

---

**SUBSTITUTE HOUSE BILL 1422**

---

**State of Washington                      65th Legislature                      2017 Regular Session**

**By** House Technology & Economic Development (originally sponsored by Representatives Blake, J. Walsh, Steele, Fey, Nealey, Tharinger, Chapman, Jinkins, and Springer)

1            AN ACT Relating to creating the Washington rural jobs act; adding  
2 a new section to chapter 48.14 RCW; adding a new section to chapter  
3 82.04 RCW; adding a new chapter to Title 43 RCW; and providing an  
4 expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6            NEW SECTION.    **Sec. 1.**    TAX PREFERENCE PERFORMANCE STATEMENT. (1)  
7 This section is the tax preference performance statement for the tax  
8 preferences created in sections 6 and 11, chapter . . . , Laws of 2017  
9 (sections 6 and 11 of this act). This performance statement is only  
10 intended to be used for subsequent evaluation of the tax preference.

11            (2) The legislature categorizes these tax preferences as ones  
12 intended to create or retain jobs, as indicated in RCW  
13 82.32.808(2)(c).

14            (3) It is the legislature's specific public policy objective to  
15 create and retain jobs in rural areas of Washington. It is the  
16 legislature's intent to provide a vested tax credit that may be used  
17 to offset certain business and occupation taxes under chapter 82.04  
18 RCW, and insurance premium taxes under chapter 48.14 RCW owed by  
19 Washington taxpayers, in order to induce such taxpayers to invest in  
20 rural growth funds whose management teams:

1 (a) Have experience investing in companies located in rural  
2 areas;

3 (b) Have been vetted by the United States small business  
4 administration or the United States department of agriculture; and

5 (c) Have submitted a business plan that:

6 (i) Projects the number of jobs that will be created or retained  
7 as a result of such investment fund's investments in rural companies  
8 and includes the assumptions used to determine the projection; and

9 (ii) Includes a revenue impact assessment that demonstrates that  
10 the business plan will result in a positive economic impact on  
11 Washington state over a ten-year period that exceeds the cumulative  
12 amount of tax credits that would be issued to the investment fund's  
13 investors, thereby:

14 (A) Enabling the capitalization of rural growth funds;

15 (B) Incentivizing and requiring rural growth funds to invest in  
16 companies located in rural areas of Washington; and

17 (C) Enabling the creation or retention of jobs in rural areas of  
18 Washington.

19 (4) If the joint legislative audit and review committee finds  
20 that the aggregate number of jobs created or retained matches or  
21 exceeds the aggregate number of jobs set forth in the business plans  
22 of approved rural growth funds, in the six years following enactment  
23 of these tax preferences, then the legislature intends to continue  
24 the tax preferences created in sections 6 and 11, chapter . . . , Laws  
25 of 2017 (sections 6 and 11 of this act).

26 (5) In order to obtain the data necessary to perform the review  
27 in subsection (4) of this section, the joint legislative audit and  
28 review committee may refer to:

29 (a) The annual survey that a taxpayer claiming the tax credit in  
30 section 11 of this act must file with the department of revenue under  
31 RCW 82.32.585; and

32 (b) The annual reports required under section 9 of this act.

33 NEW SECTION. **Sec. 2.** SHORT TITLE. This chapter may be known and  
34 cited as the Washington rural jobs act.

35 NEW SECTION. **Sec. 3.** DEFINITIONS. The definitions in this  
36 section apply throughout this chapter unless the context clearly  
37 requires otherwise. (1) "Affiliate" means an entity that directly or  
38 indirectly, through one or more intermediaries, controls, is

1 controlled by, or is under common control with another entity. For  
2 the purposes of this chapter, "control" means the possession,  
3 directly or indirectly, of more than fifty percent of the power to  
4 direct or cause the direction of the management and policies of a  
5 person, whether through the ownership of voting shares, by contract,  
6 or otherwise.

7 (2) "Closing date" means the date on which a rural growth fund  
8 has collected all of the amounts specified by section 4 of this act.

9 (3) "Credit-eligible capital contribution" means an investment of  
10 cash by a person subject to (a) business and occupation taxes under  
11 chapter 82.04 RCW and/or (b) insurance premium taxes under chapter  
12 48.14 RCW in a rural growth fund that equals the amount specified on  
13 a tax credit certificate issued by the department under section 6 of  
14 this act. The investment must purchase an equity interest in the  
15 rural growth fund or purchase, at par value or premium, a debt  
16 instrument that has a maturity date at least five years from the  
17 closing date.

18 (4) "Department" means the department of commerce.

19 (5) "Investment authority" means the amount stated on the written  
20 approval issued under section 4(5) of this act certifying the rural  
21 growth fund. At least sixty percent of a rural growth fund's  
22 investment authority must be comprised of credit-eligible capital  
23 contributions.

24 (6) "Investor" also means "taxpayer."

25 (7) "NAICS code" means the North American industry classification  
26 system code used by federal statistical agencies and the state in  
27 classifying business establishments for the purpose of collecting,  
28 analyzing, and publishing statistical data related to the business  
29 economy.

30 (8) "Principal business operations" means a business located at  
31 the place or places where at least sixty percent of its employees  
32 work or where employees that are paid at least sixty percent of its  
33 payroll work. An out-of-state business that has agreed to relocate  
34 employees using the proceeds of a rural growth investment to  
35 establish its principal business operations in a rural area in the  
36 state is deemed to have its principal business operations in this new  
37 location provided it satisfies this definition within one hundred  
38 eighty days after receiving the rural growth investment, unless the  
39 department agrees to a later date.

1 (9) "Rural area" means a county with a population density of less  
2 than one hundred persons per square mile or a county smaller than two  
3 hundred twenty-five square miles as determined by the office of  
4 financial management and published each year by the department for  
5 the period July 1st to June 30th.

6 (10) "Rural business concern" means a business that, at the time  
7 of the initial investment in the company by a rural growth fund:

8 (a) Has less than two hundred fifty employees and not more than  
9 ten million dollars in net income for the preceding taxable year;

10 (b) Has its principal business operations in one or more rural  
11 areas in the state; and

12 (c) Is engaged in industries related to manufacturing, plant  
13 sciences, services, or technology or, if not engaged in such  
14 industries, the department makes a determination that the investment  
15 will be highly beneficial to the economic growth of the state.

16 (11) "Rural growth fund" means an entity certified by the  
17 department under section 4 of this act.

18 (12) "Rural growth investment" means any capital or equity  
19 investment in a rural business concern or any loan to a rural  
20 business concern with a stated maturity at least one year after the  
21 date of issuance.

22 NEW SECTION. **Sec. 4.** TAX CREDIT APPLICATION, APPROVAL, AND  
23 ALLOCATIONS. (1) Beginning November 1, 2017, the department must  
24 accept applications for approval as a rural growth fund. The  
25 application must include all of the following:

26 (a) The total investment authority sought by the applicant under  
27 the business plan;

28 (b) A copy of the applicant's or an affiliate of the applicant's  
29 license as a rural business investment company under Title 7 U.S.C.  
30 Sec. 2009cc, as amended, as of January 1, 2017, or as a small  
31 business investment company under Title 15 U.S.C. Sec. 681, as  
32 amended, as of January 1, 2017;

33 (c) Evidence that, as of the date the application is submitted,  
34 the applicant or affiliates of the applicant have invested at least  
35 one hundred million dollars in nonpublic companies located in  
36 nonmetropolitan counties as defined by the office of management and  
37 budget on the basis of counties or county-equivalent units;

1 (d) An estimate of the number of jobs that will be created or  
2 retained in this state as a result of the applicant's rural growth  
3 investments and the assumptions used to determine the estimate;

4 (e) A business plan that includes a revenue impact assessment  
5 projecting state and local tax revenue to be generated by the  
6 applicant's proposed rural growth investments prepared by a  
7 nationally recognized third-party independent economic forecasting  
8 firm using a dynamic economic forecasting model that analyzes the  
9 applicant's business plan over the ten years following the date the  
10 application is submitted to the department;

11 (f) A signed affidavit from each investor stating the amount of  
12 credit-eligible capital contributions each taxpayer commits to make  
13 and against which of the two tax types the investor plans to apply  
14 the credit:

15 (i) Business and occupation taxes under chapter 82.04 RCW; or

16 (ii) Insurance premium taxes under chapter 48.14 RCW; and

17 (g) A nonrefundable application fee of five thousand dollars.

18 (2) The department must make an application determination within  
19 thirty days of receipt in the order in which the applications are  
20 received. The department must deem applications received on the same  
21 day to have been received simultaneously. The department may not  
22 approve more than one hundred million dollars in investment authority  
23 and not more than sixty million dollars in credit-eligible capital  
24 contributions under this section. If requests for investment  
25 authority exceed this limitation, the department must proportionally  
26 reduce the investment authority and the credit-eligible capital  
27 contributions for each approved application as necessary to avoid  
28 exceeding the limit.

29 (3) The department must deny an application submitted under this  
30 section if any of the following are true:

31 (a) The application is incomplete or the application fee is not  
32 paid in full;

33 (b) The applicant does not satisfy all the criteria described in  
34 subsection (1)(b) of this section;

35 (c) The revenue impact assessment submitted under subsection  
36 (1)(e) of this section does not demonstrate that the applicant's  
37 business plan will result in a positive economic impact on the state  
38 over a ten-year period that exceeds the cumulative amount of tax  
39 credits that would be issued to the applicant's investors under  
40 section 6 or 11 of this act if the application were approved;

1 (d) The credit-eligible capital contributions described in  
2 affidavits submitted under subsection (1)(f) of this section do not  
3 equal at least sixty percent of the total amount of investment  
4 authority sought under the applicant's business plan; or

5 (e) The department has already approved the maximum amount of  
6 investment authority and credit-eligible capital contributions  
7 allowed under subsection (2) of this section.

8 (4) If the department denies an application, the applicant may  
9 provide additional information to the department to complete,  
10 clarify, or cure defects in the application identified by the  
11 department within fifteen days of the notice of denial for  
12 reconsideration and determination. The department must review and  
13 reconsider such applications within thirty days before any pending  
14 application submitted after the original submission date of the  
15 reconsidered application.

16 (5) The department may not deny a rural growth fund application  
17 or reduce the requested investment authority for reasons other than  
18 those described in subsections (2) and (3) of this section.

19 (6) Upon approval of an application, the department must provide  
20 a written approval to the applicant as a rural growth fund specifying  
21 the amount of the applicant's investment authority and a tax credit  
22 certificate to each investor whose affidavit was included in the  
23 application specifying the amount of the investor's credit-eligible  
24 capital contribution.

25 (7) After receiving the approval issued under subsection (6) of  
26 this section, a rural growth fund must:

27 (a) Within sixty days:

28 (i) Collect the credit-eligible capital contributions from each  
29 investor; and

30 (ii) Collect one or more investments of cash that, when added to  
31 the contributions collected under (a)(i) of this subsection, equal  
32 the rural growth fund's investment authority.

33 (b) Within sixty-five days, send to the department documentation  
34 sufficient to prove that the amounts described in (a)(i) and (ii) of  
35 this subsection have been collected.

36 (7) Upon receiving documentation from the rural growth fund that  
37 it is fully funded, the department must issue a tax credit  
38 certificate to each investor whose affidavit was included in the  
39 application specifying the amount of the investor's credit-eligible  
40 capital contribution. The department must provide a copy of the tax

1 credit certificates to the office of the insurance commissioner for  
2 investors earning tax credits eligible for use against insurance  
3 premium taxes, including the retaliatory provision, imposed under  
4 chapter 48.14 RCW, and to the department of revenue for investors  
5 earning tax credits eligible for use against business and occupation  
6 taxes imposed under chapter 82.04 RCW. The tax credit certificate  
7 must include:

8 (a) The credit-eligible capital contribution amount;

9 (b) The name of the rural growth fund;

10 (c) The unified business identifier number of the investor; and

11 (d) The closing date of the rural growth fund.

12 (8) Tax credits may be transferred or allocated to an affiliate  
13 of the taxpayer. Taxpayers must notify the department if they wish to  
14 transfer or allocate a credit to an affiliate. The department will  
15 verify the transfer is to an affiliate and then issue an amended tax  
16 credit certificate to the taxpayer and a new tax credit certificate  
17 to the affiliate. The department must provide the department of  
18 revenue and the office of the insurance commissioner with a copy of  
19 the amended tax credit certificate of the transferor and the new tax  
20 credit certificate of the transferee.

21 (9) If the rural growth fund fails to fully comply with  
22 subsection (7) of this section, the rural growth fund's approval  
23 lapses and the corresponding investment authority and credit-eligible  
24 capital contributions under this subsection do not count toward the  
25 limits on the program size prescribed by subsection (2) of this  
26 section. The department must first award lapsed investment authority  
27 pro rata to each rural growth fund that was awarded less than the  
28 requested investment authority under subsection (2) of this section,  
29 which a rural growth fund may allocate to its investors in its  
30 discretion. Any remaining investment authority may be awarded by the  
31 department to new applicants.

32 (10) Application fees submitted to the department under  
33 subsection (1)(g) of this section must be deposited in the rural job  
34 creation account created in section 5 of this act.

35 NEW SECTION. **Sec. 5.** RURAL JOB CREATION ACCOUNT. The rural job  
36 creation account is created in the state treasury. All receipts from  
37 application fees submitted to the department under section 4 of this  
38 act must be deposited into the account. Moneys in the account may be

1 spent only after appropriation. Expenditures from the account may be  
2 used by the department only for administering this chapter.

3 NEW SECTION. **Sec. 6.** INSURANCE PREMIUM TAX CREDIT ESTABLISHED.

4 A new section is added to chapter 48.14 RCW to read as follows:

5 (1) A tax credit is authorized against the tax, including the  
6 retaliatory provision, otherwise due under this chapter for persons  
7 that made a credit-eligible capital contribution to a rural growth  
8 fund and were issued a tax credit certificate under section 4 of this  
9 act.

10 (2) A taxpayer earns a credit on the closing date noted on the  
11 taxpayer's tax credit certificate issued under section 4 of this act.  
12 The credit is equal to the amount of the taxpayer's credit-eligible  
13 capital contribution to the rural growth fund as specified on the tax  
14 credit certificate.

15 (3) The taxpayer may claim up to one-third of the credit  
16 authorized under this section for each of the calendar years that  
17 includes the third through fifth anniversaries of the closing date  
18 noted on the tax credit certificate, exclusive of amounts carried  
19 forward from prior years.

20 (4) The amount claimed for a tax reporting period may not exceed  
21 the amount of tax otherwise due under this chapter for that reporting  
22 period. Unused credits may be carried forward until used, even if  
23 claimed after the expiration date of this section. No refunds may be  
24 granted for credits under this section.

25 (5) All persons claiming a credit under this section must file  
26 electronically with the office of the insurance commissioner all  
27 returns, other forms, or any other information as may be required by  
28 the office of the insurance commissioner.

29 (6) A taxpayer claiming a credit under this section must submit a  
30 copy of the tax credit certificate issued to the taxpayer under  
31 section 4 of this act to the office of the insurance commissioner  
32 when filing the first return in which the taxpayer will claim a  
33 credit against taxes due under this chapter.

34 (7) The credit may not be transferred or allocated to any other  
35 entity other than an affiliate subject to the insurance premium,  
36 including retaliatory provisions, imposed under this chapter. The  
37 department must provide the office of the insurance commissioner with  
38 a copy of the amended tax credit certificate of the transferor and  
39 the new tax credit certificate of the transferee. The office of the



1 insurance commissioner must disallow tax credits claimed by any  
2 transferee other than an affiliate of the transferor.

3 (8) The department must notify the office of the insurance  
4 commissioner if a tax credit certificate was revoked as provided in  
5 section 7 of this act. Upon such notice, the office of the insurance  
6 commissioner must:

7 (a) Provide written notice to the taxpayer or any affiliate to  
8 which the credit was transferred that the credit was revoked by the  
9 department;

10 (b) Include in the notice the amount of all credits previously  
11 claimed and that such amount be paid in full within thirty days of  
12 the date of the notice. If the taxpayer or the affiliate fails to pay  
13 the amount in full by the due date in the notice or any extension  
14 granted by the office of the insurance commissioner, the office of  
15 the insurance commissioner must impose penalties and interest  
16 consistent with RCW 48.14.060; and

17 (c) Deny any further use of the tax credit certificate by the  
18 taxpayer or any affiliate to which the credit was transferred.

19 (9) The definitions in section 3 of this act apply to this  
20 section.

21 NEW SECTION. **Sec. 7.** REVOCATION OF TAX CREDIT CERTIFICATES AND  
22 EXIT. (1) The department must revoke a tax credit certificate issued  
23 under section 4 of this act if any of the following occur with  
24 respect to a rural growth fund before it exits the program in  
25 accordance with subsection (5) of this section:

26 (a) The rural growth fund in which the credit-eligible capital  
27 contribution was made does not invest one hundred percent of its  
28 investment authority in rural growth investments in this state within  
29 two years of the closing date;

30 (b) The rural growth fund, after satisfying (a) of this  
31 subsection, fails to maintain rural growth investments equal to one  
32 hundred percent of its investment authority until the sixth  
33 anniversary of the closing date. For the purposes of this subsection,  
34 an investment is "maintained" even if the investment is sold or  
35 repaid so long as the rural growth fund reinvests an amount equal to  
36 the capital returned or recovered by the fund from the original  
37 investment, exclusive of any profits realized, in other rural growth  
38 investments in this state within twelve months of the receipt of such  
39 capital. Amounts received periodically by a rural growth fund must be

1 treated as continually invested in rural growth investments if the  
2 amounts are reinvested in one or more rural growth investments by the  
3 end of the following calendar year. A rural growth fund is not  
4 required to reinvest capital returned from rural growth investments  
5 after the fifth anniversary of the closing date, and such rural  
6 growth investments must be considered held continuously by the rural  
7 growth fund through the sixth anniversary of the closing date;

8 (c) The rural growth fund, before exiting the program in  
9 accordance with subsection (4) of this section, makes a distribution  
10 or payment that results in the rural growth fund having less than one  
11 hundred percent of its investment authority invested in rural growth  
12 investments in this state or available for investment in rural growth  
13 investments and held in cash and other marketable securities;

14 (d) The rural growth fund invests more than the greater of five  
15 million dollars or twenty percent of its investment authority in the  
16 same rural business concern, including amounts invested in affiliates  
17 of the rural business concern; or

18 (e) The rural growth fund makes a rural growth investment in a  
19 rural business concern that directly or indirectly through an  
20 affiliate owns, has the right to acquire an ownership interest, makes  
21 a loan to, or makes an investment in the rural growth fund, an  
22 affiliate of the rural growth fund, or an investor in the rural  
23 growth fund. This subsection does not apply to investments in  
24 publicly traded securities by a rural business concern or an owner or  
25 affiliate of such concern. For purposes of this subsection, a rural  
26 growth fund will not be considered an affiliate of a rural business  
27 concern solely as a result of its rural growth investment.

28 (2) Before revoking one or more tax credit certificates under  
29 this subsection, the department must notify the rural growth fund of  
30 the reasons for the pending revocation. The rural growth fund has  
31 ninety days from the date the notice was dispatched to correct any  
32 violation outlined in the notice to the satisfaction of the  
33 department and avoid revocation of the tax credit certificate.

34 (3) If tax credit certificates are revoked under this section,  
35 the associated investment authority and credit-eligible capital  
36 contributions do not count toward the limit on total investment  
37 authority and credit-eligible capital contributions described by  
38 section 4(2) of this act. The department must first award reverted  
39 authority pro rata to each rural growth fund that was awarded less  
40 than the requested investment authority under section 4(5) of this

1 act. The department may award any remaining investment authority to  
2 new applicants.

3 (4) On or after the sixth anniversary of the closing date, a  
4 rural growth fund may apply to the department to exit the program and  
5 no longer be subject to regulation under this chapter. The department  
6 must respond to the application within thirty days of receipt. In  
7 evaluating the application, the fact that no tax credit certificates  
8 have been revoked and that the rural growth fund has not received a  
9 notice of revocation that has not been cured under subsection (2) of  
10 this section is sufficient evidence to prove that the rural growth  
11 fund is eligible for exit. The department may not unreasonably deny  
12 an application submitted under this subsection. If the application is  
13 denied, the notice must include the reasons for the determination.  
14 The department must notify the office of the insurance commissioner  
15 and the department of revenue when a rural growth fund exits the  
16 program.

17 (5) The department may not revoke a tax credit certificate after  
18 a rural growth fund exits the program.

19 (6)(a) The state must share in all distributions and payments to  
20 equity holders in the rural growth fund in excess of the sum of the  
21 amount of equity capital invested in the fund by such equity holder  
22 and an amount equal to any projected increase in the equity holder's  
23 federal or state tax liability, including penalties and interest,  
24 related to the equity holder's ownership, management, or operation of  
25 the fund in the following amounts:

26 (i) If the number of jobs created or retained as a result of the  
27 rural growth fund's rural growth investments is less than sixty  
28 percent of the amount filed as part of the rural growth fund's  
29 application, sixty percent; and

30 (ii) If the number of jobs created or retained as a result of the  
31 rural growth fund's rural growth investments is less than eighty  
32 percent but more than sixty percent of the amount filed as part of  
33 the rural growth fund's application, thirty percent.

34 (b) In measuring jobs created and retained as a result of the  
35 rural growth fund's rural growth investments, the department must  
36 prorate the number of jobs set forth in the rural growth fund's  
37 business plan based upon the amount of investment authority requested  
38 in the rural growth fund's application.

1        NEW SECTION.    **Sec. 8.**    REQUEST FOR DETERMINATION. A rural growth  
2 fund, before making a rural growth investment, may request from the  
3 department a written opinion as to whether the business in which it  
4 proposed to invest is a rural business concern. The department, not  
5 later than the fifteenth business day after the date of receipt of  
6 the request, must notify the rural growth fund of its determination.  
7 If the department fails to notify the rural growth fund by the  
8 fifteenth business day of its determination, the business in which  
9 the rural growth fund proposes to invest must be considered a rural  
10 business concern.

11        NEW SECTION.    **Sec. 9.**    REPORTING OBLIGATIONS. (1) Each rural  
12 growth fund must submit a report to the department on or before the  
13 fifth business day after the second anniversary of the closing date  
14 and thereafter within forty-five days of the end of the calendar year  
15 including any year that the rural growth fund has not exited the  
16 program in accordance with section 7(4) of this act. The report must  
17 provide documentation as to the rural growth fund's rural growth  
18 investments and include:

- 19            (a) A bank statement evidencing each rural growth investment;  
20            (b) The name and location of principal operations;  
21            (c) Industry NAICS code of each business receiving a rural growth  
22 investment, including either the determination letter set forth in  
23 section 7 of this act or evidence that the business qualified as a  
24 rural business concern at the time the investment was made;  
25            (d) The number of employment positions created or retained as a  
26 result of the rural growth fund's rural growth investments as of the  
27 last day of the preceding calendar year and the assumptions used to  
28 determine the number of employment positions;  
29            (e) The average annual salary of the positions described in (c)  
30 of this subsection; and  
31            (f) Any other information required by the department.

32            (2) The department must consult with staff of the joint  
33 legislative audit and review committee when developing the specific  
34 format and questions included in the accountability report to ensure  
35 it provides the information needed for performance evaluations under  
36 chapter 43.136 RCW.

37        NEW SECTION.    **Sec. 10.**    The department must adopt rules necessary  
38 to implement this chapter.

1           NEW SECTION.       **Sec. 11.**       BUSINESS AND OCCUPATION TAX CREDIT

2 ESTABLISHED. A new section is added to chapter 82.04 RCW to read as  
3 follows:

4           (1) A tax credit is authorized against tax otherwise due under  
5 this chapter for persons that made a credit-eligible capital  
6 contribution to a rural growth fund and were issued a tax credit  
7 certificate under section 4 of this act.

8           (2) A taxpayer earns a credit on the closing date noted on the  
9 taxpayer's tax credit certificate issued under section 4 of this act.  
10 The credit is equal to the amount of the taxpayer's credit-eligible  
11 capital contribution to the rural growth fund as specified on the tax  
12 credit certificate.

13           (3) The taxpayer may claim up to one-third of the credit  
14 authorized under this section for each of the calendar years that  
15 includes the third through fifth anniversaries of the closing date  
16 noted on the tax credit certificate, exclusive of amounts carried  
17 forward from prior years.

18           (4) The amount claimed for a tax reporting period may not exceed  
19 the amount of tax otherwise due under this chapter for that reporting  
20 period. Unused credits may be carried forward until used, even if  
21 claimed after the expiration date of this section. No refunds may be  
22 granted for credits under this section.

23           (5) All persons claiming a credit under this section must file  
24 electronically with the department all returns, other forms, or any  
25 other information as may be required by the department.

26           (6) A taxpayer claiming a credit under this section must submit a  
27 copy of the tax credit certificate issued to the taxpayer under  
28 section 4 of this act to the department when filing the first return  
29 in which the taxpayer will claim a credit against taxes due under  
30 this chapter.

31           (7) The credit may not be transferred or allocated to any other  
32 entity other than an affiliate subject to the business and occupation  
33 taxes imposed under this chapter. The department of commerce must  
34 provide the department with a copy of the amended tax credit  
35 certificate of the transferor and the new tax credit certificate of  
36 the transferee. The department must disallow tax credits claimed by  
37 any transferee other than an affiliate of the transferor.

38           (8) The department of commerce must notify the department if a  
39 tax credit certificate was revoked as provided in section 7 of this  
40 act. Upon such notice, the department of commerce must:

1 (a) Provide written notice to the taxpayer or any affiliate to  
2 which the credit was transferred that the credit was revoked by the  
3 department;

4 (b) Include in the notice the amount of all credits previously  
5 claimed and that such amount be paid in full within thirty days of  
6 the date of the notice. If the taxpayer or the affiliate fails to pay  
7 the amount in full by the due date in the notice or any extension  
8 granted by the department, the department must impose penalties and  
9 interest as provided under chapter 82.32 RCW; and

10 (c) Deny any further use of the tax credit certificate by the  
11 taxpayer or any affiliate to which the credit was transferred.

12 (9) A taxpayer claiming the tax credit against taxes due under  
13 this chapter must file a complete annual survey with the department  
14 under RCW 82.32.585.

15 (10) The definitions in section 3 of this act apply to this  
16 section.

17 NEW SECTION. **Sec. 12.** Sections 1 through 5 and 7 through 10 of  
18 this act constitute a new chapter in Title 43 RCW.

19 NEW SECTION. **Sec. 13.** This act expires July 1, 2025.

--- END ---