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December 1, 2014

TO: Hunter Goodman, Secretary
Washington State Senate

Barbara Baker, Chief Clerk
Washington State House of Representatives

FROM: Carol K. Nelson, Director
Department of Revenue

SUBJECT: DESCRIPTIVE STATISTICS 2014

This publication summarizes information from annual surveys and reports completed by taxpayers who participated in 34 tax incentive programs during Calendar Year 2013. 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.

These business and occupation (B&O) tax, public utility tax (PUT) and retail sales tax incentives resulted in reduced state and local tax revenues of \$445 million in 2013. Over half of this was attributable to the sales tax deferral/exemption for high technology firms with an impact of \$278 million. The deferral/exemption for manufacturers in rural and qualifying counties totaled \$87 million in reduced state and local sales tax receipts. It is critical to note that these three amounts are merely estimates. This is because these totals include amounts of deferred sales tax estimated by taxpayers that have not yet been verified and approved by the Department. The chapters on sales tax deferrals discuss this and other limitations of deferral amounts.

For 2013, there were about 2,600 taxpayers who participated in these incentive programs; these firms reported a total employment of about 474,000. Participants and their employees may be counted more than once if they took part in multiple programs.

The taxpayer surveys and reports were administered by our Special Programs Division. The Special Programs Division is 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 and can be found on the Department's website at <http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/Default.aspx>. If you have any questions, please contact Kathy Oline, Assistant Director of the Research and Fiscal Analysis Division, at (360) 534-1534.

cc: Members, Senate Ways and Means Committee
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DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS

2014 Report to the Legislature
Covering Calendar Year 2013 Activity

Carol K. Nelson, Director
Washington State Department of Revenue



2014 Descriptive Statistics

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DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS EXECUTIVE SUMMARY

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

This publication covers activity during Calendar Year 2013. Taxpayers that used these incentives were required to file an annual survey and/or report by April 30, 2014, or request an extension of time and the data reported herein are a synopsis of those surveys and reports. The Department made a concerted effort to notify known participants, including sending reminders and direct contacts with firms. The statutory reporting schedule allows limited time to complete auditing and verification of the data that was reported. The data presented represents the information that was reported by participants with corrections that were made in the time available.

This 2014 Descriptive Statistics publication covers 34 tax incentive programs. The chapters in this publication are organized according to whether an annual survey or report is due and also by the principal tax categories.

Tax Incentives Requiring an Annual Survey

Business and Occupation (B&O) Tax Rate Reduction

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

B&O or Public Utility Tax (PUT) Exemptions

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

B&O or PUT Tax Credits

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

Sales/Use Tax Deferrals and/or Exemptions

- Manufacturers in Rural and Qualifying Counties
- High Technology R&D Investments
- Fruit/Vegetable Processors, Manufacturers of Dairy or Seafood Products, Cold Storage Warehouses
- Biotechnology Manufacturers
- Corporate Headquarters in a Community Empowerment Zone (CEZ)
- Public Research Institutions Sales/Use Tax Exemption
- Solar Energy Systems Manufacturers/Wholesalers
- Semiconductor Manufacturers

- Hog Fuel
- Renewable Energy

Tax Incentives Requiring an Annual Report

B&O Tax Rate Reductions

- Federal Aviation Regulation (FAR) Part 145 Repair Stations
- Newspaper Industry
- Solar Energy Systems Manufacturers

B&O Tax Deduction

- Government-Funded Mental Health Services

PUT Exemption

- Electrolytic Processing Industry

Sales/Use Tax Exemption

- Data Center

Various Tax Incentives Grouped by Industry

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

Information Required

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

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

In addition, firms that take the sales tax deferral/exemption for investments in rural (or qualifying) counties and the sales tax deferral/exemption for construction of R&D facilities by specified high tech firms must provide the number of new products or research projects developed and the number of new patents, copyrights, and trademarks associated with the facility.

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

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

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

Highlights of the Descriptive Statistics

The B&O tax rate reduction for the timber industry had the most participants in 2013 with 765 firms. At the other extreme was the sales tax deferral for corporate headquarters facilities located in a community empowerment zone; it has yet to attract any firms. Other incentives with significant participation were the B&O tax credit for R&D spending (589), the sales tax deferral for manufacturers locating in rural and qualifying counties (268), and the various aerospace manufacturing incentives (268).

The largest cumulative revenue impact for the survey incentives is associated with the sales tax deferral for high technology investments with almost \$280 million in foregone state and local sales tax revenue. (*Note: This figure is not a one-year amount, but rather the total deferred amount which is spread over an eight-year deferral period.*) The second leading program in terms of taxpayer savings is the sales tax deferral for manufacturers which invest in rural and qualifying counties; the cumulative impact is now \$87 million. It is critical to note that these two amounts are merely estimates. This is because these totals include amounts of deferred sales tax estimated by taxpayers that have not yet been verified and approved by the Department. The chapters on sales tax deferrals discuss this and other limitations of deferral amounts.

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

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

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

For 2013, the top three incentive programs in terms of the total in-state jobs reported were:

- The high tech sales tax deferral/exemption with 145,769 jobs;
- The high tech B&O tax credit with 95,685 jobs; and
- The aerospace manufacturing incentives with 96,016 jobs.

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

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

Table 1.1
SYNOPSIS OF TAX INCENTIVES BY MAJOR INDUSTRY FOR CY 2013

Tax Incentives by Major Industry	# Firms	Total Jobs	Tax Savings (\$000)
<u>AEROSPACE</u>			
Commercial aircraft manufacturers ¹	268	96,016	Not reported
Aerospace non-manufacturers ²	108	3,408	Not reported
Aircraft repairs (FAR Part 145)	29	2,993	Not reported
<u>AGRICULTURAL PRODUCTS</u>			
B&O exemption, fruit/vegetables	185	12,537	\$4,722.80
B&O exemption, dairy products	14	4,234	\$1,360.40
B&O exemption, seafood products	43	2,966	\$708.00
Sales tax deferral, processing facilities	61	14,439	\$22,283.40
<u>HIGH TECH & COMPUTING</u>			
B&O credit, R&D spending	589	95,685	\$21,861.10
Sales tax deferral, high tech R&D	100	145,769	\$278,317.90
Sales tax deferral, biotech mfg.	9	1,515	\$2,864.10
Sales tax exemption, data centers	10	605	Not reported
Semi-conductor industry ³	Disclosure	Disclosure	Not reported
<u>OTHER MANUFACTURING</u>			
B&O reduction, timber/wood products	765	18,703	\$17,708.30
Sales tax deferral, rural/qualifying counties	268	34,795	\$87,450.50
B&O rate reduction, newspapers	100	23,197	Not reported
Aluminum smelting ²	Disclosure	Disclosure	Not reported
Solar energy systems (Report)	3	481	Not reported
Solar energy systems (Survey, S/U Tax Exemption)	Disclosure	Disclosure	Not reported
Solar energy systems (Survey, B&O Tax Rate)	7	516	\$514.50
<u>OTHER PROGRAMS</u>			
B&O credit, workforce training	8	8,402	\$55.00
Sales tax deferral, corp. headquarters	0	0	\$0.00
Energy for electrolyte processors	Disclosure	Disclosure	Not reported
B&O deduction, mental health services	7	2,073	Not reported
Sales tax exemption, public research institutions	Disclosure	Disclosure	Disclosure
Sales tax exemption, renewable energy sys.	16	362	\$4,948.40
Sales tax exemption, hog fuel	18	5,448	\$2,433.60

¹Six incentives.

²Four incentives.

³Two incentives.

BUSINESS AND OCCUPATION TAX RATE REDUCTION TIMBER AND WOOD PRODUCTS

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

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

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

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

The information specified above is contained in the following tables of this chapter for the 765 businesses that claimed the reduced tax rate during Calendar Year 2013. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 2.1
B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Reduction in B&O Tax Claimed by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Number of Firms Claiming Reduced B&O Tax	Total Reduction in B&O Tax Reported
Fewer than 50	698	\$5,048,413
50 - 250	51	\$4,393,921
More than 250	16	\$8,265,979
TOTAL	765	\$17,708,312

Table 2.2
B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Number of Firms Claiming Reduced B&O Tax	Total Employment of Firms Claiming Reduced B&O Tax	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	698	3,764	86.3%	11.3%	2.4%
50 - 250	51	6,094	96.0%	2.7%	1.3%
More than 250	16	8,845	99.0%	0.8%	0.3%
TOTAL	765	18,703	95.4%	3.5%	1.0%

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

Table 2.3
B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Employment and Employee Benefits by Wage Band
Calendar Year 2013

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	2,559	1,042	884	653
\$30,000 - \$59,999	10,078	7,302	6,775	5,432
\$60,000 or more	6,066	5,444	5,080	4,438
TOTAL	18,703	13,788	12,739	10,523

BUSINESS AND OCCUPATION TAX RATE REDUCTION SOLAR ENERGY SYSTEMS

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

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

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

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

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

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

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

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

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

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

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

This incentive expires June 30, 2017.

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

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

The information specified above is contained in the following tables of this chapter for the seven businesses that claimed the tax incentive during Calendar Year 2013. Although not required by statute, some of the tables provide a breakdown of program participants by size of business, based on total Washington employment.

Table 3.1
Reduced B&O Tax Rate for Solar Energy Systems
Tax Savings by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Count of Firms Claiming Tax Incentive	Total Tax Savings
Fewer than 450	7	\$514,474
TOTAL	7	\$514,474

Table 3.2
Reduced B&O Tax Rate for Solar Energy Systems
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Count of Firms Claiming Tax Incentive	Total Employment in Washington	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 450	7	516	99.2%	0.6%	0.2%
TOTAL	7	516	99.2%	0.6%	0.2%

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

Table 3.3
Reduced B&O Tax Rate for Solar Energy Systems
Employment and Employee Benefits by Wage Band
Calendar Year 2013

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	34	9	9	8
\$30,000 - \$59,999	129	113	112	112
\$60,000 or more	353	345	346	346
TOTAL	516	467	467	466

BUSINESS AND OCCUPATION TAX EXEMPTION FRUIT AND VEGETABLE PROCESSORS

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

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

The B&O exemption for processing of fresh fruit and vegetables expires July 1, 2015. At that time, income from processing of these items will return to the preferential B&O tax rate classification of 0.138 percent in effect prior to July 1, 2005. (Note: 2006 legislation provided the same exemption for processing of dairy and seafood products; these tax incentives are discussed separately in Chapters 4 and 5.)

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

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

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

The information specified above is contained in the following tables of this chapter for the 185 firms that claimed the tax exemption during Calendar Year 2013. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 4.1
Fruit and Vegetable Processors
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Number of Firms Claiming B&O Tax Exemption	Total B&O Tax Exemption Claimed
Fewer than 50	148	\$661,997
50 - 250	26	\$1,176,339
More than 250	11	\$2,884,485
TOTAL	185	\$4,722,821

Table 4.2
Fruit and Vegetable Processors
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Number of Firms Claiming B&O Tax Exemption	Total Employment in Washington of Firms Claiming B&O Exemption	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	148	1,539	55.3%	38.4%	6.3%
50 - 250	26	2,448	80.2%	7.9%	11.8%
More than 250	11	8,550	93.6%	2.6%	4.2%
TOTAL	185	12,537	86.3%	8.0%	6.0%

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

Table 4.3
Fruit and Vegetable Processors
Employment and Employee Benefits by Wage Band
Calendar Year 2013

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	5,174	1,668	1,570	1,405
\$30,000 - \$59,999	5,651	4,879	4,668	3,980
\$60,000 or more	1,712	1,593	1,479	1,494
TOTAL	12,537	8,140	7,717	6,879

BUSINESS AND OCCUPATION TAX EXEMPTION MANUFACTURERS OF DAIRY PRODUCTS

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

The exemption for dairy products expires July 1, 2015. 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 30th. Based on the information submitted, the Department is required to report data on the program as summary descriptive statistics.

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

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

The information specified above is contained in the following tables of this chapter for the 14 dairy producers that claimed the tax exemption during Calendar Year 2013. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 5.1
Manufacturers of Dairy Products
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Number of Firms Claiming B&O Tax Exemption	Total B&O Tax Exemption Claimed
Fewer than 50	7	\$15,504
50 plus	7	\$1,344,942
TOTAL	14	\$1,360,446

Table 5.2
Manufacturers of Dairy Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Number of Firms Claiming B&O Tax Exemption	Total Employment in Washington of Firms Claiming B&O Exemption	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	7	35	62.9%	37.1%	0.0%
50 plus	7	4,199	97.5%	1.5%	1.6%
TOTAL	14	4,234	97.2%	1.8%	1.6%

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

Table 5.3
Manufacturers of Dairy Products
Employment and Employee Benefits by Wage Band
Calendar Year 2013

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	983	602	584	434
\$30,000 - \$59,999	2,378	2,134	1,944	1,584
\$60,000 or more	873	821	715	836
TOTAL	4,234	3,557	3,243	2,854

BUSINESS AND OCCUPATION TAX EXEMPTION MANUFACTURERS OF SEAFOOD PRODUCTS

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

The exemption for seafood products expires July 1, 2015. 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 30th. Based on the information submitted, the Department is required to report data on the program as summary descriptive statistics.

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

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

The following tables contain the information specified above for the 43 seafood producers that claimed the B&O exemption during Calendar Year 2013.

Table 6.1
Manufacturers of Seafood Products
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Number of Firms Claiming B&O Tax Exemption	Total B&O Tax Exemption Claimed
Fewer than 50	30	\$125,841
50 plus	13	\$582,131
TOTAL	43	\$707,972

Table 6.2
Manufacturers of Seafood Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Number of Firms Claiming B&O Tax Exemption	Total Employment in Washington of Firms Claiming B&O Exemption	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	30	342	57.2%	33.1%	9.7%
50 plus	13	2,624	81.0%	5.3%	13.7%
TOTAL	43	2,966	78.3%	8.5%	13.2%

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

Table 6.3
Manufacturers of Seafood Products
Employment and Employee Benefits by Wage Band
Calendar Year 2013

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,525	611	606	313
\$30,000 - \$59,999	972	729	708	498
\$60,000 or more	469	416	416	314
TOTAL	2,966	1,756	1,730	1,125

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

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

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

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

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

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

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

The information specified above is contained in the following tables of this chapter for the 589 firms that claimed the B&O tax credit during Calendar Year 2013. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 7.1
High Technology Firms
B&O Tax Credits Claimed by Size of Employment
Calendar Year 2013

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	414	\$3,670,904	\$835,067,465	\$384,178,101
50 - 250	125	\$5,873,521	\$1,998,383,139	\$878,259,308
More than 250	50	\$12,316,677	\$5,230,411,379	\$12,276,067,366
TOTAL	589	\$21,861,101	\$8,063,861,982	\$13,538,504,776

Table 7.2
High Technology Firms
B&O Tax Credits Claimed by Category of Technology
Calendar Year 2013

Category of High Technology	Number of Firms Claiming B&O Tax Credits*	Total B&O Tax Credits Claimed	B&O Taxable Income for which Credit is Claimed	Total Qualified Expenditures by Participants
Advanced Computing	320	\$9,212,441	\$2,160,341,848	\$11,520,487,433
Advanced Materials	32	\$796,786	\$542,933,723	\$169,460,252
Biotechnology	106	\$2,229,002	\$742,760,189	\$799,332,520
Electronic Devices	171	\$5,777,944	\$3,271,917,648	\$677,128,716
Environmental	51	\$3,843,487	\$1,345,662,707	\$372,000,905
TOTAL	680	\$21,859,660	\$8,063,616,115	\$13,538,409,825

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

Table 7.3
High Technology Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Number of Firms Claiming B&O Tax Exemption	Total Employment in Washington of Firms Claiming B&O Exemption	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	414	5,211	90.7%	7.7%	1.6%
50 - 250	125	13,491	94.9%	2.6%	2.5%
More than 250	50	76,983	95.3%	2.1%	2.6%
TOTAL	589	95,685	95.0%	2.5%	2.6%

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

Table 7.4
High Technology Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2013

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	3,901	2,070	2,042	1,399
\$30,000 - \$59,999	15,468	13,032	12,895	10,523
\$60,000 or more	76,316	73,236	72,945	65,651
TOTAL	95,685	88,338	87,882	77,573

Table 7.5
High Technology Firms
New Products and Innovations Developed by Participants
Calendar Year 2013

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	414	3,362	3,027	123	122	24
50 - 250	125	1,023	912	92	336	19
More than 250	50	4,127	3,735	225	3,902	339
TOTAL	589	8,512	7,674	440	4,360	382

BUSINESS AND OCCUPATION TAX CREDIT WORK FORCE TRAINING EXPENDITURES

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

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

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

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

With the exception of the amount of credit taken, all information provided in the survey is confidential and must be aggregated for at least three taxpayers. During Calendar Year 2013, eight firms reported taking the credit for eligible training costs. The tables on the following pages summarize the data required above.

Table 8.1
Firms Utilizing Workforce Training Programs
B&O Tax Credit Claimed by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Number of Firms Claiming B&O Tax Credit	Total B&O Tax Credit Claimed
Fewer than 50	4	\$5,901
50 plus	4	\$49,062
TOTAL	8	\$54,963

Table 8.2
Firms Utilizing Workforce Training Programs
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Number of Firms Claiming B&O Tax Credit	Total Employment in Washington of Firms Claiming B&O Tax Credit	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
Fewer than 50	4	62	62.9%	37.1%	0.0%
50 plus	4	8,340	70.2%	24.8%	5.0%
TOTAL	8	8,402	70.1%	24.9%	5.0%

Table 8.3
Firms Utilizing Workforce Training Programs
Employment and Employee Benefits by Wage Band
Calendar Year 2013

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,056	452	430	767
\$30,000 - \$59,999	4,056	3,712	3,641	3,582
\$60,000 or more	3,290	3,131	3,075	3,104
TOTAL	8,402	7,295	7,146	7,453

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

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

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

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

Rural County Program

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

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

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

Qualifying (“High Unemployment”) County Program

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

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

The Qualifying County Program expires July 1, 2020.

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

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

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

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

The information specified above is contained in the following tables of this chapter for firms that reported the deferral/exemption for Calendar Year 2013. The first set of tables cover the Rural County Program (250 firms) and the second set of tables cover the Qualifying County Program (18 firms). Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Limitations of Deferral Amounts

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

Repeated Reporting

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

Example:

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

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

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

Deferral Amounts Contain Estimates

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

Completed Projects Only

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

Rural Counties

Table 9.1
Investments by Manufacturers and R&D Firms in Rural Counties
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 50	148	\$18,478,510
50 - 250	70	\$25,332,245
More than 250	32	\$38,900,000
TOTAL	250	\$82,710,755

Table 9.2
Investments by Manufacturers and R&D Firms in Rural Counties
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

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	148	2,380	79.8%	17.8%	2.5%
50 - 250	70	7,239	90.5%	3.7%	5.7%
More than 250	32	21,739	95.7%	2.1%	2.3%
TOTAL	250	31,358	93.3%	3.7%	3.1%

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

Table 9.3
Investments by Manufacturers and R&D Firms in Rural Counties
Employment and Employee Benefits by Wage Band
Calendar Year 2013

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	7,800	4,252	3,954	2,681
\$30,000 - \$59,999	15,551	13,054	12,572	10,349
\$60,000 or more	8,007	7,450	7,194	6,755
TOTAL	31,358	24,756	23,720	19,785

Table 9.4
Investments by Manufacturers and R&D Firms in Rural Counties
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2013

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	148	168	16	13	5	0
50 - 250	70	67	79	15	5	0
More than 250	32	180	425	18	37	0
TOTAL	250	415	520	46	47	0

Qualifying High Unemployment Counties

Table 9.5
Investments by Manufacturers and R&D Firms in Qualifying Counties
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 250	14	\$1,657,417
250 or more	4	\$3,082,226
TOTAL	18	\$4,739,643

Table 9.6
Investments by Manufacturers and R&D Firms in Qualifying Counties
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Total Employment of Firms Claiming Sales Tax Deferrals in Washington	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 250	14	1,062	97.4%	1.6%	1.0%
250 or more	4	2,375	94.8%	1.7%	3.5%
TOTAL	18	3,437	95.6%	1.7%	2.8%

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

Table 9.7
Investments by Manufacturers and R&D Firms in Qualifying Counties
Employment and Employee Benefits by Wage Band
Calendar Year 2013

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	853	292	285	420
\$30,000 - \$59,999	1,776	1,562	1,524	1,295
\$60,000 or more	808	776	777	721
TOTAL	3,437	2,630	2,586	2,436

Table 9.8
Investments by Manufacturers and R&D Firms in Qualifying Counties
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Innovations by Participants		Evidence of Innovations		
		New Products	New Research Projects	Trademarks	Patents	Copyrights
Fewer than 250	14	9	8	5	4	0
250 or more	4	0	0	0	0	0
TOTAL	18	9	8	5	4	0

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

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

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

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

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

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

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

Limitations of Deferral Amounts

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

Repeated Reporting

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

Example:

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

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

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

Deferral Amounts Contain Estimates

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

Completed Projects Only

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

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

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

The information specified above is contained in the following tables of this chapter for the 100 firms that reported the deferral/exemption for Calendar Year 2013. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 10.1
Investments in R&D by High Technology Firms
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 50	34	\$4,295,244
50 - 250	34	\$25,213,527
More than 250	32	\$248,809,141
TOTAL	100	\$278,317,912

Table 10.2
Investments in R&D by High Technology Firms
Retail Sales/Use Tax Deferrals Claimed by Category of Technology
Calendar Year 2013

Category of High Technology	Number of Firms Claiming Sales Tax Deferrals*	Total State/Local Sales Tax Deferred*
Advanced Computing	29	\$180,807,270
Advanced Materials	12	\$11,886,929
Biotechnology	45	\$58,441,265
Electronic Devices	29	\$19,733,303
Environmental	9	\$7,795,356
TOTAL	124	\$278,664,122

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

Table 10.3
Investments in R&D by High Technology Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

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	34	547	91.1%	8.4%	0.6%
50 - 250	34	4,392	94.1%	4.2%	1.8%
More than 250	32	140,830	77.7%	9.7%	12.7%
TOTAL	100	145,769	78.2%	9.5%	12.3%

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

Table 10.4
Investments in R&D by High Technology Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2013

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	28,594	5,786	6,385	6,520
\$30,000 - \$59,999	26,822	23,549	23,943	23,338
\$60,000 or more	90,353	86,900	86,917	80,623
TOTAL	145,769	116,235	117,245	110,481

Table 10.5
Investments in R&D by High Technology Firms
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2013

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	34	20	24	16	22	8
50 - 250	34	31	268	30	270	0
More than 250	32	4,712	7,211	122	3,354	76
TOTAL	100	4,763	7,503	168	3,646	84

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

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

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

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

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

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

Limitations of Deferral Amounts

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

Repeated Reporting

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

Example:

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

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

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

Deferral Amounts Contain Estimates

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

Completed Projects Only

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

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

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

The following tables contain the above information for the 61 firms that process agricultural products or operate cold storage warehouses which reported the deferral/exemption for Calendar Year 2013.

Table 11.1
Processing Facilities for Fruit and Vegetables, Manufacturing of Dairy and Seafood Products, and Cold Storage Warehouses
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 250	43	\$12,776,765
250 plus	18	9,506,625
TOTAL	61	\$22,283,390

Table 11.2
Processing Facilities for Fruit and Vegetables, Manufacturing of Dairy and Seafood Products, and Cold Storage Warehouses
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	# of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 250	43	2,814	81.1%	6.0%	12.9%
250 plus	18	11,625	88.2%	6.8%	5.3%
TOTAL	61	14,439	86.8%	6.6%	6.7%

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

Table 11.3
Processing Facilities for Fruit and Vegetables, Manufacturing of Dairy and Seafood Products, and Cold Storage Warehouses
Employment and Employee Benefits by Wage Band
Calendar Year 2013

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	7,664	1,643	1,286	1,707
\$30,000 - \$59,999	4,941	3,720	3,307	3,124
\$60,000 or more	1,834	1,705	1,490	1,636
TOTAL	14,439	7,068	6,083	6,467

SALES/USE TAX DEFERRAL/EXEMPTION INVESTMENTS IN BIOTECHNOLOGY MANUFACTURING

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

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

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

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

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

Limitations of Deferral Amounts

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

Repeated Reporting

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

Example:

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

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

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

Deferral Amounts Contain Estimates

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

Completed Projects Only

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

The information required by statute is contained in the following tables of this chapter for the nine biotech manufacturing firms which reported the deferral/exemption for Calendar Year 2013. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 12.1
Biotechnology Manufacturing Firms
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 100	3	\$236,745
100 or more	6	\$2,627,334
TOTAL	9	\$2,864,079

Table 12.2
Biotechnology Manufacturing Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	# of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 100	3	70	95.8%	4.2%	0.0%
100 or more	6	1,445	96.4%	0.8%	2.9%
TOTAL	9	1,515	96.4%	0.9%	2.7%

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

Table 12.3
Biotechnology Manufacturing Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2013

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	222	36	40	36
\$30,000 - \$59,999	681	582	595	553
\$60,000 or more	612	555	563	536
TOTAL	1,515	1,173	1,198	1,125

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

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

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

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

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

With the exception of the amount of credit taken, all information provided in the survey is confidential and must be aggregated for at least three taxpayers. As of Calendar Year 2013, no firms have participated in this tax incentive so there is no information to report.

MACHINERY & EQUIPMENT SALES/USE TAX EXEMPTION PUBLIC RESEARCH INSTITUTIONS

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

This exemption was established in 2011.

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

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

“Machinery and equipment” does not include:

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

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

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

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

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

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

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

SALES/USE TAX EXEMPTION SOLAR ENERGY SYSTEMS

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

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

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

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

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

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

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

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

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

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

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

SALES/USE TAX EXEMPTION HOG FUEL

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

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

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

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

This tax exemption expires June 30, 2024.

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

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

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

The information specified above is contained in the following tables of this chapter for the 18 facilities that claimed the tax incentive during Calendar Year 2013. Although not required by statute, some of the tables provide a breakdown of program participants by size of facility, based on total Washington employment.

Table 17.1
Sales/Use Tax Exemption for Hog Fuel Sales
Tax Exempted by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Count of Facilities Claiming Tax Exemption	Total Tax Savings
Fewer than 50	3	\$483,519
50 - 250	7	\$525,472
More than 250	8	\$1,424,613
TOTAL	18	\$2,433,604

Table 17.2
Sales/Use Tax Exemption for Hog Fuel Sales
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Count of Facilities Claiming Tax Exemption	Total Employment in Washington	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	3	72	99.8%	0.2%	0.0%
50 - 250	7	1,152	98.3%	1.6%	0.5%
More than 250	8	4,224	99.6%	0.2%	0.2%
TOTAL	18	5,448	99.3%	0.5%	0.3%

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

Table 17.3
Sales/Use Tax Exemption for Hog Fuel Sales
Employment and Employee Benefits by Wage Band
Calendar Year 2013

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	182	116	88	93
\$30,000 - \$59,999	3,037	2,233	2,121	1,626
\$60,000 or more	2,229	2,113	1,965	1,429
TOTAL	5,448	4,462	4,174	3,148

MACHINERY & EQUIPMENT SALES/USE TAX EXEMPTION RENEWABLE ENERGY

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

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

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

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

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

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

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

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

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

This incentive expires January 1, 2020.

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

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

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

The information specified above is contained in the following tables of this chapter for the 16 facilities that claimed the tax incentive during Calendar Year 2013. Although not required by statute, some of the tables provide a breakdown of program participants by size of facility, based on total Washington employment.

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

Table 18.1
Sales/Use Tax Exemption for Renewable Energy
Tax Exempted by Size of Employment
Calendar Year 2013

Total Washington Employment of Participants	Count of Facilities Claiming Tax Exemption	Total Tax Savings
Fewer than 250	16	\$4,948,441
TOTAL	16	\$4,948,441

Table 18.2
Sales/Use Tax Exemption for Renewable Energy
Total Washington Employment of Participants by Size of Employment
Calendar Year 2013

Size of Washington Employment	Count of Facilities Claiming Tax Exemption	Total Employment in Washington	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 250	16	362	61.7%	31.7%	6.6%
TOTAL	16	362	61.7%	31.7%	6.6%

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

Table 18.3
Sales/Use Tax Exemption for Renewable Energy
Employment and Employee Benefits by Wage Band
Calendar Year 2013

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	140	53	53	63
\$30,000 - \$59,999	182	167	164	172
\$60,000 or more	40	37	35	32
TOTAL	362	257	252	267

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

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

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

Firms that benefit from this incentive were required to complete an annual report by April 30th 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 2013.

Table 19.1
Distribution of Employees by Occupation for CY 2013

Occupational Class	Number of employees	Percentage of employees
Management	231	7.7%
Business, financial, and legal operations	30	1.0%
Computer, mathematical, architecture, & engineering	479	16.0%
Life, physical, and social science	0	0.0%
Community and social services	0	0.0%
Education, training, and library	1	0.0%
Healthcare practitioners, technical, and support	0	0.0%
Protective services, building, and grounds maintenance	5	0.2%
Sales and service	68	2.3%
Office and administrative support	396	13.2%
Construction and extraction	0	0.0%
Installation, maintenance, and repair	993	33.2%
Production, non-construction trades, and craft	706	23.6%
Transportation and material moving	79	2.6%
Other (forest, fishery, agriculture, military, arts, media)	5	0.2%
TOTAL	2,993	100.0%

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

Table 19.2
Percent Distribution of Employees by Occupation and Wages for CY 2013

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	0.0%	0.0%	0.7%	8.2%	91.1%
Business, financial, and legal operations	0.0	3.3	10.1	30.2	56.7
Computer, mathematical, architecture, & engineering	0.0	0.3	3.6	24.4	72.1
Life, physical, and social science	0.0	0.0	0.0	0.0	0.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	0.0	100.0	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	20.0	20.0	40.0	20.0
Sales and service	0.0	8.8	4.3	23.9	62.9
Office and administrative support	0.8	9.5	18.6	39.8	31.4
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.2	16.3	24.9	43.4	15.3
Production, non-construction trades, and craft	0.7	33.9	35.0	28.0	2.4
Transportation and material moving	0.0	36.9	41.8	20.0	1.3
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.0	20.0	40.0	40.0
TOTAL (COUNT)	10	477	627	968	913
PERCENTAGE OF TOTAL (%)	0.3	16.0	21.0	32.3	30.5

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

Table 19.3
Employment Status and Benefits for CY 2013

Status	Full-Time	96.5%
	Part-Time	1.1%
	Temporary	2.4%
	Hired Through Temporary Staffing (count)	726
Benefits	Eligible for Medical	95.8%
	Eligible for Retirement	88.6%

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

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

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

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

Until June 30, 2011, "newspaper" means:

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

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

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

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

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

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

Chapter 20

The following tables summarize the responses from the 100 taxpayers who benefited from the incentive in this chapter. The statistics provided reflect business activities during Calendar Year 2013.

Table 20.1
Distribution of Employees by Occupation for CY 2013

Occupational Class	Number of employees	Percentage of employees
Management	877	3.8%
Business, financial, and legal operations	258	1.1%
Computer, mathematical, architecture, & engineering	171	0.7%
Life, physical, and social science	0	0.0%
Community and social services	1	0.0%
Education, training, and library	1	0.0%
Healthcare practitioners, technical, and support	863	3.7%
Protective services, building, and grounds maintenance	72	0.3%
Sales and service	9396	40.5%
Office and administrative support	1602	6.9%
Construction and extraction	3	0.0%
Installation, maintenance, and repair	151	0.7%
Production, non-construction trades, and craft	2237	9.6%
Transportation and material moving	3793	16.4%
Other (forest, fishery, agriculture, military, arts, media)	3772	16.3%
TOTAL	23,197	100.0%

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

Table 20.2
Percent Distribution of Employees by Occupation and Wages for CY 2013

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	1.7%	2.3%	5.1%	15.0%	75.9%
Business, financial, and legal operations	3.5	11.6	20.6	47.3	17.1
Computer, mathematical, architecture, & engineering	2.1	14.0	17.3	32.9	33.7
Life, physical, and social science	0.0	0.0	0.0	0.0	0.0
Community and social services	100.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	100.0	0.0	0.0
Healthcare practitioners, technical, and support	4.6	8.5	56.7	1.0	29.2
Protective services, building, and grounds maintenance	2.8	12.5	1.4	34.8	48.6
Sales and service	31.7	13.8	47.0	6.6	0.9
Office and administrative support	13.2	28.9	40.1	15.6	2.1
Construction and extraction	0.0	0.0	0.0	66.7	33.3
Installation, maintenance, and repair	0.0	29.1	3.9	65.0	1.9
Production, non-construction trades, and craft	13.7	32.7	22.6	26.5	4.5
Transportation and material moving	66.3	7.3	8.3	17.4	0.5
Other (forest, fishery, agriculture, military, arts, media)	53.8	28.8	7.9	4.8	4.7
TOTAL (COUNT)	8112	4059	6806	2748	1472
PERCENT OF TOTAL (%)	35.0	17.5	29.3	11.8	6.3

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

Table 20.3
Employment Status and Benefits for CY 2013

Status	Full-Time	35.5%
	Part-Time	64.3%
	Temporary	0.3%
	Hired Through Temporary Staffing (count)	105
Benefits	Eligible for Medical	93.1%
	Eligible for Retirement	96.2%

**BUSINESS AND OCCUPATION TAX RATE REDUCTION
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.

This statute was adopted in 2005 and provides the following:

- A preferential tax rate of 0.275 percent is available to firms manufacturing (or processing for hire) solar energy systems using photovoltaic modules or stirling converters, or of manufacturing solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers to be used exclusively in components of such systems.
- A preferential tax rate of 0.275 percent is available to firms making sales at wholesale of solar energy systems using photovoltaic modules or stirling converters, or of solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers to be used exclusively in components of such systems, manufactured by that person.

This incentive was effective October 1, 2005, and expires June 30, 2017.

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

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

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

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

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

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

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

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

"Thin film solar devices" means a nonparticipating substrate on which various semiconducting materials are deposited to produce a photovoltaic cell that is used to generate electricity. Firms that benefit from this incentive were required to complete an annual report by April 30th 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 following tables summarize the responses from the three taxpayers who benefited from the incentive in this chapter during Calendar Year 2013.

Table 21.1
Distribution of Employees by Occupation for CY 2013

Occupational Class	Number of employees	Percentage of employees
Management	79	16.40%
Business, financial, and legal operations	18	3.7%
Computer, mathematical, architecture, & engineering	44	9.1%
Life, physical, and social science	15	3.1%
Community and social services	0	0.0%
Education, training, and library	2	0.4%
Healthcare practitioners, technical, and support	1	0.2%
Protective services, building, and grounds maintenance	0	0.0%
Sales and service	7	1.5%
Office and administrative support	14	2.9%
Construction and extraction	0	0.0%
Installation, maintenance, and repair	70	14.6%
Production, non-construction trades, and craft	231	48.0%
Transportation and material moving	0	0.0%
Other (forest, fishery, agriculture, military, arts, media)	0	0.0%
TOTAL	481	100.0%

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

Table 21.2
Percent Distribution of Employees by Occupation and Wages for CY 2013

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	0.0%	0.0%	5.7%	1.9%	92.4%
Business, financial, and legal operations	0.0	0.0	0.0	33.0	67.0
Computer, mathematical, architecture, & engineering	0.0	0.0	0.0	4.0	96.0
Life, physical, and social science	0.0	0.0	0.0	20.0	80.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	0.0	50.0	50.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	100.0
Protective services, building, and grounds maintenance	0.0	0.0	0.0	0.0	0.0
Sales and service	0.0	14.0	42.9	28.7	14.1
Office and administrative support	0.0	0.0	7.1	21.4	71.5
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	0.0	1.4	61.1	37.5
Production, non-construction trades, and craft	0.0	8.2	0.0	61.5	30.3
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	20	10	203	248
PERCENT OF TOTAL (%)	0.0	4.2	2.0	42.2	51.7

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

Table 21.3
Employment Status and Benefits for CY 2013

Status	Full-Time	99.9%
	Part-Time	0.0%
	Temporary	0.0%
	Hired Through Temporary Staffing (count)	22
Benefits	Eligible for Medical	93.3%
	Eligible for Retirement	93.3%

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

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

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

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

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

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

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

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

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

Chapter 22

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

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

The following tables summarize the information above as provided by the seven firms that benefited from this incentive. The statistics provided reflect business activities during Calendar Year 2013.

Table 22.1
Distribution of Employees by Occupation for CY 2013

Occupational Class	Number of employees	Percentage of employees
Management	274	13.2%
Business, financial, and legal operations	112	5.4%
Computer, mathematical, architecture, & engineering	84	4.1%
Life, physical, and social science	4	0.2%
Community and social services	654	31.5%
Education, training, and library	6	0.3%
Healthcare practitioners, technical, and support	471	22.7%
Protective services, building, and grounds maintenance	26	1.3%
Sales and service	29	1.4%
Office and administrative support	307	14.8%
Construction and extraction	0	0.0%
Installation, maintenance, and repair	11	0.5%
Production, non-construction trades, and craft	0	0.0%
Transportation and material moving	0	0.0%
Other (forest, fishery, agriculture, military, arts, media)	95	4.6%
TOTAL	2,073	100.0%

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

Table 22.2
Percent Distribution of Employees by Occupation and Wages for CY 2013

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	0.0%	0.0%	4.0%	21.8%	74.2%
Business, financial, and legal operations	0.0	3.4	11.0	34.7	50.9
Computer, mathematical, architecture, & engineering	0.0	1.2	3.9	27.5	67.5
Life, physical, and social science	0.0	0.0	0.0	75.0	25.0
Community and social services	0.2	27.1	43.2	23.0	6.6
Education, training, and library	0.0	0.0	33.3	33.3	33.3
Healthcare practitioners, technical, and support	0.0	24.0	18.1	20.0	38.1
Protective services, building, and grounds maintenance	11.5	50.2	27.0	7.5	3.8
Sales and service	0.0	0.0	4.0	24.0	72.0
Office and administrative support	0.6	38.2	37.2	23.0	1.0
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	9.0	36.4	45.5	9.1	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)	93.7	4.2	1.1	0.0	1.1
TOTAL (COUNT)	96	433	525	452	569
PERCENTAGE OF TOTAL (%)	4.6	20.9	25.3	21.8	27.4

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

Table 22.3
Employment Status and Benefits for CY 2013

Status	Full-Time	75.1%
	Part-Time	19.5%
	Temporary	5.4%
	Hired Through Temporary Staffing (count)	0
Benefits	Eligible for Medical	87.2%
	Eligible for Retirement	80.5%

**PUBLIC UTILITY TAX EXEMPTION
ELECTROLYTIC PROCESSING INDUSTRY**

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

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

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

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

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

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

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

**SALES/USE TAX EXEMPTION
DATA CENTERS**

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

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

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

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

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

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

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

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

The incentive program was effective April 1, 2010, and expires April 1, 2020.

Firms that benefit from these incentives were required to complete an annual report by April 30th 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 following tables summarize the responses from ten taxpayers who benefited from the incentives in this chapter. The statistics provided reflect business activities during Calendar Year 2013.

Table 24.1
Distribution of Employees by Occupation for CY 2013

Occupational Class	Number of employees	Percentage of employees
Management	98	16.2%
Business, financial, and legal operations	136	22.5%
Computer, mathematical, architecture, & engineering	329	54.4%
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	1	0.2%
Sales and service	9	1.5%
Office and administrative support	26	4.3%
Construction and extraction	0	0.0%
Installation, maintenance, and repair	6	1.0%
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%
TOTAL	605	100.0%

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

Table 24.2
Percent Distribution of Employees by Occupation and Wages for CY 2013

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	0.0%	0.0%	0.0%	0.0%	100.0%
Business, financial, and legal operations	0.0	0.0	1.5	44.9	53.6
Computer, mathematical, architecture, & engineering	0.0	0.0	0.6	10.0	89.4
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	100.0
Sales and service	0.0	0.0	0.0	0.0	100.0
Office and administrative support	0.0	3.9	19.2	46.1	30.8
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	0.0	25.0	75.0	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	1	10	110	483
PERCENT OF TOTAL (%)	0.0	0.2	1.7	18.3	79.8

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

Table 24.3
Employment Status and Benefits for CY 2013

Status	Full-Time	98.8%
	Part-Time	0.7%
	Temporary	0.5%
	Hired Through Temporary Staffing (count)	211
Benefits	Eligible for Medical	99.3%
	Eligible for Retirement	96.4%

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RCW 82.08.980 and RCW 82.12.980 provide sales and use tax exemptions for labor, services and personal property related to the manufacture of 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, 2040.

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

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.

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

Both exemptions expire July 1, 2040.

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

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

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

The tables on the following pages summarize the information above as provided by the 268 firms that benefited from these incentives. The statistics provided reflect business activities during Calendar Year 2013.

Table 25.1
Distribution of Employees by Occupation for CY 2013

Occupational Class	Number of employees	Percentage of employees
Management	7834	8.2%
Business, financial, and legal operations	5799	6.0%
Computer, mathematical, architecture, & engineering	19193	20.0%
Life, physical, and social science	141	0.1%
Community and social services	0	0.0%
Education, training, and library	64	0.1%
Healthcare practitioners, technical, and support	94	0.1%
Protective services, building, and grounds maintenance	1437	1.5%
Sales and service	679	0.7%
Office and administrative support	5222	5.4%
Construction and extraction	191	0.2%
Installation, maintenance, and repair	4604	4.8%
Production, non-construction trades, and craft	48882	50.9%
Transportation and material moving	1635	1.7%
Other (forest, fishery, agriculture, military, arts, media)	241	0.3%
TOTAL	96,016	100.0%

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

Table 25.2
Percent Distribution of Employees by Occupation and Wages for CY 2013

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	0.1%	0.0%	0.7%	2.0%	97.2%
Business, financial, and legal operations	0.0	0.1	1.1	17.1	81.7
Computer, mathematical, architecture, & engineering	0.0	0.2	0.6	5.2	94.1
Life, physical, and social science	0.0	0.0	1.4	3.7	94.9
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	10.9	6.4	9.1	73.6
Healthcare practitioners, technical, and support	0.0	0.0	1.1	24.3	74.7
Protective services, building, and grounds maintenance	0.2	12.5	13.3	16.1	57.9
Sales and service	1.0	2.5	10.5	30.3	55.7
Office and administrative support	0.3	5.6	14.7	30.5	48.9
Construction and extraction	0.0	0.8	12.0	4.3	82.9
Installation, maintenance, and repair	0.0	2.3	3.2	30.6	63.8
Production, non-construction trades, and craft	0.4	10.6	20.9	22.9	45.2
Transportation and material moving	0.2	7.1	10.7	19.9	62.2
Other (forest, fishery, agriculture, military, arts, media)	0.8	16.5	24.3	28.7	29.8
TOTAL (COUNT)	220	5968	11902	17190	60695
PERCENTAGE OF TOTAL (%)	0.2	6.2	12.4	17.9	63.2

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

Table 25.3
Employment Status and Benefits for CY 2013

Status	Full-Time	98.1%
	Part-Time	0.3%
	Temporary	1.5%
	Hired Through Temporary Staffing (count)	2,804
Benefits	Eligible for Medical	96.9%
	Eligible for Retirement	95.4%

AEROSPACE NON-MANUFACTURER INCENTIVES

This chapter covers the following incentives:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Aerospace products" means:

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

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

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

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

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

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

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

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

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

The following tables summarize the responses from the 108 taxpayers who benefited from the incentives in this chapter. The statistics provided reflect business activities during Calendar Year 2013.

Table 26.1
Distribution of Employees by Occupation for CY 2013

Occupational Class	Number of employees	Percentage of employees
Management	300	8.8%
Business, financial, and legal operations	46	1.3%
Computer, mathematical, architecture, & engineering	1472	43.2%
Life, physical, and social science	2	0.1%
Community and social services	0	0.0%
Education, training, and library	7	0.2%
Healthcare practitioners, technical, and support	0	0.0%
Protective services, building, and grounds maintenance	0	0.0%
Sales and service	112	3.3%
Office and administrative support	334	9.8%
Construction and extraction	0	0.0%
Installation, maintenance, and repair	49	1.4%
Production, non-construction trades, and craft	1022	30.0%
Transportation and material moving	7	0.2%
Other (forest, fishery, agriculture, military, arts, media)	57	1.7%
TOTAL	3,408	100.0%

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

Table 26.2
Percent Distribution of Employees by Occupation and Wages for CY 2013

Occupational Class	Min	\$10.01	\$15.01	\$20.01	\$30.01
	Wage to \$10	to \$15	to \$20	to \$30	& Over
Management	0.0%	1.0%	0.3%	2.3%	96.4%
Business, financial, and legal operations	0.0	0.0	3.3	28.9	67.9
Computer, mathematical, architecture, & engineering	0.1	0.0	1.9	11.9	86.1
Life, physical, and social science	0.0	0.0	0.0	0.0	100.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	0.0	100.0	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	31.2	40.2	28.6
Office and administrative support	14.3	12.3	39.1	21.7	12.6
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	0.0	4.1	54.9	40.9
Production, non-construction trades, and craft	0.6	3.9	17.2	13.9	64.5
Transportation and material moving	0.0	14.1	43.0	0.0	42.9
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.0	0.0	25.6	74.4
TOTAL (COUNT)	55	85	377	503	2388
PERCENTAGE OF TOTAL (%)	1.6	2.5	11.1	14.8	70.1

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

Table 26.3
Employment Status and Benefits for CY 2013

Status	Full-Time	78.7%
	Part-Time	4.7%
	Temporary	16.6%
	Hired Through Temporary Staffing (count)	264
Benefits	Eligible for Medical	76.1%

ALUMINUM SMELTER INCENTIVES

This chapter covers the following incentives:

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

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

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

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

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.

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

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

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

SEMICONDUCTOR INDUSTRY

This chapter covers the following incentives:

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

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

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

The tax rate was reduced from the regular 0.484 percent manufacturing rate. This incentive expires December 1, 2018.

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

Sales/Use Tax Exemption Relating to Production of Semiconductor Materials

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

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

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

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

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

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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.