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SENATE BILL 5701

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State of Washington

64th Legislature

2015 Regular Session

By Senators Warnick, Hargrove, and Conway; by request of Office of Financial Management

Read first time 01/29/15. Referred to Committee on Trade & Economic Development.

1 AN ACT Relating to creating a business and occupation tax credit  
2 for advanced composite manufacturing and wholesaling; adding a new  
3 section to chapter 82.04 RCW; creating a new section; providing an  
4 effective date; providing an expiration date; and declaring an  
5 emergency.

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

7 NEW SECTION. **Sec. 1.** (1) The legislature finds that the welfare  
8 of the people of the state of Washington is positively impacted  
9 through the encouragement and expansion of family wage employment in  
10 the state's manufacturing industries. The legislature further finds  
11 that targeting tax incentives to focus on key industry sectors is an  
12 important business climate strategy. The carbon fiber and carbon  
13 fiber composite industry is expanding rapidly as the demand for  
14 strong, lightweight, fuel efficient materials grows. To encourage its  
15 continued presence and growth in Washington, the legislature intends  
16 to enact tax incentives for the carbon fiber and carbon fiber  
17 composite industry sectors. This section is the tax preference  
18 performance statement for the business and occupation tax credit  
19 created in section 2 of this act.

20 (2) The legislature categorizes the tax preference in section 2  
21 of this act as intended to improve industry competitiveness and

1 create or retain jobs as indicated in RCW 82.32.808(2) (b) and (c),  
2 respectively. The legislature's specific public policy objectives are  
3 to increase the existing level of family wage employment in the  
4 carbon fiber and carbon fiber composite manufacturing industries in  
5 this state, and to increase the number of carbon fiber and carbon  
6 fiber composite manufacturing facilities in the state.

7 (3) The tax preference is expected to reduce the operating costs  
8 of carbon fiber, carbon fiber composite, and carbon fiber composite  
9 product manufacturers and increase the number of family wage  
10 manufacturing jobs and manufacturing facilities in these industries  
11 in Washington state.

12 (4) The joint legislative audit and review committee must review  
13 the tax preference provided in this act. As part of its review, the  
14 committee must specifically assess changes in carbon fiber, carbon  
15 fiber composite, and carbon fiber composite product manufacturing  
16 employment in Washington in comparison with other states and  
17 internationally. In addition, the committee must assess changes in  
18 the number of carbon fiber, carbon fiber composite, and carbon fiber  
19 composite product manufacturing facilities in the state. To the  
20 extent practicable, the committee must use occupational data  
21 statistics provided by the bureau of labor statistics and the  
22 employment security department to perform this assessment. The  
23 department of revenue must provide the joint legislative audit and  
24 review committee with annual survey information and any other tax  
25 data in its possession necessary to conduct the review.

26 (5) If a review finds that the aggregate number of family wage  
27 jobs in the carbon fiber, carbon fiber composite, and carbon fiber  
28 composite product manufacturing industries, and the aggregate number  
29 of manufacturing facilities in these industries, have increased in  
30 this state compared to those existing at the time of enactment of  
31 this act, then the legislature intends to extend the expiration date  
32 of the tax preference in section 2 of this act.

33 (6) The definitions in section 2 of this act apply to this  
34 section.

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

37 (1) In computing the tax imposed under this chapter, eligible  
38 manufacturers and processors for hire are allowed a credit against

1 the taxes otherwise due under this chapter in an amount as determined  
2 in subsection (2) of this section.

3 (2) The credit is equal to:

4 (a) Forty percent of the taxes due under this chapter on the  
5 manufacturing of carbon fiber, carbon fiber composites, or carbon  
6 fiber composite products, less any credit allowed against those taxes  
7 under RCW 82.04.440; and

8 (b) Forty percent of the taxes due on wholesale sales of carbon  
9 fiber, carbon fiber composites, or carbon fiber composite products,  
10 manufactured by the seller, less any credit allowed against those  
11 taxes under RCW 82.04.440.

12 (3) The credit is limited to five hundred thousand dollars per  
13 calendar year, per person.

14 (4) The total amount of credit in this section available  
15 statewide is four million dollars per calendar year.

16 (5) Credits may only be claimed on returns filed electronically  
17 using the department's online tax filing service, unless the  
18 department grants a waiver of this electronic filing requirement for  
19 good cause as defined in RCW 82.32.080.

20 (6) Credits are available on a first-in-time basis. The  
21 department must disallow any credit claimed in excess of the  
22 statewide cap. The department must assess interest as provided in  
23 chapter 82.32 RCW, but not penalties, on credits claimed in excess of  
24 the statewide cap.

25 (7) Credit earned for one tax reporting period must be claimed  
26 against taxes due under this chapter for that tax reporting period  
27 and may not be carried forward and claimed against taxes due in a  
28 subsequent tax reporting period.

29 (8) No credit under this section is allowed with respect to any  
30 activity taxable under RCW 82.04.260(11).

31 (9) A person claiming credits provided in this section must file  
32 a complete annual survey with the department under RCW 82.32.585.

33 (10) For the purposes of this section, the following definitions  
34 apply:

35 (a) "Carbon fiber" means a very strong and thin fiber containing  
36 at least ninety percent carbon, whether created by the controlled  
37 pyrolysis and thermal treatment of appropriate fibers or other  
38 process.

39 (b) "Carbon fiber composite" means a homogeneous material created  
40 by the synthetic assembly of selected filler or reinforcing elements

1 and compatible carbon fiber matrix binder to obtain specific  
2 characteristics and properties. Carbon fiber composites includes bio-  
3 based carbon fiber composites containing a bio-based resin, or carbon  
4 fiber bio-based matrix. For purposes of this definition of carbon  
5 fiber composite, "bio-based" means an organic material derived from  
6 renewable materials, including agricultural, aquatic, and forestry  
7 materials.

8 (c) "Carbon fiber composite product" means: (i) Products  
9 consisting entirely of carbon fiber composite materials; and (ii)  
10 products containing one or more carbon fiber composite components,  
11 but only when the carbon fiber composite component and the product  
12 are manufactured by the same person.

13 (d) "Eligible manufacturers and processors for hire" means  
14 persons who, as either a manufacturer or processor for hire,  
15 manufacture carbon fiber, carbon fiber composites, or carbon fiber  
16 composite products.

17 (11) This section expires July 1, 2020.

18 NEW SECTION. **Sec. 3.** This act is necessary for the immediate  
19 preservation of the public peace, health, or safety, or support of  
20 the state government and its existing public institutions, and takes  
21 effect July 1, 2015.

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