

E2SSB 5111 - H COMM AMD  
By Committee on Finance

ADOPTED AS AMENDED 04/13/2005

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that the welfare of  
4 the people of the state of Washington is positively impacted through  
5 the encouragement and expansion of key growth industries in the state.  
6 The legislature further finds that targeting tax incentives to focus on  
7 key growth industries is an important strategy to enhance the state's  
8 business climate.

9 A recent report by the Washington State University energy program  
10 recognized the solar electric industry as one of the state's important  
11 growth industries. It is of great concern that businesses in this  
12 industry have been increasingly expanding and relocating their  
13 operations elsewhere. The report indicates that additional incentives  
14 for the solar electric industry are needed in recognition of the unique  
15 forces and issues involved in business decisions in this industry.

16 Therefore, the legislature intends to enact comprehensive tax  
17 incentives for the solar electric industry that address activities of  
18 the manufacture of these products and to encourage these industries to  
19 locate in Washington. Tax incentives for the solar electric industry  
20 are important in both retention and expansion of existing business and  
21 attraction of new businesses, all of which will strengthen this growth  
22 industry within our state, will create jobs, and will bring many  
23 indirect benefits to the state.

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

26 (1) Beginning October 1, 2005, upon every person engaging within  
27 this state in the business of manufacturing solar energy systems using  
28 photovoltaic modules, or silicon components of such systems; as to such  
29 persons the amount of tax with respect to such business shall, in the

1 case of manufacturers, be equal to the value of the product  
2 manufactured, or in the case of processors for hire, be equal to the  
3 gross income of the business, multiplied by the rate of 0.2904 percent.

4 (2) Beginning October 1, 2005, upon every person engaging within  
5 this state in the business of making sales at wholesale of solar energy  
6 systems using photovoltaic modules, or silicon components of such  
7 systems, manufactured by that person; as to such persons the amount of  
8 tax with respect to such business shall be equal to the gross proceeds  
9 of sales of the solar energy systems using photovoltaic modules  
10 multiplied by the rate of 0.2904 percent.

11 (3) The definitions in this subsection apply throughout this  
12 section.

13 (a) "Module" means the smallest nondivisible self-contained  
14 physical structure housing interconnected photovoltaic cells and  
15 providing a single direct current electrical output.

16 (b) "Photovoltaic cell" means a device that converts light directly  
17 into electricity without moving parts.

18 (c) "Solar energy system" means any device or combination of  
19 devices or elements that rely upon direct sunlight as an energy source  
20 for use in the generation of electricity.

21 (4) This section expires June 30, 2014.

22 **Sec. 3.** RCW 82.04.440 and 2004 c 174 s 5 and 2004 c 24 s 7 are  
23 each reenacted and amended to read as follows:

24 (1) Every person engaged in activities which are within the purview  
25 of the provisions of two or more of sections RCW 82.04.230 to  
26 82.04.298, inclusive, shall be taxable under each paragraph applicable  
27 to the activities engaged in.

28 (2) Persons taxable under RCW 82.04.2909(2), 82.04.250, 82.04.270,  
29 section 2(2) of this act, or 82.04.260 (4) or (13) with respect to  
30 selling products in this state shall be allowed a credit against those  
31 taxes for any (a) manufacturing taxes paid with respect to the  
32 manufacturing of products so sold in this state, and/or (b) extracting  
33 taxes paid with respect to the extracting of products so sold in this  
34 state or ingredients of products so sold in this state. Extracting  
35 taxes taken as credit under subsection (3) of this section may also be  
36 taken under this subsection, if otherwise allowable under this

1 subsection. The amount of the credit shall not exceed the tax  
2 liability arising under this chapter with respect to the sale of those  
3 products.

4 (3) Persons taxable under RCW 82.04.240 or 82.04.260(1)(b) shall be  
5 allowed a credit against those taxes for any extracting taxes paid with  
6 respect to extracting the ingredients of the products so manufactured  
7 in this state. The amount of the credit shall not exceed the tax  
8 liability arising under this chapter with respect to the manufacturing  
9 of those products.

10 (4) Persons taxable under RCW 82.04.230, 82.04.240, 82.04.2909(1),  
11 section 2(1) of this act, or 82.04.260 (1), (2), (4), (6), or (13) with  
12 respect to extracting or manufacturing products in this state shall be  
13 allowed a credit against those taxes for any (i) gross receipts taxes  
14 paid to another state with respect to the sales of the products so  
15 extracted or manufactured in this state, (ii) manufacturing taxes paid  
16 with respect to the manufacturing of products using ingredients so  
17 extracted in this state, or (iii) manufacturing taxes paid with respect  
18 to manufacturing activities completed in another state for products so  
19 manufactured in this state. The amount of the credit shall not exceed  
20 the tax liability arising under this chapter with respect to the  
21 extraction or manufacturing of those products.

22 (5) For the purpose of this section:

23 (a) "Gross receipts tax" means a tax:

24 (i) Which is imposed on or measured by the gross volume of  
25 business, in terms of gross receipts or in other terms, and in the  
26 determination of which the deductions allowed would not constitute the  
27 tax an income tax or value added tax; and

28 (ii) Which is also not, pursuant to law or custom, separately  
29 stated from the sales price.

30 (b) "State" means (i) the state of Washington, (ii) a state of the  
31 United States other than Washington, or any political subdivision of  
32 such other state, (iii) the District of Columbia, and (iv) any foreign  
33 country or political subdivision thereof.

34 (c) "Manufacturing tax" means a gross receipts tax imposed on the  
35 act or privilege of engaging in business as a manufacturer, and  
36 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2909(1), (~~and~~)  
37 82.04.260 (1), (2), (4), and (13), and section 2(1) of this act; and  
38 (ii) similar gross receipts taxes paid to other states.

1 (d) "Extracting tax" means a gross receipts tax imposed on the act  
2 or privilege of engaging in business as an extractor, and includes the  
3 tax imposed in RCW 82.04.230 and similar gross receipts taxes paid to  
4 other states.

5 (e) "Business", "manufacturer", "extractor", and other terms used  
6 in this section have the meanings given in RCW 82.04.020 through  
7 82.04.212, notwithstanding the use of those terms in the context of  
8 describing taxes imposed by other states.

9 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.32 RCW  
10 to read as follows:

11 (1) The legislature finds that accountability and effectiveness are  
12 important aspects of setting tax policy. In order to make policy  
13 choices regarding the best use of limited state resources the  
14 legislature needs information on how a tax incentive is used.

15 (2)(a) A person who reports taxes under section 2 of this act shall  
16 make an annual report to the department detailing employment, wages,  
17 and employer-provided health and retirement benefits per job at the  
18 manufacturing site. The report shall not include names of employees.  
19 The report shall also detail employment by the total number of full-  
20 time, part-time, and temporary positions. The first report filed under  
21 this subsection shall include employment, wage, and benefit information  
22 for the twelve-month period immediately before first use of a  
23 preferential tax rate under section 2 of this act. The report is due  
24 by March 31st following any year in which a preferential tax rate under  
25 section 2 of this act is used. This information is not subject to the  
26 confidentiality provisions of RCW 82.32.330.

27 (b) If a person fails to submit an annual report under (a) of this  
28 subsection, the department shall declare the amount of taxes reduced  
29 for the previous calendar year to be immediately due and payable.  
30 Excise taxes payable under this subsection are subject to interest, but  
31 not penalties, at the rate provided for delinquent taxes, as provided  
32 under this chapter. The department shall assess interest,  
33 retroactively to the date the preferential tax rate under section 2 of  
34 this act, was used. The interest shall be assessed at the rate  
35 provided for delinquent excise taxes under this chapter, and shall  
36 accrue until the taxes for which the preferential tax rate was used are

1 repaid. This information is not subject to the confidentiality  
2 provisions of RCW 82.32.330.

3 NEW SECTION. **Sec. 5.** (1) Using existing sources of information,  
4 the department shall report to the house appropriations committee, the  
5 house committee dealing with energy issues, the senate committee on  
6 ways and means, and the senate committee dealing with energy issues by  
7 December 1, 2013. The report shall measure the impacts of this act,  
8 including the total number of solar energy system manufacturing  
9 companies in the state, any change in the number of solar energy system  
10 manufacturing companies in the state, and, where relevant, the effect  
11 on job creation, the number of jobs created for Washington residents,  
12 and any other factors the department selects.

13 (2) The department shall not conduct any new surveys to provide the  
14 report in subsection (1) of this section.

15 NEW SECTION. **Sec. 6.** This act is necessary for the immediate  
16 preservation of the public peace, health, or safety, or support of the  
17 state government and its existing public institutions, and takes effect  
18 July 1, 2005."

19 Correct the title.

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