

SUBSTITUTE SENATE BILL 6326

State of Washington

61st Legislature

2010 Regular Session

By Senate Ways & Means (originally sponsored by Senators Hobbs, Zarelli, Kastama, and Brandland)

READ FIRST TIME 02/04/10.

1 AN ACT Relating to creating uniformity among annual tax reporting
2 survey provisions; amending RCW 82.04.240, 82.04.2404, 82.04.250,
3 82.04.2909, 82.04.294, 82.04.426, 82.04.4266, 82.04.4268, 82.04.4269,
4 82.04.4452, 82.04.4461, 82.04.4463, 82.04.448, 82.04.4481, 82.04.4483,
5 82.04.4484, 82.04.449, 82.08.805, 82.08.965, 82.08.9651, 82.08.970,
6 82.08.980, 82.12.022, 82.12.805, 82.12.965, 82.12.9651, 82.12.970,
7 82.12.980, 82.16.0421, 82.29A.137, 82.32.590, 82.32.600, 82.32.710,
8 82.60.020, 82.60.070, 82.63.020, 82.63.045, 82.74.040, 82.74.050,
9 82.75.010, 82.75.020, 82.75.040, 82.82.020, 82.82.040, 84.36.645, and
10 84.36.655; amending 2009 c 461 s 9 (uncodified); reenacting and
11 amending RCW 82.04.260; adding new sections to chapter 82.32 RCW;
12 adding a new section to chapter 82.75 RCW; creating new sections;
13 repealing RCW 82.32.535, 82.32.5351, 82.32.545, 82.32.560, 82.32.570,
14 82.32.610, 82.32.620, 82.32.630, 82.32.632, 82.32.645, 82.32.650, and
15 82.16.140; repealing 2005 c 301 s 5 (uncodified); providing a
16 contingent effective date; and providing an expiration date.

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

PART I

PROVIDING UNIFORMITY IN TAX INCENTIVE ACCOUNTABILITY PROVISIONS

1 NEW SECTION. **Sec. 101.** (1) The legislature finds that
2 accountability and effectiveness are important aspects of setting tax
3 policy. In order to make policy choices regarding the best use of
4 limited state resources, the legislature needs information on how a tax
5 preference is used. In recent years, the legislature has enacted or
6 extended numerous tax preferences that require the reporting of
7 information to the department of revenue. Although there are many
8 similarities in the requirements, and only two distinct accountability
9 documents, there is a lack of uniformity in the information reported,
10 penalties for failure to file, due dates, filing extensions, and filing
11 requirements. Greater uniformity in the data reported is necessary to
12 adequately compare tax preference programs. The legislature intends to
13 create two sets of uniform reporting requirements that apply to the
14 existing tax preferences and can be used in future legislation granting
15 additional tax preferences.

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

27 NEW SECTION. **Sec. 102.** A new section is added to chapter 82.32
28 RCW to read as follows:

29 (1)(a) Every person claiming a tax preference that requires a
30 survey under this section must file a complete annual survey with the
31 department.

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

36 (ii) If the tax preference is a deferral of tax, the first survey
37 must be filed by April 30th of the calendar year following the calendar

1 year in which the investment project is certified by the department as
2 operationally complete, and a survey must be filed by April 30th of
3 each of the seven succeeding calendar years.

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

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

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

11 (i) The number of total employment positions;

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

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

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

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

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

36 (e) If the person filing a survey under this section did not file
37 a survey with the department in the previous calendar year, the survey
38 filed under this section must also include the employment, wage, and

1 benefit information required under (b)(i) through (iv) of this
2 subsection for the calendar year immediately preceding the calendar
3 year for which a tax preference was claimed.

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

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

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

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

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

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

5 (8) For the purposes of this section:

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

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

11 NEW SECTION. **Sec. 103.** A new section is added to chapter 82.32
12 RCW to read as follows:

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

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

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

35 (d) If a person filing a report under this section did not file a
36 report with the department in the previous calendar year, the report

1 filed under this section must also include employment, wage, and
2 benefit information for the calendar year immediately preceding the
3 calendar year for which a tax preference was claimed.

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

7 (3) Other than information requested under subsection (2) of this
8 section, the information contained in an annual report filed under this
9 section is not subject to the confidentiality provisions of RCW
10 82.32.330 and may be disclosed to the public upon request.

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

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

28 (6) For the purposes of this section:

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

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

34 **Sec. 104.** RCW 82.04.240 and 2003 c 149 s 3 are each amended to
35 read as follows:

36 (1) Upon every person engaging within this state in business as a
37 manufacturer, except persons taxable as manufacturers under other

1 provisions of this chapter; as to such persons the amount of the tax
2 with respect to such business (~~shall be~~) is equal to the value of the
3 products, including byproducts, manufactured, multiplied by the rate of
4 0.484 percent.

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

14 (b) A person reporting under the tax rate provided in this
15 subsection (2) must file a complete annual report with the department
16 under section 103 of this act.

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

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

22 **Sec. 105.** RCW 82.04.2404 and 2006 c 84 s 2 are each amended to
23 read as follows:

24 (1) Upon every person engaging within this state in the business of
25 manufacturing or processing for hire semiconductor materials, as to
26 such persons the amount of tax with respect to such business (~~shall~~)
27 is, in the case of manufacturers, (~~be~~) equal to the value of the
28 product manufactured, or, in the case of processors for hire, (~~be~~)
29 equal to the gross income of the business, multiplied by the rate of
30 0.275 percent.

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

34 (3) A person reporting under the tax rate provided in this section
35 must file a complete annual report with the department under section
36 103 of this act.

1 (4) This section expires (~~twelve years after~~) December 1,
2 (~~2006~~) 2018.

3 **Sec. 106.** RCW 82.04.250 and 2008 c 81 s 5 are each amended to read
4 as follows:

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

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

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

26 (b) A person reporting under the tax rate provided in this
27 subsection (3) must file a complete annual report with the department
28 under section 103 of this act.

29 **Sec. 107.** RCW 82.04.260 and 2009 c 479 s 64, 2009 c 461 s 1, and
30 2009 c 162 s 34 are each reenacted and amended to read as follows:

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

33 (a) Wheat into flour, barley into pearl barley, soybeans into
34 soybean oil, canola into canola oil, canola meal, or canola by-
35 products, or sunflower seeds into sunflower oil; as to such persons the

1 amount of tax with respect to such business (~~shall be~~) is equal to
2 the value of the flour, pearl barley, oil, canola meal, or canola by-
3 product manufactured, multiplied by the rate of 0.138 percent;

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

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

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

1 were transported by the purchaser in the ordinary course of business
2 out of this state;

3 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
4 feedstock, as those terms are defined in RCW 82.29A.135; as to such
5 persons the amount of tax with respect to the business (~~(shall be)~~) is
6 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel
7 feedstock manufactured, multiplied by the rate of 0.138 percent; and

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

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

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

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

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

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

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

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

36 If the gross income of the taxpayer is attributable to activities
37 both within and without this state, the gross income attributable to

1 this state (~~shall~~) must be determined in accordance with the methods
2 of apportionment required under RCW 82.04.460.

3 (9) Upon every person engaging within this state as an insurance
4 producer or title insurance agent licensed under chapter 48.17 RCW or
5 a surplus line broker licensed under chapter 48.15 RCW; as to such
6 persons, the amount of the tax with respect to such licensed activities
7 (~~shall be~~) is equal to the gross income of such business multiplied
8 by the rate of 0.484 percent.

9 (10) Upon every person engaging within this state in business as a
10 hospital, as defined in chapter 70.41 RCW, that is operated as a
11 nonprofit corporation or by the state or any of its political
12 subdivisions, as to such persons, the amount of tax with respect to
13 such activities (~~shall be~~) is equal to the gross income of the
14 business multiplied by the rate of 0.75 percent through June 30, 1995,
15 and 1.5 percent thereafter.

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

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

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

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

1 case of processors for hire, be equal to the gross income of the
2 business, multiplied by the rate of 0.2904 percent.

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

5 (d) In addition to all other requirements under this title, a
6 person (~~(eligible for)~~) reporting under the tax rate (~~(under)~~) provided
7 in this subsection (11) must (~~report as required~~) file a complete
8 annual report with the department under (~~RCW 82.32.545~~) section 103
9 of this act.

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

11 (12)(a) Until July 1, 2024, upon every person engaging within this
12 state in the business of extracting timber or extracting for hire
13 timber; as to such persons the amount of tax with respect to the
14 business (~~(shall)~~) is, in the case of extractors, (~~(be)~~) equal to the
15 value of products, including by-products, extracted, or in the case of
16 extractors for hire, (~~(be)~~) equal to the gross income of the business,
17 multiplied by the rate of 0.4235 percent from July 1, 2006, through
18 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
19 2024.

20 (b) Until July 1, 2024, upon every person engaging within this
21 state in the business of manufacturing or processing for hire: (i)
22 Timber into timber products or wood products; or (ii) timber products
23 into other timber products or wood products; as to such persons the
24 amount of the tax with respect to the business (~~(shall)~~) is, in the
25 case of manufacturers, (~~(be)~~) equal to the value of products, including
26 by-products, manufactured, or in the case of processors for hire,
27 (~~(be)~~) equal to the gross income of the business, multiplied by the
28 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and
29 0.2904 percent from July 1, 2007, through June 30, 2024.

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

1 through June 30, 2007, and 0.2904 percent from July 1, 2007, through
2 June 30, 2024.

3 (d) Until July 1, 2024, upon every person engaging within this
4 state in the business of selling standing timber; as to such persons
5 the amount of the tax with respect to the business (~~shall be~~) is
6 equal to the gross income of the business multiplied by the rate of
7 0.2904 percent. For purposes of this subsection (12)(d), "selling
8 standing timber" means the sale of timber apart from the land, where
9 the buyer is required to sever the timber within thirty months from the
10 date of the original contract, regardless of the method of payment for
11 the timber and whether title to the timber transfers before, upon, or
12 after severance.

13 (e) For purposes of this subsection, the following definitions
14 apply:

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

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

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

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

1 (v) "Timber products" means:

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

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

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

9 (vi) "Wood products" means paper and paper products; dimensional
10 lumber; engineered wood products such as particleboard, oriented strand
11 board, medium density fiberboard, and plywood; wood doors; wood
12 windows; and biocomposite surface products.

13 (f) Except for small harvesters as defined in RCW 84.33.035, a
14 person reporting under the tax rate provided in this subsection (12)
15 must file a complete annual survey with the department under section
16 102 of this act.

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

22 (14)(a) Upon every person engaging within this state in the
23 business of printing a newspaper, publishing a newspaper, or both, the
24 amount of tax on such business is equal to the gross income of the
25 business multiplied by the rate of 0.2904 percent.

26 (b) A person reporting under the tax rate provided in this
27 subsection (14) must file a complete annual report with the department
28 under section 103 of this act.

29 **Sec. 108.** RCW 82.04.2909 and 2006 c 182 s 1 are each amended to
30 read as follows:

31 (1) Upon every person who is an aluminum smelter engaging within
32 this state in the business of manufacturing aluminum; as to such
33 persons the amount of tax with respect to such business (~~shall~~) is,
34 in the case of manufacturers, (~~be~~) equal to the value of the product
35 manufactured, or in the case of processors for hire, (~~be~~) equal to
36 the gross income of the business, multiplied by the rate of .2904
37 percent.

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

6 (3) A person reporting under the tax rate provided in this section
7 must file a complete annual report with the department under section
8 103 of this act.

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

10 **Sec. 109.** RCW 82.04.294 and 2009 c 469 s 501 are each amended to
11 read as follows:

12 (1)(a) Beginning October 1, 2005, upon every person engaging within
13 this state in the business of manufacturing solar energy systems using
14 photovoltaic modules, or of manufacturing solar grade silicon to be
15 used exclusively in components of such systems; as to such persons the
16 amount of tax with respect to such business (~~(shall)~~) is, in the case
17 of manufacturers, (~~(be)~~) equal to the value of the product
18 manufactured, or in the case of processors for hire, (~~(be)~~) equal to
19 the gross income of the business, multiplied by the rate of 0.2904
20 percent.

21 (b) Beginning October 1, 2009, upon every person engaging within
22 this state in the business of manufacturing solar energy systems using
23 photovoltaic modules, or of manufacturing solar grade silicon, silicon
24 solar wafers, silicon solar cells, thin film solar devices, or compound
25 semiconductor solar wafers to be used exclusively in components of such
26 systems; as to such persons the amount of tax with respect to such
27 business is, in the case of manufacturers, equal to the value of the
28 product manufactured, or in the case of processors for hire, equal to
29 the gross income of the business, multiplied by the rate of 0.275
30 percent.

31 (2)(a) Beginning October 1, 2005, upon every person engaging within
32 this state in the business of making sales at wholesale of solar energy
33 systems using photovoltaic modules and manufactured by the seller, or
34 of solar grade silicon manufactured by the seller to be used
35 exclusively in components of such systems(~~(, manufactured by that~~
36 ~~person))~~; as to such persons the amount of tax with respect to (~~(such)~~)
37 the business (~~(shall be)~~) is equal to the gross proceeds of sales of

1 the solar energy systems using photovoltaic modules, or of the solar
2 grade silicon to be used exclusively in components of such systems,
3 multiplied by the rate of 0.2904 percent.

4 (b) Beginning October 1, 2009, upon every person engaging within
5 this state in the business of making sales at wholesale of solar energy
6 systems using photovoltaic modules, or of solar grade silicon, silicon
7 solar wafers, silicon solar cells, thin film solar devices, or compound
8 semiconductor solar wafers to be used exclusively in components of such
9 systems, manufactured by that person; as to such persons the amount of
10 tax with respect to such business is equal to the gross proceeds of
11 sales of the solar energy systems using photovoltaic modules, or of the
12 solar grade silicon to be used exclusively in components of such
13 systems, multiplied by the rate of 0.275 percent.

14 (3) Beginning October 1, 2009, silicon solar wafers, silicon solar
15 cells, thin film solar devices, or compound semiconductor solar wafers
16 are "semiconductor materials" for the purposes of RCW 82.08.9651 and
17 82.12.9651.

18 (4) The definitions in this subsection apply throughout this
19 section.

20 (a) "Compound semiconductor solar wafers" means a semiconductor
21 solar wafer composed of elements from two or more different groups of
22 the periodic table.

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

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

28 (d) "Silicon solar cells" means a photovoltaic cell manufactured
29 from a silicon solar wafer.

30 (e) "Silicon solar wafers" means a silicon wafer manufactured for
31 solar conversion purposes.

32 (f) "Solar energy system" means any device or combination of
33 devices or elements that rely upon direct sunlight as an energy source
34 for use in the generation of electricity.

35 (g) "Solar grade silicon" means high-purity silicon used
36 exclusively in components of solar energy systems using photovoltaic
37 modules to capture direct sunlight. "Solar grade silicon" does not
38 include silicon used in semiconductors.

1 (h) "Thin film solar devices" means a nonparticipating substrate on
2 which various semiconducting materials are deposited to produce a
3 photovoltaic cell that is used to generate electricity.

4 (5) A person reporting under the tax rate provided in this section
5 must file a complete annual report with the department under section
6 103 of this act.

7 (6) This section expires June 30, 2014.

8 **Sec. 110.** RCW 82.04.426 and 2003 c 149 s 2 are each amended to
9 read as follows:

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

12 (2) For the purposes of this section:

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

16 (b) "Integrated circuit" means a set of microminiaturized,
17 electronic circuits.

18 (3) A person reporting under the tax rate provided in this section
19 must file a complete annual report with the department under section
20 103 of this act.

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

23 **Sec. 111.** RCW 82.04.4266 and 2006 c 354 s 3 are each amended to
24 read as follows:

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

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

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

1 (2) A person claiming the exemption provided in this section must
2 file a complete annual survey with the department under section 102 of
3 this act.

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

5 **Sec. 112.** RCW 82.04.4268 and 2006 c 354 s 1 are each amended to
6 read as follows:

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

9 (a) Manufacturing dairy products; or

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

16 (2) "Dairy products" means dairy products that as of September 20,
17 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
18 including byproducts from the manufacturing of the dairy products such
19 as whey and casein.

20 (3) A person claiming the exemption provided in this section must
21 file a complete annual survey with the department under section 102 of
22 this act.

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

24 **Sec. 113.** RCW 82.04.4269 and 2006 c 354 s 2 are each amended to
25 read as follows:

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

28 (a) Manufacturing seafood products that remain in a raw, raw
29 frozen, or raw salted state at the completion of the manufacturing by
30 that person; or

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

1 were transported by the purchaser in the ordinary course of business
2 out of this state.

3 (2) A person claiming the exemption provided in this section must
4 file a complete annual survey with the department under section 102 of
5 this act.

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

7 **Sec. 114.** RCW 82.04.4452 and 2005 c 514 s 1003 are each amended to
8 read as follows:

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

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

14 (a) Determine the greater of the amount of qualified research and
15 development expenditures of a person or eighty percent of amounts
16 received by a person other than a public educational or research
17 institution in compensation for the conduct of qualified research and
18 development;

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

21 (c) Multiply the amount determined under (b) of this subsection by
22 the following:

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

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

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

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

32 (v) For the calendar year ending December 31, 2010, and thereafter,
33 1.50 percent.

34 For purposes of calculating the credit, if a person's reporting
35 period is less than annual, the person may use an estimated average tax
36 rate for the calendar year for which the credit is claimed by using the
37 person's average tax rate for each reporting period. A person who uses

1 an estimated average tax rate must make an adjustment to the total
2 credit claimed for the calendar year using the person's actual average
3 tax rate for the calendar year when the person files its last return
4 for the calendar year for which the credit is claimed.

5 (3) Any person entitled to the credit provided in subsection (2) of
6 this section as a result of qualified research and development
7 conducted under contract may assign all or any portion of the credit to
8 the person contracting for the performance of the qualified research
9 and development.

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

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

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

1 ~~(b))~~ A person claiming the credit ~~((shall))~~ provided in this
2 section must file a complete annual survey with the department under
3 section 102 of this act. ~~((The survey is due by March 31st following~~
4 ~~any year in which a credit is claimed. The department may extend the~~
5 ~~due date for timely filing of annual surveys under this section as~~
6 ~~provided in RCW 82.32.590. The survey shall include the amount of the~~
7 ~~tax credit claimed, the qualified research and development expenditures~~
8 ~~during the calendar year for which the credit is claimed, the taxable~~
9 ~~amount during the calendar year for which the credit is claimed, the~~
10 ~~number of new products or research projects by general classification,~~
11 ~~the number of trademarks, patents, and copyrights associated with the~~
12 ~~research and development activities for which a credit was claimed, and~~
13 ~~whether the credit has been assigned under subsection (3) of this~~
14 ~~section and who assigned the credit. The survey shall also include the~~
15 ~~following information for employment positions in Washington:~~

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

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

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

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

26 ~~(c) The department may request additional information necessary to~~
27 ~~measure the results of the tax credit program, to be submitted at the~~
28 ~~same time as the survey.~~

29 ~~(d)(i) All information collected under this subsection, except the~~
30 ~~amount of the tax credit claimed, is deemed taxpayer information under~~
31 ~~RCW 82.32.330. Information on the amount of tax credit claimed is not~~
32 ~~subject to the confidentiality provisions of RCW 82.32.330 and may be~~
33 ~~disclosed to the public upon request, except as provided in this~~
34 ~~subsection (6)(d). If the amount of the tax credit as reported on the~~
35 ~~survey is different than the amount actually claimed on the taxpayer's~~
36 ~~tax returns or otherwise allowed by the department, the amount actually~~
37 ~~claimed or allowed may be disclosed.~~

1 ~~(ii) Persons for whom the actual amount of the tax credit claimed~~
2 ~~on the taxpayer's returns or otherwise allowed by the department is~~
3 ~~less than ten thousand dollars during the period covered by the survey~~
4 ~~may request the department to treat the tax credit amount as~~
5 ~~confidential under RCW 82.32.330.~~

6 ~~(e) If a person fails to file a complete annual survey required~~
7 ~~under this subsection with the department by the due date or any~~
8 ~~extension under RCW 82.32.590, the person entitled to the credit~~
9 ~~provided in subsection (2) of this section is not eligible to claim or~~
10 ~~assign the credit provided in subsection (2) of this section in the~~
11 ~~year the person failed to timely file a complete survey.~~

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

17 ~~(8) The department shall use the information from subsection (6) of~~
18 ~~this section to study the tax credit program authorized under this~~
19 ~~section. The department shall report to the legislature by December 1,~~
20 ~~2009, and December 1, 2013. The reports shall measure the effect of~~
21 ~~the program on job creation, the number of jobs created for Washington~~
22 ~~residents, company growth, the introduction of new products, the~~
23 ~~diversification of the state's economy, growth in research and~~
24 ~~development investment, the movement of firms or the consolidation of~~
25 ~~firms' operations into the state, and such other factors as the~~
26 ~~department selects.~~

27 ~~(9))~~ (7) For the purpose of this section:

28 (a) "Average tax rate" means a person's total tax liability under
29 this chapter for the calendar year for which the credit is claimed
30 divided by the taxpayer's total taxable amount under this chapter for
31 the calendar year for which the credit is claimed.

32 (b) "Qualified research and development expenditures" means
33 operating expenses, including wages, compensation of a proprietor or a
34 partner in a partnership as determined under rules adopted by the
35 department, benefits, supplies, and computer expenses, directly
36 incurred in qualified research and development by a person claiming the
37 credit provided in this section. The term does not include amounts
38 paid to a person other than a public educational or research

1 institution to conduct qualified research and development. Nor does
2 the term include capital costs and overhead, such as expenses for land,
3 structures, or depreciable property.

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

6 (d) "Research and development spending" means qualified research
7 and development expenditures plus eighty percent of amounts paid to a
8 person other than a public educational or research institution to
9 conduct qualified research and development.

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

15 ((+10)) (8) This section expires January 1, 2015.

16 **Sec. 115.** RCW 82.04.4461 and 2008 c 81 s 7 are each amended to
17 read as follows:

18 (1)(a)(i) In computing the tax imposed under this chapter, a credit
19 is allowed for each person for qualified aerospace product development.
20 For a person who is a manufacturer or processor for hire of commercial
21 airplanes or components of such airplanes, credit may be earned for
22 expenditures occurring after December 1, 2003. For all other persons,
23 credit may be earned only for expenditures occurring after June 30,
24 2008.

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

27 (b) Before July 1, 2005, any credits earned under this section must
28 be accrued and carried forward and may not be used until July 1, 2005.
29 These carryover credits may be used at any time thereafter, and may be
30 carried over until used. Refunds may not be granted in the place of a
31 credit.

32 (2) The credit is equal to the amount of qualified aerospace
33 product development expenditures of a person, multiplied by the rate of
34 1.5 percent.

35 (3) Except as provided in subsection (1)(b) of this section the
36 credit ~~((shall))~~ must be ~~((taken))~~ claimed against taxes due for the
37 same calendar year in which the qualified aerospace product development

1 expenditures are incurred. Credit earned on or after July 1, 2005, may
2 not be carried over. The credit for each calendar year (~~shall~~) may
3 not exceed the amount of tax otherwise due under this chapter for the
4 calendar year. Refunds may not be granted in the place of a credit.

5 (4) Any person claiming the credit (~~shall~~) must file a form
6 prescribed by the department that (~~shall~~) must include the amount of
7 the credit claimed, an estimate of the anticipated aerospace product
8 development expenditures during the calendar year for which the credit
9 is claimed, an estimate of the taxable amount during the calendar year
10 for which the credit is claimed, and such additional information as the
11 department may prescribe.

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

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

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

31 (c) "Qualified aerospace product development" means aerospace
32 product development performed within this state.

33 (d) "Qualified aerospace product development expenditures" means
34 operating expenses, including wages, compensation of a proprietor or a
35 partner in a partnership as determined by the department, benefits,
36 supplies, and computer expenses, directly incurred in qualified
37 aerospace product development by a person claiming the credit provided
38 in this section. The term does not include amounts paid to a person or

1 to the state and any of its departments and institutions, other than a
2 public educational or research institution to conduct qualified
3 aerospace product development. The term does not include capital costs
4 and overhead, such as expenses for land, structures, or depreciable
5 property.

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

10 (6) In addition to all other requirements under this title, a
11 person (~~taking~~) claiming the credit under this section must file a
12 complete annual report (~~as required~~) with the department under (~~RCW~~
13 ~~82.32.545~~) section 103 of this act.

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

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

17 **Sec. 116.** RCW 82.04.4463 and 2008 c 81 s 8 are each amended to
18 read as follows:

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

22 (2) The credit is equal to:

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

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

31 (C) Property taxes or leasehold excise taxes paid on, or with
32 respect to, buildings constructed after June 30, 2008, the land upon
33 which the buildings are located, or both, and used exclusively for
34 aerospace product development, manufacturing tooling specifically
35 designed for use in manufacturing commercial airplanes or their
36 components, or in providing aerospace services, by persons not within
37 the scope of (a)(i)(A) and (B) of this subsection (2) and are(~~÷—(I)~~)

1 ~~Engaged in manufacturing tooling specifically designed for use in~~
2 ~~manufacturing commercial airplanes or their components; or (II))~~
3 taxable under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); or
4 (ii) Property taxes attributable to an increase in assessed value
5 due to the renovation or expansion, after: (A) December 1, 2003, of a
6 building used exclusively in manufacturing commercial airplanes or
7 components of such airplanes; and (B) June 30, 2008, of buildings used
8 exclusively for aerospace product development, manufacturing tooling
9 specifically designed for use in manufacturing commercial airplanes or
10 their components, or in providing aerospace services, by persons not
11 within the scope of (a)(ii)(A) of this subsection (2) and are(~~(I)~~
12 ~~Engaged in manufacturing tooling specifically designed for use in~~
13 ~~manufacturing commercial airplanes or their components; or (II))~~
14 taxable under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); and
15 (b) An amount equal to:
16 (i)(A) Property taxes paid, by persons taxable under RCW
17 82.04.260(11)(a), on machinery and equipment exempt under RCW
18 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;
19 (B) Property taxes paid, by persons taxable under RCW
20 82.04.260(11)(b), on machinery and equipment exempt under RCW
21 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or
22 (C) Property taxes paid, by persons taxable under RCW
23 (~~82.04.0250(3)~~ [~~82.04.250(3)~~]) 82.04.250(3) or 82.04.290(3), on
24 computer hardware, computer peripherals, and software exempt under RCW
25 82.08.975 or 82.12.975 and acquired after June 30, 2008.
26 (ii) For purposes of determining the amount eligible for credit
27 under (i)(A) and (B) of this subsection (2)(b), the amount of property
28 taxes paid is multiplied by a fraction.
29 ((~~I~~)) (A) The numerator of the fraction is the total taxable
30 amount subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on
31 the applicable business activities of manufacturing commercial
32 airplanes, components of such airplanes, or tooling specifically
33 designed for use in the manufacturing of commercial airplanes or
34 components of such airplanes.
35 ((~~II~~)) (B) The denominator of the fraction is the total taxable
36 amount subject to the tax imposed under all manufacturing
37 classifications in chapter 82.04 RCW.

1 (~~(III)~~) (C) For purposes of both the numerator and denominator of
2 the fraction, the total taxable amount refers to the total taxable
3 amount required to be reported on the person's returns for the calendar
4 year before the calendar year in which the credit under this section is
5 earned. The department may provide for an alternative method for
6 calculating the numerator in cases where the tax rate provided in RCW
7 82.04.260(11) for manufacturing was not in effect during the full
8 calendar year before the calendar year in which the credit under this
9 section is earned.

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

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

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

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

21 (b) "Aerospace services" has the same meaning given in RCW
22 82.08.975.

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

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

29 (5) In addition to all other requirements under this title, a
30 person (~~taking~~) claiming the credit under this section must file a
31 complete annual report (~~as required~~) with the department under (~~RCW~~
32 ~~82.32.545~~) section 103 of this act.

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

34 **Sec. 117.** RCW 82.04.448 and 2003 c 149 s 9 are each amended to
35 read as follows:

36 (1) Subject to the limits and provisions of this section, a credit
37 is authorized against the tax otherwise due under RCW 82.04.240(2) for

1 persons engaged in the business of manufacturing semiconductor
2 materials. For the purposes of this section "semiconductor materials"
3 has the same meaning as provided in RCW 82.04.240(2).

4 (2)(a) The credit under this section (~~shall~~) equals three
5 thousand dollars for each employment position used in manufacturing
6 production that takes place in a new building exempt from sales and use
7 tax under RCW 82.08.965 and 82.12.965. A credit is earned for the
8 calendar year a person fills a position. Additionally a credit is
9 earned for each year the position is maintained over the subsequent
10 consecutive years, up to eight years. Those positions that are not
11 filled for the entire year are eligible for fifty percent of the credit
12 if filled less than six months, and the entire credit if filled more
13 than six months.

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

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

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

31 (4) If at any time the department finds that a person is not
32 eligible for tax credit under this section, the amount of taxes for
33 which a credit has been claimed (~~shall be~~) is immediately due. The
34 department (~~shall~~) must assess interest, but not penalties, on the
35 taxes for which the person is not eligible. The interest (~~shall~~)
36 must be assessed at the rate provided for delinquent excise taxes under
37 chapter 82.32 RCW, (~~shall be~~) is retroactive to the date the tax

1 credit was taken, and (~~shall~~) accrues until the taxes for which a
2 credit has been used are repaid.

3 (5) A person (~~taking~~) claiming the credit under this section must
4 file a complete annual report with the department under (~~RCW~~
5 ~~82.32.535~~) section 103 of this act.

6 (6) Credits may be (~~taken~~) claimed after twelve years after the
7 effective date of this act, for those buildings at which commercial
8 production began before twelve years after the effective date of this
9 act, subject to all of the eligibility criteria and limitations of this
10 section.

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

13 **Sec. 118.** RCW 82.04.4481 and 2006 c 182 s 2 are each amended to
14 read as follows:

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

19 (2) A person (~~taking~~) claiming the credit under this section is
20 subject to all the requirements of chapter 82.32 RCW. A credit earned
21 during one calendar year may be carried over to be credited against
22 taxes incurred in the subsequent calendar year, but may not be carried
23 over a second year. Credits carried over must be applied to tax
24 liability before new credits. No refunds may be granted for credits
25 under this section.

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

28 (4) A person claiming the credit provided in this section must file
29 a complete annual report with the department under section 103 of this
30 act.

31 **Sec. 119.** RCW 82.04.4483 and 2004 c 25 s 1 are each amended to
32 read as follows:

33 (1) Subject to the limits and provisions of this section, a credit
34 is authorized against the tax otherwise due under this chapter for
35 persons engaged in a rural county in the business of manufacturing

1 computer software or programming, as those terms are defined in this
2 section.

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

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

11 (b) If an activity is conducted both from a rural county and
12 outside of a rural county, the credit is available if at least ninety
13 percent of the qualifying activity is conducted within a rural county.
14 If the qualifying activity is a service taxable activity, the place
15 where the work is performed is the place at which the activity is
16 conducted.

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

27 (b) Participants who claimed credit under RCW 82.04.4456 for
28 qualified employment positions created before December 31, 2003, are
29 eligible to earn credit for each year the position is maintained over
30 the subsequent consecutive years, for up to four years, which four
31 years include any years claimed under RCW 82.04.4456. Those persons
32 who did not receive a credit under RCW 82.04.4456 before December 31,
33 2003, are not eligible to earn credit for qualified employment
34 positions created before December 31, 2003.

35 (c) Credit is authorized for new employees hired for new qualified
36 employment positions created on or after January 1, 2004. New
37 qualified employment positions filled by existing employees are
38 eligible for the credit under this section only if the position vacated

1 by the existing employee is filled by a new hire. A business that is
2 a sole proprietorship without any employees is equivalent to one
3 employee position and this type of business is eligible to receive
4 credit for one position.

5 (d) If a position is filled before July 1st, the position is
6 eligible for the full yearly credit for that calendar year. If it is
7 filled after June 30th, the position is eligible for half of the credit
8 for that calendar year.

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

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

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

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

37 (9) A person (~~((taking))~~) claiming a tax credit(~~((s))~~) under this
38 section (~~((shall make an))~~) must file a complete annual (~~((report to))~~)

1 survey with the department under section 102 of this act. ((The report
2 shall be in a letter form and shall include the following information:
3 Number of positions for which credit is being claimed, type of position
4 for which credit is being claimed, type of activity in which the person
5 is engaged in the county, how long the person has been located in the
6 county, and taxpayer name and registration number. The report must be
7 filed by January 30th of each year for which credit was claimed during
8 the previous year. Failure to file a report will not result in the
9 loss of eligibility under this section. However, the department,
10 through its research division, shall contact taxpayers who have not
11 filed the report and obtain the data from the taxpayer or assist the
12 taxpayer in the filing of the report, so that the data and information
13 necessary to measure the program's effectiveness is maintained.))

14 (10) As used in this section:

15 (a) "Computer software" has the meaning as defined in RCW 82.04.215
16 after June 30, 2004, and includes "software" as defined in RCW
17 82.04.215 before July 1, 2004.

18 (b) "Manufacturing" means the same as "to manufacture" under RCW
19 82.04.120. Manufacturing includes the activities of both manufacturers
20 and processors for hire.

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

25 (d) "Qualifying activity" means manufacturing of computer software
26 or programming.

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

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

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

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

2 **Sec. 120.** RCW 82.04.4484 and 2004 c 25 s 2 are each amended to
3 read as follows:

4 (1) Subject to the limits and provisions of this section, a credit
5 is authorized against the tax otherwise due under this chapter for
6 persons engaged in a rural county in the business of providing
7 information technology help desk services to third parties.

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

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

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

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

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

36 (7) Transfer of ownership does not affect credit eligibility.

1 However, the credit is available to the successor only if the
2 eligibility conditions of this section are met.

3 (8) A person (~~(taking)~~) claiming a tax credit(~~(s)~~) under this
4 section (~~(shall make an)~~) must file a complete annual (~~(report to)~~)
5 survey with the department under section 102 of this act. (~~(The report~~
6 ~~shall be in a letter form and shall include the following information:~~
7 ~~Type of activity in which the person is engaged in the county, number~~
8 ~~of employees in the rural county, how long the person has been located~~
9 ~~in the county, and taxpayer name and registration number. The report~~
10 ~~must be filed by January 30th of each year for which credit was claimed~~
11 ~~during the previous year. Failure to file a report will not result in~~
12 ~~the loss of eligibility under this section. However, the department,~~
13 ~~through its research division, shall contact taxpayers who have not~~
14 ~~filed the report and obtain the data from the taxpayer or assist the~~
15 ~~taxpayer in the filing of the report, so that the data and information~~
16 ~~necessary to measure the program's effectiveness is maintained.))~~)

- 17 (9) As used in this section:
- 18 (a) "Information technology help desk services" means the following
19 services performed using electronic and telephonic communication:
 - 20 (i) Software and hardware maintenance;
 - 21 (ii) Software and hardware diagnostics and troubleshooting;
 - 22 (iii) Software and hardware installation;
 - 23 (iv) Software and hardware repair;
 - 24 (v) Software and hardware information and training; and
 - 25 (vi) Software and hardware upgrade.
 - 26 (b) "Rural county" means the same as in RCW 82.14.370.
- 27 (10) This section expires January 1, 2011.

28 **Sec. 121.** RCW 82.04.449 and 2009 c 296 s 3 are each amended to
29 read as follows:

30 (1) In computing the tax imposed under this chapter, a credit is
31 allowed for participants in the Washington customized employment
32 training program created in RCW 28B.67.020. The credit allowed under
33 this section is equal to fifty percent of the value of a participant's
34 payments to the employment training finance account created in RCW
35 28B.67.030. If a participant in the program does not meet the
36 requirements of RCW 28B.67.020(2)(b)(ii), the participant must remit to
37 the department the value of any credits taken plus interest. The

1 credit earned by a participant in one calendar year may be carried over
2 to be credited against taxes incurred in a subsequent calendar year.
3 No credit may be allowed for repayment of training allowances received
4 from the Washington customized employment training program on or after
5 July 1, 2016.

6 (2) A person claiming the credit provided in this section must file
7 a complete annual survey with the department under section 102 of this
8 act.

9 **Sec. 122.** RCW 82.08.805 and 2009 c 535 s 513 are each amended to
10 read as follows:

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

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

26 (3) A person claiming the tax preference provided in this section
27 must file a complete annual report with the department under section
28 103 of this act.

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

31 **Sec. 123.** RCW 82.08.965 and 2003 c 149 s 5 are each amended to
32 read as follows:

33 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to
34 charges made for labor and services rendered in respect to the
35 constructing of new buildings used for the manufacturing of
36 semiconductor materials, to sales of tangible personal property that

1 will be incorporated as an ingredient or component of such buildings
2 during the course of the constructing, or to labor and services
3 rendered in respect to installing, during the course of constructing,
4 building fixtures not otherwise eligible for the exemption under RCW
5 82.08.02565(2)(b). The exemption is available only when the buyer
6 provides the seller with an exemption certificate in a form and manner
7 prescribed by the department. The seller (~~shall~~) must retain a copy
8 of the certificate for the seller's files.

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

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

17 (b) Before commencing commercial production at a new facility the
18 manufacturer or processor for hire must meet with the department to
19 review projected employment levels in the new buildings. The
20 department, using information provided by the taxpayer, (~~shall~~) must
21 make a determination of the number of positions that would be filled at
22 full employment. This number (~~shall~~) must be used throughout the
23 eight-year period to determine whether any tax is to be repaid. This
24 information is not subject to the confidentiality provisions of RCW
25 82.32.330 and may be disclosed to the public upon request.

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

32 (d) No application is necessary for the tax exemption. The person
33 is subject to all the requirements of chapter 82.32 RCW. A person
34 (~~taking~~) claiming the exemption under this section must file a
35 complete annual report (~~as required~~) with the department under (~~RCW~~
36 ~~82.32.535~~) section 103 of this act.

37 (3) If the employment requirement is not met for any one calendar
38 year, one-eighth of the exempt sales and use taxes (~~shall~~) will be

1 due and payable by April 1st of the following year. The department
2 (~~shall~~) must assess interest to the date the tax was imposed, but not
3 penalties, on the taxes for which the person is not eligible.

4 (4) The exemption applies to new buildings, or parts of buildings,
5 that are used exclusively in the manufacturing of semiconductor
6 materials, including the storage of raw materials and finished product.

7 (5) For the purposes of this section:

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

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

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

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

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

21 **Sec. 124.** RCW 82.08.9651 and 2009 c 469 s 502 are each amended to
22 read as follows:

23 (1) The tax levied by RCW 82.08.020 does not apply to sales of
24 gases and chemicals used by a manufacturer or processor for hire in the
25 production of semiconductor materials. This exemption is limited to
26 gases and chemicals used in the production process to grow the product,
27 deposit or grow permanent or sacrificial layers on the product, to etch
28 or remove material from the product, to anneal the product, to immerse
29 the product, to clean the product, and other such uses whereby the
30 gases and chemicals come into direct contact with the product during
31 the production process, or uses of gases and chemicals to clean the
32 chambers and other like equipment in which such processing takes place.
33 For the purposes of this section, "semiconductor materials" has the
34 meaning provided in RCW 82.04.2404 and 82.04.294(3).

35 (2) A person (~~taking~~) claiming the exemption under this section
36 must file a complete annual report with the department under (~~RCW~~

1 ~~82.32.5351~~) section 103 of this act. No application is necessary for
2 the tax exemption. The person is subject to all of the requirements of
3 chapter 82.32 RCW.

4 (3) This section expires (~~twelve years after~~) December 1,
5 (~~2006~~) 2018.

6 **Sec. 125.** RCW 82.08.970 and 2003 c 149 s 7 are each amended to
7 read as follows:

8 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to
9 sales of gases and chemicals used by a manufacturer or processor for
10 hire in the manufacturing of semiconductor materials. This exemption
11 is limited to gases and chemicals used in the manufacturing process to
12 grow the product, deposit or grow permanent or sacrificial layers on
13 the product, to etch or remove material from the product, to anneal the
14 product, to immerse the product, to clean the product, and other such
15 uses whereby the gases and chemicals come into direct contact with the
16 product during the manufacturing process, or uses of gases and
17 chemicals to clean the chambers and other like equipment in which such
18 processing takes place. For the purposes of this section,
19 "semiconductor materials" has the same meaning as provided in RCW
20 82.04.240(2).

21 (2) A person (~~taking~~) claiming the exemption under this section
22 must file a complete annual report with the department under (~~RCW~~
23 ~~82.32.535~~) section 103 of this act. No application is necessary for
24 the tax exemption. The person is subject to all of the requirements of
25 chapter 82.32 RCW.

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

28 **Sec. 126.** RCW 82.08.980 and 2003 2nd sp.s. c 1 s 11 are each
29 amended to read as follows:

30 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to
31 charges made for labor and services rendered in respect to the
32 constructing of new buildings by a manufacturer engaged in the
33 manufacturing of superefficient airplanes or by a port district, to be
34 leased to a manufacturer engaged in the manufacturing of superefficient
35 airplanes, to sales of tangible personal property that will be
36 incorporated as an ingredient or component of such buildings during the

1 course of the constructing, or to labor and services rendered in
2 respect to installing, during the course of constructing, building
3 fixtures not otherwise eligible for the exemption under RCW
4 82.08.02565(2)(b). The exemption is available only when the buyer
5 provides the seller with an exemption certificate in a form and manner
6 prescribed by the department. The seller (~~shall~~) must retain a copy
7 of the certificate for the seller's files.

8 (2) No application is necessary for the tax exemption in this
9 section, however in order to qualify under this section before starting
10 construction the port district must have entered into an agreement with
11 the manufacturer to build such a facility. A person (~~taking~~)
12 claiming the exemption under this section is subject to all the
13 requirements of chapter 82.32 RCW. In addition, the person must file
14 a complete annual report (~~as required~~) with the department under
15 (~~RCW 82.32.545~~) section 103 of this act.

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

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

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

23 **Sec. 127.** RCW 82.12.022 and 2006 c 182 s 5 are each amended to
24 read as follows:

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

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

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

4 (4) The tax levied in this section (~~shall~~) does not apply to the
5 use of natural or manufactured gas if the person who sold the gas to
6 the consumer has paid a tax under RCW 82.16.020 with respect to the gas
7 for which exemption is sought under this subsection.

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

11 (b) A person claiming the exemption provided in this subsection (5)
12 must file a complete annual report with the department under section
13 103 of this act.

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

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

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

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

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

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

33 **Sec. 128.** RCW 82.12.805 and 2009 c 535 s 620 are each amended to
34 read as follows:

35 (1) A person who is subject to tax under RCW 82.12.020 for personal
36 property used at an aluminum smelter, or for tangible personal property
37 that will be incorporated as an ingredient or component of buildings or

1 other structures at an aluminum smelter, or for labor and services
2 rendered with respect to such buildings, structures, or personal
3 property, is eligible for an exemption from the state share of the tax
4 in the form of a credit, as provided in this section. The amount of
5 the credit (~~shall be~~) equals (~~to~~) the state share of use tax
6 computed to be due under RCW 82.12.020. The person (~~shall~~) must
7 submit information, in a form and manner prescribed by the department,
8 specifying the amount of qualifying purchases or acquisitions for which
9 the exemption is claimed and the amount of exempted tax.

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

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
14 103 of this act.

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

17 **Sec. 129.** RCW 82.12.965 and 2003 c 149 s 6 are each amended to
18 read as follows:

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

26 (2) The eligibility requirements, conditions, and definitions in
27 RCW 82.08.965 apply to this section, including the filing of a complete
28 annual report with the department under section 103 of this act.

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

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

34 **Sec. 130.** RCW 82.12.9651 and 2009 c 469 s 503 are each amended to
35 read as follows:

36 (1) The provisions of this chapter do not apply with respect to the

1 use of gases and chemicals used by a manufacturer or processor for hire
2 in the production of semiconductor materials. This exemption is
3 limited to gases and chemicals used in the production process to grow
4 the product, deposit or grow permanent or sacrificial layers on the
5 product, to etch or remove material from the product, to anneal the
6 product, to immerse the product, to clean the product, and other such
7 uses whereby the gases and chemicals come into direct contact with the
8 product during the production process, or uses of gases and chemicals
9 to clean the chambers and other like equipment in which such processing
10 takes place. For purposes of this section, "semiconductor materials"
11 has the meaning provided in RCW 82.04.2404 and 82.04.294(3).

12 (2) A person (~~(taking)~~) claiming the exemption under this section
13 must file a complete annual report with the department under (~~RCW~~
14 ~~82.32.5351~~) section 103 of this act. No application is necessary for
15 the tax exemption. The person is subject to all of the requirements of
16 chapter 82.32 RCW.

17 (3) This section expires (~~(twelve years after)~~) December 1,
18 (~~(2006)~~) 2018.

19 **Sec. 131.** RCW 82.12.970 and 2003 c 149 s 8 are each amended to
20 read as follows:

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

33 (2) A person (~~(taking)~~) claiming the exemption under this section
34 must file a complete annual report with the department under (~~RCW~~
35 ~~82.32.535~~) section 103 of this act. No application is necessary for
36 the tax exemption. The person is subject to all of the requirements of
37 chapter 82.32 RCW.

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

3 **Sec. 132.** RCW 82.12.980 and 2003 2nd sp.s. c 1 s 12 are each
4 amended to read as follows:

5 (1) The provisions of this chapter do not apply with respect to the
6 use of tangible personal property that will be incorporated as an
7 ingredient or component of new buildings by a manufacturer engaged in
8 the manufacturing of superefficient airplanes or owned by a port
9 district and to be leased to a manufacturer engaged in the
10 manufacturing of superefficient airplanes, during the course of
11 constructing such buildings, or to labor and services rendered in
12 respect to installing, during the course of constructing, building
13 fixtures not otherwise eligible for the exemption under RCW
14 82.08.02565(2)(b).

15 (2) The eligibility requirements, conditions, and definitions in
16 RCW 82.08.980 apply to this section, including the filing of a complete
17 annual report with the department under section 103 of this act.

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

19 **Sec. 133.** RCW 82.16.0421 and 2009 c 434 s 1 are each amended to
20 read as follows:

21 (1) For the purposes of this section:

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

30 (b) "Sodium chlorate electrolytic processing business" means a
31 person who is engaged in a business that uses more than ten average
32 megawatts of electricity per month in a sodium chlorate electrolytic
33 process to split the electrochemical bonds of sodium chloride and water
34 to make sodium chlorate and hydrogen. A "sodium chlorate electrolytic
35 processing business" does not include direct service industrial

1 customers or their subsidiaries that contract for the purchase of power
2 from the Bonneville power administration as of June 10, 2004.

3 (2) Effective July 1, 2004, the tax levied under this chapter does
4 not apply to sales of electricity made by a light and power business to
5 a chlor-alkali electrolytic processing business or a sodium chlorate
6 electrolytic processing business for the electrolytic process if the
7 contract for sale of electricity to the business contains the following
8 terms:

9 (a) The electricity to be used in the electrolytic process is
10 separately metered from the electricity used for general operations of
11 the business;

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

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

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

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

27 (5) A person receiving the benefit of the exemption provided in
28 this section must file a complete annual report with the department
29 under section 103 of this act.

30 (6)(a) This section does not apply to sales of electricity made
31 after December 31, 2018.

32 (b) This section expires June 30, 2019.

33 **Sec. 134.** RCW 82.29A.137 and 2003 2nd sp.s. c 1 s 13 are each
34 amended to read as follows:

35 (1) All leasehold interests in port district facilities exempt from
36 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged
37 in the manufacturing of superefficient airplanes, as defined in RCW

1 82.32.550, are exempt from tax under this chapter. A person (~~taking~~)
2 claiming the credit under RCW 82.04.4463 is not eligible for the
3 exemption under this section.

4 (2) In addition to all other requirements under this title, a
5 person (~~taking~~) claiming the exemption under this section must file
6 a complete annual report (~~(as required)~~) with the department under
7 (~~RCW 82.32.545~~) section 103 of this act.

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

9 **Sec. 135.** RCW 82.32.590 and 2009 c 461 s 7 are each amended to
10 read as follows:

11 (1) If the department finds that the failure of a taxpayer to file
12 an annual survey under section 102 of this act or annual report under
13 (~~RCW 82.04.4452, 82.32.5351, 82.32.650, 82.32.630, 82.32.610,~~
14 ~~82.82.020, 82.32.632, or 82.74.040~~) section 103 of this act by the due
15 date was the result of circumstances beyond the control of the
16 taxpayer, the department (~~shall~~) must extend the time for filing the
17 survey or report. Such extension (~~shall~~) must be for a period of
18 thirty days from the date the department issues its written
19 notification to the taxpayer that it qualifies for an extension under
20 this section. The department may grant additional extensions as it
21 deems proper.

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

29 **Sec. 136.** RCW 82.32.600 and 2009 c 461 s 8 are each amended to
30 read as follows:

31 (1) Persons required to file annual surveys or annual reports under
32 (~~RCW 82.04.4452, 82.32.5351, 82.32.545, 82.32.610, 82.32.630,~~
33 ~~82.82.020, 82.32.632, or 82.74.040~~) section 102 or 103 of this act
34 must electronically file with the department all surveys, reports,
35 returns, and any other forms or information the department requires in

1 an electronic format as provided or approved by the department. As
2 used in this section, "returns" has the same meaning as "return" in RCW
3 82.32.050.

4 (2) Any survey, report, return, or any other form or information
5 required to be filed in an electronic format under subsection (1) of
6 this section is not filed until received by the department in an
7 electronic format.

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

10 **Sec. 137.** RCW 82.32.710 and 2006 c 301 s 4 are each amended to
11 read as follows:

12 (1) A client under the terms of a professional employer agreement
13 is deemed to be the sole employer of a covered employee for purposes of
14 eligibility for any tax credit, exemption, or other tax incentive,
15 arising as the result of the employment of covered employees, provided
16 in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483, 82.08.965,
17 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or 82.70 RCW, or
18 any other provision in this title. A client, and not the professional
19 employer organization, (~~shall be~~) is entitled to the benefit of any
20 tax credit, exemption, or other tax incentive arising as the result of
21 the employment of covered employees of that client.

22 (2) A client under the terms of a professional employer agreement
23 is deemed to be the sole employer of a covered employee for purposes of
24 reports or surveys that require the reporting of employment information
25 relating to covered employees of the client, as provided in (~~RCW~~
26 ~~82.04.4452, 82.04.4483, 82.04.4484, 82.32.535, 82.32.540, 82.32.545,~~
27 ~~82.32.560, 82.32.570, 82.32.610, 82.32.620, 82.60.070, 82.62.050,~~
28 ~~82.63.020, or 82.74.040, or any other provision in this title~~) section
29 102 or 103 of this act. A client, and not the professional employer
30 organization, (~~shall be~~) is required to complete any survey or report
31 that requires the reporting of employment information relating to
32 covered employees of that client.

33 (3) For the purposes of this section, "client," "covered employee,"
34 "professional employer agreement," and "professional employer
35 organization" have the same meanings as in RCW 82.04.540.

1 **Sec. 138.** RCW 82.60.020 and 2006 c 142 s 1 are each amended to
2 read as follows:

3 Unless the context clearly requires otherwise, the definitions in
4 this section apply throughout this chapter.

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

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

8 (3) "Eligible area" means a rural county as defined in RCW
9 82.14.370.

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

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

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

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

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

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

26 (c) "Eligible investment project" does not include any portion of
27 an investment project undertaken by a light and power business as
28 defined in RCW 82.16.010(~~(+5)~~) (4), other than that portion of a
29 cogeneration project that is used to generate power for consumption
30 within the manufacturing site of which the cogeneration project is an
31 integral part, or investment projects which have already received
32 deferrals under this chapter.

33 (5) "Initiation of construction" has the same meaning as in RCW
34 82.63.010.

35 (6) "Investment project" means an investment in qualified buildings
36 or qualified machinery and equipment, including labor and services
37 rendered in the planning, installation, and construction of the
38 project.

1 (~~(6)~~) (7) "Manufacturing" means the same as defined in RCW
2 82.04.120. "Manufacturing" also includes computer programming, the
3 production of computer software, and other computer-related services,
4 the activities performed by research and development laboratories and
5 commercial testing laboratories, and the conditioning of vegetable
6 seeds.

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

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

20 (~~(9)~~) (10) "Qualified employment position" means a permanent
21 full-time employee employed in the eligible investment project during
22 the entire tax year. The term "entire tax year" means a full-time
23 position that is filled for a period of twelve consecutive months. The
24 term "full-time" means at least thirty-five hours a week, four hundred
25 fifty-five hours a quarter, or one thousand eight hundred twenty hours
26 a year.

27 (~~(10)~~) (11) "Qualified machinery and equipment" means all new
28 industrial and research fixtures, equipment, and support facilities
29 that are an integral and necessary part of a manufacturing or research
30 and development operation. "Qualified machinery and equipment"
31 includes: Computers; software; data processing equipment; laboratory
32 equipment; manufacturing components such as belts, pulleys, shafts, and
33 moving parts; molds, tools, and dies; operating structures; and all
34 equipment used to control or operate the machinery.

35 (~~(11)~~) (12) "Recipient" means a person receiving a tax deferral
36 under this chapter.

37 (~~(12)~~) (13) "Research and development" means the development,
38 refinement, testing, marketing, and commercialization of a product,

1 service, or process before commercial sales have begun. As used in
2 this subsection, "commercial sales" excludes sales of prototypes or
3 sales for market testing if the total gross receipts from such sales of
4 the product, service, or process do not exceed one million dollars.

5 **Sec. 139.** RCW 82.60.070 and 2004 c 25 s 7 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 ~~((after June 30, 1994, shall))~~ must file a complete ~~((an))~~
13 annual survey with the department under section 102 of this act. If
14 the economic benefits of the deferral are passed to a lessee as
15 provided in RCW 82.60.020(4), the lessee ~~((shall agree to))~~ must file
16 a complete ~~((the))~~ annual survey, and the applicant is not required to
17 file a complete ~~((the))~~ annual survey. ~~((The survey is due by March
18 31st of the year following the calendar year in which the investment
19 project is certified by the department as having been operationally
20 complete and the seven succeeding calendar years. The survey shall
21 include the amount of tax deferred, the number of new products or
22 research projects by general classification, and the number of
23 trademarks, patents, and copyrights associated with activities at the
24 investment project. The survey shall 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~~

1 ~~measure the results of the deferral program, to be submitted at the~~
2 ~~same time as the survey.~~

3 ~~(d) All information collected under this subsection, except the~~
4 ~~amount of the tax deferral taken, is deemed taxpayer information under~~
5 ~~RCW 82.32.330 and is not disclosable. Information on the amount of tax~~
6 ~~deferral taken is not subject to the confidentiality provisions of RCW~~
7 ~~82.32.330 and may be disclosed to the public upon request.~~

8 ~~(e) The department shall use the information from this section to~~
9 ~~prepare summary descriptive statistics by category. No fewer than~~
10 ~~three taxpayers shall be included in any category. The department~~
11 ~~shall report these statistics to the legislature each year by September~~
12 ~~1st.~~

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

23 ~~(2)((a))~~ If, on the basis of a survey under ~~((this))~~ section 102
24 of this act or other information, the department finds that an
25 investment project is not eligible for tax deferral under this chapter,
26 the amount of deferred taxes outstanding for the project ~~((shall be))~~
27 is immediately due.

28 ~~((b) If a recipient of the deferral fails to complete the annual~~
29 ~~survey required under subsection (1) of this section by the date due,~~
30 ~~twelve and one half percent of the deferred tax shall be immediately~~
31 ~~due. If the economic benefits of the deferral are passed to a lessee~~
32 ~~as provided in RCW 82.60.020(4), the lessee shall be responsible for~~
33 ~~payment to the extent the lessee has received the economic benefit.))~~

34 ~~(3) ((Notwithstanding any other subsection of this section,~~
35 ~~deferred taxes need not be repaid on machinery and equipment for lumber~~
36 ~~and wood products industries, and sales of or charges made for labor~~
37 ~~and services, of the type which qualifies for exemption under RCW~~
38 ~~82.08.02565 or 82.12.02565 to the extent the taxes have not been repaid~~

1 ~~before July 1, 1995))~~ A recipient who must repay deferred taxes under
2 subsection (2) of this section because the department has found that an
3 investment project is not eligible for tax deferral under this chapter
4 is no longer required to file annual surveys under section 102 of this
5 act beginning on the date an investment project is used for
6 nonqualifying purposes.

7 (4) Notwithstanding any other ~~((subsection))~~ provision of this
8 section or section 102 of this act, deferred taxes on the following
9 need not be repaid:

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

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

15 **Sec. 140.** RCW 82.63.020 and 2009 c 268 s 3 are each amended to
16 read as follows:

17 (1) Application for deferral of taxes under this chapter must be
18 made before initiation of construction of, or acquisition of equipment
19 or machinery for the investment project. In the case of an investment
20 project involving multiple qualified buildings, applications must be
21 made for, and before the initiation of construction of, each qualified
22 building. The application ~~((shall))~~ must be made to the department in
23 a form and manner prescribed by the department. The application
24 ~~((shall))~~ must contain information regarding the location of the
25 investment project, the applicant's average employment in the state for
26 the prior year, estimated or actual new employment related to the
27 project, estimated or actual wages of employees related to the project,
28 estimated or actual costs, time schedules for completion and operation,
29 and other information required by the department. The department
30 ~~((shall))~~ must rule on the application within sixty days.

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

35 ~~(b) Applicants for))~~ Each recipient of a deferral of taxes under
36 this chapter ((shall)) must file a complete ((an)) annual survey with
37 the department under section 102 of this act. If the economic benefits

1 of the deferral are passed to a lessee as provided in RCW 82.63.010(7),
2 the lessee ~~((shall))~~ must file a complete ~~((the))~~ annual survey, and
3 the applicant is not required to ~~((complete))~~ file the annual survey.
4 ~~((The survey is due by March 31st of the year following the calendar~~
5 ~~year in which the investment project is certified by the department as~~
6 ~~having been operationally complete and the seven succeeding calendar~~
7 ~~years. The survey shall include the amount of tax deferred, the number~~
8 ~~of new products or research projects by general classification, and the~~
9 ~~number of trademarks, patents, and copyrights associated with~~
10 ~~activities at the investment project. The survey shall also include~~
11 ~~the following information for employment positions in Washington:~~

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

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

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

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

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

25 ~~(d) All information collected under this subsection, except the~~
26 ~~amount of the tax deferral taken, is deemed taxpayer information under~~
27 ~~RCW 82.32.330 and is not disclosable. Information on the amount of tax~~
28 ~~deferral taken is not subject to the confidentiality provisions of RCW~~
29 ~~82.32.330 and may be disclosed to the public upon request.~~

30 ~~(3) The department shall use the information from this section to~~
31 ~~prepare summary descriptive statistics by category. No fewer than~~
32 ~~three taxpayers shall be included in any category. The department~~
33 ~~shall report these statistics to the legislature each year by September~~
34 ~~1st.~~

35 ~~(4))~~ (3) The department ~~((shall))~~ must use the information
36 reported on the annual survey required by this section to study the tax
37 deferral program authorized under this chapter. The department
38 ~~((shall))~~ must report to the legislature by December 1, 2009, and

1 December 1, 2013. The reports (~~shall~~) must measure the effect of the
2 program on job creation, the number of jobs created for Washington
3 residents, company growth, the introduction of new products, the
4 diversification of the state's economy, growth in research and
5 development investment, the movement of firms or the consolidation of
6 firms' operations into the state, and such other factors as the
7 department selects.

8 (4) A recipient who must repay deferred taxes under RCW 82.63.045
9 because the department has found that an investment project is used for
10 purposes other than research and development performed within this
11 state in the fields of advanced computing, advanced materials,
12 biotechnology, electronic device technology, and environmental
13 technology is no longer required to file annual surveys under section
14 102 of this act beginning on the date an investment project is used for
15 nonqualifying purposes.

16 **Sec. 141.** RCW 82.63.045 and 2009 c 268 s 5 are each amended to
17 read as follows:

18 (1) Except as provided in subsection (2) of this section and
19 section 102 of this act, taxes deferred under this chapter need not be
20 repaid.

21 (2)(a) If, on the basis of the survey under (~~RCW 82.63.020~~)
22 section 102 of this act or other information, the department finds that
23 an investment project is used for purposes other than qualified
24 research and development or pilot scale manufacturing at any time
25 during the calendar year in which the investment project is certified
26 by the department as having been operationally completed, or at any
27 time during any of the seven succeeding calendar years, a portion of
28 deferred taxes (~~shall be~~) is immediately due according to the
29 following schedule:

30	Year in which use occurs	% of deferred taxes due
31	1	100%
32	2	87.5%
33	3	75%
34	4	62.5%
35	5	50%

1	6	37.5%
2	7	25%
3	8	12.5%

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

10 ~~(c) If an investment project is used for purposes other than~~
11 ~~qualified research and development or pilot scale manufacturing at any~~
12 ~~time during the calendar year in which the investment project is~~
13 ~~certified as having been operationally complete and the recipient of~~
14 ~~the deferral fails to complete the annual survey due under RCW~~
15 ~~82.63.020, the portion of deferred taxes immediately due is the amount~~
16 ~~on the schedule in (a) of this subsection.)~~ If the economic benefits
17 of the deferral are passed to a lessee as provided in RCW 82.63.010(7),
18 the lessee is responsible for payment to the extent the lessee has
19 received the economic benefit.

20 (3)(a) Notwithstanding subsection (2) of this section, in the case
21 of an investment project consisting of multiple qualified buildings,
22 the lessee is solely liable for payment of any deferred tax determined
23 by the department to be due and payable under this section beginning on
24 the date the department certifies that the project is operationally
25 complete.

26 (b) This subsection does not relieve the lessors of its obligation
27 to the lessee under RCW 82.63.010(7) to pass the economic benefit of
28 the deferral to the lessee.

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

36 (5) Notwithstanding subsection (2) of this section or section 102
37 of this act, deferred taxes on the following need not be repaid:

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

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

6 **Sec. 142.** RCW 82.74.040 and 2006 c 354 s 8 are each amended to
7 read as follows:

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

12 ~~(b))~~ Each recipient of a deferral of taxes granted under this
13 chapter ~~((shall))~~ must file a complete ~~((an))~~ annual survey with the
14 department under section 102 of this act. If the economic benefits of
15 the deferral are passed to a lessee as provided in RCW 82.74.010(6),
16 the lessee ~~((shall))~~ must file a complete ~~((the))~~ annual survey, and
17 the applicant is not required to ~~((complete))~~ file the annual survey.
18 ~~((The survey is due by March 31st of the year following the calendar~~
19 ~~year in which the investment project is certified by the department as~~
20 ~~having been operationally complete and each of the seven succeeding~~
21 ~~calendar years. The department may extend the due date for timely~~
22 ~~filing of annual surveys under this section as provided in RCW~~
23 ~~82.32.590. The survey shall include the amount of tax deferred. The~~
24 ~~survey shall also include the following information for employment~~
25 ~~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~~

1 ~~measure the results of the deferral program, to be submitted at the~~
2 ~~same time as the survey.~~

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

8 ~~(e) The department shall use the information from this section to~~
9 ~~prepare summary descriptive statistics by category. No fewer than~~
10 ~~three taxpayers shall be included in any category. The department~~
11 ~~shall report these statistics to the legislature each year by September~~
12 ~~1st.~~

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

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

31 ~~(b)) (2) A recipient who must repay deferred taxes under RCW~~
32 ~~82.74.050(2) because the department has found that an investment~~
33 ~~project is used for purposes other than fresh fruit and vegetable~~
34 ~~processing, dairy product manufacturing, seafood product manufacturing,~~
35 ~~cold storage warehousing, or research and development is no longer~~
36 ~~required to file annual surveys under ((this)) section 102 of this act~~
37 ~~beginning on the date an investment project is used for nonqualifying~~
38 ~~purposes.~~

1 **Sec. 143.** RCW 82.74.050 and 2006 c 354 s 9 are each amended to
2 read as follows:

3 (1) Except as provided in subsection (2) of this section and
4 section 102 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 102 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 102
4 of 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. 144.** A new section is added to chapter 82.75
11 RCW 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 102 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 102 of this act beginning
23 on the date an investment project is used for nonqualifying purposes.

24 **Sec. 145.** RCW 82.75.010 and 2009 c 549 s 1033 are each amended to
25 read 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 144 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 human beings or other animals, and which does not achieve any of its
18 primary intended purposes through chemical action within or on the body
19 of human beings or other animals and which is not dependent upon being
20 metabolized for the achievement of any of its principal intended
21 purposes.

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

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

37 (11) "Qualified machinery and equipment" means all new industrial
38 and research fixtures, equipment, and support facilities that are an

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

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

9 **Sec. 146.** RCW 82.75.020 and 2006 c 178 s 3 are each amended to
10 read as follows:

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

23 **Sec. 147.** RCW 82.75.040 and 2006 c 178 s 5 are each amended to
24 read as follows:

25 (1) Except as provided in subsection (2) of this section and (~~RCW~~
26 ~~82.32.645~~) section 102 of this act, taxes deferred under this chapter
27 need not be repaid.

28 (2)(a) If, on the basis of the survey under (~~RCW 82.32.645~~)
29 section 102 of this act or other information, the department finds that
30 an investment project is used for purposes other than qualified
31 biotechnology product manufacturing or medical device manufacturing
32 activities at any time during the calendar year in which the eligible
33 investment project is certified by the department as having been
34 operationally completed, or at any time during any of the seven
35 succeeding calendar years, a portion of deferred taxes (~~shall be~~) is
36 immediately due and payable according to the 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 82.32.645 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 102
26 of 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. 148.** 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

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

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

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

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

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

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

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

37 ~~(c) The department may request additional information necessary to~~

1 ~~measure the results of the deferral program, to be submitted at the~~
2 ~~same time as the survey.~~

3 ~~(d) All information collected under this subsection, except the~~
4 ~~amount of the tax deferral taken, is deemed taxpayer information under~~
5 ~~RCW 82.32.330 and is not disclosable. Information on the amount of tax~~
6 ~~deferral taken is not subject to the confidentiality provisions of RCW~~
7 ~~82.32.330 and may be disclosed to the public upon request.~~

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

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

21 (3) Each recipient of a deferral of taxes under this chapter must
22 file a complete annual survey with the department under section 102 of
23 this act. If the economic benefits of the deferral are passed to a
24 lessee as provided in RCW 82.82.010(5), the lessee must file a complete
25 annual survey, and the applicant is not required to file the annual
26 survey.

27 (4) A recipient who must repay deferred taxes under RCW 82.82.040
28 because the department has found that an investment project is no
29 longer an eligible investment project is no longer required to file
30 annual surveys under section 102 of this act beginning on the date an
31 investment project is used for nonqualifying purposes.

32 **Sec. 149.** RCW 82.82.040 and 2008 c 15 s 5 are each amended to read
33 as follows:

34 (1) Except as provided in subsection (2) of this section and
35 section 102 of this act, taxes deferred under this chapter need not be
36 repaid.

1 (2)(a) If, on the basis of the survey under (~~RCW 82.82.020~~)
2 section 102 of this act or other information, the department finds that
3 an investment project is no longer an "eligible investment project"
4 under RCW 82.82.010 at any time during the calendar year in which the
5 investment project is certified by the department as having been
6 operationally completed, or at any time during any of the seven
7 succeeding calendar years, a portion of deferred taxes are immediately
8 due according to the following schedule:

9	Year in which use occurs	% of deferred taxes due
10	1	100%
11	2	87.5%
12	3	75%
13	4	62.5%
14	5	50%
15	6	37.5%
16	7	25%
17	8	12.5%

18 (b) (~~If a recipient of the deferral fails to complete the annual~~
19 ~~survey required under RCW 82.82.020 by the date due, twelve and one-~~
20 ~~half percent of the deferred tax is immediately due.)) If the economic
21 benefits of the deferral are passed to a lessee as provided in RCW
22 82.82.010(5), the lessee is responsible for payment to the extent the
23 lessee has received the economic benefit.~~

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

33 (3) The department must assess interest at the rate provided for
34 delinquent taxes under chapter 82.32 RCW, but not penalties,
35 retroactively to the date of deferral. The debt for deferred taxes

1 will not be extinguished by insolvency or other failure of the
2 recipient. Transfer of ownership does not terminate the deferral. The
3 deferral is transferred, subject to the successor meeting the
4 eligibility requirements of this chapter, for the remaining periods of
5 the deferral.

6 **Sec. 150.** RCW 84.36.645 and 2003 c 149 s 10 are each amended to
7 read as follows:

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

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

16 (3) A person (~~receiving~~) claiming an exemption under this section
17 must file a complete annual report (~~in the manner prescribed in RCW~~
18 ~~82.32.535~~) with the department under section 103 of this act.

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

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

24 **Sec. 151.** RCW 84.36.655 and 2003 2nd sp.s. c 1 s 14 are each
25 amended to read as follows:

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

34 (2) In addition to all other requirements under this title, a
35 person (~~taking~~) claiming the exemption under this section must file

1 a complete annual report (~~(as required)~~) with the department under
2 (~~(RCW 82.32.545)~~) section 103 of this act.

3 (3) Claims for exemption authorized by this section (~~(shall)~~) must
4 be filed with the county assessor on forms prescribed by the department
5 and furnished by the assessor. The assessor (~~(shall)~~) must verify and
6 approve claims as the assessor determines to be justified and in
7 accordance with this section. No claims may be filed after December
8 31, 2023. The department may adopt rules, under the provisions of
9 chapter 34.05 RCW, as necessary to properly administer this section.

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

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

13 NEW SECTION. **Sec. 152.** The following acts or parts of acts are
14 each repealed:

15 (1) RCW 82.32.535 (Annual report by semiconductor businesses) and
16 2003 c 149 s 11;

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

19 (3) RCW 82.32.545 (Annual report for airplane manufacturing tax
20 preferences) and 2008 c 283 s 2, 2008 c 81 s 10, 2007 c 54 s 19, & 2003
21 2nd sp.s. c 1 s 16;

22 (4) RCW 82.32.560 (Electrolytic processing business tax exemption--
23 Annual report) and 2009 c 434 s 2 & 2004 c 240 s 2;

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

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

29 (7) RCW 82.32.620 (Annual report for tax incentives under RCW
30 82.04.294) and 2005 c 301 s 4;

31 (8) RCW 82.32.630 (Annual survey for timber tax incentives) and
32 2007 c 48 s 6 & 2006 c 300 s 9;

33 (9) RCW 82.32.632 (Annual report for tax incentives for printing or
34 publishing newspapers) and 2009 c 461 s 6;

35 (10) RCW 82.32.645 (Annual survey for biotechnology and medical
36 device manufacturing business tax incentive--Report to legislature) and
37 2006 c 178 s 8;

1 (11) RCW 82.32.650 (Annual survey--Customized employment training--
2 Report to legislature) and 2006 c 112 s 6;

3 (12) RCW 82.16.140 (Renewable energy system cost recovery--Report
4 to legislature) and 2005 c 300 s 5; and

5 (13) 2005 c 301 s 5 (uncodified).

6 NEW SECTION. **Sec. 153.** The repeals in section 152 of this act do
7 not affect any existing right acquired or liability or obligation
8 incurred under the statutes repealed or under any rule or order adopted
9 under those statutes, nor do they affect any proceeding instituted
10 under those statutes.

11 **PART II**

12 **MISCELLANEOUS PROVISIONS**

13 **Sec. 201.** 2009 c 461 s 9 (uncodified) is amended to read as
14 follows:

15 (1)(a) Sections 104, 110, 117, 123, 125, 129, 131, and 150, chapter
16 ..., Laws of 2010 (sections 104, 110, 117, 123, 125, 129, 131, and 150
17 of this act), section 3, chapter 461, Laws of 2009, section 7, chapter
18 300, Laws of 2006, and section 4, chapter 149, Laws of 2003 are
19 contingent upon the siting and commercial operation of a significant
20 semiconductor microchip fabrication facility in the state of
21 Washington.

22 (b) For the purposes of this section:

23 (i) "Commercial operation" means the same as "commencement of
24 commercial production" as used in RCW 82.08.965.

25 (ii) "Semiconductor microchip fabrication" means "manufacturing
26 semiconductor microchips" as defined in RCW 82.04.426.

27 (iii) "Significant" means the combined investment of new buildings
28 and new machinery and equipment in the buildings, at the commencement
29 of commercial production, will be at least one billion dollars.

30 (2) Chapter 149, Laws of 2003 takes effect the first day of the
31 month in which a contract for the construction of a significant
32 semiconductor fabrication facility is signed, as determined by the
33 director of the department of revenue.

34 (3)(a) The department of revenue must provide notice of the
35 effective date of (~~this act~~) sections 104, 110, 117, 123, 125, 129,

1 131, and 150, chapter . . . , Laws of 2010 (sections 104, 110, 117, 123,
2 125, 129, 131, and 150 of this act) section 3, chapter 461, Laws of
3 2009, section 7, chapter 300, Laws of 2006, and section 4, chapter 149,
4 Laws of 2003 to affected taxpayers, the legislature, and others as
5 deemed appropriate by the department.

6 (b) If, after making a determination that a contract has been
7 signed and chapter 149, Laws of 2003 is effective, the department
8 discovers that commencement of commercial production did not take place
9 within three years of the date the contract was signed, the department
10 must make a determination that chapter 149, Laws of 2003 is no longer
11 effective, and all taxes that would have been otherwise due are deemed
12 deferred taxes and are immediately assessed and payable from any person
13 reporting tax under RCW 82.04.240(2) or claiming an exemption or credit
14 under section 2 or 5 through 10, chapter 149, Laws of 2003. The
15 department is not authorized to make a second determination regarding
16 the effective date of chapter 149, Laws of 2003.

17 NEW SECTION. Sec. 202. If any provision of this act or its
18 application to any person or circumstance is held invalid, the
19 remainder of the act or the application of the provision to other
20 persons or circumstances is not affected.

21 NEW SECTION. Sec. 203. Those provisions of sections 101 through
22 103, 105 through 109, 111 through 116, 118 through 122, 124, 126
23 through 128, 130, 132 through 149, and 151 through 153 of this act that
24 relate to annual surveys and annual reports apply beginning with annual
25 surveys and annual reports due in 2011 and thereafter.

26 NEW SECTION. Sec. 204. Section 106 of this act expires July 1,
27 2011.

28 NEW SECTION. Sec. 205. 2010 c . . . s 201 (section 201 of this
29 act), 2009 c 461 s 9, 2006 c 300 s 12, and 2003 c 149 s 12 (uncodified)
30 are codified as a section within chapter 82.32 RCW.

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