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SENATE BILL 5402

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State of Washington                      62nd Legislature                      2011 Regular Session

By Senators Chase, Kastama, Hatfield, Shin, Hobbs, Prentice, Pridemore, and McAuliffe

Read first time 01/24/11. Referred to Committee on Economic Development, Trade & Innovation.

1            AN ACT Relating to tax deferrals for economic development  
2 investment projects in innovation partnership zones; and amending RCW  
3 82.60.020.

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

5            **Sec. 1.** RCW 82.60.020 and 2010 1st sp.s. c 16 s 2 are each amended  
6 to read as follows:

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

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

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

12            (3) "Eligible area" means:

13            (a) (~~Through~~) Until June 30, 2010, a rural county as defined in  
14 RCW 82.14.370; (~~and~~)

15            (b) Beginning July 1, 2010 until June 30, 2011, a qualifying  
16 county; and

17            (c) Beginning July 1, 2011, a qualifying county and an area  
18 designated as an innovation partnership zone under RCW 43.330.270.

1 (4)(a) "Eligible investment project" means an investment project  
2 that is located, as of the date the application required by RCW  
3 82.60.030 is received by the department, in an eligible area as defined  
4 in subsection (3) of this section.

5 (b) "Eligible investment project" does not include any portion of  
6 an investment project undertaken by a light and power business as  
7 defined in RCW 82.16.010(4), other than that portion of a cogeneration  
8 project that is used to generate power for consumption within the  
9 manufacturing site of which the cogeneration project is an integral  
10 part, or investment projects that have already received deferrals under  
11 this chapter.

12 (5) "Initiation of construction" has the same meaning as in RCW  
13 82.63.010.

14 (6) "Investment project" means an investment in qualified buildings  
15 or qualified machinery and equipment, including labor and services  
16 rendered in the planning, installation, and construction of the  
17 project.

18 (7) "Manufacturing" means the same as defined in RCW 82.04.120.  
19 "Manufacturing" also includes:

20 (a) Before July 1, 2010: (i) Computer programming, the production  
21 of computer software, and other computer-related services, but only  
22 when the computer programming, production of computer software, or  
23 other computer-related services are performed by a manufacturer as  
24 defined in RCW 82.04.110 and contribute to the production of a new,  
25 different, or useful substance or article of tangible personal property  
26 for sale; (ii) the activities performed by research and development  
27 laboratories and commercial testing laboratories; and (iii) the  
28 conditioning of vegetable seeds; and

29 (b) Beginning July 1, 2010: (i) The activities performed by  
30 research and development laboratories and commercial testing  
31 laboratories; and (ii) the conditioning of vegetable seeds.

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

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

1 of a factory, mill, plant, or laboratory used for manufacturing or  
2 research and development. If a building is used partly for  
3 manufacturing or research and development and partly for other  
4 purposes, the applicable tax deferral must be determined by  
5 apportionment of the costs of construction under rules adopted by the  
6 department.

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

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

21 (12) "Qualifying county" means a county that has an unemployment  
22 rate, as determined by the employment security department, which is at  
23 least twenty percent above the state average for the three calendar  
24 years immediately preceding the year in which the list of qualifying  
25 counties is established or updated, as the case may be, as provided in  
26 RCW 82.60.120.

27 (13) "Recipient" means a person receiving a tax deferral under this  
28 chapter.

29 (14) "Research and development" means the development, refinement,  
30 testing, marketing, and commercialization of a product, service, or  
31 process before commercial sales have begun, but only when such  
32 activities are intended to ultimately result in the production of a  
33 new, different, or useful substance or article of tangible personal  
34 property for sale. As used in this subsection, "commercial sales"  
35 excludes sales of prototypes or sales for market testing if the total  
36 gross receipts from such sales of the product, service, or process do

1 not exceed one million dollars.

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