

SHB 3303 - H AMD 1250

By Representative Hunter

ADOPTED 02/18/2008

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

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW
4 to read as follows:

5 (1)(a) In computing the tax imposed under this chapter, a
6 manufacturer of polysilicon may claim a credit for its qualified
7 preproduction development expenditures occurring after January 1, 2008.

8 (b) Any credits earned under this section must be accrued and
9 carried forward and may not be used until July 1, 2009 and until a
10 polysilicon manufacturer expends five hundred million dollars on a
11 polysilicon manufacturing plant located in a county along the boundary
12 line between Washington and Oregon with a population greater than fifty
13 thousand but less than one hundred thousand. A polysilicon
14 manufacturer may not claim a credit under this section in excess of one
15 million dollars in any calendar year. Carryover credits may be used at
16 any time after June 30, 2009, and may be carried over until used.
17 Refunds may not be granted in the place of a credit.

18 (2) The credit is equal to the amount of qualified preproduction
19 development expenditures, multiplied by the rate of seven and one-half
20 percent.

21 (3) Credit earned on or after July 1, 2009, may be carried over
22 until used. The credit claimed against taxes due for each calendar
23 year must not exceed the amount of tax otherwise due under this chapter
24 for the calendar year. Refunds may not be granted in the place of a
25 credit.

26 (4) The definitions in this subsection apply throughout this
27 section unless the context clearly requires otherwise.

28 (a)(i) "Preproduction development" means: (A) Research, design,
29 and engineering activities performed in relation to the development of
30 a product or product line; (B) the design and engineering of the

1 facility in which the product or product line will be manufactured; and
2 (C) training of production employees where the training is directly
3 related to the manufacturing of the product or product line.

4 (ii) The term "preproduction development" includes the discovery of
5 technological information, the translating of technological information
6 into new or improved products, processes, techniques, formulas, or
7 inventions, and the adaptation of existing products into new products
8 or derivatives of products or models. The term does not include
9 manufacturing activities or other production-oriented activities other
10 than tool design and engineering design for the manufacturing process
11 and the training identified in (a)(i)(C) of this subsection (4). The
12 term also does not include surveys and studies, social science and
13 humanities research, market research or testing, quality control, sale
14 promotion and service, computer software developed for internal use,
15 and research in areas such as improved style, taste, and seasonal
16 design.

17 (b)(i) Except as provided in (ii) of this subsection (4)(b),
18 "qualified preproduction development" means preproduction development
19 performed in the field of polysilicon manufacturing in a county along
20 the boundary line between Washington and Oregon with a population
21 greater than fifty thousand but less than one hundred thousand.

22 (ii) "Qualified preproduction development" also includes
23 preproduction development as defined in (a)(i)(B) of this subsection
24 (4) occurring outside of this state in relation to a polysilicon
25 manufacturing facility located, or to be located, in a county along the
26 boundary line between Washington and Oregon with a population greater
27 than fifty thousand but less than one hundred thousand.

28 (c) "Qualified preproduction development expenditures" means
29 operating expenses including wages, benefits, supplies, and computer
30 expenses directly incurred in qualified preproduction development by a
31 person claiming the credit provided in this section. The term does not
32 include amounts paid to a person or to the state or any of its
33 departments or institutions, other than a public educational or
34 research institution, to conduct preproduction development in the field
35 of polysilicon manufacturing. The term also does not include capital
36 costs and overhead, such as expenses for land, structures, or
37 depreciable property. For purposes of this subsection (4)(c), capital

1 costs do not include costs incurred for the design and engineering of
2 a manufacturing facility as provided in (a)(i)(B) of this subsection
3 (4).

4 (5) In addition to all other requirements under this title, a
5 person claiming the credit under this section must report as required
6 under RCW 82.32.545 and provide such additional information as the
7 department may prescribe.

8 (6) Credit may not be claimed for expenditures for which a credit
9 is claimed under RCW 82.04.4452.

10 (7) This section expires July 1, 2024.

11 **Sec. 2.** RCW 82.32.545 and 2007 c 54 s 19 are each amended to read
12 as follows:

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

17 (2)(a) A person who reports taxes under RCW 82.04.260(11) or who
18 claims an exemption or credit under RCW 82.04.4461, 82.08.980,
19 82.12.980, 82.29A.137, 84.36.655, (~~and~~) 82.04.4463, or section 1 of
20 this act shall make an annual report to the department detailing
21 employment, wages, and employer-provided health and retirement benefits
22 per job at the manufacturing site. The report shall not include names
23 of employees. The report shall also detail employment by the total
24 number of full-time, part-time, and temporary positions. The first
25 report filed under this subsection shall include employment, wage, and
26 benefit information for the twelve-month period immediately before
27 first use of a preferential tax rate under RCW 82.04.260(11), or tax
28 exemption or credit under RCW 82.04.4461, 82.08.980, 82.12.980,
29 82.29A.137, 84.36.655, (~~and~~) 82.04.4463, or section 1 of this act.
30 The report is due by March 31st following any year in which a
31 preferential tax rate under RCW 82.04.260(11) is used, or tax exemption
32 or credit under RCW 82.04.4461, 82.08.980, 82.12.980, 82.29A.137,
33 84.36.655, (~~and~~) 82.04.4463, or section 1 of this act is taken. This
34 information is not subject to the confidentiality provisions of RCW
35 82.32.330 and may be disclosed to the public upon request.

36 (b) If a person fails to submit an annual report under (a) of this
37 subsection by the due date of the report, the department shall declare

1 the amount of taxes exempted or credited, or reduced in the case of the
2 preferential business and occupation tax rate, for that year to be
3 immediately due and payable. Excise taxes payable under this
4 subsection are subject to interest but not penalties, as provided under
5 this chapter. This information is not subject to the confidentiality
6 provisions of RCW 82.32.330 and may be disclosed to the public upon
7 request.

8 (3) By November 1, 2010, for chapter 1, Laws of 2003 2nd sp. sess.,
9 and by November 1, 2014, for section 1 of this act, and by November 1,
10 ((2023)) 2022, for chapter 1, Laws of 2003 2nd sp. sess. and section 1
11 of this act, the ((fiscal committees of the house of representatives
12 and the senate, in consultation with the department,)) joint
13 legislative audit and review committee shall report to the legislature
14 on the effectiveness of chapter 1, Laws of 2003 2nd sp. sess. and
15 section 1 of this act in regard to keeping Washington competitive. The
16 report shall measure the effect of chapter 1, Laws of 2003 2nd sp.
17 sess. and section 1 of this act on job retention, net jobs created for
18 Washington residents, company growth, diversification of the state's
19 economy, cluster dynamics, and other factors as the committees select.
20 The reports shall include a discussion of principles to apply in
21 evaluating whether the legislature should reenact any or all of the tax
22 preferences in chapter 1, Laws of 2003 2nd sp. sess. and section 1 of
23 this act. The department shall maintain information from the annual
24 reports submitted under subsection (2) of this section necessary for
25 the committee to prepare its reports under this subsection.

26 NEW SECTION. Sec. 3. If a port in a county along the boundary
27 line between Washington and Oregon with a population greater than fifty
28 thousand but less than one hundred thousand and a polysilicon
29 manufacturer do not sign a memorandum of understanding to site a
30 polysilicon manufacturing plant that is expected to cost at least five
31 hundred million dollars by October 1, 2008, this act is null and void."

32 Correct the title.

EFFECT: Provides a B&O tax credit for polysilicon manufacturers

for qualified preproduction development expenditures. Limits credit to one million dollars per year per manufacturer. Requires annual survey. Requires JLARC reports in 2014 and 2022.

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