
ENGROSSED SUBSTITUTE HOUSE BILL 2482

State of Washington

68th Legislature

2024 Regular Session

By House Finance (originally sponsored by Representatives Harris, Santos, and Stonier)

READ FIRST TIME 02/05/24.

1 AN ACT Relating to reinstating semiconductor tax incentives;
2 amending RCW 82.04.2404, 82.08.9651, and 82.12.9651; reenacting and
3 amending RCW 82.32.790, 82.04.426, 82.04.448, 82.08.965, 82.08.970,
4 82.12.965, 82.12.970, and 84.36.645; adding a new section to chapter
5 82.04 RCW; creating new sections; providing a contingent effective
6 date; providing expiration dates; providing contingent expiration
7 dates; and declaring an emergency.

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

9 **Sec. 1.** RCW 82.32.790 and 2022 c 56 s 11 are each reenacted and
10 amended to read as follows:

11 (1) (a) (~~Sections 510, 512, 514, 516, 518, 520, 522, and 524,~~
12 ~~chapter 37, Laws of 2017 3rd sp. sess., sections 9, 13, 17, 22, 24,~~
13 ~~30, 32, and 45, chapter 135, Laws of 2017, sections 104, 110, 117,~~
14 ~~123, 125, 129, 131, and 150, chapter 114, Laws of 2010, and sections~~
15 ~~1, 2, 3, and 5 through 10, chapter 149, Laws of 2003)) RCW 82.04.426,
16 82.04.448, 82.08.965, 82.08.970, 82.12.965, 82.12.970, 84.36.645, and
17 section 2 of this act are contingent upon the siting and commercial
18 operation of a significant semiconductor microchip fabrication
19 facility in the state of Washington by January 1, ((2024)) 2034.~~

20 (b) For the purposes of this section:

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

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

5 (iii) "Significant" means the combined investment of new
6 buildings and new machinery and equipment in the buildings, at the
7 commencement of commercial production, will be at least (~~one billion~~
8 ~~dollars~~) \$500,000,000.

9 (2) The sections referenced in subsection (1) of this section
10 take effect the first day of the month in which a contract for the
11 construction of a significant semiconductor fabrication facility is
12 signed, if the contract is signed and received by January 1, (~~2024~~)
13 2034, as determined by the director of the department of revenue.

14 (3)(a) The department of revenue must provide notice of the
15 effective date of the sections referenced in subsection (1) of this
16 section to affected taxpayers, the legislature, the office of the
17 code reviser, and others as deemed appropriate by the department.

18 (b) If, after making a determination that a contract has been
19 signed and the sections referenced in subsection (1) of this section
20 are effective, the department discovers that commencement of
21 commercial production did not take place within three years of the
22 date the contract was signed, the department must make a
23 determination that (~~chapter 149, Laws of 2003 is~~) are no longer
24 effective, and all taxes that would have been otherwise due are
25 deemed deferred taxes and are immediately assessed and payable from
26 any person reporting tax under (~~RCW 82.04.240(2)~~) section 2 of this
27 act or claiming an exemption or credit under RCW 82.04.426,
28 82.04.448, 82.08.965, 82.12.965, 82.08.970, 82.12.970, or 84.36.645.
29 The department is not authorized to make a second determination
30 regarding the effective date of the sections referenced in subsection
31 (1) of this section.

32 (4)(a) This section expires January 1, (~~2024~~) 2035, if the
33 contingency in subsection (2) of this section does not occur by
34 January 1, (~~2024~~) 2034, as determined by the department.

35 (b) The department must provide written notice of the expiration
36 date of this section and the sections referenced in subsection (1) of
37 this section to affected taxpayers, the legislature, the office of
38 the code reviser, and others as deemed appropriate by the department.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04
2 RCW to read as follows:

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

12 (2) A person reporting under the tax rate provided in this
13 section must file a complete annual tax performance report with the
14 department under RCW 82.32.534.

15 (3) Pursuant to RCW 82.32.790, this section is contingent on the
16 siting and commercial operation of a significant semiconductor
17 microchip fabrication facility in the state of Washington.

18 (4) Any person who has claimed the preferential rate under this
19 section must reimburse the department for 50 percent of the amount of
20 the tax preference under this section if the number of persons
21 employed by the person claiming the tax preference is less than 90
22 percent of the person's three-year employment average for the three
23 years immediately preceding the year in which the preferential rate
24 is claimed.

25 (5) This section expires January 1, 2034, unless the contingency
26 in RCW 82.32.790(2) occurs.

27 **Sec. 3.** RCW 82.04.426 and 2017 3rd sp.s. c 37 s 524 are each
28 reenacted and amended to read as follows:

29 (1) The tax imposed by (~~(RCW 82.04.240(2))~~) section 2 of this act
30 does not apply to any person in respect to the manufacturing of
31 semiconductor microchips.

32 (2) For the purposes of this section:

33 (a) "Manufacturing semiconductor microchips" means taking raw
34 polished semiconductor wafers and embedding integrated circuits on
35 the wafers using processes such as masking, etching, and diffusion;
36 and

37 (b) "Integrated circuit" means a set of microminiaturized,
38 electronic circuits.

1 (3) A person reporting under the tax rate provided in this
2 section must file a complete annual tax performance report with the
3 department under RCW 82.32.534.

4 (4) Pursuant to RCW 82.32.790, this section is contingent on the
5 siting and commercial operation of a significant semiconductor
6 microchip fabrication facility in the state of Washington.

7 (5) Any person who has claimed the exemption under this section
8 must reimburse the department for 50 percent of the amount of the tax
9 preference under this section if the number of persons employed by
10 the person claiming the tax preference is less than 90 percent of the
11 person's three-year employment average for the three years
12 immediately preceding the year in which the exemption is claimed.

13 (6) This section expires January 1, (~~(2024)~~) 2034, unless the
14 contingency in RCW 82.32.790(2) occurs.

15 **Sec. 4.** RCW 82.04.448 and 2017 3rd sp.s. c 37 s 516 are each
16 reenacted and amended to read as follows:

17 (1) Subject to the limits and provisions of this section, a
18 credit is authorized against the tax otherwise due under (~~(RCW~~
19 ~~82.04.240(2))~~) section 2 of this act for persons engaged in the
20 business of manufacturing semiconductor materials. For the purposes
21 of this section "semiconductor materials" has the same meaning as
22 provided in (~~(RCW 82.04.240(2))~~) section 2 of this act.

23 (2)(a) The credit under this section equals (~~(three thousand~~
24 ~~dollars))~~ \$3,000 for each employment position used in manufacturing
25 production that takes place in a new building exempt from sales and
26 use tax under RCW 82.08.965 and 82.12.965. A credit is earned for the
27 calendar year a person fills a position. Additionally a credit is
28 earned for each year the position is maintained over the subsequent
29 consecutive years, up to eight years. Those positions that are not
30 filled for the entire year are eligible for (~~(fifty)~~) 50 percent of
31 the credit if filled less than six months, and the entire credit if
32 filled more than six months.

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

36 (c) In those situations where a production building in existence
37 on the effective date of this section will be phased out of
38 operation, during which time employment at the new building at the
39 same site is increased, the person is eligible for credit for

1 employment at the existing building and new building, with the
2 limitation that the combined eligible employment not exceed full
3 employment at the new building. "Full employment" has the same
4 meaning as in RCW 82.08.965. The credit may not be earned until the
5 commencement of commercial production, as that term is used in RCW
6 82.08.965.

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

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

20 (5) A person claiming the credit under this section must file a
21 complete annual tax performance report with the department under RCW
22 82.32.534.

23 (6) Credits may be claimed after the expiration date of this
24 section, for those buildings at which commercial production began
25 before the expiration date of this section, subject to all of the
26 eligibility criteria and limitations of this section.

27 (7) Any person who has claimed the credit under this section must
28 reimburse the department for 50 percent of the amount of the tax
29 preference under this section if the number of persons employed by
30 the person claiming the tax preference is less than 90 percent of the
31 person's three-year employment average for the three years
32 immediately preceding the year in which the credit is claimed.

33 (8) Pursuant to RCW 82.32.790, this section is contingent on the
34 siting and commercial operation of a significant semiconductor
35 microchip fabrication facility in the state of Washington.

36 (9) This section expires January 1, ((2024)) 2034, unless the
37 contingency in RCW 82.32.790(2) occurs.

38 **Sec. 5.** RCW 82.08.965 and 2017 3rd sp.s. c 37 s 510 are each
39 reenacted and amended to read as follows:

1 (1) The tax levied by RCW 82.08.020 does not apply to charges
2 made for labor and services rendered in respect to the constructing
3 of new buildings used for the manufacturing of semiconductor
4 materials, to sales of tangible personal property that will be
5 incorporated as an ingredient or component of such buildings during
6 the course of the constructing, or to labor and services rendered in
7 respect to installing, during the course of constructing, building
8 fixtures not otherwise eligible for the exemption under RCW
9 82.08.02565(2)(b). The exemption is available only when the buyer
10 provides the seller with an exemption certificate in a form and
11 manner prescribed by the department. The seller must retain a copy of
12 the certificate for the seller's files.

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

19 (a) The manufacturer or processor for hire must maintain at least
20 (~~seventy-five~~) 75 percent of full employment at the new building
21 for which the exemption under this section is claimed.

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

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

37 (d) No application is necessary for the tax exemption. The person
38 is subject to all the requirements of chapter 82.32 RCW. A person
39 claiming the exemption under this section must file a complete annual
40 tax performance report with the department under RCW 82.32.534.

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

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

10 (5) For the purposes of this section:

11 (a) "Commencement of commercial production" is deemed to have
12 occurred when the equipment and process qualifications in the new
13 building are completed and production for sale has begun.

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

17 (c) "Semiconductor materials" has the same meaning as provided in
18 (~~RCW 82.04.240(2)~~) section 2 of this act.

19 (6) No exemption may be taken after the expiration date of this
20 section, however all of the eligibility criteria and limitations are
21 applicable to any exemptions claimed before that date.

22 (7) Pursuant to RCW 82.32.790, this section is contingent on the
23 siting and commercial operation of a significant semiconductor
24 microchip fabrication facility in the state of Washington.

25 (8) This section expires January 1, (~~2024~~) 2034, unless the
26 contingency in RCW 82.32.790(2) occurs.

27 **Sec. 6.** RCW 82.08.970 and 2017 3rd sp.s. c 37 s 520 are each
28 reenacted and amended to read as follows:

29 (1) The tax levied by RCW 82.08.020 does not apply to sales of
30 gases and chemicals used by a manufacturer or processor for hire in
31 the manufacturing of semiconductor materials. This exemption is
32 limited to gases and chemicals used in the manufacturing process to
33 grow the product, deposit or grow permanent or sacrificial layers on
34 the product, to etch or remove material from the product, to anneal
35 the product, to immerse the product, to clean the product, and other
36 such uses whereby the gases and chemicals come into direct contact
37 with the product during the manufacturing process, or uses of gases
38 and chemicals to clean the chambers and other like equipment in which
39 such processing takes place. For the purposes of this section,

1 "semiconductor materials" has the same meaning as provided in ((RCW
2 82.04.240(2))) section 2 of this act.

3 (2) A person claiming the exemption under this section must file
4 a complete annual tax performance report with the department under
5 RCW 82.32.534. No application is necessary for the tax exemption. The
6 person is subject to all of the requirements of chapter 82.32 RCW.

7 (3) Any person who has claimed the exemption under this section
8 must reimburse the department for 50 percent of the amount of the tax
9 preference under this section if the number of persons employed by
10 the person claiming the tax preference is less than 90 percent of the
11 person's three-year employment average for the three years
12 immediately preceding the year in which the exemption is claimed.

13 (4) Pursuant to RCW 82.32.790, this section is contingent on the
14 siting and commercial operation of a significant semiconductor
15 microchip fabrication facility in the state of Washington.

16 (5) This section expires January 1, ((2024)) 2034, unless the
17 contingency in RCW 82.32.790(2) occurs.

18 **Sec. 7.** RCW 82.12.965 and 2017 3rd sp.s. c 37 s 512 are each
19 reenacted and amended to read as follows:

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

27 (2) The eligibility requirements, conditions, and definitions in
28 RCW 82.08.965 apply to this section, including the filing of a
29 complete annual tax performance report with the department under RCW
30 82.32.534.

31 (3) No exemption may be taken after the expiration date of this
32 section, however all of the eligibility criteria and limitations are
33 applicable to any exemptions claimed before that date.

34 (4) Pursuant to RCW 82.32.790, this section is contingent on the
35 siting and commercial operation of a significant semiconductor
36 microchip fabrication facility in the state of Washington.

37 (5) This section expires January 1, ((2024)) 2034, unless the
38 contingency in RCW 82.32.790(2) occurs.

1 **Sec. 8.** RCW 82.12.970 and 2017 3rd sp.s. c 37 s 522 are each
2 reenacted and amended to read as follows:

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

16 (2) A person claiming the exemption under this section must file
17 a complete annual tax performance report with the department under
18 RCW 82.32.534. No application is necessary for the tax exemption. The
19 person is subject to all of the requirements of chapter 82.32 RCW.

20 (3) Any person who has claimed the exemption under this section
21 must reimburse the department for 50 percent of the amount of the tax
22 preference under this section if the number of persons employed by
23 the person claiming the tax preference is less than 90 percent of the
24 person's three-year employment average for the three years
25 immediately preceding the year in which the exemption is claimed.

26 (4) Pursuant to RCW 82.32.790, this section is contingent on the
27 siting and commercial operation of a significant semiconductor
28 microchip fabrication facility in the state of Washington.

29 (5) This section expires January 1, ((2024)) 2034, unless the
30 contingency in RCW 82.32.790(2) occurs.

31 **Sec. 9.** RCW 84.36.645 and 2017 3rd sp.s. c 37 s 514 are each
32 reenacted and amended to read as follows:

33 (1) Machinery and equipment exempt under RCW 82.08.02565 or
34 82.12.02565 used in manufacturing semiconductor materials at a
35 building exempt from sales and use tax and in compliance with the
36 employment requirement under RCW 82.08.965 and 82.12.965 are exempt
37 from property taxation. "Semiconductor materials" has the same
38 meaning as provided in ((RCW ~~82.04.240(2)~~)) section 2 of this act.

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

3 (3) A person claiming an exemption under this section must file a
4 complete annual tax performance report with the department under RCW
5 82.32.534.

6 (4) This section (~~(is effective for)~~) applies to taxes levied for
7 collection (~~((one year after the effective date of section 150,~~
8 ~~chapter 114, Laws of 2010))~~) in the calendar year subsequent to the
9 effective date of this section and thereafter.

10 (5) Pursuant to RCW 82.32.790, this section is contingent on the
11 siting and commercial operation of a significant semiconductor
12 microchip fabrication facility in the state of Washington.

13 (6) This section expires January 1, (~~(2024))~~ 2034, unless the
14 contingency in RCW 82.32.790(2) occurs.

15 **Sec. 10.** RCW 82.04.2404 and 2021 c 145 s 6 are each amended to
16 read as follows:

17 (1) Upon every person engaging within this state in the business
18 of manufacturing or processing for hire semiconductor materials, as
19 to such persons the amount of tax with respect to such business is,
20 in the case of manufacturers, equal to the value of the product
21 manufactured, or, in the case of processors for hire, equal to the
22 gross income of the business, multiplied by the rate of 0.275
23 percent.

24 (2) For the purposes of this section "semiconductor materials"
25 means silicon crystals, silicon ingots, raw polished semiconductor
26 wafers, and compound semiconductor wafers.

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

30 (4) Any person who has claimed the preferential tax rate under
31 this section must reimburse the department for (~~(fifty))~~ 50 percent
32 of the amount of the tax preference under this section, if the number
33 of persons employed by the person claiming the tax preference is less
34 than (~~(ninety))~~ 90 percent of the person's three-year employment
35 average for the three years immediately preceding the year in which
36 the preferential tax rate is claimed.

37 (5) This section expires (~~(December))~~ January 1, ((2028)) 2034.

1 **Sec. 11.** RCW 82.08.9651 and 2021 c 145 s 12 are each amended to
2 read as follows:

3 (1) The tax levied by RCW 82.08.020 does not apply to sales of
4 gases and chemicals used by a manufacturer or processor for hire in
5 the production of semiconductor materials. This exemption is limited
6 to gases and chemicals used in the production process to grow the
7 product, deposit or grow permanent or sacrificial layers on the
8 product, to etch or remove material from the product, to anneal the
9 product, to immerse the product, to clean the product, and other such
10 uses whereby the gases and chemicals come into direct contact with
11 the product during the production process, or uses of gases and
12 chemicals to clean the chambers and other like equipment in which
13 such processing takes place. For the purposes of this section,
14 "semiconductor materials" has the meaning provided in RCW 82.04.2404
15 and 82.04.294(3).

16 (2) A person claiming the exemption under this section must file
17 a complete annual tax performance report with the department under
18 RCW 82.32.534.

19 (3) No application is necessary for the tax exemption. The person
20 is subject to all of the requirements of chapter 82.32 RCW.

21 (4) Any person who has claimed the exemption under this section
22 must reimburse the department for (~~(fifty)~~) 50 percent of the amount
23 of the tax preference under this section, if the number of persons
24 employed by the person claiming the tax preference is less than
25 (~~(ninety)~~) 90 percent of the person's three-year employment average
26 for the three years immediately preceding the year in which the
27 exemption is claimed.

28 (5) This section expires (~~(December)~~) January 1, (~~(2028)~~) 2034.

29 **Sec. 12.** RCW 82.12.9651 and 2021 c 145 s 15 are each amended to
30 read as follows:

31 (1) The provisions of this chapter do not apply with respect to
32 the use of gases and chemicals used by a manufacturer or processor
33 for hire in the production of semiconductor materials. This exemption
34 is limited to gases and chemicals used in the production process to
35 grow the product, deposit or grow permanent or sacrificial layers on
36 the product, to etch or remove material from the product, to anneal
37 the product, to immerse the product, to clean the product, and other
38 such uses whereby the gases and chemicals come into direct contact
39 with the product during the production process, or uses of gases and

1 chemicals to clean the chambers and other like equipment in which
2 such processing takes place. For purposes of this section,
3 "semiconductor materials" has the meaning provided in RCW 82.04.2404
4 and 82.04.294(3).

5 (2) A person claiming the exemption under this section must file
6 a complete annual tax performance report with the department under
7 RCW 82.32.534.

8 (3) No application is necessary for the tax exemption. The person
9 is subject to all of the requirements of chapter 82.32 RCW.

10 (4) Any person who has claimed the exemption under this section
11 must reimburse the department for (~~fifty~~) 50 percent of the amount
12 of the tax preference under this section, if the number of persons
13 employed by the person claiming the tax preference is less than
14 (~~ninety~~) 90 percent of the person's three-year employment average
15 for the three years immediately preceding the year in which the
16 exemption is claimed.

17 (5) This section expires (~~December~~) January 1, (~~(2028)~~) 2034.

18 NEW SECTION. Sec. 13. RCW 82.32.808 does not apply to sections
19 2 through 9 of this act.

20 NEW SECTION. Sec. 14. (1) This section is the tax preference
21 performance statement for section 10, chapter . . ., Laws of 2024
22 (section 10 of this act). This performance statement is only intended
23 to be used for subsequent evaluation of the tax preference. It is not
24 intended to create a private right of action by any party or be used
25 to determine eligibility for preferential tax treatment.

26 (2) The tax preference performance statement in section 1,
27 chapter 139, Laws of 2020 applies to the expansion of the tax
28 preference in section 10 of this act.

29 NEW SECTION. Sec. 15. (1) This section is the tax preference
30 performance statement for sections 11 and 12, chapter . . ., Laws of
31 2024 (sections 11 and 12 of this act). This performance statement is
32 only intended to be used for subsequent evaluation of the tax
33 preferences. It is not intended to create a private right of action
34 by any party or be used to determine eligibility for the preferential
35 tax treatment.

1 (2) The tax preference performance statement in section 2,
2 chapter 139, Laws of 2020 applies to the expansion of the tax
3 preferences in sections 11 and 12 of this act.

4 NEW SECTION. **Sec. 16.** This act is necessary for the immediate
5 preservation of the public peace, health, or safety, or support of
6 the state government and its existing public institutions, and takes
7 effect immediately.

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