
SUBSTITUTE HOUSE BILL 2914

State of Washington

60th Legislature

2008 Regular Session

By House Community & Economic Development & Trade (originally sponsored by Representatives Linville, Bailey, Sullivan, Skinner, Pettigrew, Haler, Chase, Kristiansen, Upthegrove, Morrell, Santos, Nelson, and Kenney)

READ FIRST TIME 02/05/08.

1 AN ACT Relating to providing a source of funding to assist small
2 manufacturers in obtaining innovation and modernization services;
3 reenacting and amending RCW 82.32.590; adding new sections to chapter
4 82.04 RCW; adding new sections to chapter 43.131 RCW; and adding a new
5 chapter to Title 43 RCW.

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

7 NEW SECTION. **Sec. 1.** The legislature finds that a viable
8 manufacturing industry is critical to providing the state economy with
9 family-wage jobs and improving the quality of life for workers and
10 communities. To perform in the emerging global marketplace, Washington
11 manufacturers must master new technologies, streamline production
12 processes, improve quality assurance, expand environmental compliance,
13 and enhance methods of work organization. Only through innovation and
14 modernization techniques, reflecting the specific needs and
15 capabilities of the individual firms, can Washington manufacturers both
16 compete successfully in the market of the future and pay good living
17 wages.

18 Most small and midsize manufacturers do not have the resources that
19 will allow them to easily access innovation and modernization technical

1 assistance and the skills training needed to make them globally
2 competitive. Because of the statewide public benefit to be gained from
3 increasing the availability of innovation and modernization services,
4 it is the intent of the legislature to create a new mechanism in a
5 manner that reduces the up-front costs of these services for small and
6 midsize manufacturing firms. It is further the intent of the
7 legislature that Washington state increase its support for the federal
8 manufacturing extension partnership program, to expand the delivery of
9 innovation and modernization services to small and midsize Washington
10 manufacturers, and to leverage federal funding and private resources
11 devoted to such efforts.

12 The successful implementation of innovation and modernization
13 services will enable a manufacturing firm to reduce costs, increase
14 sales, become more profitable, and ultimately expand job opportunities
15 for Washington citizens. Such growth will result in increased revenue
16 from the state business and occupation taxes paid by manufacturers who
17 have engaged in innovation and modernization services.

18 NEW SECTION. **Sec. 2.** The definitions in this section apply
19 throughout this chapter unless the context clearly requires otherwise.

20 (1) "Costs of extension services" and "extension service costs"
21 mean the direct costs experienced under a contract with a qualified
22 manufacturing extension partnership affiliate for modernization
23 extension services, including but not limited to amounts in the
24 contract for costs of consulting, instruction, materials, equipment,
25 rental of class space, marketing, and overhead.

26 (2) "Department" means the department of community, trade, and
27 economic development.

28 (3) "Director" means the director of the department of community,
29 trade, and economic development.

30 (4) "Innovation and modernization extension voucher" and "voucher"
31 mean an instrument issued to a successful applicant from the
32 department, verifying that funds from the manufacturing innovation and
33 modernization account will be forwarded to the qualified manufacturing
34 extension partnership affiliate selected by the participant and will
35 cover identified costs of extension services.

36 (5) "Innovation and modernization extension services" and "service"
37 mean a service funded under this chapter and performed by a qualified

1 manufacturing extension partnership affiliate. The services may
2 include but are not limited to strategic planning, continuous
3 improvement, business development, six sigma, quality improvement,
4 environmental health and safety, lean processes, energy management,
5 innovation and product development, human resources and training,
6 supply chain management, and project management.

7 (6) "Outreach services" means those activities performed by an
8 affiliate to either assess the technical assistance needs of Washington
9 manufacturers or increase manufacturers' awareness of the opportunities
10 and benefits of implementing cutting edge technology, techniques, and
11 best practices. "Outreach services" includes but is not limited to
12 salaries of outreach staff, needs assessments, client follow-up, public
13 educational events, manufacturing orientated trade shows, electronic
14 communications, newsletters, advertising, direct mail efforts, and
15 contacting business organizations for names of manufacturers who might
16 need assistance.

17 (7) "Program" means the Washington manufacturing innovation and
18 modernization extension service program created in section 3 of this
19 act.

20 (8) "Program participant" and "participant" mean an applicant for
21 assistance under the program that has received a voucher or a small
22 manufacturer receiving services through an industry association or
23 cluster association that has received a voucher.

24 (9) "Qualified manufacturing extension partnership affiliate" and
25 "affiliate" mean a private nonprofit organization established under RCW
26 24.50.010 or other organization that is eligible or certified to
27 receive federal matching funds from the national institute of standards
28 and technology manufacturing extension partnership program of the
29 United States department of commerce.

30 (10) "Small manufacturer" means a private employer whose primary
31 business is adding value to a product through a manufacturing process
32 and employs one hundred or fewer employees within Washington state.

33 NEW SECTION. **Sec. 3.** (1) The Washington manufacturing innovation
34 and modernization extension service program is created to provide
35 assistance to small manufacturers located in the state of Washington.
36 The program shall be administered by the department.

1 (2)(a) Application to receive assistance under this program must be
2 made to the department in a form and manner specified by the
3 department. Successful applicants will receive an innovation and
4 modernization extension voucher from the department to cover the costs
5 of extension services performed by a qualified manufacturing extension
6 partnership affiliate. An applicant may not receive a voucher or
7 vouchers of over two hundred thousand dollars per calendar year. The
8 department shall only allocate up to sixty percent of available funding
9 during the first year of a biennium.

10 (b) Applicants must:

11 (i) Have a valid agreement with a qualified manufacturing extension
12 partnership affiliate to engage in innovation and modernization
13 extension services;

14 (ii) Agree to: (A) Make a contribution to the manufacturing
15 innovation and modernization account created in section 8 of this act,
16 in an amount equal to twenty-five percent of the amount of the
17 innovation and modernization extension voucher, upon completion of the
18 innovation and modernization extension service; and (B) make monthly or
19 quarterly contributions over the subsequent eighteen months, as
20 specified in their agreement with the affiliate, to the manufacturing
21 innovation and modernization account created in section 8 of this act
22 in an amount equal to eighty percent of the amount of the innovation
23 and modernization extension voucher;

24 (iii) Be a small manufacturer or an industry association or cluster
25 association at the time the applicant entered into an agreement with a
26 qualified manufacturing extension partnership affiliate; and

27 (iv) If a small manufacturer, ensure that the number of employees
28 the applicant has in the state during the calendar year following the
29 completion of the program will be equal to or greater than the number
30 of employees the applicant had in the state in the calendar year
31 preceding the start of the program.

32 (3) The director may solicit and receive gifts, grants, funds,
33 fees, and endowments, in trust or otherwise, from tribal, local,
34 federal, or other governmental entities, as well as private sources,
35 for the purpose of providing funding for the innovation and
36 modernization extension services and outreach services specified in
37 this chapter. All revenue solicited and received by the department

1 pursuant to this subsection must be deposited into the manufacturing
2 innovation and modernization account created in section 8 of this act.

3 (4) The department may adopt rules to implement this section.

4 (5) Any qualified manufacturing extension partnership affiliate
5 receiving funding under this program is required to submit a copy of
6 its annual independent federal audit to the department within three
7 months of its issuance.

8 NEW SECTION. **Sec. 4.** This chapter, being necessary for the
9 welfare of the state and its inhabitants, shall be liberally construed
10 to effect its purposes. Insofar as the provisions of this chapter are
11 inconsistent with the provisions of any general or special law, or
12 parts thereof, the provisions of this chapter shall be controlling.

13 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.04 RCW
14 to read as follows:

15 In computing the tax imposed under this chapter, a credit is
16 allowed for participants in the Washington manufacturing innovation and
17 modernization extension services program created in section 3 of this
18 act. The credit allowed under this section is equal to fifty percent
19 of the value of a program participant's contributions to the
20 manufacturing innovation and modernization account created in section
21 8 of this act. If a participant in the program does not meet the
22 qualifications in section 3(2)(b)(iv) of this act, the participant must
23 remit to the department the value of any credits taken plus interest.
24 The credit earned by a participant in one calendar year may be carried
25 over to be credited against taxes incurred in subsequent calendar
26 years. The annual statewide credit available is limited to one million
27 two hundred twenty-five thousand dollars.

28 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.04 RCW
29 to read as follows:

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

34 (2) Each person claiming a tax credit under section 5 of this act
35 shall report information to the department by filing a complete annual

1 survey. The survey is due by March 31st of the year following any
2 calendar year in which a tax credit under section 5 of this act is
3 taken. The department may extend the due date for timely filing of
4 annual surveys under this section as provided in RCW 82.32.590. The
5 survey shall include the amount of tax credit taken. The survey shall
6 also include the following information for employment positions in
7 Washington:

8 (a) The number of total employment positions;

9 (b) Full-time, part-time, and temporary employment positions as a
10 percent of total employment;

11 (c) The number of employment positions according to the following
12 wage bands: Less than thirty thousand dollars; thirty thousand dollars
13 or greater, but less than sixty thousand dollars; and sixty thousand
14 dollars or greater. A wage band containing fewer than three
15 individuals may be combined with another wage band; and

16 (d) The number of employment positions that have employer-provided
17 medical, dental, and retirement benefits, by each of the wage bands.

18 The first survey filed under this subsection shall also include
19 information for the twelve-month period immediately before first use of
20 a tax incentive.

21 (3) The department may request additional information necessary to
22 measure the results of the credit program, to be submitted at the same
23 time as the survey.

24 (4) All information collected under this section, except the amount
25 of the tax credit taken, is deemed taxpayer information under RCW
26 82.32.330. Information on the amount of tax credit taken is not
27 subject to the confidentiality provisions of RCW 82.32.330.

28 (5) If a person fails to submit an annual survey under subsection
29 (2) of this section by the due date of the report or any extension
30 under RCW 82.32.590, the department shall declare the amount of taxes
31 credited for the previous calendar year to be immediately due and
32 payable. The department shall assess interest, but not penalties, on
33 the amounts due under this section. The interest shall be assessed at
34 the rate provided for delinquent taxes under this chapter,
35 retroactively to the date the credit was claimed, and shall accrue
36 until the taxes for which the credit was claimed are repaid. This
37 information is not subject to the confidentiality provisions of RCW
38 82.32.330.

1 (6) The department shall use the information from this section to
2 prepare summary descriptive statistics by category. No fewer than
3 three taxpayers shall be included in any category. The department
4 shall report these statistics to the legislature each year by September
5 1st.

6 (7) The department shall study the tax credit authorized in section
7 5 of this act. The department shall submit a biennial report to the
8 appropriate committees of the legislature beginning December 1, 2013.
9 The report shall measure the effect of the credit on job creation, job
10 retention, company growth, the movement of firms or the consolidation
11 of firms' operations into the state, and such other factors as the
12 department selects.

13 **Sec. 7.** RCW 82.32.590 and 2006 c 354 s 17, 2006 c 300 s 10, 2006
14 c 177 s 8, 2006 c 112 s 7, and 2006 c 84 s 7 are each reenacted and
15 amended to read as follows:

16 (1) If the department finds that the failure of a taxpayer to file
17 an annual survey or annual report under RCW 82.04.4452, section 6 of
18 this act, 82.32.5351, 82.32.650, 82.32.635, 82.32.640, 82.32.630,
19 82.32.610, or 82.74.040 by the due date was the result of circumstances
20 beyond the control of the taxpayer, the department shall extend the
21 time for filing the survey or report. Such extension shall be for a
22 period of thirty days from the date the department issues its written
23 notification to the taxpayer that it qualifies for an extension under
24 this section. The department may grant additional extensions as it
25 deems proper.

26 (2) In making a determination whether the failure of a taxpayer to
27 file an annual survey or annual report by the due date was the result
28 of circumstances beyond the control of the taxpayer, the department
29 shall be guided by rules adopted by the department for the waiver or
30 cancellation of penalties when the underpayment or untimely payment of
31 any tax was due to circumstances beyond the control of the taxpayer.

32 NEW SECTION. **Sec. 8.** (1) The manufacturing innovation and
33 modernization account is created in the state treasury. Moneys in the
34 account may be spent only after appropriation.

35 (2) Expenditures from the account may be used only for funding

1 activities of the Washington manufacturing innovation and modernization
2 extension services program created in section 3 of this act.

3 (3) All payments by a program participant in the Washington
4 manufacturing innovation and modernization extension services program
5 created in section 3 of this act shall be deposited into the
6 manufacturing innovation and modernization account. Of the total
7 payments deposited into the account by program participants, the
8 department may use up to three percent for administration of this
9 program. The deposit of payments under this section from a program
10 participant cease when the department specifies that the program
11 participant has met the monetary contribution obligations of the
12 program.

13 (4) All revenue solicited and received under the provisions of
14 section 3(3) of this act shall be deposited into the manufacturing
15 innovation and modernization account.

16 (5) The legislature intends that all payments from the
17 manufacturing innovation and modernization account made to qualified
18 manufacturing extension partnership affiliates will be eligible as the
19 state match in an affiliate's application for federal matching funds
20 under the manufacturing extension partnership program of the United
21 States department of commerce's national institute of standards and
22 technology.

23 NEW SECTION. **Sec. 9.** Any qualified manufacturing extension
24 partnership affiliate receiving funding under the program shall collect
25 and submit to the department annually data on the number of clients
26 served, the scope of services provided, and outcomes achieved during
27 the previous calendar year. The department must evaluate the data
28 submitted and use it in a biennial report on the program submitted to
29 the appropriate committees of the legislature.

30 NEW SECTION. **Sec. 10.** A new section is added to chapter 43.131
31 RCW to read as follows:

32 The Washington manufacturing innovation and modernization extension
33 service program under chapter 43.--- RCW (created in section 13 of this
34 act) shall be terminated June 30, 2012, as provided in section 11 of
35 this act.

1 NEW SECTION. **Sec. 11.** A new section is added to chapter 43.131
2 RCW to read as follows:

3 The following acts or parts of acts, as now existing or hereafter
4 amended, are each repealed, effective June 30, 2013:

- 5 (1) Section 1 of this act;
- 6 (2) Section 2 of this act;
- 7 (3) Section 3 of this act;
- 8 (4) Section 4 of this act;
- 9 (5) Section 8 of this act;
- 10 (6) Section 9 of this act;
- 11 (7) Section 5 of this act; and
- 12 (8) Section 6 of this act.

13 NEW SECTION. **Sec. 12.** If any provision of this act or its
14 application to any person or circumstance is held invalid, the
15 remainder of the act or the application of the provision to other
16 persons or circumstances is not affected.

17 NEW SECTION. **Sec. 13.** Sections 1 through 4, 8, and 9 of this act
18 constitute a new chapter in Title 43 RCW.

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