
HOUSE BILL 1420

State of Washington

66th Legislature

2019 Regular Session

By Representatives MacEwen, Orcutt, Jenkin, Stokesbary, Maycumber, Van Werven, Smith, Schmick, Barkis, and Irwin

Read first time 01/22/19. Referred to Committee on Finance.

1 AN ACT Relating to reducing the current standard business and
2 occupation tax rates for manufacturers to the current aerospace
3 preferential business and occupation tax rates; amending RCW
4 82.04.240, 82.04.240, and 82.32.790; creating a new section; and
5 providing a contingent expiration date.

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

7 **Sec. 1.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to read
8 as follows:

9 (1) Upon every person engaging within this state in business as
10 a manufacturer, except persons taxable as manufacturers under other
11 provisions of this chapter(~~(; as to such persons the amount of the~~
12 tax with respect to such business shall be equal to the value of the
13 products, including byproducts, manufactured)), and every
14 manufacturer engaging within the state in the business of making
15 sales, at retail or wholesale, of products manufactured by the
16 manufacturer, as to such persons the amount of tax with respect to
17 such business is equal to the taxable amount under this section
18 multiplied by the rate of ((~~0.484~~)) 0.2904 percent.

19 (2) The measure of the tax on engaging in the business of:

1 (a) Manufacturing is the value of the products, including
2 byproducts, so manufactured regardless of the place of sale or the
3 fact that deliveries may be made to points outside the state; and

4 (b) Retailing and wholesaling products manufactured by the
5 manufacturer is the gross proceeds of the sales.

6 **Sec. 2.** RCW 82.04.240 and 2017 3rd sp.s. c 37 s 518 are each
7 amended to read as follows:

8 (1) Upon every person engaging within this state in business as a
9 manufacturer, except persons taxable as manufacturers under other
10 provisions of this chapter(~~(; as to such persons the amount of the~~
11 ~~tax with respect to such business is equal to the value of the~~
12 ~~products, including byproducts, manufactured)), and every
13 manufacturer engaging within the state in the business of making
14 sales, at retail or wholesale, of products manufactured by the
15 manufacturer, as to such persons the amount of tax with respect to
16 such business is equal to the taxable amount under this section
17 multiplied by the rate of (~~(0.484)~~) 0.2904 percent.~~

18 (2)(a) Upon every person engaging within this state in the
19 business of manufacturing semiconductor materials, as to such persons
20 the amount of tax with respect to such business is, in the case of
21 manufacturers, equal to the value of the product manufactured, or, in
22 the case of processors for hire, equal to the gross income of the
23 business, multiplied by the rate of 0.275 percent. For the purposes
24 of this subsection "semiconductor materials" means silicon crystals,
25 silicon ingots, raw polished semiconductor wafers, compound
26 semiconductors, integrated circuits, and microchips.

27 (b) A person reporting under the tax rate provided in this
28 subsection (2) must file a complete annual tax performance report
29 with the department under RCW 82.32.534.

30 (3) The measure of the tax on engaging in the business of:

31 (a) Manufacturing is the value of the products, including
32 byproducts, so manufactured regardless of the place of sale or the
33 fact that deliveries may be made to points outside the state; and

34 (b) Retailing and wholesaling products manufactured by the
35 manufacturer is the gross proceeds of the sales.

36 (4) This section expires January 1, 2024, unless the contingency
37 in RCW 82.32.790(2) occurs.

1 **Sec. 3.** RCW 82.32.790 and 2017 3rd sp.s. c 37 s 526 are each
2 amended to read as follows:

3 (1)(a) Section 2, chapter . . ., Laws of 2019 (section 2 of this
4 act), sections 510, 512, 514, 516, 518, 520, 522, and 524, chapter
5 37, Laws of 2017 3rd sp. sess., sections 9, 13, 17, 22, 24, 30, 32,
6 and 45, chapter 135, Laws of 2017, sections 104, 110, 117, 123, 125,
7 129, 131, and 150, chapter 114, Laws of 2010, and sections 1, 2, 3,
8 and 5 through 10, chapter 149, Laws of 2003 are contingent upon the
9 siting and commercial operation of a significant semiconductor
10 microchip fabrication facility in the state of Washington by January
11 1, 2024.

12 (b) For the purposes of this section:

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

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

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

21 (2) The sections referenced in subsection (1) of this section
22 take effect the first day of the month in which a contract for the
23 construction of a significant semiconductor fabrication facility is
24 signed, if the contract is signed and received by January 1, 2024, as
25 determined by the director of the department of revenue.

26 (3)(a) The department of revenue must provide notice of the
27 effective date of the sections referenced in subsection (1) of this
28 section to affected taxpayers, the legislature, and others as deemed
29 appropriate by the department.

30 (b) If, after making a determination that a contract has been
31 signed and the sections referenced in subsection (1) of this section
32 are effective, the department discovers that commencement of
33 commercial production did not take place within three years of the
34 date the contract was signed, the department must make a
35 determination that chapter 149, Laws of 2003 is no longer effective,
36 and all taxes that would have been otherwise due are deemed deferred
37 taxes and are immediately assessed and payable from any person
38 reporting tax under RCW 82.04.240(2) or claiming an exemption or
39 credit under RCW 82.04.426, 82.04.448, 82.08.965, 82.12.965,
40 82.08.970, 82.12.970, or 84.36.645. The department is not authorized

1 to make a second determination regarding the effective date of the
2 sections referenced in subsection (1) of this section.

3 (4) (a) This section expires January 1, 2024, if the contingency
4 in subsection (2) of this section does not occur by January 1, 2024,
5 as determined by the department.

6 (b) The department must provide written notice of the expiration
7 date of this section and the sections referenced in subsection (1) of
8 this section to affected taxpayers, the legislature, and others as
9 deemed appropriate by the department.

10 NEW SECTION. **Sec. 4.** Section 1, chapter . . ., Laws of 2019
11 (section 1 of this act) expires on the date that section 2,
12 chapter . . ., Laws of 2019 (section 2 of this act) takes effect.

13 NEW SECTION. **Sec. 5.** The provisions of RCW 82.32.805 and
14 82.32.808 do not apply to this act.

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