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SENATE BILL 6510

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State of Washington                      60th Legislature                      2008 Regular Session

By Senators Kastama, King, Shin, and Rasmussen

Read first time 01/17/08.                      Referred to Committee on Economic Development, Trade & Management.

1            AN ACT Relating to providing a source of funding to assist small  
2 manufacturers in obtaining innovation and modernization services;  
3 reenacting and amending RCW 82.32.590; adding new sections to chapter  
4 82.04 RCW; adding a new chapter to Title 43 RCW; and providing an  
5 expiration date.

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

7            NEW SECTION.    **Sec. 1.** The legislature finds that a viable  
8 manufacturing industry is critical to providing the state economy with  
9 family-wage jobs and improving the quality of life for workers and  
10 communities. To perform in the emerging global marketplace, Washington  
11 manufacturers must master new technologies, streamline production  
12 processes, improve quality assurance, expand environmental compliance,  
13 and enhance methods of work organization. Only through innovation and  
14 modernization techniques, reflecting the specific needs and  
15 capabilities of the individual firms, can Washington manufacturers both  
16 compete successfully in the market of the future and pay good living  
17 wages.

18            Most small and midsize manufacturers do not have the resources that  
19 will allow them to easily access innovation and modernization technical

1 assistance and the skills training needed to make them globally  
2 competitive. Because of the statewide public benefit to be gained from  
3 increasing the availability of innovation and modernization services,  
4 it is the intent of the legislature to create a new mechanism in a  
5 manner that reduces the up-front costs of these services for small and  
6 midsize manufacturing firms. It is further the intent of the  
7 legislature that Washington state increase its support for the federal  
8 manufacturing extension partnership program, to expand the delivery of  
9 innovation and modernization services to small and midsize Washington  
10 manufacturers, and to leverage federal funding and private resources  
11 devoted to such efforts.

12 The successful implementation of innovation and modernization  
13 services will enable a manufacturing firm to reduce costs, increase  
14 sales, become more profitable, and ultimately expand job opportunities  
15 for Washington citizens. Such growth will result in increased revenue  
16 from the state business and occupation taxes paid by manufacturers who  
17 have engaged in innovation and modernization services.

18 NEW SECTION. **Sec. 2.** The definitions in this section apply  
19 throughout this chapter unless the context clearly requires otherwise.

20 (1) "Board" means the community economic revitalization board.

21 (2) "Costs of extension services" and "extension service costs"  
22 mean the direct costs experienced under a contract with a qualified  
23 manufacturing extension partnership affiliate for modernization  
24 extension services, including but not limited to amounts in the  
25 contract for costs of consulting, instruction, materials, equipment,  
26 rental of class space, marketing, and overhead.

27 (3) "Department" means the department of community, trade, and  
28 economic development.

29 (4) "Director" means the director of the department of community,  
30 trade, and economic development.

31 (5) "Innovation and modernization extension voucher" and "voucher"  
32 mean an instrument issued to a successful applicant from the board,  
33 verifying that funds from the manufacturing innovation and  
34 modernization account will be forwarded to the qualified manufacturing  
35 extension partnership affiliate selected by the participant and will  
36 cover identified costs of extension services.

1 (6) "Innovation and modernization extension services" and "service"  
2 mean a service funded under this chapter and performed by a qualified  
3 manufacturing extension partnership affiliate. The services may  
4 include but are not limited to strategic planning, continuous  
5 improvement, business development, six sigma, quality improvement,  
6 environmental health and safety, lean processes, energy management,  
7 innovation and product development, human resources and training,  
8 supply chain management, and project management.

9 (7) "Outreach services" means those activities performed by an  
10 affiliate to either assess the technical assistance needs of Washington  
11 manufacturers or increase manufacturers' awareness of the opportunities  
12 and benefits of implementing cutting edge technology, techniques, and  
13 best practices. "Outreach services" includes but is not limited to  
14 salaries of outreach staff, needs assessments, client follow-up, public  
15 educational events, manufacturing orientated trade shows, electronic  
16 communications, newsletters, advertising, direct mail efforts, and  
17 contacting business organizations for names of manufacturers who might  
18 need assistance.

19 (8) "Program" means the Washington manufacturing innovation and  
20 modernization extension service program created in section 3 of this  
21 act.

22 (9) "Program participant" and "participant" mean an applicant for  
23 assistance under the program that has received a voucher or a small  
24 manufacturer receiving services through an industry association or  
25 cluster association that has received a voucher.

26 (10) "Qualified manufacturing extension partnership affiliate" and  
27 "affiliate" mean a private nonprofit organization established under RCW  
28 24.50.010 or other organization that is eligible or certified to  
29 receive federal matching funds from the national institute of standards  
30 and technology manufacturing extension partnership program of the  
31 United States department of commerce, and that has entered into an  
32 agreement with the board that it will pay for its proportionate share  
33 of the board's costs for administering the program created in section  
34 3 of this act.

35 (11) "Small manufacturer" means a private employer whose primary  
36 business is adding value to a product through a manufacturing process  
37 and employs one hundred or fewer employees within Washington state.

1        NEW SECTION.    **Sec. 3.**    (1) The Washington manufacturing innovation  
2 and modernization extension service program is created to provide  
3 assistance to small manufacturers located in the state of Washington.  
4 The program shall be administered by the board.

5        (2)(a) Application to receive assistance under this program must be  
6 made to the board in a form and manner specified by the board.  
7 Successful applicants will receive an innovation and modernization  
8 extension voucher from the board to cover the costs of extension  
9 services performed by a qualified manufacturing extension partnership  
10 affiliate. An applicant may not receive a voucher or vouchers of over  
11 two hundred thousand dollars per calendar year. The board shall only  
12 allocate up to sixty percent of available funding during the first year  
13 of a biennium.

14        (b) Applicants must:

15        (i) Have a valid agreement with a qualified manufacturing extension  
16 partnership affiliate to engage in innovation and modernization  
17 extension services;

18        (ii) Agree to:    (A) Make a contribution to the manufacturing  
19 innovation and modernization account created in section 8 of this act,  
20 in an amount equal to twenty-five percent of the amount of the  
21 innovation and modernization extension voucher, upon completion of the  
22 innovation and modernization extension service; and (B) make monthly or  
23 quarterly contributions over the subsequent eighteen months, as  
24 specified in their agreement with the affiliate, to the manufacturing  
25 innovation and modernization account created in section 8 of this act  
26 in an amount equal to eighty percent of the amount of the innovation  
27 and modernization extension voucher;

28        (iii) Be a small manufacturer or an industry association or cluster  
29 association at the time the applicant entered into an agreement with a  
30 qualified manufacturing extension partnership affiliate; and

31        (iv) If a small manufacturer, ensure that the number of employees  
32 the applicant has in the state during the calendar year following the  
33 completion of the program will be equal to or greater than the number  
34 of employees the applicant had in the state in the calendar year  
35 preceding the start of the program.

36        (3) The director may solicit and receive gifts, grants, funds,  
37 fees, and endowments, in trust or otherwise, from tribal, local,  
38 federal, or other governmental entities, as well as private sources,

1 for the purpose of providing funding for the innovation and  
2 modernization extension services and outreach services specified in  
3 this chapter. All revenue solicited and received by the department  
4 pursuant to this subsection must be deposited into the manufacturing  
5 innovation and modernization account created in section 8 of this act.

6 (4) The board may adopt rules to implement this section.

7 (5) Any qualified manufacturing extension partnership affiliate  
8 receiving funding under this program is required to submit a copy of  
9 its annual independent federal audit to the board within three months  
10 of its issuance.

11 NEW SECTION. **Sec. 4.** This chapter, being necessary for the  
12 welfare of the state and its inhabitants, shall be liberally construed  
13 to effect its purposes. Insofar as the provisions of this chapter are  
14 inconsistent with the provisions of any general or special law, or  
15 parts thereof, the provisions of this chapter shall be controlling.

16 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.04 RCW  
17 to read as follows:

18 In computing the tax imposed under this chapter, a credit is  
19 allowed for participants in the Washington manufacturing innovation and  
20 modernization extension services program created in section 3 of this  
21 act. The credit allowed under this section is equal to fifty percent  
22 of the value of a program participant's contributions to the  
23 manufacturing innovation and modernization account created in section  
24 8 of this act. If a participant in the program does not meet the  
25 qualifications in section 3(2)(b)(iv) of this act, the participant must  
26 remit to the department the value of any credits taken plus interest.  
27 The credit earned by a participant in one calendar year may be carried  
28 over to be credited against taxes incurred in subsequent calendar  
29 years. The annual statewide credit available is limited to one million  
30 two hundred twenty-five thousand dollars.

31 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.04 RCW  
32 to read as follows:

33 (1) The legislature finds that accountability and effectiveness are  
34 important aspects of setting tax policy. In order to make policy

1 choices regarding the best use of limited state resources the  
2 legislature needs information on how a tax incentive is used.

3 (2) Each person claiming a tax credit under section 5 of this act  
4 shall report information to the department by filing a complete annual  
5 survey. The survey is due by March 31st of the year following any  
6 calendar year in which a tax credit under section 5 of this act is  
7 taken. The department may extend the due date for timely filing of  
8 annual surveys under this section as provided in RCW 82.32.590. The  
9 survey shall include the amount of tax credit taken. The survey shall  
10 also include the following information for employment positions in  
11 Washington:

12 (a) The number of total employment positions;

13 (b) Full-time, part-time, and temporary employment positions as a  
14 percent of total employment;

15 (c) The number of employment positions according to the following  
16 wage bands: Less than thirty thousand dollars; thirty thousand dollars  
17 or greater, but less than sixty thousand dollars; and sixty thousand  
18 dollars or greater. A wage band containing fewer than three  
19 individuals may be combined with another wage band; and

20 (d) The number of employment positions that have employer-provided  
21 medical, dental, and retirement benefits, by each of the wage bands.

22 The first survey filed under this subsection shall also include  
23 information for the twelve-month period immediately before first use of  
24 a tax incentive.

25 (3) The department may request additional information necessary to  
26 measure the results of the credit program, to be submitted at the same  
27 time as the survey.

28 (4) All information collected under this section, except the amount  
29 of the tax credit taken, is deemed taxpayer information under RCW  
30 82.32.330. Information on the amount of tax credit taken is not  
31 subject to the confidentiality provisions of RCW 82.32.330.

32 (5) If a person fails to submit an annual survey under subsection  
33 (2) of this section by the due date of the report or any extension  
34 under RCW 82.32.590, the department shall declare the amount of taxes  
35 credited for the previous calendar year to be immediately due and  
36 payable. The department shall assess interest, but not penalties, on  
37 the amounts due under this section. The interest shall be assessed at  
38 the rate provided for delinquent taxes under this chapter,

1 retroactively to the date the credit was claimed, and shall accrue  
2 until the taxes for which the credit was claimed are repaid. This  
3 information is not subject to the confidentiality provisions of RCW  
4 82.32.330.

5 (6) The department shall use the information from this section to  
6 prepare summary descriptive statistics by category. No fewer than  
7 three taxpayers shall be included in any category. The department  
8 shall report these statistics to the legislature each year by September  
9 1st.

10 (7) The department shall study the tax credit authorized in section  
11 5 of this act. The department shall submit a biennial report to the  
12 appropriate committees of the legislature beginning December 1, 2013.  
13 The report shall measure the effect of the credit on job creation, job  
14 retention, company growth, the movement of firms or the consolidation  
15 of firms' operations into the state, and such other factors as the  
16 department selects.

17 **Sec. 7.** RCW 82.32.590 and 2006 c 354 s 17, 2006 c 300 s 10, 2006  
18 c 177 s 8, 2006 c 112 s 7, and 2006 c 84 s 7 are each reenacted and  
19 amended to read as follows:

20 (1) If the department finds that the failure of a taxpayer to file  
21 an annual survey or annual report under RCW 82.04.4452, section 6 of  
22 this act, 82.32.5351, 82.32.650, 82.32.635, 82.32.640, 82.32.630,  
23 82.32.610, or 82.74.040 by the due date was the result of circumstances  
24 beyond the control of the taxpayer, the department shall extend the  
25 time for filing the survey or report. Such extension shall be for a  
26 period of thirty days from the date the department issues its written  
27 notification to the taxpayer that it qualifies for an extension under  
28 this section. The department may grant additional extensions as it  
29 deems proper.

30 (2) In making a determination whether the failure of a taxpayer to  
31 file an annual survey or annual report by the due date was the result  
32 of circumstances beyond the control of the taxpayer, the department  
33 shall be guided by rules adopted by the department for the waiver or  
34 cancellation of penalties when the underpayment or untimely payment of  
35 any tax was due to circumstances beyond the control of the taxpayer.

1           NEW SECTION.   **Sec. 8.** (1) The manufacturing innovation and  
2 modernization account is created in the custody of the state treasurer.  
3 Only the director may authorize expenditures from the account and no  
4 appropriation is required for expenditures.

5           (2) The money in the account must be used solely for funding  
6 activities of the Washington manufacturing innovation and modernization  
7 extension services program created in section 3 of this act.

8           (3) Annually, the director shall award an amount, not to exceed one  
9 hundred thousand dollars per year, from the innovation and  
10 manufacturing modernization account to qualified manufacturing  
11 extension partnership affiliates for the purpose of conducting outreach  
12 services; however, beginning in fiscal year 2013, the outreach award is  
13 subject to a fifty percent match of private funds.

14           (4) When an affiliate submits an innovation and modernization  
15 extension voucher for payment, the director shall make a payment to the  
16 qualified manufacturing extension partnership affiliate chosen by the  
17 program participant in an amount equal to the full costs of extension  
18 services.

19           (5) All payments by a program participant in the Washington  
20 manufacturing innovation and modernization extension services program  
21 created in section 3 of this act shall be deposited into the  
22 manufacturing innovation and modernization account. The deposit of  
23 payments under this section from a program participant cease when the  
24 department specifies that the program participant has met the monetary  
25 contribution obligations of the program.

26           (6) All revenue solicited and received under the provisions of  
27 section 3(3) of this act shall be deposited into the manufacturing  
28 innovation and modernization account.

29           (7) The legislature intends that all payments from the  
30 manufacturing innovation and modernization account made to qualified  
31 manufacturing extension partnership affiliates will be eligible as the  
32 state match in an affiliate's application for federal matching funds  
33 under the manufacturing extension partnership program of the United  
34 States department of commerce's national institute of standards and  
35 technology.

36           NEW SECTION.   **Sec. 9.** If any provision of this act or its

1 application to any person or circumstance is held invalid, the  
2 remainder of the act or the application of the provision to other  
3 persons or circumstances is not affected.

4 NEW SECTION. **Sec. 10.** Sections 1 through 4 and 8 of this act  
5 constitute a new chapter in Title 43 RCW.

6 NEW SECTION. **Sec. 11.** Section 5 of this act expires July 1, 2018.

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