
SUBSTITUTE SENATE BILL 6515

State of Washington

63rd Legislature

2014 Regular Session

By Senate Trade & Economic Development (originally sponsored by Senators Brown, Chase, Hewitt, and Rivers)

READ FIRST TIME 02/07/14.

1 AN ACT Relating to a pilot program that provides incentives for
2 investments in Washington state job creation and economic development;
3 adding a new section to chapter 82.04 RCW; creating new sections; and
4 providing an effective date.

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

6 NEW SECTION. **Sec. 1.** (1) Businesses that invest capital create
7 jobs and generate economic activity that supports a healthy Washington
8 economy. The legislature finds that these investments result in future
9 revenues that support schools and our communities. Therefore, the
10 legislature finds that a pilot program must be conducted to evaluate
11 the effectiveness of a program that provides businesses with the
12 latitude to invest their business and occupation tax back into their
13 business or to locate a business in the state of Washington thereby
14 creating jobs and capital investments in the state for the benefit of
15 its citizens.

16 (2)(a) This subsection is the tax preference performance statement
17 for the business and occupation tax credit provided in section 2 of
18 this act for a portion of the construction costs of qualified
19 industrial facilities. This performance statement is only intended to

1 be used for subsequent evaluation of the tax preference. It is not
2 intended to create a private right of action by any party or be used to
3 determine eligibility for preferential tax treatment.

4 (b) The legislature categorizes the tax preference as one intended
5 to create or retain jobs and to provide funding to support job
6 readiness training, professional development, or apprenticeship
7 programs in manufacturing or production occupations, as indicated in
8 RCW 82.32.808(2) (c) and (f).

9 (c) It is the legislature's specific public policy objective to
10 provide a pilot program that would provide a business and occupation
11 tax credit for a portion of the construction costs of up to five new
12 manufacturing facilities, two of which must be located in eastern
13 Washington. In lieu of claiming the credit, a taxpayer may donate all
14 or a portion of the credit to support job readiness training,
15 professional development, or apprenticeship programs in manufacturing
16 or production occupations.

17 (d) To measure the effectiveness of the credit provided in this act
18 in achieving the specific public policy objective described in (c) of
19 this subsection, the joint legislative audit and review committee
20 should refer to information available from the employment security
21 department and department of revenue. If a review finds that each
22 qualified industrial facility generated at least twenty full-time jobs,
23 then the legislature intends for the legislative auditor to recommend
24 extending the expiration date of the tax preference. For purposes of
25 this subsection (2)(d), full-time jobs includes both temporary
26 construction jobs and permanent full-time employment positions at the
27 qualified industrial facility within one year of the date that the
28 facility became operationally complete as determined by the department
29 of revenue.

30 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW
31 to read as follows:

32 (1) A person is allowed a credit against the tax imposed under this
33 chapter for a portion of the costs incurred by the person for the
34 construction of a qualified industrial facility. The credit equals the
35 state and local retail sales taxes paid by a person on up to ten
36 million dollars in construction costs for the qualified industrial
37 facility.

1 (2) The credit under this section is limited to five qualified
2 industrial facilities, at least two of which must be located east of
3 the crest of the Cascade mountains.

4 (3) The department may not approve a person to receive credit under
5 this section for the construction of more than one qualified industrial
6 facility.

7 (4) Credits are available on a first-in-time basis. Before using
8 a credit under this section, a person must submit an application to the
9 department in a form and manner required by the department. The
10 application must contain information regarding the location of the
11 proposed qualified industrial facility, time schedules for completion
12 and operation of the proposed qualified industrial facility, the
13 anticipated manufacturing to be conducted at the proposed qualified
14 industrial facility, and any other information required by the
15 department. The department must rule on the application within sixty
16 days.

17 (5)(a) A person may contribute all or any portion of the person's
18 approved credit to the state board for community and technical colleges
19 invest in Washington account hereby created in the state treasury to be
20 used exclusively by the state board for supporting customized training
21 programs, job skills programs, job readiness training, workforce
22 professional development, and to assist employers with state-approved
23 apprenticeship programs for manufacturing and production occupations.

24 (b) Revenues to the invest in Washington account consist of amounts
25 transferred by the state treasurer as provided in (c) of this
26 subsection (5).

27 (c) By June 1, 2015, and by June 1st of every subsequent year, the
28 department must notify the state treasurer of the amount of credit
29 under this section contributed to the invest in Washington account
30 since the effective date of this section through May 15, 2015, in the
31 case of the first notification under this subsection (5)(c), and since
32 the previous May 15th for subsequent notifications under this
33 subsection (5)(c). The department may make adjustments to the annual
34 notification under this subsection (5)(c) as may be necessary to
35 correct errors in the previous notification or offset previous
36 contributions of amounts that did not qualify for credit under this
37 section.

1 (d) By July 1, 2015, and by July 1st of every subsequent year, the
2 state treasurer must transfer the amount included in the department's
3 most recent notification under (c) of this subsection (5) from the
4 general fund to the invest in Washington account. Money in the account
5 may only be appropriated for the purposes specified in (a) of this
6 subsection (5).

7 (e) Persons contributing the credit under this section may
8 disregard the contribution of the credit for purposes of calculating
9 the small business credit provided in RCW 82.04.4451.

10 (f) Nothing in this subsection may be construed to modify or expand
11 the scope of chapter 49.04 RCW.

12 (g) The department must allow a person to make a contribution under
13 this subsection when filing its excise tax return, whether on the
14 original return or an amended return. The department may not consider
15 a contribution to have been made under this subsection unless the
16 amount of taxes due under this chapter as reported on the return on
17 which the contribution is made have also been paid to the department.
18 Once a contribution is made on a return and the taxes due under this
19 chapter as reported on that return have been paid, the contribution may
20 not be revoked.

21 (6) Credit under this section is earned, and may be claimed or
22 contributed, for state and local retail sales taxes paid on the
23 construction of a qualified industrial facility, subject to the
24 limitation in subsection (1) of this section.

25 (7) Approved credit under this section may only be claimed on an
26 excise tax return filed electronically in a manner provided or approved
27 by the department for taxes originally due on or after the date that
28 the credit was earned.

29 (8) Credit may be carried over until claimed or contributed, except
30 that no credit under this section may be claimed or contributed after
31 the date that is ten years after the effective date of this section.
32 This subsection must be construed to provide an expiration date for the
33 credit for purposes of RCW 82.32.805(2).

34 (9)(a) A person approved for the credit under this section must
35 notify the department that the qualified industrial facility is
36 operationally complete and must also provide the department with a
37 signed statement from the general contractor indicating, to the best of
38 the general contractor's knowledge, how many persons worked full-time

1 on the construction of the qualified industrial facility, whether
2 employed by the general contractor or any subcontractor. The
3 notifications required under this subsection (9)(a) must be received by
4 the department by the end of the calendar year in which the qualified
5 industrial facility is operationally complete.

6 (b) A person must repay all or a portion of the credit claimed or
7 contributed under this section under the following circumstances:

8 (i) If a qualified industrial facility is not operationally
9 complete within thirty-six months of the date the department received
10 the application for credit under this section or the person does not
11 comply with (a) of this subsection (9), all credit claimed and
12 contributed under this section must be repaid.

13 (ii) If a facility ceases to meet the definition of a qualified
14 industrial facility at any time after the facility became operationally
15 complete, as determined by the department, through the end of the
16 calendar year that is seven years after the calendar year that the
17 facility became operationally complete, all or a portion of the credit
18 claimed and contributed must be repaid as determined according to the
19 repayment schedule in RCW 82.63.045(2).

20 (c) The department must assess interest as provided in chapter
21 82.32 RCW, but not penalties, on taxes due under this subsection.

22 (10) The definitions in this subsection apply throughout this
23 section unless the context clearly requires otherwise.

24 (a) "Manufacturing" means (i) those activities that come within the
25 definition of "to manufacture" in RCW 82.04.120 and are taxed as
26 manufacturing or processing for hire under this chapter or would be
27 taxed as such if not for an exemption or deduction, or (ii) printing
28 newspapers or other materials. An activity is not taxed as
29 manufacturing or processing for hire under this chapter if the activity
30 is within the purview of chapter 82.16 RCW.

31 (b) "Operationally complete" means constructed to the point of
32 being functionally useable for its intended purposes as described in
33 the application required in subsection (4) of this section.

34 (c) "Qualified industrial facility" means a new building or
35 multiple new buildings located at a single site, that are used
36 primarily for manufacturing. For purposes of this subsection (10)(c):

37 (i) A building is used primarily for manufacturing if more than

1 fifty percent of the building's useable floor space is used for
2 manufacturing; and

3 (ii) Floor space used for offices or the storage of raw materials
4 or finished product is deemed to be used for manufacturing if such
5 offices and storage areas are integral to manufacturing occurring
6 elsewhere in the building or in another building at the qualified
7 industrial facility.

8 NEW SECTION. **Sec. 3.** This act may be known and cited as the
9 invest in Washington act.

10 NEW SECTION. **Sec. 4.** Section 2 of this act takes effect July 1,
11 2014.

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