

**EFFECT OF P2SSB 5808:**

- The innovative industry grants and the mechanisms used to determine the amounts of the grants are removed from the bill.
- A business and occupation tax credit is authorized for 75% of amounts donated to an industry development organization representing a certified industry cluster.
- The maximum amount that may be taken as a credit for donations to an industry development organization is \$500,000/year.

1 AN ACT Relating to innovative industries for economic development;  
2 adding a new chapter to Title 43 RCW; and adding a new section to  
3 chapter 82.04 RCW.

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

5 NEW SECTION. **Sec. 1.** This chapter may be known and cited as the  
6 Washington innovation industries enabling act.

7 NEW SECTION. **Sec. 2.** (1) The legislature finds that innovation in  
8 the production of goods and services is woven throughout the history,  
9 economy, and culture of Washington state and that the future economic  
10 success of the state will be dependent on our being in the forefront of  
11 innovation. The legislature declares that the promotion of innovation  
12 within private sector companies is a fundamental purpose of state  
13 government and that the commercialization and manufacture of products  
14 within this state is in the public interest.

15 (2) By this chapter, the legislature intends to accelerate the  
16 growth of industry clusters, strengthen industry collaboration in  
17 innovation, create jobs, enhance public revenues and further the

1 continued commercialization and manufacture of innovative products in  
2 Washington, and the promotion of Washington's products and services  
3 nationally and globally. It is the purpose of this chapter to:

4 (a) Enable industry-sponsored organizations to work collaboratively  
5 and provide technical and other joint assistance to help industrial  
6 producers meet their research, commercialization, financial, workforce  
7 training, marketing, exporting, and other industry identified needs;

8 (b) Assist industrial producers to improve productivity and reduce  
9 costs within a globally competitive environment and remove impairments  
10 to their ability to compete in local, domestic, and foreign markets;  
11 and

12 (c) Promote industry clusters individually and as part of a  
13 comprehensive state strategy to enhance the innovativeness, quality,  
14 reputation, and sales of Washington's industrial products.

15 NEW SECTION. **Sec. 3.** The definitions in this section apply  
16 throughout this chapter unless the context clearly requires otherwise.

17 (1) "Certified industry cluster" means an industry sector, which  
18 may include sector suppliers and associated institutions, which has  
19 been certified by the director.

20 (2) "Director" means the director of the department of commerce or  
21 his or her duly appointed representative. The phrase "director or his  
22 or her designee" means the director unless he or she has designated an  
23 administrator, board, or other designee to act in the matter  
24 designated, in which case "director or his or her designee" means the  
25 administrator, board, or other person or persons so designated and not  
26 the director.

27 (3) "Industry development organization" means a nonprofit,  
28 membership-based organization formed by firms within an industry  
29 cluster for the purpose of providing technical assistance and support  
30 to firms within the industry cluster. Industry development  
31 organization membership may be either statewide in scope or a workforce  
32 development area or areas as determined under the federal workforce  
33 investment act, P.L. 105-220.

34 (4) "Industry cluster" means a group of firms, as determined by the  
35 director, that share a NAICS classification code or related NAICS  
36 classification codes as assigned by the department of revenue. The

1 director may determine that firms sharing a NAICS code, such as supply  
2 firms or information technology firms, may be assigned to more than one  
3 industry cluster.

4 (5) "NAICS" means the North American industry classification  
5 system.

6 NEW SECTION. **Sec. 4.** (1) The director is hereby authorized to  
7 implement, administer, and enforce this chapter. The director may  
8 adopt such rules as are necessary to carry out the provisions of this  
9 chapter. The director must administer provisions of this act to align  
10 with the strategic plan and priorities of the Washington economic  
11 development commission.

12 (2) The director, in consultation with the executive director of  
13 the Washington economic development commission, must:

14 (a) Establish the process by which firms or industry development  
15 organizations may petition for certification of an industry cluster.  
16 The process must reference the minimum number of firms, or the minimum  
17 percent of the firms within an industry cluster, that must join in the  
18 petition. Industry firm participation in the cluster is voluntary;

19 (b) Establish industry cluster certification standards. The  
20 certification standards must reference:

21 (i) The minimum number of firms, which must be at least three, that  
22 may be in a certified industry cluster;

23 (ii) The minimum rate of employment growth within the certified  
24 industry cluster;

25 (iii) The minimum rate of revenue growth within the certified  
26 industry cluster;

27 (iv) The identification of relationships with organizations  
28 critical to accelerating a cluster's innovation capacity and growth,  
29 such as universities and colleges, research organizations, workforce  
30 development organizations, public agencies, local economic development  
31 agencies, innovation partnership zones, and technical assistance  
32 providers; and

33 (iv) Any other quantitative and qualitative factors as the director  
34 determines are appropriate;

35 (c) Certify, via certification orders, industry clusters that meet  
36 the certification standards established by the director. The director

1 may amend or terminate certification orders, consistent with the  
2 standards and rules adopted by the director;

3 (d) Make the final determination on the NAICS codes that define a  
4 certified industry cluster; and

5 (e) Notify the director of the department of revenue when an  
6 industry cluster has been certified.

7 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.04 RCW  
8 to read as follows:

9 (1) In computing the tax authorized under this chapter, a credit is  
10 allowed for contributions to an industry development organization  
11 formed by firms in a certified industry cluster. The credit allowed  
12 under this section is equal to seventy-five percent of the value of a  
13 contribution to an industry development organization.

14 (2) The person must make the contribution before claiming a credit  
15 authorized under this section. Credit earned under this section may be  
16 claimed against taxes due for the calendar year in which the  
17 contribution is made. The amount of credit claimed for a reporting  
18 period may not exceed the tax otherwise due under this chapter for that  
19 reporting period. No refunds may be granted for any unused credits.

20 (3) Any amount of tax credit otherwise allowable under this section  
21 not claimed by the person in any calendar year may be carried over and  
22 claimed against the person's tax liability for the next succeeding  
23 calendar year. Any credit not used in the succeeding calendar year may  
24 not be carried over for any calendar year thereafter.

25 (4) Credits are available on a first in-time basis. The department  
26 must disallow any credits, or portion thereof, that would cause the  
27 total amount of credits claimed for donations to an industry  
28 development organization to exceed five hundred thousand dollars.

29 (5) Each industry development organization that receives donations,  
30 by persons eligible to receive the credit under this section, of five  
31 hundred thousand dollars or more must notify the director of the  
32 department of commerce and the director of the department of revenue  
33 that the annual limit has been reached. In addition, the industry  
34 development organization must notify donors if the annual limit has  
35 been reached and that any additional donations in the calendar year may  
36 not receive the credit authorized under this section.

1           (6) To claim a credit under this section, a person must  
2 electronically file with the department all returns, forms, and any  
3 other information required by the department, in an electronic format  
4 as provided or approved by the department.

5           (7) No application is necessary for the tax credit. The person  
6 must keep records necessary for the department to verify eligibility  
7 under this section.

8           (8) The department may not allow any credit under this section  
9 before July 1, 2012.

10          (9) No credit may be earned for contributions made on or after July  
11 1, 2017.

12          (10) The definitions in section 3 of this act apply to this  
13 section.

14          NEW SECTION. **Sec. 6.** Sections 1 through 4 of this act constitute  
15 a new chapter in Title 43 RCW.

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