
THIRD DAY

House Chamber, Olympia, Wednesday, March 17, 2010

The House was called to order at 10:00 a.m. by the Speaker (Representative Morris presiding). The Clerk called the roll and a quorum was present.

The flags were escorted to the rostrum by a Sergeant at Arms Color Guard, Nian Fakkema and Cathy Word. The Speaker (Representative Morris presiding) led the Chamber in the Pledge of Allegiance. The prayer was offered by Pastor Scott Collins, Bethel Church, Chehalis.

Reading of the Journal of the previous day was dispensed with and it was ordered to stand approved.

There being no objection, the House advanced to the seventh order of business.

THIRD READING

HOUSE BILL NO. 2676, by Representatives Chase and Simpson.

Extending the pay back period for certain energy conservation loans.

The bill was read the third time.

Representatives Chase and Crouse spoke in favor of the passage of the bill.

The Speaker (Representative Morris presiding) stated the question before the House to be the final passage of House Bill No. 2676.

MOTIONS

On motion of Representative Santos, Representatives Darneille, Ericks, Flannigan, Kelley, Simpson and Upthegrove were excused. On motion of Representative Hinkle, Representative Roach was excused.

ROLL CALL

The Clerk called the roll on the final passage of House Bill No. 2676, and the bill passed the House by the following vote: Yeas, 91; Nays, 0; Absent, 0; Excused, 7.

Voting yea: Representatives Alexander, Anderson, Angel, Appleton, Armstrong, Bailey, Blake, Campbell, Carlyle, Chandler, Chase, Clibborn, Cody, Condotta, Conway, Crouse, Dammeier, Darneille, DeBolt, Dickerson, Driscoll, Dunshee, Eddy, Ericksen, Fagan, Finn, Goodman, Green, Haigh, Haler, Hasegawa, Herrera, Hinkle, Hope, Hudgins, Hunt, Hunter, Hurst, Jacks, Johnson, Kagi, Kenney, Kessler, Kirby, Klippert, Kretz, Kristiansen, Liias, Linville, Maxwell, McCoy, McCune, Miloscia, Moeller, Morrell, Morris, Nealey, Nelson, O'Brien, Orcutt, Ormsby, Orwall, Parker, Pearson, Pedersen, Pettigrew, Priest, Probst, Quall, Roberts, Rodne, Rolfes, Ross, Santos, Schmick, Seaquist, Sells, Shea,

Short, Smith, Springer, Sullivan, Takko, Taylor, Van De Wege, Wallace, Walsh, Warnick, White, Williams, Wood and Mr. Speaker.

Excused: Representatives Darneille, Ericks, Flannigan, Kelley, Roach, Simpson and Upthegrove.

HOUSE BILL NO. 2676, having received the necessary constitutional majority, was declared passed.

HOUSE BILL NO. 2677, by Representatives Chase and Simpson.

Extending the pay back period for certain water conservation loans.

The bill was read the third time.

Representatives Chase and Crouse spoke in favor of the passage of the bill.

The Speaker (Representative Morris presiding) stated the question before the House to be the final passage of House Bill No. 2677.

ROLL CALL

The Clerk called the roll on the final passage of House Bill No. 2677, and the bill passed the House by the following vote: Yeas, 91; Nays, 1; Absent, 0; Excused, 6.

Voting yea: Representatives Alexander, Angel, Appleton, Armstrong, Bailey, Blake, Campbell, Carlyle, Chandler, Chase, Clibborn, Cody, Condotta, Conway, Crouse, Dammeier, Darneille, DeBolt, Dickerson, Driscoll, Dunshee, Eddy, Ericksen, Fagan, Finn, Goodman, Green, Haigh, Haler, Hasegawa, Herrera, Hinkle, Hope, Hudgins, Hunt, Hunter, Hurst, Jacks, Johnson, Kagi, Kenney, Kessler, Kirby, Klippert, Kretz, Kristiansen, Liias, Linville, Maxwell, McCoy, McCune, Miloscia, Moeller, Morrell, Morris, Nealey, Nelson, O'Brien, Orcutt, Ormsby, Orwall, Parker, Pearson, Pedersen, Pettigrew, Priest, Probst, Quall, Roberts, Rodne, Rolfes, Ross, Santos, Schmick, Seaquist, Sells, Shea, Short, Smith, Springer, Sullivan, Takko, Taylor, Van De Wege, Wallace, Walsh, Warnick, White, Williams, Wood and Mr. Speaker.

Voting nay: Representative Anderson.

Excused: Representatives Ericks, Flannigan, Kelley, Roach, Simpson and Upthegrove.

HOUSE BILL NO. 2677, having received the necessary constitutional majority, was declared passed.

HOUSE BILL NO. 2984, by Representatives Maxwell, Clibborn, Eddy, Goodman and Hunter.

Concerning a sales and use tax deferral for performing arts centers.

The bill was read the third time.

Representative Maxwell spoke in favor of the passage of the bill.

Representative Orcutt spoke against the passage of the bill.

The Speaker (Representative Morris presiding) stated the question before the House to be the final passage of House Bill No. 2984.

ROLL CALL

The Clerk called the roll on the final passage of House Bill No. 2984, and the bill passed the House by the following vote: Yeas, 51; Nays, 41; Absent, 0; Excused, 6.

Voting yea: Representatives Anderson, Appleton, Blake, Carlyle, Chase, Clibborn, Cody, Conway, Darneille, Dickerson, Dunshee, Eddy, Goodman, Haigh, Hudgins, Hunt, Hunter, Hurst, Jacks, Kagi, Kenney, Kessler, Kirby, Lias, Linville, Maxwell, McCoy, Miloscia, Moeller, Morrell, Morris, Nelson, O'Brien, Ormsby, Orwall, Pedersen, Pettigrew, Quall, Roberts, Rolfes, Santos, Sells, Smith, Springer, Sullivan, Takko, Van De Wege, White, Williams, Wood and Mr. Speaker.

Voting nay: Representatives Alexander, Angel, Armstrong, Bailey, Campbell, Chandler, Condotta, Crouse, Dammeier, DeBolt, Driscoll, Ericksen, Fagan, Finn, Green, Haler, Hasegawa, Herrera, Hinkle, Hope, Johnson, Klippert, Kretz, Kristiansen, McCune, Nealey, Orcutt, Parker, Pearson, Priest, Probst, Rodne, Ross, Schmick, Seaquist, Shea, Short, Taylor, Wallace, Walsh and Warnick.

Excused: Representatives Ericks, Flannigan, Kelley, Roach, Simpson and Upthegrove.

HOUSE BILL NO. 2984, having received the necessary constitutional majority, was declared passed.

SUBSTITUTE HOUSE BILL NO. 3201, by House Committee on Ways & Means (originally sponsored by Representatives Pettigrew, Linville, Sullivan and Ericks).

Fees for infant screening.

The bill was read the third time.

Representative Pettigrew spoke in favor of the passage of the bill.

Representative Alexander spoke against the passage of the bill.

There being no objection, the House deferred action on Substitute House Bill No. 3201 and the bill held its place on the third reading calendar.

There being no objection, the House reverted to the sixth order of business.

SECOND READING

HOUSE BILL NO. 2576, by House Committee on Ways & Means (originally sponsored by Representatives Kenney, Lias, Moeller, Pedersen and Armstrong)

Restructuring fees for the division of corporations and affirming authority to establish fees for the charities program of the office of the secretary of state.

The bill was read the second time.

There being no objection, Second Substitute House Bill No. 2576 was substituted for House Bill No. 2576 and the second substitute bill was placed on the second reading calendar.

SECOND SUBSTITUTE HOUSE BILL NO. 2576 was read the second time.

There being no objection, the rules were suspended, the second reading considered the third and the bill was placed on final passage.

Representative Kenney spoke in favor of the passage of the bill.

Representative Alexander spoke against the passage of the bill.

The Speaker (Representative Morris presiding) stated the question before the House to be the final passage of Second Substitute House Bill No. 2576.

ROLL CALL

The Clerk called the roll on the final passage of Second Substitute House Bill No. 2576, and the bill passed the House by the following vote: Yeas, 54; Nays, 39; Absent, 0; Excused, 5.

Voting yea: Representatives Appleton, Blake, Carlyle, Chase, Clibborn, Cody, Conway, Darneille, Dickerson, Dunshee, Eddy, Finn, Flannigan, Goodman, Green, Haigh, Hasegawa, Hudgins, Hunt, Hunter, Jacks, Kagi, Kenney, Kessler, Kirby, Lias, Linville, Maxwell, McCoy, Miloscia, Moeller, Morrell, Morris, Nelson, O'Brien, Ormsby, Orwall, Pedersen, Pettigrew, Quall, Roberts, Rolfes, Santos, Seaquist, Sells, Springer, Sullivan, Takko, Van De Wege, Wallace, White, Williams, Wood and Mr. Speaker.

Voting nay: Representatives Alexander, Anderson, Angel, Armstrong, Bailey, Campbell, Chandler, Condotta, Crouse, Dammeier, DeBolt, Driscoll, Ericksen, Fagan, Haler, Herrera, Hinkle, Hope, Hurst, Johnson, Klippert, Kretz, Kristiansen, McCune, Nealey, Orcutt, Parker, Pearson, Priest, Probst, Rodne, Ross, Schmick, Shea, Short, Smith, Taylor, Walsh and Warnick.

Excused: Representatives Ericks, Kelley, Roach, Simpson and Upthegrove.

SECOND SUBSTITUTE HOUSE BILL NO. 2576, having received the necessary constitutional majority, was declared passed.

HOUSE BILL NO. 2672, by Representatives Linville, Ericksen, Quall, Morris, Armstrong, Williams, Condotta, Simpson, Van De Wege and Conway

Concerning tax relief for aluminum smelters.

The bill was read the second time.

Representative Hasegawa moved the adoption of amendment (1682).

On page 6, line 1, after "~~select~~)" insert "Pursuant to chapter 43.136 RCW, the citizen commission for performance measurement of tax preferences must schedule the tax preferences under RCW 82.04.4482, 82.16.0498, 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, 82.12.022, and 82.32.570 for a tax preference review by the joint legislative audit and review committee in 2015. The review

must include an analysis of the marginal number of jobs retained as a result of the tax preferences with an explanation of how the tax preferences accomplished that result; the wages, hours and benefits paid to each of the retained jobs; and a demographic analysis of the workers in the retained jobs that must include an analysis of those workers relative to the surrounding communities."

Representatives Hasegawa and Hunter spoke in favor of the adoption of the amendment.

Representative Orcutt spoke against the adoption of the amendment.

Division was demanded and the demand was sustained. The Speaker (Representative Morris presiding) divided the House. The result was 57 - YEAS; 37 - NAYS.

Amendment (1682) was adopted.

The bill was ordered engrossed.

There being no objection, the rules were suspended, the second reading considered the third and the bill was placed on final passage.

Representatives Linville, Ericksen and Armstrong spoke in favor of the passage of the bill.

The Speaker (Representative Morris presiding) stated the question before the House to be the final passage of Engrossed House Bill No. 2672.

ROLL CALL

The Clerk called the roll on the final passage of Engrossed House Bill No. 2672, and the bill passed the House by the following vote: Yeas, 94; Nays, 0; Absent, 0; Excused, 4.

Voting yea: Representatives Alexander, Anderson, Angel, Appleton, Armstrong, Bailey, Blake, Campbell, Carlyle, Chandler, Chase, Clibborn, Cody, Condotta, Conway, Crouse, Dammeier, Darneille, DeBolt, Dickerson, Driscoll, Dunshee, Eddy, Ericksen, Fagan, Finn, Flannigan, Goodman, Green, Haigh, Haler, Hasegawa, Herrera, Hinkle, Hope, Hudgins, Hunt, Hunter, Hurst, Jacks, Johnson, Kagi, Kenney, Kessler, Kirby, Klippert, Kretz, Kristiansen, Lias, Linville, Maxwell, McCoy, McCune, Miloscia, Moeller, Morrell, Morris, Nealey, Nelson, O'Brien, Orcutt, Ormsby, Orwall, Parker, Pearson, Pedersen, Pettigrew, Priest, Probst, Quall, Roberts, Rodne, Rolfes, Ross, Santos, Schmick, Seaquist, Sells, Shea, Short, Smith, Springer, Sullivan, Takko, Taylor, Upthegrove, Van De Wege, Wallace, Walsh, Warnick, White, Williams, Wood and Mr. Speaker.

Excused: Representatives Ericks, Kelley, Roach and Simpson.

ENGROSSED HOUSE BILL NO. 2672, having received the necessary constitutional majority, was declared passed.

There being no objection, the House advanced to the seventh order of business.

THIRD READING

There being no objection, the House resumed consideration of Substitute House Bill No. 3201

SUBSTITUTE HOUSE BILL NO. 3201, by House Committee on Ways & Means (originally sponsored by Representatives Pettigrew, Linville, Sullivan and Ericks).

Fees for infant screening.

Representative Pettigrew spoke in favor of the passage of the bill.

Representative Alexander spoke against the passage of the bill.

The Speaker (Representative Morris presiding) stated the question before the House to be the final passage of Substitute House Bill No. 3201.

ROLL CALL

The Clerk called the roll on the final passage of Substitute House Bill No. 3201, and the bill passed the House by the following vote: Yeas, 55; Nays, 39; Absent, 0; Excused, 4.

Voting yea: Representatives Appleton, Blake, Carlyle, Chase, Clibborn, Cody, Conway, Darneille, Dickerson, Dunshee, Eddy, Flannigan, Goodman, Green, Haigh, Hasegawa, Hudgins, Hunt, Hunter, Hurst, Jacks, Kagi, Kenney, Kessler, Kirby, Lias, Linville, Maxwell, McCoy, Miloscia, Moeller, Morrell, Morris, Nelson, O'Brien, Ormsby, Orwall, Pedersen, Pettigrew, Quall, Roberts, Rolfes, Santos, Seaquist, Sells, Springer, Sullivan, Takko, Upthegrove, Van De Wege, Wallace, White, Williams, Wood and Mr. Speaker.

Voting nay: Representatives Alexander, Anderson, Angel, Armstrong, Bailey, Campbell, Chandler, Condotta, Crouse, Dammeier, DeBolt, Driscoll, Ericksen, Fagan, Finn, Haler, Herrera, Hinkle, Hope, Johnson, Klippert, Kretz, Kristiansen, McCune, Nealey, Orcutt, Parker, Pearson, Priest, Probst, Rodne, Ross, Schmick, Shea, Short, Smith, Taylor, Walsh and Warnick.

Excused: Representatives Ericks, Kelley, Roach and Simpson.

SUBSTITUTE HOUSE BILL NO. 3201, having received the necessary constitutional majority, was declared passed.

The Speaker (Representative Morris presiding) called upon Representative Moeller to preside.

THIRD READING

SUBSTITUTE HOUSE BILL NO. 2416, by House Committee on Technology, Energy & Communications (originally sponsored by Representatives Morris, Chase, Eddy, Van De Wege, Morrell, Upthegrove, Simpson, Kenney, Hudgins and Ormsby).

Establishing energy efficiency standards for consumer products.

The bill was read the third time.

Representatives Morris, McCoy and Chase spoke in favor of the passage of the bill.

Representatives Haler and Crouse spoke against the passage of the bill.

The Speaker (Representative Moeller presiding) stated the question before the House to be the final passage of Substitute House Bill No. 2416.

ROLL CALL

The Clerk called the roll on the final passage of Substitute House Bill No. 2416, and the bill passed the House by the following vote: Yeas, 59; Nays, 35; Absent, 0; Excused, 4.

Voting yea: Representatives Anderson, Appleton, Blake, Chase, Clibborn, Cody, Conway, Darneille, Dickerson, Dunshee, Eddy, Finn, Flannigan, Goodman, Green, Haigh, Hasegawa, Hudgins, Hunt, Hunter, Hurst, Jacks, Kagi, Kenney, Kessler, Kirby, Liias, Linville, Maxwell, McCoy, Miloscia, Moeller, Morrell, Morris, Nelson, O'Brien, Ormsby, Orwall, Pedersen, Pettigrew, Priest, Quall, Roberts, Rodne, Rolfes, Santos, Seaquist, Sells, Smith, Springer, Sullivan, Takko, Upthegrove, Van De Wege, Wallace, White, Williams, Wood and Mr. Speaker.

Voting nay: Representatives Alexander, Angel, Armstrong, Bailey, Campbell, Carlyle, Chandler, Condotta, Crouse, Dammeier, DeBolt, Driscoll, Erickson, Fagan, Haler, Herrera, Hinkle, Hope, Johnson, Klippert, Kretz, Kristiansen, McCune, Nealey, Orcutt, Parker, Pearson, Probst, Ross, Schmick, Shea, Short, Taylor, Walsh and Warnick.

Excused: Representatives Ericks, Kelley, Roach and Simpson.

SUBSTITUTE HOUSE BILL NO. 2416, having received the necessary constitutional majority, was declared passed.

The Speaker (Representative Moeller presiding) called upon Representative Morris to preside.

There being no objection, the House reverted to the sixth order of business.

SECOND READING

HOUSE BILL NO. 3014, by Representatives Kessler, Morrell and Van De Wege

Modifying the sales and use tax deferral program for investment projects in rural counties.

The bill was read the second time.

There being no objection, Substitute House Bill No. 3014 was substituted for House Bill No. 3014 and the substitute bill was placed on the second reading calendar.

SUBSTITUTE HOUSE BILL NO. 3014 was read the second time.

Representative Hunter moved the adoption of amendment (1686).

Strike everything after the enacting clause and insert the following:

"**Sec. 1.** RCW 82.60.010 and 1985 c 232 s 1 are each amended to read as follows:

The legislature finds that there are several areas in the state that are characterized by very high levels of unemployment and poverty. The ~~((legislative legislature))~~ legislature further finds that economic stagnation is the primary cause of this high unemployment rate and poverty; that new state policies are necessary in order to promote economic stimulation and new employment opportunities in these distressed areas; and that policies providing incentives for economic growth in these distressed areas are essential. For these reasons, the legislature ~~((hereby))~~ reestablishes a tax deferral program to be effective solely in distressed ~~((areas and under circumstances where the deferred tax payments are for investments or costs that result in~~

~~the creation of a specified number of jobs))~~ counties. The legislature declares that this limited program serves the vital public purpose of creating employment opportunities and reducing poverty in the distressed ~~((areas))~~ counties of the state.

Sec. 2. RCW 82.60.020 and 2006 c 142 s 1 are each amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Applicant" means a person applying for a tax deferral under this chapter.

(2) "Department" means the department of revenue.

(3) "Distressed county" means a county that has an unemployment rate, as determined by the employment security department, which is at least twenty percent above the state average for the three calendar years immediately preceding the year in which the list of distressed counties is established or updated, as the case may be, as provided in section 3 of this act.

(4) "Eligible area" means:

(a) Through June 30, 2010, a rural county as defined in RCW 82.14.370; and

(b) Beginning July 1, 2010, a distressed county.

~~((4))~~ (5)(a) "Eligible investment project" means an investment project that is located, as of the date the application required by RCW 82.60.030 is received by the department, in an eligible area as defined in subsection ~~((3))~~ (4) of this section.

(b) ~~((The lessor or owner of a qualified building is not eligible for a deferral unless:~~

~~(i) The underlying ownership of the buildings, machinery, and equipment vests exclusively in the same person; or~~

~~(ii)(A) The lessor by written contract agrees to pass the economic benefit of the deferral to the lessee;~~

~~(B) The lessee that receives the economic benefit of the deferral agrees in writing with the department to complete the annual survey required under RCW 82.60.070; and~~

~~(C) The economic benefit of the deferral passed to the lessee is no less than the amount of tax deferred by the lessor and is evidenced by written documentation of any type of payment, credit, or other financial arrangement between the lessor or owner of the qualified building and the lessee.~~

~~((e))~~ "Eligible investment project" does not include any portion of an investment project undertaken by a light and power business as defined in RCW 82.16.010~~((5))~~ (4), other than that portion of a cogeneration project that is used to generate power for consumption within the manufacturing site of which the cogeneration project is an integral part, or investment projects ~~((which))~~ that have already received deferrals under this chapter.

~~((5))~~ (6) "Initiation of construction" has the same meaning as in RCW 82.63.010.

(7) "Investment project" means an investment in qualified buildings or qualified machinery and equipment, including labor and services rendered in the planning, installation, and construction of the project.

~~((6))~~ (8) "Manufacturing" means the same as defined in RCW 82.04.120. "Manufacturing" also includes:

(a) Before July 1, 2010: (i) Computer programming, the production of computer software, and other computer-related services, but only when the computer programming, production of computer software, or other computer-related services are performed by a manufacturer as defined in RCW 82.04.110 and contribute to the production of a new, different, or useful substance or article of tangible personal property for sale; (ii) the activities performed by research and development laboratories and commercial testing laboratories~~((;))~~; and (iii) the conditioning of vegetable seeds; and

(b) Beginning July 1, 2010: (i) The activities performed by research and development laboratories and commercial testing laboratories; and (ii) the conditioning of vegetable seeds.

~~((7))~~ (9) "Person" has the meaning given in RCW 82.04.030.

~~((8))~~ (10) "Qualified buildings" means construction of new structures, and expansion or renovation of existing structures for the purpose of increasing floor space or production capacity used for manufacturing ~~((and))~~ or research and development activities, including plant offices and warehouses or other facilities for the storage of raw material or finished goods if such facilities are an essential or an integral part of a factory, mill, plant, or laboratory used for manufacturing or research and development. If a building is used partly for manufacturing or research and development and partly for other purposes, the applicable tax deferral ~~((shall))~~ must be determined by apportionment of the costs of construction under rules adopted by the department.

~~((9))~~ (11) "Qualified employment position" means a permanent full-time employee employed in the eligible investment project during the entire tax year. The term "entire tax year" means a full-time position that is filled for a period of twelve consecutive months. The term "full-time" means at least thirty-five hours a week, four hundred fifty-five hours a quarter, or one thousand eight hundred twenty hours a year.

~~((40))~~ (12) "Qualified machinery and equipment" means all new industrial and research fixtures, equipment, and support facilities that are an integral and necessary part of a manufacturing or research and development operation. "Qualified machinery and equipment" includes: Computers; software; data processing equipment; laboratory equipment; manufacturing components such as belts, pulleys, shafts, and moving parts; molds, tools, and dies; operating structures; and all equipment used to control or operate the machinery.

~~((41))~~ (13) "Recipient" means a person receiving a tax deferral under this chapter.

~~((42))~~ (14) "Research and development" means the development, refinement, testing, marketing, and commercialization of a product, service, or process before commercial sales have begun, but only when such activities are intended to ultimately result in the production of a new, different, or useful substance or article of tangible personal property for sale. As used in this subsection, "commercial sales" excludes sales of prototypes or sales for market testing if the total gross receipts from such sales of the product, service, or process do not exceed one million dollars.

NEW SECTION. **Sec. 3.** A new section is added to chapter 82.60 RCW to read as follows:

The department, with the assistance of the employment security department, must establish a list of distressed counties effective July 1, 2010. The list of distressed counties is effective for a twenty- four month period and must be updated by July 1st of the year that is two calendar years after the list was established or last updated, as the case may be.

NEW SECTION. **Sec. 4.** A new section is added to chapter 82.60 RCW to read as follows:

The lessor or owner of a qualified building is not eligible for a deferral unless:

(1) The underlying ownership of the buildings, machinery, and equipment vests exclusively in the same person; or

(2)(a) The lessor by written contract agrees to pass the economic benefit of the deferral to the lessee;

(b) The lessee that receives the economic benefit of the deferral agrees in writing with the department to complete the annual survey required under RCW 82.60.070; and

(c) The economic benefit of the deferral passed to the lessee is no less than the amount of tax deferred by the lessor and is evidenced by written documentation of any type of payment, credit, or other financial arrangement between the lessor or owner of the qualified building and the lessee.

Sec. 5. RCW 82.60.030 and 1994 sp.s. c 1 s 2 are each amended to read as follows:

(1) Application for deferral of taxes under this chapter must be made before initiation of the construction of the investment project or acquisition of equipment or machinery. The application ~~((shall))~~ must be made to the department in a form and manner prescribed by the department. The application ~~((shall))~~ must contain information regarding the location of the investment project, the applicant's average employment in the state for the prior year, estimated or actual new employment related to the project, estimated or actual wages of employees related to the project, estimated or actual costs, time schedules for completion and operation, and other information required by the department. The department ~~((shall))~~ must rule on the application within sixty days.

(2) This section expires July 1, 2020.

Sec. 6. RCW 82.60.040 and 2004 c 25 s 4 are each amended to read as follows:

(1) The department ~~((shall))~~ must issue a sales and use tax deferral certificate for state and local sales and use taxes due under chapters 82.08, 82.12, and 82.14 RCW on each eligible investment project ~~((that is located in an eligible area as defined in RCW 82.60.020)).~~

(2) The department ~~((shall))~~ must keep a running total of all deferrals granted under this chapter during each fiscal biennium.

(3) This section expires July 1, ((2010)) 2020.

Sec. 7. RCW 82.60.049 and 2004 c 25 s 5 are each amended to read as follows:

(1) For the purposes of this section:

(a) "Eligible area" also means: Through June 30, 2010, a designated community empowerment zone approved under RCW 43.31C.020 or a county containing a community empowerment zone; and beginning July 1, 2010, a designated community empowerment zone approved under RCW 43.31C.020.

(b) "Eligible investment project" also means an investment project in an eligible area as defined in this section.

(2) In addition to the provisions of RCW 82.60.040, the department ~~((shall))~~ must issue a sales and use tax deferral certificate for state and local sales and use taxes due under chapters 82.08, 82.12, and 82.14 RCW, on each eligible investment project that is located in an eligible area, if the applicant establishes that at the time the project is operationally complete:

(a) The applicant will hire at least one qualified employment position for each seven hundred fifty thousand dollars of investment for which a deferral is requested; and

(b) The positions will be filled by persons who at the time of hire are residents of the community empowerment zone. As used in this subsection, "resident" means the person makes his or her home in the community empowerment zone. A mailing address alone is insufficient to establish that a person is a resident for the purposes of this section. The persons must be hired after the date the application is filed with the department.

(3) All other provisions and eligibility requirements of this chapter apply to applicants eligible under this section.

(4) The qualified employment position must be filled by the end of the calendar year following the year in which the project is certified as operationally complete. If a person does not meet the requirements for qualified employment positions by the end of the second calendar year following the year in which the project is certified as operationally complete, all deferred taxes are immediately due.

Sec. 8. RCW 82.60.060 and 2000 c 106 s 5 are each amended to read as follows:

(1) The recipient ~~((shall))~~ must begin paying the deferred taxes in the third year after the date certified by the department as the date on which the ~~((construction))~~ investment project has been operationally completed. The first payment will be due on December 31st of the third calendar year after such certified date, with subsequent annual payments due on December 31st of the following four years with amounts of payment scheduled as follows:

Repayment Year	% of Deferred Tax Repaid
1	10%
2	15%
3	20%
4	25%
5	30%

(2) The department may authorize an accelerated repayment schedule upon request of the recipient.

(3) Interest ~~((shall))~~ may not be charged on any taxes deferred under this chapter for the period of deferral, although all other penalties and interest applicable to delinquent excise taxes may be assessed and imposed for delinquent payments under this chapter. The debt for deferred taxes will not be extinguished by insolvency or other failure of the recipient. Transfer of ownership does not terminate the deferral. The deferral is transferred, subject to the successor meeting the eligibility requirements of this chapter, for the remaining periods of the deferral.

Sec. 9. RCW 82.60.070 and 2004 c 25 s 7 are each amended to read as follows:

(1)(a) The legislature finds that accountability and effectiveness are important aspects of setting tax policy. In order to make policy choices regarding the best use of limited state resources the legislature needs information on how a tax incentive is used.

(b) Each recipient of a deferral granted under this chapter after June 30, 1994, ~~((shall))~~ must complete an annual survey. If the economic benefits of the deferral are passed to a lessee as provided in ~~((RCW 82.60.020(4)))~~ section 4 of this act, the lessee ~~((shall agree to))~~ must complete the annual survey and the applicant is not required to complete the annual survey. The survey is due by March 31st of the year following the calendar year in which the investment project is certified by the department as having been operationally complete and the seven succeeding calendar years. The survey ~~((shall))~~ must include the amount of tax deferred, the number of new products or research projects by general classification, and the number of trademarks, patents, and copyrights associated with activities at the investment project. The survey ~~((shall))~~ must also include the following information for employment positions in Washington:

(i) The number of total employment positions;

(ii) Full-time, part-time, and temporary employment positions as a percent of total employment;

(iii) The number of employment positions according to the following wage bands: Less than thirty thousand dollars; thirty thousand dollars or greater, but less than sixty thousand dollars; and sixty thousand dollars or greater. A wage band containing fewer than three individuals may be combined with another wage band; and

(iv) The number of employment positions that have employer-provided medical, dental, and retirement benefits, by each of the wage bands.

(c) As part of the survey, the department may request additional information necessary to measure the results of, or determine eligibility for, the deferral program, to be submitted at the same time as the survey.

(d) All information collected under this subsection, except the amount of the tax deferral taken, is deemed taxpayer information under RCW 82.32.330 and is not disclosable. Information on the amount of tax deferral taken is not subject to the confidentiality provisions of RCW 82.32.330 and may be disclosed to the public upon request.

(e) The department ~~((shall))~~ must use the information from this section to prepare summary descriptive statistics by category. No fewer than three taxpayers ~~((shall))~~ may be included in any category. The department ~~((shall))~~ must report these statistics to the legislature each year by September 1st.

(f) The department ~~((shall))~~ must also use the information to study the tax deferral program authorized under this chapter. The department ~~((shall))~~ must report to the legislature by December 1, ~~((2009))~~ 2019. The report ~~((shall))~~ must measure the effect of the program on job creation, the number of jobs created for residents of eligible areas, company growth, the introduction of new products, the diversification of the state's economy, growth in research and development investment, the movement of firms or the consolidation of firms' operations into the state, and such other factors as the department selects.

(2)(a) If, on the basis of a survey under this section or other information, the department finds that an investment project is not eligible for tax deferral under this chapter, the amount of deferred taxes outstanding for the project ~~((shall be immediately due))~~.

(b) If a recipient of the deferral fails to complete the annual survey required under subsection (1) of this section by the date due, twelve and one-half percent of the deferred tax ~~((shall))~~ will be immediately due. If the economic benefits of the deferral are passed to a lessee as provided in ~~((RCW 82.60.020(4)))~~ section 4 of this act, the lessee ~~((shall be))~~ is responsible for payment to the extent the lessee has received the economic benefit.

(3) Notwithstanding any other subsection of this section, deferred taxes need not be repaid on machinery and equipment for lumber and wood products industries, and sales of or charges made for labor and services, of the type which qualifies for exemption under RCW 82.08.02565 or 82.12.02565 to the extent the taxes have not been repaid before July 1, 1995.

(4) Notwithstanding any other subsection of this section, deferred taxes on the following need not be repaid:

(a) Machinery and equipment, and sales of or charges made for labor and services, which at the time of purchase would have qualified for exemption under RCW 82.08.02565; and

(b) Machinery and equipment which at the time of first use would have qualified for exemption under RCW 82.12.02565.

Sec. 10. RCW 82.60.100 and 1987 c 49 s 1 are each amended to read as follows:

Applications, reports, and any other information received by the department under this chapter ~~((shall)),~~ except applications not approved by the department, are not ~~((be))~~ confidential and ~~((shall be))~~ are subject to disclosure.

Sec. 11. RCW 82.62.010 and 2007 c 485 s 1 are each amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Applicant" means a person applying for a tax credit under this chapter.

(2) "Department" means the department of revenue.

(3) "Eligible area" means ~~((an area))~~ a "rural county" as defined in RCW ~~((82.60.020))~~ 82.14.370.

(4)(a) "Eligible business project" means manufacturing or research and development activities which are conducted by an applicant in an eligible area at a specific facility, provided the applicant's average qualified employment positions at the specific facility will be at least fifteen percent greater in the four consecutive full calendar quarters after the calendar quarter during which the first qualified employment position is filled than the applicant's average qualified employment positions at the same facility in the four consecutive full calendar quarters immediately preceding the calendar quarter during which the first qualified employment position is filled.

(b) "Eligible business project" does not include any portion of a business project undertaken by a light and power business as defined

in RCW 82.16.010(~~(5)~~) (4) or that portion of a business project creating qualified full-time employment positions outside an eligible area.

(5) "First qualified employment position" means the first qualified employment position filled for which a credit under this chapter is sought.

(6) "Manufacturing" means the same as defined in RCW 82.04.120. "Manufacturing" also includes:

(a) Before July 1, 2010: (i) Computer programming, the production of computer software, and other computer-related services, but only when the computer programming, production of computer software, or other computer-related services are performed by a manufacturer as defined in RCW 82.04.110 and contribute to the production of a new, different, or useful substance or article of tangible personal property for sale; and (ii) the activities performed by research and development laboratories and commercial testing laboratories; and

(b) Beginning July 1, 2010, the activities performed by research and development laboratories and commercial testing laboratories.

(7) "Person" has the meaning given in RCW 82.04.030.

(8)(a)(i) "Qualified employment position" means a permanent full-time employee employed in the eligible business project during four consecutive full calendar quarters.

(ii) For seasonal employers, "qualified employment position" also includes the equivalent of a full-time employee in work hours for four consecutive full calendar quarters.

(b) For purposes of this subsection, "full time" means a normal work week of at least thirty-five hours.

(c) Once a permanent, full-time employee has been employed, a position does not cease to be a qualified employment position solely due to periods in which the position goes vacant, as long as:

(i) The cumulative period of any vacancies in that position is not more than one hundred twenty days in the four-quarter period; and

(ii) During a vacancy, the employer is training or actively recruiting a replacement permanent, full-time employee for the position.

(9) "Recipient" means a person receiving tax credits under this chapter.

(10) "Research and development" means the development, refinement, testing, marketing, and commercialization of a product, service, or process before commercial sales have begun, but only when such activities are intended to ultimately result in the production of a new, different, or useful substance or article of tangible personal property for sale. As used in this subsection, "commercial sales" excludes sales of prototypes or sales for market testing if the total gross receipts from such sales of the product, service, or process do not exceed one million dollars.

(11) "Seasonal employee" means an employee of a seasonal employer who works on a seasonal basis. For the purposes of this subsection and subsection (12) of this section, "seasonal basis" means a continuous employment period of less than twelve consecutive months.

(12) "Seasonal employer" means a person who regularly hires more than fifty percent of its employees to work on a seasonal basis.

NEW SECTION. Sec. 12. RCW 82.60.900 and 82.60.901 are each decodified.

NEW SECTION. Sec. 13. The following acts or parts of acts are each repealed:

(1) RCW 82.60.050 (Expiration of RCW 82.60.030 and 82.60.040) and 2004 c 25 s 6, 1994 sp.s. c 1 s 7, 1993 sp.s. c 25 s 404, 1988 c 41 s 5, & 1985 c 232 s 10; and

(2) RCW 82.60.110 (Competing projects--Impact study) and 1998 c 245 s 169 & 1994 sp.s. c 1 s 8.

NEW SECTION. Sec. 14. The amendments to the definitions of "manufacturing" and "research and development" in sections 2 and 11 of this act apply retroactively as well as prospectively.

NEW SECTION. Sec. 15. Except for section 3 of this act, this act takes effect July 1, 2010."

Correct the title.

Representative Springer moved the adoption of amendment (1680) to amendment (1686).

On page 9, after line 23 of the amendment, insert the following:

"NEW SECTION. Sec. 10. A new section is added to chapter 82.60 RCW to read as follows:

(1) Subject to the conditions in this section, a person is not liable for the amount of deferred taxes outstanding for an investment project when the person temporarily ceases to use its qualified buildings and qualified machinery and equipment for manufacturing or research and development activities in a county with a population of less than twenty thousand persons for a period not to exceed twenty-four months from the date that the department sent its assessment for the amount of outstanding deferred taxes to the taxpayer.

(2) The relief from repayment of deferred taxes under this section does not apply unless the number of qualified employment positions maintained at the investment project after manufacturing or research and development activities are temporarily ceased is at least ten percent of the number of qualified employment positions employed at the investment project at the time the deferral was approved by the department. If a person has been approved for more than one deferral under this chapter, relief from repayment of deferred taxes under this section does not apply unless the number of qualified employment positions maintained at the investment project after manufacturing or research and development activities are temporarily ceased is at least ten percent of the highest number of qualified employment positions at the investment project at the time any of the deferrals were approved by the department. If, at any time during the twenty-four month period after the department has sent the taxpayer an assessment for outstanding deferred taxes resulting from the person temporarily ceasing to use its qualified buildings and qualified machinery and equipment for manufacturing or research and development activities, the number of qualified employment positions falls below the ten percent threshold in this subsection, the amount of deferred taxes outstanding for the project is immediately due.

(3) The lessor of an investment project for which a deferral has been granted under this chapter who has passed the economic benefits of the deferral to the lessee is not eligible for relief from the payment of deferred taxes under this section.

(4) A person seeking relief from the payment of deferred taxes under this section must apply to the department in a form and manner prescribed by the department. The application required under this subsection must be received by the department within thirty days of the date that the department sent its assessment for outstanding deferred taxes resulting from the person temporarily ceasing to use its qualified buildings and qualified machinery and equipment for manufacturing or research and development activities. The department must approve applications that meet the requirements in this section for relief from the payment of deferred taxes.

(5) A person is entitled to relief under this section only once.

(6) A person whose application for relief from the payment of deferred taxes has been approved under this section must continue to file an annual survey as required under RCW 82.60.070(1) or any successor statute. In addition, the person must file, in a form and manner prescribed by the department, a report on the status of the business and the outlook for commencing manufacturing or research and development activities."

Renumber the remaining sections consecutively and correct any internal references accordingly.

Representatives Springer, Orcutt and Kretz spoke in favor of the adoption of the amendment to the amendment.

Representative Hunter spoke against the adoption of the amendment to the amendment.

Amendment (1680) to amendment (1686) was adopted.

Representative Condotta moved the adoption of amendment (1688) to amendment (1686).

On page 12, beginning on line 1 of the amendment, strike all of section 14

Renumber the remaining section consecutively and correct any internal references accordingly.

Representatives Condotta and Orcutt spoke in favor of the adoption of the amendment to the amendment.

Representative Hunter spoke against the adoption of the amendment to the amendment.

Division was demanded and the demand was sustained. The Speaker (Representative Morris presiding) divided the House. The result was 36 - YEAS; 58 - NAYS.

Amendment (1688) to amendment (1686) was not adopted.

Representative Hunter spoke in favor of the adoption of the amendment as amended.

The Speaker (Representative Morris presiding) stated the question before the House to be the adoption of amendment (1686) as amended.

Division was demanded and the demand was sustained. The Speaker (Representative Morris presiding) divided the House. The result was 63 - YEAS; 31 - NAYS.

Amendment (1686) was adopted as amended.

The bill was ordered engrossed.

There being no objection, the rules were suspended, the second reading considered the third and the bill was placed on final passage.

Representatives Kessler and Orcutt spoke in favor of the passage of the bill.

The Speaker (Representative Morris presiding) stated the question before the House to be the final passage of Engrossed Substitute House Bill No. 3014.

MOTION

On motion of Representative Santos, Representative Flannigan was excused.

ROLL CALL

The Clerk called the roll on the final passage of Engrossed Substitute House Bill No. 3014, and the bill passed the House by the following vote: Yeas, 87; Nays, 6; Absent, 0; Excused, 5.

Voting yea: Representatives Alexander, Anderson, Angel, Appleton, Armstrong, Bailey, Blake, Campbell, Chandler, Chase, Clibborn, Cody, Condotta, Conway, Crouse, Dammeier, DeBolt, Driscoll, Dunshee, Eddy, Ericksen, Fagan, Finn, Goodman, Green,

Haigh, Haler, Hasegawa, Herrera, Hinkle, Hope, Hudgins, Hunt, Hurst, Jacks, Johnson, Kagi, Kenney, Kessler, Kirby, Klippert, Kretz, Kristiansen, Liias, Linville, Maxwell, McCoy, McCune, Miloscia, Moeller, Morrell, Morris, Nealey, Nelson, O'Brien, Orcutt, Ormsby, Parker, Pearson, Pedersen, Pettigrew, Priest, Probst, Quall, Roberts, Rodne, Rolfes, Ross, Santos, Schmick, Seaquist, Sells, Shea, Short, Smith, Springer, Sullivan, Takko, Taylor, Upthegrove, Van De Wege, Wallace, Walsh, Warnick, White, Wood and Mr. Speaker.

Voting nay: Representatives Carlyle, Darneille, Dickerson, Hunter, Orwall and Williams.

Excused: Representatives Ericks, Flannigan, Kelley, Roach and Simpson.

ENGROSSED SUBSTITUTE HOUSE BILL NO. 3014, having received the necessary constitutional majority, was declared passed.

ENGROSSED SUBSTITUTE SENATE BILL NO. 6789, by Senate Committee on Ways & Means (originally sponsored by Senators Prentice, Zarelli, Murray, Hewitt, Holmquist and Parlette)

Concerning sales and use tax exemptions for certain equipment and infrastructure contained in data centers.

The bill was read the second time.

Representative Hasegawa moved the adoption of amendment (1681).

On page 5, line 23, after "April 1," strike "2018" and insert "2015"

On page 6, line 7, after "April 1," strike "2018" and insert "2015"

On page 7, line 6, after "April 1," strike "2018" and insert "2015"

Representative Hasegawa spoke in favor of the adoption of the amendment.

Representatives Orcutt and Hunter spoke against the adoption of the amendment.

Division was demanded and the demand was sustained. The Speaker (Representative Morris presiding) divided the House. The result was 32 - YEAS; 61 - NAYS.

Amendment (1681) was not adopted.

Representative Morrell moved the adoption of amendment (1683).

On page 3, line 6, after "operational." strike all material through "(b)" on line 13, and insert the following:

"(b) In lieu of the requirements under subsection (3)(a), a qualifying business located in a county with a population of more than eight hundred thousand people but fewer than one million five hundred thousand people, must establish within six years of the first day of the calendar quarter in which the business first receives an exemption under this section or section 3 of this act that the business has increased employment in the state by a minimum of seventy family wage jobs from the date the eligible computer data center first became operational.

(c) For purposes of this subsection (3), "family wage job" means a new permanent employment position requiring forty hours of weekly work, or the equivalent, on a full-time basis and paying a

wage equivalent to, or greater than, one hundred fifty percent of the per capita personal income of the county in which the qualified project is located. The qualifying business must provide health insurance coverage for employees.

(d)"

On page 4, line 29, after "82.14.370" insert "or located in a county with a population of more than eight hundred thousand people but fewer than one million five hundred thousand people"

Representatives Morrell and Dammeier spoke in favor of the adoption of the amendment.

Representative Hunter spoke against the adoption of the amendment.

Division was demanded and the demand was sustained. The Speaker (Representative Morris presiding) divided the House. The result was 42 - YEAS; 51 - NAYS.

Amendment (1683) was not adopted.

On motion of Representative Morrell, Amendment (1684) was withdrawn.

There being no objection, the rules were suspended, the second reading considered the third and the bill was placed on final passage.

Representatives Hunter, Armstrong, Morrell, Warnick, Conway, Condotta, Hasegawa, Carlyle, Hinkle, Hudgins and Orcutt spoke in favor of the passage of the bill.

The Speaker (Representative Morris presiding) stated the question before the House to be the final passage of Engrossed Substitute Senate Bill No. 6789.

ROLL CALL

The Clerk called the roll on the final passage of Engrossed Substitute Senate Bill No. 6789, and the bill passed the House by the following vote: Yeas, 91; Nays, 2; Absent, 0; Excused, 5.

Voting yea: Representatives Alexander, Anderson, Angel, Appleton, Armstrong, Bailey, Blake, Campbell, Carlyle, Chandler, Chase, Clibborn, Cody, Condotta, Conway, Crouse, Dammeier, Darneille, DeBolt, Dickerson, Driscoll, Dunshee, Eddy, Ericksen, Fagan, Finn, Goodman, Haigh, Haler, Hasegawa, Herrera, Hinkle,

Hope, Hudgins, Hunt, Hunter, Hurst, Jacks, Johnson, Kagi, Kenney, Kessler, Kirby, Klippert, Kretz, Kristiansen, Lias, Linville, Maxwell, McCoy, McCune, Miloscia, Moeller, Morrell, Morris, Nealey, Nelson, O'Brien, Orcutt, Ormsby, Orwall, Parker, Pearson, Pedersen, Pettigrew, Priest, Probst, Quall, Rodne, Rolfes, Ross, Santos, Schmick, Seaquist, Sells, Shea, Short, Smith, Springer, Sullivan, Takko, Taylor, Upthegrove, Van De Wege, Wallace, Walsh, Warnick, White, Williams, Wood and Mr. Speaker.

Voting nay: Representatives Green and Roberts.

Excused: Representatives Ericks, Flannigan, Kelley, Roach and Simpson.

ENGROSSED SUBSTITUTE SENATE BILL NO. 6789 having received the necessary constitutional majority, was declared passed.

There being no objection, the House advanced to the eighth order of business.

There being no objection, the Committee on Rules was relieved of HOUSE BILL NO. 1697, SUBSTITUTE HOUSE BILL NO. 2580 and ENGROSSED SUBSTITUTE HOUSE BILL NO. 3175 and the bills were placed on the third reading calendar.

There being no objection, the House advanced to the eleventh order of business.

There being no objection, the House adjourned until 9:55 a.m., March 18, 2010, the 4th Day of the 1st Special Session.

FRANK CHOPP, Speaker

BARBARA BAKER, Chief Clerk

1697	Other Action	8
2416-S	Third Reading	3
	Third Reading Final Passage	4
2576-S2	Second Reading	2
	Second Reading	2
	Third Reading Final Passage	2
2580-S	Other Action	8
2672	Second Reading	2
	Amendment Offered	2
	Third Reading Final Passage	3
2676	Third Reading	1
	Third Reading Final Passage	1
2677	Third Reading	1
	Third Reading Final Passage	1
2984	Third Reading	1
	Third Reading Final Passage	2
3014	Second Reading	4
3014-S	Second Reading	4
	Amendment Offered	4
	Third Reading Final Passage	7
3175-S	Other Action	8
3201-S	Third Reading	2, 3
	Third Reading Final Passage	3
6789-S	Second Reading	7
	Amendment Offered	7
	Third Reading Final Passage	8