

DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS

2015 Report to the Legislature
Covering Calendar Year 2014 Activity

Vikki Smith, Director
Washington State Department of Revenue



2015 Descriptive Statistics

TABLE OF CONTENTS

CHAPTER 1 Executive Summary	1-3
CHAPTER 2 Timber and Wood Products	2-8
CHAPTER 3 Solar Energy Systems (B&O Rate Reduction)	3-10
CHAPTER 4 Fruit and Vegetable Processors	4-13
CHAPTER 5 Manufacturers of Dairy Products	5-15
CHAPTER 6 Manufacturers of Seafood Products	6-17
CHAPTER 7 R&D Expenditures by High Tech Firms	7-19
CHAPTER 8 Work Force Training Expenditures	8-22
CHAPTER 9 Investments by Manufacturers in Rural and Qualifying Counties.....	9-24
CHAPTER 10 Investments by High Technology Firms	10-30
CHAPTER 11 Manufacturing/Processing Facilities for Ag Products and Cold Storage Warehouses...	11-35
CHAPTER 12 Investments in Biotechnology Manufacturing	12-39
CHAPTER 13 Corporate Headquarters in a Community Empowerment Zone	13-42
CHAPTER 14 Public Research Institutions	14-43
CHAPTER 15 Solar Energy Systems (Sales/Use Tax Exemption)	15-45
CHAPTER 16 Semiconductor Manufacturers or Processors for Hire	16-46
CHAPTER 17 Hog Fuel	17-48
CHAPTER 18 Renewable Energy	18-50
CHAPTER 19 Siting of Significant Commercial Airplane Manufacturing.....	19-53
CHAPTER 20 Federal Aviation Regulation Part 145 Repair Stations	20-55
CHAPTER 21 Newspaper Industry	21-58
CHAPTER 22 Government-Funded Mental Health Services	22-61
CHAPTER 23 Electrolytic Processing Industry	23-64
CHAPTER 24 Data Centers.....	24-65
CHAPTER 25 Aerospace Manufacturer Incentives	25-68
CHAPTER 26 Aerospace Non-Manufacturer Incentives	26-74
CHAPTER 27 Aluminum Smelter Incentives	27-79
CHAPTER 28 Semiconductor Industry Incentives.....	28-81

DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS EXECUTIVE SUMMARY

This is the eleventh in a series of annual publications to the Legislature by the Washington State Department of Revenue. It results from accountability statutes which require the Department to compile data from annual surveys and reports filed by firms that participate in selected tax incentive programs.

This publication covers activity during Calendar Year 2014. Taxpayers that used these incentives were required to file an annual survey and/or report by April 30, 2015, or request an extension of time and the data reported herein are a synopsis of those surveys and reports. The Department made a concerted effort to notify known participants, including sending reminders and direct contacts with firms. The statutory reporting schedule allows limited time to complete auditing and verification of the data that was reported. The data presented represents the information that was reported by participants with corrections that were made in the time available.

This 2015 Descriptive Statistics publication covers 34 tax incentive programs. The chapters in this publication are organized according to whether an annual survey or report is due and also by the principal tax categories.

Tax Incentives Requiring an Annual Survey

Business and Occupation (B&O) Tax Rate Reduction

- Timber & Wood Products
- Solar Energy Systems Manufacturers/Wholesalers

B&O or Public Utility Tax (PUT) Exemptions

- Fruit & Vegetable Processors
- Producers of Dairy Products
- Producers of Seafood Products

B&O or PUT Tax Credits

- High Tech Research and Development (R&D) Spending
- Work Force Training Expenditures

Sales/Use Tax Deferrals/Exemptions

- Manufacturers in Rural and Qualifying Counties
- High Tech R&D Investments
- Fruit/Vegetable Processors, Manufacturers of Dairy or Seafood Products, Cold Storage Warehouses
- Biotech Manufacturers

- Corporate Headquarters in a Community Empowerment Zone (CEZ)
- Public Research Institutions
- Solar Energy Systems Manufacturers/Wholesalers
- Semiconductor Manufacturers
- Hog Fuel
- Renewable Energy
- Siting of Significant Commercial Airplane Manufacturing

Tax Incentives Requiring an Annual Report

B&O Tax Rate Reductions

- Federal Aviation Regulation (FAR) Part 145 Repair Stations
- Newspaper Industry

B&O Tax Deduction

- Government-Funded Mental Health Services

PUT Exemption

- Electrolytic Processing Industry

Sales/Use Tax Exemption

- Data Center

Various Tax Incentives Grouped by Industry

- Aerospace Manufacturer Incentives
- Aerospace Non-Manufacturer Incentives
- Aluminum Smelter Incentives
- Semiconductor Industry

Information Required

There are two types of accountability tools required of program participants. The first is the annual survey. Participants in the survey incentive programs are asked to provide the following information for the survey year:

- The amount of tax preference claimed;
- The firm's number of employment positions (full-time, part-time or temporary);
- The number of employment positions by specified wage bands; and
- The number of employment positions with medical, dental and retirement benefits.

In addition, firms that take the sales tax deferral/exemption for investments in rural (or qualifying) counties and the sales tax deferral/exemption for construction of R&D facilities by specified high tech firms must provide the number of new products or research projects developed and the number of new patents, copyrights, and trademarks associated with the facility. Firms that take the sales tax deferral/exemption for siting a significant commercial airplane manufacturing facility are required to file both an annual survey and an annual report.

Participants in the remaining incentives are required to file an annual report and do not have to provide the amount of tax benefit received. However, they must provide information on the following for the survey year:

- Employment by wage bands and occupation;
- The number of employment positions (full-time, part-time or temporary); and
- The number of employment positions with medical and retirement benefits.

Also, some of the program participants must indicate the quantity of products produced during the year.

Highlights of the Descriptive Statistics

The B&O tax rate reduction for the timber industry had the most participants in 2014 with 758 firms. At the other extreme was the sales tax deferral for corporate headquarters facilities located in a community empowerment zone; it has yet to attract any firms. Other incentives with significant participation were the B&O tax credit for R&D spending (561), the sales tax deferral for manufacturers locating in rural and qualifying counties (239), and the various aerospace manufacturing incentives (262).

The largest cumulative revenue impact for the survey incentives is associated with the sales tax deferral for high technology investments with almost \$304 million in foregone state and local sales tax revenue. (*Note: This figure is not a one-year amount, but rather the total deferred amount which is spread over an eight-year deferral period.*) The second leading program in terms of taxpayer savings is the sales tax deferral for manufacturers which invest in rural and qualifying counties; the cumulative impact is now \$74 million. It is critical to note that these two amounts are merely estimates. This is because these totals include amounts of deferred sales tax estimated by taxpayers that have not yet been verified and approved by the Department. The chapters on sales tax deferrals discuss this and other limitations of deferral amounts.

For the sales/use tax deferral programs, the revenue figures reflect the total state and local tax amounts that were deferred (and presumably will be exempt if qualifying criteria continue to be met) over the eight-year reporting period. Sales tax deferral/exemption participants first report the full deferral amount in the year immediately following the year in which the project was certified as operationally complete; they continue to report the full deferral amount for the following seven years. Thus, the information for these programs should not be added over time

because the same sales tax impact data and employment information is repeated for the following seven years to assure continued eligibility for the eventual exemption.

Summing the overall participant counts may result in overstated numbers of tax incentive participants, as some firms participated in more than one program. Also, it should be noted that some program information is not shown in this publication because of disclosure requirements. The Department must aggregate certain data for at least three taxpayers to avoid revealing confidential taxpayer information.

All of the incentive programs require reporting of total employment by tax incentive participants. These employment numbers do not represent new jobs associated with the expansion of the firm. Rather, they are the total in-state jobs reported by firms that claimed the incentive. As with the total count of participants, the employment information is overstated if summed up because some firms reported total employment under more than one incentive program.

For 2014, the top three incentive programs in terms of the total in-state jobs reported were:

- The high tech sales tax deferral/exemption with 144,989 jobs;
- The high tech B&O tax credit with 104,271 jobs; and
- The aerospace manufacturing incentives with 97,395 jobs.

The remainder of this publication provides more detailed information as reported by incentive program participants. Since the annual report does not require revenue impact information, several incentives are grouped together to address an industry as a whole.

The table on the following page provides a synopsis of the tax incentives requiring an annual survey or report. The information is broken down by major industry group with the number of firms, total number of jobs and the total taxpayer savings provided where available and disclosable.

Table 1.1
SYNOPSIS OF TAX INCENTIVES BY MAJOR INDUSTRY FOR CY 2014

Tax Incentives by Major Industry	# Firms	Total Jobs	Tax Savings (\$000)
<u>AEROSPACE</u>			
Commercial aircraft manufacturers ¹	262	97,395	Not reported
Aerospace non-manufacturers ²	113	3,839	Not reported
Aircraft repairs (FAR Part 145)	34	3,623	Not reported
Aerospace mfg. (Survey, S/U Tax Exemption)	Disclosure	Disclosure	Disclosure
<u>AGRICULTURAL PRODUCTS</u>			
B&O exemption, fruit/vegetables	203	12,576	\$5,455.30
B&O exemption, dairy products	12	4,059	\$1,583.30
B&O exemption, seafood products	47	3,642	\$752.50
Sales tax deferral, processing facilities	62	15,213	\$22,376.90
<u>HIGH TECH & COMPUTING</u>			
B&O credit, R&D spending	561	104,271	\$25,619.60
Sales tax deferral, high tech R&D	102	144,989	\$303,685.00
Sales tax deferral, biotech mfg.	9	1,592	\$3,641.10
Sales tax exemption, data centers	16	719	Not reported
Semi-conductor industry ³	Disclosure	Disclosure	Not reported
<u>OTHER MANUFACTURING</u>			
B&O reduction, timber/wood products	758	19,385	\$13,325.80
Sales tax deferral, rural/qualifying counties	239	33,907	\$73,791.90
B&O rate reduction, newspapers	91	43,604	Not reported
Aluminum smelting ²	Disclosure	Disclosure	Not reported
Solar energy systems (Survey, S/U Tax Exemption)	Disclosure	Disclosure	Disclosure
Solar energy systems (Survey, B&O Tax Rate)	6	473	\$616.00
<u>OTHER PROGRAMS</u>			
B&O credit, workforce training	6	913	\$49.00
Sales tax deferral, corp. headquarters	0	0	\$0.00
Energy for electrolyte processors	Disclosure	Disclosure	Not reported
B&O deduction, mental health services	11	2,494	Not reported
Sales tax exemption, public research institutions	3	46,765	\$4,411.40
Sales tax exemption, renewable energy sys.	50	40,120	\$24,113.9 est.
Sales tax exemption, hog fuel	21	5,881	\$2,868.10

¹Six incentives.

²Four incentives.

³Two incentives.

BUSINESS AND OCCUPATION TAX RATE REDUCTION TIMBER AND WOOD PRODUCTS

A preferential B&O tax rate for the timber industry was adopted in 2006, effective July 1, 2006; it is codified as RCW 82.04.260(12). The reduced tax rate is provided for firms that extract timber, manufacture timber into timber or wood products, or make wholesale sales of timber or wood products. The tax rate was reduced from the regular 0.484 percent manufacturing/wholesaling rate to 0.4235 percent for the first year starting on July 1, 2006, and then to 0.2904 percent starting on July 1, 2007. This rate will remain in effect through June 30, 2024.

Firms that utilize this preferential rate – except for small timber harvesters (per RCW 84.33.035) - must complete an annual survey by April 30 of each year which forms the basis for this report (RCW 82.32.585).

The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of reduced B&O tax due to the preferential rate;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 758 businesses that claimed the reduced tax rate during Calendar Year 2014. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 2.1
B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Reduction in B&O Tax Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming Reduced B&O Tax	Total Reduction in B&O Tax Reported
Fewer than 50	684	\$3,398,389
50 - 250	54	\$3,175,181
More than 250	20	\$6,752,186
TOTAL	758	\$13,325,756

Table 2.2
B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming Reduced B&O Tax	Total Employment of Firms Claiming Reduced B&O Tax	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 50	684	3,219	86.6%	11.5%	1.9%
50 - 250	54	6,216	95.8%	2.5%	1.7%
More than 250	20	9,950	98.7%	0.8%	0.5%
TOTAL	758	19,385	95.8%	3.1%	1.1%

Table 2.3
B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Total Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	2,585	1,120	937	578
\$30,000 - \$59,999	10,111	7,449	6,606	5,516
\$60,000 or more	6,689	6,086	5,509	4,987
TOTAL	19,385	14,655	13,052	11,081

BUSINESS AND OCCUPATION TAX RATE REDUCTION SOLAR ENERGY SYSTEMS

Under RCW 82.04.294, a preferential B&O tax rate of 0.275 percent is available for the manufacturing of solar energy systems using photovoltaic modules or stirling converters, or of manufacturing solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers to be used exclusively in components of such systems.

This preferential tax rate is also available to those in the business of making sales at wholesale of solar energy systems using photovoltaic modules or stirling converters, or of solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers to be used exclusively in components of such systems, manufactured by that person.

"Compound semiconductor solar wafers" means a semiconductor solar wafer composed of elements from two or more different groups of the periodic table.

"Module" means the smallest non-divisible self-contained physical structure housing interconnected photovoltaic cells and providing a single direct current electrical output.

"Photovoltaic cell" means a device that converts light directly into electricity without moving parts.

"Silicon solar cells" means a photovoltaic cell manufactured from a silicon solar wafer.

"Silicon solar wafers" means a silicon wafer manufactured for solar conversion purposes.

"Solar energy system" means any device or combination of devices or elements that rely upon direct sunlight as an energy source for use in the generation of electricity.

"Solar grade silicon" means high-purity silicon used exclusively in components of solar energy systems using photovoltaic modules to capture direct sunlight. "Solar grade silicon" does not include silicon used in semiconductors.

"Stirling converter" means a device that produces electricity by converting heat from a solar source utilizing a Stirling engine.

"Thin film solar devices" means a nonparticipating substrate on which various semiconducting materials are deposited to produce a photovoltaic cell that is used to generate electricity.

This incentive expires June 30, 2017.

The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of tax saved;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the six businesses that claimed the tax incentive during Calendar Year 2014. Although not required by statute, some of the tables provide a breakdown of program participants by size of business, based on total Washington employment.

Table 3.1
Reduced B&O Tax Rate for Solar Energy Systems
Tax Savings by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Count of Firms Claiming Tax Incentive	Total Tax Savings
Fewer than 500	6	\$616,012
TOTAL	6	\$616,012

Table 3.2
Reduced B&O Tax Rate for Solar Energy Systems
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Count of Firms Claiming Tax Incentive	Total Employment in Washington	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 500	6	473	99.6%	0.4%	0.0%
TOTAL	6	473	99.6%	0.4%	0.0%

Table 3.3
Reduced B&O Tax Rate for Solar Energy Systems
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Total Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	4	0	0	0
\$30,000 - \$59,999	121	111	112	115
\$60,000 or more	348	340	341	343
TOTAL	473	451	453	458

BUSINESS AND OCCUPATION TAX EXEMPTION FRUIT AND VEGETABLE PROCESSORS

The B&O tax exemption for firms that process fresh fruit and vegetables was established in 2005 and is codified as RCW 82.04.4266. This exemption became effective on July 1, 2005.

The legislation exempts from B&O tax income derived from canning, preserving, freezing, processing, or dehydrating fruit and vegetables. Also exempt are wholesale sales of such products, if they are transported directly out of state by the purchaser. A recent determination by the Department of Revenue found that manufacturing of wine qualifies as processing of fresh fruit and vegetables. Thus, wineries have now been added to this tax incentive program.

The B&O exemption for processing of fresh fruit and vegetables expires July 1, 2025. At that time, income from processing of these items will return to the preferential B&O tax rate classification of 0.138 percent in effect prior to July 1, 2005. (Note: 2006 legislation provided the same exemption for processing of dairy and seafood products; these tax incentives are discussed separately in Chapters 4 and 5.)

RCW 82.32.585 contains accountability provisions for the fruit and vegetable tax exemption. The purpose of this process is to obtain information on the use of the tax incentive so that the Legislature can evaluate the effectiveness of the program. Firms that use the tax exemption are required to file an annual survey with the Department by April 30. Based on the information submitted, the Department is required to report data on the program as summary descriptive statistics.

The following data are required to be included in the descriptive statistics report:

- Dollar amount of tax exemption taken;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 203 firms that claimed the tax exemption during Calendar Year 2014. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 4.1
Fruit and Vegetable Processors
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming B&O Tax Exemption	Total B&O Tax Exemption Claimed
Fewer than 50	164	\$464,013
50 - 250	29	\$1,331,544
More than 250	10	\$3,659,757
TOTAL	203	\$5,455,314

Table 4.2
Fruit and Vegetable Processors
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming B&O Tax Exemption	Total Employment in Washington of Firms Claiming B&O Exemption	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 50	164	1,505	52.0%	39.5%	8.6%
50 - 250	29	2,969	79.0%	7.2%	13.8%
More than 250	10	8,102	92.6%	1.9%	5.5%
TOTAL	203	12,576	84.6%	7.7%	7.8%

Table 4.3
Fruit and Vegetable Processors
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	5,091	1,334	1,272	1,665
\$30,000 - \$59,999	5,855	5,014	4,892	4,665
\$60,000 or more	1,630	1,499	1,460	1,351
TOTAL	12,576	7,847	7,624	7,681

BUSINESS AND OCCUPATION TAX EXEMPTION MANUFACTURERS OF DAIRY PRODUCTS

A parallel exemption to the exemption for fruit and vegetable processors (Chapter 4) was adopted in 2006 for firms that manufacture dairy products - RCW 82.04.4268. Also exempt are wholesale sales of such products, if they are transported directly out of state by the purchaser. This exemption for dairy products was effective on July 1, 2006.

The exemption for dairy products expires July 1, 2025. At that time, income from the manufacture of these items will return to the preferential B&O tax rate classification of 0.138 percent.

RCW 82.32.585 contains accountability provisions for the dairy products exemption. The purpose of this process is to obtain information on the utilization of the tax incentive so that the Legislature can evaluate the effectiveness of the program. Firms that utilize the tax exemption are required to file an annual survey with the Department by April 30. Based on the information submitted, the Department is required to report data on the program as summary descriptive statistics.

The following data are required to be included in the descriptive statistics report:

- Dollar amount of tax exemption taken;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 12 dairy producers that claimed the tax exemption during Calendar Year 2014. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 5.1
Manufacturers of Dairy Products
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming B&O Tax Exemption	Total B&O Tax Exemption Claimed
Fewer than 50	5	\$20,022
50 plus	7	\$1,563,270
TOTAL	12	\$1,583,292

Table 5.2
Manufacturers of Dairy Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming B&O Tax Exemption	Total Employment in Washington of Firms Claiming B&O Exemption	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 50	5	32	64.7%	35.6%	0.0%
50 plus	7	4,027	94.2%	1.0%	4.8%
TOTAL	12	4,059	93.9%	1.3%	4.8%

Table 5.3
Manufacturers of Dairy Products
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	855	393	385	647
\$30,000 - \$59,999	2,281	1,999	1,915	2,182
\$60,000 or more	923	872	870	886
TOTAL	4,059	3,264	3,170	3,715

BUSINESS AND OCCUPATION TAX EXEMPTION MANUFACTURERS OF SEAFOOD PRODUCTS

Similar to the exemption for producers of dairy products (Chapter 5), an equivalent exemption was also adopted in 2006 for firms that manufacture seafood products – RCW 82.04.4269. Also exempt are wholesale sales of such products, if they are transported directly out of state by the purchaser. This exemption for seafood products was effective on July 1, 2006.

The exemption for seafood products expires July 1, 2025. At that time, income from the manufacture of these items will return to the preferential B&O tax rate classification of 0.138 percent.

RCW 82.32.585 contains accountability provisions for the seafood products exemption. The purpose of this process is to obtain information on the utilization of the tax incentive so that the Legislature can evaluate the effectiveness of the program. Firms that utilize the tax exemption are required to file an annual survey with the Department by April 30. Based on the information submitted, the Department is required to report data on the program as summary descriptive statistics.

The following data are required to be included in the descriptive statistics report:

- Dollar amount of tax exemption taken;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The following tables contain the information specified above for the 47 seafood producers that claimed the B&O exemption during Calendar Year 2014.

Table 6.1
Manufacturers of Seafood Products
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming B&O Tax Exemption	Total B&O Tax Exemption Claimed
Fewer than 50	33	\$81,374
50 plus	14	\$671,156
TOTAL	47	\$752,530

Table 6.2
Manufacturers of Seafood Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming B&O Tax Exemption	Total Employment in Washington of Firms Claiming B&O Exemption	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 50	33	381	55.6%	36.8%	7.6%
50 plus	14	3,261	77.1%	3.8%	19.2%
TOTAL	47	3,642	74.8%	7.2%	18.0%

Table 6.3
Manufacturers of Seafood Products
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,804	677	662	602
\$30,000 - \$59,999	1,235	815	782	843
\$60,000 or more	603	493	494	497
TOTAL	3,642	1,985	1,938	1,942

BUSINESS AND OCCUPATION TAX CREDIT RESEARCH AND DEVELOPMENT EXPENDITURES BY HIGH TECH FIRMS

The "high tech" B&O tax credit was established in 1994, effective January 1, 1995. It is codified as RCW 82.04.4452. It provides a tax credit of up to \$2 million annually for eligible expenditures by firms that are engaged in one or more of the following areas of high technology:

- Advanced computing,
- Advanced materials,
- Biotechnology,
- Electronic device technology, or
- Environmental technology.

The credit is allowed for eligible expenditures on research and development in excess of 0.92 percent of the firm's taxable income. The percentage threshold was based on national average expenditures for R&D. The calculation procedure to determine the credit amount was revised in 2004, and again in 2005. The firm first determines its qualified R&D expenditures. Next, the firm subtracts an amount equal to 0.92 percent of the firm's taxable income multiplied by the firm's average tax rate. An additional calculation applies for credits taken starting in calendar year 2007; this provides a statutory alternative to the average tax rate and was phased in from 0.75 percent to 1.5 percent by 2010.

Originally, the tax credit program was to expire at the end of 2004. As a result of a 2004 amendment, the expiration date was moved to January 1, 2015. The 2004 amendment also established an annual survey requirement for program participants. Taxpayers who claim the B&O tax credit are to file a survey annually pursuant to RCW 82.32.585 by April 30. Based on the data reported, the Department must compile summary statistics on the program and report annually to the Legislature.

The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of tax credit taken;
- Qualified expenditures for research and development;
- Taxable amount against which the credit is claimed;
- Number of new products or research projects resulting from the expenditures;
- Number of trademarks, patents, or copyrights associated with the R&D activities;
- Credits that were assigned to another firm (none were reported);
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 561 firms that claimed the B&O tax credit during Calendar Year 2014. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 7.1
High Technology Firms
B&O Tax Credits Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming B&O Tax Credits	Total B&O Tax Credits Claimed	B&O Taxable Income for which Credit is Claimed	Total Qualified Expenditures by Participants
Fewer than 50	392	\$3,509,413	\$846,978,900	\$372,667,561
50 - 250	114	\$6,001,472	\$2,224,937,171	\$757,104,377
More than 250	55	\$16,108,703	\$5,822,516,263	\$13,330,902,592
TOTAL	561	\$25,619,589	\$8,894,432,334	\$14,460,674,530

Table 7.2
High Technology Firms
B&O Tax Credits Claimed by Category of Technology
Calendar Year 2014

Category of High Technology	Number of Firms Claiming B&O Tax Credits*	Total B&O Tax Credits Claimed	B&O Taxable Income for which Credit is Claimed	Total Qualified Expenditures by Participants
Advanced Computing	297	\$12,577,252	\$2,377,892,268	\$12,512,893,710
Advanced Materials	39	\$1,083,228	\$798,153,062	\$140,251,947
Biotechnology	91	\$2,423,632	\$822,912,537	\$700,881,813
Electronic Devices	183	\$6,708,376	\$3,602,362,493	\$806,771,568
Environmental	43	\$2,827,264	\$1,293,237,919	\$299,877,279
TOTAL	653	\$25,619,751	\$8,894,558,279	\$14,460,676,317

*Totals do not agree with Table 6.1 as some firms reported under multiple technology categories.

Table 7.3
High Technology Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming B&O Tax Exemption	Total Employment in Washington of Firms Claiming B&O Exemption	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 50	392	4,935	91.0%	7.2%	1.8%
50 - 250	114	12,976	95.3%	2.5%	2.2%
More than 250	55	86,360	96.1%	1.9%	2.0%
TOTAL	561	104,271	95.7%	2.3%	2.0%

Table 7.4
High Technology Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	4,231	2,400	2,442	1,529
\$30,000 - \$59,999	16,556	13,626	13,649	11,121
\$60,000 or more	83,484	79,351	79,121	72,419
TOTAL	104,271	95,377	95,212	85,069

Table 7.5
High Technology Firms
New Products and Innovations Developed by Participants
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming B&O Tax Credits	Innovations by Participants		Evidence of Innovations		
		New Products or Processes	New Research Projects	Trademarks	Patents	Copyrights
Fewer than 50	392	4,291	3,632	92	196	14
50 - 250	114	794	1,032	83	301	9
More than 250	55	4,346	4,884	200	4,287	235
TOTAL	561	9,431	9,548	375	4,784	258

BUSINESS AND OCCUPATION TAX CREDIT WORK FORCE TRAINING EXPENDITURES

A B&O tax credit for training costs was established in 2006, effective June 7, 2006. The credit is codified as RCW 82.04.449 and is scheduled to expire on July 1, 2021. It enables employers to take a credit of up to one-half of their expenditures for customized training at community and technical colleges in Washington, pursuant to the program established in RCW 28B.67.020. The program requires that participating employers increase their employment in this state by at least 75 percent of the number of employees who are enrolled in the training program.

The statute also established an annual survey requirement for program participants (RCW 82.32.585). Taxpayers claiming the B&O tax credit are to file a survey annually by April 30. Based on the data reported, the Department must compile summary statistics on the program and report annually to the Legislature.

The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of tax credit taken;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

With the exception of the amount of credit taken, all information provided in the survey is confidential and must be aggregated for at least three taxpayers. During Calendar Year 2014, six firms reported taking the credit for eligible training costs. The tables on the following pages summarize the data required above.

Table 8.1
Firms Utilizing Workforce Training Programs
B&O Tax Credit Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming B&O Tax Credit	Total B&O Tax Credit Claimed
More than 5	6	\$49,304
TOTAL	6	\$49,304

Table 8.2
Firms Utilizing Workforce Training Programs
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming B&O Tax Credit	Total Employment in Washington of Firms Claiming B&O Tax Credit	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
More than 5	6	913	98.7%	0.7%	0.7%
TOTAL	6	913	98.7%	0.7%	0.7%

Table 8.3
Firms Utilizing Workforce Training Programs
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	350	262	265	198
\$30,000 - \$59,999	454	390	394	280
\$60,000 or more	109	93	95	74
TOTAL	913	745	754	552

SALES/USE TAX DEFERRAL/EXEMPTION INVESTMENTS BY MANUFACTURERS IN RURAL AND QUALIFYING COUNTIES

This chapter covers two related incentive programs: the previous Rural County Program and the new Qualifying County Program, which replaced the former.

The key difference between the two programs lies in the definition of “eligible area” for the location of an investment project.

Both programs are described below and statistical tables for both programs follow.

Rural County Program

The deferral/exemption of retail sales/use tax for manufacturers investing in rural counties was established in 1985 and is codified as chapter 82.60 RCW. The original program was oriented toward economically distressed counties and community empowerment zones (CEZs).

County eligibility was originally determined by high rates of unemployment. In 1999, the criteria changed to one of population density. Since this change, investment occurring in counties with an average population density of less than 100 residents per square mile qualified for the incentive. Subsequently, the definition of eligible counties was amended in 2004 to also include Island County. With this change 32 counties qualified as “rural” counties. In addition, four non-rural counties – King, Kitsap, Pierce, and Spokane – contain CEZs and are potentially eligible if the business meets certain hiring requirements. Consequently, only three of the 39 counties – Clark, Snohomish, and Thurston – were completely excluded from the program.

Initially, the program was scheduled to expire after six years on June 30, 1991; this date was extended several times with applications for the program ultimately accepted through June 30, 2010.

Qualifying (“High Unemployment”) County Program

The 2010 Legislature allowed the Rural County Program to expire as scheduled by cutting off applications at the end of Fiscal Year 2010. However, in its place and in the same statute it enacted a new program which is similar to the original rural county tax deferral. This new program is the Qualifying County Program. This program, effective July 1, 2010, is based on average county unemployment rates. To qualify, a manufacturing or R&D project will have to be located in a CEZ or a qualifying county.

“Qualifying county” is defined as a county that has an unemployment rate (determined by the Employment Security Department) that is at least 20 percent above the state average for the three calendar years prior to the year in which the list of qualifying counties is updated.

The Qualifying County Program expires July 1, 2020.

Applications for the deferral/exemption of state and local retail sales and use tax may be made by manufacturers and firms engaged in R&D for investments in the eligible areas. Investments include the construction of new structures or major expansions of existing facilities to be used for manufacturing or R&D activities, as well as machinery used for these purposes. Similar to the high tech sales tax deferral/exemption program, the deferred tax on facilities or machinery which continues to be used for qualifying purposes does not need to be repaid. This change to an outright exemption was made in 1994, although earlier amendments had waived the repayment requirement in certain circumstances.

In 2004, accountability provisions were added to RCW 82.60.070. Now, taxpayers taking the sales tax deferral/exemption must file an annual survey containing specified information pursuant to RCW 82.32.585. The survey must be filed by April 30 of the year after which the investment project is certified by the Department as being operationally complete. Thereafter, the taxpayer must also file the survey in each of the subsequent seven years. Based on this data, the Department was directed to compile the summary statistics which are presented in this report.

Listed below are the specific elements to be included in the annual descriptive statistics report for the rural and qualifying county sales tax deferral/exemption:

- Dollar amount of sales/use tax deferred;
- Number of new products or research projects developed;
- Number of trademarks, patents, or copyrights associated with the activities;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for firms that reported the deferral/exemption for Calendar Year 2014. The first set of tables cover the Rural County Program (212 firms) and the second set of tables cover the Qualifying County Program (27 firms). Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Limitations of Deferral Amounts

With the current publication, there are three things the reader should be aware of when interpreting deferral data.

Repeated Reporting

It is important to note that amounts reported for the sales tax deferrals are not additive over time. This is due to the requirement for firms to submit survey information for completed projects initially in the year after the project is complete, plus surveys in each of the following seven years. The following example shows how deferral amounts are reported on the survey.

Example:

A taxpayer has a project that is operationally complete in 2008. Assume the Department of Revenue audits and approves the project for \$10,000 of deferred sales tax. In this case, by March 31, 2009, the taxpayer completes the survey with \$10,000 entered as the total sales tax deferred for that project. This \$10,000 is entered in the survey again for each of the next seven years.

Assume further that in 2009 this taxpayer has another project completed and approved for \$5,000 of deferred sales tax. This means starting with the survey due on March 31, 2010, the taxpayer enters \$15,000 (sum of both projects) as the total sales tax deferred.

If these two projects are the only ones this taxpayer has, the final survey required of the taxpayer will be for the second project only and \$5,000 is entered as the total sales tax deferred. This is because the survey requirement for the first project ended the previous year, so its \$10,000 of deferred sales tax is excluded from the final survey.

Deferral Amounts Contain Estimates

Through Calendar Year 2010, the deferred tax amounts reported on the surveys were exclusively from the Department of Revenue verified audit of projects. Starting with the survey for Calendar Year 2011, the deferred tax amounts include estimated tax based on information from the deferral applications, as provided by taxpayers (if the audit was not final), and actual amounts from completed audits. For a project, the estimate may differ significantly from the actual. Hence, deferral amounts in the current publication may not be comparable to those in past, or future, publications.

Completed Projects Only

The data in the surveys, as reported in this publication, include only projects which have been operationally completed. The figures reported do not include projects for which application has been made but which are not yet completed.

Rural Counties

Table 9.1
Investments by Manufacturers and R&D Firms in Rural Counties
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 50	122	\$22,924,196
50 - 250	63	\$22,130,916
More than 250	27	\$22,038,981
TOTAL	212	\$67,094,093

Table 9.2
Investments by Manufacturers and R&D Firms in Rural Counties
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 50	122	2,156	76.5%	20.5%	3.0%
50 - 250	63	7,285	93.1%	2.5%	4.4%
More than 250	27	19,487	95.1%	2.4%	2.5%
TOTAL	212	28,928	93.2%	3.8%	3.1%

Table 9.3
Investments by Manufacturers and R&D Firms in Rural Counties
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	7,082	4,074	3,866	2,767
\$30,000 - \$59,999	14,580	12,101	11,777	10,684
\$60,000 or more	7,266	6,854	6,727	6,222
TOTAL	28,928	23,029	22,370	19,673

Table 9.4
Investments by Manufacturers and R&D Firms in Rural Counties
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Innovations by Participants		Evidence of Innovations		
		New Products	New Research Projects	Trademarks	Patents	Copyrights
Fewer than 50	122	145	7	3	3	0
50 - 250	63	102	44	16	1	0
More than 250	27	183	608	14	29	0
TOTAL	212	430	659	33	33	0

Qualifying High Unemployment Counties

Table 9.5
Investments by Manufacturers and R&D Firms in Qualifying Counties
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 250	21	\$3,233,384
250 or more	6	\$3,464,380
TOTAL	27	\$6,697,764

Table 9.6
Investments by Manufacturers and R&D Firms in Qualifying Counties
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 250	21	1,639	92.9%	3.8%	3.3%
250 or more	6	3,340	94.0%	3.9%	2.0%
TOTAL	27	4,979	93.7%	3.9%	2.4%

Table 9.7
Investments by Manufacturers and R&D Firms in Qualifying Counties
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,259	813	795	756
\$30,000 - \$59,999	2,487	2,206	2,193	1,949
\$60,000 or more	1,233	1,137	1,137	963
TOTAL	4,979	4,156	4,125	3,668

Table 9.8
Investments by Manufacturers and R&D Firms in Qualifying Counties
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Innovations by Participants		Evidence of Innovations		
		New Products	New Research Projects	Trademarks	Patents	Copyrights
Fewer than 250	21	1	15	0	2	0
250 or more	6	6	7	2	10	0
TOTAL	27	7	22	2	12	0

SALES/USE TAX DEFERRAL/EXEMPTION INVESTMENTS BY HIGH TECHNOLOGY FIRMS

The high technology deferral/exemption program was established in 1994, effective January 1, 1995. It is codified as chapter 82.63 RCW. The program provides a deferral and ultimate waiver of state and local sales and use taxes on construction of facilities and purchase of eligible machinery by firms engaged in the same five areas of high technology as the B&O tax credit (Chapter 7). These activities are:

- Advanced computing,
- Advanced materials,
- Biotechnology,
- Electronic device technology, and
- Environmental technology.

Expenditures eligible for the deferral are the construction of facilities in which research and development activities are conducted, as well as pilot scale manufacturing plants - not the actual full-scale manufacturing facilities. Acquisition of machinery necessary to conduct R&D activities also qualifies for the deferral.

The 1994 statute allowed only a deferral of the sales/use tax liability; repayment was to start the third year following completion of the facility with repayments occurring over the subsequent five years. Different repayment schedules were provided for a cancer research institute and firms that develop drugs or biological products which required FDA licensing. The following year, a provision was added which basically turned the deferral into an exemption, because the deferred taxes did not need to be repaid if the facility and/or machinery continued to be used for qualified R&D purposes for at least the following seven years.

The original law provided the deferral/exemption only for a ten-year period. In 2004, the expiration date was extended to January 1, 2015.

The 1994 statute directed the Department to perform three assessments of the program; reports were produced in 1997, 2000, and 2003. This requirement was amended in 2004 and the current accountability provisions were added to RCW 82.63.020. Now taxpayers who take the sales tax deferral/exemption must file an annual survey containing specified information, pursuant to RCW 82.32.585. The survey must be initially filed by April 30 of the year after the investment project is certified by the Department as being operationally complete. Thereafter, the taxpayer must also file the survey in each of the subsequent seven years. Based on this data, the Department compiles the summary statistics which are presented in this report.

Limitations of Deferral Amounts

With the current publication, there are three things the reader should be aware of when interpreting deferral data.

Repeated Reporting

It is important to note that deferral amounts reported for the sales tax deferrals are not additive over time. This is due to the requirement for firms to submit survey information for completed projects initially in the year after the project is complete, plus surveys in each of the following seven years. The following example shows how deferral amounts are reported on the survey.

Example:

A taxpayer has a project that is operationally complete in 2008. Assume the Department of Revenue audits and approves the project for \$10,000 of deferred sales tax. In this case, by March 31, 2009, the taxpayer completes the survey with \$10,000 entered as the total sales tax deferred for that project. This \$10,000 is entered in the survey again for each of the next seven years.

Assume further that in 2009 this taxpayer has another project completed and approved for \$5,000 of deferred sales tax. This means starting with the survey due on March 31, 2010, the taxpayer enters \$15,000 (sum of both projects) as the total sales tax deferred.

If these two projects are the only ones this taxpayer has, the final survey required of the taxpayer will be for the second project only and \$5,000 is entered as the total sales tax deferred. This is because the survey requirement for the first project ended the previous year, so its \$10,000 of deferred sales tax is excluded from the final survey.

Deferral Amounts Contain Estimates

Through Calendar Year 2010, the deferred tax amounts reported on the surveys were exclusively from the Department of Revenue verified audit of projects. Starting with the survey for Calendar Year 2011, the deferred tax amounts include estimated tax based on information from the deferral applications, as provided by taxpayers (if the audit was not final) and actual amounts from completed audits. For a project, the estimate may differ significantly from the actual. Hence, deferral amounts in the current publication may not be comparable to those in past, or future, publications.

Completed Projects Only

The data in the surveys, as reported in this publication, include only projects which have been operationally completed. The figures reported do not include projects for which application has been made but which are not yet completed.

Listed below are the specific elements to be included in the annual descriptive statistics report for the high tech sales tax deferral/exemption:

- Dollar amount of sales/use tax deferred;
- Number of new products or research projects developed;
- Number of trademarks, patents, or copyrights associated with the R&D activities;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 102 firms that reported the deferral/exemption for Calendar Year 2014. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 10.1
Investments in R&D by High Technology Firms
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 50	35	\$4,310,983
50 - 250	31	\$22,908,621
More than 250	36	\$276,465,432
TOTAL	102	\$303,685,036

Table 10.2
Investments in R&D by High Technology Firms
Retail Sales/Use Tax Deferrals Claimed by Category of Technology
Calendar Year 2014

Category of High Technology	Number of Firms Claiming Sales Tax Deferrals*	Total State/Local Sales Tax Deferred*
Advanced Computing	33	\$188,979,780
Advanced Materials	14	\$11,532,116
Biotechnology	47	\$75,547,483
Electronic Devices	28	\$17,726,219
Environmental	10	\$9,434,902
TOTAL	132	\$303,220,499

*Totals do not agree with Table 9.1 due to rounding and also some firms reported under multiple technology categories.

Table 10.3
Investments in R&D by High Technology Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 50	35	681	90.1%	8.2%	1.6%
50 - 250	31	3,928	93.3%	4.4%	2.3%
More than 250	36	140,380	84.1%	9.4%	6.5%
TOTAL	102	144,989	84.3%	9.3%	6.4%

Table 10.4
Investments in R&D by High Technology Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	22,176	7,351	7,976	6,897
\$30,000 - \$59,999	28,041	24,267	24,889	23,639
\$60,000 or more	94,772	91,422	91,486	85,146
TOTAL	144,989	123,040	124,351	115,682

Table 10.5
Investments in R&D by High Technology Firms
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Innovations by Participants		Evidence of Innovations		
		New Products or Processes	New Research Projects	Trademarks	Patents	Copyrights
Fewer than 50	35	21	45	11	36	3
50 - 250	31	37	476	45	201	0
More than 250	36	5,043	6,668	118	3,655	56
TOTAL	102	5,101	7,189	174	3,892	59

**SALES/USE TAX DEFERRAL/EXEMPTION
MANUFACTURING/PROCESSING FACILITIES FOR
FRUIT AND VEGETABLES, DAIRY, AND SEAFOOD PRODUCTS
AND FOR COLD STORAGE WAREHOUSES**

This program was initially adopted in 2005 and later expanded in 2006. It is codified as chapter 82.74 RCW. It seeks to encourage investment in Washington by firms that process fresh fruit and vegetables, dairy products, and seafood products. In addition, cold storage facilities for these products, as well as structures and equipment devoted to research and development for these industries, qualify for the tax deferral. The 2005 legislation targeted only fresh fruit and vegetables; the 2006 amendment added dairy and seafood products. The tax deferral for each of these facilities was effective on July 1, 2007.

For fresh fruit and vegetables the statute defines “processing” as a manufacturing activity, meaning “canning, preserving, freezing, processing or dehydrating” of these products. The definition of manufacturing in RCW 82.04.120 specifically excludes “packing of agricultural products.” Thus, the sales tax deferral/exemption is not available for firms that only pack fresh fruit and vegetables.

A recent determination by the Department of Revenue found that the manufacture of wine qualifies as processing of fresh fruit and vegetables. Thus, wineries have now been added to this tax incentive program.

Expenditures for the construction of manufacturing or processing facilities for these agricultural products are eligible for the deferral. Acquisition of related machinery also qualifies (but since the firm must be engaged in manufacturing, the purchase of eligible manufacturing machinery would be exempt from sales tax in any event under RCW 82.08.02565). As long as the facility or machinery continues to qualify for the intended purpose, the deferred sales/use tax does not need to be repaid. Taxpayers are required to submit an application to the Department prior to commencement of construction or acquisition of equipment.

Taxpayers who take the sales tax deferral/exemption must file an annual survey including specified information pursuant to RCW 82.32.585. The survey must be filed by April 30 of the year after the investment project is certified by the Department as being operationally complete. Thereafter, the taxpayer must also file the survey in each of the subsequent seven years. Based on this data, the Department compiles the summary statistics which are presented in this report.

Limitations of Deferral Amounts

With the current publication, there are three things the reader should be aware of when interpreting deferral data.

Repeated Reporting

It is important to note that deferral amounts reported for the sales tax deferrals are not additive over time. This is due to the requirement for firms to submit survey information for completed projects initially in the year after the project is complete, plus surveys in each of the following seven years. The following example shows how deferral amounts are reported on the survey.

Example:

A taxpayer has a project that is operationally complete in 2008. Assume the Department of Revenue audits and approves the project for \$10,000 of deferred sales tax. In this case, by March 31, 2009, the taxpayer completes the survey with \$10,000 entered as the total sales tax deferred for that project. This \$10,000 is entered in the survey again for each of the next seven years.

Assume further that in 2009 this taxpayer has another project completed and approved for \$5,000 of deferred sales tax. This means starting with the survey due on March 31, 2010, the taxpayer enters \$15,000 (sum of both projects) as the total sales tax deferred.

If these two projects are the only ones this taxpayer has, the final survey required of the taxpayer will be for the second project only and \$5,000 is entered as the total sales tax deferred. This is because the survey requirement for the first project ended the previous year, so its \$10,000 of deferred sales tax is excluded from the final survey.

Deferral Amounts Contain Estimates

Through Calendar Year 2010, the deferred tax amounts reported on the surveys were exclusively from the Department of Revenue verified audit of projects. Starting with the survey for Calendar Year 2011, the deferred tax amounts include estimated tax based on information from the deferral applications, as provided by taxpayers (if the audit was not final) and actual amounts from completed audits. For a project, the estimate may differ significantly from the actual. Hence, deferral amounts in the current publication may not be comparable to those in past, or future, publications.

Completed Projects Only

The data in the surveys, as reported in this publication, include only projects which have been operationally completed. The figures reported do not include projects for which application has been made but which are not yet completed.

Listed below are the specific elements to be included in the annual descriptive statistics report for the agricultural products sales tax deferral/exemption:

- Dollar amount of sales/use tax deferred;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The following tables contain the above information for the 62 firms that process agricultural products or operate cold storage warehouses which reported the deferral/exemption for Calendar Year 2014.

Table 11.1
Processing Facilities for Fruit and Vegetables, Manufacturing of Dairy and Seafood Products, and Cold Storage Warehouses
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 250	43	\$12,478,221
250 plus	19	9,898,700
TOTAL	62	\$22,376,921

Table 11.2
Processing Facilities for Fruit and Vegetables, Manufacturing of Dairy and Seafood Products, and Cold Storage Warehouses
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	# of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 250	43	2,589	75.0%	9.3%	15.7%
250 plus	19	12,624	89.8%	4.6%	5.6%
TOTAL	62	15,213	87.3%	5.4%	7.3%

Table 11.3
Processing Facilities for Fruit and Vegetables, Manufacturing of Dairy and Seafood Products, and Cold Storage Warehouses
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	8,143	2,000	1,466	1,929
\$30,000 - \$59,999	5,253	4,015	3,522	3,780
\$60,000 or more	1,817	1,702	1,570	1,599
TOTAL	15,213	7,717	6,558	7,308

SALES/USE TAX DEFERRAL/EXEMPTION INVESTMENTS IN BIOTECHNOLOGY MANUFACTURING

The biotechnology deferral/exemption program was established in 2006, effective July 1, 2006. It is codified as chapter 82.75 RCW. The program provides a deferral and ultimate waiver of state and local sales and use taxes on construction of facilities and purchase of eligible machinery by firms engaged in manufacturing of biotech products. The term biotechnology includes firms that develop products based on the science of biology, microbiology, molecular or cellular biology, and biochemistry or biophysics, including DNA techniques, genetics, and other bioprocesses that utilize living organisms.

Expenditures for the construction of facilities where the manufacture of biotech products occurs are eligible for the deferral. Acquisition of related machinery also qualifies. As long as the facility or machinery continues to qualify for the intended purposes, the deferred sales/use tax does not need to be repaid. The program will expire on January 1, 2017. Taxpayers are required to submit an application with the Department prior to commencement of construction or acquisition of equipment.

Taxpayers who take the sales tax deferral/exemption must file an annual survey that contains specified information pursuant to RCW 82.32.585. The survey must be filed by April 30 of the year after the investment project is certified by the Department as being operationally complete. Thereafter, the taxpayer must also file the survey in each of the subsequent seven years. Based on this data, the Department compiles the summary statistics which are presented in this report.

Listed below are the specific elements to be included in the annual descriptive statistics report for the biotechnology sales tax deferral/exemption:

- Dollar amount of sales/use tax deferred;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

Limitations of Deferral Amounts

With the current publication, there are three things the reader should be aware of when interpreting deferral data.

Repeated Reporting

It is important to note that deferral amounts reported for the sales tax deferrals are not additive over time. This is due to the requirement for firms to submit survey information for completed projects initially in the year after the project is complete, plus surveys in each of the following seven years. The following example shows how deferral amounts are reported on the survey.

Example:

A taxpayer has a project that is operationally complete in 2008. Assume the Department of Revenue audits and approves the project for \$10,000 of deferred sales tax. In this case, by March 31, 2009, the taxpayer completes the survey with \$10,000 entered as the total sales tax deferred for that project. This \$10,000 is entered in the survey again for each of the next seven years.

Assume further that in 2009 this taxpayer has another project completed and approved for \$5,000 of deferred sales tax. This means starting with the survey due on March 31, 2010, the taxpayer enters \$15,000 (sum of both projects) as the total sales tax deferred.

If these two projects are the only ones this taxpayer has, the final survey required of the taxpayer will be for the second project only and \$5,000 is entered as the total sales tax deferred. This is because the survey requirement for the first project ended the previous year, so its \$10,000 of deferred sales tax is excluded from the final survey.

Deferral Amounts Contain Estimates

Through Calendar Year 2010, the deferred tax amounts reported on the surveys were exclusively from the Department of Revenue verified audit of projects. Starting with the survey for Calendar Year 2011, the deferred tax amounts include estimated tax based on information from the deferral applications, as provided by taxpayers (if the audit was not final) and actual amounts from completed audits. For a project, the estimate may differ significantly from the actual. Hence, deferral amounts in the current publication may not be comparable to those in past, or future, publications.

Completed Projects Only

The data in the surveys, as reported in this publication, include only projects which have been operationally completed. The figures reported do not include projects for which application has been made but which are not yet completed.

The information required by statute is contained in the following tables of this chapter for the nine biotech manufacturing firms which reported the deferral/exemption for Calendar Year 2014. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 12.1
Biotechnology Manufacturing Firms
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 100	3	\$1,013,780
100 or more	6	\$2,627,343
TOTAL	9	\$3,641,123

Table 12.2
Biotechnology Manufacturing Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	# of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 100	3	115	97.3%	2.7%	0.0%
100 or more	6	1,477	94.7%	1.1%	4.4%
TOTAL	9	1,592	94.9%	1.2%	4.1%

Table 12.3
Biotechnology Manufacturing Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	8	6	6	6
\$30,000 - \$59,999	774	662	674	559
\$60,000 or more	810	762	762	667
TOTAL	1,592	1,430	1,442	1,232

SALES/USE TAX EXEMPTION/DEFERRAL CORPORATE HEADQUARTERS IN A COMMUNITY EMPOWERMENT ZONE

A sales/use tax deferral/exemption for construction of a corporate headquarters facility in a community empowerment zone (CEZ) was established in 2008, effective July 1, 2009. The program is codified as Chapter 82.82 RCW and is scheduled to expire at the end of 2020. The program is intended to encourage construction of a facility to serve as the headquarters office of a corporation in a designated CEZ. There are six such zones in the state: the Duwamish area of Seattle, the White Center area of King County, downtown Bremerton, Tacoma's downtown and industrial area, and most of the incorporated areas of the cities of Yakima and Spokane. To qualify for the tax incentive the investment must cost at least \$30 million and the facility must house at least 300 employees. The facility may not be used for manufacturing, wholesaling or warehousing activities. Only one application may be approved in any particular CEZ each biennium, and the program is restricted to two new projects each biennium.

The 2008 statute required annual reporting to the Department of Revenue by the applicant. An amendment in 2010 established an annual survey requirement for program participants (RCW 82.32.585). Taxpayers claiming the deferral/exemption are to file a survey annually with the Department by April 30. Based on the data reported, the Department must compile summary statistics on the program and report annually to the Legislature.

The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of tax deferred;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

With the exception of the amount of credit taken, all information provided in the survey is confidential and must be aggregated for at least three taxpayers. As of Calendar Year 2014, no firms have participated in this tax incentive so there is no information to report.

MACHINERY & EQUIPMENT SALES/USE TAX EXEMPTION PUBLIC RESEARCH INSTITUTIONS

RCW 82.08.025651 and RCW 82.12.025651 provide public research institutions a sales/use tax exemption for machinery and equipment used primarily for research and development, or for sales/charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the machinery and equipment.

This exemption was established in 2011.

“Machinery and equipment” means those fixtures, pieces of equipment, digital goods, and support facilities that are an integral and necessary part of a research and development operation, and tangible personal property that becomes an ingredient or component of such fixtures, equipment, and support facilities, including repair parts and replacement parts.

"Machinery and equipment" may include, but is not limited to: computers; software; data processing equipment; laboratory equipment, instrumentation, and other devices used in a process of experimentation to develop a new or improved pilot model, plant process, product, formula, or invention; vats, tanks, and fermenters; operating structures; and all equipment used to control, monitor, or operate the machinery and equipment.

“Machinery and equipment” does not include:

- Hand-powered tools;
- Property with a useful life of less than one year;
- Buildings; and
- Those building fixtures that are not an integral and necessary part of a research and development operation and that are permanently affixed to and become a physical part of a building, such as utility systems for heating, ventilation, air conditioning, communications, plumbing, or electrical.

“Primarily” means greater than fifty percent as measured by time. If machinery and equipment is used simultaneously in a research and development operation and also for other purposes, the use for other purposes must be disregarded during the period of simultaneous use for purposes of determining whether the machinery and equipment is used primarily in a research and development operation.

“Public research institution” means any college or university included within the definitions of state universities, regional universities, or state college in RCW 28B.10.016.

“Research and development operation” means engaging in research and development as defined in RCW 82.63.010.

Listed below are the specific elements to be included in the annual descriptive statistics report for the public research institution sales/use tax exemption:

- Dollar amount of sales/use tax exempted;
- Number of new products or research projects developed;
- Number of trademarks, patents, or copyrights associated with the R&D activities;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the three taxpayers that benefited from the exemption during Calendar Year 2014. Although not required by statute, some of the tables provide a breakdown of program participants according to size of firm, based on total Washington employment.

Table 14.1
Public Research Institutions
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
More than 250	3	\$4,411,373
TOTAL	3	\$4,411,373

Table 14.2
Public Research Institutions
Retail Sales/Use Tax Deferrals Claimed by Category of Technology
Calendar Year 2014

Category of Technology	Sales/Use Tax Savings
Advanced Computing	\$85,984
Advanced Materials	\$519,004
Biotechnology	\$2,606,506
Electronic Devices	\$692,578
Environmental	\$507,302
TOTAL	\$4,411,374

Table 14.3
Public Research Institutions
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	# of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
More than 250	3	46,765	62.8%	19.6%	17.6%
TOTAL	3	46,765	62.8%	19.6%	17.6%

Table 14.4
Public Research Institutions
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	16,805	4,137	4,783	4,510
\$30,000 - \$59,999	14,437	12,836	13,671	13,199
\$60,000 or more	15,523	14,797	15,409	15,295
TOTAL	46,765	31,770	33,863	33,004

Table 14.5
Public Research Institutions
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Exemption	Innovations by Participants				
		New Products or Processes	New Research Products	Evidence of Innovations		
				Trademarks	Patents	Copyrights
More than 250	3	23	887	1	109	0
TOTAL	3	23	887	1	109	0

**SALES/USE TAX EXEMPTION
SOLAR ENERGY SYSTEMS**

In 2013, the definition of "semiconductor materials" for the purposes of RCW 82.08.9651 and 82.12.9651 was modified to include solar grade silicon. Hence, this incentive applies to solar energy businesses also.

RCW 82.08.9651 and RCW 82.12.9651 provide a sales/use tax exemption for gases and chemicals used by a manufacturer or processor for hire in the production of semiconductor materials.

This exemption is limited to gases and chemicals used in the production process to grow the product, deposit or grow permanent or sacrificial layers on the product, to etch or remove material from the product, to anneal the product, to immerse the product, to clean the product, and other such uses whereby the gases and chemicals come into direct contact with the product during the production process, or uses of gases and chemicals to clean the chambers and other like equipment in which such processing takes place.

The incentive was effective December 1, 2006, and expires December 1, 2018.

No descriptive statistics can be provided for this incentive program because there were less than three firms (see RCW 82.32.585(7)). However, the incentive amounts are available to the public on the Washington State Department of Revenue website.

**SALES/USE TAX EXEMPTION
SEMICONDUCTOR MANUFACTURERS OR PROCESSORS FOR HIRE**

RCW 82.08.9651 and RCW 82.12.9651 provide a sales/use tax exemption for gases and chemicals used by a manufacturer or processor for hire in the production of semiconductor materials.

This exemption is limited to gases and chemicals used in the production process to grow the product, deposit or grow permanent or sacrificial layers on the product, to etch or remove material from the product, to anneal the product, to immerse the product, to clean the product, and other such uses whereby the gases and chemicals come into direct contact with the product during the production process, or uses of gases and chemicals to clean the chambers and other like equipment in which such processing takes place.

The incentive was effective December 1, 2006, and expires December 1, 2018.

"Semiconductor materials" means silicon crystals, silicon ingots, raw polished semiconductor wafers, and compound semiconductor wafers.

No descriptive statistics can be provided for this incentive program because there were less than three firms (see RCW 82.32.585(7)). However, the incentive amounts are available to the public on the Washington State Department of Revenue website.

SALES/USE TAX EXEMPTION HOG FUEL

RCW 82.08.956 and RCW 82.12.956 provide a sales/use tax exemption for sales of hog fuel used to produce electricity, steam, heat, or biofuel.

If a taxpayer who claimed an exemption closes a facility in Washington, resulting in a loss of jobs located in the state, the amount of the tax exemption claimed for the previous two calendar years will be immediately due.

"Hog fuel" means wood waste and other wood residuals including forest derived biomass. "Hog fuel" does not include firewood or wood pellets.

"Biofuel" includes, but is not limited to, biodiesel, ethanol, and ethanol blend fuels and renewable liquid natural gas or liquid compressed natural gas made from biogas.

This tax exemption expires June 30, 2024.

Under RCW 82.32.605, a taxpayer must file a separate survey for each facility owned or operated in the state of Washington.

The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of tax saved;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 21 facilities that claimed the tax incentive during Calendar Year 2014. Although not required by statute, some of the tables provide a breakdown of program participants by size of facility, based on total Washington employment.

Table 17.1
Sales/Use Tax Exemption for Hog Fuel Sales
Tax Exempted by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Count of Facilities Claiming Tax Exemption	Total Tax Savings
Fewer than 50	4	\$596,690
50 - 250	8	\$551,819
More than 250	9	\$1,719,592
TOTAL	21	\$2,868,101

Table 17.2
Sales/Use Tax Exemption for Hog Fuel Sales
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Count of Facilities Claiming Tax Exemption	Total Employment in Washington	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 50	4	53	100.0%	0.0%	0.0%
50 - 250	8	1,208	98.9%	1.1%	0.0%
More than 250	9	4,620	99.6%	0.2%	0.3%
TOTAL	21	5,881	99.4%	0.4%	0.3%

Table 17.3
Sales/Use Tax Exemption for Hog Fuel Sales
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Total Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	91	45	18	9
\$30,000 - \$59,999	3,301	2,697	2,297	1,760
\$60,000 or more	2,489	2,386	2,067	1,601
TOTAL	5,881	5,128	4,382	3,370

MACHINERY & EQUIPMENT SALES/USE TAX EXEMPTION RENEWABLE ENERGY

RCW 82.08.962 and RCW 82.12.962 provide purchasers who have paid sales/use tax on machinery and equipment used directly in generating electricity using fuel cells, wind, sun, biomass energy, tidal or wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas as the principal source of power, or to sales of or charges made for labor and services rendered in respect to installing such machinery and equipment a sales/use tax exemption for machinery and equipment. The purchaser must develop with such machinery, equipment, and labor a facility capable of generating not less than 1,000 watts of electricity.

The amount of the exemption is equal to 75 percent of state and local sales tax paid. The exemption is in the form of a remittance.

"Biomass energy" includes: By-products of pulping and wood manufacturing process; animal waste; solid organic fuels from wood; forest or field residues; wooden demolition or construction debris; food waste; liquors derived from algae and other sources; dedicated energy crops; bio-solids; and yard waste. "Biomass energy" does not include wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol, or copper-chrome-arsenic; wood from old growth forests; or municipal solid waste.

"Fuel cell" is an electrochemical reaction that generates electricity by combining atoms of hydrogen and oxygen in the presence of a catalyst.

"Landfill gas" means biomass fuel, of the type qualified for federal tax credits under Title 26 U.S.C. Sec. 29 of the federal internal revenue code.

"Machinery and equipment" means fixtures, devices, and support facilities that are integral and necessary to the generation of electricity using fuel cells, wind, sun, biomass energy, tidal or wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas as the principal source of power.

"Machinery and equipment" does not include: (A) Hand-powered tools; (B) property with a useful life of less than one year; (C) repair parts required to restore machinery and equipment to normal working order; (D) replacement parts that do not increase productivity, improve efficiency, or extend the useful life of machinery and equipment; (E) buildings; or (F) building fixtures that are not integral and necessary to the generation of electricity that are permanently affixed to and become a physical part of a building.

Machinery and equipment is "used directly" in generating electricity by wind energy, solar energy, biomass energy, tidal or wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas power if it provides any part of the process that captures the energy of the wind, sun, biomass energy, tidal or wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas, converts that energy to electricity, and stores, transforms, or transmits that electricity for entry into or operation in parallel with electric transmission and distribution systems.

Machinery and equipment is "used directly" in generating electricity by fuel cells if it provides any part of the process that captures the energy of the fuel, converts that energy to electricity, and stores, transforms, or transmits that electricity for entry into or operation in parallel with electric transmission and distribution systems.

This incentive expires January 1, 2020.

A taxpayer must file a separate survey for each facility owned or operated in the state of Washington.

The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of tax saved;
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;
- Total jobs for program participants according to annual wages paid of
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$60,000 or more; and
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 50 facilities that claimed the tax incentive during Calendar Year 2014. Although not required by statute, some of the tables provide a breakdown of program participants by size of facility, based on total Washington employment.

NOTE: The incentive amounts shown reflect what taxpayers claimed on the Annual Survey. However, the amounts that the Department will ultimately approve them for may be different. Also, the incentive amounts shown may include other time periods, not just the calendar year the Survey covers.

Table 18.1
Sales/Use Tax Exemption for Renewable Energy
Tax Exempted by Size of Employment
Calendar Year 2014

Total Washington Employment of Participants	Count of Facilities Claiming Tax Exemption	Total Tax Savings
Fewer than 50	45	\$24,059,241
50 or more	5	\$54,637
TOTAL	50	\$24,113,878

Table 18.2
Sales/Use Tax Exemption for Renewable Energy
Total Washington Employment of Participants by Size of Employment
Calendar Year 2014

Size of Washington Employment	Count of Facilities Claiming Tax Exemption	Total Employment in Washington	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 50	45	158	77.7%	18.4%	3.9%
50 or more	5	39,962	58.9%	21.3%	19.8%
TOTAL	50	40,120	59.0%	21.3%	19.8%

Table 18.3
Sales/Use Tax Exemption for Renewable Energy
Employment and Employee Benefits by Wage Band
Calendar Year 2014

Wage Bands	Total Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	15,866	3,162	3,638	3,401
\$30,000 - \$59,999	10,593	9,133	9,744	9,293
\$60,000 or more	13,661	11,922	12,448	12,344
TOTAL	40,120	24,217	25,830	25,038

SALES/USE TAX EXEMPTION
SITING OF SIGNIFICANT COMMERCIAL AIRPLANE MANUFACTURING

RCW 82.08.980 and RCW 82.12.980 provide sales and use tax exemptions for labor, services, and personal property related to the manufacture of commercial airplanes.

The exemption is for charges made for labor and services relating to the constructing of new buildings by a manufacturer engaged in the manufacturing of commercial airplanes or the fuselages or wings of commercial airplanes or charges to a port district, political subdivision, or municipal corporation, to be leased to a manufacturer engaged in the manufacturing of commercial airplanes or the fuselages or wings of commercial airplanes.

Further, the exemption extends to sales of tangible personal property that will be incorporated as an ingredient or component of such buildings during the course of the constructing; or charges made for labor and services rendered in respect to installing, during the course of constructing such buildings, building fixtures not otherwise eligible for the exemption under RCW 82.08.02565(2)(b).

The exemption applies to buildings, or parts of buildings, including buildings or parts of buildings used for the storage of raw materials or finished product, that are used primarily in the manufacturing of any one or more of the following products:

- (a) Commercial airplanes;
- (b) Fuselages of commercial airplanes; or
- (c) Wings of commercial airplanes.

The exemption was adopted in 2005 (effective October 1, 2005), expanded in 2013 (effective July 9, 2014), and expires July 1, 2040.

"Commercial airplane" is an airplane certified by the federal aviation administration for transporting persons or property, and any military derivative of such an airplane.

"Significant commercial airplane manufacturing program" means an airplane program in which the following products, including final assembly, will commence manufacture at a new or existing location within Washington State on or after July 9, 2014:

- (a) The new model, or any version or variant of an existing model, of a commercial airplane; and
- (b) Fuselages and wings of a new model, or any version or variant of an existing model, of a commercial airplane.

"Siting" means a final decision, made on or after November 1, 2013, by a manufacturer to locate a significant commercial airplane manufacturing program in Washington State.

The legislature categorized these tax preferences as intended to create or retain jobs, as indicated in RCW 82.32.808(2)(c). If the tax preference performance statement for a new tax preference indicates a legislative purpose described in RCW 82.32.808(2)(b) or (c), any taxpayer claiming the new tax preference must file an annual survey in accordance with RCW 82.32.585.

No descriptive statistics can be provided for this incentive program because there were less than three firms that filed an annual survey (see RCW 82.32.585(7)). However, the incentive amounts are available to the public on the Washington State Department of Revenue website.

Please note that firms qualifying for these incentives prior to the siting of a new significant commercial airplane manufacturing program in Washington State are also required to file an annual report in accordance with RCW 82.32.534. That information can be found within Chapter 25 of this report.

**BUSINESS AND OCCUPATION TAX RATE REDUCTION
FEDERAL AVIATION REGULATION PART 145 REPAIR STATIONS**

RCW 82.04.250(3) provides a preferential B&O tax rate of 0.2904 percent for firms classified by the federal aviation administration as federal aviation regulation (FAR) part 145 certificated repair stations. This rate applies to sales at retail that are exempt from retail sales tax by reason of RCW 82.08.0261, 82.08.0262, or 82.08.0263.

This incentive was effective August 1, 2003, and expires July 1, 2040.

Firms that benefit from this incentive were required to complete an annual report by April 30 which forms the basis for this statistical summary (RCW 82.32.534). The following data are included in this descriptive statistics report for this tax incentive:

- Number of firms that benefited from the incentive;
- Total jobs for program participants;
- Breakdown of total jobs by occupational classes and wage bands;
- Breakdown of total jobs by full-time, part-time, and temporary status; and
- Share of jobs with employment benefits.

The tables on the following pages summarize the information above as provided by the 34 firms that benefited from this incentive. The statistics provided reflect business activities during Calendar Year 2014.

Table 20.1
Distribution of Employees by Occupation for CY 2014

Occupational Class	Number of employees	Percentage of employees
Management	281	7.8
Business, financial, and legal operations	38	1.0
Computer, mathematical, architecture, & engineering	603	16.6
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	3	0.1
Healthcare practitioners, technical, and support	0	0.0
Protective services, building, and grounds maintenance	12	0.3
Sales and service	87	2.4
Office and administrative support	349	9.6
Construction and extraction	0	0.0
Installation, maintenance, and repair	1,048	28.9
Production, non-construction trades, and craft	1,036	28.6
Transportation and material moving	79	2.2
Other (forest, fishery, agriculture, military, arts, media)	87	2.4
TOTAL	3,623	100.0

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding.

Table 20.2
Percent Distribution of Employees by Occupation and Wages for CY 2014

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	0.0%	0.4%	0.7%	9.3%	89.6%
Business, financial, and legal operations	0.0	0.0	18.3	34.1	47.6
Computer, mathematical, architecture, & engineering	0.0	0.2	2.0	24.7	73.1
Life, physical, and social science	0.0	0.0	0.0	0.0	0.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	66.7	0.0	33.3	0.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	0.0
Protective services, building, and grounds maintenance	0.0	8.3	50.0	25.0	16.7
Sales and service	1.1	3.4	8.9	38.3	48.3
Office and administrative support	1.4	11.9	24.6	33.5	28.6
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	11.6	23.2	47.5	17.7
Production, non-construction trades, and craft	0.0	35.2	34.2	28.3	2.4
Transportation and material moving	0.0	35.0	46.2	18.9	0.0
Other (forest, fishery, agriculture, military, arts, media)	0.0	3.4	16.1	40.2	40.2
TOTAL (COUNT)	6	566	769	1,182	1,100
PERCENTAGE OF TOTAL (%)	0.2	15.6	21.2	32.6	30.4

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding.

Table 20.3
Employment Status and Benefits for CY 2014

Status	Full-Time	98.7%
	Part-Time	1.2%
	Temporary	0.1%
	Hired Through Temporary Staffing (count)	1,375
Benefits	Eligible for Medical	98.5%
	Eligible for Retirement	92.6%

**BUSINESS AND OCCUPATION TAX RATE REDUCTION
NEWSPAPER INDUSTRY**

This chapter covers the incentive provided for in RCW 82.04.260(14a) – Preferential B&O tax rate for firms that print and/or publish a newspaper.

Firms that benefit from this incentive were required to complete an annual report by April 30 which forms the basis for this statistical summary (RCW 82.32.534).

A preferential B&O tax rate for newspaper businesses was adopted in 2009, effective July 1, 2009; it is codified as RCW 82.04.260(14a). The reduced tax rate is provided for firms in the business of printing a newspaper, publishing a newspaper, or both. The tax rate was 0.365 percent through June 30, 2013, and beginning July 1, 2013, 0.35 percent.

Until June 30, 2011, "newspaper" means:

- (a) A publication issued regularly at stated intervals at least twice a month and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind, including any supplement of a printed newspaper; and
- (b) An electronic version of a printed newspaper that:
 - (i) Shares content with the printed newspaper; and
 - (ii) Is prominently identified by the same name as the printed newspaper or otherwise conspicuously indicates that it is a complement to the printed newspaper.

"Supplement" means a printed publication, including a magazine or advertising section, that is:

- (a) Labeled and identified as part of the printed newspaper; and
- (b) Circulated or distributed:
 - (i) As an insert or attachment to the printed newspaper; or
 - (ii) Separate and apart from the printed newspaper so long as the distribution is within the general circulation area of the newspaper.

Beginning July 1, 2011, "newspaper" means a publication issued regularly at stated intervals at least twice a month and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind, including any supplement of a printed newspaper.

The following data are included in this descriptive statistics report for this tax incentive:

- Number of firms that benefited from the incentive;
- Total jobs for program participants;
- Breakdown of total jobs by occupational classes and wage bands;
- Breakdown of total jobs by full-time, part-time, and temporary status; and
- Share of jobs with employment benefits.

The following tables summarize the responses from the 91 taxpayers who benefited from the incentive in this chapter. The statistics provided reflect business activities during Calendar Year 2014.

Table 21.1
Distribution of Employees by Occupation for CY 2014

Occupational Class	Number of employees	Percentage of employees
Management	1,290	3.0
Business, financial, and legal operations	258	0.6
Computer, mathematical, architecture, & engineering	120	0.3
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	1	0.0
Healthcare practitioners, technical, and support	867	2.0
Protective services, building, and grounds maintenance	47	0.1
Sales and service	31,768	72.9
Office and administrative support	2,253	5.2
Construction and extraction	4	0.0
Installation, maintenance, and repair	142	0.3
Production, non-construction trades, and craft	2,232	5.1
Transportation and material moving	3,940	9.0
Other (forest, fishery, agriculture, military, arts, media)	682	1.6
TOTAL	43,604	100.0

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding.

Table 21.2
Percent Distribution of Employees by Occupation and Wages for CY 2014

Occupational Class	Min Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	1.5%	2.0%	3.0%	7.5%	86.0%
Business, financial, and legal operations	7.7	10.1	20.9	44.6	16.7
Computer, mathematical, architecture, & engineering	0.8	13.6	11.4	25.8	48.3
Life, physical, and social science	0.0	0.0	0.0	0.0	0.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	100.0	0.0	0.0
Healthcare practitioners, technical, and support	4.3	9.6	54.6	1.7	30.0
Protective services, building, and grounds maintenance	0.0	17.6	1.6	57.5	23.4
Sales and service	16.6	4.6	16.9	2.0	59.8
Office and administrative support	9.0	17.9	28.6	9.7	34.9
Construction and extraction	0.0	0.0	50.0	25.0	25.0
Installation, maintenance, and repair	1.4	30.3	2.1	62.0	4.3
Production, non-construction trades, and craft	14.4	25.6	29.9	27.0	3.2
Transportation and material moving	68.4	6.4	7.7	17.1	0.6
Other (forest, fishery, agriculture, military, arts, media)	5.6	19.2	20.2	29.7	25.3
TOTAL (COUNT)	8,614	3,033	7,702	2,718	21,534
PERCENT OF TOTAL (%)	19.8	7.0	17.7	6.2	49.4

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding.

1
Employment Status and Benefits for CY 2014

Status	Full-Time	33.0%
	Part-Time	66.9%
	Temporary	0.1%
	Hired Through Temporary Staffing (count)	122
Benefits	Eligible for Medical	92.6%
	Eligible for Retirement	90.7%

**BUSINESS AND OCCUPATION TAX DEDUCTION
GOVERNMENT-FUNDED MENTAL HEALTH SERVICES**

RCW 82.04.4277 allows health or social welfare organizations a B&O tax deduction for amounts received as compensation for providing mental health services under a government-funded program. It also provides the same deduction to regional support networks (RSNs) for amounts received from the state of Washington for distribution to a health or social welfare organization that is eligible for such deduction.

This tax deduction was enacted in 2011 and expires August 1, 2016.

"Health or social welfare organization" means an organization, including any community action council, which renders health or social welfare services (as defined below), which is a domestic or foreign not-for-profit corporation under RCW 24.03, and which is managed by a governing board of not less than eight individuals, none of whom is a paid employee of the organization or which is a corporation sole under RCW 24.12.

"Health or social welfare services" includes and is limited to:

- a) Mental health, drug, or alcoholism counseling or treatment;
- b) Family counseling;
- c) Health care services;
- d) Therapeutic, diagnostic, rehabilitative, or restorative services for the care of the sick, aged, or physically, developmentally, or emotionally-disabled individuals;
- e) Activities which are for the purpose of preventing or ameliorating juvenile delinquency or child abuse, including recreational activities for those purposes;
- f) Care of orphans or foster children;
- g) Day care of children;
- h) Employment development, training, and placement;
- i) Legal services to the indigent;
- j) Weatherization assistance or minor home repair for low-income homeowners or renters;
- k) Assistance to low-income homeowners and renters to offset the cost of home heating energy, through direct benefits to eligible households or to fuel vendors on behalf of eligible households;
- l) Community services to low-income individuals, families, and groups, which are designed to have a measurable and potentially major impact on causes of poverty in communities of the state; and
- m) Certain temporary medical housing.

"Mental health services" are services provided by regional support networks and other services provided by the state for persons who are mentally ill.

"Regional support network" means a county authority or group of county authorities or other entity recognized by the secretary in contract in a defined region.

Firms that benefit from this incentive were required to complete an annual report by April 30 which forms the basis for this statistical summary (RCW 82.32.534).

Chapter 22

The following data are included in this descriptive statistics report for this tax incentive:

- Number of firms that benefited from the incentive;
- Total jobs for program participants;
- Breakdown of total jobs by occupational classes and wage bands;
- Breakdown of total jobs by full-time, part-time, and temporary status; and
- Share of jobs with employment benefits.

The tables on the following pages summarize the information above as provided by the 11 firms that benefited from this incentive. The statistics provided reflect business activities during Calendar Year 2014.

Table 22.1
Distribution of Employees by Occupation for CY 2014

Occupational Class	Number of employees	Percentage of employees
Management	254	10.2
Business, financial, and legal operations	194	7.8
Computer, mathematical, architecture, & engineering	94	3.8
Life, physical, and social science	9	0.4
Community and social services	1,060	42.5
Education, training, and library	5	0.2
Healthcare practitioners, technical, and support	378	15.2
Protective services, building, and grounds maintenance	24	1.0
Sales and service	31	1.2
Office and administrative support	365	14.6
Construction and extraction	0	0.0
Installation, maintenance, and repair	9	0.4
Production, non-construction trades, and craft	0	0.0
Transportation and material moving	0	0.0
Other (forest, fishery, agriculture, military, arts, media)	71	2.8
TOTAL	2,494	100.0

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding

Table 22.2
Percent Distribution of Employees by Occupation and Wages for CY 2014

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	0.0%	0.8%	2.9%	24.4%	72.1%
Business, financial, and legal operations	0.8	1.9	10.9	27.5	58.9
Computer, mathematical, architecture, & engineering	0.0	2.1	3.2	19.8	74.9
Life, physical, and social science	0.0	0.0	0.0	33.0	67.0
Community and social services	0.0	25.9	41.3	24.4	7.9
Education, training, and library	0.0	0.0	59.4	40.6	0.0
Healthcare practitioners, technical, and support	1.4	10.7	8.2	18.5	61.2
Protective services, building, and grounds maintenance	0.0	68.8	31.5	0.0	0.0
Sales and service	0.0	0.0	3.0	23.0	74.0
Office and administrative support	0.4	27.6	42.0	25.1	4.5
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	44.8	33.4	22.6	0.0
Production, non-construction trades, and craft	0.0	0.0	0.0	0.0	0.0
Transportation and material moving	0.0	0.0	0.0	0.0	0.0
Other (forest, fishery, agriculture, military, arts, media)	23.8	57.7	12.5	4.6	1.4
TOTAL (COUNT)	25	485	677	572	730
PERCENTAGE OF TOTAL (%)	1.0	19.4	27.1	22.9	29.3

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding.

Table 22.3
Employment Status and Benefits for CY 2014

Status	Full-Time	78.2%
	Part-Time	14.2%
	Temporary	7.7%
	Hired Through Temporary Staffing (count)	3
Benefits	Eligible for Medical	86.2%
	Eligible for Retirement	80.0%

**PUBLIC UTILITY TAX EXEMPTION
ELECTROLYTIC PROCESSING INDUSTRY**

RCW 82.16.0421 provides a public utility tax exemption for sales of electricity made by a light and power business to a chlor-alkali electrolytic processing business or a sodium chlorate electrolytic processing business for the electrolytic process if the contract for sale of electricity to the business contains the following terms:

- (a) The electricity to be used in the electrolytic process is separately metered from the electricity used for general operations of the business;
- (b) The price charged for the electricity used in the electrolytic process will be reduced by an amount equal to the tax exemption available to the light and power business; and
- (c) Disallowance of all or part of this exemption is a breach of contract and the damages to be paid by the chlor-alkali electrolytic processing business or the sodium chlorate electrolytic processing business are the amount of the tax exemption disallowed.

This exemption does not apply to amounts received from the remarketing or resale of electricity originally obtained by contract for the electrolytic process.

The exemption was effective July 1, 2004, and does not apply to sales of electricity made after December 31, 2018.

Firms that benefit from this incentive were required to complete an annual report by April 30 which forms the basis for this statistical summary (RCW 82.32.534). The following data is required per statute in the descriptive statistics report for this tax incentive:

- Number of firms that benefited from the incentive;
- Total jobs for program participants;
- Breakdown of total jobs by occupational classes and wage bands;
- Breakdown of total jobs by full-time, part-time, and temporary status; and
- Share of jobs with employment benefits.

No descriptive statistics can be provided for these incentive programs because there were less than three firms (see RCW 82.32.534(5)). However, all content in the annual reports are available to the public on the Washington State Department of Revenue website.

**SALES/USE TAX EXEMPTION
DATA CENTERS**

RCW 82.08.986 and RCW 82.12.986 provide sales and use tax exemptions for sales to qualifying businesses of eligible server equipment to be installed, without intervening use, in an eligible computer data center, and to charges made for labor and services rendered in respect to installing eligible server equipment. The exemptions also apply to sales to qualifying businesses of eligible power infrastructure, including labor and services rendered in respect to constructing, installing, repairing, altering, or improving eligible power infrastructure.

"Qualifying business" is a business that exists for the primary purpose of engaging in commercial activity for profit and that is the owner of an eligible computer data center or the lessee of at least 20,000 square feet within an eligible computer data center dedicated to housing working servers, where the server space has not previously been dedicated to housing working servers. The term does not include the state or federal government or any of their departments, agencies, and institutions; tribal governments; political subdivisions of this state; or any municipal, quasi-municipal, public, or other corporation created by the state or federal government, tribal government, municipality, or political subdivision of the state.

"Eligible server equipment" means the original server equipment installed in an eligible computer data center on or after April 1, 2010, and replacement server equipment.

"Replacement server equipment" means server equipment that: (a) Replaces existing server equipment, if the sale or use of the server equipment to be replaced qualified for this exemption; and (b) is installed and put into regular use before April 1, 2018.

"Server" means blade or rack-mount server computers used in a computer data center exclusively to provide electronic data storage and data management services for internal use by the owner or lessee of the computer data center, for clients of the owner or lessee of the computer data center, or both. "Server" does not include personal computers.

"Server equipment" means the server chassis and all computer hardware contained within the server chassis. It also includes computer software necessary to operate the server. It does not include the racks upon which the server chassis is installed, and computer peripherals such as keyboards, monitors, printers, mice, and other devices that work outside of the computer.

"Eligible computer data center" means a computer data center located in a rural county; having at least 20,000 square feet dedicated to housing working servers, where the server space has not previously been dedicated to housing working servers; and for which the commencement of construction occurs after March 31, 2010, and before July 1, 2011.

"Eligible power infrastructure" means all fixtures and equipment necessary for the transformation, distribution, or management of electricity that is required to operate eligible server equipment within an eligible computer data center. The term includes electrical substations, generators, wiring, and cogeneration equipment.

The incentive program was effective April 1, 2010, and expires April 1, 2024.

Firms that benefit from these incentives were required to complete an annual report by April 30 which forms the basis for this statistical summary (RCW 82.32.534). The following data are included in this descriptive statistics report for these tax incentives:

- Number of firms that benefited from the incentive;
- Total jobs for program participants;
- Breakdown of total jobs by occupational classes and wage bands;
- Breakdown of total jobs by full-time, part-time, and temporary status; and
- Share of jobs with employment benefits.

The tables on the following pages summarize the responses from 16 taxpayers who benefited from the incentives in this chapter. The statistics provided reflect business activities during Calendar Year 2014.

Table 24.1
Distribution of Employees by Occupation for CY 2014

Occupational Class	Number of employees	Percentage of employees
Management	31	4.3
Business, financial, and legal operations	143	19.9
Computer, mathematical, architecture, & engineering	164	22.8
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	0	0.0
Healthcare practitioners, technical, and support	0	0.0
Protective services, building, and grounds maintenance	0	0.0
Sales and service	4	0.6
Office and administrative support	28	3.9
Construction and extraction	0	0.0
Installation, maintenance, and repair	16	2.2
Production, non-construction trades, and craft	0	0.0
Transportation and material moving	0	0.0
Other (forest, fishery, agriculture, military, arts, media)	333	46.3
TOTAL	719	100.0

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding

Table 24.2
Percent Distribution of Employees by Occupation and Wages for CY 2014

Occupational Class	Min Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.0%	0.0%	0.0%	0.0%	99.7%
Business, financial, and legal operations	0.0	0.0	0.0	38.5	61.5
Computer, mathematical, architecture, & engineering	0.0	0.0	1.2	31.2	67.6
Life, physical, and social science	0.0	0.0	0.0	0.0	0.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	0.0	0.0	0.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	0.0
Protective services, building, and grounds maintenance	0.0	0.0	0.0	0.0	0.0
Sales and service	0.0	0.0	0.0	0.0	100.0
Office and administrative support	0.0	3.6	10.7	60.7	24.9
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	0.0	0.0	25.0	75.0
Production, non-construction trades, and craft	0.0	0.0	0.0	0.0	0.0
Transportation and material moving	0.0	0.0	0.0	0.0	0.0
Other (forest, fishery, agriculture, military, arts, media)	0.3	0.0	0.0	0.0	97.7
TOTAL (COUNT)	1	1	5	127	578
PERCENT OF TOTAL (%)	0.1	0.1	0.7	17.7	80.4

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding.

Table 24.3
Employment Status and Benefits for CY 2014

Status	Full-Time	97.9%
	Part-Time	0.4%
	Temporary	0.7%
	Hired Through Temporary Staffing (count)	193
Benefits	Eligible for Medical	97.9%
	Eligible for Retirement	95.0%

AEROSPACE MANUFACTURER INCENTIVES

This chapter covers the following incentives:

- RCW 82.04.260(11a) – Reduced B&O tax rate for the manufacturing and sales of commercial airplanes (or their components).
- RCW 82.04.260(11b) – Reduced B&O tax rate for the manufacturing of aerospace tooling.
- RCW 82.04.4461 – B&O tax credit for qualified aerospace product development.
- RCW 82.04.4463 – B&O tax credit for property tax and leasehold excise tax paid by manufacturers of commercial airplanes (or their components).
- RCW 82.08.980 and RCW 82.12.980 – Sales and use tax exemption for labor, services, and personal property related to the manufacture of commercial airplanes.
- RCW 82.29a.137 and RCW 84.36.655 – Leasehold excise tax exemption and property tax exemption for manufacturers of superefficient airplanes.

Business and Occupation (B&O) Tax Rate Reduction for Manufacturers of Commercial Airplanes

A preferential B&O tax rate for manufacturers of commercial airplanes was adopted in 2005, effective October 1, 2005. It is codified as RCW 82.04.260(11a). The reduced tax rate is provided for firms that manufacture commercial airplanes (or their components), or make sales, at retail or wholesale, of commercial airplanes (or their components), manufactured by the seller. The tax rate was reduced from the regular 0.484 percent manufacturing/wholesaling rate to 0.4235 percent from October 1, 2005, through June 30, 2007, and then to 0.2904 percent beginning July 1, 2007. This rate expires July 1, 2040.

"Commercial airplane" is an airplane certified by the federal aviation administration for transporting persons or property, and any military derivative of such an airplane.

"Component" means a part or system certified by the federal aviation administration for installation or assembly into a commercial airplane.

Business and Occupation (B&O) Tax Rate Reduction for Manufacturers of Aerospace Tooling

A preferential B&O tax rate for manufacturers of tooling was adopted in 2008, effective July 1, 2008; it is codified as RCW 82.04.260(11b). This rate of 0.2904 percent applies to those who are not eligible to report under RCW 82.04.260(11a) but who are in the business of manufacturing tooling specifically designed for use in manufacturing commercial airplanes or components of such airplanes, or making sales, at retail or wholesale, of such tooling manufactured by the seller. This rate expires July 1, 2040.

"Commercial airplane" is an airplane certified by the federal aviation administration for transporting persons or property, and any military derivative of such an airplane.

"Component" means a part or system certified by the federal aviation administration for installation or assembly into a commercial airplane.

Business and Occupation (B&O) Tax Credit for Aerospace Product Development

RCW 82.04.4461 provides a B&O tax credit for firms involved in qualified aerospace product development. The credit is equal to the amount of qualified aerospace product development expenditures multiplied by the rate of 1.5 percent. Credit may be earned for expenditures occurring after December 1, 2003. This credit was adopted in 2005, effective October 1, 2005, and expires July 1, 2040.

"Aerospace product development" is research, design, and engineering activities performed in relation to the development of an aerospace product or of a product line, model, or model derivative of an aerospace product, including prototype development, testing, and certification.

"Qualified aerospace product development" means aerospace product development performed in Washington.

"Commercial airplane" is an airplane certified by the federal aviation administration for transporting persons or property, and any military derivative of such an airplane.

"Component" means a part or system certified by the federal aviation administration for installation or assembly into a commercial airplane.

Business and Occupation (B&O) Tax Credit for Property and Leasehold Taxes Paid by Manufacturers of Commercial Airplanes

RCW 82.04.4463 provides a B&O tax credit for property tax and leasehold excise tax paid by manufacturers of commercial airplanes (or their components). This credit applies to property taxes paid on buildings, and the land on which the buildings are located, constructed after December 1, 2003, and used exclusively in manufacturing commercial airplanes or components

of such airplanes. The credit is also applicable to leasehold excise taxes paid for buildings constructed after January 1, 2006, the land on which the buildings are located, or both, if the buildings are used exclusively in manufacturing commercial airplanes or components of such airplanes. This statute expires July 1, 2040.

"Commercial airplane" is an airplane certified by the federal aviation administration for transporting persons or property, and any military derivative of such an airplane.

"Component" means a part or system certified by the federal aviation administration for installation or assembly into a commercial airplane.

Sales/Use Tax Exemption for Labor, Services and Personal Property Relating to Airplane Manufacturing

RCW 82.08.980 and RCW 82.12.980 provide sales and use tax exemptions for labor, services, and personal property related to the manufacture of commercial airplanes.

The exemption is for charges made for labor and services relating to the constructing of new buildings by a manufacturer engaged in the manufacturing of commercial airplanes or the fuselages or wings of commercial airplanes or charges to a port district, political subdivision, or municipal corporation, to be leased to a manufacturer engaged in the manufacturing of commercial airplanes or the fuselages or wings of commercial airplanes.

Further, the exemption extends to sales of tangible personal property that will be incorporated as an ingredient or component of such buildings during the course of the constructing; or charges made for labor and services rendered in respect to installing, during the course of constructing such buildings, building fixtures not otherwise eligible for the exemption under RCW 82.08.02565(2)(b).

The exemption applies to buildings, or parts of buildings, including buildings or parts of buildings used for the storage of raw materials or finished product, that are used primarily in the manufacturing of any one or more of the following products:

- (a) Commercial airplanes;
- (b) Fuselages of commercial airplanes; or
- (c) Wings of commercial airplanes.

The exemption was adopted in 2005 (effective October 1, 2005) and expires July 1, 2040.

"Commercial airplane" is an airplane certified by the federal aviation administration for transporting persons or property, and any military derivative of such an airplane.

Property and Leasehold Tax Exemption for Airplane Manufacturers

RCW 82.29a.137 and RCW 84.36.655 provide a leasehold excise tax exemption and a property tax exemption for manufacturers of superefficient airplanes. The leasehold tax exemption applies to all leasehold interests in port district facilities exempt from tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged in the manufacturing of superefficient airplanes.

The property tax exemption applies to all buildings, machinery, equipment, and other personal property of a lessee of a port district eligible under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing superefficient airplanes. The exemption applies to taxes levied for collection in 2006 and thereafter.

Both exemptions expire July 1, 2040.

"Superefficient airplane" means a twin aisle airplane that carries between 200 and 350 passengers, with a range of more than 7,200 nautical miles, a cruising speed of approximately mach .85, and that uses 15 to 20 percent less fuel than other similar airplanes on the market.

Firms that benefit from any of these incentives were required to complete an annual report by April 30 which forms the basis for this statistical summary (RCW 82.32.534). The following data are included in this descriptive statistics report for these tax incentives:

- Number of firms that benefited from the incentive(s);
- Total jobs for program participants;
- Breakdown of total jobs by occupational classes and wage bands;
- Breakdown of total jobs by full-time, part-time, and temporary status; and
- Share of jobs with employment benefits.

The tables on the following pages summarize the information above as provided by the 262 firms that benefited from these incentives. The statistics provided reflect business activities during Calendar Year 2014.

Table 25.1
Distribution of Employees by Occupation for CY 2014

Occupational Class	Number of employees	Percentage of employees
Management	7,967	8.2
Business, financial, and legal operations	5,802	6.0
Computer, mathematical, architecture, & engineering	19,822	20.4
Life, physical, and social science	266	0.3
Community and social services	0	0.0
Education, training, and library	79	0.1
Healthcare practitioners, technical, and support	169	0.2
Protective services, building, and grounds maintenance	1,382	1.4
Sales and service	802	0.8
Office and administrative support	5,506	5.7
Construction and extraction	172	0.2
Installation, maintenance, and repair	4,307	4.4
Production, non-construction trades, and craft	49,250	50.6
Transportation and material moving	1,667	1.7
Other (forest, fishery, agriculture, military, arts, media)	204	0.2
TOTAL	97,395	100.0

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding

Table 25.2
Percent Distribution of Employees by Occupation and Wages for CY 2014

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	0.1%	0.0%	0.1%	2.6%	96.9%
Business, financial, and legal operations	0.2	0.2	1.0	18.4	79.8
Computer, mathematical, architecture, & engineering	0.0	0.1	0.6	5.4	93.9
Life, physical, and social science	0.0	0.0	11.0	17.2	71.8
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	1.3	13.9	1.3	28.9	54.7
Healthcare practitioners, technical, and support	0.0	0.0	2.5	22.5	75.1
Protective services, building, and grounds maintenance	0.1	12.5	12.6	14.1	61.0
Sales and service	0.5	6.3	9.4	29.3	54.5
Office and administrative support	0.2	7.1	14.5	29.9	48.2
Construction and extraction	0.0	2.1	8.2	3.2	86.2
Installation, maintenance, and repair	0.0	1.2	2.6	25.9	70.3
Production, non-construction trades, and craft	0.2	10.7	17.9	25.8	45.4
Transportation and material moving	0.1	6.3	11.7	19.6	62.5
Other (forest, fishery, agriculture, military, arts, media)	1.0	5.2	10.9	29.7	53.3
TOTAL (COUNT)	122	6,099	10,446	18,722	61,942
PERCENTAGE OF TOTAL (%)	0.1	6.3	10.7	19.2	63.6

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding.

Table 25.3
Employment Status and Benefits for CY 2014

Status	Full-Time	96.1%
	Part-Time	0.4%
	Temporary	3.5%
	Hired Through Temporary Staffing (count)	5,131
Benefits	Eligible for Medical	95.0%
	Eligible for Retirement	92.9%

AEROSPACE NON-MANUFACTURER INCENTIVES

This chapter covers the following incentives:

- RCW 82.04.290(3) – Reduced B&O tax rate for businesses performing aerospace product development for others.
- RCW 82.04.4461 – B&O tax credit for qualified aerospace product development.
- RCW 82.04.4463 – B&O tax credit for property tax and leasehold excise tax paid by aerospace non-manufacturers.
- RCW 82.08.975 and RCW 82.12.975 – Sales and use tax exemption for sales/use of computer hardware, computer peripherals, or software, used primarily in the development, design, and engineering of aerospace products or in providing aerospace services, or for sales of or charges made for labor and services rendered in respect to installing the computer hardware, computer peripherals, or software.

Business and Occupation (B&O) Tax Rate Reduction for Aerospace Product Development for Others

RCW 82.04.290(3) provides that until July 1, 2040, a special tax rate of 0.9 percent is available to every person in the business of performing aerospace product development for others. This lower rate took effect July 1, 2008.

"Aerospace product development" is research, design, and engineering activities performed in relation to the development of an aerospace product or of a product line, model, or model derivative of an aerospace product, including prototype development, testing, and certification. The term includes the discovery of technological information, the translating of technological information into new or improved products, processes, techniques, formulas, or inventions, and the adaptation of existing products and models into new products or new models, or derivatives of products or models. The term does not include manufacturing activities or other production-oriented activities; however the term does include tool design and engineering design for the manufacturing process. The term does not include surveys and studies, social science and humanities research, market research or testing, quality control, sale promotion and service, computer software developed for internal use, and research in areas such as improved style, taste, and seasonal design.

Business and Occupation (B&O) Tax Credit for Aerospace Product Development

Under RCW 82.04.4461, a B&O tax credit is allowed for firms performing qualified aerospace product development. The credit is equal to the amount of qualified aerospace product development expenditures multiplied by the rate of 1.5 percent. Credit may be earned only for expenditures occurring after June 30, 2008. This credit expires July 1, 2040.

“Aerospace product development” is research, design, and engineering activities performed in relation to the development of an aerospace product or of a product line, model, or model derivative of an aerospace product, including prototype development, testing, and certification.

"Qualified aerospace product development" means aerospace product development performed in Washington.

"Qualified aerospace product development expenditures" means operating expenses, including wages, compensation of a proprietor or a partner in a partnership, benefits, supplies, and computer expenses, directly incurred in qualified aerospace product development by the person claiming the credit. The term does not include amounts paid to a person or to the state and any of its departments and institutions, other than a public educational or research institution to conduct qualified aerospace product development. The term does not include capital costs and overhead, such as expenses for land, structures, or depreciable property.

Business and Occupation (B&O) Tax Credit for Property and Leasehold Taxes Paid by Aerospace Non-Manufacturers

RCW 82.04.4463 allows a B&O tax credit for property tax and leasehold excise tax paid for buildings constructed after June 30, 2008, the land on which the buildings are located, or both, and used exclusively for aerospace product development, manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components, or in providing aerospace services. This credit expires July 1, 2040.

“Aerospace product development” is research, design, and engineering activities performed in relation to the development of an aerospace product or of a product line, model, or model derivative of an aerospace product, including prototype development, testing, and certification.

"Aerospace services" means the maintenance, repair, overhaul, or refurbishing of commercial airplanes or their components, but only when such services are performed by a federal aviation regulation (FAR) part 145 certificated repair station.

"Commercial airplane" is an airplane certified by the federal aviation administration for transporting persons or property, and any military derivative of such an airplane.

"Component" means a part or system certified by the federal aviation administration for installation or assembly into a commercial airplane.

Sales/Use Tax Exemption on Sales of Computer Products for Aerospace Purposes

RCW 82.08.975 and RCW 82.12.975 provide sales and use tax exemptions for sales of computer hardware, computer peripherals, or software, used primarily in the development, design, and engineering of aerospace products or in providing aerospace services, or for sales of or charges made for labor and services rendered in respect to installing the computer hardware, computer peripherals, or software.

"Aerospace products" means:

- (a) Commercial airplanes and their components;
- (b) Machinery and equipment that is designed and used primarily for the maintenance, repair, overhaul, or refurbishing of commercial airplanes or their components by FAR part 145 certificated repair stations; and
- (c) Tooling specifically designed for use in manufacturing commercial airplanes or their components.

"Aerospace services" means the maintenance, repair, overhaul, or refurbishing of commercial airplanes or their components, but only when such services are performed by a FAR part 145 certificated repair station.

"Commercial airplane" is an airplane certified by the federal aviation administration for transporting persons or property, and any military derivative of such an airplane.

"Component" means a part or system certified by the federal aviation administration for installation or assembly into a commercial airplane.

"Peripherals" includes keyboards, monitors, mouse devices, and other accessories that operate outside of the computer, excluding cables, conduit, wiring, and other similar property.

This exemption was effective July 1, 2008, and expires July 1, 2040.

Firms that benefit from any of these incentives were required to complete an annual report by April 30 which forms the basis for this statistical summary (RCW 82.32.534).

The following data are included in this descriptive statistics report for these tax incentives:

- Number of firms that benefited from the incentive(s);
- Total jobs for program participants;
- Breakdown of total jobs by occupational classes and wage bands;
- Breakdown of total jobs by full-time, part-time, and temporary status; and
- Share of jobs with employment benefits.

The following tables summarize the responses from the 113 taxpayers who benefited from the incentives in this chapter. The statistics provided reflect business activities during Calendar Year 2014.

Table 26.1
Distribution of Employees by Occupation for CY 2014

Occupational Class	Number of employees	Percentage of employees
Management	465	12.1
Business, financial, and legal operations	68	1.8
Computer, mathematical, architecture, & engineering	2,097	54.6
Life, physical, and social science	1	0.0
Community and social services	0	0.0
Education, training, and library	1	0.0
Healthcare practitioners, technical, and support	5	0.1
Protective services, building, and grounds maintenance	4	0.1
Sales and service	99	2.6
Office and administrative support	207	5.4
Construction and extraction	0	0.0
Installation, maintenance, and repair	61	1.6
Production, non-construction trades, and craft	697	18.2
Transportation and material moving	17	0.4
Other (forest, fishery, agriculture, military, arts, media)	117	3.0
TOTAL	3,839	100.0

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding

Table 26.2
Percent Distribution of Employees by Occupation and Wages for CY 2014

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	0.0%	0.0%	0.0%	3.2%	96.8%
Business, financial, and legal operations	0.0	4.4	3.9	20.6	71.0
Computer, mathematical, architecture, & engineering	0.0	0.4	1.4	13.5	84.6
Life, physical, and social science	0.0	0.0	0.0	0.0	100.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	0.0	0.0	100.0
Healthcare practitioners, technical, and support	0.0	40.0	20.0	20.0	20.0
Protective services, building, and grounds maintenance	0.0	0.0	50.0	25.0	25.0
Sales and service	0.0	2.0	8.1	6.0	83.9
Office and administrative support	1.4	10.0	21.2	39.7	27.6
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	1.6	9.8	37.2	51.4
Production, non-construction trades, and craft	1.9	7.6	31.3	27.0	32.2
Transportation and material moving	0.0	76.5	5.9	0.0	17.7
Other (forest, fishery, agriculture, military, arts, media)	0.0	2.6	5.1	40.7	51.6
TOTAL (COUNT)	16	107	319	661	2,735
PERCENTAGE OF TOTAL (%)	0.4	2.8	8.3	17.2	71.3

Note: A value that is greater than zero but is too small may appear in the tables as 0.0 due to rounding.

Table 26.3
Employment Status and Benefits for CY 2014

Status	Full-Time	92.3%
	Part-Time	2.9%
	Temporary	4.8%
	Hired Through Temporary Staffing (count)	269
Benefits	Eligible for Medical	81.7%
	Eligible for Retirement	81.1%

ALUMINUM SMELTER INCENTIVES

This chapter covers the following incentives:

- RCW 82.04.2909 – Reduced B&O tax rate for the manufacturing and wholesaling of aluminum.
- RCW 82.04.4481 – B&O tax credit for property taxes paid on property owned by a direct service industrial customer and reasonably necessary for the purposes of an aluminum smelter.
- RCW 82.08.805 and RCW 82.12.805 – State sales and use tax exemption for sales and use tax paid for personal property used at an aluminum smelter, tangible personal property that will be incorporated as an ingredient or component of buildings or other structures at an aluminum smelter, or for labor and services rendered with respect to such buildings, structures, or personal property.
- RCW 82.12.022(5) – Use tax exemption for the use of natural or manufactured gas by an aluminum smelter.

Firms that benefit from any of these incentives were required to complete an annual report by April 30.

Business and Occupation (B&O) Tax Rate Reduction for Aluminum Manufacturing

A preferential B&O tax rate for the manufacturing and wholesaling of aluminum was adopted in 2004 and is codified as RCW 82.04.2909. The reduced tax rate is available to firms that manufacture aluminum or firms making sales at wholesale of aluminum manufactured by them. The tax rate was reduced from the regular 0.484 percent manufacturing/wholesaling rate to 0.2904 percent on July 1, 2004. This special tax rate expires January 1, 2027.

Business and Occupation (B&O) Tax Credit for Property Taxes Paid

Under RCW 82.04.4481, a B&O tax credit is allowed for property taxes paid on property owned by a direct service industrial customer and reasonably necessary for the purposes of an aluminum smelter.

This credit was effective July 1, 2004, and credits may not be claimed for property taxes levied for collection in 2027 and thereafter.

"Direct service industrial customer" means a person who is an industrial customer that contracts for the purchase of power from the Bonneville Power Administration for direct consumption as of May 8, 2001. It includes a person who is a subsidiary that is more than fifty percent owned by a

direct service industrial customer and who receives power from the Bonneville Power Administration pursuant to the parent's contract for power.

"Aluminum smelter" means the manufacturing facility of any direct service industrial customer that processes alumina into aluminum.

Sales/Use Tax Exemption for Aluminum Smelter Personal Properties

Under RCW 82.08.805 and RCW 82.12.805, a person who has paid retail sales or use tax for personal property used at an aluminum smelter, tangible personal property that will be incorporated as an ingredient or component of buildings or other structures at an aluminum smelter, or for labor and services rendered with respect to such buildings, structures, or personal property, is eligible for an exemption from the state share of the tax in the form of a credit. A person claiming an exemption must pay the tax and may then take a credit equal to the state share of retail sales or use tax paid.

This credit was effective July 1, 2004, and credits may not be claimed for taxable events occurring on or after January 1, 2027.

Use Tax Exemption for the Use of Gases by Aluminum Smelters

RCW 82.12.022(5) provides a use tax exemption for the use of natural or manufactured gas by an aluminum smelter before January 1, 2027. The exemption was effective July 1, 2004.

The following data is required for the descriptive statistics report for these tax incentives:

- Number of firms that benefited from the incentive(s);
- Total jobs for program participants;
- Breakdown of total jobs by occupational classes and wage bands;
- Breakdown of total jobs by full-time, part-time, and temporary status; and
- Share of jobs with employment benefits.

No descriptive statistics can be provided for these incentive programs because there were less than three firms (see RCW 82.32.534(5)). However, all content in the annual reports are available to the public on the Washington State Department of Revenue website.

SEMICONDUCTOR INDUSTRY

This chapter covers the following incentives:

- RCW 82.04.2404 – Preferential B&O tax rate for the manufacturing or processing for hire of semiconductor materials.
- RCW 82.08.9651 and RCW 82.12.9651 – Sales and use tax exemption for sales/use of gases and chemicals used by a manufacturer or processor for hire in the production of semiconductor materials.

Business and Occupation (B&O) Tax Rate Reduction for Manufacturers of Semiconductor Materials

A preferential B&O tax rate of 0.275 percent is available for the manufacturing or processing for hire of semiconductor materials. This rate was effective December 1, 2006, and is codified as RCW 82.04.2404. The tax rate was reduced from the regular 0.484 percent manufacturing rate. This incentive expires December 1, 2018.

"Semiconductor materials" means silicon crystals, silicon ingots, raw polished semiconductor wafers, and compound semiconductor wafers.

Sales/Use Tax Exemption Relating to Production of Semiconductor Materials

RCW 82.08.9651 and RCW 82.12.9651 provide a sales and use tax exemption for sales/use of gases and chemicals used by a manufacturer or processor for hire in the production of semiconductor materials.

This exemption is limited to gases and chemicals used in the production process to grow the product, deposit or grow permanent or sacrificial layers on the product, to etch or remove material from the product, to anneal the product, to immerse the product, to clean the product, and other such uses whereby the gases and chemicals come into direct contact with the product during the production process, or uses of gases and chemicals to clean the chambers and other like equipment in which such processing takes place.

The incentive was effective December 1, 2006, and expires December 1, 2018.

"Semiconductor materials" means silicon crystals, silicon ingots, raw polished semiconductor wafers, and compound semiconductor wafers.

Firms that benefit from any of these incentives were required to complete an annual report by April 30. No descriptive statistics can be provided for these incentive programs because there were less than three firms (see RCW 82.32.534(5)). However, all content of the annual report is available to the public at the Washington State Department of Revenue website.