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**HOUSE BILL 1420**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** Representatives MacEwen, Orcutt, Jenkin, Stokesbary, Maycumber, Van Werven, Smith, Schmick, Barkis, and Irwin

AN ACT Relating to reducing the current standard business and occupation tax rates for manufacturers to the current aerospace preferential business and occupation tax rates; amending RCW 82.04.240, 82.04.240, and 82.32.790; creating a new section; and providing a contingent expiration date.

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

**Sec.**  RCW 82.04.240 and 2004 c 24 s 4 are each amended to read as follows:

 (1) Upon every person engaging within this state in business as a manufacturer, except persons taxable as manufacturers under other provisions of this chapter((~~; as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including byproducts, manufactured~~)), and every manufacturer engaging within the state in the business of making sales, at retail or wholesale, of products manufactured by the manufacturer, as to such persons the amount of tax with respect to such business is equal to the taxable amount under this section multiplied by the rate of ((~~0.484~~)) 0.2904 percent.

(2) The measure of the tax on engaging in the business of:

(a) Manufacturing is the value of the products, including byproducts, so manufactured regardless of the place of sale or the fact that deliveries may be made to points outside the state; and

(b) Retailing and wholesaling products manufactured by the manufacturer is the gross proceeds of the sales.

**Sec.**  RCW 82.04.240 and 2017 3rd sp.s. c 37 s 518 are each amended to read as follows:

(1) Upon every person engaging within this state in business as a manufacturer, except persons taxable as manufacturers under other provisions of this chapter((~~; as to such persons the amount of the tax with respect to such business is equal to the value of the products, including byproducts, manufactured~~)), and every manufacturer engaging within the state in the business of making sales, at retail or wholesale, of products manufactured by the manufacturer, as to such persons the amount of tax with respect to such business is equal to the taxable amount under this section multiplied by the rate of ((~~0.484~~)) 0.2904 percent.

(2)(a) Upon every person engaging within this state in the business of manufacturing semiconductor materials, as to such persons the amount of tax with respect to such business is, in the case of manufacturers, equal to the value of the product manufactured, or, in the case of processors for hire, equal to the gross income of the business, multiplied by the rate of 0.275 percent. For the purposes of this subsection "semiconductor materials" means silicon crystals, silicon ingots, raw polished semiconductor wafers, compound semiconductors, integrated circuits, and microchips.

(b) A person reporting under the tax rate provided in this subsection (2) must file a complete annual tax performance report with the department under RCW 82.32.534.

(3) The measure of the tax on engaging in the business of:

(a) Manufacturing is the value of the products, including byproducts, so manufactured regardless of the place of sale or the fact that deliveries may be made to points outside the state; and

(b) Retailing and wholesaling products manufactured by the manufacturer is the gross proceeds of the sales.

(4) This section expires January 1, 2024, unless the contingency in RCW 82.32.790(2) occurs.

**Sec.**  RCW 82.32.790 and 2017 3rd sp.s. c 37 s 526 are each amended to read as follows:

(1)(a) Section 2, chapter . . ., Laws of 2019 (section 2 of this act), sections 510, 512, 514, 516, 518, 520, 522, and 524, chapter 37, Laws of 2017 3rd sp. sess., sections 9, 13, 17, 22, 24, 30, 32, and 45, chapter 135, Laws of 2017, sections 104, 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, and sections 1, 2, 3, and 5 through 10, chapter 149, Laws of 2003 are contingent upon the siting and commercial operation of a significant semiconductor microchip fabrication facility in the state of Washington by January 1, 2024.

(b) For the purposes of this section:

(i) "Commercial operation" means the same as "commencement of commercial production" as used in RCW 82.08.965.

(ii) "Semiconductor microchip fabrication" means "manufacturing semiconductor microchips" as defined in RCW 82.04.426.

(iii) "Significant" means the combined investment of new buildings and new machinery and equipment in the buildings, at the commencement of commercial production, will be at least one billion dollars.

(2) The sections referenced in subsection (1) of this section take effect the first day of the month in which a contract for the construction of a significant semiconductor fabrication facility is signed, if the contract is signed and received by January 1, 2024, as determined by the director of the department of revenue.

(3)(a) The department of revenue must provide notice of the effective date of the sections referenced in subsection (1) of this section to affected taxpayers, the legislature, and others as deemed appropriate by the department.

(b) If, after making a determination that a contract has been signed and the sections referenced in subsection (1) of this section are effective, the department discovers that commencement of commercial production did not take place within three years of the date the contract was signed, the department must make a determination that chapter 149, Laws of 2003 is no longer effective, and all taxes that would have been otherwise due are deemed deferred taxes and are immediately assessed and payable from any person reporting tax under RCW 82.04.240(2) or claiming an exemption or credit under RCW 82.04.426, 82.04.448, 82.08.965, 82.12.965, 82.08.970, 82.12.970, or 84.36.645. The department is not authorized to make a second determination regarding the effective date of the sections referenced in subsection (1) of this section.

(4)(a) This section expires January 1, 2024, if the contingency in subsection (2) of this section does not occur by January 1, 2024, as determined by the department.

(b) The department must provide written notice of the expiration date of this section and the sections referenced in subsection (1) of this section to affected taxpayers, the legislature, and others as deemed appropriate by the department.

NEW SECTION. **Sec.**  Section 1, chapter . . ., Laws of 2019 (section 1 of this act) expires on the date that section 2, chapter . . ., Laws of 2019 (section 2 of this act) takes effect.

NEW SECTION. **Sec.**  The provisions of RCW 82.32.805 and 82.32.808 do not apply to this act.

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