
SUBSTITUTE SENATE BILL 5916

State of Washington

65th Legislature

2017 Regular Session

By Senate Ways & Means (originally sponsored by Senators Rivers, Cleveland, and Wilson)

READ FIRST TIME 04/04/17.

1 AN ACT Relating to the continuation of tax preferences supporting
2 the semiconductor materials manufacturing industry; amending RCW
3 82.04.2404, 82.08.9651, and 82.12.9651; creating new sections; and
4 providing expiration dates.

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

6 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
7 performance statement for the tax preference contained in section 2
8 of this act. This performance statement is only intended to be used
9 for subsequent evaluation of the tax preference. It is not intended
10 to create a private right of action by any party or be used to
11 determine eligibility for preferential tax treatment.

12 (2) The legislature categorizes this tax preference as one
13 intended to induce certain designated behavior by taxpayers, improve
14 industry competitiveness, and create or retain jobs, as indicated in
15 RCW 82.32.808(2) (a) through (c).

16 (3) It is the legislature's specific public policy objective to
17 maintain and expand business in the semiconductor cluster. It is the
18 legislature's intent to extend by ten years the preferential tax
19 rates for manufacturers and processors for hire of semiconductor
20 materials in order to maintain and grow jobs in the semiconductor
21 cluster.

1 (4) If a review finds that: (a) Since the effective date of this
2 section at least one project in the semiconductor cluster has located
3 in Clark county, and that this project generates at least four
4 thousand high-wage jobs, all of which pay twenty dollars per hour or
5 more and at least eighty percent of which pay thirty-five dollars per
6 hour or more; and (b) the number of jobs in the semiconductor cluster
7 in Washington has otherwise remained constant or increased since the
8 effective date of this section, then the legislature intends to
9 extend the expiration date of the tax preference.

10 (5) In order to obtain the data necessary to perform the review
11 in subsection (4) of this section, the joint legislative audit and
12 review committee may refer to the department of revenue's annual
13 survey data.

14 **Sec. 2.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to
15 read as follows:

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

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

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

29 (4) This section expires December 1, (~~2018~~) 2028.

30 NEW SECTION. **Sec. 3.** (1) This section is the tax preference
31 performance statement for the tax preferences contained in sections 4
32 and 5 of this act. This performance statement is only intended to be
33 used for subsequent evaluation of the tax preferences. It is not
34 intended to create a private right of action by any party or be used
35 to determine eligibility for preferential tax treatment.

36 (2) The legislature categorizes these tax preferences as ones
37 intended to induce certain designated behavior by taxpayers, improve

1 industry competitiveness, and create or retain jobs, as indicated in
2 RCW 82.32.808(2) (a) through (c).

3 (3) It is the legislature's specific public policy objective to
4 encourage significant construction projects; retain, expand, and
5 attract semiconductor business; and encourage and expand family-wage
6 jobs. It is the legislature's intent to extend by ten years the
7 preferential tax rates for sales and use of gases and chemicals used
8 in the production of semiconductor materials, in order to encourage
9 the growth and retention of the semiconductor business in Washington,
10 thereby strengthening Washington's competitiveness with other states
11 for manufacturing investment.

12 (4) If a review finds that the number of construction projects in
13 the industry has increased, and that number of people employed by the
14 solar silicon industry in Washington is the same or more than in
15 2015, and that at least sixty percent of employees earn sixty
16 thousand dollars a year, then the legislature intends to extend the
17 expiration date of the tax preferences.

18 (5) In order to obtain the data necessary to perform the review
19 in subsection (4) of this section, the joint legislative audit and
20 review committee may refer to the department of revenue's annual
21 survey data.

22 **Sec. 4.** RCW 82.08.9651 and 2014 c 97 s 405 are each amended to
23 read as follows:

24 (1) The tax levied by RCW 82.08.020 does not apply to sales of
25 gases and chemicals used by a manufacturer or processor for hire in
26 the production of semiconductor materials. This exemption is limited
27 to gases and chemicals used in the production process to grow the
28 product, deposit or grow permanent or sacrificial layers on the
29 product, to etch or remove material from the product, to anneal the
30 product, to immerse the product, to clean the product, and other such
31 uses whereby the gases and chemicals come into direct contact with
32 the product during the production process, or uses of gases and
33 chemicals to clean the chambers and other like equipment in which
34 such processing takes place. For the purposes of this section,
35 "semiconductor materials" has the meaning provided in RCW 82.04.2404
36 and 82.04.294(3).

37 (2)(a) Except as provided under (b) of this subsection (2), a
38 person claiming the exemption under this section must file a complete
39 annual survey with the department under RCW 82.32.585.

1 (b) A person claiming the exemption under this section and who is
2 required to file a complete annual report with the department under
3 RCW 82.32.534 as a result of claiming the tax preference provided by
4 RCW 82.04.2404 is not also required to file a complete annual survey
5 under RCW 82.32.585.

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

8 (4) This section expires December 1, (~~(2018)~~) 2028.

9 **Sec. 5.** RCW 82.12.9651 and 2014 c 97 s 406 are each amended to
10 read as follows:

11 (1) The provisions of this chapter do not apply with respect to
12 the use of gases and chemicals used by a manufacturer or processor
13 for hire in the production of semiconductor materials. This exemption
14 is limited to gases and chemicals used in the production process to
15 grow the product, deposit or grow permanent or sacrificial layers on
16 the product, to etch or remove material from the product, to anneal
17 the product, to immerse the product, to clean the product, and other
18 such uses whereby the gases and chemicals come into direct contact
19 with the product during the production process, or uses of gases and
20 chemicals to clean the chambers and other like equipment in which
21 such processing takes place. For purposes of this section,
22 "semiconductor materials" has the meaning provided in RCW 82.04.2404
23 and 82.04.294(3).

24 (2)(a) Except as provided under (b) of this subsection (2), a
25 person claiming the exemption under this section must file a complete
26 annual survey with the department under RCW 82.32.585.

27 (b) A person claiming the exemption under this section and who is
28 required to file a complete annual report with the department under
29 RCW 82.32.534 as a result of claiming the tax preference provided by
30 RCW 82.04.2404 is not also required to file a complete annual survey
31 under RCW 82.32.585.

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

34 (4) This section expires December 1, (~~(2018)~~) 2028.

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