
SENATE BILL 5642

State of Washington

65th Legislature

2017 Regular Session

By Senators Brown, King, Miloscia, Baumgartner, Bailey, Sheldon, Rivers, Zeiger, Honeyford, Hobbs, and Wilson

Read first time 02/01/17. Referred to Committee on Agriculture, Water, Trade & Economic Development.

1 AN ACT Relating to a pilot program that provides incentives for
2 investments in Washington state job creation and economic
3 development; amending RCW 82.85.010 and 82.85.020; and providing
4 expiration dates.

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

6 **Sec. 1.** RCW 82.85.010 and 2015 3rd sp.s. c 6 s 401 are each
7 amended to read as follows:

8 (1) Businesses that invest capital create jobs and generate
9 economic activity that supports a healthy Washington economy. The
10 legislature finds that these investments result in future revenues
11 that support schools and our communities. Therefore, the legislature
12 finds that a pilot program must be conducted to evaluate the
13 effectiveness of a program that invests business taxes from new
14 investments into workforce training programs that support
15 manufacturing businesses in the state of Washington thereby creating
16 jobs and capital investments in the state for the benefit of its
17 citizens.

18 (2)(a) This subsection is the tax preference performance
19 statement for the sales and use tax deferral provided in RCW
20 82.85.040 on expenditures made to build or expand qualified
21 investment projects and purchases of machinery and equipment. This

1 performance statement is only intended to be used for subsequent
2 evaluation of the tax preference. It is not intended to create a
3 private right of action by any party or be used to determine
4 eligibility for preferential tax treatment.

5 (b) The legislature categorizes the tax preference as one
6 intended to create or retain jobs and to provide funding to support
7 job readiness training, professional development, or apprenticeship
8 programs in manufacturing or production occupations, as indicated in
9 RCW 82.32.808(2) (c) and (f).

10 (c) It is the legislature's specific public policy objective to
11 provide a pilot program that would provide a sales tax deferral on
12 the construction and expenditure costs of up to five new
13 manufacturing facilities per year, two of which must be located in
14 eastern Washington. When deferred taxes are repaid, the deferred
15 taxes are reinvested to support job readiness training, professional
16 development, or apprenticeship programs in manufacturing or
17 production occupations.

18 (d) To measure the effectiveness of the deferral provided in this
19 part in achieving the specific public policy objective described in
20 (c) of this subsection, the joint legislative audit and review
21 committee should refer to information available from the employment
22 security department and department of revenue. If a review finds that
23 each eligible investment project generated at least twenty full-time
24 jobs and increased training opportunities for manufacturing and
25 production jobs, then the legislature intends for the legislative
26 auditor to recommend extending the expiration date of the tax
27 preference. For purposes of this subsection (2)(d), (~~the term~~)
28 the term full-time jobs (~~includes include~~) include both temporary
29 construction jobs and permanent full-time employment positions
30 created at the eligible investment project within one year of the
31 date that the facility became operationally complete as determined by
32 the department of revenue.

33 (3) This section expires January 1, 2026.

34 **Sec. 2.** RCW 82.85.020 and 2015 3rd sp.s. c 6 s 402 are each
35 amended to read as follows:

36 The definitions in this section apply throughout this chapter
37 unless the context clearly requires otherwise.

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

1 (2) "Eligible investment project" means an investment project for
2 qualified buildings and machinery and equipment on five new,
3 renovated, or expanded manufacturing operations per year, at least
4 two of which must be located east of the crest of the Cascade
5 mountains. The deferral provided in this section only applies to the
6 state and local sales and use taxes due on the first ten million
7 dollars in costs for qualified buildings and machinery and equipment.

8 (3) "Initiation of construction" has the same meaning as in RCW
9 82.63.010.

10 (4) "Investment project" means an investment in qualified
11 buildings or qualified machinery and equipment, including labor and
12 services rendered in the planning, installation, and construction of
13 the project.

14 (5) "Manufacturing" has the same meaning as provided in RCW
15 82.04.120.

16 (6) "Person" has the same meaning as provided in RCW 82.04.030.

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

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

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

37 This section expires January 1, 2026.

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