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**SENATE BILL 5721**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** Senators Boehnke, Lovick, Liias, and Torres

AN ACT Relating to authorizing a business and occupation tax credit to incentivize private sector investment in advanced aerospace manufacturing training and education; adding a new section to chapter 82.04 RCW; creating a new section; providing an effective date; and providing an expiration date.

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

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in section 2, chapter . . ., Laws of 2023 (section 2 of this act). The performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes the tax preference in this act as one intended to induce certain designated behavior by taxpayers and to create jobs, as indicated in RCW 82.32.808(2) (a) and (c).

(3) It is the legislature's specific public policy objective to provide a consistent benefit for private sector employers to invest in the training and upskilling of current and future employees thereby increasing employment.

(4) To measure the effectiveness of the tax preference in section 2 of this act, the joint legislative audit and review committee must evaluate the changes in employment for employers claiming the tax credit under section 2 of this act and the types of training and education methods used by these employers.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee shall use the annual tax performance reports submitted to the department of revenue under section 2 of this act. Additionally, the joint legislative audit and review committee may use any other data it deems necessary.

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

(1) In computing the tax imposed under this chapter, a credit is allowed for qualified training and education expenditures by an eligible person. Credit may be earned only for qualified training and education expenditures occurring after January 1, 2024.

(2) The credit is equal to 50 percent of the amount of qualified training and education expenditures.

(3) The credit must be claimed against taxes due for the same calendar year in which the qualified training and education expenditures are incurred. The credit for each calendar year may not exceed the amount of tax otherwise due under this chapter for the calendar year. Refunds may not be granted in the place of a credit.

(4) Any person intending to claim the credit must file a form prescribed by the department that must include the amount of the credit claimed, an estimate of the anticipated qualified training and education expenditures during the calendar year for which the credit is claimed, an estimate of the taxable amount during the calendar year for which the credit is claimed, and additional information as the department may prescribe. For qualified training and education expenditures constituting on-the-job training or other in-house training, the application must include detailed information regarding the number of employees that will be conducting the training, the percentage of time these employees will dedicate to the training, the estimated wages, compensation, and benefits expense attributable to their training activities, and the methods by which the department can readily verify the information.

(5) The definitions in this subsection apply throughout this section.

(a) "Advanced manufacturing" means manufacturing processes that improve existing or create entirely new materials, products, and processes through the use of science, engineering, or information technologies, high-precision tools and methods, a high-performance workforce, and innovative business or organizational models using any of the following technology areas:

(i) Microelectronics and nanoelectronics, including semiconductors;

(ii) Advanced materials;

(iii) Integrated computational materials engineering;

(iv) Nanotechnology;

(v) Additive manufacturing; or

(vi) Industrial biotechnology.

(b) "Eligible person" means a firm primarily engaged in:

(i) Manufacturing commercial airplanes, or components of such airplanes;

(ii) Manufacturing tooling specifically designed for use in manufacturing commercial airplanes or components of such airplanes;

(iii) Aerospace product development as defined in RCW 82.04.4461; or

(iv) Advanced manufacturing.

(c) "Qualified training and education" means any program, course, curriculum, or routine of instruction that trains, upgrades, or enhances a prospective or current employee in a manner that is necessary to impart basic occupational skills and knowledge or adapt to new demands in the workplace due to the adoption of new technology, equipment, or innovation. "Qualified training and education" includes, but is not limited to: Internship programs; instructor-led programs, including programs at institutions of higher education; apprenticeship programs; onboarding programs; and on-the-job training.

(d) "Qualified training and education expenditures" means:

(i) The cost of employee training incurred by an employer and paid to an institution of higher education, apprenticeship program, credentialed program, certification program, or continuing education program;

(ii) The salary, wages, and benefits of an employee who provides training to the personnel of his or her employer; and

(iii) The salary and wages for a paid internship.

(e) "Taxable amount" means the taxable amount subject to the tax imposed in this chapter required to be reported on the person's tax returns during the year in which the credit is claimed, less any taxable amount for which a credit is allowed under RCW 82.04.440.

(6) In addition to all other requirements under this title, a person claiming the credit under this section must file a complete annual tax performance report with the department under RCW 82.32.534. On the report, the taxpayer must provide information regarding the types of qualified training and education programs, and expenditure amounts for these programs, for which a credit was claimed under this section in the prior calendar year.

(7) Credit may not be claimed for expenditures under this section for which a credit is claimed under any other section of this chapter.

(8) This section expires July 1, 2040.

NEW SECTION. **Sec.**  This act takes effect August 1, 2023.

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