Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE JUNE 26, 2008

Polysilicon Manufacturers Tax Incentives

ESHB 3303 provides for a business and occupation (B&O) tax credit equal to 7.5% of qualified preproduction development expenditures incurred by a polysilicon manufacturer after January 1, 2008.

Requirements

- The tax credits may not be used until July 1, 2009.

- The polysilicon manufacturer must expend $500 million on a polysilicon manufacturing plant located in a county along the boundary line between Washington and Oregon. The county must have a population greater than 50,000 but less than 100,000.

Credit Limitations

The credit taken cannot exceed $1 million in any calendar year and cannot exceed the amount of B&O tax due. However, carryover credits may be used at any time after June 30, 2009 and may be carried over until used. Refunds may not be granted in place of a credit. In addition, credit may not be claimed for expenditures for which a credit is claimed under RCW 82.04.4452 (High Technology Research and Development B&O tax credit).

Annual Reporting Requirements

Polysilicon manufacturers that claim this credit must submit an annual report to the Department of Revenue detailing employment, wages and employer-provided health and retirement benefits for employment positions in Washington.

The report must detail employment by the total number of full-time, part-time and temporary positions. It shall not include names of employees. The report must be submitted by March 31 of each year.

The first report filed must include employment, wage and benefit information for the 12-month period immediately before first use of the tax credit program listed above. This information is not subject to the confidentiality provisions of RCW 82.32.330 and may be disclosed to the public upon request.

Important Definitions

"Qualified preproduction development" means preproduction development performed in the field of polysilicon manufacturing in a county along the boundary line between Washington and Oregon with a population greater than 50,000 but less than 100,000. It also includes preproduction development occurring outside of this state in relation to a polysilicon manufacturing facility located, or to be located, in a county along the boundary line between Washington and Oregon with a population greater than 50,000 but less than 100,000.

"Preproduction development" means research, design and engineering activities performed in relation to the development of a product or product line; the design and engineering of the facility in which the product or product line will be manufactured; and training of production employees where the training is directly related to the manufacturing of the product or product line.

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

Memorandum of Understanding must be signed by October 1, 2008

The law becomes null and void if a county along the boundary line between Washington and Oregon with a population greater than 50,000 but less than 100,000 and a polysilicon manufacturer do not sign a memorandum of understanding to site a polysilicon manufacturing plant by October 1, 2008.