
SUBSTITUTE SENATE BILL 5260

State of Washington 65th Legislature 2017 Regular Session

By Senate Ways & Means (originally sponsored by Senator Warnick)

1 AN ACT Relating to the continuation of tax preferences supporting
2 the solar silicon manufacturing industry; amending RCW 82.04.294,
3 82.08.9651, and 82.12.9651; creating new sections; providing an
4 effective date; providing expiration dates; and declaring an
5 emergency.

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

7 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
8 performance statement for the tax preference contained in section 2
9 of this act. This performance statement is only intended to be used
10 for subsequent evaluation of the tax preference. It is not intended
11 to create a private right of action by any party or be used to
12 determine eligibility for preferential tax treatment.

13 (2) The legislature categorizes this tax preference as one
14 intended to improve industry competitiveness and to create and retain
15 jobs as indicated in RCW 82.32.808(2) (b) and (c).

16 (3) It is the legislature's specific public policy objective to
17 maintain and grow jobs in the solar silicon industry. Trade disputes
18 currently threaten employment in this sector. It is the legislature's
19 intent to extend by ten years the preferential tax rates for
20 manufacturers and wholesalers of specific solar energy material and

1 parts in order to maintain and grow jobs in the solar silicon
2 industry.

3 (4) If a review finds that the number of people employed by the
4 solar silicon industry in Washington is the same or more than in
5 2015, and that at least sixty percent of employees earn sixty
6 thousand dollars a year or more, then the legislature intends to
7 extend the expiration date of the tax preference.

8 (5) In order to obtain the data necessary to perform the review
9 in subsection (4) of this section, the joint legislative audit and
10 review committee may refer to the department of revenue's annual
11 survey data.

12 **Sec. 2.** RCW 82.04.294 and 2013 2nd sp.s. c 13 s 902 are each
13 amended to read as follows:

14 (1) Upon every person engaging within this state in the business
15 of manufacturing solar energy systems using photovoltaic modules or
16 stirling converters, or of manufacturing solar grade silicon, silicon
17 solar wafers, silicon solar cells, thin film solar devices, or
18 compound semiconductor solar wafers to be used exclusively in
19 components of such systems; as to such persons the amount of tax with
20 respect to such business is, in the case of manufacturers, equal to
21 the value of the product manufactured, or in the case of processors
22 for hire, equal to the gross income of the business, multiplied by
23 the rate of 0.275 percent.

24 (2) Upon every person engaging within this state in the business
25 of making sales at wholesale of solar energy systems using
26 photovoltaic modules or stirling converters, or of solar grade
27 silicon, silicon solar wafers, silicon solar cells, thin film solar
28 devices, or compound semiconductor solar wafers to be used
29 exclusively in components of such systems, manufactured by that
30 person; as to such persons the amount of tax with respect to such
31 business is equal to the gross proceeds of sales of the solar energy
32 systems using photovoltaic modules or stirling converters, or of the
33 solar grade silicon to be used exclusively in components of such
34 systems, multiplied by the rate of 0.275 percent.

35 (3) Silicon solar wafers, silicon solar cells, thin film solar
36 devices, solar grade silicon, or compound semiconductor solar wafers
37 are "semiconductor materials" for the purposes of RCW 82.08.9651 and
38 82.12.9651.

1 (4) The definitions in this subsection apply throughout this
2 section.

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

6 (b) "Module" means the smallest nondivisible self-contained
7 physical structure housing interconnected photovoltaic cells and
8 providing a single direct current electrical output.

9 (c) "Photovoltaic cell" means a device that converts light
10 directly into electricity without moving parts.

11 (d) "Silicon solar cells" means a photovoltaic cell manufactured
12 from a silicon solar wafer.

13 (e) "Silicon solar wafers" means a silicon wafer manufactured for
14 solar conversion purposes.

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

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

22 (h) "Stirling converter" means a device that produces electricity
23 by converting heat from a solar source utilizing a stirling engine.

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

27 (5) A person reporting under the tax rate provided in this
28 section must file a complete annual survey with the department under
29 RCW 82.32.585.

30 (6) This section expires June 30, (~~(2017)~~) 2027.

31 NEW SECTION. **Sec. 3.** (1) This section is the tax preference
32 performance statement for the tax preferences contained in sections 4
33 and 5 of this act. This performance statement is only intended to be
34 used for subsequent evaluation of the tax preferences. It is not
35 intended to create a private right of action by any party or be used
36 to determine eligibility for preferential tax treatment.

37 (2) The legislature categorizes these tax preferences as ones
38 intended to induce certain designated behavior by taxpayers, improve

1 industry competitiveness, and create or retain jobs, as indicated in
2 RCW 82.32.808(2) (a) through (c).

3 (3) It is the legislature's specific public policy objective to
4 encourage significant construction projects; retain, expand, and
5 attract semiconductor business; and encourage and expand family-wage
6 jobs. It is the legislature's intent to extend by ten years the
7 preferential tax rates for sales and uses of gases and chemicals used
8 in the production of semiconductor materials, in order to encourage
9 the growth and retention of the semiconductor business in Washington,
10 thereby strengthening Washington's competitiveness with other states
11 for manufacturing investment.

12 (4) If a review finds that the number of construction projects in
13 the industry has increased, and that number of people employed by the
14 solar silicon industry in Washington is the same or more than in
15 2015, and that at least sixty percent of employees earn sixty
16 thousand dollars a year, then the legislature intends to extend the
17 expiration date of the tax preferences.

18 (5) In order to obtain the data necessary to perform the review
19 in subsection (4) of this section, the joint legislative audit and
20 review committee may refer to the department of revenue's annual
21 survey data.

22 **Sec. 4.** RCW 82.08.9651 and 2014 c 97 s 405 are each amended to
23 read as follows:

24 (1) The tax levied by RCW 82.08.020 does not apply to sales of
25 gases and chemicals used by a manufacturer or processor for hire in
26 the production of semiconductor materials. This exemption is limited
27 to gases and chemicals used in the production process to grow the
28 product, deposit or grow permanent or sacrificial layers on the
29 product, to etch or remove material from the product, to anneal the
30 product, to immerse the product, to clean the product, and other such
31 uses whereby the gases and chemicals come into direct contact with
32 the product during the production process, or uses of gases and
33 chemicals to clean the chambers and other like equipment in which
34 such processing takes place. For the purposes of this section,
35 "semiconductor materials" has the meaning provided in RCW 82.04.2404
36 and 82.04.294(3).

37 (2)(a) Except as provided under (b) of this subsection (2), a
38 person claiming the exemption under this section must file a complete
39 annual survey with the department under RCW 82.32.585.

1 (b) A person claiming the exemption under this section and who is
2 required to file a complete annual report with the department under
3 RCW 82.32.534 as a result of claiming the tax preference provided by
4 RCW 82.04.2404 is not also required to file a complete annual survey
5 under RCW 82.32.585.

6 (3) No application is necessary for the tax exemption. The person
7 is subject to all of the requirements of chapter 82.32 RCW.

8 (4) This section expires ((~~December 1, 2018~~)) July 1, 2027.

9 **Sec. 5.** RCW 82.12.9651 and 2014 c 97 s 406 are each amended to
10 read as follows:

11 (1) The provisions of this chapter do not apply with respect to
12 the use of gases and chemicals used by a manufacturer or processor
13 for hire in the production of semiconductor materials. This exemption
14 is limited to gases and chemicals used in the production process to
15 grow the product, deposit or grow permanent or sacrificial layers on
16 the product, to etch or remove material from the product, to anneal
17 the product, to immerse the product, to clean the product, and other
18 such uses whereby the gases and chemicals come into direct contact
19 with the product during the production process, or uses of gases and
20 chemicals to clean the chambers and other like equipment in which
21 such processing takes place. For purposes of this section,
22 "semiconductor materials" has the meaning provided in RCW 82.04.2404
23 and 82.04.294(3).

24 (2)(a) Except as provided under (b) of this subsection (2), a
25 person claiming the exemption under this section must file a complete
26 annual survey with the department under RCW 82.32.585.

27 (b) A person claiming the exemption under this section and who is
28 required to file a complete annual report with the department under
29 RCW 82.32.534 as a result of claiming the tax preference provided by
30 RCW 82.04.2404 is not also required to file a complete annual survey
31 under RCW 82.32.585.

32 (3) No application is necessary for the tax exemption. The person
33 is subject to all of the requirements of chapter 82.32 RCW.

34 (4) This section expires ((~~December 1, 2018~~)) July 1, 2027.

35 NEW SECTION. **Sec. 6.** Sections 1 and 2 of this act are necessary
36 for the immediate preservation of the public peace, health, or

1 safety, or support of the state government and its existing public
2 institutions, and take effect June 30, 2017.

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