

SENATE BILL REPORT

SB 6812

As of February 01, 2006

Title: An act relating to providing tax incentives to support the semiconductor cluster in Washington state.

Brief Description: Providing tax incentives to support the semiconductor cluster in the state.

Sponsors: Senators Zarelli, Pridemore and Benton.

Brief History:

Committee Activity: Ways & Means: 2/1/06.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: In 2003, temporary tax incentives targeting semiconductor microchip manufacturers in Washington were enacted. The tax preferences included:

- A preferential business and occupation (B&O) tax rate of 0.275 percent for manufacturing semiconductor materials;
- A sales and use tax exemption for the sale of gases and chemicals used in the manufacturing of semiconductor materials;
- A B&O tax exemption for manufacturers of semiconductor microchips;
- A sales and use tax exemption for labor, services, and sales of tangible personal property related to the construction of new buildings used for manufacturing semiconductor materials;
- A \$3,000 B&O tax job credit for each manufacturing production position in a new building exempt from sales and use tax; and
- A property tax exemption for machinery and equipment used in manufacturing semiconductor materials at a building exempt from sales and use tax.

Manufacturers claiming exemptions or credits must file annual reports detailing employment, wages, and health and retirement benefits with the Department of Revenue (DOR).

The act was contingent on a manufacturer making at least a \$1 billion investment in a semiconductor microchip fabrication facility. This has not yet occurred.

Summary of Bill: Tax incentives are provided for advanced semiconductor materials manufacturing: a preferential B&O tax rate of 0.275 percent for manufacturing advanced semiconductor materials, and a sales and use tax exemption for the sale of gases and chemicals used in the manufacturing of advanced semiconductor materials. The tax incentives expire twelve years after they take effect.

Manufacturers claiming exemptions or credits must file annual reports detailing employment, wages, and health and retirement benefits with DOR.

The act is contingent on a manufacturer making at least a \$350 million investment in an advanced semiconductor materials fabrication facility.

Appropriation: None.

Fiscal Note: Requested on January 24, 2006.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect the first day of the month following the Department of Revenue's determination that the siting, expansion, or renovation, and commercial operation of a significant advanced semiconductor materials fabrication facility or facilities has occurred in the state of Washington.

Testimony For: A major component of the semiconductor tax incentives was left out in 2003. The market for semiconductor microchips has gone sideways, but the market for advanced semiconductor materials has grown. The industry is important to the state. The competitive landscape has changed. This bill helps the state's industry compete.

Testimony Against: None.

Who Testified: PRO: Senator Zarelli, prime sponsor; Patrick McDonald, City of Vancouver; Bart Phillips, Columbia River Economic Development Council.