
SUBSTITUTE SENATE BILL 6323

State of Washington

60th Legislature

2008 Regular Session

By Senate Ways & Means (originally sponsored by Senators Kilmer, King, Kastama, Shin, and Rasmussen)

READ FIRST TIME 02/28/08.

1 AN ACT Relating to improving the effectiveness of tax incentives
2 for eligible business projects in rural counties and community
3 empowerment zones; amending RCW 82.62.010, 82.62.030, and 82.62.045;
4 creating a new section; and providing an effective date.

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

6 **Sec. 1.** RCW 82.62.010 and 2007 c 485 s 1 are each amended to read
7 as follows:

8 Unless the context clearly requires otherwise, the definitions in
9 this section apply throughout this chapter.

10 (1) "Applicant" means a person applying for a tax credit under this
11 chapter.

12 (2) "Department" means the department of revenue.

13 (3) "Eligible area" means an area as defined in RCW 82.60.020.

14 (4)(a) "Eligible business project" means manufacturing or research
15 and development activities which are conducted by an applicant in an
16 eligible area at a specific facility, provided the applicant's average
17 qualified employment positions at the specific facility will be at
18 least (~~fifteen~~) ten percent greater in the four consecutive full
19 calendar quarters after the calendar quarter during which the first

1 qualified employment position is filled than the applicant's average
2 qualified employment positions at the same facility in the four
3 consecutive full calendar quarters immediately preceding the calendar
4 quarter during which the first qualified employment position is filled.

5 (b) "Eligible business project" does not include any portion of a
6 business project undertaken by a light and power business as defined in
7 RCW 82.16.010(5) or that portion of a business project creating
8 qualified full-time employment positions outside an eligible area.

9 (5) "First qualified employment position" means the first qualified
10 employment position filled for which a credit under this chapter is
11 sought.

12 (6) "Manufacturing" means the same as defined in RCW 82.04.120.
13 "Manufacturing" also includes computer programming, the production of
14 computer software, and other computer-related services, and the
15 activities performed by research and development laboratories and
16 commercial testing laboratories.

17 (7) "Person" has the meaning given in RCW 82.04.030.

18 (8)(a)(i) "Qualified employment position" means a permanent full-
19 time employee employed in the eligible business project during four
20 consecutive full calendar quarters.

21 (ii) For seasonal employers, "qualified employment position" also
22 includes the equivalent of a full-time employee in work hours for four
23 consecutive full calendar quarters.

24 (b) For purposes of this subsection, "full time" means a normal
25 work week of at least thirty-five hours.

26 (c) Once a permanent, full-time employee has been employed, a
27 position does not cease to be a qualified employment position solely
28 due to periods in which the position goes vacant, as long as:

29 (i) The cumulative period of any vacancies in that position is not
30 more than one hundred twenty days in the four-quarter period; and

31 (ii) During a vacancy, the employer is training or actively
32 recruiting a replacement permanent, full-time employee for the
33 position.

34 (9) "Recipient" means a person receiving tax credits under this
35 chapter.

36 (10) "Research and development" means the development, refinement,
37 testing, marketing, and commercialization of a product, service, or
38 process before commercial sales have begun. As used in this

1 subsection, "commercial sales" excludes sales of prototypes or sales
2 for market testing if the total gross receipts from such sales of the
3 product, service, or process do not exceed one million dollars.

4 (11) "Seasonal employee" means an employee of a seasonal employer
5 who works on a seasonal basis. For the purposes of this subsection and
6 subsection (12) of this section, "seasonal basis" means a continuous
7 employment period of less than twelve consecutive months.

8 (12) "Seasonal employer" means a person who regularly hires more
9 than fifty percent of its employees to work on a seasonal basis.

10 **Sec. 2.** RCW 82.62.030 and 2007 c 485 s 3 are each amended to read
11 as follows:

12 (1)(a) A person shall be allowed a credit against the tax due under
13 chapter 82.04 RCW as provided in this section. The credit shall equal:

14 (i) Four thousand dollars for each qualified employment position with
15 wages and benefits greater than forty thousand dollars annually that is
16 directly created in an eligible business project and (ii) two thousand
17 dollars for each qualified employment position with wages and benefits
18 less than or equal to forty thousand dollars annually that is directly
19 created in an eligible business project.

20 (b) For purposes of calculating the amount of credit under (a) of
21 this subsection with respect to qualified employment positions as
22 defined in RCW 82.62.010(8)(a)(ii):

23 (i) In determining the number of qualified employment positions, a
24 fractional amount is rounded down to the nearest whole number; and

25 (ii) Wages and benefits for each qualified employment position
26 shall be equal to the quotient derived by dividing: (A) The sum of the
27 wages and benefits earned for the four consecutive full calendar
28 quarter period for which a credit under this chapter is earned by all
29 of the person's new seasonal employees hired during that period; by (B)
30 the number of qualified employment positions plus any fractional amount
31 subject to rounding as provided under (b)(i) of this subsection. For
32 purposes of this chapter, a credit is earned for the four consecutive
33 full calendar quarters after the calendar quarter during which the
34 first qualified employment position is filled.

35 (2) The department shall keep a running total of all credits
36 allowed under this chapter during each fiscal year. The department
37 shall not allow any credits which would cause the total to exceed

1 ((seven)) nine million ((five hundred thousand)) dollars in any fiscal
2 year. If all or part of an application for credit is disallowed under
3 this subsection, the disallowed portion shall be carried over to the
4 next fiscal year. However, the carryover into the next fiscal year is
5 only permitted to the extent that the cap for the next fiscal year is
6 not exceeded.

7 (3) No recipient may use the tax credits to decertify a union or to
8 displace existing jobs in any community in the state.

9 (4) The credit may be used against any tax due under chapter 82.04
10 RCW, and may be carried over until used. No refunds may be granted for
11 credits under this section.

12 **Sec. 3.** RCW 82.62.045 and 2007 c 485 s 4 are each amended to read
13 as follows:

14 (1) For the purposes of this section "eligible area" also means a
15 designated community empowerment zone approved under RCW 43.31C.020.

16 (2) An eligible business project located within an eligible area as
17 defined in this section qualifies for a credit under this chapter for
18 those employees who at the time of hire are residents of the community
19 empowerment zone in which the project is located, if the ((fifteen))
20 ten percent threshold is met. As used in this subsection, "resident"
21 means the person makes his or her home in the community empowerment
22 zone. A mailing address alone is insufficient to establish that a
23 person is a resident for the purposes of this section.

24 (3) All other provisions and eligibility requirements of this
25 chapter apply to applicants eligible under this section.

26 NEW SECTION. **Sec. 4.** This act takes effect July 1, 2008.

27 NEW SECTION. **Sec. 5.** This act applies to tax credits acquired
28 under RCW 82.62.030 prospectively only from the effective date of this
29 act.

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