

DESCRIPTIVE STATISTICS
FOR TAX INCENTIVE PROGRAMS

2008 Report Covering
Activity During Calendar Year 2007

A Report to the Legislature

Washington State Department of Revenue
Cindi L. Holmstrom, Director

September 1, 2008



STATE OF WASHINGTON
DEPARTMENT OF REVENUE
OFFICE OF THE DIRECTOR

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September 1, 2008

TO: The Honorable Margarita Prentice
Chair, Senate Ways and Means Committee

The Honorable Ross Hunter
Chair, House Finance Committee

FROM: Cindi L. Holmstrom, Director

SUBJECT: DESCRIPTIVE STATISTICS 2008

This report summarizes information from surveys completed by taxpayers who participated in 12 tax incentive programs during calendar year 2007. The report is prepared in accordance with various incentive statutes intended to provide accountability and a means to evaluate program effectiveness. Statutes require the Department to summarize survey information in descriptive statistics; further analysis of program effectiveness is assigned to the Legislature and to the Department in future years.

B&O and sales tax incentives resulted in reduced state revenues of \$221.7 million in 2007. Most of this was attributable to the B&O tax credit for high technology firms. The deferral/exemption for high technology and rural manufacturers totaled \$127.2 million in reduced state and local sales tax receipts.

For 2007 there were 1,415 taxpayers who participated in these incentive programs and reported a total employment of 282,089. Participants and their employees were counted more than once when they took part in multiple programs. The Department checked surveys for reasonableness and verified responses with tax records or with taxpayers over the phone to the extent possible. Over 300 surveys - approximately 20 percent of all surveys filed - required correction of the data reported. The Department is implementing actions to make it easier for taxpayers to fill out the survey and improve the quality of their responses. These include:

- Pre-filling certain questions on the survey such as registration number and amount of incentive reported in tax records,

The Honorable Margarita Prentice
The Honorable Ross Hunter
September 1, 2008
Page 2

- Building logic checks in the online survey to verify for reasonableness, and
- Proposing legislation to simplify and create more consistency in reporting requirements. The proposal would also extend the due date for the survey to April 30 in order to give taxpayers more time to carefully complete the survey.

The taxpayer survey was administered by our Special Programs Division and the report was compiled by the Research Division. If you have any questions, please contact Mary Welsh, Assistant Director of the Research Division, at (360) 570-6076.

cc: Governor Christine Gregoire
Members, Senate Ways and Means Committee
Members, House Finance Committee
Victor Moore, Director, OFM

TABLE OF CONTENTS

		<u>Page</u>
Chapter 1	Descriptive Statistics for Tax Incentive Programs: Executive Summary.....	1
	Table 1.1 Comparison of Programs, Part I	4
	Table 1.2 Comparison of Programs, Part II	5
	Table 1.3 Participation by Year	6
	Table 1.4 Tax Savings by Year	7
	Table 1.5 Total Jobs by Year.....	8
Chapter 2	B&O Rate Reduction – Repair of Commercial Aircraft	9
	Table 2.1 Exemptions Claimed.....	10
	Table 2.2 Total Employment & Job Type.....	10
	Table 2.3 Employment & Benefits by Wage Bands	11
Chapter 3	B&O Rate Reduction – Timber & Wood Products	12
	Table 3.1 Exemptions Claimed.....	13
	Table 3.2 Total Employment & Job Type.....	13
	Table 3.3 Employment & Benefits by Wage Bands	14
Chapter 4	B&O Tax Exemption - Fruit & Vegetable Processors	15
	Table 4.1 Exemptions Claimed.....	16
	Table 4.2 Total Employment & Job Type.....	17
	Table 4.3 Employment & Benefits by Wage Bands	18
Chapter 5	B&O Tax Exemption – Dairy Products.....	19
	Table 5.1 Exemptions Claimed.....	20
	Table 5.2 Total Employment & Job Type.....	20
	Table 5.3 Employment & Benefits by Wage Bands	21
Chapter 6	B&O Tax Exemption – Seafood Products.....	22
	Table 6.1 Exemptions Claimed.....	23
	Table 6.2 Total Employment & Job Type.....	23
	Table 6.3 Employment & Benefits by Wage Bands	24

Chapter 7	B&O Tax Credit - High Tech R&D Spending	25
	Table 7.1 Income, Credits Claimed & Expenditures	26
	Table 7.2 Credits Claimed by Technology Type.....	27
	Table 7.3 Total Employment & Job Type.....	28
	Table 7.4 Employment & Benefits by Wage Bands	28
	Table 7.5 New Products & Innovations.....	29
Chapter 8	B&O Tax Credit – Work Force Training	30
Chapter 9	B&O Tax Credit – Aircraft Pre-Production Expenditures	31
	Table 9.1 Income, Credits Claimed & Expenditures	32
	Table 9.2 Total Employment & Job Type.....	33
	Table 9.3 Employment & Benefits by Wage Bands	33
	Table 9.4 New Products & Innovations.....	34
Chapter 10	Sales Tax Deferral - Rural Counties	35
	Table 10.1 Deferrals Claimed.....	37
	Table 10.2 Total Employment & Job Type.....	37
	Table 10.3 Employment & Benefits by Wage Bands	38
	Table 10.4 New Products & Innovations.....	38
Chapter 11	Sales Tax Deferral - High Tech Investment.....	39
	Table 11.1 Deferrals Claimed.....	41
	Table 11.2 Deferrals Claimed by Technology Type.....	42
	Table 11.3 Total Employment & Job Type.....	43
	Table 11.4 Employment & Benefits by Wage Bands	43
	Table 11.5 New Products & Innovations.....	44
Chapter 12	Sales/Use Tax Deferral/Exemption for Manufacturing/ Processing Facilities for Fruit and Vegetables and Dairy and Seafood Products and Cold Storage Warehouses	45
	Table 12.1 Deferrals Claimed.....	46
	Table 12.2 Total Employment by Size	47
	Table 12.3 Employment & Benefits by Wage Bands	47
Chapter 13	Sales Tax Deferral – Biotechnology Manufacturers.....	48
	Table 13.1 Deferrals by Size of Employment	49
	Table 13.2 Employment of Participants	50
	Table 13.3 Employment & Benefits by Wage Bands	50
Appendix	2007 Annual Survey - filed by March 31, 2008.....	51

Chapter One

DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS:
EXECUTIVE SUMMARY

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

This report covers activity during calendar year 2007. Taxpayers that used these incentives were required to file a survey by March 31, 2008, and the data reported herein are a synopsis of those surveys. The Department made a concerted effort to notify known participants, including sending reminders and directly contacting firms. However, the statutory reporting schedule allows limited time to complete auditing and verification of the data that was reported on the surveys. The data that are presented are the information that was reported by participants with corrections that were made in the time available.

The 2008 Descriptive Statistics report includes 12 programs:

- B&O tax rate reduction for repair of commercial aircraft
- B&O tax rate reduction for manufacturers of timber and wood products
- B&O tax exemption for fruit/vegetable processors
- B&O tax exemption for producers of dairy products
- B&O tax exemption for producers of seafood products
- B&O tax credit for high tech R&D spending
- B&O tax credit for work force training expenditures
- B&O tax credit for aircraft pre-production expenditures (non-manufacturing)
- Sales tax deferral/exemption for manufacturers in rural counties
- Sales tax deferral/exemption for high tech R&D investments
- Sales tax deferral/exemption for fruit and vegetable processors, manufacturers of dairy and seafood products, and cold storage warehouses
- Sales tax deferral/exemption for biotech manufacturers

It should be noted that two of these programs--the reduced B&O tax rate for aircraft repair and the B&O tax credit for pre-production aerospace expenditures--no longer require annual surveys as a result of a 2008 change in the law. However, they are included in this report to present the 2007 data.

Basic information for all 12 programs is illustrated in Tables 1.1 and 1.2.

Table 1.3 indicates that the B&O tax credit for research and development spending had the most participants in 2007 with 508 firms. Some firms participated in more than one program, so the overall participant counts are not additive. Also, some program information is not shown in this report because of disclosure requirements. The Department must aggregate certain data for at least three taxpayers to avoid revealing confidential taxpayer information.

Next, the aggregate revenue impacts are shown in Table 1.4. The dollar amounts for the B&O tax exemptions and credits represent taxes that would otherwise have been paid during the calendar year. In contrast, the sales/use tax figures reflect the total state and local tax amounts that were deferred (and presumably will be exempt if qualifying criteria continue to be met) over the eight-year reporting period. Sales tax deferral/exemption participants first report in the year following the year in which the project was certified as operationally complete; they continue to report for the following seven years as well. Thus, the information for these programs is not additive over time because the same sales tax impact data and employment information is repeated for the following seven years to assure continued eligibility for the eventual exemption. As a result, the 2008 surveys include sales tax deferral projects completed in calendar years 2000 through 2007.

The dollar totals for the high technology programs in Tables 7.2 and 11.2, which provide a breakdown by type of technology, did not match with the total reported dollar amounts claimed as shown in Tables 7.1 and 11.1 because some reporters failed to indicate the specific technology or reported multiple technologies on their surveys.

The program with the largest impact on tax receipts was the high tech sales tax deferral/exemption with a total revenue cost of \$127.2 million. Close behind was the rural county sales tax deferral/exemption with an aggregate impact of \$57 million. (As noted above, the dollar amount of the sales tax deferral/exemptions for a particular investment is reported each year up to a total of eight years. Both sales tax programs include local sales tax impacts.) The other incentive with a relatively large revenue impact was the B&O tax credit for high technology with a reported \$19.8 million impact.

Table 1.5 summarizes the total employment of tax incentive participants. These are NOT new jobs associated with the expansion of the firm. Rather, they are the total in-state jobs reported by firms who claimed the incentive. As with the total count of participants, the employment information is not additive because some firms reported total employment under more than one incentive program. There was some discrepancy in the reported number of jobs, particularly for firms with fewer than 50 employees. This may have been due to sole proprietors who did not count owners of the firm as employees. Also, the numbers did not exactly match when broken down by size of firm and by wage band.

Chapter One

The most jobs were associated with the high tech sales tax deferral/exemption, comprising 108,894 jobs for the firms that utilized the tax incentives in 2007. Following closely was the high tech B&O tax credit with 96,130 jobs. The rural county sales tax deferral/exemption totaled 38,530 jobs, and manufacturers of timber and wood products that claimed the reduced B&O tax rate reported a total of 23,499 jobs.

The remainder of the report consists of one chapter for each of the 12 programs. These chapters start with background information about the tax incentives, followed by tables which contain more detailed information as specified by statute.

Chapter One

**Table 1.1
COMPARISON OF TAX INCENTIVE PROGRAMS**

Overview of Programs Requiring Annual Descriptive Statistics - Part I

<u>Tax Incentive Program/Chapter</u>	<u>Statutory References</u>		<u>Program Dates</u>	
	<u>Tax Incentive</u>	<u>Accountability</u>	<u>1st Effective</u>	<u>Expires</u>
B&O TAX RATE REDUCTIONS:				
Aircraft repair (C 2)*	82.04.250(3)	82.32.640	08/01/2003	07/01/2011
Manuf. timber/wood (C 3)	82.04.260(12)	82.32.630	07/01/2006	06/30/2024
B&O TAX EXEMPTIONS/DEDUCTIONS:				
Fruit & vegetables (C 4)	82.04.4266	82.32.610	07/01/2005	07/01/2012
Dairy products (C 5)	82.04.4268	82.32.610	07/01/2006	07/01/2012
Seafood products (C 6)	82.04.4269	82.32.610	07/01/2006	07/01/2012
B&O TAX CREDITS:				
High tech R&D (C 7)	82.04.4452	82.04.4452	01/01/1995	01/01/2015
Work force training (C 8)	82.04.449	82.32.650	06/07/2006	07/01/2016
Aircraft, pre-production (C 9)*	82.04.4487	82.32.635	07/01/2006	07/01/2024
SALES TAX EXEMPTIONS/DEFERRALS:				
Rural Counties (C 10)	82.60.040	82.60.070	07/01/1985	07/01/2010
High tech R&D (C 11)	82.63.030	82.63.020	01/01/1995	01/01/2015
Ag products/cold storage (C12)	82.74.030	82.74.040	07/01/2007	07/01/2012
Biotech manufacturing (C 13)	82.75.030	82.32.645	07/01/2006	01/01/2017

*Inclusion in Descriptive Statistics was repealed in 2008; they are continued here to report the 2007 data.

Table 1.2
COMPARISON OF TAX INCENTIVE PROGRAMS

Overview of Programs Requiring Annual Descriptive Statistics - Part II

Tax Incentive Program / Chapter	Annual Survey		Summary of Tax Incentive
	First Report	Electronic Filing	
B&O TAX RATE REDUCTIONS:			
Aircraft repair (C 2)*	2007	Yes	Rate of 0.2904% for firms certified by FAA to repair commercial aircraft*.
Manuf. timber/wood (C 3)	2007	Yes	Rate of 0.2904% (FY 2007 = 0.4235%) for processing timber/manuf. wood products.
B&O TAX EXEMPTIONS/DEDUCTIONS:			
Fruit & vegetables (C 4)	2006	Yes	Exemption for income from processing fresh fruit & vegetables if sold out of state.
Dairy products (C 5)	2007	Yes	Exemption for income from manufacturing dairy products if sold out of state.
Seafood products (C 6)	2007	Yes	Exemption for income from manufacturing raw seafood products if sold out of state.
B&O TAX CREDITS:			
High tech R&D (C 7)	2005	Yes	Credit for expenditures on R&D by firms in five high tech areas.
Work force training (C 8)	2007	No	50% of payments by employers who participate in customized employment training.
Aircraft, pre-production (C 9)**	2007	Yes	Tax credit for pre-production costs for all of aerospace industry.**
SALES TAX EXEMPTIONS/DEFERRALS:			
Rural counties (C 10)	2005	No	Deferral/exemption for manufacturing or R&D facilities in rural counties or CEZs.
High tech R&D (C 11)	2005	No	Deferral/exemption for R&D/pilot scale manuf. facilities by firms in five high tech areas.
Ag products/cold storage (C 12)	2008	Yes	Deferral/exemption for processing fresh fruit/vegetables, dairy, seafood & cold storage.
Biotech manufacturing (C 13)	2007	No	Deferral/exemption for facilities to manufacture biotech products or medical devices.

* Incentive broadened to include all certified FAA repair of commercial aircraft in 2008. Annual report still required but inclusion in Descriptive Statistics was repealed. This category is retained for the 2008 report in order to present the data for 2007.

**Incentive broadened to include pre-production expenditures for all aerospace firms, including non-manufacturers. Annual report still required but inclusion in Descriptive Statistics was repealed. This category is retained for the 2008 report in order to present the data for 2007.

Chapter One

Table 1.3
SUMMARY OF DESCRIPTIVE STATISTICS BY PROGRAM

Participation in Tax Incentive Programs by Calendar Year

Program	Number of Participants				
	2004	2005	2006	2007	2008
B&O RATE REDUCTIONS:					
Aircraft repair	n.a.	n.a.	3	5	#
Manuf. timber/wood	n.a.	n.a.	323	357	#
B&O EXEMPTIONS/DEDUCTIONS:					
Fruit & vegetables	32	42	40	111	#
Dairy products	n.a.	n.a.	4	9	#
Seafood products	n.a.	n.a.	4	13	#
B&O CREDITS:					
High tech R&D	557	535	484	508	#
Work force training	n.a.	n.a.	0	D	#
Aircraft, pre-production	n.a.	n.a.	4	19	#
SALES TAX EXEMPTIONS/DEFERRALS:					
Rural counties	256	238	255	293	#
High tech R&D	92	76	84	91	#
Ag products/cold storage	n.a.	n.a.	n.a.	5	#
Biotech manufacturing	n.a.	n.a.	0	4	#

n.a. = not applicable, because program does not yet require descriptive statistics

= data to be added in future years

Chapter One

Table 1.4
SUMMARY OF DESCRIPTIVE STATISTICS BY PROGRAM

Tax Savings Associated with Tax Incentive Programs by Calendar Year

Program	Tax Savings (\$ in millions)				
	2004	2005	2006	2007	2008
B&O RATE REDUCTIONS:					
Aircraft repair	n.a.	n.a.	\$ 0.0	\$ 0.4	#
Manuf. timber/wood	n.a.	n.a.	\$ 1.8	\$ 7.9	#
B&O EXEMPTIONS/DEDUCTIONS:					
Fruit & vegetables	n.a.	\$ 2.6	\$ 4.7	\$ 4.4	#
Dairy products	n.a.	n.a.	\$ 0.4	\$ 1.3	#
Seafood products	n.a.	n.a.	\$ 0.3	\$ 1.3	#
B&O CREDITS:					
High tech R&D	\$ 25.3	\$ 19.8	\$ 17.5	\$ 19.8	#
Work force training	n.a.	n.a.	\$ -	D	#
Aircraft, pre-production	n.a.	n.a.	\$ 0.2	\$ 0.7	#
SALES TAX EXEMPTIONS/DEFERRALS:					
Rural counties	\$ 58.2	\$ 57.5	\$ 63.2	\$ 57.0	#
High tech R&D	\$ 82.8	\$ 65.9	\$ 80.0	\$ 127.2	#
Ag products/cold storage	n.a.	n.a.	n.a.	\$ 0.3	#
Biotech manufacturing	n.a.	n.a.	\$ -	\$ 1.4	#

n.a. = not applicable, because program does not yet require descriptive statistics

= data to be added in future years

Chapter One

Table 1.5
SUMMARY OF DESCRIPTIVE STATISTICS BY PROGRAM

Total Jobs for Tax Incentive Program Participants by Calendar Year

Program	Number of Total Jobs in Washington Reported by Participants				
	2004	2005	2006	2007	2008
B&O RATE REDUCTIONS:					
Aircraft repair	n.a.	n.a.	225	1,576	#
Manuf. timber/wood	n.a.	n.a.	20,986	23,499	#
B&O EXEMPTIONS/DEDUCTIONS:					
Fruit & vegetables	5,674	9,583	9,249	8,626	#
Dairy products	n.a.	n.a.	924	1,227	#
Seafood products	n.a.	n.a.	1,583	2,111	#
B&O CREDITS:					
High tech R&D	83,959	83,261	88,357	96,130	#
Work force training	n.a.	n.a.	0	D	#
Aircraft, pre-production	n.a.	n.a.	280	1,074	#
SALES TAX EXEMPTIONS/DEFERRALS:					
Rural counties	28,562	29,853	31,168	38,530	#
High tech R&D	71,589	87,073	94,873	108,894	#
Ag products/cold storage	n.a.	n.a.	n.a.	184	#
Biotech manufacturing	n.a.	n.a.	0	238	#

n.a. = not applicable, because program does not yet require descriptive statistics

= data to be added in future years

Chapter Two

BUSINESS AND OCCUPATION TAX RATE REDUCTION
FOR REPAIR OF COMMERCIAL AIRCRAFT

The original preferential B&O tax rate for firms that repair commercial aircraft was adopted in 2003, effective August 1, 2003; it was codified as RCW 82.04.250(3) and expired on July 1, 2006. The reduced business tax was provided for firms that met specific certifications by the Federal Aviation Administration (FAA) for commercial aircraft repair. The rate was 0.275 percent instead of the regular retailing rate of 0.471 percent. Consequently the application of the program was limited in scope.

Then, in 2006, the statute was amended. The expiration date was extended to July 1, 2011. The reduced tax rate was slightly increased to 0.2904 percent so that it was consistent with other aerospace-related B&O tax rate incentives. Finally, in 2008 the statute was broadened to cover virtually all FAA certified repair of commercial aircraft as part of the aerospace tax incentive restructuring discussed in Chapter Nine.

Firms that utilize the preferential rate were directed to complete an annual survey which forms the basis for this report (RCW 82.32.640). This statute was repealed as part of the 2008 legislation and these firms must now submit an annual report, consistent with other aerospace incentives. Including the information in the Descriptive Statistics for aircraft repair was repealed in 2008. Thus, this chapter covering calendar year 2007 is the final report for this tax incentive. The following data were 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
 - \$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. However, because of the small number of respondents, the breakdown of firm size and wage bands is not indicated.

Chapter Two

Table 2.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**B&O Tax Rate Reduction for Firms That Repair Commercial Aircraft
Reduction in B&O Tax Claimed by Size of Employment
Calendar Year 2007**

<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	D	D
50 plus	D	D
TOTAL	5	\$363,960

D = Unable to disclose due to limited number of respondents

Table 2.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**B&O Tax Rate Reduction for Firms That Repair Commercial Aircraft
Total Washington Employment of Participants by Size of Employment
Calendar Year 2007**

<u>Size of Washington Employment</u>	<u># 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	D	D	D	D	D
50 plus	D	D	D	D	D
TOTAL	5	1,576	99.2%	0.8%	0.0%

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

D = Unable to disclose due to limited number of respondents

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

**B&O Tax Rate Reduction for Firms That Repair Commercial Aircraft
Employment and Employee Benefits by Wage Band
Calendar Year 2007**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	D	D	D	D
\$30,000 - \$60,000	D	D	D	D
\$60,000 or more	D	D	D	D
TOTAL	1,576	1,262	1,245	1,060

D = Unable to break out wage bands due to disclosure requirements

Chapter Three

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 business tax is provided for firms that extract timber, manufacture timber into timber or wood products, or make wholesale sales of timber or 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 (Fiscal Year 2007) and then to 0.2904 percent starting on July 1, 2007. This rate remains in effect until the end of Fiscal Year 2024.

Firms that utilize this preferential rate were directed to complete an annual survey by March 31 which forms the basis for this report (RCW 82.32.630). 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
 - \$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 six months of the 0.4235 percent rate and six months of the 0.2904 percent rate for calendar year 2007.

Chapter Three

Table 3.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

B&O Tax Rate Reduction for Manufacturing Timber & Wood Products
Reduction in B&O Tax Claimed by Size of Employment
Calendar Year 2007

Total Washington Employment of Participants	Number of Firms Claiming Reduced Reduced B&O Tax	Total Reduction in B&O Tax Reported
Fewer than 50	293	\$1,738,865
50 - 250	46	\$1,862,179
More than 250	18	\$4,279,981
TOTAL	357	\$7,881,025

Table 3.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

B&O Tax Rate Reduction for Manufacturing Timber & Wood Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2007

Size of Washington Employment	Number of Firms Claiming Reduced B&O Tax	Total Employment in Washington of Firms Claiming Reduced B&O Tax	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	293	2,317	86.4%	9.7%	3.9%
50 - 250	46	5,481	98.8%	1.2%	0.1%
More than 250	18	15,701	98.6%	1.0%	0.4%
TOTAL	357	23,499	97.4%	1.9%	0.7%

Table 3.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**B&O Tax Rate Reduction for Manufacturing Timber & Wood Products
Employment and Employee Benefits by Wage Band
Calendar Year 2007**

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	3,535	2,300	2,113	1,789
\$30,000 - \$60,000	13,834	11,119	11,024	11,005
\$60,000 or more	6,124	5,833	5,777	5,624
TOTAL	23,493	19,252	18,914	18,418

*Total does not agree with Table 3.2 due to incomplete reporting by survey respondents.

Chapter Four

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. The exemption became effective on July 1, 2005.

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

In 2006 a termination date was added to the exemption; the B&O exemption for processing of fresh fruit and vegetables will expire on July 1, 2012. At that time income from processing of these items will return to the preferential B&O tax rate classification of 0.138 percent in effect prior to July 1, 2005. NOTE: The 2006 legislation also provided the same exemption for processing of dairy and seafood products; these tax incentives are discussed separately in Chapters Five and Six.

RCW 82.32.610 established 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 March 31. 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
 - \$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.

**Table 4.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Fruit and Vegetable Processors
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2007**

<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	84	\$1,147,276
50 - 250	19	\$1,172,812
More than 250	8	\$2,101,869
TOTAL	111	\$4,421,957

Chapter Four

Table 4.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS
Fruit and Vegetable Processors
Total Washington Employment of Participants by Size of Employment
Calendar Year 2007

<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	84	812	52.1%	38.8%	9.1%
50 - 250	19	1,711	73.8%	8.4%	17.8%
More than 250	8	6,103	82.8%	15.0%	2.2%
TOTAL	111	8,626	78.2%	15.9%	5.9%

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

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

**Fruit and Vegetable Processors
Employment and Employee Benefits by Wage Band
Calendar Year 2007**

Wage Bands	Washington Employment by Wage Bands*	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	5,239	2,679	2,592	2,853
\$30,000 - \$60,000	2,689	2,395	2,316	2,242
\$60,000 or more	694	665	634	571
TOTAL	8,622	5,739	5,542	5,666

*Total does not agree with Table 4.2 due to incomplete reporting by survey respondents.

Chapter Five

BUSINESS AND OCCUPATION TAX EXEMPTION
FOR MANUFACTURERS OF DAIRY PRODUCTS

A parallel exemption to the exemption for fruit and vegetable processors (Chapter Four) 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. The exemption for dairy products was effective on July 1, 2006.

The exemption for dairy products will expire on July 1, 2012. At that time income from the manufacture of these items will return to the preferential B&O tax rate classification of 0.138 percent.

RCW 82.32.610 established accountability provisions for the dairy products 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 March 31. 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
 - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

Table 5.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Dairy Products
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2007

<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	4	\$55,945
50 plus	5	\$1,270,972
TOTAL	9	\$1,326,917

Table 5.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Dairy Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2007

<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	4	31	96.8%	3.2%	0.0%
50 plus	5	1,196	95.8%	3.3%	0.8%
TOTAL	9	1,227	95.9%	3.3%	0.8%

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

Table 5.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Dairy Products
Employment and Employee Benefits by Wage Band
Calendar Year 2007

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	156	106	101	114
\$30,000 - \$60,000	854	797	802	804
\$60,000 or more	217	209	211	213
TOTAL	1,227	1,112	1,114	1,131

Chapter Six

BUSINESS AND OCCUPATION TAX EXEMPTION
FOR MANUFACTURERS OF SEAFOOD PRODUCTS

Similar to the exemption for producers of dairy products (Chapter Five), 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. The exemption for seafood products was effective on July 1, 2006.

The exemption for seafood products will expire on July 1, 2012. At that time income from manufacturing of these items will return to the preferential B&O tax rate classification of 0.138 percent.

RCW 82.32.610 established 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 March 31. 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
 - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

Table 6.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Seafood Products
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2007

<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	10	\$690,592
50 plus	3	\$566,126
TOTAL	13	\$1,256,718

Table 6.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Seafood Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2007

<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	10	95	55.0%	42.9%	2.1%
50 plus	3	2,016	55.9%	4.4%	39.6%
TOTAL	13	2,111	55.9%	6.2%	37.9%

Table 6.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Seafood Products
Employment and Employee Benefits by Wage Band
Calendar Year 2007

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	850	497	497	411
\$30,000 - \$60,000	897	485	483	791
\$60,000 or more	364	361	361	347
TOTAL	2,111	1,343	1,341	1,549

Chapter Seven

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

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

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

The credit is allowed for eligible expenditures on research and development in excess of 0.92 percent of the firm's taxable income. The percentage threshold was based on national average expenditures for R&D. The calculation procedure to determine the credit amount was revised in 2004 and again in 2005. The firm first determines its qualified R&D expenditures pursuant to RCW 82.04.4452(9)(b). 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 is 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 in Subsection 6 of the same statute. Taxpayers who claim the B&O tax credit are to file a survey 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
 - \$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.

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

**High Technology Firms
B&O Tax Credits Claimed by Size of Employment
Calendar Year 2007**

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	356	\$2,965,042	\$750,913,595	\$382,417,002
50 - 250	109	\$5,523,594	\$1,994,875,389	\$794,767,212
More than 250	43	\$11,309,550	\$6,872,287,091	\$5,267,865,089
TOTAL	508	\$19,798,186	\$9,618,076,075	\$6,445,049,303

Table 7.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
B&O Tax Credits Claimed by Category of Technology
Calendar Year 2007

<u>Category of High Technology</u>	<u>Number of Firms Claiming B&O Tax Credits*</u>	<u>Total B&O Tax Credits Claimed</u>	<u>B&O Taxable Income for which Credit is Claimed</u>	<u>Total Qualified Expenditures by Participants</u>
Advanced Computing	254	\$7,975,210	\$2,499,557,665	\$4,643,764,187
Advanced Materials	37	\$1,389,544	\$860,962,466	\$139,844,450
Biotechnology	71	\$2,886,600	\$447,365,191	\$560,816,952
Electronic Devices	162	\$3,345,431	\$3,063,709,339	\$574,327,899
Environmental	36	\$2,864,098	\$1,586,116,100	\$419,942,250
Other or Not Specified	39	\$1,246,559	\$1,159,741,913	\$106,094,584
TOTAL	599	\$19,707,442	\$9,617,452,673	\$6,444,790,322

*Total number of firms does not agree with Table 7.1 due to incomplete reporting by survey respondents, and some firms reported under multiple technology categories.

Table 7.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2006

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	356	4,838	89.7%	8.0%	2.3%
50 - 250	109	13,070	95.4%	2.2%	2.5%
More than 250	43	78,222	82.4%	1.3%	16.3%
TOTAL	508	96,130	84.5%	1.8%	13.7%

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

Table 7.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2007

Wage Bands	Washington Employment by Wage Bands*	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	4,783	3,092	3,035	2,243
\$30,000 - \$60,000	16,171	14,804	13,741	12,037
\$60,000 or more	75,093	61,470	60,982	55,243
TOTAL	96,047	79,366	77,758	69,523

*Total does not agree with Table 7.3 due to incomplete reporting by survey respondents.

Table 7.5
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
New Products and Innovations Developed by Participants
Calendar Year 2007

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	356	2,696	1,675	88	167	20
50 - 250	109	1,247	455	144	120	23
More than 250	43	2,083	5,034	115	2,878	382
TOTAL	508	6,026	7,164	347	3,165	425

Chapter Eight

BUSINESS AND OCCUPATION TAX CREDIT
FOR WORK FORCE TRAINING EXPENDITURES

A B&O tax credit for training costs was established in 2006, effective June 7, 2006. The credit is codified as RCW 82.04.449 and is scheduled to expire on July 1, 2016. It enables employers to take a credit of up to one-half of their expenditures for customized training at community and technical colleges in Washington, pursuant to the program established in RCW 28B.67.030. The program requires that participating employers increase their employment in this state by at least 75 percent of the number of employees who are enrolled in the training program.

The statute also established an annual survey requirement for program participants (RCW 82.32.650). Taxpayers claiming the B&O tax credit are to file a survey annually by March 31. 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
 - \$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. Only two firms provided survey data in 2007, reporting \$2,147 in tax credits. The employment portion of the survey is considered confidential taxpayer information and cannot be included in this report.

Chapter Nine

**BUSINESS AND OCCUPATION TAX CREDIT FOR
AIRCRAFT PRE-PRODUCTION EXPENDITURES**

This B&O tax credit was established in 2006, effective July 1, 2006. Codified as RCW 82.04.4487, it was repealed as part of a restructuring of aerospace tax incentives (Chapter 81, Laws of 2008). Instead of including “pre-production” expenditures, the previous tax credit in RCW 82.04.4461 was revised to include all “aerospace product development” expenditures for any aerospace products, whether or not the firm actually manufactures commercial airplanes or components. This extended the credit to firms that produce tooling or provide only aerospace R&D or other services.

RCW 82.04.4461, adopted in 2003, established a similar credit for pre-production expenses devoted to development of commercial airplanes or component parts of commercial airplanes; the tax credit applies to developmental expenses made prior to the actual manufacture of such an airplane or component. However, that program requires firms to file the report rather than the annual survey. Prior to 2008 the credit applied only to firms that actually manufacture or assemble a commercial airplane or its components.

The program in RCW 82.04.4487 was directed toward other companies that do not actually manufacture such an aircraft or its components but incur similar pre-production expenses related to the manufacture of a commercial aircraft. Eligible pre-production expenditures under both programs included R&D, design, and engineering activities in relation to development of a commercial aircraft, product line, or model, including development, testing, and certification of prototypes.

Pursuant to RCW 82.32.635, which was also repealed by the 2008 restructuring legislation, taxpayers who claimed the B&O tax credit under RCW 82.04.4487 were required to file the annual survey. Based on the data reported, the Department must compile summary statistics on the program and report annually to the Legislature. The following data were required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of tax credit taken.
- Qualified expenditures for aircraft pre-production.
- 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
 - \$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. However, because of the limited number of respondents, the breakdowns by firm size and wage bands are not shown.

The 2008 amendments to the aerospace tax incentives continued to require an annual report to be filed by program participants. However, it removed the requirement for the Department to include the information in the annual Descriptive Statistics report. Thus, this report for calendar year 2007 will be the final time that this report contains data on what was formerly known as the pre-production B&O tax credit.

Table 9.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS
Aircraft Pre-production Expenditures
B&O Tax Credits Claimed by Size of Employment
Calendar Year 2007

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	14	\$161,203	\$17,963,104	\$10,932,765
50 plus	5	\$555,918	\$55,427,755	\$36,872,640
TOTAL	19	\$717,121	\$73,390,859	\$47,805,405

Chapter Nine

Table 9.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Aircraft Pre-production Expenditures
Total Washington Employment of Participants by Size of Employment
Calendar Year 2007

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	14	63	87.3%	1.6%	11.1%
50 plus	5	1,011	91.8%	1.3%	7.0%
TOTAL	19	1,074	91.5%	1.3%	7.2%

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

Table 9.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Aircraft Pre-production Expenditures
Employment and Employee Benefits by Wage Band
Calendar Year 2007

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	D	D	D	D
\$30,000 - \$60,000	D	D	D	D
\$60,000 or more	D	D	D	D
TOTAL	1,074	910	896	841

D = Unable to disclose due to limited number of respondents

Table 9.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Aircraft Pre-production Expenditures
New Products and Innovations Developed by Participants
Calendar Year 2007

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	14	0	1	0	0	0
50 plus	5	1	0	0	0	0
TOTAL	19	1	1	0	0	0

Chapter Ten

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

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

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

Initially the program was scheduled to expire after six years on June 30, 1991; this date was extended several times so that now applications for the program will not be accepted on or after July 1, 2010.

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. Taxpayers taking the sales tax deferral/exemption were required to file an annual survey containing specified information. The survey must be filed by March 31 of the year after which the investment project is certified by the Department as being operationally complete. Thereafter, the taxpayer must also file the survey in each of the subsequent seven years. Based on this data, the Department was directed to compile the summary statistics which are presented in this report.

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

- Dollar amount of sales/use tax deferred.
- Number of new products or research projects developed.
- Number of trademarks, patents, or copyrights associated with the activities.
- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
 - Less than \$30,000
 - \$30,000 to \$59,999
 - \$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.

It should be remembered that the data reported for the sales tax deferral/exemption are not additive over time. This is due to the requirement for firms to submit survey information for completed projects initially in the year after the project is complete, plus surveys in each of the following seven years. Thus, the information reported for calendar year 2007 includes projects completed in each of the years from 2000 through 2007.

Table 10.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers & R&D Firms in Rural Counties
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2007

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferrals Taken</u>
Fewer than 50	170	\$12,356,170
50 - 250	98	\$23,438,320
More than 250	25	\$21,163,215
TOTAL	293	\$56,957,705

Table 10.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers & R&D Firms in Rural Counties
Total Washington Employment of Participants by Size of Employment
Calendar Year 2007

<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	170	2,379	85.5%	12.6%	1.8%
50 - 250	98	10,452	92.2%	4.4%	3.4%
More than 250	25	25,699	96.0%	1.5%	2.5%
TOTAL	293	38,530	94.3%	3.0%	2.7%

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

Chapter Ten

Table 10.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Investments by Manufacturers and R&D Firms in Rural Counties
Employment and Employee Benefits by Wage Band
Calendar Year 2007**

Wage Bands	Washington Employment by Wage Bands*	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	13,265	8,019	6,891	6,551
\$30,000 - \$60,000	18,041	14,703	14,161	14,002
\$60,000 or more	7,095	6,593	6,488	6,420
TOTAL	38,401	29,315	27,540	26,973

*Total does not agree with Table 10.2 due to incomplete reporting by survey respondents.

Table 10.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Investments by Manufacturers & R&D Firms in Rural Counties
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2007**

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	170	236	5	12	0	0
50 - 250	98	52	0	1	5	1
More than 250	25	68	1,097	16	21	0
TOTAL	293	356	1,102	29	26	1

Chapter Eleven

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 Seven). 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. The survey must be filed by March 31 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 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
 - \$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 reported for the sales tax deferral/exemption are not additive over time. This is due to the requirement for firms to submit survey information initially in the year after the project is complete, plus surveys in each of the following seven years. Thus, the information reported for calendar year 2007 includes projects completed in each of the years from 2000 through 2007.

Table 11.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2007

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferrals Taken</u>
Fewer than 50	34	\$9,290,319
50 - 250	39	\$14,179,347
More than 250	18	\$103,731,197
TOTAL	91	\$127,200,863

Table 11.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
Retail Sales/Use Tax Deferrals Claimed by Category of Technology
Calendar Year 2007

<u>Category of High Technology</u>	<u>Number of Firms Claiming Sales Tax Deferrals*</u>	<u>Total State/Local Sales Tax Deferrals Taken*</u>
Advanced Computing	24	\$52,974,159
Advanced Materials	3	\$744,321
Biotechnology	44	\$57,950,813
Electronic Devices	21	\$10,470,139
Environmental	8	\$2,738,108
Other or Not Specified	8	\$595,975
TOTAL	108	\$125,473,514

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

Chapter Eleven

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

**Investments in R&D by High Technology Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2007**

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	34	458	90.3%	7.5%	2.2%
50 - 250	39	5,243	91.0%	6.5%	2.5%
More than 250	18	103,193	68.9%	12.7%	18.3%
TOTAL	91	108,894	70.1%	12.4%	17.5%

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

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

**Investments in R&D by High Technology Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2007**

Wage Bands	Washington Employment by Wage Bands*	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	19,146	6,118	6,329	6,150
\$30,000 - \$60,000	21,921	20,911	20,616	18,421
\$60,000 or more	66,916	54,529	54,682	49,976
TOTAL	107,983	81,558	81,627	74,547

*Total does not agree with Table 11.3 due to incomplete reporting by survey respondents.

Table 11.5
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2007

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Innovations by Participants		Evidence of Innovations		
		New Products or Processes	New Research Projects	Trademarks	Patents	Copyrights
Fewer than 50	34	107	21	5	15	0
50 - 250	39	245	245	21	61	2
More than 250	18	1,697	4,155	95	1,842	90
TOTAL	91	2,049	4,421	121	1,918	92

Chapter Twelve

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

This program was initially adopted in 2005 and then expanded in 2006. It is codified as chapter 82.74 RCW. It seeks to encourage investment in Washington by firms that process fresh fruit and vegetables, dairy products and seafood products. In addition, cold storage facilities for these products, as well as structures and equipment devoted to research and development for these industries, qualify for the tax deferral. The 2005 legislation targeted only fresh fruit and vegetables; the 2006 amendment added dairy and seafood products. The tax deferral for each of these facilities was effective on July 1, 2007. The program is scheduled to expire on June 30, 2012.

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

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

Expenditures for the construction of manufacturing or processing of these agricultural products are eligible for the deferral. Acquisition of related machinery also qualifies (but since the firm must be engaged in manufacturing, the purchase of eligible manufacturing machinery would be exempt from sales tax in any event under RCW 82.08.02565). As long as the facility or machinery continues to qualify for the intended purposes, the deferred sales/use tax does not need to be repaid. Taxpayers are required to submit an application 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 containing specified information pursuant to RCW 82.74.040. The survey must be filed by March 31 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 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
 - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information that was reported for calendar year 2007 includes only projects that were operationally completed during 2007, after the effective date of July 1, 2007. Due to the limited number of participants, the tables broken down by size of firm are limited.

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

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

**Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2007**

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferrals Taken
Fewer than 50 - 250	5	\$288,921
250 plus	0	0
TOTAL	5	\$288,921

Table 12.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

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

**Total Washington Employment of Participants by Size of Employment
Calendar Year 2007**

Size of Washington Employment	# of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50 - 250	5	184	80.0%	17.0%	3.0%
250 plus	0	0	0.0%	0.0%	0.0%
TOTAL	5	184	80.0%	17.0%	3.0%

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

Table 12.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

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

**Employment and Employee Benefits by Wage Band
Calendar Year 2007**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	131	86	85	29
\$30,000 - \$60,000	46	45	43	27
\$60,000 or more	7	7	7	3
TOTAL	184	138	135	59

Chapter Thirteen

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 82.32.645. The survey must be filed by March 31 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 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
 - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information that would be reported for calendar year 2007 includes only projects that were operationally completed during 2007. Applications for the program were first received during 2006, but none of the projects had yet been completed. Therefore, this is the first year that descriptive statistics tables have been included in this report.

Table 13.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Biotechnology Manufacturers
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2007

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferrals Taken</u>
Fewer than 50 - 250	4	\$1,434,220
250 plus	0	0
TOTAL	4	\$1,434,220

Chapter Thirteen

Table 13.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Biotechnology Manufacturers
Total Washington Employment of Participants by Size of Employment
Calendar Year 2007

Size of Washington Employment	# of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	4	238	93.4%	4.4%	2.2%
50 - 250	D	D	D	D	D
More than 250	0	0	0.0%	0.0%	0.0%
TOTAL	4	238	93.4%	4.4%	2.2%

*Percentages may not add to 100% because not all survey respondents provided complete information.
D = Unable to disclose due to limited number of respondents

Table 13.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Biotechnology Manufacturers
Employment and Employee Benefits by Wage Band
Calendar Year 2007

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	D	D	D	D
\$30,000 - \$60,000	34	26	26	17
\$60,000 or more	204	201	202	176
TOTAL	238	227	228	193

D = Unable to disclose due to limited number of respondents

Appendix

2007 ANNUAL SURVEY (due March 31, 2008)

The link to the electronic version of the survey is:

<http://dor.wa.gov/Docs/Pubs/Misc/81%201014%20%202007%20Annual%20Survey%20REV%2011-08.pdf>



Washington State
 Department of Revenue
 Miscellaneous Tax
 Section
 PO Box 47477
 Olympia WA 98504

2007 Annual Survey for Tax Incentive Programs Preferential Rates/Credits/Exemptions/Deferrals

Department of Revenue Tax Registration Number (TRN) _____ - _____ - _____		UBI Number used with Department of Employment Security (if this number differs from DOR Tax Registration Number) _____ - _____ - _____	
Name of Business as Registered		Contact Person	
Phone Number ()		Employment Security Reference Number(s)	
Tax Incentive taken (check all boxes that apply):			
<input type="checkbox"/> Rural County Sales & Use Tax Deferral <input type="checkbox"/> High Technology Sales & Use Tax Deferral <input type="checkbox"/> B&O Tax Exemptions for Fruit and Vegetable Processors <input type="checkbox"/> High Technology Business & Occupation Tax Credit <input type="checkbox"/> Non-Manufacturing Aerospace B&O Credit for Preproduction Spending <input type="checkbox"/> Fruit and Vegetables Processors Sales & Use Tax Deferral <input type="checkbox"/> Dairy Product Manufacturers Sales & Use Tax Deferral		<input type="checkbox"/> FAR part 145 repair station B&O Tax Reduction <input type="checkbox"/> Dairy Products B&O Exemption <input type="checkbox"/> Seafood Products B&O Exemption <input type="checkbox"/> Customized Employment Training Credit <input type="checkbox"/> Timber Tax Incentives <input type="checkbox"/> Biotechnology & Medical Device Mfg. Sales & Use Tax Deferral <input type="checkbox"/> Cold Storage Warehouse Sales & Use Tax Deferral <input type="checkbox"/> Seafood Product Manufacturers Sales & Use Tax Deferral	

You must file this survey with the Department of Revenue by **March 31, 2008.**

If your business received a Rural County, High Technology, Biotech & Medical Device Manufacturer, Fresh Fruit & Vegetable Processor, Dairy Product Manufacturer, Cold Storage Warehouse, or Seafood Product Manufacturers tax deferral:

Your survey is due for the year in which the deferral project was certified by the Department of Revenue as operationally complete, and for the seven subsequent calendar years in which use requirements must be met. **If you do not file a survey by March 31, 2008, we must declare 12.5% of the total deferred taxes to be immediately due.**

If your business claimed a High Technology B&O Tax Credit in calendar year 2007:

If you do not file a 2007 annual survey by March 31, 2008, your 2008 B&O credit will be denied and any hi-tech credits taken in 2008 will be disallowed.

If your business took the B&O Tax Exemption for Fruit and Vegetable, Seafood, or Dairy Processors in calendar year 2007:

You must submit an annual survey for 2007. **If you do not submit the annual survey by March 31, 2008, we must declare the amount of tax exempted due immediately.** The amount of taxes due is calculated using a rate of 0.138 percent of the amount exempted during 2007 under this program.

If your business took the Customized Employment Training Credit in calendar year 2007:

You must submit an annual survey for 2007. **If you do not submit the annual survey by March 31, 2008, we must declare the amount of taxes credited for the previous calendar year to be due immediately.**

If your business took the FAR part 145 Repair Station B&O Tax reduction:

You must submit an annual survey for 2007. **If you do not submit the annual survey by March 31, 2008, we must declare the amount of tax reduced due immediately.** The amount of taxes due is calculated using a rate of 0.2904 percent of the amount exempted during 2007 under this program.

If your business took any of the Timber Tax incentives:

You must submit an annual survey for 2007. **If you do not submit the annual survey by March 31, 2008, we must declare the amount of taxes reduced for the previous calendar year to be due immediately.**

If your business took the Non-Manufacturing Aerospace B&O Credit for Preproduction Spending:

You must submit an annual survey for 2007. **If you do not submit an annual survey by March 31, 2008, we must declare the amount of taxes against which a credit is claimed due immediately.**

If your business is not required to file the survey online, you may complete a paper survey. Go to <http://dor.wa.gov>, click on "Find a Form or Publication," "Forms by name," "A" for Annual Survey. Print out the form, complete, and mail or fax as provided in the instructions.

The information you provide for the survey is confidential under provisions of RCW 82.32.330. However, information on the amount of tax incentives taken is not subject to the provisions and may be disclosed to the public upon request.

If circumstances beyond your control arise you may request an extension **prior to the due date**. To request an extension, call (360) 570-3265 and press 6.

You are required to make a good faith effort to substantially respond to all survey questions. If a question does not apply to your business, answer the question using zero (0). Please do not use "various" or "please contact for further information" to respond to questions.

This survey is confidential under provisions of RCW 82.32.330. However, information on the amount of tax incentive taken is not subject to the confidentiality provisions of RCW 82.32.330 and may be disclosed to the public upon request.

Please report dollar amounts in whole numbers.

Questions about Amount of Tax Incentive Taken

- 1a. High Technology Business and Occupation Tax Credit (RCW 82.04.4452):
What was the amount of credit claimed for calendar year 2007? \$ _____
If this credit was assigned, who was it assigned from? Company name _____
Assignor's Tax Registration Number _____
- 1b. Tax Deferrals for Investment Projects in Rural Counties (Chapter 82.60 RCW):
What was the amount of tax deferral taken for the investment project? \$ _____
If you are a lessee, who is your lessor? Company name _____
Lessor's Tax Registration Number _____

- 1c. Tax Deferrals for High Technology Businesses (Chapter 82.63 RCW):
 What was the amount of tax deferral taken for the investment project? \$ _____
 If you are a lessee, who is your lessor? Company name _____
 Lessor's Tax Registration Number _____
- 1d. B&O tax exemption for persons engaged in the business of canning, preserving, freezing, processing, or dehydrating fresh fruits and vegetables (RCW 82.04.4266):
 What was the amount of exempted B&O tax? \$ _____
- 1e. If you took the Aerospace B&O Credit for Preproduction Spending (RCW 82.04.4487), what was the amount of credit claimed for calendar year 2007? \$ _____
 How much were your qualified preproduction development expenditures for calendar year 2007?
 \$ _____
 If this credit was assigned, who was it assigned from? Company name _____
 Assignor's Tax Registration Number _____
- 1f. If you received a preferential rate under (RCW 82.04.250), tax on retailers of FAR part 145 repair station, what was the amount of tax you saved in 2007? \$ _____
- 1g. If you took the B&O tax exemption for manufacturing or selling dairy products (RCW 82.04.4268), how much tax was exempted in 2007? \$ _____
- 1h. If you took the B&O tax exemption for manufacturing or selling seafood products (RCW 82.04.4269), how much tax was exempted in 2007? \$ _____
- 1i. If you took the B&O tax credit for customized employment training (RCW 82.04.449), how much tax was credited in 2007? \$ _____
- 1j. If you took the reduced rates for timber extracting, manufacturing, processor for hire, or selling at wholesale (RCW 82.04.260), what was the amount of tax you saved in 2007?
 \$ _____
- 1k. If you took the tax deferral for biotechnology products and/or medical device businesses (RCW 82.75), how much tax was deferred for your investment project(s) in 2007? \$ _____
 If you are a lessee, who is your lessor? Company name _____
 Lessor's Tax Registration Number _____
- 1l. Tax Deferrals for Investment Projects for Fresh Fruit and Vegetable Processors (Chapter 82.74 RCW):
 What was the amount of tax deferral taken for the investment project? \$ _____
 If you are a lessee, who is your lessor? Company name _____
 Lessor's Tax Registration Account Number _____
- 1m. Tax Deferrals for Investment Projects for Dairy Product Manufacturers (Chapter 82.74 RCW):
 What was the amount of tax deferral taken for the investment project? \$ _____
 If you are a lessee, who is your lessor? Company name _____
 Lessor's Tax Registration Account Number _____
- 1n. Tax Deferrals for Investment Projects for Cold Storage Warehouses (Chapter 82.74 RCW):
 What was the amount of tax deferral taken for the investment project? \$ _____
 If you are a lessee, who is your lessor? Company name _____
 Lessor's Tax Registration Account Number _____

10. Tax Deferrals for Investment Projects for Seafood Product Manufacturers (Chapter 82.74 RCW):
 What was the amount of tax deferral taken for the investment project? \$ _____
 If you are a lessee, who is your lessor? Company name _____
 Lessor's Tax Registration Account Number _____
- 2a. For businesses taking the High Technology B&O Tax Credit or Aerospace Preproduction credit: What was the amount spent on qualified research and development (for either program) during calendar year 2007? _____
- 2b. What was the total B&O taxable amount reported on your State Excise Tax Return(s) in 2007? \$ _____
 (The taxable amount is the gross minus deductions. Do not include any taxable amounts that were credited by the Multiple Activities Tax Credit (MATC).)

Questions About Employment

3. How many employees did you have in Washington State on December 31, 2007? _____
 Of the total number of employment positions, what percentage is:
 Full-time: _____ %
 Part-time: _____ %
 Temporary: _____ %
4. Complete the following table based on the employees you had in Washington State on December 31, 2007:

WAGE BANDS	Total Number of Employment Positions	Total Number Enrolled in Medical Plan(s)	Total Enrolled in Dental Plan(s)	Total Enrolled in Retirement Plan(s)
Less than \$30,000				
\$30,000 - \$59,999				
\$60,000 or more				

5. How many people did you hire through temporary staffing firms? _____
6. Of the total in question 5, what were the top 3 occupations hired? _____
7. What was the average length of temporary employment reported in question 5?
 0 - 30 days 31 - 60 days 61 - 90 days 91 days - 1 year over 1 year Not Applicable
8. How many people did your company employ worldwide (including Washington State) on December 31, 2007?

- 9a. What percentage of total employees worked in research and development (R&D) in Washington State on December 31, 2007? _____ %
- 9b. What percentage of total employees worked in research and development (R&D) worldwide (including Washington) on December 31, 2007? _____ %
10. How many new employment positions did your firm create in Washington State during calendar year 2007?

11. What percentage of the new Washington employment positions created during calendar year 2007 were filled, at the time of hire, by residents of Washington State?

_____ % of all new positions filled by **Washington residents**

12. Has your firm moved a business activity from out-of-state into Washington, expanded an existing business activity, or created new business activity in Washington during 2007?

_____ YES, moved an activity from out-of-state into Washington

_____ YES, expanded an existing activity in Washington

_____ YES, created a new business activity in Washington

_____ NO, Skip to question 15

13. How many employees did your firm add to these activities or facilities? (If none, enter "0".)

Note: The total number of employees must equal the total number of employees in question 10.

Number of employees you moved into Washington State:

_____ Research employees

_____ Manufacturing employees

_____ Distribution employees

_____ Administrative employees

Number of employees you added in the **expansion of your existing business activity**:

_____ Research employees

_____ Manufacturing employees

_____ Distribution employees

_____ Administrative employees

Number of employees you hired for your **newly created business activity** in Washington State:

_____ Research employees

_____ Manufacturing employees

_____ Distribution employees

_____ Administrative employees

14. What percent of the employees from question 13 were residents of Washington State at the time of hiring?

_____ % employees who were Washington residents

15. Has your firm moved any Washington activities out of Washington State during calendar year 2007?

_____ YES, moved activities to an out-of-state location

_____ If NO, **SKIP TO QUESTION 17**

16. How many employees were moved out of Washington State?

_____ Research employees

_____ Manufacturing employees

_____ Distribution employees

_____ Administrative employees

17. If you received a deferral for an investment project, enter the total number of employees located at the investment project by deferral certificate number. This includes projects that are operationally complete and still have part of their eight year use requirements left. (If necessary, attach an additional page to respond to this question)

Certificate number _____ Total number of employees _____
 Certificate number _____ Total number of employees _____
 Certificate number _____ Total number of employees _____
 Certificate number _____ Total number of employees _____

18. If you took the B&O tax exemption for canning, preserving, freezing, processing, or dehydrating fresh fruits and vegetables complete the following chart:

	ESD Q1 Report	ESD Q2 Report	ESD Q3 Report	ESD Q4 Report
Total Employment				
Average Hourly Wage Paid to Seasonal/Temporary Employees				

Questions About Patents, Trademarks and Copyrights

19. How many United States patents granted to your firm in calendar year 2007 were associated with new (or potential) products developed from the research and development for which you received a tax credit or deferral (at any time)?

_____ Advanced Computing
 _____ Advanced Materials
 _____ Biotechnology
 _____ Electronic Device Technology
 _____ Environmental Technology
 _____ Other areas (describe) _____

20. List the United States patent registration numbers for patents granted in calendar year 2007. Do not include pending patents. (If necessary, attach an additional page to respond to this question.)

21. How many United States trademarks were registered by your firm during calendar year 2007 by category?

_____ Advanced Computing
 _____ Advanced Materials
 _____ Biotechnology
 _____ Electronic Device Technology
 _____ Environmental Technology
 _____ Other areas (describe) _____

22. What was the number of United States copyrights that were issued to your firm during calendar year 2007 by category?

_____ Advanced Computing
 _____ Advanced Materials
 _____ Biotechnology
 _____ Electronic Device Technology
 _____ Environmental Technology
 _____ Other areas (describe) _____

23. Of United States copyrights reported in question 22, which Federal Copyright classifications were they in?

- _____ Literary works
- _____ Visual Arts
- _____ Performing Arts
- _____ Sound Recording
- _____ Mask Works
- _____ Serials & Periodicals
- _____ Other areas (describe) _____

Questions About Your Business Activities

24. If you took the High Technology B&O Tax Credit or the Tax Deferral for High Technology Business, what percentage of the research and development performed in Washington during calendar year 2007 was in the following areas:

- _____ % Advanced Computing
- _____ % Advanced Materials
- _____ % Biotechnology
- _____ % Electronic Device Technology
- _____ % Environmental Technology
- _____ % Other areas (describe) _____

25. If you took the Tax Deferral for Investment Projects for Seafood, Dairy, Cold Storage Warehouse, and Biotechnology Manufacturers, or in Rural Counties, describe the products manufactured at the investment project site during calendar year 2007:

26. If you took the B&O tax exemption for canning, preserving, freezing, processing, or dehydrating fresh fruits and vegetables; or selling dairy or seafood products, describe the products sold for which the exemption was claimed during calendar year 2007:

27. Did the research and development for which your firm received (at any time) a tax credit or a deferral result in a new product, new service, new process, new project or support an on-going project during calendar year 2007?

If yes, how many? (Complete table)

CLASSIFICATION	New Products	New Services	New Processes	New Projects	On-going Projects
Advanced Computing					
Advanced Materials					
Biotechnology					

Electronic Device Technology					
Environmental Technology					
Other area (describe)					

28. What percentage of all numbers reported in question 27 were produced or distributed during 2007 by your firm's Washington State based employees? __%

If 100% SKIP TO QUESTION 30.

29a. Approximately what percentage of all your products or services were produced or distributed by other firms in Washington State? _____%

29b. Approximately what percentage of the material or service inputs to your firm were provided by other firms in Washington State? _____%

30. Have you ever purchased manufacturing machinery and equipment tax exempt under the Manufacturing Machinery and Equipment Exemption (RCW 82.08.02565 and 82.12.02565)?

_____ If YES, please answer questions 31 and 32.

_____ **If NO, SKIP TO QUESTION 33**

31. Estimate the retail value of all machinery and equipment purchased in calendar year 2007 using the Manufacturer's Sales and Use Tax Exemption?

\$ _____ retail value

32. Approximately what percentage of the exempt equipment purchased during calendar year 2007 was used more than half the time for research and development?

_____ % used for research and development

33. If you took the High Technology B&O Tax Credit or Tax Deferrals for High Technology, please estimate the retail value of sales made during calendar year 2007. This includes all new products, services, or processes that resulted from the credit or deferral programs, since you began using the credit or deferral. The estimated value should include sales made by your firm and through other firms. \$ _____

34. Has your firm acquired or merged with another company during calendar year 2007? Has your company reorganized during calendar year 2007? If you answer yes to either question, please provide the company name(s) and taxpayer registration number(s). (If necessary, attach an additional page to respond to this question).

a. Company Name _____

Taxpayer Registration Number _____

b. Company Name _____

Taxpayer Registration Number _____

c. Company Name _____

Taxpayer Registration Number _____

d. Company Name _____

Taxpayer Registration Number _____

e. Company Name _____

Taxpayer Registration Number _____

Comments:

In the case of a person taking less than ten thousand dollars of the High Technology Business and Occupation (B&O) tax credit under RCW 82.04.4452, the Timber Tax Incentives under RCW 82.04.260, Aerospace B&O Credit for Preproduction Spending RCW 82.04.4487, or the FAR part 145 B&O tax reduction RCW 82.04.250, during the period covered by the survey, the person may request the Department to treat the tax credit amount as confidential under RCW 82.32.330. If you would like to make this request, check the box below and type the name of the business owner, corporate officer, partner, guardian, executor, receiver, administrator who authorized the request and date below.

Check for non-disclosure request

Enter Name: _____

Date: _____

For tax assistance visit <http://dor.wa.gov> or call (360) 570-3265. To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users may call 1-800-451-7985.

Instructions for Filing Survey

An annual survey must be completed and filed by March 31, 2008 by each person who participated in the following programs during calendar year 2007:

Rural County Sales & Use Tax Deferral	RCW 82.60
High Technology Sales & Use Tax Deferral	RCW 82.63
Fresh Fruit and Vegetable Processors Sales & Use Tax Deferral	RCW 82.74
Dairy Product Manufacturers Sales & Use Tax Deferral	RCW 82.74
Cold Storage Warehouse Sales & Use Tax Deferral	RCW 82.74
Seafood Product Manufacturers Sales & Use Tax Deferral	RCW 82.74
Tax Exemptions for Fruit and Vegetable Processors	RCW 82.04.4266
High Technology Business & Occupation Tax Credit	RCW 82.04.4452
Aerospace B&O Credit for Preproduction Spending	RCW 82.04.4487
FAR part 145 repair station B&O Tax Reduction	RCW 82.04.250
Dairy Products B&O Tax Exemption	RCW 82.04.4268
Seafood Products B&O Tax Exemption	RCW 82.04.4269
Customized Employment Training Credit	RCW 82.04.449
Timber Tax Incentives	RCW 82.04.260
Biotechnology & Medical Device Mfg. Sales & Use Tax Deferral	RCW 82.75

If your business is required to file the survey online, go to our web site at <http://dor.wa.gov> and log into "My Account" in the upper right-hand corner. If you're not already registered, click on "Register now." Once you're logged in, click on "List of Services," then Choose "File my Annual Tax Incentive Report/Survey."

A person is participating in a deferral program if the investment project is operationally complete and person has any deferred taxes yet to be waived. If the economic benefits of a deferral are passed to a lessee, the lessee must complete the annual survey and the lessor is not required to complete the annual survey. If you are filing the annual survey for the Biotechnology & Medical Device manufacturer deferral you must file the survey electronically. The survey is not filed until received by the department in an electronic format.

If you are taking the Tax Exemption for Fruit and Vegetable Processors, Seafood Products, Dairy Products, Customized Employment Training, or Timber exemptions/credits for the first time, you must submit two annual surveys. One survey covers calendar year 2006 and the second survey covers calendar year 2007. If you are filing the annual survey for any of the above exemptions/credits you must file the survey electronically. The survey is not filed until received by the department in an electronic format.

If you have taken the High Technology B&O Tax Credit, Aerospace B&O Credit for Preproduction Spending, or FAR part 145 Repair Station B&O tax reduction you must file the survey electronically.

Failure to file a completed survey will result in loss of incentives, credits, or reduced rates. For more information on failure to file, refer to RCW 82.32.590, 82.32.645, 82.60.070, or 82.63.020.

If you have any questions on completion of this survey, or for help with electronic filing, please call the Special Programs division at (360) 570-3265 and press 6, then 3.

If you are not filing the survey electronically, you must either mail or fax surveys to the Special Programs Division at the address or fax number shown below:

**Department of Revenue
Special Programs Division
Post Office Box 47477
Olympia, WA 98504-7477**

Fax: 360-586-2163

Instructions for Completing Survey

Company Information

It is important that you state all of the company information requested at the beginning of the survey.

Department of Revenue Tax Registration Number: State the company's Department of Revenue Taxpayer Registration Number. This number is available from your Excise Tax Return.

Employment Security Department UBI Number: State the company's Employment Security Department Unified Business Identifier (UBI) number. If you do not have a Washington State Employment Security UBI number you should write N/A on this line.

Name of Business as Registered /Contact Person: State the name of the business as registered with the Department of Revenue and the name of a person we may contact if we have any questions.

Employment Security Department Reference Number: State all Employment Security Department (ESD) Reference numbers used on ESD Quarterly Tax Reports you use to report unemployment insurance taxes. This number can be found on line 6 of the ESD Quarterly Tax Report (Form 5208A).

Tax Incentive Taken. Check the applicable box(es).

Questions About Amount of Tax Incentive Taken

- 1a. State the total amount of the High Technology B&O Tax Credit claimed on your Excise Tax Return(s) during calendar year 2007. If a credit was assigned, in whole or part, from another taxpayer, state the taxpayer's name and tax registration number (TRN) as registered with DOR.
- 1b. State the total amount of tax deferred for all investment projects in rural counties that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, state the lessor's name and tax reporting account number as registered with the DOR.
- 1c. State the total amount of tax deferred for all investment projects for high technology businesses that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, state the lessor's name and tax registration number (TRN) as registered with the DOR.
- 1d. For persons claiming the Fruit and Vegetable Processing Tax Exemption, state the total amount of tax exempted in 2007 that you would have otherwise had to pay.
- 1e. State the total amount of the B&O Tax Credit for Preproduction Spending claimed on you Excise Tax Return(s) during calendar year 2007. How much did you spend on preproduction development in 2007? If a credit was assigned, in whole or part, from another taxpayer, state the taxpayer's name and tax reporting number (TRN) as registered with DOR.
- 1f. What was the amount of tax you saved as a result of your preferential rate as a FAR part 145 repair station? (taxable amount reported in 2007 for FAR part 145 repair station multiplied by .00484 minus taxable amount reported in 2007 for FAR part 145 repair station multiplied by .002904)
- 1g. For persons claiming the Dairy Products Tax Exemption state the total amount of tax saved in 2007 (the deduction for dairy and seafood processors with local delivery for out of state sales, Combined Excise Tax Return deduction page, ID 02-67 or 03-67, multiplied by .00138 on all returns filed in 2007).
- 1h. For persons claiming the Seafood Products Tax Exemption, state the total amount of tax saved in 2007 (the deduction for dairy and seafood processors with local delivery for out of state sales, Combined Excise Tax Return deduction page, ID 02-67 or 03-67, multiplied by .00138 on all returns filed in 2007).
- 1i. For persons claiming the Customized Employment Training and filling out the 2007 survey, state the total amount of credit taken 2007.
- 1j. Calculate the amount of Timber Tax saved for 2007 as follows:

January 1 through June 30, 2007

Timber Tax exempt from **January 1 - June 30, 2007** =
Multiple Activities Tax Credit (MATC) taken from **January 1 - June 30, 2007** =
Net amount of Timber Tax after MATC (NM) =

Difference of .00484 minus .004235 = .000605

NM multiply by .000605 = **Tax incentive saving January 1 - June 30, 2007**

July 1 through December 31, 2007

Timber Tax exempt from **July 1 - December 31, 2007** =
Multiple Activities Tax Credit (MATC) taken from **July 1 - December 31, 2007** =
Net amount of Timber Tax after MATC (NM) =

Difference of .00484 minus .003424 = .001416

NM multiply by .001416 = **Tax incentive saving July 1 - December 31, 2007**

Add the Tax Incentive Savings:

January 1 - June 30, 2007 = _____

July 1 - December 31, 2007 = _____

Total = _____ **(Amount of tax you saved in 2007)**

- 1k. State the total amount of tax deferred for all investment projects for Biotechnology Products and Medical Device Manufacturing that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, state the lessor's name and tax reporting number (TRN) as registered with the DOR.
- 1l. State the total amount of tax deferred for all investment projects for Fruit and Vegetable Processors that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, state the lessor's name and tax reporting account number as registered with the DOR.
- 1m. State the total amount of tax deferred for all investment projects for Dairy Product Manufacturers that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, state the lessor's name and tax reporting account number as registered with the DOR.
- 1n. State the total amount of tax deferred for all investment projects for Cold Storage Warehouses that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, state the lessor's name and tax reporting account number as registered with the DOR.
- 1o. State the total amount of tax deferred for all investment projects for Seafood Product Manufacturers that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, state the lessor's name and tax reporting account number as registered with the DOR.

Questions about Employment

- 2a. For persons, who have claimed the High Technology B&O Tax Credit, state the total amount of research and development spending for the calendar year. This includes operating expenses such as wages and benefits, supplies, and computer expenses directly incurred in qualified research and development. Do not include capital costs and overhead.
- 2b. Persons who have claimed the High Technology B&O Tax Credit need to report the gross income and value of products subject to B&O tax reported on the Excise Tax Return during the 2007 calendar year, excluding any credit taken for the Multiple Activities Tax Credit (MATC).
3. State the total number of employees employed by your company in Washington State on December 31, 2007.
A person may use their fourth quarter wage and hour report filed with the Employment Security Department to complete the questions regarding employment.

State the percentage of those employees that are employed in full-time, part-time, and temporary employment positions. In order for a position to be treated as full-time or part-time, the employer must intend for the position to be filled for at least 52 consecutive weeks or 12 consecutive months, excluding any leaves of absence. A full-time position is a position that requires the employee to work, excluding overtime hours, 35 hours per week for 52 consecutive weeks, 455 hours a quarter, or 1,820 hours during a period of 12 consecutive months. A part-time position is a position in which the employee may work less than the hours required for a full-time position. A temporary position is a position that is intended to be filled for period of less than 52 consecutive weeks or 12 consecutive months. Positions in seasonal employment are temporary positions.

4. Of the total number of employment positions stated in question 3, state the total number of employees enrolled in medical plans, dental plans, and retirement plans provided by your company according to three wage bands (less than \$30,000, \$30,000 to \$59,999, \$60,000 or more). Wages means compensation paid to an individual for personal services, whether denominated as wages, salary, commission, or otherwise as reported on the W-2 forms of employees. Stock options granted as compensation to employees are wages to the extent they are reported on the W-2 forms of the employees and are taken as a deduction for federal income tax purposes by the employer
5. Report persons working for your firm that you obtained through temporary staffing firms for the year ending December 31, 2007
6. Report the top 3 occupations you hired from temporary staffing firms.
7. For the persons obtained through temporary staffing firms reported in question 5, report the average duration of their employment at your business for the year ending December 31, 2007 If the duration exceeds one year, chose the box title "over 1 year"
8. How many people are employed worldwide, including Washington State employees.
9. Of the total number of employees stated in question 8, what percentage work in research and development in Washington State and what percentage work in research and development worldwide (including Washington State employees).
10. State the total number of new employment positions that were created in Washington State during calendar year 2007
11. Of the total number of new employment positions stated in question 10, what percentage were Washington State residents.
12. Has your firm moved any activities into Washington State, or expanded or built a new facility in Washington State during calendar year 2007 Answer all statements that apply.
13. State the number of employees in each category for each statement checked "yes" in question 12.
14. State the percentage of all employees in question 13 that were Washington State residents.
15. Did your firm move any activities out of Washington State during calendar year 2007 Check the statement if the answer is yes.
16. If you reported that you moved any activities out of Washington State in question 15, state the number of employees in each category that relocated out of the state because the activity moved.
17. If you were approved for a deferral that is operationally complete, state the deferral certificate number(s) and total number of employees associated with each certificate.
18. If you are claiming the Tax Exemption for Fruit and Vegetable Processing, state the number of employees reported in your firm's quarterly wage and hour reports to the Employment Security Department and the average wage paid to temporary and seasonal employees per quarter.

Questions about Patents, Trademarks, and Copyrights

19. State the number of United States patents, for which your business received during calendar year 2007 that were associated with new or potential products resulting from research and development, for which a deferral or credit was received at any time. See RCW 82.63.010 for definitions of the various categories.
20. List the United States patent registration numbers for the patents received in 2007.
21. State the number of United States trademarks issued to your firm during calendar year 2007 by category.
22. State the number of United States copyrights issued to your firm during calendar year 2007 by category.
23. State how the Federal Copyrights, from question 22, were classified.

- 24.** If you are taking the High Technology B&O Tax Credit or the Tax Deferral for High Technology Businesses, state the percentage of activity performed in any of the research and development activities.
- 25.** If you are taking the Tax Deferral for Investment Projects for Seafood, Dairy, Cold Storage Warehouse, and Biotechnology Manufacturers, or in Rural Counties, describe the products manufactured at any sites in Washington that received a tax deferral for investment projects during calendar year 2007.
- 26.** If you are claiming the Tax Exemption for Fruit and Vegetable Processing or Dairy and Seafood Products, describe the products sold for which the exemption was claimed during 2007.
- 27.** Did the research and development for which your firm received a tax credit result in a new product, service, new process, project, or support on-going research? If yes, state the number of new products, services, processes, projects, and on-going research projects by classification in the matrix. If "no," enter zero.
- 28.** State the percentage of new products, processes, services, or projects that resulted from the credit or deferral programs that were produced or distributed by your firm's Washington State employees (from question **27**).
- 29a.** State the percentage of new products, processes, services, or projects that were produced or distributed by other firms within Washington State.
- 29b.** State the percentage of new products, processes, services, or projects that had material or service inputs from other companies in Washington State.
- 30.** Mark "yes" if you ever used the Manufacturer's Sales and Use Tax Exemption Certificate for machinery and equipment used in manufacturing, research and development, or a testing operation, to purchase machinery and equipment. If "no," skip to question 33.
- 31.** If you used the Manufacturer's Sales and Use Tax Exemption Certificate for machinery and equipment used in manufacturing during calendar year 2007, estimate the retail value of all machinery and equipment purchased.
- 32.** State the percentage of machinery and equipment purchased during calendar year 2007 (from question **31**) that was used for more than half the time in research and development.
- 33.** State the estimated retail value of sales made during calendar year 2007 of all new products, services or processes that resulted from the high technology B&O credit or high technology deferral programs, since you began using the credit or deferral. The estimated dollar value should include sales made by your firm and through other firms. For example, if you receive royalties for a product, what would you consider the retail value of that product to be (you receive 10% on each product sold and have been paid \$1,000,000 through 2007 the value would be $\$1,000,000 / .10 = \$10,000,000$).
- 34.** Has your firm acquired or merged with another company during calendar year 2007? Has your company reorganized during calendar year 2007? If you can answer yes to either question, please state the company name and taxpayer reporting account number for the acquired, merged, or Predecessor Company? (If necessary, attach an additional page to respond to this question).