
SENATE BILL 5721

State of Washington

68th Legislature

2023 Regular Session

By Senators Boehnke and Lovick

1 AN ACT Relating to authorizing a business and occupation tax
2 credit to incentivize private sector investment in advanced aerospace
3 manufacturing training and education; adding a new section to chapter
4 82.04 RCW; creating a new section; providing an effective date; and
5 providing an expiration date.

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 preferences contained in section 2,
9 chapter . . . , Laws of 2023 (section 2 of this act). The performance
10 statement is only intended to be used for subsequent evaluation of
11 the tax preference. It is not intended to create a private right of
12 action by any party or be used to determine eligibility for
13 preferential tax treatment.

14 (2) The legislature categorizes the tax preference in this act as
15 one intended to induce certain designated behavior by taxpayers and
16 to create jobs, as indicated in RCW 82.32.808(2) (a) and (c).

17 (3) It is the legislature's specific public policy objective to
18 provide a consistent benefit for private sector employers to invest
19 in the training and upskilling of current and future employees
20 thereby increasing employment.

1 (4) To measure the effectiveness of the tax preference in section
2 of this act, the joint legislative audit and review committee must
3 evaluate the changes in employment for employers claiming the tax
4 credit under section 2 of this act and the types of training and
5 education methods used by these employers.

6 (5) In order to obtain the data necessary to perform the review
7 in subsection (4) of this section, the joint legislative audit and
8 review committee shall use the annual tax performance reports
9 submitted to the department of revenue under section 2 of this act.
10 Additionally, the joint legislative audit and review committee may
11 use any other data it deems necessary.

12 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04
13 RCW to read as follows:

14 (1) In computing the tax imposed under this chapter, a credit is
15 allowed for qualified training and education expenditures by an
16 eligible person. Credit may be earned only for qualified training and
17 education expenditures occurring after January 1, 2024.

18 (2) The credit is equal to 50 percent of the amount of qualified
19 training and education expenditures.

20 (3) The credit must be claimed against taxes due for the same
21 calendar year in which the qualified training and education
22 expenditures are incurred. The credit for each calendar year may not
23 exceed the amount of tax otherwise due under this chapter for the
24 calendar year. Refunds may not be granted in the place of a credit.

25 (4) Any person intending to claim the credit must file a form
26 prescribed by the department that must include the amount of the
27 credit claimed, an estimate of the anticipated qualified training and
28 education expenditures during the calendar year for which the credit
29 is claimed, an estimate of the taxable amount during the calendar
30 year for which the credit is claimed, and additional information as
31 the department may prescribe. For qualified training and education
32 expenditures constituting on-the-job training or other in-house
33 training, the application must include detailed information regarding
34 the number of employees that will be conducting the training, the
35 percentage of time these employees will dedicate to the training, the
36 estimated wages, compensation, and benefits expense attributable to
37 their training activities, and the methods by which the department
38 can readily verify the information.

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

3 (a) "Advanced manufacturing" means manufacturing processes that
4 improve existing or create entirely new materials, products, and
5 processes through the use of science, engineering, or information
6 technologies, high-precision tools and methods, a high-performance
7 workforce, and innovative business or organizational models using any
8 of the following technology areas:

9 (i) Microelectronics and nanoelectronics, including
10 semiconductors;

11 (ii) Advanced materials;

12 (iii) Integrated computational materials engineering;

13 (iv) Nanotechnology;

14 (v) Additive manufacturing; or

15 (vi) Industrial biotechnology.

16 (b) "Eligible person" means a firm primarily engaged in:

17 (i) Manufacturing commercial airplanes, or components of such
18 airplanes;

19 (ii) Manufacturing tooling specifically designed for use in
20 manufacturing commercial airplanes or components of such airplanes;

21 (iii) Aerospace product development as defined in RCW 82.04.4461;
22 or

23 (iv) Advanced manufacturing.

24 (c) "Qualified training and education" means any program, course,
25 curriculum, or routine of instruction that trains, upgrades, or
26 enhances a prospective or current employee in a manner that is
27 necessary to impart basic occupational skills and knowledge or adapt
28 to new demands in the workplace due to the adoption of new
29 technology, equipment, or innovation. "Qualified training and
30 education" includes, but is not limited to: Internship programs;
31 instructor-led programs, including programs at institutions of higher
32 education; apprenticeship programs; onboarding programs; and on-the-
33 job training.

34 (d) "Qualified training and education expenditures" means:

35 (i) The cost of employee training incurred by an employer and
36 paid to an institution of higher education, apprenticeship program,
37 credentialed program, certification program, or continuing education
38 program;

39 (ii) The salary, wages, and benefits of an employee who provides
40 training to the personnel of his or her employer; and

1 (iii) The salary and wages for a paid internship.

2 (e) "Taxable amount" means the taxable amount subject to the tax
3 imposed in this chapter required to be reported on the person's tax
4 returns during the year in which the credit is claimed, less any
5 taxable amount for which a credit is allowed under RCW 82.04.440.

6 (6) In addition to all other requirements under this title, a
7 person claiming the credit under this section must file a complete
8 annual tax performance report with the department under RCW
9 82.32.534. On the report, the taxpayer must provide information
10 regarding the types of qualified training and education programs, and
11 expenditure amounts for these programs, for which a credit was
12 claimed under this section in the prior calendar year.

13 (7) Credit may not be claimed for expenditures under this section
14 for which a credit is claimed under any other section of this
15 chapter.

16 (8) This section expires July 1, 2040.

17 NEW SECTION. **Sec. 3.** This act takes effect August 1, 2023.

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