

12 (6) No exemption may be taken after twelve years after the  
13 effective date of this act, however all of the eligibility criteria and  
14 limitations are applicable to any exemptions claimed before that date.

15 (7) This section expires twelve years after the effective date of  
16 this act.

17 **Sec. 24.** RCW 82.08.9651 and 2006 c 84 s 3 are each amended to read  
18 as follows:

19 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to  
20 sales of gases and chemicals used by a manufacturer or processor for  
21 hire in the production of semiconductor materials. This exemption is  
22 limited to gases and chemicals used in the production process to grow  
23 the product, deposit or grow permanent or sacrificial layers on the  
24 product, to etch or remove material from the product, to anneal the  
25 product, to immerse the product, to clean the product, and other such  
26 uses whereby the gases and chemicals come into direct contact with the  
27 product during the production process, or uses of gases and chemicals  
28 to clean the chambers and other like equipment in which such processing  
29 takes place. For the purposes of this section, "semiconductor  
30 materials" has the meaning provided in RCW 82.04.2404.

31 (2) A person (~~taking~~) claiming the exemption under this section  
32 must file a complete annual report with the department under (~~RCW~~  
33 ~~82.32.5351~~) section 3 of this act. No application is necessary for  
34 the tax exemption. The person is subject to all of the requirements of  
35 chapter 82.32 RCW.

36 (3) This section expires (~~twelve years after~~) December 1,  
37 (~~2006~~) 2018.

1       **Sec. 25.** RCW 82.08.970 and 2003 c 149 s 7 are each amended to read  
2 as follows:

3       (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to  
4 sales of gases and chemicals used by a manufacturer or processor for  
5 hire in the manufacturing of semiconductor materials. This exemption  
6 is limited to gases and chemicals used in the manufacturing process to  
7 grow the product, deposit or grow permanent or sacrificial layers on  
8 the product, to etch or remove material from the product, to anneal the  
9 product, to immerse the product, to clean the product, and other such  
10 uses whereby the gases and chemicals come into direct contact with the  
11 product during the manufacturing process, or uses of gases and  
12 chemicals to clean the chambers and other like equipment in which such  
13 processing takes place. For the purposes of this section,  
14 "semiconductor materials" has the same meaning as provided in RCW  
15 82.04.240(2).

16       (2) A person (~~taking~~) claiming the exemption under this section  
17 must file a complete annual report with the department under (~~RCW~~  
18 ~~82.32.535~~) section 3 of this act. No application is necessary for the  
19 tax exemption. The person is subject to all of the requirements of  
20 chapter 82.32 RCW.

21       (3) This section expires twelve years after the effective date of  
22 this act.

23       **Sec. 26.** RCW 82.08.980 and 2003 2nd sp.s. c 1 s 11 are each  
24 amended to read as follows:

25       (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to  
26 charges made for labor and services rendered in respect to the  
27 constructing of new buildings by a manufacturer engaged in the  
28 manufacturing of superefficient airplanes or by a port district, to be  
29 leased to a manufacturer engaged in the manufacturing of superefficient  
30 airplanes, to sales of tangible personal property that will be  
31 incorporated as an ingredient or component of such buildings during the  
32 course of the constructing, or to labor and services rendered in  
33 respect to installing, during the course of constructing, building  
34 fixtures not otherwise eligible for the exemption under RCW  
35 82.08.02565(2)(b). The exemption is available only when the buyer  
36 provides the seller with an exemption certificate in a form and manner

1 prescribed by the department. The seller (~~shall~~) must retain a copy  
2 of the certificate for the seller's files.

3 (2) No application is necessary for the tax exemption in this  
4 section, however in order to qualify under this section before starting  
5 construction the port district must have entered into an agreement with  
6 the manufacturer to build such a facility. A person (~~taking~~)  
7 claiming the exemption under this section is subject to all the  
8 requirements of chapter 82.32 RCW. In addition, the person must file  
9 a complete annual report (~~as required~~) with the department under  
10 (~~RCW 82.32.545~~) section 3 of this act.

11 (3) The exemption in this section applies to buildings, or parts of  
12 buildings, that are used exclusively in the manufacturing of  
13 superefficient airplanes, including buildings used for the storage of  
14 raw materials and finished product.

15 (4) For the purposes of this section, "superefficient airplane" has  
16 the meaning given in RCW 82.32.550.

17 (5) This section expires July 1, 2024.

18 **Sec. 27.** RCW 82.12.022 and 2006 c 182 s 5 are each amended to read  
19 as follows:

20 (1) (~~There is hereby levied and there shall be collected from~~) A  
21 use tax is levied on every person in this state (~~a use tax~~) for the  
22 privilege of using natural gas or manufactured gas within this state as  
23 a consumer.

24 (2) The tax (~~shall~~) must be levied and collected in an amount  
25 equal to the value of the article used by the taxpayer multiplied by  
26 the rate in effect for the public utility tax on gas distribution  
27 businesses under RCW 82.16.020. The "value of the article used" does  
28 not include any amounts that are paid for the hire or use of a gas  
29 distribution business as defined in RCW 82.16.010(7) in transporting  
30 the gas subject to tax under this subsection if those amounts are  
31 subject to tax under that chapter.

32 (3) The tax levied in this section (~~shall~~) does not apply to the  
33 use of natural or manufactured gas delivered to the consumer by other  
34 means than through a pipeline.

35 (4) The tax levied in this section (~~shall~~) does not apply to the  
36 use of natural or manufactured gas if the person who sold the gas to

1 the consumer has paid a tax under RCW 82.16.020 with respect to the gas  
2 for which exemption is sought under this subsection.

3 (5)(a) The tax levied in this section (~~shall~~) does not apply to  
4 the use of natural or manufactured gas by an aluminum smelter as that  
5 term is defined in RCW 82.04.217 before January 1, 2012.

6 (b) A person claiming the exemption provided in this subsection (5)  
7 must file a complete annual report with the department under section 3  
8 of this act.

9 (6) There (~~shall be~~) is a credit against the tax levied under  
10 this section in an amount equal to any tax paid by:

11 (a) The person who sold the gas to the consumer when that tax is a  
12 gross receipts tax similar to that imposed pursuant to RCW 82.16.020 by  
13 another state with respect to the gas for which a credit is sought  
14 under this subsection; or

15 (b) The person consuming the gas upon which a use tax similar to  
16 the tax imposed by this section was paid to another state with respect  
17 to the gas for which a credit is sought under this subsection.

18 (7) The use tax (~~hereby~~) imposed (~~shall~~) in this section must  
19 be paid by the consumer to the department.

20 (8) There is imposed a reporting requirement on the person who  
21 delivered the gas to the consumer to make a quarterly report to the  
22 department. Such report (~~shall~~) must contain the volume of gas  
23 delivered, name of the consumer to whom delivered, and such other  
24 information as the department (~~shall~~) may require by rule.

25 (9) The department may adopt rules under chapter 34.05 RCW for the  
26 administration and enforcement of sections 1 through 6, chapter 384,  
27 Laws of 1989.

28 **Sec. 28.** RCW 82.12.805 and 2006 c 182 s 4 are each amended to read  
29 as follows:

30 (1) A person who is subject to tax under RCW 82.12.020 for tangible  
31 personal property used at an aluminum smelter, or for tangible personal  
32 property that will be incorporated as an ingredient or component of  
33 buildings or other structures at an aluminum smelter, or for labor and  
34 services rendered with respect to such buildings, structures, or  
35 tangible personal property, is eligible for an exemption from the state  
36 share of the tax in the form of a credit, as provided in this section.  
37 The amount of the credit (~~shall be~~) equals (~~to~~) the state share of



1 use tax computed to be due under RCW 82.12.020. The person (~~shall~~)  
2 must submit information, in a form and manner prescribed by the  
3 department, specifying the amount of qualifying purchases or  
4 acquisitions for which the exemption is claimed and the amount of  
5 exempted tax.

6 (2) For the purposes of this section, "aluminum smelter" has the  
7 same meaning as provided in RCW 82.04.217.

8 (3) A person reporting under the tax rate provided in this section  
9 must file a complete annual report with the department under section 3  
10 of this act.

11 (4) Credits may not be claimed under this section for taxable  
12 events occurring on or after January 1, 2012.

13 **Sec. 29.** RCW 82.12.965 and 2003 c 149 s 6 are each amended to read  
14 as follows:

15 (1) The provisions of this chapter do not apply with respect to the  
16 use of tangible personal property that will be incorporated as an  
17 ingredient or component of new buildings used for the manufacturing of  
18 semiconductor materials during the course of constructing such  
19 buildings or to labor and services rendered in respect to installing,  
20 during the course of constructing, building fixtures not otherwise  
21 eligible for the exemption under RCW 82.08.02565(2)(b).

22 (2) The eligibility requirements, conditions, and definitions in  
23 RCW 82.08.965 apply to this section, including the filing of a complete  
24 annual report with the department under section 3 of this act.

25 (3) No exemption may be taken twelve years after the effective date  
26 of this act, however all of the eligibility criteria and limitations  
27 are applicable to any exemptions claimed before that date.

28 (4) This section expires twelve years after the effective date of  
29 this act.

30 **Sec. 30.** RCW 82.12.9651 and 2006 c 84 s 4 are each amended to read  
31 as follows:

32 (1) The provisions of this chapter do not apply with respect to the  
33 use of gases and chemicals used by a manufacturer or processor for hire  
34 in the production of semiconductor materials. This exemption is  
35 limited to gases and chemicals used in the production process to grow  
36 the product, deposit or grow permanent or sacrificial layers on the

1 product, to etch or remove material from the product, to anneal the  
2 product, to immerse the product, to clean the product, and other such  
3 uses whereby the gases and chemicals come into direct contact with the  
4 product during the production process, or uses of gases and chemicals  
5 to clean the chambers and other like equipment in which such processing  
6 takes place. For purposes of this section, "semiconductor materials"  
7 has the meaning provided in RCW 82.04.2404.

8 (2) A person (~~(taking)~~) claiming the exemption under this section  
9 must file a complete annual report with the department under (~~(RCW~~  
10 ~~82.32.5351)~~) section 3 of this act. No application is necessary for  
11 the tax exemption. The person is subject to all of the requirements of  
12 chapter 82.32 RCW.

13 (3) This section expires (~~(twelve years after)~~) December 1,  
14 (~~(2006)~~) 2018.

15 **Sec. 31.** RCW 82.12.970 and 2003 c 149 s 8 are each amended to read  
16 as follows:

17 (1) The provisions of this chapter do not apply with respect to the  
18 use of gases and chemicals used by a manufacturer or processor for hire  
19 in the manufacturing of semiconductor materials. This exemption is  
20 limited to gases and chemicals used in the manufacturing process to  
21 grow the product, deposit or grow permanent or sacrificial layers on  
22 the product, to etch or remove material from the product, to anneal the  
23 product, to immerse the product, to clean the product, and other such  
24 uses whereby the gases and chemicals come into direct contact with the  
25 product during the manufacturing process, or uses of gases and  
26 chemicals to clean the chambers and other like equipment in which such  
27 processing takes place. For purposes of this section, "semiconductor  
28 materials" has the same meaning as provided in RCW 82.04.240(2).

29 (2) A person (~~(taking)~~) claiming the exemption under this section  
30 must file a complete annual report with the department under (~~(RCW~~  
31 ~~82.32.535)~~) section 3 of this act. No application is necessary for the  
32 tax exemption. The person is subject to all of the requirements of  
33 chapter 82.32 RCW.

34 (3) This section expires twelve years after the effective date of  
35 this act.

1           **Sec. 32.** RCW 82.12.980 and 2003 2nd sp.s. c 1 s 12 are each  
2 amended to read as follows:

3           (1) The provisions of this chapter do not apply with respect to the  
4 use of tangible personal property that will be incorporated as an  
5 ingredient or component of new buildings by a manufacturer engaged in  
6 the manufacturing of superefficient airplanes or owned by a port  
7 district and to be leased to a manufacturer engaged in the  
8 manufacturing of superefficient airplanes, during the course of  
9 constructing such buildings, or to labor and services rendered in  
10 respect to installing, during the course of constructing, building  
11 fixtures not otherwise eligible for the exemption under RCW  
12 82.08.02565(2)(b).

13           (2) The eligibility requirements, conditions, and definitions in  
14 RCW 82.08.980 apply to this section, including the filing of a complete  
15 annual report with the department under section 3 of this act.

16           (3) This section expires July 1, 2024.

17           **Sec. 33.** RCW 82.16.0421 and 2004 c 240 s 1 are each amended to  
18 read as follows:

19           (1) For the purposes of this section:

20           (a) "Chlor-alkali electrolytic processing business" means a person  
21 who is engaged in a business that uses more than ten average megawatts  
22 of electricity per month in a chlor-alkali electrolytic process to  
23 split the electrochemical bonds of sodium chloride and water to make  
24 chlorine and sodium hydroxide. A "chlor-alkali electrolytic processing  
25 business" does not include direct service industrial customers or their  
26 subsidiaries that contract for the purchase of power from the  
27 Bonneville power administration as of June 10, 2004.

28           (b) "Sodium chlorate electrolytic processing business" means a  
29 person who is engaged in a business that uses more than ten average  
30 megawatts of electricity per month in a sodium chlorate electrolytic  
31 process to split the electrochemical bonds of sodium chloride and water  
32 to make sodium chlorate and hydrogen. A "sodium chlorate electrolytic  
33 processing business" does not include direct service industrial  
34 customers or their subsidiaries that contract for the purchase of power  
35 from the Bonneville power administration as of June 10, 2004.

36           (2) Effective July 1, 2004, the tax levied under this chapter does  
37 not apply to sales of electricity made by a light and power business to

1 a chlor-alkali electrolytic processing business or a sodium chlorate  
2 electrolytic processing business for the electrolytic process if the  
3 contract for sale of electricity to the business contains the following  
4 terms:

5 (a) The electricity to be used in the electrolytic process is  
6 separately metered from the electricity used for general operations of  
7 the business;

8 (b) The price charged for the electricity used in the electrolytic  
9 process will be reduced by an amount equal to the tax exemption  
10 available to the light and power business under this section; and

11 (c) Disallowance of all or part of the exemption under this section  
12 is a breach of contract and the damages to be paid by the chlor-alkali  
13 electrolytic processing business or the sodium chlorate electrolytic  
14 processing business are the amount of the tax exemption disallowed.

15 (3) The exemption provided for in this section does not apply to  
16 amounts received from the remarketing or resale of electricity  
17 originally obtained by contract for the electrolytic process.

18 (4) In order to claim an exemption under this section, the chlor-  
19 alkali electrolytic processing business or the sodium chlorate  
20 electrolytic processing business must provide the light and power  
21 business with an exemption certificate in a form and manner prescribed  
22 by the department.

23 (5) A person receiving the benefit of the exemption provided in  
24 this section must file a complete annual report with the department  
25 under section 3 of this act.

26 (6)(a) This section does not apply to sales of electricity made  
27 after December 31, 2010.

28 (b) This section expires June 30, 2011.

29 **Sec. 34.** RCW 82.29A.137 and 2003 2nd sp.s. c 1 s 13 are each  
30 amended to read as follows:

31 (1) All leasehold interests in port district facilities exempt from  
32 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged  
33 in the manufacturing of superefficient airplanes, as defined in RCW  
34 82.32.550, are exempt from tax under this chapter. A person (~~taking~~)  
35 claiming the credit under RCW 82.04.4463 is not eligible for the  
36 exemption under this section.

1 (2) In addition to all other requirements under this title, a  
2 person (~~taking~~) claiming the exemption under this section must file  
3 a complete annual report (~~as required~~) with the department under  
4 (~~RCW 82.32.545~~) section 3 of this act.

5 (3) This section expires July 1, 2024.

6 **Sec. 35.** RCW 82.32.590 and 2008 c 81 s 13 and 2008 c 15 s 7 are  
7 each reenacted and amended to read as follows:

8 (1) If the department finds that the failure of a taxpayer to file  
9 an annual survey under section 2 of this act or annual report under  
10 (~~RCW 82.04.4452, 82.32.5351, 82.32.650, 82.32.630, 82.32.610,~~  
11 ~~82.82.020, or 82.74.040~~) section 3 of this act by the due date was the  
12 result of circumstances beyond the control of the taxpayer, the  
13 department (~~shall~~) must extend the time for filing the survey or  
14 report. Such extension (~~shall~~) must be for a period of thirty days  
15 from the date the department issues its written notification to the  
16 taxpayer that it qualifies for an extension under this section. The  
17 department may grant additional extensions as it deems proper.

18 (2) In making a determination whether the failure of a taxpayer to  
19 file an annual survey or annual report by the due date was the result  
20 of circumstances beyond the control of the taxpayer, the department  
21 (~~shall~~) must be guided by rules adopted by the department for the  
22 waiver or cancellation of penalties when the underpayment or untimely  
23 payment of any tax was due to circumstances beyond the control of the  
24 taxpayer.

25 **Sec. 36.** RCW 82.32.600 and 2008 c 81 s 14 and 2008 c 15 s 8 are  
26 each reenacted and amended to read as follows:

27 (1) Persons required to file annual surveys or annual reports under  
28 (~~RCW 82.04.4452, 82.32.5351, 82.32.545, 82.32.610, 82.32.630,~~  
29 ~~82.82.020, or 82.74.040~~) section 2 or 3 of this act must  
30 electronically file with the department all surveys, reports, returns,  
31 and any other forms or information the department requires in an  
32 electronic format as provided or approved by the department. As used  
33 in this section, "returns" has the same meaning as "return" in RCW  
34 82.32.050.

35 (2) Any survey, report, return, or any other form or information

1 required to be filed in an electronic format under subsection (1) of  
2 this section is not filed until received by the department in an  
3 electronic format.

4 (3) The department may waive the electronic filing requirement in  
5 subsection (1) of this section for good cause shown.

6 **Sec. 37.** RCW 82.60.020 and 2006 c 142 s 1 are each amended to read  
7 as follows:

8 Unless the context clearly requires otherwise, the definitions in  
9 this section apply throughout this chapter.

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

12 (2) "Department" means the department of revenue.

13 (3) "Eligible area" means a rural county as defined in RCW  
14 82.14.370.

15 (4)(a) "Eligible investment project" means an investment project in  
16 an eligible area as defined in subsection (3) of this section.

17 (b) The lessor or owner of a qualified building is not eligible for  
18 a deferral unless:

19 (i) The underlying ownership of the buildings, machinery, and  
20 equipment vests exclusively in the same person; or

21 (ii)(A) The lessor by written contract agrees to pass the economic  
22 benefit of the deferral to the lessee;

23 (B) The lessee that receives the economic benefit of the deferral  
24 agrees in writing with the department to complete the annual survey  
25 required under RCW 82.60.070; and

26 (C) The economic benefit of the deferral passed to the lessee is no  
27 less than the amount of tax deferred by the lessor and is evidenced by  
28 written documentation of any type of payment, credit, or other  
29 financial arrangement between the lessor or owner of the qualified  
30 building and the lessee.

31 (c) "Eligible investment project" does not include any portion of  
32 an investment project undertaken by a light and power business as  
33 defined in RCW 82.16.010(5), other than that portion of a cogeneration  
34 project that is used to generate power for consumption within the  
35 manufacturing site of which the cogeneration project is an integral  
36 part, or investment projects which have already received deferrals  
37 under this chapter.

1           (5) "Initiation of construction" has the same meaning as in RCW  
2 82.63.010.

3           (6) "Investment project" means an investment in qualified buildings  
4 or qualified machinery and equipment, including labor and services  
5 rendered in the planning, installation, and construction of the  
6 project.

7           (~~(6)~~) (7) "Manufacturing" means the same as defined in RCW  
8 82.04.120. "Manufacturing" also includes computer programming, the  
9 production of computer software, and other computer-related services,  
10 the activities performed by research and development laboratories and  
11 commercial testing laboratories, and the conditioning of vegetable  
12 seeds.

13           (~~(7)~~) (8) "Person" has the meaning given in RCW 82.04.030.

14           (~~(8)~~) (9) "Qualified buildings" means construction of new  
15 structures, and expansion or renovation of existing structures for the  
16 purpose of increasing floor space or production capacity used for  
17 manufacturing and research and development activities, including plant  
18 offices and warehouses or other facilities for the storage of raw  
19 material or finished goods if such facilities are an essential or an  
20 integral part of a factory, mill, plant, or laboratory used for  
21 manufacturing or research and development. If a building is used  
22 partly for manufacturing or research and development and partly for  
23 other purposes, the applicable tax deferral (~~(shall)~~) must be  
24 determined by apportionment of the costs of construction under rules  
25 adopted by the department.

26           (~~(9)~~) (10) "Qualified employment position" means a permanent  
27 full-time employee employed in the eligible investment project during  
28 the entire tax year. The term "entire tax year" means a full-time  
29 position that is filled for a period of twelve consecutive months. The  
30 term "full-time" means at least thirty-five hours a week, four hundred  
31 fifty-five hours a quarter, or one thousand eight hundred twenty hours  
32 a year.

33           (~~(10)~~) (11) "Qualified machinery and equipment" means all new  
34 industrial and research fixtures, equipment, and support facilities  
35 that are an integral and necessary part of a manufacturing or research  
36 and development operation. "Qualified machinery and equipment"  
37 includes: Computers; software; data processing equipment; laboratory

1 equipment; manufacturing components such as belts, pulleys, shafts, and  
2 moving parts; molds, tools, and dies; operating structures; and all  
3 equipment used to control or operate the machinery.

4 ~~((11))~~ (12) "Recipient" means a person receiving a tax deferral  
5 under this chapter.

6 ~~((12))~~ (13) "Research and development" means the development,  
7 refinement, testing, marketing, and commercialization of a product,  
8 service, or process before commercial sales have begun. As used in  
9 this subsection, "commercial sales" excludes sales of prototypes or  
10 sales for market testing if the total gross receipts from such sales of  
11 the product, service, or process do not exceed one million dollars.

12 **Sec. 38.** RCW 82.60.070 and 2004 c 25 s 7 are each amended to read  
13 as follows:

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

18 ~~(b))~~ Each recipient of a deferral of taxes granted under this  
19 chapter ~~((after June 30, 1994, shall))~~ must file a complete ~~((an))~~  
20 annual survey with the department under section 2 of this act. If the  
21 economic benefits of the deferral are passed to a lessee as provided in  
22 RCW 82.60.020(4), the lessee ~~((shall agree to))~~ must file a complete  
23 ~~((the))~~ annual survey, and the applicant is not required to file a  
24 complete ~~((the))~~ annual survey. ~~((The survey is due by March 31st of  
25 the year following the calendar year in which the investment project is  
26 certified by the department as having been operationally complete and  
27 the seven succeeding calendar years. The survey shall include the  
28 amount of tax deferred, the number of new products or research projects  
29 by general classification, and the number of trademarks, patents, and  
30 copyrights associated with activities at the investment project. The  
31 survey shall also include the following information for employment  
32 positions in Washington:~~

33 ~~(i) The number of total employment positions;~~

34 ~~(ii) Full-time, part-time, and temporary employment positions as a  
35 percent of total employment;~~

36 ~~(iii) The number of employment positions according to the following  
37 wage bands: Less than thirty thousand dollars; thirty thousand dollars~~



1 or greater, but less than sixty thousand dollars; and sixty thousand  
2 dollars or greater. A wage band containing fewer than three  
3 individuals may be combined with another wage band; and

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

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

9 (d) All information collected under this subsection, except the  
10 amount of the tax deferral taken, is deemed taxpayer information under  
11 RCW 82.32.330 and is not disclosable. Information on the amount of tax  
12 deferral taken is not subject to the confidentiality provisions of RCW  
13 82.32.330 and may be disclosed to the public upon request.

14 (e) The department shall use the information from this section to  
15 prepare summary descriptive statistics by category. No fewer than  
16 three taxpayers shall be included in any category. The department  
17 shall report these statistics to the legislature each year by September  
18 1st.

19 (f)) (b) The department ((shall also)) must use the information  
20 reported on the annual survey required by this section to study the tax  
21 deferral program authorized under this chapter. The department  
22 ((shall)) must report to the legislature by December 1, 2009. The  
23 report ((shall)) must measure the effect of the program on job  
24 creation, the number of jobs created for residents of eligible areas,  
25 company growth, the introduction of new products, the diversification  
26 of the state's economy, growth in research and development investment,  
27 the movement of firms or the consolidation of firms' operations into  
28 the state, and such other factors as the department selects.

29 (2)((a)) If, on the basis of a survey under ((this)) section 2 of  
30 this act or other information, the department finds that an investment  
31 project is not eligible for tax deferral under this chapter, the amount  
32 of deferred taxes outstanding for the project ((shall be)) is  
33 immediately due.

34 ((b) If a recipient of the deferral fails to complete the annual  
35 survey required under subsection (1) of this section by the date due,  
36 twelve and one half percent of the deferred tax shall be immediately  
37 due. If the economic benefits of the deferral are passed to a lessee

1 as provided in RCW 82.60.020(4), the lessee shall be responsible for  
2 payment to the extent the lessee has received the economic benefit.))

3 (3) (~~Notwithstanding any other subsection of this section,~~  
4 ~~deferred taxes need not be repaid on machinery and equipment for lumber~~  
5 ~~and wood products industries, and sales of or charges made for labor~~  
6 ~~and services, of the type which qualifies for exemption under RCW~~  
7 ~~82.08.02565 or 82.12.02565 to the extent the taxes have not been repaid~~  
8 ~~before July 1, 1995)) A recipient who must repay deferred taxes under  
9 subsection (2) of this section because the department has found that an  
10 investment project is not eligible for tax deferral under this chapter  
11 is no longer required to file annual surveys under section 2 of this  
12 act beginning on the date an investment project is used for  
13 nonqualifying purposes.~~

14 (4) Notwithstanding any other ((~~subsection~~)) provision of this  
15 section or section 2 of this act, deferred taxes on the following need  
16 not be repaid:

17 (a) Machinery and equipment, and sales of or charges made for labor  
18 and services, which at the time of purchase would have qualified for  
19 exemption under RCW 82.08.02565; and

20 (b) Machinery and equipment which at the time of first use would  
21 have qualified for exemption under RCW 82.12.02565.

22 **Sec. 39.** RCW 82.63.020 and 2004 c 2 s 4 are each amended to read  
23 as follows:

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

36 (2) ((~~(a) The legislature finds that accountability and~~

1 ~~effectiveness are important aspects of setting tax policy. In order to~~  
2 ~~make policy choices regarding the best use of limited state resources~~  
3 ~~the legislature needs information on how a tax incentive is used.~~

4 ~~(b) Applicants for))~~ Each recipient of a deferral of taxes under  
5 ~~this chapter ((shall agree to))~~ must file a complete ((an)) annual  
6 ~~survey with the department under section 2 of this act.~~ If the  
7 economic benefits of the deferral are passed to a lessee as provided in  
8 RCW 82.63.010(7), the lessee ~~((shall agree to))~~ must file a complete  
9 ~~((the))~~ annual survey, and the applicant is not required to  
10 ~~((complete))~~ file the annual survey. ~~((The survey is due by March 31st~~  
11 ~~of the year following the calendar year in which the investment project~~  
12 ~~is certified by the department as having been operationally complete~~  
13 ~~and the seven succeeding calendar years. The survey shall include the~~  
14 ~~amount of tax deferred, the number of new products or research projects~~  
15 ~~by general classification, and the number of trademarks, patents, and~~  
16 ~~copyrights associated with activities at the investment project. The~~  
17 ~~survey shall also include the following information for employment~~  
18 ~~positions in Washington:~~

19 ~~(i) The number of total employment positions;~~

20 ~~(ii) Full-time, part-time, and temporary employment positions as a~~  
21 ~~percent of total employment;~~

22 ~~(iii) The number of employment positions according to the following~~  
23 ~~wage bands: Less than thirty thousand dollars; thirty thousand dollars~~  
24 ~~or greater, but less than sixty thousand dollars; and sixty thousand~~  
25 ~~dollars or greater. A wage band containing fewer than three~~  
26 ~~individuals may be combined with another wage band; and~~

27 ~~(iv) The number of employment positions that have employer-provided~~  
28 ~~medical, dental, and retirement benefits, by each of the wage bands.~~

29 ~~(c) The department may request additional information necessary to~~  
30 ~~measure the results of the deferral program, to be submitted at the~~  
31 ~~same time as the survey.~~

32 ~~(d) All information collected under this subsection, except the~~  
33 ~~amount of the tax deferral taken, is deemed taxpayer information under~~  
34 ~~RCW 82.32.330 and is not disclosable. Information on the amount of tax~~  
35 ~~deferral taken is not subject to the confidentiality provisions of RCW~~  
36 ~~82.32.330 and may be disclosed to the public upon request.~~

37 ~~(3) The department shall use the information from this section to~~  
38 ~~prepare summary descriptive statistics by category. No fewer than~~

1 ~~three taxpayers shall be included in any category. The department~~  
2 ~~shall report these statistics to the legislature each year by September~~  
3 ~~1st.~~

4 ~~(4))~~ (3) The department (~~shall~~) must use the information  
5 reported on the annual survey required by this section to study the tax  
6 deferral program authorized under this chapter. The department  
7 (~~shall~~) must report to the legislature by December 1, 2009, and  
8 December 1, 2013. The reports (~~shall~~) must measure the effect of the  
9 program on job creation, the number of jobs created for Washington  
10 residents, company growth, the introduction of new products, the  
11 diversification of the state's economy, growth in research and  
12 development investment, the movement of firms or the consolidation of  
13 firms' operations into the state, and such other factors as the  
14 department selects.

15 (4) A recipient who must repay deferred taxes under RCW 82.63.045  
16 because the department has found that an investment project is used for  
17 purposes other than research and development performed within this  
18 state in the fields of advanced computing, advanced materials,  
19 biotechnology, electronic device technology, and environmental  
20 technology is no longer required to file annual surveys under section  
21 2 of this act beginning on the date an investment project is used for  
22 nonqualifying purposes.

23 **Sec. 40.** RCW 82.63.045 and 2004 c 2 s 6 are each amended to read  
24 as follows:

25 (1) Except as provided in subsection (2) of this section and  
26 section 2 of this act, taxes deferred under this chapter need not be  
27 repaid.

28 (2)(a) If, on the basis of the survey under (~~RCW 82.63.020~~)  
29 section 2 of this act or other information, the department finds that  
30 an investment project is used for purposes other than qualified  
31 research and development or pilot scale manufacturing at any time  
32 during the calendar year in which the investment project is certified  
33 by the department as having been operationally completed, or at any  
34 time during any of the seven succeeding calendar years, a portion of  
35 deferred taxes (~~shall be~~) is immediately due according to the  
36 following schedule:

	Year in which use occurs	% of deferred taxes due
1		
2	1	100%
3	2	87.5%
4	3	75%
5	4	62.5%
6	5	50%
7	6	37.5%
8	7	25%
9	8	12.5%

10 ~~(b) ((If a recipient of the deferral fails to complete the annual~~  
11 ~~survey required under RCW 82.63.020 by the date due, 12.5 percent of~~  
12 ~~the deferred tax shall be immediately due. If the economic benefits of~~  
13 ~~the deferral are passed to a lessee as provided in RCW 82.63.010(7),~~  
14 ~~the lessee shall be responsible for payment to the extent the lessee~~  
15 ~~has received the economic benefit.~~

16 ~~(c) If an investment project is used for purposes other than~~  
17 ~~qualified research and development or pilot scale manufacturing at any~~  
18 ~~time during the calendar year in which the investment project is~~  
19 ~~certified as having been operationally complete and the recipient of~~  
20 ~~the deferral fails to complete the annual survey due under RCW~~  
21 ~~82.63.020, the portion of deferred taxes immediately due is the amount~~  
22 ~~on the schedule in (a) of this subsection.))~~ If the economic benefits  
23 of the deferral are passed to a lessee as provided in RCW 82.63.010(7),  
24 the lessee ~~((shall be))~~ is responsible for payment to the extent the  
25 lessee has received the economic benefit.

26 (3) The department ~~((shall))~~ must assess interest at the rate  
27 provided for delinquent taxes, but not penalties, retroactively to the  
28 date of deferral. The debt for deferred taxes will not be extinguished  
29 by insolvency or other failure of the recipient. Transfer of ownership  
30 does not terminate the deferral. The deferral is transferred, subject  
31 to the successor meeting the eligibility requirements of this chapter,  
32 for the remaining periods of the deferral.

33 (4) Notwithstanding subsection (2) of this section or section 2 of  
34 this act, deferred taxes on the following need not be repaid:

35 (a) Machinery and equipment, and sales of or charges made for labor

1 and services, which at the time of purchase would have qualified for  
2 exemption under RCW 82.08.02565; and

3 (b) Machinery and equipment which at the time of first use would  
4 have qualified for exemption under RCW 82.12.02565.

5 **Sec. 41.** RCW 82.74.040 and 2006 c 354 s 8 are each amended to read  
6 as follows:

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

11 ~~(b))~~ Each recipient of a deferral of taxes granted under this  
12 chapter ~~((shall))~~ must file a complete ~~((an))~~ annual survey with the  
13 department under section 2 of this act. If the economic benefits of  
14 the deferral are passed to a lessee as provided in RCW 82.74.010(6),  
15 the lessee ~~((shall))~~ must file a complete ~~((the))~~ annual survey, and  
16 the applicant is not required to ~~((complete))~~ file the annual survey.  
17 ~~((The survey is due by March 31st of the year following the calendar~~  
18 ~~year in which the investment project is certified by the department as~~  
19 ~~having been operationally complete and each of the seven succeeding~~  
20 ~~calendar years. The department may extend the due date for timely~~  
21 ~~filing of annual surveys under this section as provided in RCW~~  
22 ~~82.32.590. The survey shall include the amount of tax deferred. The~~  
23 ~~survey shall also include the following information for employment~~  
24 ~~positions in Washington:~~

25 ~~(i) The number of total employment positions;~~

26 ~~(ii) Full-time, part-time, and temporary employment positions as a~~  
27 ~~percent of total employment;~~

28 ~~(iii) The number of employment positions according to the following~~  
29 ~~wage bands: Less than thirty thousand dollars; thirty thousand dollars~~  
30 ~~or greater, but less than sixty thousand dollars; and sixty thousand~~  
31 ~~dollars or greater. A wage band containing fewer than three~~  
32 ~~individuals may be combined with another wage band; and~~

33 ~~(iv) The number of employment positions that have employer-provided~~  
34 ~~medical, dental, and retirement benefits, by each of the wage bands.~~

35 ~~(c) The department may request additional information necessary to~~  
36 ~~measure the results of the deferral program, to be submitted at the~~  
37 ~~same time as the survey.~~

1       ~~(d) All information collected under this subsection, except the~~  
2 ~~amount of the tax deferral taken, is deemed taxpayer information under~~  
3 ~~RCW 82.32.330. Information on the amount of tax deferral taken is not~~  
4 ~~subject to the confidentiality provisions of RCW 82.32.330 and may be~~  
5 ~~disclosed to the public upon request.~~

6       ~~(e) The department shall use the information from this section to~~  
7 ~~prepare summary descriptive statistics by category. No fewer than~~  
8 ~~three taxpayers shall be included in any category. The department~~  
9 ~~shall report these statistics to the legislature each year by September~~  
10 ~~1st.~~

11       ~~(f) The department shall also use the information to study the tax~~  
12 ~~deferral program authorized under this chapter. The department shall~~  
13 ~~report to the legislature by December 1, 2011. The report shall~~  
14 ~~measure the effect of the program on job creation, company growth, the~~  
15 ~~introduction of new products, the diversification of the state's~~  
16 ~~economy, growth in research and development investment, the movement of~~  
17 ~~firms or the consolidation of firms' operations into the state, and~~  
18 ~~such other factors as the department selects.~~

19       ~~(2)(a) If a recipient of the deferral fails to complete the annual~~  
20 ~~survey required under subsection (1) of this section by the date due or~~  
21 ~~any extension under RCW 82.32.590, twelve and one half percent of the~~  
22 ~~deferred tax shall be immediately due. If the economic benefits of the~~  
23 ~~deferral are passed to a lessee as provided in RCW 82.74.010(6), the~~  
24 ~~lessee shall be responsible for payment to the extent the lessee has~~  
25 ~~received the economic benefit. The department shall assess interest,~~  
26 ~~but not penalties, on the amounts due under this section. The interest~~  
27 ~~shall be assessed at the rate provided for delinquent taxes under~~  
28 ~~chapter 82.32 RCW, and shall accrue until the amounts due are repaid.~~

29       ~~(b))~~ (2) A recipient who must repay deferred taxes under RCW  
30 82.74.050(2) because the department has found that an investment  
31 project is used for purposes other than fresh fruit and vegetable  
32 processing, dairy product manufacturing, seafood product manufacturing,  
33 cold storage warehousing, or research and development is no longer  
34 required to file annual surveys under ~~((this))~~ section 2 of this act  
35 beginning on the date an investment project is used for nonqualifying  
36 purposes.

1       **Sec. 42.** RCW 82.74.050 and 2006 c 354 s 9 are each amended to read  
2 as follows:

3       (1) Except as provided in subsection (2) of this section and  
4 section 2 of this act, taxes deferred under this chapter need not be  
5 repaid.

6       (2)(a) If, on the basis of the survey under ((~~RCW 82.74.040~~))  
7 section 2 of this act or other information, the department finds that  
8 an investment project is used for purposes other than fresh fruit and  
9 vegetable processing, dairy product manufacturing, seafood product  
10 manufacturing, cold storage warehousing, or research and development at  
11 any time during the calendar year in which the investment project is  
12 certified by the department as having been operationally completed, or  
13 at any time during any of the seven succeeding calendar years, a  
14 portion of deferred taxes ((~~shall be~~)) is immediately due according to  
15 the following schedule:

16	Year in which nonqualifying use occurs	% of deferred taxes due
17	1	100%
18	2	87.5%
19	3	75%
20	4	62.5%
21	5	50%
22	6	37.5%
23	7	25%
24	8	12.5%

25       **(b) If the economic benefits of the deferral are passed to a lessee**  
26 **as provided in RCW 82.74.010(6), the lessee is responsible for payment**  
27 **to the extent the lessee has received the economic benefit.**

28       (3) The department ((~~shall~~)) must assess interest, but not  
29 penalties, on the deferred taxes under subsection (2) of this section.  
30 The interest ((~~shall~~)) must be assessed at the rate provided for  
31 delinquent taxes under chapter 82.32 RCW, retroactively to the date of  
32 deferral, and ((~~shall~~)) will accrue until the deferred taxes are  
33 repaid. The debt for deferred taxes will not be extinguished by  
34 insolvency or other failure of the recipient. Transfer of ownership  
35 does not terminate the deferral. The deferral is transferred, subject



1 to the successor meeting the eligibility requirements of this chapter,  
2 for the remaining periods of the deferral.

3 (4) Notwithstanding subsection (2) of this section or section 2 of  
4 this act, deferred taxes on the following need not be repaid:

5 (a) Machinery and equipment, and sales of or charges made for labor  
6 and services, which at the time of purchase would have qualified for  
7 exemption under RCW 82.08.02565; and

8 (b) Machinery and equipment which at the time of first use would  
9 have qualified for exemption under RCW 82.12.02565.

10 NEW SECTION. **Sec. 43.** A new section is added to chapter 82.75 RCW  
11 to read as follows:

12 (1) Each recipient of a deferral of taxes granted under this  
13 chapter must file a complete annual survey with the department under  
14 section 2 of this act. If the economic benefits of the deferral are  
15 passed to a lessee as provided in RCW 82.75.010(5), the lessee must  
16 file a complete annual survey, and the applicant is not required to  
17 file the annual survey.

18 (2) A recipient who must repay deferred taxes under RCW  
19 82.75.040(2) because the department has found that an investment  
20 project is used for purposes other than qualified biotechnology product  
21 manufacturing or medical device manufacturing activities is no longer  
22 required to file annual surveys under section 2 of this act beginning  
23 on the date an investment project is used for nonqualifying purposes.

24 **Sec. 44.** RCW 82.75.010 and 2006 c 178 s 2 are each amended to read  
25 as follows:

26 Unless the context clearly requires otherwise, the definitions in  
27 this section apply throughout this chapter.

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

30 (2) "Biotechnology" means a technology based on the science of  
31 biology, microbiology, molecular biology, cellular biology,  
32 biochemistry, or biophysics, or any combination of these, and includes,  
33 but is not limited to, recombinant DNA techniques, genetics and genetic  
34 engineering, cell fusion techniques, and new bioprocesses, using living  
35 organisms, or parts of organisms.

1 (3) "Biotechnology product" means any virus, therapeutic serum,  
2 antibody, protein, toxin, antitoxin, vaccine, blood, blood component or  
3 derivative, allergenic product, or analogous product produced through  
4 the application of biotechnology that is used in the prevention,  
5 treatment, or cure of diseases or injuries to humans.

6 (4) "Department" means the department of revenue.

7 (5)(a) "Eligible investment project" means an investment in  
8 qualified buildings or qualified machinery and equipment, including  
9 labor and services rendered in the planning, installation, and  
10 construction of the project.

11 (b) The lessor or owner of a qualified building is not eligible for  
12 a deferral unless:

13 (i) The underlying ownership of the buildings, machinery, and  
14 equipment vests exclusively in the same person; or

15 (ii)(A) The lessor by written contract agrees to pass the economic  
16 benefit of the deferral to the lessee;

17 (B) The lessee that receives the economic benefit of the deferral  
18 agrees in writing with the department to complete the annual survey  
19 required under (~~RCW 82.32.645~~) section 43 of this act; and

20 (C) The economic benefit of the deferral passed to the lessee is no  
21 less than the amount of tax deferred by the lessor and is evidenced by  
22 written documentation of any type of payment, credit, or other  
23 financial arrangement between the lessor or owner of the qualified  
24 building and the lessee.

25 (6)(a) "Initiation of construction" means the date that a building  
26 permit is issued under the building code adopted under RCW 19.27.031  
27 for:

28 (i) Construction of the qualified building, if the underlying  
29 ownership of the building vests exclusively with the person receiving  
30 the economic benefit of the deferral;

31 (ii) Construction of the qualified building, if the economic  
32 benefits of the deferral are passed to a lessee as provided in  
33 subsection (5)(b)(ii)(A) of this section; or

34 (iii) Tenant improvements for a qualified building, if the economic  
35 benefits of the deferral are passed to a lessee as provided in  
36 subsection (5)(b)(ii)(A) of this section.

37 (b) "Initiation of construction" does not include soil testing,

1 site clearing and grading, site preparation, or any other related  
2 activities that are initiated before the issuance of a building permit  
3 for the construction of the foundation of the building.

4 (c) If the investment project is a phased project, "initiation of  
5 construction" (~~shall apply~~) applies separately to each phase.

6 (7) "Manufacturing" has the meaning provided in RCW 82.04.120.

7 (8) "Medical device" means an instrument, apparatus, implement,  
8 machine, contrivance, implant, in vitro reagent, or other similar or  
9 related article, including any component, part, or accessory, that is  
10 designed or developed and:

11 (a) Recognized in the national formulary, or the United States  
12 pharmacopeia, or any supplement to them;

13 (b) Intended for use in the diagnosis of disease, or in the cure,  
14 mitigation, treatment, or prevention of disease or other conditions in  
15 human beings or other animals; or

16 (c) Intended to affect the structure or any function of the body of  
17 man or other animals, and which does not achieve any of its primary  
18 intended purposes through chemical action within or on the body of man  
19 or other animals and which is not dependent upon being metabolized for  
20 the achievement of any of its principal intended purposes.

21 (9) "Person" has the meaning provided in RCW 82.04.030.

22 (10) "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 biotechnology  
25 product manufacturing or medical device manufacturing activities,  
26 including plant offices, commercial laboratories for process  
27 development, quality assurance and quality control, and warehouses or  
28 other facilities for the storage of raw material or finished goods if  
29 the facilities are an essential or an integral part of a factory,  
30 plant, or laboratory used for biotechnology product manufacturing or  
31 medical device manufacturing. If a building is used partly for  
32 biotechnology product manufacturing or medical device manufacturing and  
33 partly for other purposes, the applicable tax deferral (~~shall~~) must  
34 be determined by apportionment of the costs of construction under rules  
35 adopted by the department.

36 (11) "Qualified machinery and equipment" means all new industrial  
37 and research fixtures, equipment, and support facilities that are an  
38 integral and necessary part of a biotechnology product manufacturing or

1 medical device manufacturing operation. "Qualified machinery and  
2 equipment" includes: Computers; software; data processing equipment;  
3 laboratory equipment; manufacturing components such as belts, pulleys,  
4 shafts, and moving parts; molds, tools, and dies; operating structures;  
5 and all equipment used to control or operate the machinery.

6 (12) "Recipient" means a person receiving a tax deferral under this  
7 chapter.

8 **Sec. 45.** RCW 82.75.020 and 2006 c 178 s 3 are each amended to read  
9 as follows:

10 Application for deferral of taxes under this chapter must be made  
11 (~~and approved~~) before initiation of the construction of the  
12 investment project or acquisition of equipment or machinery. The  
13 application (~~shall~~) must be made to the department in a form and  
14 manner prescribed by the department. The application (~~shall~~) must  
15 contain information regarding the location of the investment project,  
16 the applicant's average employment in the state for the prior year,  
17 estimated or actual new employment related to the project, estimated or  
18 actual wages of employees related to the project, estimated or actual  
19 costs, time schedules for completion and operation, and other  
20 information required by the department. The department (~~shall~~) must  
21 rule on the application within sixty days.

22 **Sec. 46.** RCW 82.75.040 and 2006 c 178 s 5 are each amended to read  
23 as follows:

24 (1) Except as provided in subsection (2) of this section and (~~RCW~~  
25 ~~82.32.645~~) section 2 of this act, taxes deferred under this chapter  
26 need not be repaid.

27 (2)(a) If, on the basis of the survey under (~~RCW 82.32.645~~)  
28 section 2 of this act or other information, the department finds that  
29 an investment project is used for purposes other than qualified  
30 biotechnology product manufacturing or medical device manufacturing  
31 activities at any time during the calendar year in which the eligible  
32 investment project is certified by the department as having been  
33 operationally completed, or at any time during any of the seven  
34 succeeding calendar years, a portion of deferred taxes (~~shall be~~) is  
35 immediately due and payable according to the following schedule:

	Year in which use occurs	% of deferred taxes due
1	1	100%
2	2	87.5%
3	3	75%
4	4	62.5%
5	5	50%
6	6	37.5%
7	7	25%
8	8	12.5%

10 (b) (~~(If a recipient of the deferral fails to complete the annual~~  
11 ~~survey required under RCW 82.32.645 by the date due, the amount of~~  
12 ~~deferred tax specified in RCW 82.32.645(6) shall be immediately due and~~  
13 ~~payable.))~~ If the economic benefits of the deferral are passed to a  
14 lessee as provided in RCW 82.75.010, the lessee is responsible for  
15 payment to the extent the lessee has received the economic benefit.

16 (3) For a violation of subsection (2)(a) of this section, the  
17 department (~~shall~~) must assess interest at the rate provided for  
18 delinquent taxes, but not penalties, retroactively to the date of  
19 deferral. The debt for deferred taxes (~~shall~~) will not be  
20 extinguished by insolvency or other failure of the recipient. Transfer  
21 of ownership does not terminate the deferral. The deferral is  
22 transferred, subject to the successor meeting the eligibility  
23 requirements of this chapter, for the remaining periods of the  
24 deferral.

25 (4) Notwithstanding subsection (2) of this section or section 2 of  
26 this act, deferred taxes on the following need not be repaid:

27 (a) Machinery and equipment, and sales of or charges made for labor  
28 and services, which at the time of purchase would have qualified for  
29 exemption under RCW 82.08.02565; and

30 (b) Machinery and equipment which at the time of first use would  
31 have qualified for exemption under RCW 82.12.02565.

32 **Sec. 47.** RCW 82.82.020 and 2008 c 15 s 2 are each amended to read  
33 as follows:

34 (1) Application for deferral of taxes under this chapter can be  
35 made at any time prior to completion of construction of a qualified

1 building or buildings, but tax liability incurred prior to the  
2 department's receipt of an application may not be deferred. The  
3 application must be made to the department in a form and manner  
4 prescribed by the department. The application must contain information  
5 regarding the location of the investment project, the applicant's  
6 average employment in the state for the prior year, estimated or actual  
7 new employment related to the project, estimated or actual wages of  
8 employees related to the project, estimated or actual costs, time  
9 schedules for completion and operation, and other information required  
10 by the department. The department must rule on the application within  
11 sixty days.

12 ~~(2)((a) The legislature finds that accountability and~~  
13 ~~effectiveness are important aspects of setting tax policy. In order to~~  
14 ~~make policy choices regarding the best use of limited state resources~~  
15 ~~the legislature needs information on how a tax incentive is used.~~

16 ~~(b) Applicants for deferral of taxes under this chapter must agree~~  
17 ~~to complete an annual survey. If the economic benefits of the deferral~~  
18 ~~are passed to a lessee as provided in RCW 82.82.010(5), the lessee must~~  
19 ~~agree to complete the annual survey and the applicant is not required~~  
20 ~~to complete the annual survey. The survey is due by March 31st of the~~  
21 ~~year following the calendar year in which the investment project is~~  
22 ~~certified by the department as having been operationally complete and~~  
23 ~~the seven succeeding calendar years. The survey must include the~~  
24 ~~amount of tax deferred. The survey must also include the following~~  
25 ~~information for employment positions in Washington:~~

26 ~~(i) The number of total employment positions;~~

27 ~~(ii) Full-time, part-time, and temporary employment positions as a~~  
28 ~~percent of total employment;~~

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

34 ~~(iv) The number of employment positions that have employer-provided~~  
35 ~~medical, dental, and retirement benefits, by each of the wage bands.~~

36 ~~(c) The department may request additional information necessary to~~  
37 ~~measure the results of the deferral program, to be submitted at the~~  
38 ~~same time as the survey.~~

1 ~~(d) All information collected under this subsection, except the~~  
2 ~~amount of the tax deferral taken, is deemed taxpayer information under~~  
3 ~~RCW 82.32.330 and is not disclosable. Information on the amount of tax~~  
4 ~~deferral taken is not subject to the confidentiality provisions of RCW~~  
5 ~~82.32.330 and may be disclosed to the public upon request.~~

6 ~~(3) The department must use the information to study the tax~~  
7 ~~deferral program authorized under this chapter. The department must~~  
8 ~~report to the legislature by December 1, 2014, and December 1, 2018.~~  
9 ~~The reports must measure the effect of the program on job creation, the~~  
10 ~~number of jobs created for Washington residents, company growth, the~~  
11 ~~introduction of new products, the diversification of the state's~~  
12 ~~economy, growth in research and development investment, the movement of~~  
13 ~~firms or the consolidation of firms' operations into the state, and~~  
14 ~~such other factors as the department selects. If fewer than three~~  
15 ~~deferrals are granted under this chapter, the department may not report~~  
16 ~~statistical information.~~

17 ~~(4)) Applications for deferral of taxes under this section may not~~  
18 ~~be made after December 31, 2020.~~

19 (3) Each recipient of a deferral of taxes under this chapter must  
20 file a complete annual survey with the department under section 2 of  
21 this act. If the economic benefits of the deferral are passed to a  
22 lessee as provided in RCW 82.82.010(5), the lessee must file a complete  
23 annual survey, and the applicant is not required to file the annual  
24 survey.

25 (4) A recipient who must repay deferred taxes under RCW 82.82.040  
26 because the department has found that an investment project is no  
27 longer an eligible investment project is no longer required to file  
28 annual surveys under section 2 of this act beginning on the date an  
29 investment project is used for nonqualifying purposes.

30 **Sec. 48.** RCW 82.82.040 and 2008 c 15 s 5 are each amended to read  
31 as follows:

32 (1) Except as provided in subsection (2) of this section and  
33 section 2 of this act, taxes deferred under this chapter need not be  
34 repaid.

35 (2)(a) If, on the basis of the survey under ~~((RCW 82.82.020))~~  
36 section 2 of this act or other information, the department finds that  
37 an investment project is no longer an "eligible investment project"

1 under RCW 82.82.010 at any time during the calendar year in which the  
2 investment project is certified by the department as having been  
3 operationally completed, or at any time during any of the seven  
4 succeeding calendar years, a portion of deferred taxes are immediately  
5 due according to the following schedule:

6	Year in which use occurs	% of deferred taxes due
7	1	100%
8	2	87.5%
9	3	75%
10	4	62.5%
11	5	50%
12	6	37.5%
13	7	25%
14	8	12.5%

15 (b) ~~((If a recipient of the deferral fails to complete the annual~~  
16 ~~survey required under RCW 82.82.020 by the date due, twelve and one-~~  
17 ~~half percent of the deferred tax is immediately due.))~~ If the economic  
18 benefits of the deferral are passed to a lessee as provided in RCW  
19 82.82.010(5), the lessee is responsible for payment to the extent the  
20 lessee has received the economic benefit.

21 ~~((c) If an investment project is meeting the requirement of RCW~~  
22 ~~82.82.010(5) at any time during the calendar year in which the~~  
23 ~~investment project is certified as having been operationally complete~~  
24 ~~and the recipient of the deferral fails to complete the annual survey~~  
25 ~~due under RCW 82.82.020, the portion of deferred taxes immediately due~~  
26 ~~is the amount on the schedule in (a) of this subsection. If the~~  
27 ~~economic benefits of the deferral are passed to a lessee as provided in~~  
28 ~~RCW 82.82.010(5), the lessee is responsible for payment to the extent~~  
29 ~~the lessee has received the economic benefit.))~~

30 (3) The department must assess interest at the rate provided for  
31 delinquent taxes under chapter 82.32 RCW, but not penalties,  
32 retroactively to the date of deferral. The debt for deferred taxes  
33 will not be extinguished by insolvency or other failure of the  
34 recipient. Transfer of ownership does not terminate the deferral. The



1 deferral is transferred, subject to the successor meeting the  
2 eligibility requirements of this chapter, for the remaining periods of  
3 the deferral.

4 **Sec. 49.** RCW 84.36.645 and 2003 c 149 s 10 are each amended to  
5 read as follows:

6 (1) Machinery and equipment exempt under RCW 82.08.02565 or  
7 82.12.02565 used in manufacturing semiconductor materials at a building  
8 exempt from sales and use tax and in compliance with the employment  
9 requirement under RCW 82.08.965 and 82.12.965 are (~~tax~~) exempt from  
10 property taxation. "Semiconductor materials" has the same meaning as  
11 provided in RCW 82.04.240(2).

12 (2) A person seeking this exemption must make application to the  
13 county assessor, on forms prescribed by the department.

14 (3) A person (~~receiving~~) claiming an exemption under this section  
15 must file a complete annual report (~~in the manner prescribed in RCW~~  
16 ~~82.32.535~~) with the department under section 3 of this act.

17 (4) This section is effective for taxes levied for collection one  
18 year after the effective date of this act and thereafter.

19 (5) This section expires December 31st of the year occurring twelve  
20 years after the effective date of this act, for taxes levied for  
21 collection in the following year.

22 **Sec. 50.** RCW 84.36.655 and 2003 2nd sp.s. c 1 s 14 are each  
23 amended to read as follows:

24 (1) Effective January 1, 2005, all buildings, machinery, equipment,  
25 and other personal property of a lessee of a port district eligible  
26 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing  
27 superefficient airplanes, are exempt from property taxation. A person  
28 taking the credit under RCW 82.04.4463 is not eligible for the  
29 exemption under this section. For the purposes of this section,  
30 "superefficient airplane" and "component" have the meanings given in  
31 RCW 82.32.550.

32 (2) In addition to all other requirements under this title, a  
33 person (~~taking~~) claiming the exemption under this section must file  
34 a complete annual report (~~as required~~) with the department under  
35 (~~RCW 82.32.545~~) section 3 of this act.

1 (3) Claims for exemption authorized by this section (~~shall~~) must  
2 be filed with the county assessor on forms prescribed by the department  
3 and furnished by the assessor. The assessor (~~shall~~) must verify and  
4 approve claims as the assessor determines to be justified and in  
5 accordance with this section. No claims may be filed after December  
6 31, 2023. The department may adopt rules, under the provisions of  
7 chapter 34.05 RCW, as necessary to properly administer this section.

8 (4) This section applies to taxes levied for collection in 2006 and  
9 thereafter.

10 (5) This section expires July 1, 2024.

11 NEW SECTION. **Sec. 51.** The following acts or parts of acts are  
12 each repealed:

13 (1) RCW 82.32.535 (Annual report by semiconductor businesses) and  
14 2003 c 149 s 11;

15 (2) RCW 82.32.5351 (Annual report by semiconductor businesses--  
16 Report to legislature) and 2006 c 84 s 5;

17 (3) RCW 82.32.545 (Annual report for airplane manufacturing tax  
18 preferences) and 2008 c 283 s 2, 2008 c 81 s 10, 2007 c 54 s 19, & 2003  
19 2nd sp.s. c 1 s 16;

20 (4) RCW 82.32.560 (Electrolytic processing business tax exemption--  
21 Annual report) and 2004 c 240 s 2;

22 (5) RCW 82.32.570 (Smelter tax incentives--Goals--Annual report)  
23 and 2006 c 182 s 6 & 2004 c 24 s 14;

24 (6) RCW 82.32.610 (Annual survey for fruit and vegetable business  
25 tax incentive--Report to legislature) and 2006 c 354 s 5 & 2005 c 513  
26 s 3;

27 (7) RCW 82.32.620 (Annual report for tax incentives under RCW  
28 82.04.294) and 2005 c 301 s 4;

29 (8) RCW 82.32.630 (Annual survey for timber tax incentives) and  
30 2007 c 48 s 6 & 2006 c 300 s 9;

31 (9) RCW 82.32.645 (Annual survey for biotechnology and medical  
32 device manufacturing business tax incentive--Report to legislature) and  
33 2006 c 178 s 8;

34 (10) RCW 82.32.650 (Annual survey--Customized employment training--  
35 Report to legislature) and 2006 c 112 s 6;

36 (11) RCW 82.16.140 (Renewable energy system cost recovery--Report  
37 to legislature) and 2005 c 300 s 5; and

1 (12) 2005 c 301 s 5 (uncodified).

2 NEW SECTION. **Sec. 52.** The repeals in section 51 of this act do  
3 not affect any existing right acquired or liability or obligation  
4 incurred under the statutes repealed or under any rule or order adopted  
5 under those statutes, nor do they affect any proceeding instituted  
6 under those statutes.

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