
SENATE BILL 6137

State of Washington

68th Legislature

2024 Regular Session

By Senators Cleveland and L. Wilson

1 AN ACT Relating to reinstating semiconductor tax incentives;
2 amending RCW 82.04.2404, 82.08.9651, and 82.12.9651; reenacting and
3 amending RCW 82.32.790, 82.04.426, 82.04.448, 82.08.965, 82.08.970,
4 82.12.965, 82.12.970, and 84.36.645; adding a new section to chapter
5 82.04 RCW; creating new sections; providing a contingent effective
6 date; providing expiration dates; providing contingent expiration
7 dates; and declaring an emergency.

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

9 **Sec. 1.** RCW 82.32.790 and 2022 c 56 s 11 are each reenacted and
10 amended to read as follows:

11 (1) (a) (~~(Sections 510, 512, 514, 516, 518, 520, 522, and 524,~~
12 ~~chapter 37, Laws of 2017 3rd sp. sess., sections 9, 13, 17, 22, 24,~~
13 ~~30, 32, and 45, chapter 135, Laws of 2017, sections 104, 110, 117,~~
14 ~~123, 125, 129, 131, and 150, chapter 114, Laws of 2010, and sections~~
15 ~~1, 2, 3, and 5 through 10, chapter 149, Laws of 2003)) RCW 82.04.426,
16 82.04.448, 82.08.965, 82.08.970, 82.12.965, 82.12.970, 84.36.645, and
17 section 2 of this act are contingent upon the siting and commercial
18 operation of a significant semiconductor microchip fabrication
19 facility in the state of Washington by January 1, ((2024)) 2034.~~

20 (b) For the purposes of this section:

1 (i) "Commercial operation" means the same as "commencement of
2 commercial production" as used in RCW 82.08.965.

3 (ii) "Semiconductor microchip fabrication" means "manufacturing
4 semiconductor microchips" as defined in RCW 82.04.426.

5 (iii) "Significant" means the combined investment of new
6 buildings and new machinery and equipment in the buildings, at the
7 commencement of commercial production, will be at least (~~one billion~~
8 ~~dollars~~) \$1,000,000,000.

9 (2) The sections referenced in subsection (1) of this section
10 take effect the first day of the month in which a contract for the
11 construction of a significant semiconductor fabrication facility is
12 signed, if the contract is signed and received by January 1, (~~2024~~)
13 2034, as determined by the director of the department of revenue.

14 (3)(a) The department of revenue must provide notice of the
15 effective date of the sections referenced in subsection (1) of this
16 section to affected taxpayers, the legislature, the office of the
17 code reviser, and others as deemed appropriate by the department.

18 (b) If, after making a determination that a contract has been
19 signed and the sections referenced in subsection (1) of this section
20 are effective, the department discovers that commencement of
21 commercial production did not take place within three years of the
22 date the contract was signed, the department must make a
23 determination that (~~chapter 149, Laws of 2003 is~~) are no longer
24 effective, and all taxes that would have been otherwise due are
25 deemed deferred taxes and are immediately assessed and payable from
26 any person reporting tax under (~~RCW 82.04.240(2)~~) section 2 of this
27 act or claiming an exemption or credit under RCW 82.04.426,
28 82.04.448, 82.08.965, 82.12.965, 82.08.970, 82.12.970, or 84.36.645.
29 The department is not authorized to make a second determination
30 regarding the effective date of the sections referenced in subsection
31 (1) of this section.

32 (4)(a) This section expires January 1, (~~2024~~) 2035, if the
33 contingency in subsection (2) of this section does not occur by
34 January 1, (~~2024~~) 2034, as determined by the department.

35 (b) The department must provide written notice of the expiration
36 date of this section and the sections referenced in subsection (1) of
37 this section to affected taxpayers, the legislature, the office of
38 the code reviser, and others as deemed appropriate by the department.

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

3 (1) Upon every person engaging within this state in the business
4 of manufacturing semiconductor materials, as to such persons the
5 amount of tax with respect to such business is, in the case of
6 manufacturers, equal to the value of the product manufactured, or, in
7 the case of processors for hire, equal to the gross income of the
8 business, multiplied by the rate of 0.275 percent. For the purposes
9 of this subsection "semiconductor materials" means silicon crystals,
10 silicon ingots, raw polished semiconductor wafers, compound
11 semiconductors, integrated circuits, and microchips.

12 (2) A person reporting under the tax rate provided in this
13 section must file a complete annual tax performance report with the
14 department under RCW 82.32.534.

15 (3) Pursuant to RCW 82.32.790, this section is contingent on the
16 siting and commercial operation of a significant semiconductor
17 microchip fabrication facility in the state of Washington.

18 (4) This section expires January 1, 2034, unless the contingency
19 in RCW 82.32.790(2) occurs.

20 **Sec. 3.** RCW 82.04.426 and 2017 3rd sp.s. c 37 s 524 are each
21 reenacted and amended to read as follows:

22 (1) The tax imposed by (~~(RCW 82.04.240(2))~~) section 2 of this act
23 does not apply to any person in respect to the manufacturing of
24 semiconductor microchips.

25 (2) For the purposes of this section:

26 (a) "Manufacturing semiconductor microchips" means taking raw
27 polished semiconductor wafers and embedding integrated circuits on
28 the wafers using processes such as masking, etching, and diffusion;
29 and

30 (b) "Integrated circuit" means a set of microminiaturized,
31 electronic circuits.

32 (3) A person reporting under the tax rate provided in this
33 section must file a complete annual tax performance report with the
34 department under RCW 82.32.534.

35 (4) Pursuant to RCW 82.32.790, this section is contingent on the
36 siting and commercial operation of a significant semiconductor
37 microchip fabrication facility in the state of Washington.

38 (5) This section expires January 1, (~~(2024)~~) 2034, unless the
39 contingency in RCW 82.32.790(2) occurs.

1 **Sec. 4.** RCW 82.04.448 and 2017 3rd sp.s. c 37 s 516 are each
2 reenacted and amended to read as follows:

3 (1) Subject to the limits and provisions of this section, a
4 credit is authorized against the tax otherwise due under ((RCW
5 ~~82.04.240(2)~~)) section 2 of this act for persons engaged in the
6 business of manufacturing semiconductor materials. For the purposes
7 of this section "semiconductor materials" has the same meaning as
8 provided in ((RCW ~~82.04.240(2)~~)) section 2 of this act.

9 (2)(a) The credit under this section equals ((~~three thousand~~
10 ~~dollars~~)) \$3,000 for each employment position used in manufacturing
11 production that takes place in a new building exempt from sales and
12 use tax under RCW 82.08.965 and 82.12.965. A credit is earned for the
13 calendar year a person fills a position. Additionally a credit is
14 earned for each year the position is maintained over the subsequent
15 consecutive years, up to eight years. Those positions that are not
16 filled for the entire year are eligible for ((~~fifty~~)) 50 percent of
17 the credit if filled less than six months, and the entire credit if
18 filled more than six months.

19 (b) To qualify for the credit, the manufacturing activity of the
20 person must be conducted at a new building that qualifies for the
21 exemption from sales and use tax under RCW 82.08.965 and 82.12.965.

22 (c) In those situations where a production building in existence
23 on the effective date of this section will be phased out of
24 operation, during which time employment at the new building at the
25 same site is increased, the person is eligible for credit for
26 employment at the existing building and new building, with the
27 limitation that the combined eligible employment not exceed full
28 employment at the new building. "Full employment" has the same
29 meaning as in RCW 82.08.965. The credit may not be earned until the
30 commencement of commercial production, as that term is used in RCW
31 82.08.965.

32 (3) No application is necessary for the tax credit. The person is
33 subject to all of the requirements of chapter 82.32 RCW. In no case
34 may a credit earned during one calendar year be carried over to be
35 credited against taxes incurred in a subsequent calendar year. No
36 refunds may be granted for credits under this section.

37 (4) If at any time the department finds that a person is not
38 eligible for tax credit under this section, the amount of taxes for
39 which a credit has been claimed is immediately due. The department
40 must assess interest, but not penalties, on the taxes for which the

1 person is not eligible. The interest must be assessed at the rate
2 provided for delinquent excise taxes under chapter 82.32 RCW, is
3 retroactive to the date the tax credit was taken, and accrues until
4 the taxes for which a credit has been used are repaid.

5 (5) A person claiming the credit under this section must file a
6 complete annual tax performance report with the department under RCW
7 82.32.534.

8 (6) Credits may be claimed after the expiration date of this
9 section, for those buildings at which commercial production began
10 before the expiration date of this section, subject to all of the
11 eligibility criteria and limitations of this section.

12 (7) Pursuant to RCW 82.32.790, this section is contingent on the
13 siting and commercial operation of a significant semiconductor
14 microchip fabrication facility in the state of Washington.

15 (8) This section expires January 1, (~~2024~~) 2034, unless the
16 contingency in RCW 82.32.790(2) occurs.

17 **Sec. 5.** RCW 82.08.965 and 2017 3rd sp.s. c 37 s 510 are each
18 reenacted and amended to read as follows:

19 (1) The tax levied by RCW 82.08.020 does not apply to charges
20 made for labor and services rendered in respect to the constructing
21 of new buildings used for the manufacturing of semiconductor
22 materials, to sales of tangible personal property that will be
23 incorporated as an ingredient or component of such buildings during
24 the course of the constructing, or to labor and services rendered in
25 respect to installing, during the course of constructing, building
26 fixtures not otherwise eligible for the exemption under RCW
27 82.08.02565(2)(b). The exemption is available only when the buyer
28 provides the seller with an exemption certificate in a form and
29 manner prescribed by the department. The seller must retain a copy of
30 the certificate for the seller's files.

31 (2) To be eligible under this section the manufacturer or
32 processor for hire must meet the following requirements for an eight-
33 year period, such period beginning the day the new building commences
34 commercial production, or a portion of tax otherwise due will be
35 immediately due and payable pursuant to subsection (3) of this
36 section:

37 (a) The manufacturer or processor for hire must maintain at least
38 (~~seventy-five~~) 75 percent of full employment at the new building
39 for which the exemption under this section is claimed.

1 (b) Before commencing commercial production at a new facility the
2 manufacturer or processor for hire must meet with the department to
3 review projected employment levels in the new buildings. The
4 department, using information provided by the taxpayer, must make a
5 determination of the number of positions that would be filled at full
6 employment. This number must be used throughout the eight-year period
7 to determine whether any tax is to be repaid. This information is not
8 subject to the confidentiality provisions of RCW 82.32.330 and may be
9 disclosed to the public upon request.

10 (c) In those situations where a production building in existence
11 on the effective date of this section will be phased out of operation
12 during which time employment at the new building at the same site is
13 increased, the manufacturer or processor for hire must maintain
14 seventy-five percent of full employment at the manufacturing site
15 overall.

16 (d) No application is necessary for the tax exemption. The person
17 is subject to all the requirements of chapter 82.32 RCW. A person
18 claiming the exemption under this section must file a complete annual
19 tax performance report with the department under RCW 82.32.534.

20 (3) If the employment requirement is not met for any one calendar
21 year, one-eighth of the exempt sales and use taxes will be due and
22 payable by April 1st of the following year. The department must
23 assess interest to the date the tax was imposed, but not penalties,
24 on the taxes for which the person is not eligible.

25 (4) The exemption applies to new buildings, or parts of
26 buildings, that are used exclusively in the manufacturing of
27 semiconductor materials, including the storage of raw materials and
28 finished product.

29 (5) For the purposes of this section:

30 (a) "Commencement of commercial production" is deemed to have
31 occurred when the equipment and process qualifications in the new
32 building are completed and production for sale has begun.

33 (b) "Full employment" is the number of positions required for
34 full capacity production at the new building, for positions such as
35 line workers, engineers, and technicians.

36 (c) "Semiconductor materials" has the same meaning as provided in
37 (~~RCW 82.04.240(2)~~) section 2 of this act.

38 (6) No exemption may be taken after the expiration date of this
39 section, however all of the eligibility criteria and limitations are
40 applicable to any exemptions claimed before that date.

1 (7) Pursuant to RCW 82.32.790, this section is contingent on the
2 siting and commercial operation of a significant semiconductor
3 microchip fabrication facility in the state of Washington.

4 (8) This section expires January 1, (~~2024~~) 2034, unless the
5 contingency in RCW 82.32.790(2) occurs.

6 **Sec. 6.** RCW 82.08.970 and 2017 3rd sp.s. c 37 s 520 are each
7 reenacted and amended to read as follows:

8 (1) The tax levied by RCW 82.08.020 does not apply to sales of
9 gases and chemicals used by a manufacturer or processor for hire in
10 the manufacturing of semiconductor materials. This exemption is
11 limited to gases and chemicals used in the manufacturing process to
12 grow the product, deposit or grow permanent or sacrificial layers on
13 the product, to etch or remove material from the product, to anneal
14 the product, to immerse the product, to clean the product, and other
15 such uses whereby the gases and chemicals come into direct contact
16 with the product during the manufacturing process, or uses of gases
17 and chemicals to clean the chambers and other like equipment in which
18 such processing takes place. For the purposes of this section,
19 "semiconductor materials" has the same meaning as provided in (~~RCW~~
20 ~~82.04.240(2)~~) section 2 of this act.

21 (2) A person claiming the exemption under this section must file
22 a complete annual tax performance report with the department under
23 RCW 82.32.534. No application is necessary for the tax exemption. The
24 person is subject to all of the requirements of chapter 82.32 RCW.

25 (3) Pursuant to RCW 82.32.790, this section is contingent on the
26 siting and commercial operation of a significant semiconductor
27 microchip fabrication facility in the state of Washington.

28 (4) This section expires January 1, (~~2024~~) 2034, unless the
29 contingency in RCW 82.32.790(2) occurs.

30 **Sec. 7.** RCW 82.12.965 and 2017 3rd sp.s. c 37 s 512 are each
31 reenacted and amended to read as follows:

32 (1) The provisions of this chapter do not apply with respect to
33 the use of tangible personal property that will be incorporated as an
34 ingredient or component of new buildings used for the manufacturing
35 of semiconductor materials during the course of constructing such
36 buildings or to labor and services rendered in respect to installing,
37 during the course of constructing, building fixtures not otherwise
38 eligible for the exemption under RCW 82.08.02565(2)(b).

1 (2) The eligibility requirements, conditions, and definitions in
2 RCW 82.08.965 apply to this section, including the filing of a
3 complete annual tax performance report with the department under RCW
4 82.32.534.

5 (3) No exemption may be taken after the expiration date of this
6 section, however all of the eligibility criteria and limitations are
7 applicable to any exemptions claimed before that date.

8 (4) Pursuant to RCW 82.32.790, this section is contingent on the
9 siting and commercial operation of a significant semiconductor
10 microchip fabrication facility in the state of Washington.

11 (5) This section expires January 1, ((2024)) 2034, unless the
12 contingency in RCW 82.32.790(2) occurs.

13 **Sec. 8.** RCW 82.12.970 and 2017 3rd sp.s. c 37 s 522 are each
14 reenacted and amended to read as follows:

15 (1) The provisions of this chapter do not apply with respect to
16 the use of gases and chemicals used by a manufacturer or processor
17 for hire in the manufacturing of semiconductor materials. This
18 exemption is limited to gases and chemicals used in the manufacturing
19 process to grow the product, deposit or grow permanent or sacrificial
20 layers on the product, to etch or remove material from the product,
21 to anneal the product, to immerse the product, to clean the product,
22 and other such uses whereby the gases and chemicals come into direct
23 contact with the product during the manufacturing process, or uses of
24 gases and chemicals to clean the chambers and other like equipment in
25 which such processing takes place. For purposes of this section,
26 "semiconductor materials" has the same meaning as provided in ((RCW
27 82.04.240(2-))) section 2 of this act.

28 (2) A person claiming the exemption under this section must file
29 a complete annual tax performance report with the department under
30 RCW 82.32.534. No application is necessary for the tax exemption. The
31 person is subject to all of the requirements of chapter 82.32 RCW.

32 (3) Pursuant to RCW 82.32.790, this section is contingent on the
33 siting and commercial operation of a significant semiconductor
34 microchip fabrication facility in the state of Washington.

35 (4) This section expires January 1, ((2024)) 2034, unless the
36 contingency in RCW 82.32.790(2) occurs.

37 **Sec. 9.** RCW 84.36.645 and 2017 3rd sp.s. c 37 s 514 are each
38 reenacted and amended to read as follows:

1 (1) Machinery and equipment exempt under RCW 82.08.02565 or
2 82.12.02565 used in manufacturing semiconductor materials at a
3 building exempt from sales and use tax and in compliance with the
4 employment requirement under RCW 82.08.965 and 82.12.965 are exempt
5 from property taxation. "Semiconductor materials" has the same
6 meaning as provided in (~~RCW 82.04.240(2)~~) section 2 of this act.

7 (2) A person seeking this exemption must make application to the
8 county assessor, on forms prescribed by the department.

9 (3) A person claiming an exemption under this section must file a
10 complete annual tax performance report with the department under RCW
11 82.32.534.

12 (4) This section (~~is effective for~~) applies to taxes levied for
13 collection (~~one year after the effective date of section 150,~~
14 ~~chapter 114, Laws of 2010~~) in the calendar year subsequent to the
15 effective date of this section and thereafter.

16 (5) Pursuant to RCW 82.32.790, this section is contingent on the
17 siting and commercial operation of a significant semiconductor
18 microchip fabrication facility in the state of Washington.

19 (6) This section expires January 1, (~~2024~~) 2034, unless the
20 contingency in RCW 82.32.790(2) occurs.

21 **Sec. 10.** RCW 82.04.2404 and 2021 c 145 s 6 are each amended to
22 read as follows:

23 (1) Upon every person engaging within this state in the business
24 of manufacturing or processing for hire semiconductor materials, as
25 to such persons the amount of tax with respect to such business is,
26 in the case of manufacturers, equal to the value of the product
27 manufactured, or, in the case of processors for hire, equal to the
28 gross income of the business, multiplied by the rate of 0.275
29 percent.

30 (2) For the purposes of this section "semiconductor materials"
31 means silicon crystals, silicon ingots, raw polished semiconductor
32 wafers, and compound semiconductor wafers.

33 (3) A person reporting under the tax rate provided in this
34 section must file a complete annual tax performance report with the
35 department under RCW 82.32.534.

36 (4) Any person who has claimed the preferential tax rate under
37 this section must reimburse the department for (~~fifty~~) 50 percent
38 of the amount of the tax preference under this section, if the number
39 of persons employed by the person claiming the tax preference is less

1 than (~~ninety~~) 90 percent of the person's three-year employment
2 average for the three years immediately preceding the year in which
3 the preferential tax rate is claimed.

4 (5) This section expires (~~December~~) January 1, ((2028)) 2034.

5 **Sec. 11.** RCW 82.08.9651 and 2021 c 145 s 12 are each amended to
6 read as follows:

7 (1) The tax levied by RCW 82.08.020 does not apply to sales of
8 gases and chemicals used by a manufacturer or processor for hire in
9 the production of semiconductor materials. This exemption is limited
10 to gases and chemicals used in the production process to grow the
11 product, deposit or grow permanent or sacrificial layers on the
12 product, to etch or remove material from the product, to anneal the
13 product, to immerse the product, to clean the product, and other such
14 uses whereby the gases and chemicals come into direct contact with
15 the product during the production process, or uses of gases and
16 chemicals to clean the chambers and other like equipment in which
17 such processing takes place. For the purposes of this section,
18 "semiconductor materials" has the meaning provided in RCW 82.04.2404
19 and 82.04.294(3).

20 (2) A person claiming the exemption under this section must file
21 a complete annual tax performance report with the department under
22 RCW 82.32.534.

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

25 (4) Any person who has claimed the exemption under this section
26 must reimburse the department for (~~fifty~~) 50 percent of the amount
27 of the tax preference under this section, if the number of persons
28 employed by the person claiming the tax preference is less than
29 (~~ninety~~) 90 percent of the person's three-year employment average
30 for the three years immediately preceding the year in which the
31 exemption is claimed.

32 (5) This section expires (~~December~~) January 1, ((2028)) 2034.

33 **Sec. 12.** RCW 82.12.9651 and 2021 c 145 s 15 are each amended to
34 read as follows:

35 (1) The provisions of this chapter do not apply with respect to
36 the use of gases and chemicals used by a manufacturer or processor
37 for hire in the production of semiconductor materials. This exemption
38 is limited to gases and chemicals used in the production process to

1 grow the product, deposit or grow permanent or sacrificial layers on
2 the product, to etch or remove material from the product, to anneal
3 the product, to immerse the product, to clean the product, and other
4 such uses whereby the gases and chemicals come into direct contact
5 with the product during the production process, or uses of gases and
6 chemicals to clean the chambers and other like equipment in which
7 such processing takes place. For purposes of this section,
8 "semiconductor materials" has the meaning provided in RCW 82.04.2404
9 and 82.04.294(3).

10 (2) A person claiming the exemption under this section must file
11 a complete annual tax performance report with the department under
12 RCW 82.32.534.

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

15 (4) Any person who has claimed the exemption under this section
16 must reimburse the department for (~~(fifty)~~) 50 percent of the amount
17 of the tax preference under this section, if the number of persons
18 employed by the person claiming the tax preference is less than
19 (~~(ninety)~~) 90 percent of the person's three-year employment average
20 for the three years immediately preceding the year in which the
21 exemption is claimed.

22 (5) This section expires (~~(December)~~) January 1, ((2028)) 2034.

23 NEW SECTION. Sec. 13. RCW 82.32.808 does not apply to sections
24 2 through 9 of this act.

25 NEW SECTION. Sec. 14. (1) This section is the tax preference
26 performance statement for section 10, chapter . . ., Laws of 2024
27 (section 10 of this act). This performance statement is only intended
28 to be used for subsequent evaluation of the tax preference. It is not
29 intended to create a private right of action by any party or be used
30 to determine eligibility for preferential tax treatment.

31 (2) The tax preference performance statement in section 1,
32 chapter 139, Laws of 2020 applies to the expansion of the tax
33 preference in section 10 of this act.

34 NEW SECTION. Sec. 15. (1) This section is the tax preference
35 performance statement for sections 11 and 12, chapter . . ., Laws of
36 2024 (sections 11 and 12 of this act). This performance statement is
37 only intended to be used for subsequent evaluation of the tax

1 preferences. It is not intended to create a private right of action
2 by any party or be used to determine eligibility for the preferential
3 tax treatment.

4 (2) The tax preference performance statement in section 2,
5 chapter 139, Laws of 2020 applies to the expansion of the tax
6 preferences in sections 11 and 12 of this act.

7 NEW SECTION. **Sec. 16.** This act is necessary for the immediate
8 preservation of the public peace, health, or safety, or support of
9 the state government and its existing public institutions, and takes
10 effect immediately.

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