
SUBSTITUTE SENATE BILL 5642

State of Washington

65th Legislature

2017 Regular Session

By Senate Ways & Means (originally sponsored by Senators Brown, King, Miloscia, Baumgartner, Bailey, Sheldon, Rivers, Zeiger, Honeyford, Hobbs, and Wilson)

READ FIRST TIME 04/04/17.

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, 82.85.020, and 82.85.040;
4 providing an effective date; and providing 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))~~ two new
13 manufacturing facilities per calendar year, ~~((two))~~ one of which must
14 be located in eastern Washington and one of which must be located in
15 western Washington. When deferred taxes are repaid, the deferred
16 taxes are reinvested to support job readiness training, professional
17 development, or apprenticeship programs in manufacturing or
18 production occupations.

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

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

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

37 (1) The definitions in this section apply throughout this chapter
38 unless the context clearly requires otherwise.

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

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

12 (~~(3)~~) (c) "Initiation of construction" has the same meaning as
13 in RCW 82.63.010.

14 (~~(4)~~) (d) "Investment project" means an investment in qualified
15 buildings or qualified machinery and equipment, including labor and
16 services rendered in the planning, installation, and construction of
17 the project.

18 (~~(5)~~) (e) "Manufacturing" has the same meaning as provided in
19 RCW 82.04.120.

20 (~~(6)~~) (f) "Person" has the same meaning as provided in RCW
21 82.04.030.

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

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

1 (~~(9)~~) (i) "Recipient" means a person receiving a tax deferral
2 under this chapter.

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

4 **Sec. 3.** RCW 82.85.040 and 2015 3rd sp.s. c 6 s 404 are each
5 amended to read as follows:

6 (1) Application for deferral of taxes under this chapter must be
7 made before initiation of the construction of the investment project
8 or acquisition of equipment or machinery. The application must be
9 made to the department in a form and manner prescribed by the
10 department. The deferrals are available on a first-in-time basis. The
11 application must contain information regarding the location of the
12 investment project, the applicant's average employment in the state
13 for the prior year, estimated or actual new employment related to the
14 project, estimated or actual wages of employees related to the
15 project, estimated or actual costs, time schedules for completion and
16 operation, and other information required by the department. The
17 department must rule on the application within sixty days.

18 (2) The department may not approve applications for more than
19 five eligible investment projects per calendar year.

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

21 NEW SECTION. **Sec. 4.** This act takes effect January 1, 2018.

--- END ---