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DEPARTMENT OF REVENUE
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November 12, 2013

TO: Hunter Goodman, Secretary
Washington State Senate

Barbara Baker, Chief Clerk
Washington State House of Representatives

FROM: Carol K. Nelson, Director 
Department of Revenue

SUBJECT: DESCRIPTIVE STATISTICS 2013

This publication summarizes information from annual surveys and reports completed by taxpayers who participated in 32 tax incentive programs during Calendar Year 2012. The report is prepared in accordance with RCW 82.32.534 and 82.32.585 to provide accountability and a means to evaluate program effectiveness. These statutes require the Department to summarize survey and report information in descriptive statistics.

The business and occupation (B&O) tax, public utility tax (PUT) and sales tax incentives included in this report resulted in reduced state and local tax revenues of \$401 million in 2012. Over half of this was attributable to the sales tax deferral/exemption for high technology firms with an impact of \$239 million. The deferral/exemption for manufacturers in rural and qualifying counties totaled \$91 million in reduced state and local sales tax receipts. It is critical to note that these three amounts are merely estimates. This is because these totals include amounts of deferred sales tax estimated by taxpayers that have not yet been verified and approved by the Department. The chapters on sales tax deferrals discuss this and other limitations of deferral amounts.

For 2012, 2,510 taxpayers participated in these incentive programs; these firms reported total employment of about 535,000. Participants and their employees may be counted more than once if they took part in multiple programs.

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

cc: Members, Senate Ways and Means Committee
Members, House Appropriations Committee
Members, House Finance Committee
David Schumacher, Director, Office of Financial Management
Ted Sturdevant, Executive Director of Legislative Affairs & Policy, Office of the Governor



DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS

2013 Report to the Legislature
Covering Calendar Year 2012 Activity

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DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS
EXECUTIVE SUMMARY

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

This publication covers activity during Calendar Year 2012. Taxpayers that used these incentives were required to file an annual survey and/or report or request an extension of time by April 30, 2013, and the data reported herein are a synopsis of those surveys and reports. The Department made a concerted effort to notify known participants of their requirement to file an annual survey and/or report, including sending reminders and direct contacts with firms. The statutory reporting schedule allows limited time to complete auditing and verification of the data that was reported. Therefore, the data presented represents the information that was reported by participants with corrections that were made in the time available.

This 2013 Descriptive Statistics publication covers 32 tax incentive programs. The chapters in this publication are organized according to whether an annual survey or report is due and also by the principal tax categories.

Tax Incentives Requiring an Annual Survey

Business and Occupation (B&O) Tax Rate Reduction

- Timber & Wood Products

B&O or Public Utility Tax (PUT) Exemptions

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

B&O or PUT Tax Credits

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

Sales/Use Tax Deferrals/Exemptions

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

Tax Incentives Requiring an Annual Report

B&O Tax Rate Reductions

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

B&O Tax Deduction

- Government-Funded Mental Health Services

PUT Exemption

- Electrolytic Processing Industry

Sales/Use Tax Exemption

- Data Center

Various Tax Incentives Grouped by Industry

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

Information Required

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

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

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

Participants in the remaining 20 incentives are required to file an annual report and do not have to provide the amount of tax benefit received. However, they must provide information on the following for the survey year:

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

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

Highlights of the Descriptive Statistics

The B&O tax rate reduction for the timber industry had the most participants in 2012 with 716 firms. At the other extreme was the sales tax deferral for corporate headquarters facilities located in a community empowerment zone; it has yet to attract any firms. Other incentives with significant participation were the B&O tax credit for R&D spending (579), the sales tax deferral for manufacturers locating in rural and qualifying counties (293), and the various aerospace manufacturing incentives (258).

The largest cumulative revenue impact for the survey incentives is associated with the sales tax deferral for high technology investments with almost \$240 million in foregone state and local sales tax revenue. *(Note: This figure is not a one-year amount, but rather the total deferred amount which is spread over an eight-year deferral period for each qualifying project.)* The second leading program in terms of taxpayer savings is the sales tax deferral for manufacturers that invest in rural and qualifying counties; the cumulative impact is now \$91 million. It is critical to note that these two amounts are merely estimates. This is because these totals include amounts of deferred sales tax estimated by taxpayers that have not yet been verified and approved by the Department. The chapters on sales tax deferrals discuss this and other limitations of deferral amounts.

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

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

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

For 2012, the top three incentive programs in terms of the total in-state jobs reported were:

- The high tech sales tax deferral/exemption with 150,720 jobs;
- The high tech B&O tax credit with 106,431 jobs; and
- The aerospace manufacturing incentives with 96,854 jobs.

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

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

Table 1.1
DESCRIPTIVE STATISTICS 2013 - SYNOPSIS OF TAX INCENTIVES BY MAJOR INDUSTRY

<u>Tax Incentives by Major Industry</u>	<u>Participants in Calendar Year 2012</u>		
	<u># Firms</u>	<u>Total Jobs</u>	<u>Tax Savings (\$000)</u>
<u>AEROSPACE</u>			
Commercial aircraft manufacturers ¹	258	96,854	Not reported
Aerospace non-manufacturers ²	95	3,792	Not reported
Aircraft repairs (FAR Part 145)	33	3,046	Not reported
<u>AGRICULTURAL PRODUCTS</u>			
B&O exemption, fruit/vegetables	185	12,589	\$5,290.4
B&O exemption, dairy products	17	4,232	\$1,208.6
B&O exemption, seafood products	46	2,834	\$601.4
Sales tax deferral, processing facilities	53	10,819	\$18,974.6
<u>HIGH TECH & COMPUTING</u>			
B&O credit, R&D spending	579	106,431	\$21,867.2
Sales tax deferral, high tech R&D	95	150,720	\$238,903.8
Sales tax deferral, biotech mfg.	7	1,235	\$2,570.1
Sales tax exemption, data centers	8	409	Not reported
Semi-conductor industry ³	Disclosure	Disclosure	Not reported
<u>OTHER MANUFACTURING</u>			
B&O reduction, timber/wood products	716	34,149	\$16,397.2
Sales tax deferral, rural/qualifying counties	293	36,920	\$91,072.0
B&O rate reduction, newspapers	97	5,280	Not reported
Aluminum smelting ²	Disclosure	Disclosure	Not reported
Solar energy systems	4	566	Not reported
<u>OTHER PROGRAMS</u>			
B&O credit, workforce training	14	11,009	\$116.0
Sales tax deferral, corp. headquarters	0	0	\$0.0
Energy for electrolyte processors	Disclosure	Disclosure	Not reported
B&O deduction, mental health services	7	1,815	Not reported
Sales tax exemption, public research institutions	3	52,561	\$3,719.7

¹Six incentives.

²Four incentives.

³Two incentives.

BUSINESS AND OCCUPATION TAX RATE REDUCTION FOR TIMBER AND WOOD PRODUCTS

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

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

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

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

The information specified above is contained in the following tables of this chapter for the 716 businesses that claimed the reduced tax rate during Calendar Year 2012. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 2.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Reduction in B&O Tax Claimed by Size of Employment
Calendar Year 2012

<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	646	\$4,188,973
50 - 250	48	\$3,552,871
More than 250	22	\$8,655,356
TOTAL	716	\$16,397,200

Table 2.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming Reduced B&O Tax</u>	<u>Total Employment in Washington of Firms Claiming Reduced B&O Tax</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	646	3,563	87.6%	10.0%	2.3%
50 - 250	48	5,792	97.6%	1.6%	0.8%
More than 250	22	24,794	90.0%	8.4%	1.7%
TOTAL	716	34,149	91.0%	7.4%	1.6%

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

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

**B&O Tax Rate Reduction for Manufacturing Timber and Wood Products
Employment and Employee Benefits by Wage Band
Calendar Year 2012**

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	4,349	1,961	1,814	1,821
\$30,000 - \$59,999	15,706	11,947	11,567	10,788
\$60,000 or more	14,094	13,320	13,206	12,581
TOTAL	34,149	27,228	26,587	25,190

BUSINESS AND OCCUPATION TAX EXEMPTION
FOR FRUIT AND VEGETABLE PROCESSORS

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

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

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

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

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

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

The information specified above is contained in the following tables of this chapter for the 185 firms that claimed the tax exemption during Calendar Year 2012. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 3.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Fruit and Vegetable Processors
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2012

<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	147	\$1,002,823
50 - 250	28	\$1,669,890
More than 250	10	\$2,617,729
TOTAL	185	\$5,290,443

Table 3.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Fruit and Vegetable Processors
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012

<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	147	1,509	56.3%	35.2%	8.5%
50 - 250	28	2,801	80.8%	4.9%	14.2%
More than 250	10	8,279	92.7%	2.5%	5.1%
TOTAL	185	12,589	85.7%	7.0%	7.6%

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

Table 3.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Fruit and Vegetable Processors
Employment and Employee Benefits by Wage Band
Calendar Year 2012

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	5,607	1,969	1,859	1,312
\$30,000 - \$59,999	5,399	4,532	4,340	3,394
\$60,000 or more	1,583	1,461	1,366	1,425
TOTAL	12,589	7,962	7,565	6,131

BUSINESS AND OCCUPATION TAX EXEMPTION
FOR MANUFACTURERS OF DAIRY PRODUCTS

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

The exemption for dairy products expires July 1, 2015. At that time, income from the manufacture of these items will return to the preferential B&O tax rate classification of 0.138 percent.

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

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

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

The information specified above is contained in the following tables of this chapter for the 17 dairy producers that claimed the tax exemption during Calendar Year 2012. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Table 4.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Dairy Products
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2012

<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	\$33,855
50 plus	7	\$1,174,777
TOTAL	17	\$1,208,632

Table 4.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Dairy Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012

<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	41	46.4%	48.7%	4.9%
50 plus	7	4,191	98.4%	1.6%	0.7%
TOTAL	17	4,232	97.9%	2.0%	0.7%

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

Table 4.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Dairy Products
Employment and Employee Benefits by Wage Band
Calendar Year 2012

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,187	759	746	526
\$30,000 - \$59,999	2,222	2,011	1,846	1,495
\$60,000 or more	823	779	742	784
TOTAL	4,232	3,549	3,334	2,805

BUSINESS AND OCCUPATION TAX EXEMPTION
FOR MANUFACTURERS OF SEAFOOD PRODUCTS

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

The exemption for seafood products expires July 1, 2015. At that time, income from the manufacture of these items will return to the preferential B&O tax rate classification of 0.138 percent.

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

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

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

The following tables contain the information specified above for the 46 seafood producers that claimed the B&O exemption during Calendar Year 2012.

Table 5.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Seafood Products
B&O Tax Exemptions Claimed by Size of Employment
Calendar Year 2012

<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	37	\$166,054
50 plus	9	\$435,389
TOTAL	46	\$601,443

Table 5.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Manufacturers of Seafood Products
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012

<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	37	418	60.2%	38.2%	1.7%
50 plus	9	2,416	86.8%	7.3%	5.9%
TOTAL	46	2,834	82.8%	11.9%	5.3%

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

**Manufacturers of Seafood Products
Employment and Employee Benefits by Wage Band
Calendar Year 2012**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,314	600	582	278
\$30,000 - \$59,999	1,002	789	765	433
\$60,000 or more	518	460	452	352
TOTAL	2,834	1,849	1,799	1,063

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, or
- Environmental technology.

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

Originally, the tax credit program was to expire at the end of 2004. As a result of a 2004 amendment, the expiration date was moved to January 1, 2015.

The 2004 amendment also established an annual survey requirement for program participants. Taxpayers who claim the B&O tax credit are to file a survey annually pursuant to RCW 82.32.585 by April 30th. Based on the data reported, the Department must compile summary statistics on the program and report annually to the Legislature.

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

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

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

The information specified above is contained in the following tables of this chapter for the 579 firms that claimed the B&O tax credit during Calendar Year 2012. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

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

**High Technology Firms
B&O Tax Credits Claimed by Size of Employment
Calendar Year 2012**

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	418	\$4,244,653	\$1,007,260,249	\$404,885,839
50 - 250	114	\$6,475,316	\$2,265,710,292	\$775,293,890
More than 250	47	\$11,147,231	\$4,356,908,752	\$7,537,829,826
TOTAL	579	\$21,867,200	\$7,629,879,293	\$8,718,009,554

Chapter 6

Table 6.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
B&O Tax Credits Claimed by Category of Technology
Calendar Year 2012

<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	309	\$9,716,972	\$2,078,342,183	\$6,817,036,267
Advanced Materials	35	\$919,904	\$563,156,881	\$105,536,412
Biotechnology	107	\$2,884,478	\$944,932,493	\$834,573,913
Electronic Devices	171	\$5,636,781	\$3,272,000,310	\$667,599,704
Environmental	45	\$2,706,340	\$770,906,004	\$293,076,754
TOTAL	667	\$21,864,475	\$7,629,337,872	\$8,717,823,050

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

Table 6.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&O Tax Credit</u>	<u>Total Employment in Washington of Firms Claiming B&O Credits</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	418	5,589	89.0%	9.1%	2.0%
50 - 250	114	12,652	95.0%	2.9%	2.1%
More than 250	47	88,190	78.8%	1.6%	19.6%
TOTAL	579	106,431	81.3%	2.1%	16.6%

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

Table 6.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2012

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	4,199	2,430	2,340	1,450
\$30,000 - \$59,999	14,786	12,068	11,938	9,360
\$60,000 or more	87,446	67,825	67,195	59,778
TOTAL	106,431	82,323	81,473	70,588

Table 6.5
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

High Technology Firms
New Products and Innovations Developed by Participants
Calendar Year 2012

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	418	4,023	3,545	97	148	39
50 - 250	114	683	996	84	439	42
More than 250	47	3,311	3,525	210	3,061	393
TOTAL	579	8,017	8,066	391	3,648	474

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.67.020. The program requires that participating employers increase their employment in this state by at least 75 percent of the number of employees who are enrolled in the training program.

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

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

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

With the exception of the amount of credit taken, all information provided in the survey is confidential and must be aggregated for at least three taxpayers. During Calendar Year 2012, 14 firms reported taking the credit for eligible training costs. The tables on the following pages summarize the data required above.

Table 7.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Firms Utilizing Workforce Training Programs
B&O Tax Credit Claimed by Size of Employment
Calendar Year 2012**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&O Tax Credit</u>	<u>Total B&O Tax Credit Claimed</u>
Fewer than 50	4	\$8,383
50 plus	10	\$107,613
TOTAL	14	\$115,996

Table 7.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

**Firms Utilizing Workforce Training Programs
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&O Tax Credit</u>	<u>Total Employment in Washington of Firms Claiming B&O Tax Credit</u>	<u>Percentage of Jobs that are:</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	4	139	80.8%	8.8%	10.0%
50 plus	10	10,870	73.6%	21.7%	4.7%
TOTAL	14	11,009	73.7%	21.5%	4.8%

Table 7.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Firms Utilizing Workforce Training Programs
Employment and Employee Benefits by Wage Band
Calendar Year 2012

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,554	704	678	1,077
\$30,000 - \$59,999	5,211	4,825	4,743	4,778
\$60,000 or more	4,244	4,060	4,029	4,173
TOTAL	11,009	9,589	9,450	10,028

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

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

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

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

Rural County Program

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

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

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

Qualifying (“High Unemployment”) County Program

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

“Qualifying county” is defined as a county that has an unemployment rate (determined by the Employment Security Department) that is at least 20 percent above the state

average for the three calendar years prior to the year in which the list of qualifying counties is updated.

The Qualifying County Program expires July 1, 2020.

Applications for the deferral/exemption of state and local retail sales and use tax may be made by manufacturers and firms engaged in R&D for investments in the eligible areas. Investments include the construction of new structures or major expansions of existing facilities to be used for manufacturing or R&D activities, as well as machinery used for these purposes. Similar to the high tech sales tax deferral/exemption program, the deferred tax on facilities or machinery that 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 must file an annual survey containing specified information pursuant to RCW 82.32.585. The survey must be filed by April 30th of the year after which the investment project is certified by the Department as being operationally complete. Thereafter, the taxpayer must also file the survey in each of the subsequent seven years. Based on this data, the Department was directed to compile the summary statistics presented in this report.

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

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

The information specified above is contained in the following tables of this chapter for firms that reported the deferral/exemption for Calendar Year 2012. The first set of tables cover the Rural County Program (283 firms) and the second set of tables cover the Qualifying County Program (10 firms). Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

Limitations of Deferral Amounts

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

Repeated Reporting

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

Example:

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

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

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

Deferral Amounts Contain Estimates

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

Completed Projects Only

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

Table 8.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Rural Counties
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2012

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 50	167	\$20,648,860
50 - 250	87	\$32,263,959
More than 250	29	\$36,535,584
TOTAL	283	\$89,448,403

Table 8.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Rural Counties
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012

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	167	2,614	80.9%	15.4%	3.8%
50 - 250	87	9,345	91.2%	3.3%	5.5%
More than 250	29	22,705	95.8%	2.4%	2.0%
TOTAL	283	34,664	93.4%	3.6%	3.1%

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

Chapter 8

Table 8.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Rural Counties
Employment and Employee Benefits by Wage Band
Calendar Year 2012

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	9,455	5,198	4,984	3,299
\$30,000 - \$59,999	16,646	13,811	13,385	12,536
\$60,000 or more	8,563	7,983	7,761	7,694
TOTAL	34,664	26,992	26,130	23,529

Table 8.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Rural Counties
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2012

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	167	665	145	20	0	0
50 - 250	87	64	37	17	10	0
More than 250	29	268	429	11	31	0
TOTAL	283	997	611	48	41	0

Table 8.1b
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Qualifying Counties
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2012

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferred</u>
Fewer than 250	7	\$789,072
250 or more	3	\$834,476
TOTAL	10	\$1,623,548

Table 8.2b
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Qualifying Counties
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012

<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 250	7	756	99.1%	0.3%	0.6%
250 or more	3	1,500	98.9%	0.3%	0.9%
TOTAL	10	2,256	98.9%	0.3%	0.8%

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

Chapter 8

Table 8.3b
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Qualifying Counties
Employment and Employee Benefits by Wage Band
Calendar Year 2012

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	742	502	462	140
\$30,000 - \$59,999	1,008	863	826	623
\$60,000 or more	506	456	451	439
TOTAL	2,256	1,821	1,739	1,202

Table 8.4b
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments by Manufacturers and R&D Firms in Qualifying Counties
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2012

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Innovations by Participants		Evidence of Innovations		
		New Products	New Research Projects	Trademarks	Patents	Copyrights
Fewer than 250	7	58	25	1	1	0
250 or more	3	0	0	0	0	0
TOTAL	10	58	25	1	1	0

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

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

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

Expenditures eligible for the deferral are the construction of facilities in which research and development activities are conducted, as well as pilot scale manufacturing plants - not the actual full-scale manufacturing facilities. Acquisition of machinery necessary to conduct related 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 that basically turned the deferral into an exemption, because the deferred taxes did not need to be repaid if the facility and/or machinery continued to be used for qualified R&D purposes for at least the following seven years.

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

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

Limitations of Deferral Amounts

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

Repeated Reporting

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

Example:

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

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

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

Deferral Amounts Contain Estimates

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

Completed Projects Only

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

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

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

The information specified above is contained in the following tables of this chapter for the 95 firms that reported the deferral/exemption for Calendar Year 2012. 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 9.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS
Investments in R&D by High Technology Firms
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2012

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 50	35	\$5,347,409
50 - 250	30	\$8,762,577
More than 250	30	\$224,793,819
TOTAL	95	\$238,903,805

Table 9.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS
Investments in R&D by High Technology Firms
Retail Sales/Use Tax Deferrals Claimed by Category of Technology
Calendar Year 2012

Category of High Technology	Number of Firms Claiming Sales Tax Deferrals*	Total State/Local Sales Tax Deferred*
Advanced Computing	29	\$162,241,020
Advanced Materials	14	\$5,655,236
Biotechnology	44	\$59,095,615
Electronic Devices	25	\$3,663,101
Environmental	6	\$8,247,878
TOTAL	118	\$238,902,849

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

Chapter 9

Table 9.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012

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	35	534	91.6%	7.1%	1.3%
50 - 250	30	3,485	94.4%	3.0%	2.6%
More than 250	30	146,701	68.9%	9.2%	21.9%
TOTAL	95	150,720	69.6%	9.0%	21.4%

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

Table 9.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2012

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	28,183	6,162	6,683	6,575
\$30,000 - \$59,999	26,532	23,539	23,870	22,873
\$60,000 or more	96,005	77,496	77,481	71,471
TOTAL	150,720	107,197	108,034	100,919

Table 9.5
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Investments in R&D by High Technology Firms
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2012

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	35	33	46	21	27	4
50 - 250	30	126	320	26	268	0
More than 250	30	3,072	5,620	84	2,851	99
TOTAL	95	3,231	5,986	131	3,146	103

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

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

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

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

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

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

Limitations of Deferral Amounts

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

Repeated Reporting

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

Example:

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

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

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

Deferral Amounts Contain Estimates

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

Completed Projects Only

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

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

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

The following tables contain the above information for the 53 firms that process agricultural products or operate cold storage warehouses which reported the deferral/exemption for Calendar Year 2012.

Table 10.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS
Processing Facilities for Fruit and Vegetables, Manufacturing of
Dairy and Seafood Products, and Cold Storage Warehouses
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2012

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferred
Fewer than 250	36	\$10,843,024
250 plus	17	8,131,595
TOTAL	53	\$18,974,619

Chapter 10

Table 10.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Processing Facilities for Fruit and Vegetables, Manufacturing of Dairy and Seafood Products, and Cold Storage Warehouses
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012

Size of Washington Employment	# of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 250	36	2,264	75.1%	6.2%	18.6%
250 plus	17	8,555	86.7%	7.4%	5.9%
TOTAL	53	10,819	84.3%	7.2%	8.5%

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

Table 10.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Processing Facilities for Fruit and Vegetables, Manufacturing of Dairy and Seafood Products, and Cold Storage Warehouses
Employment and Employee Benefits by Wage Band
Calendar Year 2012

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	7,283	1,031	748	1,130
\$30,000 - \$59,999	2,578	1,799	1,536	1,672
\$60,000 or more	958	906	788	805
TOTAL	10,819	3,736	3,072	3,607

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 expires on January 1, 2017. Taxpayers are required to submit an application with the Department prior to commencement of construction or acquisition of equipment.

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

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

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

Limitations of Deferral Amounts

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

Repeated Reporting

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

Example:

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

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

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

Deferral Amounts Contain Estimates

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

Completed Projects Only

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

The information required by statute is contained in the following tables of this chapter for the seven biotech manufacturing firms that reported the deferral/exemption for Calendar Year 2012. 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 11.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Biotechnology Manufacturing Firms
Retail Sales/Use Tax Deferrals Claimed by Size of Employment
Calendar Year 2012**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferred</u>
Fewer than 100	3	\$226,100
100 or more	4	\$2,343,960
TOTAL	7	\$2,570,060

Table 11.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Biotechnology Manufacturing Firms
Total Washington Employment of Participants by Size of Employment
Calendar Year 2012

Size of Washington Employment	# of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 100	3	111	96.2%	3.8%	0.0%
100 or more	4	1,124	94.2%	1.3%	4.5%
TOTAL	7	1,235	94.4%	1.5%	4.1%

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

Table 11.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Biotechnology Manufacturing Firms
Employment and Employee Benefits by Wage Band
Calendar Year 2012

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	8	9	6
\$30,000 - \$59,999	722	449	459	405
\$60,000 or more	494	423	429	376
TOTAL	1,235	880	897	787

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

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

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

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

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

With the exception of the amount of credit taken, all information provided in the survey is confidential and must be aggregated for at least three taxpayers. As of Calendar Year 2012, no firms have participated in this tax incentive so there is no information to report.

MACHINERY & EQUIPMENT SALES/USE TAX EXEMPTION
FOR PUBLIC RESEARCH INSTITUTIONS

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

This exemption was established in 2011.

“Machinery and equipment” means those fixtures, pieces of equipment, digital goods, and support facilities that are an integral and necessary part of a research and development operation, and tangible personal property that becomes an ingredient or component of such fixtures, equipment, and support facilities, including repair parts and replacement parts. “Machinery and equipment” may include, but is not limited to: computers; software; data processing equipment; laboratory equipment, instrumentation, and other devices used in a process of experimentation to develop a new or improved pilot model, plant process, product, formula, or invention; vats, tanks, and fermenters; operating structures; and all equipment used to control, monitor, or operate the machinery and equipment.

“Machinery and equipment” does not include:

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

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

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

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

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

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

The information specified above is contained in the following tables of this chapter for the three taxpayers that benefited from the exemption during Calendar Year 2012. Although not required by statute, some of the tables provide a breakdown of program participants according to size of firm, based on total Washington employment.

Table 13.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS
Public Research Institutions
Sales/Use Tax Exemption Claimed by Size of Employment
Calendar Year 2012

Total Washington Employment of Participants	Number of Firms Claiming Tax Exemption	Total Sales/Use Tax Savings
More than 250	3	\$3,719,707
TOTAL	3	\$3,719,707

Table 13.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Public Research Institutions
Sales/Use Tax Exemption Claimed by Category of Technology
Calendar Year 2012

<u>Category of Technology</u>	<u>Sales/Use Tax Savings</u>
Advanced Computing	\$528
Advanced Materials	\$259,115
Biotechnology	\$2,339,042
Electronic Devices	\$649,185
Environmental	\$471,837
TOTAL	\$3,719,707

Table 13.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Public Research Institutions
Washington Employment of Participants by Size of Employment
Calendar Year 2012

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming Tax Exemption</u>	<u>Percentage of Jobs that are:</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
More than 250	3	52,561	52.5%	17.4%	30.0%
TOTAL	3	52,561	52.5%	17.4%	30.0%

Table 13.4
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Public Research Institutions
Employment and Employee Benefits by Wage Band
Calendar Year 2012

<u>Wage Bands</u>	<u>Washington Employment by Wage Bands</u>	<u>Number of Total Jobs in Washington with Employer-Provided Benefits</u>		
		<u>Medical</u>	<u>Dental</u>	<u>Retirement</u>
Less than \$30,000	24,543	4,164	4,707	4,413
\$30,000 - \$59,999	14,863	13,521	14,238	13,628
\$60,000 or more	13,155	12,637	13,071	13,017
TOTAL	52,561	30,322	32,016	31,058

Table 13.5
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Public Research Institutions
New Products and Innovations Developed by Participants by Size of Employment
Calendar Year 2012

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming Sales Tax Exemption</u>	<u>Innovations by Participants</u>		<u>Evidence of Innovations</u>		
		<u>New Products or Processes</u>	<u>New Research Projects</u>	<u>Trademarks</u>	<u>Patents</u>	<u>Copyrights</u>
More than 250	3	13	2,538	0	85	9
TOTAL	3	13	2,538	0	85	9

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

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

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

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

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

The tables on the following pages summarize the information above as provided by the 33 firms that benefited from this incentive. The statistics provided reflect business activities during Calendar Year 2012.

Table 14.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2012

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	250	8.2%
Business, financial, and legal operations	40	1.3
Computer, mathematical, architecture, & engineering	439	14.4
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	4	0.1
Healthcare practitioners, technical, and support	0	0.0
Protective services, building, and grounds maintenance	7	0.2
Sales and service	96	3.2
Office and administrative support	396	13.0
Construction and extraction	0	0.0
Installation, maintenance, and repair	920	30.2
Production, non-construction trades, and craft	820	26.9
Transportation and material moving	70	2.3
Other (forest, fishery, agriculture, military, arts, media)	4	0.1
TOTAL	3,046	100.0

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

Chapter 14

Table 14.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2012

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.0%	1.2%	0.8%	10.0%	88.0%
Business, financial, and legal operations	0.0	7.5	20.0	27.4	45.1
Computer, mathematical, architecture, & engineering	0.0	3.2	6.3	27.5	63.0
Life, physical, and social science	0.0	0.0	0.0	0.0	0.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	50.0	25.0	25.0	0.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	0.0
Protective services, building, and grounds maintenance	0.0	57.1	0.0	42.9	0.0
Sales and service	1.0	7.1	14.0	20.5	57.3
Office and administrative support	2.5	13.8	23.1	37.8	22.9
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.1	12.5	23.8	44.2	19.4
Production, non-construction trades, and craft	1.6	40.1	32.4	21.5	3.8
Transportation and material moving	0.0	29.5	42.0	28.5	0.0
Other (forest, fishery, agriculture, military, arts, media)	0.0	20.0	0.0	40.0	40.0
TOTAL (COUNT)	25	553	658	934	872
PERCENTAGE OF TOTAL (%)	0.8	18.1	21.6	30.7	28.6

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

Table 14.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2012

Status	Full-Time	98.0%
	Part-Time	1.0%
	Temporary	0.9%
	Hired Through Temporary Staffing (count)	524
Benefits	Eligible for Medical	96.7%
	Eligible for Retirement	88.9%

BUSINESS AND OCCUPATION TAX RATE REDUCTION
NEWSPAPER INDUSTRY

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

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

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

Until June 30, 2011, "newspaper" means:

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

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

(i) Shares content with the printed newspaper; and

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

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

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

(b) Circulated or distributed:

(i) As an insert or attachment to the printed newspaper; or

(ii) Separate and apart from the printed newspaper so long as the distribution is within the general circulation area of the newspaper.

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

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

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

The following tables summarize the responses from the 97 taxpayers that benefited from the incentive in this chapter. The statistics provided reflect business activities during Calendar Year 2012.

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

**Distribution of Employees by Occupation
Calendar Year 2012**

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	715	13.5%
Business, financial, and legal operations	219	4.1
Computer, mathematical, architecture, & engineering	164	3.1
Life, physical, and social science	0	0.0
Community and social services	2	0.0
Education, training, and library	1	0.0
Healthcare practitioners, technical, and support	0	0.0
Protective services, building, and grounds maintenance	17	0.3
Sales and service	764	14.5
Office and administrative support	1,096	20.8
Construction and extraction	2	0.0
Installation, maintenance, and repair	62	1.2
Production, non-construction trades, and craft	1,150	21.8
Transportation and material moving	210	4.0
Other (forest, fishery, agriculture, military, arts, media)	878	16.6
TOTAL	5,280	100.0

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

Chapter 15

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

**Percent Distribution of Employees by Occupation and Wages
Calendar Year 2012**

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	29.5%	3.5%	6.1%	19.4%	41.5%
Business, financial, and legal operations	6.4	12.4	23.8	48.8	8.7
Computer, mathematical, architecture, & engineering	1.9	17.1	17.1	28.1	36.0
Life, physical, and social science	0.0	0.0	0.0	0.0	0.0
Community and social services	0.0	100.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	100.0	0.0	0.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	0.0
Protective services, building, and grounds maintenance	17.6	58.8	11.8	11.8	0.0
Sales and service	16.5	41.9	19.5	18.2	3.9
Office and administrative support	8.2	32.5	25.1	22.5	11.6
Construction and extraction	0.0	0.0	0.0	50.0	50.0
Installation, maintenance, and repair	1.6	74.2	1.6	17.7	4.9
Production, non-construction trades, and craft	19.8	29.7	19.7	27.6	3.2
Transportation and material moving	24.9	50.0	15.7	8.1	1.4
Other (forest, fishery, agriculture, military, arts, media)	14.7	15.9	25.7	23.6	20.1
TOTAL (COUNT)	857	1,402	1,037	1,233	752
PERCENT OF TOTAL (%)	16.2	26.6	19.6	23.3	14.2

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

Table 15.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2012

Status	Full-Time	68.9%
	Part-Time	30.5%
	Temporary	0.5%
	Hired Through Temporary Staffing (count)	88
Benefits	Eligible for Medical	70.2%
	Eligible for Retirement	75.1%

SOLAR ENERGY SYSTEMS MANUFACTURERS

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

This statute was adopted in 2005 and provides the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The tables on the following pages summarize the responses from the four taxpayers that benefited from the incentive in this chapter during Calendar Year 2012.

Table 16.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2012

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	21	3.7%
Business, financial, and legal operations	9	1.6
Computer, mathematical, architecture, & engineering	82	14.5
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	12	2.1
Healthcare practitioners, technical, and support	1	0.2
Protective services, building, and grounds maintenance	0	0.0
Sales and service	15	2.7
Office and administrative support	39	6.9
Construction and extraction	0	0.0
Installation, maintenance, and repair	95	16.8
Production, non-construction trades, and craft	284	50.2
Transportation and material moving	8	1.4
Other (forest, fishery, agriculture, military, arts, media)	0	0.0
TOTAL	566	100.0

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

Table 16.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2012

	Min				
	Wage <u>to \$10</u>	<u>\$10.01 to \$15</u>	<u>\$15.01 to \$20</u>	<u>\$20.01 to \$30</u>	<u>\$30.01 & Over</u>
Management	1.9%	2.9%	0.0%	33.5%	61.8%
Business, financial, and legal operations	0.0	0.0	0.0	44.0	56.0
Computer, mathematical, architecture, & engineering	0.0	0.0	1.0	21.0	78.0
Life, physical, and social science	0.0	0.0	0.0	0.0	0.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	0.0	67.0	33.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	100.0
Protective services, building, and grounds maintenance	0.0	0.0	0.0	0.0	0.0
Sales and service	0.0	0.0	0.0	26.3	73.7
Office and administrative support	0.0	0.0	15.6	40.8	43.6
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	0.0	0.0	86.0	14.0
Production, non-construction trades, and craft	0.0	8.5	6.4	69.6	15.6
Transportation and material moving	0.0	0.0	0.0	87.0	13.0
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.0	0.0	0.0	0.0
TOTAL (COUNT)	0	25	25	342	174
PERCENT OF TOTAL (%)	0.1	4.3	4.4	60.5	30.7

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

Table 16.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits		
Calendar Year 2012		
Status	Full-Time	99.4%
	Part-Time	0.6%
	Temporary	0.0%
	Hired Through Temporary Staffing (count)	24
Benefits	Eligible for Medical	96.5%
	Eligible for Retirement	96.5%

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

BUSINESS AND OCCUPATION TAX DEDUCTION
GOVERNMENT-FUNDED MENTAL HEALTH SERVICES

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

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

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

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

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

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

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

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

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

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

The tables on the following pages summarize the information above as provided by the seven firms that benefited from this incentive. The statistics provided reflect business activities during Calendar Year 2012.

Table 17.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2012

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	213	11.7%
Business, financial, and legal operations	132	7.3
Computer, mathematical, architecture, & engineering	43	2.4
Life, physical, and social science	23	1.3
Community and social services	697	38.4
Education, training, and library	1	0.1
Healthcare practitioners, technical, and support	335	18.5
Protective services, building, and grounds maintenance	27	1.5
Sales and service	0	0.0
Office and administrative support	251	13.8
Construction and extraction	0	0.0
Installation, maintenance, and repair	7	0.4
Production, non-construction trades, and craft	0	0.0
Transportation and material moving	0	0.0
Other (forest, fishery, agriculture, military, arts, media)	86	4.7
TOTAL	1,815	100.0

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

Chapter 17

Table 17.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2012

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.0%	0.0%	2.5%	18.2%	79.3%
Business, financial, and legal operations	0.0	1.5	36.8	25.6	36.1
Computer, mathematical, architecture, & engineering	0.0	2.3	6.9	25.7	65.1
Life, physical, and social science	0.0	0.0	0.0	100.0	0.0
Community and social services	0.0	33.5	36.5	26.9	3.1
Education, training, and library	0.0	0.0	0.0	100.0	0.0
Healthcare practitioners, technical, and support	0.7	14.7	10.2	38.3	36.3
Protective services, building, and grounds maintenance	14.8	52.1	22.5	6.7	3.9
Sales and service	0.0	0.0	0.0	0.0	0.0
Office and administrative support	1.6	35.1	43.7	18.4	1.2
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	42.9	42.9	14.3	0.0
Production, non-construction trades, and craft	0.0	0.0	0.0	0.0	0.0
Transportation and material moving	0.0	0.0	0.0	0.0	0.0
Other (forest, fishery, agriculture, military, arts, media)	23.5	58.3	8.7	5.7	3.8
TOTAL (COUNT)	31	441	472	477	395
PERCENTAGE OF TOTAL (%)	1.7	24.3	26.0	26.3	21.8

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

Table 17.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2012

Status	Full-Time	75.5%
	Part-Time	19.5%
	Temporary	5.0%
	Hired Through Temporary Staffing (count)	5
Benefits	Eligible for Medical	88.5%
	Eligible for Retirement	81.9%

PUBLIC UTILITY TAX EXEMPTION
ELECTROLYTIC PROCESSING INDUSTRY

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

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

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

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

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

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

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

SALES/USE TAX EXEMPTION
DATA CENTERS

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

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

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

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

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

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

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

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

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

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

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

The tables on the following pages summarize the responses from eight taxpayers that benefited from the incentives in this chapter. The statistics provided reflect business activities during Calendar Year 2012.

Table 19.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2012

	<u>Number of</u> <u>employees</u>	<u>Percentage of</u> <u>employees</u>
Management	20	4.9%
Business, financial, and legal operations	122	29.8
Computer, mathematical, architecture, & engineering	115	28.1
Life, physical, and social science	0	0.0
Community and social services	0	0.0
Education, training, and library	0	0.0
Healthcare practitioners, technical, and support	0	0.0
Protective services, building, and grounds maintenance	2	0.5
Sales and service	23	5.6
Office and administrative support	58	14.2
Construction and extraction	0	0.0
Installation, maintenance, and repair	69	16.9
Production, non-construction trades, and craft	0	0.0
Transportation and material moving	0	0.0
Other (forest, fishery, agriculture, military, arts, media)	0	0.0
TOTAL	409	100.0

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

Chapter 19

Table 19.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2012

	Min				
	Wage	\$10.01	\$15.01	\$20.01	\$30.01
	<u>to \$10</u>	<u>to \$15</u>	<u>to \$20</u>	<u>to \$30</u>	<u>& Over</u>
Management	0.0%	0.0%	0.0%	0.0%	100.0%
Business, financial, and legal operations	0.0	0.0	0.0	43.4	56.6
Computer, mathematical, architecture, & engineering	0.0	0.0	6.6	19.1	74.4
Life, physical, and social science	0.0	0.0	0.0	0.0	0.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	0.0	0.0	0.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	0.0
Protective services, building, and grounds maintenance	0.0	50.0	0.0	0.0	50.0
Sales and service	0.0	0.0	13.2	30.6	56.2
Office and administrative support	0.0	5.2	5.2	82.7	6.9
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	0.0	0.0	50.0	50.0
Production, non-construction trades, and craft	0.0	0.0	0.0	0.0	0.0
Transportation and material moving	0.0	0.0	0.0	0.0	0.0
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.0	0.0	0.0	0.0
TOTAL (COUNT)	0	4	14	164	227
PERCENT OF TOTAL (%)	0.0	1.0	3.3	40.2	55.5

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

Table 19.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2012

Status	Full-Time	95.9%
	Part-Time	0.7%
	Temporary	3.4%
	Hired Through Temporary Staffing (count)	141
Benefits	Eligible for Medical	96.3%
	Eligible for Retirement	92.4%

AEROSPACE MANUFACTURER INCENTIVES

This chapter covers the following incentives:

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

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

A preferential B&O tax rate for manufacturers of commercial airplanes was adopted in 2005, effective October 1, 2005. It is codified as RCW 82.04.260(11a). The reduced tax rate is provided for firms that manufacture commercial airplanes (or their components), or make sales, at retail or wholesale, of commercial airplanes (or their components), manufactured by the seller. The tax rate was reduced from the regular 0.484 percent manufacturing/wholesaling rate to 0.4235 percent from October 1, 2005, through June 30, 2007, and then to 0.2904 percent beginning July 1, 2007. This rate remains in effect through June 30, 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

RCW 82.04.4463 provides a B&O tax credit for property tax and leasehold excise tax paid by manufacturers of commercial airplanes (or their components). This credit

applies to property taxes paid on buildings, and the land on which the buildings are located, constructed after December 1, 2003, and used exclusively in manufacturing commercial airplanes or components of such airplanes. The credit is also applicable to leasehold excise taxes paid for buildings constructed after January 1, 2006, the land on which the buildings are located, or both, if the buildings are used exclusively in manufacturing commercial airplanes or components of such airplanes. This statute expires July 1, 2024.

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

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

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

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

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

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

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

Property and Leasehold Tax Exemption for Airplane Manufacturers

RCW 82.29a.137 and RCW 84.36.655 provide a leasehold excise tax exemption and a property tax exemption for manufacturers of superefficient airplanes. The leasehold tax exemption applies to all leasehold interests in port district facilities exempt from tax

under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged in the manufacturing of superefficient airplanes.

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

Both exemptions expire July 1, 2024.

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

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

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

The tables on the following pages summarize the information above as provided by the 258 firms that benefited from these incentives. The statistics provided reflect business activities during Calendar Year 2012.

Chapter 20

Table 20.1
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Distribution of Employees by Occupation
Calendar Year 2012

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	7,845	8.1%
Business, financial, and legal operations	5,643	5.8
Computer, mathematical, architecture, & engineering	18,942	19.6
Life, physical, and social science	138	0.1
Community and social services	0	0.0
Education, training, and library	75	0.1
Healthcare practitioners, technical, and support	91	0.1
Protective services, building, and grounds maintenance	1,440	1.5
Sales and service	631	0.7
Office and administrative support	5,176	5.3
Construction and extraction	175	0.2
Installation, maintenance, and repair	4,715	4.9
Production, non-construction trades, and craft	50,286	51.9
Transportation and material moving	1,561	1.6
Other (forest, fishery, agriculture, military, arts, media)	136	0.1
TOTAL	96,854	100.0

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

Chapter 20

Table 20.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2012

	Min				
	Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
<i>Management</i>	0.1%	0.1%	0.7%	2.3%	96.8%
<i>Business, financial, and legal operations</i>	0.0	0.2	1.4	16.6	81.8
<i>Computer, mathematical, architecture, & engineering</i>	0.0	0.3	0.8	6.0	93.0
<i>Life, physical, and social science</i>	0.0	1.5	3.6	11.8	83.4
<i>Community and social services</i>	0.0	0.0	0.0	0.0	0.0
<i>Education, training, and library</i>	0.0	10.7	6.0	11.3	72.0
<i>Healthcare practitioners, technical, and support</i>	0.0	0.0	1.0	28.3	70.7
<i>Protective services, building, and grounds maintenance</i>	0.4	15.5	9.3	18.8	56.0
<i>Sales and service</i>	0.6	3.5	10.3	29.1	56.4
<i>Office and administrative support</i>	0.2	7.3	14.3	32.0	46.3
<i>Construction and extraction</i>	0.0	3.9	4.1	0.5	91.6
<i>Installation, maintenance, and repair</i>	0.3	1.9	11.1	26.8	60.0
<i>Production, non-construction trades, and craft</i>	0.5	12.8	23.8	22.6	40.3
<i>Transportation and material moving</i>	0.4	5.7	9.1	20.5	64.4
<i>Other (forest, fishery, agriculture, military, arts, media)</i>	0.7	9.4	19.0	34.7	36.2
TOTAL (COUNT)	321	7,308	13,884	17,406	57,921
PERCENTAGE OF TOTAL (%)	0.3	7.5	14.3	18.0	59.8

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

Table 20.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2012

Status	Full-Time	98.2%
	Part-Time	0.4%
	Temporary	1.4%
	Hired Through Temporary Staffing (count)	2,708
Benefits	Eligible for Medical	96.8%
	Eligible for Retirement	95.7%

AEROSPACE NON-MANUFACTURER INCENTIVES

This chapter covers the following incentives:

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

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

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

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

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

Under RCW 82.04.4461, a B&O tax credit is allowed for firms performing qualified aerospace product development. The credit is equal to the amount of qualified

aerospace product development expenditures multiplied by the rate of 1.5 percent. Credit may be earned only for expenditures occurring after June 30, 2008. This credit expires July 1, 2024.

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

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

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

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

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

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

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

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

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

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

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

"Aerospace products" means:

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

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

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

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

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

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

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

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

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

The following tables summarize the responses from the 95 taxpayers that benefited from the incentives in this chapter. The statistics provided reflect business activities during Calendar Year 2012.

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

**Distribution of Employees by Occupation
Calendar Year 2012**

	<u>Number of employees</u>	<u>Percentage of employees</u>
Management	328	8.6%
Business, financial, and legal operations	30	0.8
Computer, mathematical, architecture, & engineering	1,960	51.7
Life, physical, and social science	2	0.1
Community and social services	2	0.1
Education, training, and library	0	0.0
Healthcare practitioners, technical, and support	0	0.0
Protective services, building, and grounds maintenance	0	0.0
Sales and service	90	2.4
Office and administrative support	357	9.4
Construction and extraction	0	0.0
Installation, maintenance, and repair	62	1.6
Production, non-construction trades, and craft	823	21.7
Transportation and material moving	4	0.1
Other (forest, fishery, agriculture, military, arts, media)	134	3.5
TOTAL	3,792	100.0

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

Chapter 21

Table 21.2
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Percent Distribution of Employees by Occupation and Wages
Calendar Year 2012

	Min				
	Wage <u>to \$10</u>	<u>\$10.01 to \$15</u>	<u>\$15.01 to \$20</u>	<u>\$20.01 to \$30</u>	<u>\$30.01 & Over</u>
Management	0.0%	0.6%	0.9%	2.1%	96.4%
Business, financial, and legal operations	0.0	0.0	3.3	30.0	66.7
Computer, mathematical, architecture, & engineering	0.1	0.1	1.3	8.7	89.8
Life, physical, and social science	0.0	0.0	0.0	0.0	100.0
Community and social services	0.0	0.0	0.0	0.0	100.0
Education, training, and library	0.0	0.0	0.0	0.0	0.0
Healthcare practitioners, technical, and support	0.0	0.0	0.0	0.0	0.0
Protective services, building, and grounds maintenance	0.0	0.0	0.0	0.0	0.0
Sales and service	0.0	7.8	3.3	33.3	55.6
Office and administrative support	0.6	29.8	8.9	31.1	29.6
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.0	1.6	17.5	48.3	32.6
Production, non-construction trades, and craft	0.0	1.5	19.0	7.9	71.6
Transportation and material moving	0.0	0.0	43.8	18.8	37.5
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.7	0.0	35.1	64.2
TOTAL (COUNT)	3	132	232	471	2,953
PERCENTAGE OF TOTAL (%)	0.1	3.5	6.1	12.4	77.9

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

Table 21.3
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS

Employment Status and Benefits
Calendar Year 2012

Status	Full-Time	73.1%
	Part-Time	3.7%
	Temporary	23.2%
	Hired Through Temporary Staffing (count)	243
Benefits	Eligible for Medical	75.2%
	Eligible for Retirement	72.5%

ALUMINUM SMELTER INCENTIVES

This chapter covers the following incentives:

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

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

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

A preferential B&O tax rate for the manufacturing and wholesaling of aluminum was adopted in 2004 and is codified as RCW 82.04.2909. The reduced tax rate is available to firms that manufacture aluminum or firms making sales at wholesale of aluminum manufactured by them. The tax rate was reduced from the regular 0.484 percent manufacturing/wholesaling rate to 0.2904 percent on July 1, 2004. This special tax rate expires January 1, 2017.

Business and Occupation (B&O) Tax Credit for Property Taxes Paid

Under RCW 82.04.4481, a B&O tax credit is allowed for property taxes paid on property owned by a direct service industrial customer and reasonably necessary for the purposes of an aluminum smelter.

This credit was effective July 1, 2004, and credits may not be claimed for property taxes levied for collection in 2017 and thereafter.

"Direct service industrial customer" means a person who is an industrial customer that contracts for the purchase of power from the Bonneville Power Administration for direct consumption as of May 8, 2001. It includes a person who is a subsidiary that is more than fifty percent owned by a direct service industrial customer and who receives power from the Bonneville Power Administration pursuant to the parent's contract for power.

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

Sales/Use Tax Exemption for Aluminum Smelter Personal Properties

Under RCW 82.08.805 and RCW 82.12.805, a person that has paid retail sales or use tax for personal property used at an aluminum smelter, tangible personal property that will be incorporated as an ingredient or component of buildings or other structures at an aluminum smelter, or for labor and services rendered with respect to such buildings, structures, or personal property, is eligible for an exemption from the state share of the tax in the form of a credit. A person claiming an exemption must pay the tax and may then take a credit equal to the state share of retail sales or use tax paid.

This credit was effective July 1, 2004, and credits may not be claimed for taxable events occurring on or after January 1, 2017.

Use Tax Exemption for the Use of Gases by Aluminum Smelters

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

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

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

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

SEMICONDUCTOR INDUSTRY

This chapter covers the following incentives:

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

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

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

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

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

Sales/Use Tax Exemption Relating to Production of Semiconductor Materials

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

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

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

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

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

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