

**DESCRIPTIVE STATISTICS  
FOR TAX INCENTIVE PROGRAMS**

**2011 Report Covering  
Activity During Calendar Year 2010**

A Report to the Legislature

Washington State Department of Revenue  
Suzan DeIBene, Director

December 2011



STATE OF WASHINGTON  
DEPARTMENT OF REVENUE


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December 2, 2011

**TO:** The Honorable Ed Murray  
Chair, Senate Ways and Means Committee

The Honorable Ross Hunter  
Chair, House Ways and Means Committee

**FROM:** Suzan DelBene, Director   
Department of Revenue

**SUBJECT: DESCRIPTIVE STATISTICS 2011**

This report summarizes information from annual surveys and reports completed by taxpayers who participated in thirty-two tax incentive programs during calendar year 2010. The report is prepared in accordance with RCWs 82.32.534 and 82.32.585 to provide accountability and a means to evaluate program effectiveness. These statutes require the Department to summarize survey and report information in descriptive statistics.

Business and occupation (B&O) tax, public utility tax (PUT) and sales tax incentives resulted in reduced state and local tax revenues of \$314 million in 2010. Over half of this was attributable to the sales tax deferral/exemption for high technology firms with an impact of \$166 million. The deferral/exemption for rural manufacturers totaled \$94 million in reduced state and local sales tax receipts.

For 2010, there were 1,979 taxpayers who participated in these incentive programs; these firms reported a total employment of nearly 400,000. Participants and their employees may be counted more than once if they took part in multiple programs.

The Department has implemented the comprehensive changes to taxpayer reporting contained in SSB 3066, passed during the 2010 session. In addition, the Department checked surveys for reasonableness and verified responses with records or with taxpayers over the phone to the extent possible.



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The taxpayer surveys and reports were administered by our Special Programs Division. The Special Programs Division is also responsible for posting the public disclosure information on the Department's website. The summary descriptive statistics were compiled by the Research and Fiscal Analysis Division. If you have any questions, please contact Kathy Oline, Assistant Director of the Research and Fiscal Analysis Division, at (360) 534-1534.

cc: Governor Christine Gregoire  
Members, Senate Ways and Means Committee  
Members, House Ways and Means Committee  
Marty Brown, Director, Office of Financial Management  
Kathy Oline, Assistant Director, Research & Fiscal Analysis

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DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS  
EXECUTIVE SUMMARY

This is the seventh in a series of annual reports 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 filed by firms that participate in selected tax incentive programs.

This report covers activity during calendar year 2010. Taxpayers that used these incentives were required to file either an annual survey or report by April 30, 2011, 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. However, 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.

The prior year 2010 Descriptive Statistics report covered ten tax incentive programs. Because of the major changes contained in SHB 3066 (Chapter 114, Laws of 2010), the 2011 Descriptive Statistics report now includes thirty-two tax incentive programs. These are organized by the following five principal types of tax categories:

**BUSINESS AND OCCUPATION (B&O) TAX RATE REDUCTIONS**

- Manufacturers of timber and wood products
- Manufacturers of semiconductor materials
- Federal Aviation Regulation (FAR) – certified aircraft repair
- Manufacturing commercial aircraft
- Manufacturing tooling for commercial aircraft production
- Printers/publishers of newspapers
- Smelting of aluminum
- Manufacturing/wholesaling solar energy systems

**B&O or PUBLIC UTILITY TAX (PUT) TAX EXEMPTIONS**

- Fruit/vegetable processors
- Producers of dairy products
- Producers of seafood products
- Electrical power for electrolyte processors

### B&O or PUT TAX CREDITS

- High tech research and development (R&D) spending
- Work force training expenditures
- Aerospace product development
- Property/leasehold taxes paid on aircraft facilities
- Property tax paid on aluminum smelters
- Software development in rural counties
- Help-desk services in rural counties

### SALES TAX DEFERRALS/EXEMPTIONS

- Manufacturers in rural counties (population density basis through June 30, 2010, then unemployment basis starting July 1, 2010)
- Manufacturers in rural counties – unemployment basis
- High tech R&D investments
- Fruit and vegetable processors, manufacturers of dairy and seafood products, and cold storage warehouses
- Biotech manufacturers
- Semiconductor gasses/chemicals
- Materials for aluminum smelters
- Construction of aerospace manufacturing facilities
- Natural gas for aluminum smelters
- Corporate headquarters located in a community empowerment zone (CEZ)
- Equipment and infrastructure for data centers

### OTHER TAX PREFERENCES

- Leasehold tax exemption for aerospace manufacturing facilities
- Property tax exemption for aerospace manufacturing facilities

There are two types of “accountability” reports that are required by program participants: an annual survey or an annual report. Fourteen of the programs now require an annual survey. Participants in “survey” programs are asked to provide the following information for the prior calendar 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 counties and the sales tax deferral/exemption for construction of R&D facilities by specified high tech firms must indicate the number of new products or research projects

developed and the number of new patents, copyrights, and trademarks associated with the facility.

The remaining nineteen “annual report” participants do not have to indicate the amount of tax benefit received. However, they must provide information on the following for the previous calendar year:

- 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 calendar year. It should be noted that annual reports for some of the incentives had been previously required; however, the results were not required to be included in the Descriptive Statistics report.

The B&O tax credit for research and development spending had the most participants in 2010 with 539 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 rate reduction for the timber industry (349), the sales tax deferral for manufacturers locating in rural counties (318), and the various aerospace incentives (241).

The largest cumulative revenue impact for the “survey” programs is associated with the sales tax deferral for high technology investments with \$166 million in foregone state and local sales tax revenue (note: this figure is not a one year amount, but rather the total which is spread over the eight year deferral period). The second leading program in terms of taxpayer savings is the sales tax deferral for manufacturers which invest in a rural county; the cumulative impact is now \$94 million.

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 in the year immediately following the year in which the project was certified as operationally complete; they continue to report 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. As a result, the 2010 surveys include sales tax deferral projects completed in calendar years 2003 through 2010.

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 report 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 of 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 2010, the top three incentive programs in terms of the total in-state jobs reported were:

- The high tech sales tax deferral/exemption with 118,029 jobs,
- The high tech B&O tax credit with 103,965 jobs, and
- The combined aerospace incentives with 84,453 jobs.

Summary statistics on all of these programs are presented in Table 1.1 on the following page. The remainder of this report provides more detailed information as reported by incentive program participants. Chapters 2 – 14 address the annual “survey” incentives; each chapter is devoted to a separate incentive. Chapters 15 – 23 contain the results of the annual “report” incentives. Since the reports do not require revenue impact information, several incentives are grouped together and the chapters address an industry as a whole.

Chapter 1

<b>Table 1.1</b>			
<b>DESCRIPTIVE STATISTICS 2011 - SYNOPSIS OF TAX INCENTIVES BY MAJOR INDUSTRY</b>			
	Participants in Calendar Year 2010		
<u>Tax Incentives by Major Industry</u>	<u># Firms</u>	<u>Total Jobs</u>	<u>Tax Savings (\$000)</u>
<u>AEROSPACE</u>			
Commercial aircraft manufacturers <sup>1</sup>	241	84,453	Not reported
Aerospace non-manufacturers <sup>2</sup>	61	7,060	Not reported
Aircraft repairs (FAR Part 145)	29	2,611	Not reported
<u>AGRICULTURAL PRODUCTS</u>			
B&O exemption, fruit/vegetables	122	12,468	\$4,939.0
B&O exemption, dairy products	11	4,196	\$1,062.0
B&O exemption, seafood products	29	2,139	\$1,195.1
Sales tax deferral, processing facilities	27	4,947	\$8,687.0
<u>HIGH TECH &amp; COMPUTING</u>			
B&O credit, R&D spending	539	103,965	\$22,839.0
Sales tax deferral, high tech R&D	81	118,029	\$166,138.7
Sales tax deferral, biotech manuf.	6	631	\$1,868.0
B&O credit, rural software development	26	153	\$37.6
B&O credit, rural help-desk services	39	153	\$159.7
Sales tax exemption, data centers	5	21	Not reported
Semi-conductor industry <sup>3</sup>	Disclosure	Disclosure	Not reported
<u>OTHER MANUFACTURING</u>			
B&O reduction, timber/wood products	349	17,863	\$13,068.6
Sales tax deferral, rural counties	318	33,728	\$94,307.3
B&O rate reduction, newspapers	88	5,360	Not reported
Aluminum smelting <sup>2</sup>	Disclosure	Disclosure	Not reported
Solar energy systems	Disclosure	Disclosure	Not reported
<u>OTHER PROGRAMS</u>			
B&O credit, work force training	8	1,329	\$48.9
Sales tax deferral, corp. headquarters	0	0	\$0.0
Energy for electrolyte processors	Disclosure	Disclosure	Not reported
<sup>1</sup> Six incentives.			
<sup>2</sup> Four incentives.			
<sup>3</sup> Two incentives.			

BUSINESS AND OCCUPATION TAX RATE REDUCTION  
FOR 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(11). The reduced business tax 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 remains in effect until the end of Fiscal Year 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<sup>th</sup> 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more.
- 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. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

The data shown below reflect calendar year 2010 activity for the 349 companies that claimed the tax credit during this period.

**Table 2.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**B&O Tax Rate Reduction for Manufacturing Timber and Wood Products**  
**Reduction in B&O Tax Claimed by Size of Employment**  
**Calendar Year 2010**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Reduced B&amp;O Tax</u>	<u>Total Reduction in B&amp;O Tax Reported</u>
Fewer than 50	285	\$2,815,129
50 - 250	50	\$3,550,239
More than 250	14	\$6,703,268
TOTAL	349	\$13,068,636

**Table 2.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**B&O Tax Rate Reduction for Manufacturing Timber and Wood Products**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2010**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming Reduced B&amp;O Tax</u>	<u>Total Employment in Washington of Firms Claiming Reduced B&amp;O Tax</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	285	2,346	90.6%	8.2%	1.2%
50 - 250	50	6,136	97.7%	1.4%	0.9%
More than 250	14	9,381	99.4%	0.4%	0.2%
TOTAL	349	17,863	97.7%	1.8%	0.6%

\*Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 2.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**B&O Tax Rate Reduction for Manufacturing Timber and Wood Products  
 Employment and Employee Benefits by Wage Band  
 Calendar Year 2010**

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	2,624	1,493	1,353	930
\$30,000 - \$59,999	9,956	7,365	7,075	7,274
\$60,000 or more	5,283	4,446	4,369	4,637
TOTAL	17,863	13,304	12,797	12,841

BUSINESS AND OCCUPATION TAX EXEMPTION  
FOR 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.

In 2006, a termination date was added to the exemption; the B&O exemption for processing of fresh fruit and vegetables will expire on July 1, 2012. 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: The 2006 legislation also provided the same exemption for processing of dairy and seafood products; these tax incentives are discussed separately in Chapters Four and Five.

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<sup>th</sup>. 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- 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 122 firms that claimed the tax exemption during calendar year 2010. 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 3.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Fruit and Vegetable Processors**  
**B&O Tax Exemptions Claimed by Size of Employment**  
**Calendar Year 2010**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total B&amp;O Tax Exemption Claimed</u>
Fewer than 50	87	\$449,866
50 - 250	22	\$1,065,857
More than 250	13	\$3,423,247
TOTAL	122	\$4,938,970

**Table 3.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Fruit and Vegetable Processors**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2010**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&amp;O Exemption</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	87	1,006	61.5%	33.1%	5.4%
50 - 250	22	1,872	82.0%	5.0%	13.0%
More than 250	13	9,590	89.1%	7.6%	3.2%
TOTAL	122	12,468	85.9%	9.3%	4.8%

\*Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 3.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Fruit and Vegetable Processors**  
**Employment and Employee Benefits by Wage Band**  
**Calendar Year 2010**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	6,265	2,021	1,884	3,316
\$30,000 - \$59,999	4,714	3,882	3,803	3,902
\$60,000 or more	1,489	1,327	1,315	1,112
TOTAL	12,468	7,230	7,002	8,330



BUSINESS AND OCCUPATION TAX EXEMPTION  
FOR MANUFACTURERS OF DAIRY PRODUCTS

A parallel exemption to the exemption for fruit and vegetable processors (Chapter Three) 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 will expire on July 1, 2012. 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<sup>th</sup>. 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more.
- 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 eleven dairy producers that claimed the tax exemption during calendar year 2010. 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**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Dairy Products**  
**B&O Tax Exemptions Claimed by Size of Employment**  
**Calendar Year 2010**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total B&amp;O Tax Exemption Claimed</u>
Fewer than 50	6	\$8,272
50 plus	5	\$1,053,687
TOTAL	11	\$1,061,959

**Table 4.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Dairy Products**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2010**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&amp;O Exemption</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	6	20	50.1%	40.0%	9.9%
50 plus	5	4,176	97.2%	2.1%	0.7%
TOTAL	11	4,196	97.0%	2.2%	0.8%

\* Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 4.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Dairy Products**  
**Employment and Employee Benefits by Wage Band**  
**Calendar Year 2010**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,472	744	733	1,325
\$30,000 - \$59,999	1,998	1,525	1,400	1,845
\$60,000 or more	726	640	653	719
TOTAL	4,196	2,909	2,786	3,889

**BUSINESS AND OCCUPATION TAX EXEMPTION  
FOR MANUFACTURERS OF SEAFOOD PRODUCTS**

Similar to the exemption for producers of dairy products (Chapter Four), 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 will expire on July 1, 2012. 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<sup>th</sup>. 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- 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 29 seafood producers that claimed the B&O exemption during calendar year 2010.

**Table 5.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Seafood Products**  
**B&O Tax Exemptions Claimed by Size of Employment**  
**Calendar Year 2010**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total B&amp;O Tax Exemption Claimed</u>
Fewer than 50	23	\$207,539
50 plus	6	\$987,560
TOTAL	29	\$1,195,099

**Table 5.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Seafood Products**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2010**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&amp;O Exemption</u>	<u>Percentage of Jobs that are:</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	23	239	58.7%	36.0%	5.3%
50 plus	6	1,900	77.8%	8.4%	13.8%
TOTAL	29	2,139	75.7%	11.5%	12.9%

**Table 5.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Seafood Products**  
**Employment and Employee Benefits by Wage Band**  
**Calendar Year 2010**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,127	547	534	263
\$30,000 - \$59,999	697	515	496	338
\$60,000 or more	315	281	277	235
TOTAL	2,139	1,343	1,307	836

BUSINESS AND OCCUPATION TAX CREDIT  
FOR RESEARCH AND DEVELOPMENT EXPENDITURES  
BY HIGH TECHNOLOGY 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
- 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<sup>th</sup>. 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- 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 539 firms that claimed the B&O tax credit during calendar year 2010. 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 6.1  
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms  
B&O Tax Credits Claimed by Size of Employment  
Calendar Year 2010**

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	380	\$3,536,860	\$745,189,545	\$342,681,346
50 - 250	115	\$7,018,832	\$2,197,521,634	\$882,418,511
More than 250	44	\$12,283,342	\$6,091,675,000	\$5,916,703,557
TOTAL	539	\$22,839,034	\$9,034,386,179	\$7,141,803,414



**Table 6.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms**  
**B&O Tax Credits Claimed by Category of Technology**  
**Calendar Year 2010**

<u>Category of High Technology</u>	<u>Number of Firms Claiming B&amp;O Tax Credits*</u>	<u>Total B&amp;O Tax Credits Claimed</u>	<u>B&amp;O Taxable Income for which Credit is Claimed</u>	<u>Total Qualified Expenditures by Participants</u>
Advanced Computing	284	\$9,495,485	\$2,353,771,006	\$5,231,375,081
Advanced Materials	32	\$1,122,962	\$400,709,312	\$117,655,927
Biotechnology	103	\$3,150,756	\$657,381,264	\$771,436,307
Electronic Devices	171	\$5,420,985	\$3,706,591,357	\$580,216,098
Environmental	43	\$3,647,650	\$1,915,526,649	\$441,027,423
<b>TOTAL</b>	<b>633</b>	<b>\$22,837,838</b>	<b>\$9,033,979,588</b>	<b>\$7,141,710,836</b>

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

**Table 6.3  
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms  
Total Washington Employment of Participants by Size of Employment  
Calendar Year 2010**

Size of Washington Employment	Number of Firms Claiming B&O Tax Credit	Total Employment in Washington of Firms Claiming B&O Credits	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	380	4,994	88.7%	8.6%	2.7%
50 - 250	115	12,685	94.5%	3.0%	2.5%
More than 250	44	86,286	79.4%	2.0%	18.6%
TOTAL	539	103,965	81.7%	2.5%	15.9%

\*Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 6.4  
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms  
Employment and Employee Benefits by Wage Band  
Calendar Year 2010**

Wage Bands	Washington Employment by Wage Bands*	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	4,246	2,416	2,395	1,592
\$30,000 - \$59,999	15,782	13,317	13,243	10,913
\$60,000 or more	83,937	66,665	66,566	59,623
TOTAL	103,965	82,398	82,204	72,128

\*Total does not agree with Table 6.3 due to incomplete reporting by survey respondents.

**Table 6.5**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms**  
**New Products and Innovations Developed by Participants**  
**Calendar Year 2010**

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	380	1,534	1,396	75	81	20
50 - 250	115	739	632	117	410	15
More than 250	44	3,404	3,528	80	3,739	140
TOTAL	539	5,677	5,556	272	4,230	175

BUSINESS AND OCCUPATION TAX CREDIT  
FOR 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, 2016. 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.67.030. 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<sup>th</sup>. 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- 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 2010, eight firms reported taking the credit for eligible training costs.

**Table 7.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Firms Utilizing Workforce Training Programs  
B&O Tax Credit Claimed by Size of Employment  
Calendar Year 2010**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total B&amp;O Tax Exemption Claimed</u>
Fewer than 50	1	D
50 plus	7	\$48,935
TOTAL	8	D

**Table 7.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Firms Utilizing Workforce Training Programs  
Total Washington Employment of Participants by Size of Employment  
Calendar Year 2010**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&amp;O Exemption</u>	<u>Percentage of Jobs that are:</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	1	D	D	D	D
50 plus	7	1,329	96.6%	1.3%	1.9%
TOTAL	8	D	D	D	D

**Table 7.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Firms Utilizing Workforce Training Programs  
Employment and Employee Benefits by Wage Band  
Calendar Year 2010**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	489	382	376	208
\$30,000 - \$59,999	631	566	565	453
\$60,000 or more	225	214	212	206
TOTAL	1,345	1,162	1,153	867

BUSINESS AND OCCUPATION TAX CREDIT  
FOR SOFTWARE DEVELOPMENT IN RURAL COUNTIES

A B&O tax credit for new employees engaged in manufacturing computer software in rural counties was established in 2004, effective April 1, 2004. (The 2004 tax credit replaced a similar B&O tax credit for new software employees which had expired at the end of 2003.) The tax credit was codified as RCW 82.04.4483; and it was scheduled to expire on January 1, 2011. The credit was equal to \$1,000 for each new employee engaged in development or manufacturing of computer software hired after January 1, 2004. The credit could be taken for up to five years for each eligible employee, if they remained on the payroll of the firm. The program was only available for new hires within a rural county, which was defined as a county with a population density of 100 persons per square mile or less.

Originally, an annual report was required of program participants, but the data received from taxpayers did not have to be published by the Department. The statute was amended in 2010 to require an annual survey pursuant to RCW 82.32.585 by firms taking the tax credit. This chapter is the result of that survey requirement. However, since the entire tax incentive statute has now expired, this is the first – and only – year that the data for the software development credit will appear in the Descriptive Statistics report.

The 2010 amendment established an annual survey requirement for program participants (RCW 82.32.585). Taxpayers claiming the B&O tax credit during calendar year 2010 were to file a survey by April 30, 2011. 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- 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 2010, twenty-six firms reported taking the credit for new software development jobs.

**Table 8.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Development of Software in Rural Counties**  
**B&O Tax Credit Claimed by Size of Employment**  
**Calendar Year 2010**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total B&amp;O Tax Exemption Claimed</u>
Fewer than 50	26	\$37,556
50 plus	None	\$0
TOTAL	26	\$37,556

**Table 8.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Development of Software in Rural Counties**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2010**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&amp;O Exemption</u>	<u>Percentage of Jobs that are:</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	26	153	86.4%	12.9%	0.7%
50 plus	None	0	0.0%	0.0%	0.0%
TOTAL	26	153	86.4%	12.9%	0.7%



**Table 8.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Development of Software In Rural Counties**  
**Employment and Employee Benefits by Wage Band**  
**Calendar Year 2010**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	40	21	20	13
\$30,000 - \$59,999	52	36	28	29
\$60,000 or more	61	42	37	36
TOTAL	153	99	85	78

BUSINESS AND OCCUPATION TAX CREDIT FOR  
INCOME RELATED TO HELP-DESK SERVICES IN RURAL COUNTIES

A B&O tax credit for income derived from providing information technology help-desk services in rural counties was established in 2004, effective April 1, 2004. (The 2004 tax credit replaced a similar B&O tax credit for new employees engaged in help-desk service which had expired at the end of 2003.) The tax credit was codified as RCW 82.04.4484; and it was scheduled to expire on January 1, 2011. The credit was equal to 100 percent of the B&O tax liability otherwise due on income derived from providing such services. The program was only available for income derived from within a rural county, which was defined as a county with a population density of 100 persons per square mile or less.

Originally, an annual report was required of program participants, but the data received from taxpayers did not have to be published by the Department. The statute was amended in 2010 to require an annual survey pursuant to RCW 82.32.585 by firms taking the tax credit. This chapter is the result of that survey requirement. However, since the entire tax incentive statute has now expired, this is the first – and only – year that the data for the help-desk credit will appear in the Descriptive Statistics report.

The 2010 amendment established an annual survey requirement for program participants (RCW 82.32.585). Taxpayers claiming the B&O tax credit during calendar year 2010 were to file a survey by April 30, 2011. Based on the data reported, the Department must compile summary statistics on the program and report annually to the Legislature. The following data were 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- 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 2010, thirty-nine firms reported taking the credit for income derived from help-desk services in rural counties.

**Table 9.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Help-Desk Services in Rural Counties**  
**B&O Tax Credit Claimed by Size of Employment**  
**Calendar Year 2010**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total B&amp;O Tax Exemption Claimed</u>
Fewer than 50	39	\$159,655
50 plus	None	\$0
TOTAL	39	\$159,655

**Table 9.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Help-Desk Services in Rural Counties**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2010**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&amp;O Exemption</u>	<u>Percentage of Jobs that are:</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	39	153	82.4%	16.8%	0.7%
50 plus	None	0	0.0%	0.0%	0.0%
TOTAL	39	153	82.4%	16.8%	0.7%

**Table 9.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Help-Desk Services In Rural Counties**  
**Employment and Employee Benefits by Wage Band**  
**Calendar Year 2010**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	58	19	4	2
\$30,000 - \$59,999	56	27	7	13
\$60,000 or more	39	26	20	16
TOTAL	153	72	31	31

SALES/USE TAX DEFERRAL/EXEMPTION  
FOR INVESTMENTS IN RURAL COUNTIES

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 criterion was 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, Pierce, Spokane, and Kitsap--contain CEZs and are potentially eligible if the business meets certain hiring requirements. Consequently, only three of the 39 counties--Snohomish, Thurston, and Clark--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 so that now applications for the program will not be accepted on or after July 1, 2010.

The 2010 Legislature allowed this 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, but similar program which will be more like the original rural county sales tax deferral. The new deferral program, effective July 1, 2010, is based on average county unemployment rates. To qualify, a manufacturer or R&D firm will have to be located in a CEZ or a county with unemployment in excess of 20 percent of the statewide average. This will reduce the initial coverage of the program from 32 counties to 13 counties.

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<sup>th</sup> 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 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- 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 318 firms that reported the deferral/exemption upon completed and audited projects during calendar year 2010. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

It should be remembered that the data reported for the sales tax deferral/exemption 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. Thus, the information reported for calendar year 2010 includes projects completed in each of the years from 2003 through 2010. Further, the data in the annual surveys, as reported in the annual Descriptive Statistics report, include only projects which have been completed and audited by the Department. The figures reported here do not include other projects for which application has been made but which are not yet completed and audited.

**Table 10.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments by Manufacturers and R&D Firms in Rural Counties**  
**Retail Sales/Use Tax Deferrals Claimed by Size of Employment**  
**Calendar Year 2010**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferrals Taken</u>
Fewer than 50	196	\$24,689,831
50 - 250	96	\$29,766,731
More than 250	26	\$39,850,699
TOTAL	318	\$94,307,261

**Table 10.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments by Manufacturers and R&D Firms in Rural Counties**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2010**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total Employment in Washington of Firms Claiming Sales Tax Deferrals</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	196	3,192	82.8%	14.0%	3.2%
50 - 250	96	9,895	85.9%	5.3%	8.7%
More than 250	26	20,641	97.2%	1.6%	1.2%
TOTAL	318	33,728	92.5%	3.9%	3.6%

\*Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 10.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments by Manufacturers and R&D Firms in Rural Counties  
Employment and Employee Benefits by Wage Band  
Calendar Year 2010**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	10,226	5,339	5,199	4,301
\$30,000 - \$59,999	16,106	12,925	12,596	12,709
\$60,000 or more	7,396	6,442	6,293	6,714
TOTAL	33,728	24,706	24,088	23,724

**Table 10.4**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments by Manufacturers and R&D Firms in Rural Counties  
New Products and Innovations Developed by Participants by Size of Employment  
Calendar Year 2010**

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	196	346	277	16	1	1
50 - 250	96	177	77	10	8	0
More than 250	26	115	532	12	35	0
TOTAL	318	638	886	38	44	1



SALES/USE TAX DEFERRAL/EXEMPTION  
FOR 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 Six). These activities are:

- Advanced computing
- Advanced materials
- Biotechnology
- Electronic device technology
- 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 the 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, by April 30. The survey must be initially filed by April 30<sup>th</sup> 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 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- 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 81 firms that reported the deferral/exemption upon completed and audited projects during calendar year 2010. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

The data reported for the sales tax deferral/exemption are not additive over time. This is due to the requirement for firms to submit survey information initially in the year after the project is complete, plus surveys in each of the following seven years. Thus, the information reported for calendar year 2010 includes projects completed in each of the years from 2003 through 2010. Further, the data in the annual surveys, as reported in the annual Descriptive Statistics report, include only projects which have been completed and audited by the Department. The figures reported here do not include other projects for which application has been made but which are not yet completed and audited.

**Table 11.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments in R&D by High Technology Firms**  
**Retail Sales/Use Tax Deferrals Claimed by Size of Employment**  
**Calendar Year 2010**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferrals Taken</u>
Fewer than 50	32	\$31,794,466
50 - 250	30	\$9,265,050
More than 250	19	\$125,079,191
TOTAL	81	\$166,138,707

**Table 11.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments in R&D by High Technology Firms**  
**Retail Sales/Use Tax Deferrals Claimed by Category of Technology**  
**Calendar Year 2010**

<u>Category of High Technology</u>	<u>Number of Firms Claiming Sales Tax Deferrals*</u>	<u>Total State/Local Sales Tax Deferrals Taken*</u>
Advanced Computing	23	\$107,840,321
Advanced Materials	11	\$1,427,357
Biotechnology	44	\$51,501,782
Electronic Devices	21	\$2,677,990
Environmental	7	\$2,691,257
TOTAL	106	\$166,138,707

\*Totals do not agree with Table 11.1 due to incomplete reporting by survey respondents, and some firms reported under multiple technology categories.

**Table 11.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments in R&D by High Technology Firms**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2010**

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	32	592	91.9%	7.5%	0.7%
50 - 250	30	3,574	91.9%	5.3%	2.9%
More than 250	19	113,863	69.8%	11.1%	19.1%
TOTAL	81	118,029	70.6%	10.9%	18.6%

\*Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 11.4**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments in R&D by High Technology Firms**  
**Employment and Employee Benefits by Wage Band**  
**Calendar Year 2010**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	17,324	4,775	5,015	5,012
\$30,000 - \$59,999	22,160	20,120	20,526	19,331
\$60,000 or more	78,545	62,211	62,443	57,343
TOTAL	118,029	87,106	87,984	81,686

**Table 11.5**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments in R&D by High Technology Firms**  
**New Products and Innovations Developed by Participants by Size of Employment**  
**Calendar Year 2010**

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	32	21	33	5	34	0
50 - 250	30	99	141	44	329	0
More than 250	19	3,216	3,056	43	3,391	65
TOTAL	81	3,336	3,230	92	3,754	65

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

This program was initially adopted in 2005 and then 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. The program is scheduled to expire on June 30, 2012.

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 of 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 purposes, 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 containing specified information pursuant to RCW 82.32.585. The survey must be filed by April 30<sup>th</sup> 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 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The following tables contain the above information for the 27 firms that process agricultural products or operate cold storage warehouses which reported the deferral/exemption upon completed and audited projects during calendar year 2010. It should be noted that the data in the annual surveys, as reported in the annual Descriptive Statistics report, include only projects which have been completed and audited by the Department. The figures reported here do not include other projects for which application has been made but which are not yet completed and audited.

**Table 12.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**  
**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 2010**

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferrals Taken
Fewer than 250	19	\$5,975,589
250 plus	8	2,711,433
TOTAL	27	\$8,687,022

**Table 12.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**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 2010**

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	19	1,501	76.0%	8.9%	15.1%
250 plus	8	3,446	83.9%	9.1%	7.0%
TOTAL	27	4,947	81.5%	9.1%	9.4%

\* Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 12.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**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 2010**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	3,132	444	336	675
\$30,000 - \$59,999	1,242	1,034	979	908
\$60,000 or more	573	552	509	489
TOTAL	4,947	2,030	1,824	2,072



SALES/USE TAX DEFERRAL/EXEMPTION  
FOR 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<sup>th</sup> 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

There were six biotech manufacturing firms which reported the deferral/exemption upon completed and audited projects during calendar year 2010. It should be noted that the data in the annual surveys, as reported in the annual Descriptive Statistics report, include only projects which have been completed and audited by the Department. The

figures reported here do not include other projects for which application has been made but which are not yet completed and audited.

**Table 13.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Biotechnology Manufacturing Firms**

**Retail Sales/Use Tax Deferrals Claimed by Size of Employment  
Calendar Year 2010**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferrals Taken</u>
Fewer than 50	2	D
50 or more	4	1,867,981
TOTAL	6	D

**Table 13.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Biotechnology Manufacturing Firms**

**Total Washington Employment of Participants by Size of Employment  
Calendar Year 2010**

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 50	2	D	D	D	D
50 or more	4	631	89.0%	1.1%	9.9%
TOTAL	6	D	D	D	D

\* Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 13.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Biotechnology Manufacturing Firms**

**Employment and Employee Benefits by Wage Band  
Calendar Year 2010**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	19	2	2	2
\$30,000 - \$59,999	243	199	197	178
\$60,000 or more	399	374	376	344
TOTAL	661	575	575	524

SALES/USE TAX EXEMPTION/DEFERRAL  
FOR A CORPORATE HEADQUARTERS FACILITY

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<sup>th</sup>. 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:
  - Less than \$30,000,
  - \$30,000 to \$59,999, and
  - \$60,000 or more;
- 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 2010, no firms have yet applied for this tax incentive.

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, 2024.

Firms that benefit from this incentive were required to complete an annual report by April 30<sup>th</sup> 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 29 firms that benefited from this incentive. The statistics provided reflect business activities during Calendar Year 2010.

**Table 15.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Distribution of Employees by Occupation**  
**Calendar Year 2010**

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	191	7.3%
Business, financial, and legal operations	28	1.1
Computer, mathematical, architecture, & engineering	171	6.5
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	5	0.2
Healthcare practitioners, technical, and support	0	0.0
Protective services, building, and grounds maintenance	13	0.5
Sales and service	78	3.0
Office and administrative support	339	13.0
Construction and extraction	12	0.5
Installation, maintenance, and repair	1,177	45.1
Production, non-construction trades, and craft	488	18.7
Transportation and material moving	103	3.9
Other (forest, fishery, agriculture, military, arts, media)	6	0.2
<b>TOTAL</b>	<b>2,611</b>	<b>100.0</b>

**Table 15.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Percent Distribution of Employees by Occupation and Wages**  
**Calendar Year 2010**

	Min				
	Wage <u>to \$10</u>	<u>\$10.01 to \$15</u>	<u>\$15.01 to \$20</u>	<u>\$20.01 to \$30</u>	<u>\$30.01 &amp; Over</u>
Management	0.0%	0.0%	0.5%	11.4%	88.1%
Business, financial, and legal operations	0.0	2.9	22.9	46.4	27.9
Computer, mathematical, architecture, & engineering	0.0	0.6	10.1	39.7	49.6
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	20.0	20.0	60.0	0.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	0.0
Protective services, building, and grounds maintenance	15.4	53.8	7.7	23.1	0.0
Sales and service	0.0	10.3	17.3	38.8	33.6
Office and administrative support	0.6	10.2	34.7	34.2	20.3
Construction and extraction	0.0	0.0	0.0	83.3	16.7
Installation, maintenance, and repair	0.4	6.0	26.5	49.1	18.0
Production, non-construction trades, and craft	0.0	30.7	50.8	17.5	0.9
Transportation and material moving	1.0	17.4	33.3	34.1	14.3
Other (forest, fishery, agriculture, military, arts, media)	33.3	16.7	0.0	33.3	16.7
TOTAL (COUNT)	12	292	752	965	590
PERCENTAGE OF TOTAL (%)	0.5	11.2	28.8	37.0	22.6

**Table 15.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Employment Status and Benefits**  
**Calendar Year 2010**

<b>Status</b>	Full-Time	99.2%
	Part-Time	0.6%
	Temporary	0.2%
	Hired Through Temporary Staffing (count)	412
<b>Benefits</b>	Eligible for Medical	97.7%
	Eligible for Retirement	94.1%

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



## 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 superefficient airplanes
- RCW 82.29a.137 and RCW 84.36.655 – Leasehold excise tax exemption and property tax exemption for manufacturers of superefficient airplanes.

Firms that benefit from any of these incentives were required to complete an annual report by April 30<sup>th</sup> 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 information specified above is contained in the tables at the end of this chapter.

### **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 business tax is provided for firms that manufacture commercial airplanes (or their components), or making 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 remains in effect until the end of Fiscal Year 2024.

"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 remains in effect until the end of Fiscal Year 2024.

"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, 2024.

“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, 2024.

"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 superefficient 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 superefficient airplanes or by a port district, to be leased to a manufacturer engaged in the manufacturing of superefficient airplanes, 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 to labor and services rendered in respect to installing, during the course of constructing, building fixtures not otherwise eligible for the exemption under RCW 82.08.02565(2)(b).

The exemption applies to buildings, or parts of buildings, that are used exclusively in the manufacturing of superefficient airplanes, including buildings used for the storage of raw materials and finished product. The exemption was adopted in 2005 (effective October 1, 2005) and expires July 1, 2024.

"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.

### **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, 2024.

"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.

The following tables summarize the information above as provided by the 243 firms that benefited from these incentives. The statistics provided reflect business activities during Calendar Year 2010.

**Table 16.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Distribution of Employees by Occupation**  
**Calendar Year 2010**

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	6,736	8.0%
Business, financial, and legal operations	5,454	6.5
Computer, mathematical, architecture, & engineering	18,783	22.2
Life, physical, and social science	104	0.1
Community and social services	0	0.0
Education, training, and library	67	0.1
Healthcare practitioners, technical, and support	86	0.1
Protective services, building, and grounds maintenance	1,305	1.5
Sales and service	756	0.9
Office and administrative support	4,935	5.8
Construction and extraction	171	0.2
Installation, maintenance, and repair	3,762	4.5
Production, non-construction trades, and craft	40,677	48.2
Transportation and material moving	1,409	1.7
Other (forest, fishery, agriculture, military, arts, media)	208	0.2
<b>TOTAL</b>	<b>84,453</b>	<b>100.0</b>

**Table 16.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Percent Distribution of Employees by Occupation and Wages**  
**Calendar Year 2010**

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.0%	0.1%	0.2%	3.5%	96.1%
Business, financial, and legal operations	0.0	0.3	1.6	17.8	80.3
Computer, mathematical, architecture, & engineering	0.0	1.1	0.9	7.3	90.6
Life, physical, and social science	0.0	0.0	3.8	16.5	79.6
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	5.2	7.1	8.5	79.2
Healthcare practitioners, technical, and support	0.0	0.0	10.6	24.4	65.0
Protective services, building, and grounds maintenance	0.2	13.8	11.2	24.8	50.0
Sales and service	1.1	4.4	21.6	23.8	49.1
Office and administrative support	0.7	7.1	15.8	34.1	42.4
Construction and extraction	0.0	1.8	0.0	1.9	96.3
Installation, maintenance, and repair	0.3	1.9	13.9	20.2	63.7
Production, non-construction trades, and craft	1.2	11.4	20.0	17.7	49.6
Transportation and material moving	0.5	8.0	5.2	38.6	47.7
Other (forest, fishery, agriculture, military, arts, media)	1.5	10.6	27.4	35.6	25.0
TOTAL (COUNT)	575	5,653	10,159	13,404	54,657
PERCENTAGE OF TOTAL (%)	0.7	6.7	12.0	15.9	64.7

**Table 16.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Employment Status and Benefits**  
**Calendar Year 2010**

<b>Status</b>	Full-Time	95.4%
	Part-Time	0.6%
	Temporary	4.0%
	Hired Through Temporary Staffing (count)	3,235
<b>Benefits</b>	Eligible for Medical	95.6%
	Eligible for Retirement	95.3%

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

## 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.

Firms that benefit from any of these incentives were required to complete an annual report by April 30<sup>th</sup> 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 information specified above is contained in the tables at the end of this chapter.

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

RCW 82.04.290(3) provides that until July 1, 2024, 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, 2024.

“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, 2024.

"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 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 federal aviation regulation 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, 2024.

The following tables summarize the responses from the 61 taxpayers who benefited from the incentives in this chapter. The statistics provided reflect business activities during Calendar Year 2010.

**Table 17.1  
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Distribution of Employees by Occupation  
Calendar Year 2010**

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	4,670	66.1%
Business, financial, and legal operations	20	0.3
Computer, mathematical, architecture, & engineering	1,588	22.5
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	1	0.0
Protective services, building, and grounds maintenance	8	0.1
Sales and service	36	0.5
Office and administrative support	226	3.2
Construction and extraction	0	0.0
Installation, maintenance, and repair	26	0.4
Production, non-construction trades, and craft	484	6.9
Transportation and material moving	1	0.0
Other (forest, fishery, agriculture, military, arts, media)	0	0.0
<b>TOTAL</b>	<b>7,060</b>	<b>100.0</b>

**Table 17.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**  
**Percent Distribution of Employees by Occupation and Wages**  
**Calendar Year 2010**

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.0%	0.0%	4.6%	9.3%	86.0%
Business, financial, and legal operations	0.0	0.0	14.9	6.8	78.4
Computer, mathematical, architecture, & engineering	0.0	1.8	1.7	13.7	82.8
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	100.0	0.0	0.0
Protective services, building, and grounds maintenance	0.0	0.0	42.0	58.0	0.0
Sales and service	0.0	19.6	0.0	22.8	57.7
Office and administrative support	0.9	5.8	26.8	49.0	17.7
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	0.0	7.0	62.0	31.0
Production, non-construction trades, and craft	0.0	7.6	19.6	59.1	13.6
Transportation and material moving	0.0	100.0	0.0	0.0	0.0
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.0	0.0	0.0	0.0
TOTAL (COUNT)	2	88	408	1,081	5,482
PERCENTAGE OF TOTAL (%)	0.0	1.2	5.8	15.3	77.6

**Table 17.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Employment Status and Benefits**  
**Calendar Year 2010**

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<b>Status</b>	Full-Time	29.7%
	Part-Time	1.8%
	Temporary	68.6%
	Hired Through Temporary Staffing (count)	175
<b>Benefits</b>	Eligible for Medical	95.9%
	Eligible for Retirement	95.0%

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

## 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<sup>th</sup>.

### **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 business tax 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, 2017.

### **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 2017 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, 2017.

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

### **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, 2017. The exemption was effective July 1, 2004.

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

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.

## DATA CENTERS

This chapter covers the tax incentives provided in RCW 82.08.986 and RCW 82.12.986.

Firms that benefit from these incentives were required to complete an annual report by April 30<sup>th</sup> 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 information specified above is contained in the tables at the end of this chapter.

### **Sales/Use Tax Exemption for Sales to Businesses of Server Equipment**

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, 2018.

The following tables summarize the responses from five taxpayers who benefited from the incentives in this chapter. The statistics provided reflect business activities during Calendar Year 2010.

**Table 19.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Distribution of Employees by Occupation**  
**Calendar Year 2010**

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	4	19.0%
Business, financial, and legal operations	0	0.0
Computer, mathematical, architecture, & engineering	15	71.4
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	0	0.0
Office and administrative support	2	9.5
Construction and extraction	0	0.0
Installation, maintenance, and repair	0	0.0
Production, non-construction trades, and craft	0	0.0
Transportation and material moving	0	0.0
Other (forest, fishery, agriculture, military, arts, media)	0	0.0
<b>TOTAL</b>	<b>21</b>	<b>100.0</b>

**Table 19.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Percent Distribution of Employees by Occupation and Wages**  
**Calendar Year 2010**

	Min				
	Wage	\$10.01	\$15.01	\$20.01	\$30.01
	<u>to \$10</u>	<u>to \$15</u>	<u>to \$20</u>	<u>to \$30</u>	<u>&amp; Over</u>
Management	0.0%	0.0%	0.0%	0.0%	100.0%
Business, financial, and legal operations	0.0	0.0	0.0	0.0	0.0
Computer, mathematical, architecture, & engineering	0.0	0.0	0.0	0.0	100.0
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	0.0
Office and administrative support	0.0	0.0	50.0	50.0	0.0
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	0.0	0.0	0.0	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)	0.0	0.0	0.0	0.0	0.0
TOTAL (COUNT)	0	0	1	1	19
PERCENT OF TOTAL (%)	0.0	0.0	4.8	4.8	90.5

**Table 19.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Employment Status and Benefits**  
**Calendar Year 2010**

<b>Status</b>	Full-Time	100%
	Part-Time	0%
	Temporary	0%
	Hired Through Temporary Staffing (count)	82
<b>Benefits</b>	Eligible for Medical	100%
	Eligible for Retirement	100%

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

## ELECTROLYTIC PROCESSING INDUSTRY

This chapter covers RCW 82.16.0421 – 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.

Firms that benefit from this incentive were required to complete an annual report by April 30<sup>th</sup>.

### **Public Utility Tax Exemption on Sales of Electricity to Electrolytic Processing Businesses**

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.

No descriptive statistics can be provided for this incentive program 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.

## 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<sup>th</sup> 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 information specified above is contained in the tables at the end of this chapter.

### **Business and Occupation (B&O) Tax Rate Reduction for Newspaper Businesses**

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 reduced from 0.484 percent to 0.2904 percent on July 1, 2009.

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 tables summarize the responses from the 88 taxpayers who benefited from the incentive in this chapter. The statistics provided reflect business activities during Calendar Year 2010.

**Table 21.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Distribution of Employees by Occupation**  
**Calendar Year 2010**

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	599	11.2%
Business, financial, and legal operations	241	4.5
Computer, mathematical, architecture, & engineering	189	3.5
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	19	0.4
Sales and service	850	15.9
Office and administrative support	1,084	20.2
Construction and extraction	0	0.0
Installation, maintenance, and repair	60	1.1
Production, non-construction trades, and craft	1,147	21.4
Transportation and material moving	166	3.1
Other (forest, fishery, agriculture, military, arts, media)	1,002	18.7
<b>TOTAL</b>	<b>5,360</b>	<b>100.0</b>

**Table 21.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Percent Distribution of Employees by Occupation and Wages**  
**Calendar Year 2010**

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	1.3%	3.2%	9.5%	28.5%	57.4%
Business, financial, and legal operations	5.8	13.4	24.9	45.6	10.4
Computer, mathematical, architecture, & engineering	1.6	7.9	19.6	31.2	39.7
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	33.3	66.7	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	21.1	57.8	5.3	15.8	0.0
Sales and service	14.9	33.2	21.0	25.7	5.1
Office and administrative support	9.6	37.5	28.3	22.8	1.7
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	9.9	61.7	6.7	20.0	1.7
Production, non-construction trades, and craft	25.3	27.7	17.4	27.4	2.3
Transportation and material moving	27.5	26.9	33.6	8.5	3.6
Other (forest, fishery, agriculture, military, arts, media)	6.0	31.7	20.5	22.6	19.2
TOTAL (COUNT)	661	1,484	1,106	1,375	731
PERCENT OF TOTAL (%)	12.3	27.7	20.6	25.7	13.6



**Table 21.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Employment Status and Benefits**  
**Calendar Year 2010**

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<b>Status</b>	Full-Time	75.2%
	Part-Time	24.4%
	Temporary	0.5%
	Hired Through Temporary Staffing (count)	74
<b>Benefits</b>	Eligible for Medical	81.6%
	Eligible for Retirement	84.4%

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

## 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.

Firms that benefit from any of these incentives were required to complete an annual report by April 30<sup>th</sup>.

### **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.

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.

## SOLAR ENERGY SYSTEMS MANUFACTURERS

This chapter covers the incentive provided in RCW 82.04.294 – Preferential B&O tax rates for solar energy system manufacturers and wholesalers.

Firms that benefit from this incentive were required to complete an annual report by April 30<sup>th</sup>.

### **Business and Occupation (B&O) Tax Rate Reduction for Solar Energy System Manufacturers/Wholesalers**

A preferential B&O tax rate for solar energy businesses was adopted in 2005 and is under RCW 82.04.294. This statute provides the following:

- Beginning October 1, 2005, a preferential tax rate of 0.2904 percent is available to firms manufacturing solar energy systems using photovoltaic modules, or manufacturing solar grade silicon to be used exclusively in components of such systems.
- Beginning October 1, 2009, a preferential tax rate of 0.275 percent is available to firms manufacturing solar energy systems using photovoltaic modules, or 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.
- Beginning October 1, 2005, a preferential tax rate of 0.2904 percent is available to firms making sales at wholesale of solar energy systems using photovoltaic modules and manufactured by the seller, or of solar grade silicon manufactured by the seller to be used exclusively in components of such systems.
- Beginning October 1, 2009, a preferential tax rate of 0.275 percent is available to firms making sales at wholesale of solar energy systems using photovoltaic modules, 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 those firms.

This incentive was effective October 1, 2005, and expires June 30, 2014.

"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. This does not include silicon used in semiconductors.

"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.

No descriptive statistics can be provided for this incentive program 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.