



STATE OF WASHINGTON
DEPARTMENT OF REVENUE
OFFICE OF THE DIRECTOR

P.O. Box 47454 • Olympia, Washington 98504-7454 • (360) 534-1600 • FAX (360) 534-1606

January 22, 2013

TO: Hunter Goodman, Secretary
Washington State Senate

Barbara Baker, Chief Clerk
Washington State House of Representatives

FROM: Brad Flaherty, Director 
Department of Revenue

SUBJECT: DESCRIPTIVE STATISTICS 2012

This publication summarizes information from annual surveys and reports completed by taxpayers who participated in 32 tax incentive programs during Calendar Year 2011. The report is prepared in accordance with RCWs 82.32.534 and 82.32.585 to provide accountability and a means to evaluate program effectiveness. These statutes require the Department to summarize survey and report information in descriptive statistics.

Business and occupation (B&O) tax, public utility tax (PUT) and sales tax incentives resulted in reduced state and local tax revenues of \$411 million in 2011. Over half of this was attributable to the sales tax deferral/exemption for high technology firms with an impact of \$249 million. The deferral/exemption for manufacturers in rural and qualifying counties totaled \$96 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 2011, there were 2,321 taxpayers who participated in these incentive programs; these firms reported a total employment of about 479,000. Participants and their employees may be counted more than once if they took part in multiple programs.

January 22, 2013

Page 2

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

cc: Governor Jay Inslee
The Honorable Andy Hill, Chair, Senate Ways and Means Committee
The Honorable Ross Hunter, Chair, House Appropriations Committee
The Honorable Reuven Carlyle, Chair, House Finance Committee
David Schumacher, Director, Office of Financial Management
Ted Sturdevant, Executive Director for Legislative Affairs and Policy, Office of the Governor
Members, Senate Ways and Means Committee
Members, House Appropriations Committee
Members, House Finance Committee



DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS

2012 Report to the Legislature
Covering Calendar Year 2011 Activity

Washington State Department of Revenue
Brad Flaherty, Director

Research and Fiscal Analysis Division
Kathy Oline, Assistant Director

Compiled by Van Huynh
December 2012

TABLE OF CONTENTS

PART I Tax Incentives Requiring Annual Survey

	<u>Page</u>
Chapter 1 – Executive Summary	1-1
<u>B&O Tax Rate Reductions</u>	
Chapter 2 - Timber & Wood Products.....	2-1
<u>B&O or PUT Exemptions</u>	
Chapter 3 - Fruit & Vegetable Processors	3-1
Chapter 4 - Producers of Dairy Products	4-1
Chapter 5 - Producers of Seafood Products	5-1
<u>B&O or PUT Credits</u>	
Chapter 6 - High Tech R&D Spending.....	6-1
Chapter 7 - Work Force Training Expenditures	7-1
<u>Sales Tax Deferrals/Exemptions</u>	
Chapter 8 - Manufacturers in Rural and Qualifying Counties	8-1
Chapter 9 - High Tech R&D Investments	9-1
Chapter 10 - Fruit/Vegetable Processors, Manufacturers of Dairy or Seafood Products, Cold Storage Warehouses.....	10-1
Chapter 11 - Biotech Manufacturers	11-1
Chapter 12 - Corporate Headquarters in a CEZ	12-1
Chapter 13 - Public Research Institutions Sales/Use Tax Exemption	13-1

TABLE OF CONTENTS

PART II Tax Incentives Requiring Annual Report

	<u>Page</u>
Chapter 14 - FAR Part 145 Repair Stations	14-1
Chapter 15 - Aerospace Manufacturer Incentives	15-1
Chapter 16 - Aerospace Non-Manufacturer Incentives	16-1
Chapter 17 - Aluminum Smelter Incentives	17-1
Chapter 18 - Data Centers	18-1
Chapter 19 - Electrolytic Processing Industry.....	19-1
Chapter 20 - Newspaper Industry	20-1
Chapter 21 - Semiconductor Industry.....	21-1
Chapter 22 - Solar Energy Systems Manufacturers	22-1
Chapter 23 - Government-Funded Mental Health Services.....	23-1

DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS
EXECUTIVE SUMMARY

This is the eighth 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 2011. Taxpayers that used these incentives were required to file an annual survey and/or report by April 30, 2012, and the data reported herein are a synopsis of those surveys and reports. The Department made a concerted effort to notify known participants, including sending reminders and direct contacts with firms. However, the statutory reporting schedule allows limited time to complete auditing and verification of the data that was reported. The data presented represents the information that was reported by participants with corrections that were made in the time available.

This 2012 Descriptive Statistics publication covers 32 tax incentive programs. These are organized by the following five principal tax categories:

BUSINESS AND OCCUPATION (B&O) TAX RATE REDUCTIONS

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

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

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

B&O or PUT TAX CREDITS

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

SALES TAX DEFERRALS/EXEMPTIONS

- Manufacturers in rural counties
- Manufacturers in qualifying counties
- High tech R&D investments
- Fruit and vegetable processors, manufacturers of dairy and seafood products, and cold storage warehouses
- Biotech manufacturers
- Semiconductor gasses/chemicals
- Materials for aluminum smelters
- Construction of aerospace manufacturing facilities
- Natural gas for aluminum smelters
- Corporate headquarters located in a community empowerment zone (CEZ)
- Equipment and infrastructure for data centers
- Machinery & equipment for public research institutions

OTHER TAX PREFERENCES

- Leasehold tax exemption for aerospace manufacturing facilities
- Property tax exemption for aerospace manufacturing facilities
- B&O tax deduction for mental health services

There are two types of accountability tools required of program participants: an annual survey or an annual report. Twelve of the programs require the 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 20 incentives requiring the annual report 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 survey year.

The B&O tax rate reduction for the timber industry had the most participants in 2011 with 612 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 (568), the sales tax deferral for manufacturers locating in rural and qualifying counties (305), and the various aerospace manufacturing incentives (247).

The largest cumulative revenue impact for the survey incentives is associated with the sales tax deferral for high technology investments with almost \$250 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 \$96 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. These estimated amounts are subject to change pending verification by the Department. The chapters on sales tax deferrals discuss this and other limitations of deferral amounts in greater detail.

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 2011, the top three incentive programs in terms of the total in-state jobs reported were:

- The high tech sales tax deferral/exemption with 126,571 jobs;
- The high tech B&O tax credit with 105,642 jobs; and
- The aerospace manufacturing incentives with 93,318 jobs.

The remainder of this publication provides more detailed information as reported by incentive program participants. Chapters 2 – 13 address the annual survey incentives; each chapter is devoted to a separate incentive. Chapters 14 – 23 contain the results of the annual report incentives. Since the report does not require revenue impact information, several incentives are grouped together and each chapter addresses an industry as a whole (where applicable).

Table 1.1
DESCRIPTIVE STATISTICS 2012 - SYNOPSIS OF TAX INCENTIVES BY MAJOR INDUSTRY

<u>Tax Incentives by Major Industry</u>	<u>Participants in Calendar Year 2011</u>		
	<u># Firms</u>	<u>Total Jobs</u>	<u>Tax Savings (\$000)</u>
<u>AEROSPACE</u>			
Commercial aircraft manufacturers ¹	247	93,318	Not reported
Aerospace non-manufacturers ²	79	4,094	Not reported
Aircraft repairs (FAR Part 145)	27	2,561	Not reported
<u>AGRICULTURAL PRODUCTS</u>			
B&O exemption, fruit/vegetables	165	13,874	\$4,388.5
B&O exemption, dairy products	16	4,316	\$1,317.1
B&O exemption, seafood products	36	2,900	\$754.9
Sales tax deferral, processing facilities	40	7,213	\$13,654.0
<u>HIGH TECH & COMPUTING</u>			
B&O credit, R&D spending	568	105,642	\$23,113.9
Sales tax deferral, high tech R&D	91	126,571	\$249,845.6
Sales tax deferral, biotech manuf.	7	1,224	\$2,805.6
Sales tax exemption, data centers	7	259	Not reported
Semi-conductor industry ³	Disclosure	Disclosure	Not reported
<u>OTHER MANUFACTURING</u>			
B&O reduction, timber/wood products	612	30,093	\$14,947.5
Sales tax deferral, rural/qualifying counties	305	35,690	\$96,106.8
B&O rate reduction, newspapers	98	5,016	Not reported
Aluminum smelting ²	Disclosure	Disclosure	Not reported
Solar energy systems	4	589	Not reported
<u>OTHER PROGRAMS</u>			
B&O credit, workforce training	10	1,481	\$77.2
Sales tax deferral, corp. headquarters	0	0	\$0.0
Energy for electrolyte processors	3	142	Not reported
B&O deduction, mental health svcs.	3	853	Not reported
Sales tax exemption, public research institutions	3	43,005	\$4,426.6

¹Six incentives.

²Four incentives.

³Two incentives.

BUSINESS AND OCCUPATION TAX RATE REDUCTION FOR TIMBER AND WOOD PRODUCTS

A preferential B&O tax rate for the timber industry was adopted in 2006, effective July 1, 2006; it is codified as RCW 82.04.260(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;
 - Less than \$30,000
 - \$30,000 to \$59,999 and
 - \$60,000 or more
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

The data shown below reflect calendar year 2011 activity for the 612 businesses that claimed the reduced tax rate during this period.

Table 2.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Reduction in B&O Tax Claimed by Size of Employment
Calendar Year 2011

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Reduced B&O Tax</u>	<u>Total Reduction in B&O Tax Reported</u>
Fewer than 50	544	\$3,659,023
50 - 250	52	\$3,626,278
More than 250	16	\$7,662,229
TOTAL	612	\$14,947,530

Table 2.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2011

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming Reduced B&O Tax</u>	<u>Total Employment in Washington of Firms Claiming Reduced B&O Tax</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	544	3,331	85.9%	11.4%	2.7%
50 - 250	52	6,015	97.5%	2.1%	0.4%
More than 250	16	20,747	90.5%	4.5%	5.1%
TOTAL	612	30,093	91.4%	4.8%	3.9%

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

Table 2.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
 Employment and Employee Benefits by Wage Band
 Calendar Year 2011**

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	3,772	1,848	1,685	1,431
\$30,000 - \$59,999	13,529	10,373	9,659	9,495
\$60,000 or more	12,792	12,227	11,986	11,547
TOTAL	30,093	24,448	23,330	22,473

BUSINESS AND OCCUPATION TAX EXEMPTION
FOR FRUIT AND VEGETABLE PROCESSORS

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

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

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 Four and Five.)

RCW 82.32.585 contains accountability provisions for the fruit and vegetable tax exemption. The purpose of this process is to obtain information on the use of the tax incentive so that the Legislature can evaluate the effectiveness of the program. Firms that use the tax exemption are required to file an annual survey with the Department by April 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;
 - Less than \$30,000
 - \$30,000 to \$59,999 and
 - \$60,000 or more
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 165 firms that claimed the tax exemption during calendar year 2011. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

**Table 3.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Fruit and Vegetable Processors
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2011**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&O Tax Exemption</u>	<u>Total B&O Tax Exemption Claimed</u>
Fewer than 50	125	\$594,291
50 - 250	28	\$1,287,829
More than 250	12	\$2,506,382
TOTAL	165	\$4,388,502

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

**Fruit and Vegetable Processors
Total Washington Employment of Participants by Size of Employment
Calendar Year 2011**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&O Exemption</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	125	1,441	59.9%	30.2%	9.9%
50 - 250	28	2,530	75.3%	4.7%	20.0%
More than 250	12	9,903	77.6%	10.1%	12.4%
TOTAL	165	13,874	75.3%	11.2%	13.5%

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

Table 3.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Fruit and Vegetable Processors
Employment and Employee Benefits by Wage Band
Calendar Year 2011

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	7,312	2,039	1,970	3,321
\$30,000 - \$59,999	5,139	4,255	4,142	4,096
\$60,000 or more	1,423	1,283	1,242	1,256
TOTAL	13,874	7,577	7,354	8,673

BUSINESS AND OCCUPATION TAX EXEMPTION
FOR MANUFACTURERS OF DAIRY PRODUCTS

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

The exemption for dairy products 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;
 - Less than \$30,000
 - \$30,000 to \$59,999 and
 - \$60,000 or more
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 16 dairy producers that claimed the tax exemption during calendar year 2011. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 4.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Dairy Products
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2011

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&O Tax Exemption</u>	<u>Total B&O Tax Exemption Claimed</u>
Fewer than 50	9	\$20,576
50 plus	7	\$1,296,510
TOTAL	16	\$1,317,087

Table 4.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Dairy Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2011

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&O Exemption</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	9	28	67.7%	32.1%	0.0%
50 plus	7	4,288	96.7%	2.1%	1.1%
TOTAL	16	4,316	96.5%	2.3%	1.1%

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

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

**Manufacturers of Dairy Products
Employment and Employee Benefits by Wage Band
Calendar Year 2011**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,468	701	684	1,303
\$30,000 - \$59,999	2,065	1,521	1,425	1,798
\$60,000 or more	783	678	685	750
TOTAL	4,316	2,900	2,794	3,851

BUSINESS AND OCCUPATION TAX EXEMPTION
FOR MANUFACTURERS OF SEAFOOD PRODUCTS

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

The exemption for seafood products 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;
 - Less than \$30,000
 - \$30,000 to \$59,999 and
 - \$60,000 or more
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The following tables contain the information specified above for the 36 seafood producers that claimed the B&O exemption during calendar year 2011.

Table 5.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Seafood Products
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2011

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&O Tax Exemption</u>	<u>Total B&O Tax Exemption Claimed</u>
Fewer than 50	27	\$201,646
50 plus	9	\$553,277
TOTAL	36	\$754,923

Table 5.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Seafood Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2011

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&O Exemption</u>	<u>Percentage of Jobs that are:</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	27	279	58.8%	39.8%	1.4%
50 plus	9	2,621	87.8%	5.1%	7.0%
TOTAL	36	2,900	85.0%	8.5%	6.5%

Table 5.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Seafood Products
Employment and Employee Benefits by Wage Band
Calendar Year 2011

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,473	551	523	305
\$30,000 - \$59,999	896	581	561	458
\$60,000 or more	531	414	409	382
TOTAL	2,900	1,546	1,493	1,145

BUSINESS AND OCCUPATION TAX CREDIT
FOR RESEARCH AND DEVELOPMENT EXPENDITURES
BY HIGH TECHNOLOGY FIRMS

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

- Advanced computing
- Advanced materials
- Biotechnology
- Electronic device technology
- Environmental technology

The credit is allowed for eligible expenditures on research and development (R&D) 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. Pursuant to RCW 82.32.585, taxpayers claiming the B&O tax credit are to file a survey by April 30th annually. Based on the data reported, the Department must compile summary statistics on the program and report annually to the Legislature. The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of tax credit taken;
- Qualified expenditures for research and development;
- Taxable amount against which the credit is claimed;
- Number of new products or research projects resulting from the expenditures;
- Number of trademarks, patents, or copyrights associated with the R&D activities;
- Credits that were assigned to another firm (none were reported);
- Total jobs for program participants;
- Percentage breakdown of total jobs: full-time, part-time, and temporary;

- Total jobs for program participants according to annual wages paid;
 - Less than \$30,000
 - \$30,000 to \$59,999 and
 - \$60,000 or more
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 568 firms that claimed the B&O tax credit during calendar year 2011. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

**Table 6.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms
B&O Tax Credits Claimed by Size of Employment
Calendar Year 2011**

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	403	\$3,801,792	\$822,463,337	\$368,775,380
50 - 250	120	\$7,122,028	\$2,149,393,704	\$924,523,339
More than 250	45	\$12,190,105	\$6,209,323,268	\$6,441,956,672
TOTAL	568	\$23,113,926	\$9,181,180,309	\$7,735,255,391

Chapter 6

Table 6.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
B&O Tax Credits Claimed by Category of Technology
Calendar Year 2011

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	300	\$9,182,406	\$2,047,191,582	\$5,694,613,105
Advanced Materials	37	\$887,214	\$512,947,302	\$125,615,047
Biotechnology	104	\$3,201,038	\$722,933,336	\$846,363,861
Electronic Devices	176	\$6,047,781	\$3,754,530,514	\$646,721,518
Environmental	51	\$3,803,292	\$2,144,439,196	\$424,453,413
TOTAL	668	\$23,121,732	\$9,182,041,931	\$7,737,766,944

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

Table 6.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2011

Size of Washington Employment	Number of Firms Claiming B&O Tax Credit	Total Employment in Washington of Firms Claiming B&O Credits	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	403	5,183	89.6%	8.1%	2.3%
50 - 250	120	13,527	93.5%	2.5%	4.0%
More than 250	45	86,932	80.3%	1.6%	18.7%
TOTAL	568	105,642	82.4%	2.1%	16.0%

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

Table 6.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2011

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	4,277	2,253	2,238	1,401
\$30,000 - \$59,999	15,085	12,766	12,750	9,982
\$60,000 or more	86,280	68,526	67,922	60,333
TOTAL	105,642	83,545	82,910	71,716

Table 6.5
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
New Products and Innovations Developed by Participants
Calendar Year 2011

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	403	2,764	2,439	53	114	8
50 - 250	120	825	892	111	724	18
More than 250	45	2,844	3,365	236	2,644	297
TOTAL	568	6,433	6,696	400	3,482	323

BUSINESS AND OCCUPATION TAX CREDIT
FOR WORK FORCE TRAINING EXPENDITURES

A B&O tax credit for work force training costs was established in 2006, effective June 7, 2006. The credit is codified as RCW 82.04.449 and is scheduled to expire on July 1, 2016. It enables employers to take a credit of up to one-half of their expenditures for customized training at community and technical colleges in Washington, pursuant to the program established in RCW 28B.67.020. 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;
 - Less than \$30,000
 - \$30,000 to \$59,999 and
 - \$60,000 or more
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

With the exception of the amount of credit taken, all information provided in the survey is confidential and must be aggregated for at least three taxpayers. During calendar year 2011, ten firms reported taking the credit for eligible training costs.

Table 7.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Firms Utilizing Workforce Training Programs
B&O Tax Credit Claimed by Size of Employment
Calendar Year 2011**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&O Tax Credit</u>	<u>Total B&O Tax Credit Claimed</u>
Fewer than 50	3	\$5,770
50 plus	7	\$71,415
TOTAL	10	\$77,185

Table 7.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Firms Utilizing Workforce Training Programs
Total Washington Employment of Participants by Size of Employment
Calendar Year 2011**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&O Tax Credit</u>	<u>Total Employment in Washington of Firms Claiming B&O Tax Credit</u>	<u>Percentage of Jobs that are:</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	3	58	91.4%	8.6%	0.0%
50 plus	7	1,423	98.1%	1.4%	0.6%
TOTAL	10	1,481	97.8%	1.6%	0.5%

Table 7.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Firms Utilizing Workforce Training Programs
Employment and Employee Benefits by Wage Band
Calendar Year 2011

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	444	353	357	261
\$30,000 - \$59,999	660	621	587	484
\$60,000 or more	377	359	341	304
TOTAL	1,481	1,333	1,285	1,049

SALES/USE TAX DEFERRAL/EXEMPTION
FOR INVESTMENTS 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 criterion was changed to one of population density. Since this change, investment occurring in counties with an average population density of less than 100 residents per square mile qualified for the incentive. Subsequently, the definition of eligible counties was amended in 2004 to also include Island County. With this change 32 counties qualified as “rural” counties. In addition, four non-rural counties--King, 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 immediately proceeding 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;
 - Less than \$30,000
 - \$30,000 to \$59,999 and
 - \$60,000 or more
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for firms that reported the deferral/exemption for calendar year 2011. The first set of tables cover the Rural County program (302 firms) and the second set of tables cover the Qualifying County program (three 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 should not be added 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 current publication), 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. However, not all operationally complete projects have been verified so this report contains a combination of estimated and actual verified data. The numbers provided in this publication are subject to change pending verification of the completed project by the Department. Any changes will be included in future reports.

Table 8.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Rural Counties
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2011

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferred</u>
Fewer than 50	180	\$21,226,389
50 - 250	94	\$37,281,012
More than 250	28	\$36,617,546
TOTAL	302	\$95,124,947

Table 8.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Rural Counties
Total Washington Employment of Participants by Size of Employment
Calendar Year 2011

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total Employment in Washington of Firms Claiming Sales Tax Deferrals</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	180	2,967	82.4%	13.1%	4.5%
50 - 250	94	9,789	87.4%	5.9%	6.7%
More than 250	28	21,928	96.1%	1.8%	2.1%
TOTAL	302	34,684	92.5%	4.0%	3.6%

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

Chapter 8

Table 8.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Investments by Manufacturers and R&D Firms in Rural Counties
Employment and Employee Benefits by Wage Band
Calendar Year 2011**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	9,886	5,322	5,140	4,278
\$30,000 - \$59,999	16,950	13,851	13,345	11,774
\$60,000 or more	7,848	7,323	7,183	6,715
TOTAL	34,684	26,496	25,668	22,767

Table 8.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Investments by Manufacturers and R&D Firms in Rural Counties
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2011**

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	180	569	133	5	1	0
50 - 250	94	65	43	32	5	0
More than 250	28	222	454	10	23	0
TOTAL	302	856	630	47	29	0

Table 8.1b
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Qualifying Counties
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2011

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferred</u>
More than 50	3	\$981,818
TOTAL	3	\$981,818

Table 8.2b
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Qualifying Counties
Total Washington Employment of Participants by Size of Employment
Calendar Year 2011

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total Employment in Washington of Firms Claiming Sales Tax Deferrals</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
More than 50	3	1,006	99.6%	0.3%	0.1%
TOTAL	3	1,006	99.6%	0.3%	0.1%

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

Table 8.3b
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Investments by Manufacturers and R&D Firms in Qualifying Counties
Employment and Employee Benefits by Wage Band
Calendar Year 2011**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	521	364	354	134
\$30,000 - \$59,999	348	325	327	274
\$60,000 or more	137	128	130	121
TOTAL	1,006	817	811	529

Table 8.4b
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Investments by Manufacturers and R&D Firms in Qualifying Counties
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2011**

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
More than 50	3	50	25	2	0	0
TOTAL	3	50	25	2	0	0

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

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

- Advanced computing
- Advanced materials
- Biotechnology
- Electronic device technology
- Environmental technology

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

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

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

The 1994 statute directed the Department to perform three assessments of the program; reports were produced in 1997, 2000, and 2003. This requirement was amended in 2004 and the current accountability provisions were added to RCW 82.63.020. Now taxpayers who take the sales tax deferral/exemption must file an annual survey containing specified information, pursuant to RCW 82.32.585, by April 30th. 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.

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

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

The information specified above is contained in the following tables of this chapter for the 91 firms that reported the deferral/exemption for calendar year 2011. 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 deferral amounts reported for the sales tax deferrals should not be added 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 current publication), 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. However, not all operationally complete projects have been verified so this report contains a combination of estimated and actual verified data. The numbers provided in this publication are subject to change pending verification of the completed project by the Department. Any changes will be included in future reports.

Chapter 9

Table 9.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2011

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 50	37	\$34,149,825
50 - 250	29	\$11,715,252
More than 250	25	\$203,980,504
TOTAL	91	\$249,845,581

Table 9.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
Retail Sales/Use Tax Deferrals Claimed by Category of Technology
Calendar Year 2011

Category of High Technology	Number of Firms Claiming Sales Tax Deferrals*	Total State/Local Sales Tax Deferred*
Advanced Computing	30	\$155,711,653
Advanced Materials	13	\$3,747,635
Biotechnology	45	\$78,907,571
Electronic Devices	21	\$4,590,156
Environmental	7	\$6,935,844
TOTAL	116	\$249,892,859

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

Chapter 9

Table 9.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2011

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	37	666	94.8%	3.7%	1.5%
50 - 250	29	3,686	91.3%	5.6%	3.1%
More than 250	25	122,219	72.1%	10.3%	18.0%
TOTAL	91	126,571	72.8%	10.2%	17.5%

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

Table 9.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2011

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	17,935	4,728	5,229	5,290
\$30,000 - \$59,999	23,574	21,429	22,139	20,512
\$60,000 or more	85,062	68,212	68,073	62,654
TOTAL	126,571	94,369	95,441	88,456

Chapter 9

Table 9.5
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2011

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	37	21	33	30	48	0
50 - 250	29	112	297	34	375	3
More than 250	25	2,439	3,239	109	2,478	99
TOTAL	91	2,572	3,569	173	2,901	102

SALES/USE TAX DEFERRAL/EXEMPTION
FOR MANUFACTURING/PROCESSING FACILITIES OF
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 of these agricultural products are eligible for the deferral. Acquisition of related machinery also qualifies (but since the firm must be engaged in manufacturing, the purchase of eligible manufacturing machinery would be exempt from sales tax in any event under RCW 82.08.02565). As long as the facility or machinery continues to qualify for the intended 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 containing 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 agricultural products sales tax deferral/exemption:

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

The following tables contain the above information for the 40 firms that process agricultural products or operate cold storage warehouses which reported the deferral/exemption for calendar year 2011.

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 should not be added 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 current publication), 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. However, not all operationally complete projects have been verified so this report contains a combination of estimated and actual verified data. The numbers provided in this publication are subject to change pending verification of the completed project by the Department. Any changes will be included in future reports.

Table 10.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Processing Facilities for Fruit and Vegetables, Manufacturing of Dairy and Seafood Products, and Cold Storage Warehouses

**Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2011**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferred</u>
Fewer than 250	27	\$9,300,459
250 plus	13	4,353,547
TOTAL	40	\$13,654,006

Table 10.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Processing Facilities for Fruit and Vegetables, Manufacturing of Dairy and Seafood Products, and Cold Storage Warehouses

**Total Washington Employment of Participants by Size of Employment
Calendar Year 2011**

<u>Size of Washington Employment</u>	<u># of Firms Claiming Sales Tax Deferrals</u>	<u>Total Employment in Washington of Firms Claiming Sales Tax Deferrals</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 250	27	2,096	72.3%	12.6%	15.1%
250 plus	13	5,117	81.4%	12.2%	6.5%
TOTAL	40	7,213	78.7%	12.3%	9.0%

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

Table 10.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Processing Facilities for Fruit and Vegetables, Manufacturing of
 Dairy and Seafood Products, and Cold Storage Warehouses**

**Employment and Employee Benefits by Wage Band
 Calendar Year 2011**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	4,760	707	696	820
\$30,000 - \$59,999	1,675	1,319	1,159	1,152
\$60,000 or more	778	749	666	672
TOTAL	7,213	2,775	2,521	2,644

SALES/USE TAX DEFERRAL/EXEMPTION
FOR INVESTMENTS IN BIOTECHNOLOGY MANUFACTURING

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

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

Taxpayers who take the sales tax deferral/exemption must file an annual survey that contains specified information pursuant to RCW 82.32.585. The survey must be filed by April 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;
 - Less than \$30,000
 - \$30,000 to \$59,999 and
 - \$60,000 or more
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

There were seven biotech manufacturing firms which reported the deferral/exemption for calendar year 2011.

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 should not be added 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 current publication), 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. However, not all operationally complete projects have been verified so this report contains a combination of estimated and actual verified data. The numbers provided in this publication are subject to change pending verification of the completed project by the Department. Any changes will be included in future reports.

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

Biotechnology Manufacturing Firms

**Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2011**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferred</u>
Fewer than 100	3	\$226,100
100 or more	4	\$2,579,545
TOTAL	7	\$2,805,645

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

Biotechnology Manufacturing Firms

**Total Washington Employment of Participants by Size of Employment
Calendar Year 2011**

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	91	95.3%	4.7%	0.0%
100 or more	4	1,133	95.5%	0.7%	3.8%
TOTAL	7	1,224	95.5%	1.0%	3.5%

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

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

Biotechnology Manufacturing Firms

**Employment and Employee Benefits by Wage Band
Calendar Year 2011**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	24	12	13	8
\$30,000 - \$59,999	645	553	554	494
\$60,000 or more	555	506	532	483
TOTAL	1,224	1,071	1,099	985

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

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

The 2008 statute required annual reporting to the Department of Revenue by the applicant. An amendment in 2010 established an annual survey requirement for program participants (RCW 82.32.585). Taxpayers claiming the deferral/exemption are to file a survey annually with the Department by April 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;
 - Less than \$30,000
 - \$30,000 to \$59,999 and
 - \$60,000 or more
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

With the exception of the amount of credit taken, all information provided in the survey is confidential and must be aggregated for at least three taxpayers. As of calendar year 2011, no firms have yet participated in this tax incentive.

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

The information specified above is contained in the following tables of this chapter for the three taxpayers that benefited from the exemption during calendar year 2011. 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 13.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Public Research Institutions
Sales/Use Tax Exemption Claimed by Size of Employment
Calendar Year 2011**

Total Washington Employment of Participants	Number of Firms Claiming Tax Exemption	Total Sales/Use Tax Savings
More than 250	3	\$4,426,572
TOTAL	3	\$4,426,572

Table 13.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Public Research Institutions
Sales/Use Tax Exemption Claimed by Category of Technology
Calendar Year 2011

Category of Technology	Sales/Use Tax Savings
Advanced Computing	\$1,837
Advanced Materials	\$360,241
Biotechnology	\$3,419,616
Electronic Devices	\$192,124
Environmental	\$452,754
TOTAL	\$4,426,572

Table 13.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Public Research Institutions
Washington Employment of Participants by Size of Employment
Calendar Year 2011

Size of Washington Employment	Number of Firms Claiming Tax Exemption	Total Employment in Washington of Firms Claiming Tax Exemption	Percentage of Jobs that are:		
			Full-time	Part-time	Temporary
More than 250	3	43,005	62.8%	20.5%	16.6%
TOTAL	3	43,005	62.8%	20.5%	16.6%

Table 13.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Public Research Institutions
Employment and Employee Benefits by Wage Band
Calendar Year 2011

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	15,599	4,018	4,433	4,215
\$30,000 - \$59,999	14,793	13,618	14,245	13,737
\$60,000 or more	12,613	12,181	12,554	12,429
TOTAL	43,005	29,817	31,232	30,381

Table 13.5
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Public Research Institutions
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2011

Size of Washington Employment	Number of Firms Claiming Sales Tax Exemption	Innovations by Participants		Evidence of Innovations		
		New Products or Processes	New Research Projects	Trademarks	Patents	Copyrights
More than 250	3	4	601	0	65	0
TOTAL	3	4	601	0	65	0

PREFERENTIAL BUSINESS AND OCCUPATION TAX RATE
FOR FEDERAL AVIATION REGULATION PART 145 REPAIR STATIONS

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

This incentive was effective August 1, 2003, and expires July 1, 2024.

Firms that benefit from this incentive were required to complete an annual report by April 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 27 firms that benefited from this incentive. The statistics provided reflect business activities during Calendar Year 2011.

Table 14.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2011

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	192	7.5%
Business, financial, and legal operations	28	1.1
Computer, mathematical, architecture, & engineering	215	8.4
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	2	0.1
Healthcare practitioners, technical, and support	0	0.0
Protective services, building, and grounds maintenance	4	0.2
Sales and service	88	3.4
Office and administrative support	368	14.4
Construction and extraction	0	0.0
Installation, maintenance, and repair	972	38.0
Production, non-construction trades, and craft	615	24.0
Transportation and material moving	73	2.9
Other (forest, fishery, agriculture, military, arts, media)	4	0.2
TOTAL	2,561	100.0

Table 14.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2011

	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%	9.4%	90.6%
Business, financial, and legal operations	0.0	5.4	7.1	46.4	41.1
Computer, mathematical, architecture, & engineering	0.0	3.5	7.0	31.4	58.2
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	50.0	0.0	50.0	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	50.0	0.0	50.0	0.0
Sales and service	0.0	4.5	15.9	34.7	44.9
Office and administrative support	0.8	15.7	30.3	38.1	15.1
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.5	9.6	22.9	50.3	16.7
Production, non-construction trades, and craft	0.8	55.8	26.0	16.0	1.4
Transportation and material moving	0.0	32.3	41.6	26.1	0.0
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.0	0.0	49.5	49.8
TOTAL (COUNT)	13	534	555	881	579
PERCENTAGE OF TOTAL (%)	0.5	20.9	21.7	34.4	22.6

Table 14.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2011

Status	Full-Time	99.1%
	Part-Time	0.9%
	Temporary	0.0%
	Hired Through Temporary Staffing (count)	566
Benefits	Eligible for Medical	97.6%
	Eligible for Retirement	91.4%

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

AEROSPACE MANUFACTURER INCENTIVES

This chapter covers the following incentives:

- RCW 82.04.260(11a) – Reduced B&O tax rate for the manufacturing and sales of commercial airplanes (or their components).
- RCW 82.04.260(11b) – Reduced B&O tax rate for the manufacturing of aerospace tooling.
- RCW 82.04.4461 – B&O tax credit for qualified aerospace product development.
- RCW 82.04.4463 – B&O tax credit for property tax and leasehold excise tax paid by manufacturers of commercial airplanes (or their components).
- RCW 82.08.980 and RCW 82.12.980 – Sales and use tax exemption for labor, services, and personal property related to the manufacture of superefficient airplanes.
- RCW 82.29a.137 and RCW 84.36.655 – Leasehold excise tax exemption and property tax exemption for manufacturers of superefficient airplanes.

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

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

A preferential B&O tax rate for manufacturers of commercial airplanes was adopted in 2005, effective October 1, 2005. It is codified as RCW 82.04.260(11a). The reduced 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 remains in effect through June 30, 2024.

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

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

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

A preferential B&O tax rate for manufacturers of tooling was adopted in 2008, effective July 1, 2008; it is codified as RCW 82.04.260(11b). This rate of 0.2904 percent applies to those who are not eligible to report under RCW 82.04.260(11a) but who are in the business of manufacturing tooling specifically designed for use in manufacturing commercial airplanes or components of such airplanes, or making sales, at retail or wholesale, of such tooling manufactured by the seller. This rate remains in effect through June 30, 2024.

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

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

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

RCW 82.04.4461 provides a B&O tax credit for firms involved in qualified aerospace product development. The credit is equal to the amount of qualified aerospace product development expenditures multiplied by the rate of 1.5 percent. Credit may be earned for expenditures occurring after December 1, 2003. This credit was adopted in 2005, effective October 1, 2005, and expires July 1, 2024.

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

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

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

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

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

RCW 82.04.4463 provides a B&O tax credit for property tax and leasehold excise tax paid by manufacturers of commercial airplanes (or their components). This credit applies to property taxes paid on buildings, and the land on which the buildings are located, constructed after December 1, 2003, and used exclusively in manufacturing commercial airplanes or components of such airplanes. The credit is also applicable to leasehold excise taxes paid for buildings constructed after January 1, 2006, the land on which the buildings are located, or both, if the buildings are used exclusively in manufacturing commercial airplanes or components of such airplanes. This statute expires July 1, 2024.

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

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

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

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

The exemption is for charges made for labor and services relating to the constructing of new buildings by a manufacturer engaged in the manufacturing of superefficient airplanes or by a port district, to be leased to a manufacturer engaged in the manufacturing of superefficient airplanes, to sales of tangible personal property that will be incorporated as an ingredient or component of such buildings during the course of the constructing, or to labor and services rendered in respect to installing, during the course of constructing, building fixtures not otherwise eligible for the exemption under RCW 82.08.02565(2)(b).

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

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

Property and Leasehold Tax Exemption for Airplane Manufacturers

RCW 82.29a.137 and RCW 84.36.655 provide a leasehold excise tax exemption and a property tax exemption for manufacturers of superefficient airplanes. The leasehold tax exemption applies to all leasehold interests in port district facilities exempt from tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged in the manufacturing of superefficient airplanes.

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

Both exemptions expire July 1, 2024.

"Superefficient airplane" means a twin aisle airplane that carries between 200 and 350 passengers, with a range of more than 7,200 nautical miles, a cruising speed of

approximately mach .85, and that uses 15 to 20 percent less fuel than other similar airplanes on the market.

The following tables summarize the information above as provided by the 247 firms that benefited from these incentives. The statistics provided reflect business activities during Calendar Year 2011.

Table 15.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2011

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	7,257	7.8%
Business, financial, and legal operations	6,077	6.5
Computer, mathematical, architecture, & engineering	19,641	21.0
Life, physical, and social science	124	0.1
Community and social services	0	0.0
Education, training, and library	82	0.1
Healthcare practitioners, technical, and support	111	0.1
Protective services, building, and grounds maintenance	1,338	1.4
Sales and service	720	0.8
Office and administrative support	5,359	5.7
Construction and extraction	172	0.2
Installation, maintenance, and repair	4,220	4.5
Production, non-construction trades, and craft	46,403	49.7
Transportation and material moving	1,529	1.6
Other (forest, fishery, agriculture, military, arts, media)	285	0.3
TOTAL	93,318	100.0

Table 15.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2011

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.1%	0.1%	0.8%	2.5%	96.5%
Business, financial, and legal operations	0.0	0.6	1.5	16.2	81.7
Computer, mathematical, architecture, & engineering	0.0	0.1	0.6	6.6	92.6
Life, physical, and social science	0.0	0.8	3.2	13.8	82.1
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	2.4	3.9	93.7
Healthcare practitioners, technical, and support	0.0	0.0	5.9	27.2	67.0
Protective services, building, and grounds maintenance	0.4	16.2	11.4	18.4	53.7
Sales and service	0.8	7.4	9.0	26.2	56.6
Office and administrative support	0.4	6.9	15.6	34.7	42.4
Construction and extraction	0.0	1.7	3.5	2.8	92.0
Installation, maintenance, and repair	0.1	1.5	13.6	23.8	61.0
Production, non-construction trades, and craft	1.0	11.2	22.1	21.9	43.8
Transportation and material moving	0.1	7.2	8.4	22.0	62.2
Other (forest, fishery, agriculture, military, arts, media)	0.7	10.2	20.4	36.8	32.0
TOTAL (COUNT)	514	6,134	12,360	16,417	57,893
PERCENTAGE OF TOTAL (%)	0.6	6.6	13.2	17.6	62.0

Table 15.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2011

Status	Full-Time	94.4%
	Part-Time	0.3%
	Temporary	5.2%
	Hired Through Temporary Staffing (count)	5,602
Benefits	Eligible for Medical	93.7%
	Eligible for Retirement	92.4%

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

AEROSPACE NON-MANUFACTURER INCENTIVES

This chapter covers the following incentives:

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

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

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

RCW 82.04.290(3) provides that until July 1, 2024, a special tax rate of 0.9 percent is available to every person in the business of performing aerospace product development for others. This lower rate took effect July 1, 2008.

"Aerospace product development" is research, design, and engineering activities performed in relation to the development of an aerospace product or of a product line, model, or model derivative of an aerospace product, including prototype development, testing, and certification. The term includes the discovery of technological information, the translating of technological information into new or improved products, processes, techniques, formulas, or inventions, and the adaptation of existing products and models

into new products or new models, or derivatives of products or models. The term does not include manufacturing activities or other production-oriented activities; however the term does include tool design and engineering design for the manufacturing process. The term does not include surveys and studies, social science and humanities research, market research or testing, quality control, sale promotion and service, computer software developed for internal use, and research in areas such as improved style, taste, and seasonal design.

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

Under RCW 82.04.4461, a B&O tax credit is allowed for firms performing qualified aerospace product development. The credit is equal to the amount of qualified aerospace product development expenditures multiplied by the rate of 1.5 percent. Credit may be earned only for expenditures occurring after June 30, 2008. This credit expires July 1, 2024.

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

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

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

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

RCW 82.04.4463 allows a B&O tax credit for property tax and leasehold excise tax paid for buildings constructed after June 30, 2008, the land on which the buildings are located, or both, and used exclusively for aerospace product development, manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components, or in providing aerospace services. This credit expires July 1, 2024.

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

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

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

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

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

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

"Aerospace products" means:

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

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

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

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

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

This exemption was effective July 1, 2008, and expires July 1, 2024.

The following tables summarize the responses from the 79 taxpayers who benefited from the incentives in this chapter. The statistics provided reflect business activities during Calendar Year 2011.

Table 16.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2011

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	383	9.4%
Business, financial, and legal operations	35	0.9
Computer, mathematical, architecture, & engineering	2,198	53.7
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	0	0.0
Healthcare practitioners, technical, and support	1	0.0
Protective services, building, and grounds maintenance	1	0.0
Sales and service	29	0.7
Office and administrative support	422	10.3
Construction and extraction	0	0.0
Installation, maintenance, and repair	69	1.7
Production, non-construction trades, and craft	835	20.4
Transportation and material moving	0	0.0
Other (forest, fishery, agriculture, military, arts, media)	121	3.0
TOTAL	4,094	100.0

Table 16.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2011

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.0%	0.5%	0.0%	8.6%	90.9%
Business, financial, and legal operations	0.0	5.7	5.8	19.8	68.7
Computer, mathematical, architecture, & engineering	0.1	0.2	0.9	11.7	87.1
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	0.0	0.0
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	100.0	0.0
Sales and service	0.0	20.7	0.0	20.7	58.6
Office and administrative support	0.2	27.0	23.6	35.1	14.1
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	1.4	20.1	54.1	24.4
Production, non-construction trades, and craft	0.0	1.9	5.5	17.3	75.2
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	100.0
TOTAL (COUNT)	3	145	181	634	3,129
PERCENTAGE OF TOTAL (%)	0.1	3.5	4.4	15.5	76.4

Table 16.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2011

Status	Full-Time	67.8%
	Part-Time	3.6%
	Temporary	28.6%
	Hired Through Temporary Staffing (count)	250
Benefits	Eligible for Medical	57.8%
	Eligible for Retirement	57.2%

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

ALUMINUM SMELTER INCENTIVES

This chapter covers the following incentives:

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

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

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

Use Tax Exemption for the Use of Gases by Aluminum Smelters

RCW 82.12.022(5) provides a use tax exemption for the use of natural or manufactured gas by an aluminum smelter before January 1, 2017. The exemption was effective July 1, 2004.

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

No descriptive statistics can be provided for these incentive programs because there were fewer than three firms (see RCW 82.32.534(5)). However, all content in the annual reports is available to the public on the Washington State Department of Revenue website at [Tax Incentive Public Disclosure Reports](#).

DATA CENTER INCENTIVES

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

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

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

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

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

"Eligible server equipment" means the original server equipment installed in an eligible computer data center on or after April 1, 2010, and replacement server equipment. "Replacement server equipment" means server equipment that: (a) Replaces existing server equipment, if the sale or use of the server equipment to be replaced qualified for this exemption; and (b) is installed and put into regular use before April 1, 2018.

"Server" means blade or rack-mount server computers used in a computer data center exclusively to provide electronic data storage and data management services for

internal use by the owner or lessee of the computer data center, for clients of the owner or lessee of the computer data center, or both. "Server" does not include personal computers.

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

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

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

The incentive program was effective April 1, 2010, and expires April 1, 2018.

The following tables summarize the responses from seven taxpayers who benefited from the incentives in this chapter. The statistics provided reflect business activities during Calendar Year 2011.

Table 18.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2011

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	9	3.5%
Business, financial, and legal operations	195	75.3
Computer, mathematical, architecture, & engineering	49	18.9
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	0	0.0
Healthcare practitioners, technical, and support	0	0.0
Protective services, building, and grounds maintenance	0	0.0
Sales and service	3	1.2
Office and administrative support	3	1.2
Construction and extraction	0	0.0
Installation, maintenance, and repair	0	0.0
Production, non-construction trades, and craft	0	0.0
Transportation and material moving	0	0.0
Other (forest, fishery, agriculture, military, arts, media)	0	0.0
TOTAL	259	100.0

Table 18.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS
Percent Distribution of Employees by Occupation and Wages
Calendar Year 2011

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.0%	0.0%	0.0%	0.0%	100.0%
Business, financial, and legal operations	0.0	2.6	2.5	29.2	65.6
Computer, mathematical, architecture, & engineering	0.0	0.0	2.0	44.4	53.6
Life, physical, and social science	0.0	0.0	0.0	0.0	0.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	0.0	0.0	0.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	0.0
Protective services, building, and grounds maintenance	0.0	0.0	0.0	0.0	0.0
Sales and service	0.0	0.0	0.0	100.0	0.0
Office and administrative support	0.0	0.0	33.0	0.0	67.0
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	0.0	0.0	0.0	0.0
Production, non-construction trades, and craft	0.0	0.0	0.0	0.0	0.0
Transportation and material moving	0.0	0.0	0.0	0.0	0.0
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.0	0.0	0.0	0.0
TOTAL (COUNT)	0	5	7	82	165
PERCENT OF TOTAL (%)	0.0	2.0	2.7	31.5	63.8

Table 18.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2011

Status	Full-Time	96.2%
	Part-Time	3.8%
	Temporary	0.0%
	Hired Through Temporary Staffing (count)	120
Benefits	Eligible for Medical	99.5%
	Eligible for Retirement	92.3%

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

PUBLIC UTILITY TAX EXEMPTION
FOR ELECTROLYTIC PROCESSING INDUSTRY

This chapter covers RCW 82.16.0421 – Public utility tax exemption for sales of electricity made by a light and power business to a chlor-alkali electrolytic processing business or a sodium chlorate electrolytic processing business for the electrolytic process.

Firms that benefit from this incentive were required to complete an annual report by April 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 information specified above is contained in the tables at the end of this chapter.

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

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

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

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

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

The following tables summarize the responses from the three taxpayers who benefited from the incentive in this chapter. The statistics provided reflect business activities during Calendar Year 2011.

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

**Distribution of Employees by Occupation
Calendar Year 2011**

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	10	7.0%
Business, financial, and legal operations	2	1.4
Computer, mathematical, architecture, & engineering	3	2.1
Life, physical, and social science	1	0.7
Community and social services	0	0.0
Education, training, and library	0	0.0
Healthcare practitioners, technical, and support	4	2.8
Protective services, building, and grounds maintenance	0	0.0
Sales and service	23	16.2
Office and administrative support	32	22.5
Construction and extraction	0	0.0
Installation, maintenance, and repair	18	12.7
Production, non-construction trades, and craft	43	30.3
Transportation and material moving	6	4.2
Other (forest, fishery, agriculture, military, arts, media)	0	0.0
TOTAL	142	100.0

Table 19.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2011

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.0%	0.0%	0.0%	0.0%	100.0%
Business, financial, and legal operations	0.0	0.0	0.0	0.0	100.0
Computer, mathematical, architecture, & engineering	0.0	0.0	0.0	33.3	66.7
Life, physical, and social science	0.0	0.0	0.0	100.0	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	100.0
Protective services, building, and grounds maintenance	0.0	0.0	0.0	0.0	0.0
Sales and service	0.0	0.0	0.0	9.6	90.4
Office and administrative support	0.0	0.0	2.3	38.6	59.1
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	0.0	0.0	94.6	5.4
Production, non-construction trades, and craft	0.0	0.0	3.3	81.3	15.4
Transportation and material moving	0.0	0.0	33.3	50.0	16.7
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.0	0.0	0.0	0.0
TOTAL (COUNT)	0	0	4	72	66
PERCENT OF TOTAL (%)	0.0	0.0	2.9	50.4	46.7

Table 19.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2011

Status	Full-Time	100.0%
	Part-Time	0.0%
	Temporary	0.0%
	Hired Through Temporary Staffing (count)	9
Benefits	Eligible for Medical	100.0%
	Eligible for Retirement	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.

PREFERENTIAL BUSINESS AND OCCUPATION TAX RATE
FOR THE 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). The following data are included in this descriptive statistics report for this tax incentive:

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

The information specified above is contained in the tables at the end of this chapter.

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

A preferential B&O tax rate for newspaper businesses was adopted in 2009, effective July 1, 2009; it is codified as RCW 82.04.260(14a). The reduced tax rate is provided for firms in the business of printing a newspaper, publishing a newspaper, or both. The tax rate was reduced from 0.484 percent to 0.2904 percent on July 1, 2009.

Until June 30, 2011, "newspaper" means:

(a) A publication issued regularly at stated intervals at least twice a month and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind, including any supplement of a printed newspaper; and

(b) An electronic version of a printed newspaper that:

(i) Shares content with the printed newspaper; and

(ii) Is prominently identified by the same name as the printed newspaper or otherwise conspicuously indicates that it is a complement to the printed newspaper.

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

(a) Labeled and identified as part of the printed newspaper; and

(b) Circulated or distributed:

- (i) As an insert or attachment to the printed newspaper; or
- (ii) Separate and apart from the printed newspaper so long as the distribution is within the general circulation area of the newspaper.

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

The following tables summarize the responses from the 98 taxpayers who benefited from the incentive in this chapter. The statistics provided reflect business activities during Calendar Year 2011.

**Table 20.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Distribution of Employees by Occupation
Calendar Year 2011**

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	562	11.2%
Business, financial, and legal operations	185	3.7
Computer, mathematical, architecture, & engineering	144	2.9
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	4	0.1
Healthcare practitioners, technical, and support	0	0.0
Protective services, building, and grounds maintenance	16	0.3
Sales and service	825	16.4
Office and administrative support	1,036	20.7
Construction and extraction	2	0.0
Installation, maintenance, and repair	65	1.3
Production, non-construction trades, and craft	1,030	20.5
Transportation and material moving	220	4.4
Other (forest, fishery, agriculture, military, arts, media)	927	18.5
TOTAL	5,016	100.0

Table 20.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2011

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	2.1%	3.4%	8.3%	29.5%	56.7%
Business, financial, and legal operations	6.0	10.8	21.6	50.8	10.8
Computer, mathematical, architecture, & engineering	2.1	6.2	15.3	33.3	43.1
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	25.0	50.0	25.0	0.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	0.0
Protective services, building, and grounds maintenance	18.8	50.0	18.7	12.5	0.0
Sales and service	13.3	32.0	19.5	28.9	6.2
Office and administrative support	8.4	38.7	27.7	22.9	2.2
Construction and extraction	0.0	0.0	0.0	50.0	50.0
Installation, maintenance, and repair	1.5	69.2	3.1	23.1	3.1
Production, non-construction trades, and craft	18.5	26.8	19.1	31.6	3.9
Transportation and material moving	34.6	48.6	16.0	0.9	0.0
Other (forest, fishery, agriculture, military, arts, media)	7.7	25.9	24.6	24.8	17.0
TOTAL (COUNT)	566	1,390	1,022	1,360	676
PERCENT OF TOTAL (%)	11.3	27.7	20.4	27.1	13.5

Table 20.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2011

Status	Full-Time	73.4%
	Part-Time	26.2%
	Temporary	0.5%
	Hired Through Temporary Staffing (count)	108
Benefits	Eligible for Medical	77.8%
	Eligible for Retirement	82.2%

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

SEMICONDUCTOR INDUSTRY INCENTIVES

This chapter covers the following incentives:

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

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

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

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

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

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

Sales/Use Tax Exemption Relating to Production of Semiconductor Materials

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

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

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

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

No descriptive statistics can be provided for these incentive programs because there were fewer 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 at [Tax Incentive Public Disclosure Reports](#).

PREFERENTIAL BUSINESS AND OCCUPATION TAX RATE
FOR SOLAR ENERGY SYSTEMS MANUFACTURERS

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

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

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

The information specified above is contained in the tables at the end of this chapter.

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

A preferential B&O tax rate for solar energy businesses was adopted in 2005 and is codified at RCW 82.04.294. This statute 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, 2014.

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

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

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

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

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

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

"Solar grade silicon" means high-purity silicon used exclusively in components of solar energy systems using photovoltaic modules to capture direct sunlight. "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.

The following tables summarize the responses from the four taxpayers that benefited from the incentive in this chapter. The statistics provided reflect business activities during Calendar Year 2011.

Table 22.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2011

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	86	14.6%
Business, financial, and legal operations	18	3.1
Computer, mathematical, architecture, & engineering	51	8.7
Life, physical, and social science	13	2.2
Community and social services	0	0.0
Education, training, and library	4	0.7
Healthcare practitioners, technical, and support	1	0.2
Protective services, building, and grounds maintenance	0	0.0
Sales and service	12	2.0
Office and administrative support	22	3.7
Construction and extraction	2	0.3
Installation, maintenance, and repair	83	14.1
Production, non-construction trades, and craft	297	50.4
Transportation and material moving	0	0.0
Other (forest, fishery, agriculture, military, arts, media)	0	0.0
TOTAL	589	100.0

Table 22.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS
Percent Distribution of Employees by Occupation and Wages
Calendar Year 2011

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.0%	0.0%	0.0%	5.5%	94.4%
Business, financial, and legal operations	0.0	0.0	0.0	33.0	67.0
Computer, mathematical, architecture, & engineering	0.0	0.0	7.8	7.4	84.8
Life, physical, and social science	0.0	0.0	15.0	70.0	15.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	0.0	75.0	25.0
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	0.0	8.3	41.7	50.0
Office and administrative support	0.0	4.5	31.5	50.6	13.4
Construction and extraction	0.0	0.0	0.0	50.0	50.0
Installation, maintenance, and repair	0.0	1.2	0.0	92.9	5.9
Production, non-construction trades, and craft	0.0	6.4	14.0	72.1	7.5
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	21	56	335	178
PERCENT OF TOTAL (%)	0.0	3.6	9.4	56.8	30.1

Table 22.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2011

Status	Full-Time	99.7%
	Part-Time	0.3%
	Temporary	0.0%
	Hired Through Temporary Staffing (count)	32
Benefits	Eligible for Medical	97.8%
	Eligible for Retirement	97.8%

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

BUSINESS AND OCCUPATION TAX DEDUCTION
FOR 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). 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 three firms that benefited from this incentive. The statistics provided reflect business activities during Calendar Year 2011.

Table 23.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2011

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	114	13.4%
Business, financial, and legal operations	141	16.5
Computer, mathematical, architecture, & engineering	26	3.0
Life, physical, and social science	19	2.2
Community and social services	225	26.4
Education, training, and library	1	0.1
Healthcare practitioners, technical, and support	155	18.2
Protective services, building, and grounds maintenance	1	0.1
Sales and service	0	0.0
Office and administrative support	94	11.0
Construction and extraction	0	0.0
Installation, maintenance, and repair	14	1.6
Production, non-construction trades, and craft	0	0.0
Transportation and material moving	4	0.5
Other (forest, fishery, agriculture, military, arts, media)	59	6.9
TOTAL	853	100.0

Table 23.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2011

	Min				
	Wage <u>to \$10</u>	<u>\$10.01 to \$15</u>	<u>\$15.01 to \$20</u>	<u>\$20.01 to \$30</u>	<u>\$30.01 & Over</u>
Management	0.0%	0.0%	0.9%	3.5%	95.6%
Business, financial, and legal operations	0.0	1.4	41.4	42.8	14.5
Computer, mathematical, architecture, & engineering	0.0	0.0	7.8	15.3	76.8
Life, physical, and social science	0.0	0.0	0.0	100.0	0.0
Community and social services	0.7	13.8	28.8	51.5	5.1
Education, training, and library	0.0	0.0	100.0	0.0	0.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	66.7	33.3
Protective services, building, and grounds maintenance	0.0	100.0	0.0	0.0	0.0
Sales and service	0.0	0.0	0.0	0.0	0.0
Office and administrative support	1.1	38.6	50.5	9.7	0.0
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	50.0	29.0	14.0	7.0
Production, non-construction trades, and craft	0.0	0.0	0.0	0.0	0.0
Transportation and material moving	0.0	0.0	100.0	0.0	0.0
Other (forest, fishery, agriculture, military, arts, media)	32.0	68.0	0.0	0.0	0.0
TOTAL (COUNT)	22	118	183	318	214
PERCENTAGE OF TOTAL (%)	2.5	13.8	21.4	37.2	25.0

Table 23.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2011

Status	Full-Time	83.2%
	Part-Time	7.6%
	Temporary	9.1%
	Hired Through Temporary Staffing (count)	0
Benefits	Eligible for Medical	90.3%
	Eligible for Retirement	88.6%

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