
SENATE BILL 6828

State of Washington

60th Legislature

2008 Regular Session

By Senators Marr, Prentice, Zarelli, Schoesler, Hobbs, Kilmer, Shin, and Rasmussen

Read first time 01/25/08. Referred to Committee on Ways & Means.

1 AN ACT Relating to the excise taxation of the aerospace industry;
2 amending RCW 82.08.975, 82.12.975, 82.04.250, 82.04.250, 82.04.290,
3 82.04.4461, 82.04.4463, 82.04.44525, 82.32.545, 82.32.330, and
4 82.32.550; reenacting and amending RCW 82.04.260, 82.32.590, and
5 82.32.600; creating new sections; repealing RCW 82.04.4487, 82.08.981,
6 82.12.981, 82.32.635, and 82.32.640; providing effective dates; and
7 providing an expiration date.

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

9 NEW SECTION. **Sec. 1.** The legislature finds that the aerospace
10 industry provides good wages and benefits for the thousands of
11 engineers, mechanics, support staff, and other employees working
12 directly in the industry throughout the state. The legislature further
13 finds that suppliers and vendors that support the aerospace industry in
14 turn provide a range of well-paying jobs. In 2003, and again in 2006,
15 the legislature determined it was in the public interest to encourage
16 the continued presence of this industry through the provision of tax
17 incentives.

18 However, the legislature recognizes that key elements of
19 Washington's aerospace industry cluster were afforded few, if any, of

1 the aerospace tax incentives enacted in 2003 and 2006. The
2 comprehensive tax incentives in this act are intended to more
3 comprehensively address the cost of doing business in Washington state
4 compared to locations in other states for a larger segment of the
5 aerospace industry cluster.

6 **Sec. 2.** RCW 82.08.975 and 2003 2nd sp.s. c 1 s 9 are each amended
7 to read as follows:

8 (1) The tax levied by RCW 82.08.020 shall not apply to sales of
9 computer hardware, computer peripherals, or software, not otherwise
10 eligible for exemption under RCW 82.08.02565, (~~to a manufacturer or~~
11 ~~processor for hire of commercial airplanes or components of such~~
12 ~~airplanes,~~) used primarily in the development, design, and engineering
13 of ((such)) aerospace products or in providing aerospace services, or
14 to sales of or charges made for labor and services rendered in respect
15 to installing the computer hardware, computer peripherals, or software.

16 (2) The exemption is available only when the buyer provides the
17 seller with an exemption certificate in a form and manner prescribed by
18 the department. The seller shall retain a copy of the certificate for
19 the seller's files.

20 ((+2)) (3) As used in this section, (~~"commercial airplane" and~~
21 ~~"component" have the meanings given in RCW 82.32.550~~) the following
22 definitions apply:

23 (a) "Aerospace products" means:

24 (i) Commercial airplanes and their components;

25 (ii) Machinery and equipment that is designed and used primarily
26 for the maintenance, repair, overhaul, or refurbishing of commercial
27 airplanes or their components by federal aviation regulation part 145
28 certificated repair stations; and

29 (iii) Tooling specifically designed for use in manufacturing
30 commercial airplanes or their components.

31 (b) "Aerospace services" means the maintenance, repair, overhaul,
32 or refurbishing of commercial airplanes or their components, but only
33 when such services are performed by a FAR part 145 certificated repair
34 station.

35 (c) "Commercial airplane" and "component" have the same meanings
36 provided in RCW 82.32.550.

1 (d) "Peripherals" includes keyboards, monitors, mouse devices, and
2 other accessories that operate outside of the computer, excluding
3 cables, conduit, wiring, and other similar property.

4 ~~((3))~~ (4) This section expires July 1, 2024.

5 **Sec. 3.** RCW 82.12.975 and 2003 2nd sp.s. c 1 s 10 are each amended
6 to read as follows:

7 (1) The provisions of this chapter shall not apply in respect to
8 the use of computer hardware, computer peripherals, or software, not
9 otherwise eligible for exemption under RCW 82.12.02565, ~~((by a
10 manufacturer or processor for hire of commercial airplanes or
11 components of such airplanes,))~~ used primarily in the development,
12 design, and engineering of ~~((such))~~ aerospace products or in providing
13 aerospace services, or to the use of labor and services rendered in
14 respect to installing the computer hardware, computer peripherals, or
15 software.

16 (2) As used in this section, ~~(("commercial airplane" and
17 "component"))~~ "peripherals," "aerospace products," and "aerospace
18 services" have the same meanings ~~((given in RCW 82.32.550.~~
19 ~~"Peripherals" includes keyboards, monitors, mouse devices, and other
20 accessories that operate outside of the computer, excluding cables,
21 conduit, wiring, and other similar property))~~ as provided in RCW
22 82.08.975.

23 (3) This section expires July 1, 2024.

24 **Sec. 4.** RCW 82.04.260 and 2007 c 54 s 6 and 2007 c 48 s 2 are each
25 reenacted and amended to read as follows:

26 (1) Upon every person engaging within this state in the business of
27 manufacturing:

28 (a) Wheat into flour, barley into pearl barley, soybeans into
29 soybean oil, canola into canola oil, canola meal, or canola byproducts,
30 or sunflower seeds into sunflower oil; as to such persons the amount of
31 tax with respect to such business shall be equal to the value of the
32 flour, pearl barley, oil, canola meal, or canola byproduct
33 manufactured, multiplied by the rate of 0.138 percent;

34 (b) Beginning July 1, 2012, seafood products that remain in a raw,
35 raw frozen, or raw salted state at the completion of the manufacturing
36 by that person; or selling manufactured seafood products that remain in

1 a raw, raw frozen, or raw salted state at the completion of the
2 manufacturing, to purchasers who transport in the ordinary course of
3 business the goods out of this state; as to such persons the amount of
4 tax with respect to such business shall be equal to the value of the
5 products manufactured or the gross proceeds derived from such sales,
6 multiplied by the rate of 0.138 percent. Sellers must keep and
7 preserve records for the period required by RCW 82.32.070 establishing
8 that the goods were transported by the purchaser in the ordinary course
9 of business out of this state;

10 (c) Beginning July 1, 2012, dairy products that as of September 20,
11 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
12 including byproducts from the manufacturing of the dairy products such
13 as whey and casein; or selling the same to purchasers who transport in
14 the ordinary course of business the goods out of state; as to such
15 persons the tax imposed shall be equal to the value of the products
16 manufactured or the gross proceeds derived from such sales multiplied
17 by the rate of 0.138 percent. Sellers must keep and preserve records
18 for the period required by RCW 82.32.070 establishing that the goods
19 were transported by the purchaser in the ordinary course of business
20 out of this state;

21 (d) Beginning July 1, 2012, fruits or vegetables by canning,
22 preserving, freezing, processing, or dehydrating fresh fruits or
23 vegetables, or selling at wholesale fruits or vegetables manufactured
24 by the seller by canning, preserving, freezing, processing, or
25 dehydrating fresh fruits or vegetables and sold to purchasers who
26 transport in the ordinary course of business the goods out of this
27 state; as to such persons the amount of tax with respect to such
28 business shall be equal to the value of the products manufactured or
29 the gross proceeds derived from such sales multiplied by the rate of
30 0.138 percent. Sellers must keep and preserve records for the period
31 required by RCW 82.32.070 establishing that the goods were transported
32 by the purchaser in the ordinary course of business out of this state;

33 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
34 feedstock, as those terms are defined in RCW 82.29A.135; as to such
35 persons the amount of tax with respect to the business shall be equal
36 to the value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
37 manufactured, multiplied by the rate of 0.138 percent; and

1 (f) Alcohol fuel or wood biomass fuel, as those terms are defined
2 in RCW 82.29A.135; as to such persons the amount of tax with respect to
3 the business shall be equal to the value of alcohol fuel or wood
4 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

5 (2) Upon every person engaging within this state in the business of
6 splitting or processing dried peas; as to such persons the amount of
7 tax with respect to such business shall be equal to the value of the
8 peas split or processed, multiplied by the rate of 0.138 percent.

9 (3) Upon every nonprofit corporation and nonprofit association
10 engaging within this state in research and development, as to such
11 corporations and associations, the amount of tax with respect to such
12 activities shall be equal to the gross income derived from such
13 activities multiplied by the rate of 0.484 percent.

14 (4) Upon every person engaging within this state in the business of
15 slaughtering, breaking and/or processing perishable meat products
16 and/or selling the same at wholesale only and not at retail; as to such
17 persons the tax imposed shall be equal to the gross proceeds derived
18 from such sales multiplied by the rate of 0.138 percent.

19 (5) Upon every person engaging within this state in the business of
20 acting as a travel agent or tour operator; as to such persons the
21 amount of the tax with respect to such activities shall be equal to the
22 gross income derived from such activities multiplied by the rate of
23 0.275 percent.

24 (6) Upon every person engaging within this state in business as an
25 international steamship agent, international customs house broker,
26 international freight forwarder, vessel and/or cargo charter broker in
27 foreign commerce, and/or international air cargo agent; as to such
28 persons the amount of the tax with respect to only international
29 activities shall be equal to the gross income derived from such
30 activities multiplied by the rate of 0.275 percent.

31 (7) Upon every person engaging within this state in the business of
32 stevedoring and associated activities pertinent to the movement of
33 goods and commodities in waterborne interstate or foreign commerce; as
34 to such persons the amount of tax with respect to such business shall
35 be equal to the gross proceeds derived from such activities multiplied
36 by the rate of 0.275 percent. Persons subject to taxation under this
37 subsection shall be exempt from payment of taxes imposed by chapter
38 82.16 RCW for that portion of their business subject to taxation under

1 this subsection. Stevedoring and associated activities pertinent to
2 the conduct of goods and commodities in waterborne interstate or
3 foreign commerce are defined as all activities of a labor, service or
4 transportation nature whereby cargo may be loaded or unloaded to or
5 from vessels or barges, passing over, onto or under a wharf, pier, or
6 similar structure; cargo may be moved to a warehouse or similar holding
7 or storage yard or area to await further movement in import or export
8 or may move to a consolidation freight station and be stuffed,
9 unstuffed, containerized, separated or otherwise segregated or
10 aggregated for delivery or loaded on any mode of transportation for
11 delivery to its consignee. Specific activities included in this
12 definition are: Wharfage, handling, loading, unloading, moving of
13 cargo to a convenient place of delivery to the consignee or a
14 convenient place for further movement to export mode; documentation
15 services in connection with the receipt, delivery, checking, care,
16 custody and control of cargo required in the transfer of cargo;
17 imported automobile handling prior to delivery to consignee; terminal
18 stevedoring and incidental vessel services, including but not limited
19 to plugging and unplugging refrigerator service to containers,
20 trailers, and other refrigerated cargo receptacles, and securing ship
21 hatch covers.

22 (8) Upon every person engaging within this state in the business of
23 disposing of low-level waste, as defined in RCW 43.145.010; as to such
24 persons the amount of the tax with respect to such business shall be
25 equal to the gross income of the business, excluding any fees imposed
26 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

27 If the gross income of the taxpayer is attributable to activities
28 both within and without this state, the gross income attributable to
29 this state shall be determined in accordance with the methods of
30 apportionment required under RCW 82.04.460.

31 (9) Upon every person engaging within this state as an insurance
32 agent, insurance broker, or insurance solicitor licensed under chapter
33 48.17 RCW; as to such persons, the amount of the tax with respect to
34 such licensed activities shall be equal to the gross income of such
35 business multiplied by the rate of 0.484 percent.

36 (10) Upon every person engaging within this state in business as a
37 hospital, as defined in chapter 70.41 RCW, that is operated as a
38 nonprofit corporation or by the state or any of its political

1 subdivisions, as to such persons, the amount of tax with respect to
2 such activities shall be equal to the gross income of the business
3 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
4 percent thereafter. The moneys collected under this subsection shall
5 be deposited in the health services account created under RCW
6 43.72.900.

7 (11)(a) Beginning October 1, 2005, upon every person engaging
8 within this state in the business of manufacturing commercial
9 airplanes, or components of such airplanes, or making sales, at retail
10 or wholesale, of commercial airplanes or components of such airplanes,
11 manufactured by the seller, as to such persons the amount of tax with
12 respect to such business shall, in the case of manufacturers, be equal
13 to the value of the product manufactured and the gross proceeds of
14 sales of the product manufactured, or in the case of processors for
15 hire, be equal to the gross income of the business, multiplied by the
16 rate of:

17 (i) 0.4235 percent from October 1, 2005, through the later of June
18 30, 2007(~~(, or the day preceding the date final assembly of a~~
19 ~~superefficient airplane begins in Washington state, as determined under~~
20 ~~RCW 82.32.550))~~); and

21 (ii) 0.2904 percent beginning (~~(on the later of))~~ July 1, 2007(~~(, or~~
22 ~~the date final assembly of a superefficient airplane begins in~~
23 ~~Washington state, as determined under RCW 82.32.550))~~).

24 (b) Beginning (~~(October 1, 2005))~~ July 1, 2008, upon every person
25 who is not eligible to report under the provisions of (a) of this
26 subsection (11) and is engaging within this state in the business of
27 manufacturing tooling specifically designed for use in manufacturing
28 commercial airplanes or components of such airplanes, or making sales,
29 at retail or wholesale, of (~~(commercial airplanes, or components of~~
30 ~~such airplanes, manufactured by that person)) such tooling manufactured~~
31 by the seller, as to such persons the amount of tax with respect to
32 such business shall, in the case of manufacturers, be equal to the
33 value of the product manufactured and the gross proceeds of sales of
34 the (~~(airplanes or components)) product manufactured, or in the case of~~
35 processors for hire, be equal to the gross income of the business,
36 multiplied by the rate of(~~(÷~~

37 ~~(i) 0.4235 percent from October 1, 2005, through the later of June~~

1 ~~30, 2007, or the day preceding the date final assembly of a~~
2 ~~superefficient airplane begins in Washington state, as determined under~~
3 ~~RCW 82.32.550; and~~

4 (ii)) 0.2904 percent (~~(beginning on the later of July 1, 2007, or~~
5 ~~the date final assembly of a superefficient airplane begins in~~
6 ~~Washington state, as determined under RCW 82.32.550)).~~

7 (c) For the purposes of this subsection (11), "commercial
8 airplane((~~τ~~))" and "component((~~τ~~))" (~~(and "final assembly of a~~
9 ~~superefficient airplane"~~)) have the same meanings (~~(given))~~ as provided
10 in RCW 82.32.550.

11 (d) In addition to all other requirements under this title, a
12 person eligible for the tax rate under this subsection (11) must report
13 as required under RCW 82.32.545.

14 (e) This subsection (11) does not apply on and after (~~(the earlier~~
15 ~~of:))~~ July 1, 2024(~~(; or December 31, 2007, if assembly of a~~
16 ~~superefficient airplane does not begin by December 31, 2007, as~~
17 ~~determined under RCW 82.32.550)).~~

18 (12)(a) Until July 1, 2024, upon every person engaging within this
19 state in the business of extracting timber or extracting for hire
20 timber; as to such persons the amount of tax with respect to the
21 business shall, in the case of extractors, be equal to the value of
22 products, including byproducts, extracted, or in the case of extractors
23 for hire, be equal to the gross income of the business, multiplied by
24 the rate of 0.4235 percent from July 1, 2006, through June 30, 2007,
25 and 0.2904 percent from July 1, 2007, through June 30, 2024.

26 (b) Until July 1, 2024, upon every person engaging within this
27 state in the business of manufacturing or processing for hire: (i)
28 Timber into timber products or wood products; or (ii) timber products
29 into other timber products or wood products; as to such persons the
30 amount of the tax with respect to the business shall, in the case of
31 manufacturers, be equal to the value of products, including byproducts,
32 manufactured, or in the case of processors for hire, be equal to the
33 gross income of the business, multiplied by the rate of 0.4235 percent
34 from July 1, 2006, through June 30, 2007, and 0.2904 percent from July
35 1, 2007, through June 30, 2024.

36 (c) Until July 1, 2024, upon every person engaging within this
37 state in the business of selling at wholesale: (i) Timber extracted by
38 that person; (ii) timber products manufactured by that person from

1 timber or other timber products; or (iii) wood products manufactured by
2 that person from timber or timber products; as to such persons the
3 amount of the tax with respect to the business shall be equal to the
4 gross proceeds of sales of the timber, timber products, or wood
5 products multiplied by the rate of 0.4235 percent from July 1, 2006,
6 through June 30, 2007, and 0.2904 percent from July 1, 2007, through
7 June 30, 2024.

8 (d) Until July 1, 2024, upon every person engaging within this
9 state in the business of selling standing timber; as to such persons
10 the amount of the tax with respect to the business shall be equal to
11 the gross income of the business multiplied by the rate of 0.2904
12 percent. For purposes of this subsection (12)(d), "selling standing
13 timber" means the sale of timber apart from the land, where the buyer
14 is required to sever the timber within thirty months from the date of
15 the original contract, regardless of the method of payment for the
16 timber and whether title to the timber transfers before, upon, or after
17 severance.

18 (e) For purposes of this subsection, the following definitions
19 apply:

20 (i) "Paper and paper products" means products made of interwoven
21 cellulosic fibers held together largely by hydrogen bonding. "Paper
22 and paper products" includes newsprint; office, printing, fine, and
23 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
24 kraft bag, construction, and other kraft industrial papers; paperboard,
25 liquid packaging containers, containerboard, corrugated, and solid-
26 fiber containers including linerboard and corrugated medium; and
27 related types of cellulosic products containing primarily, by weight or
28 volume, cellulosic materials. "Paper and paper products" does not
29 include books, newspapers, magazines, periodicals, and other printed
30 publications, advertising materials, calendars, and similar types of
31 printed materials.

32 (ii) "Timber" means forest trees, standing or down, on privately or
33 publicly owned land. "Timber" does not include Christmas trees that
34 are cultivated by agricultural methods or short-rotation hardwoods as
35 defined in RCW 84.33.035.

36 (iii) "Timber products" means logs, wood chips, sawdust, wood
37 waste, and similar products obtained wholly from the processing of

1 timber, short-rotation hardwoods as defined in RCW 84.33.035, or both;
2 and pulp, including market pulp and pulp derived from recovered paper
3 or paper products.

4 (iv) "Wood products" means paper and paper products; dimensional
5 lumber; engineered wood products such as particleboard, oriented strand
6 board, medium density fiberboard, and plywood; wood doors; and wood
7 windows.

8 (13) Upon every person engaging within this state in inspecting,
9 testing, labeling, and storing canned salmon owned by another person,
10 as to such persons, the amount of tax with respect to such activities
11 shall be equal to the gross income derived from such activities
12 multiplied by the rate of 0.484 percent.

13 **Sec. 5.** RCW 82.04.250 and 2006 c 177 s 5 are each amended to read
14 as follows:

15 (1) Upon every person engaging within this state in the business of
16 making sales at retail, except persons taxable as retailers under other
17 provisions of this chapter, as to such persons, the amount of tax with
18 respect to such business shall be equal to the gross proceeds of sales
19 of the business, multiplied by the rate of 0.471 percent.

20 (2) Upon every person engaging within this state in the business of
21 making sales at retail that are exempt from the tax imposed under
22 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
23 82.08.0263, except persons taxable under RCW 82.04.260(11) or
24 subsection (3) of this section, as to such persons, the amount of tax
25 with respect to such business shall be equal to the gross proceeds of
26 sales of the business, multiplied by the rate of 0.484 percent.

27 (3) Upon every person classified by the federal aviation
28 administration as a federal aviation regulation part 145 certificated
29 repair station and that is engaging within this state in the business
30 of making sales at retail that are exempt from the tax imposed under
31 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
32 82.08.0263, (~~that is classified by the federal aviation administration~~
33 ~~as a FAR part 145 certificated repair station with airframe and~~
34 ~~instrument ratings and limited ratings for nondestructive testing,~~
35 ~~radio, Class 3 Accessory, and specialized services,)) as to such
36 persons, the amount of tax with respect to such business shall be equal~~

1 to the gross proceeds of sales of the business, multiplied by the rate
2 of .2904 percent.

3 **Sec. 6.** RCW 82.04.250 and 2007 c 54 s 5 are each amended to read
4 as follows:

5 (1) Upon every person engaging within this state in the business of
6 making sales at retail, except persons taxable as retailers under other
7 provisions of this chapter, as to such persons, the amount of tax with
8 respect to such business shall be equal to the gross proceeds of sales
9 of the business, multiplied by the rate of 0.471 percent.

10 (2) Upon every person engaging within this state in the business of
11 making sales at retail that are exempt from the tax imposed under
12 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
13 82.08.0263, except persons taxable under RCW 82.04.260(11) or
14 subsection (3) of this section, as to such persons, the amount of tax
15 with respect to such business shall be equal to the gross proceeds of
16 sales of the business, multiplied by the rate of 0.484 percent.

17 (3) Upon every person classified by the federal aviation
18 administration as a federal aviation regulation part 145 certificated
19 repair station and that is engaging within this state in the business
20 of making sales at retail that are exempt from the tax imposed under
21 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
22 82.08.0263, as to such persons, the amount of tax with respect to such
23 business shall be equal to the gross proceeds of sales of the business,
24 multiplied by the rate of .2904 percent.

25 **Sec. 7.** RCW 82.04.290 and 2005 c 369 s 8 are each amended to read
26 as follows:

27 (1) Upon every person engaging within this state in the business of
28 providing international investment management services, as to such
29 persons, the amount of tax with respect to such business shall be equal
30 to the gross income or gross proceeds of sales of the business
31 multiplied by a rate of 0.275 percent.

32 (2)(a) Upon every person engaging within this state in any business
33 activity other than or in addition to an activity taxed explicitly
34 under another section in this chapter or subsection ~~((1))~~ (3) of this
35 section; as to such persons the amount of tax on account of such

1 activities shall be equal to the gross income of the business
2 multiplied by the rate of 1.5 percent.

3 ~~((3))~~ (b) This subsection (2) ((of this section)) includes, among
4 others, and without limiting the scope hereof (whether or not title to
5 materials used in the performance of such business passes to another by
6 accession, confusion or other than by outright sale), persons engaged
7 in the business of rendering any type of service which does not
8 constitute a "sale at retail" or a "sale at wholesale." The value of
9 advertising, demonstration, and promotional supplies and materials
10 furnished to an agent by his principal or supplier to be used for
11 informational, educational and promotional purposes shall not be
12 considered a part of the agent's remuneration or commission and shall
13 not be subject to taxation under this section.

14 (3)(a) Upon every person engaging within this state in the business
15 of performing aerospace product development for others, as to such
16 persons, the amount of tax with respect to such business shall be equal
17 to the gross income of the business multiplied by a rate of 0.9
18 percent.

19 (b) "Aerospace product development" has the meaning as provided in
20 RCW 82.04.4461.

21 **Sec. 8.** RCW 82.04.4461 and 2007 c 54 s 11 are each amended to read
22 as follows:

23 (1)(a)(i) In computing the tax imposed under this chapter, a credit
24 is allowed for each person for qualified ~~((preproduction))~~ aerospace
25 product development. For a person who is a manufacturer or processor
26 for hire of commercial airplanes or components of such airplanes,
27 credit may be earned for expenditures occurring after December 1, 2003.
28 For all other persons, credit may be earned only for expenditures
29 occurring after June 30, 2008.

30 (ii) For purposes of this subsection, "commercial airplane" and
31 "component" have the same meanings as provided in RCW 82.32.550.

32 (b) Before July 1, 2005, any credits earned under this section must
33 be accrued and carried forward and may not be used until July 1, 2005.
34 These carryover credits may be used at any time thereafter, and may be
35 carried over until used. Refunds may not be granted in the place of a
36 credit.

1 (2) The credit is equal to the amount of qualified
2 ~~((preproduction))~~ aerospace product development expenditures of a
3 person, multiplied by the rate of 1.5 percent.

4 (3) Except as provided in subsection (1)(b) of this section the
5 credit shall be taken against taxes due for the same calendar year in
6 which the qualified ~~((preproduction))~~ aerospace product development
7 expenditures are incurred. Credit earned on or after July 1, 2005, may
8 not be carried over. The credit for each calendar year shall not
9 exceed the amount of tax otherwise due under this chapter for the
10 calendar year. Refunds may not be granted in the place of a credit.

11 (4) Any person claiming the credit shall file ~~((an affidavit))~~ a
12 form prescribed by the department that shall include the amount of the
13 credit claimed, an estimate of the anticipated ~~((preproduction))~~
14 aerospace product development expenditures during the calendar year for
15 which the credit is claimed, an estimate of the taxable amount during
16 the calendar year for which the credit is claimed, and such additional
17 information as the department may prescribe.

18 (5) The definitions in this subsection apply throughout this
19 section.

20 (a) ~~(("Aeronautics" means the study of flight and the science of
21 building and operating commercial aircraft.~~

22 ~~((b) "Person" means a person as defined in RCW 82.04.030, who is a
23 manufacturer or processor for hire of commercial airplanes, or
24 components of such airplanes, as those terms are defined in RCW
25 82.32.550.~~

26 ~~((c) "Preproduction) "Aerospace product" has the meaning given in
27 RCW 82.08.975.~~

28 (b) "Aerospace product development" means research, design, and
29 engineering activities performed in relation to the development of
30 ~~((a))~~ an aerospace product ~~((τ))~~ or of a product line, model, or model
31 derivative of an aerospace product, including prototype development,
32 testing, and certification. The term includes the discovery of
33 technological information, the translating of technological information
34 into new or improved products, processes, techniques, formulas, or
35 inventions, and the adaptation of existing products and models into new
36 products or new models, or derivatives of products or models. The term
37 does not include manufacturing activities or other production-oriented
38 activities, however the term does include tool design and engineering

1 design for the manufacturing process. The term does not include
2 surveys and studies, social science and humanities research, market
3 research or testing, quality control, sale promotion and service,
4 computer software developed for internal use, and research in areas
5 such as improved style, taste, and seasonal design.

6 ~~((d))~~ (c) "Qualified ~~((preproduction))~~ aerospace product
7 development" means ~~((preproduction))~~ aerospace product development
8 performed within this state ~~((in the field of aeronautics))~~.

9 ~~((e))~~ (d) "Qualified ~~((preproduction))~~ aerospace product
10 development expenditures" means operating expenses, including wages,
11 compensation of a proprietor or a partner in a partnership as
12 determined by the department, benefits, supplies, and computer
13 expenses, directly incurred in qualified ~~((preproduction))~~ aerospace
14 product development by a person claiming the credit provided in this
15 section. The term does not include amounts paid to a person or to the
16 state and any of its departments and institutions, other than a public
17 educational or research institution to conduct qualified
18 ~~((preproduction))~~ aerospace product development. The term does not
19 include capital costs and overhead, such as expenses for land,
20 structures, or depreciable property.

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

25 (6) In addition to all other requirements under this title, a
26 person taking the credit under this section must report as required
27 under RCW 82.32.545.

28 (7) Credit may not be claimed for expenditures for which a credit
29 is claimed under RCW 82.04.4452.

30 (8) This section expires July 1, 2024.

31 **Sec. 9.** RCW 82.04.4463 and 2006 c 177 s 10 are each amended to
32 read as follows:

33 (1) In computing the tax imposed under this chapter, a credit is
34 allowed for property taxes and leasehold excise taxes paid during the
35 calendar year.

36 (2) The credit is equal to:

1 (a)(i)(A) Property taxes paid on (~~(new)~~) buildings, and land upon
2 which (~~(this property is)~~) the buildings are located, (~~(built)~~)
3 constructed after December 1, 2003, and used exclusively in
4 manufacturing commercial airplanes or components of such airplanes; and

5 (B) Leasehold excise taxes paid with respect to (~~(a)~~) buildings
6 (~~(built)~~) constructed after January 1, 2006, the land upon which the
7 buildings (~~(is)~~) are located, or both, if the buildings (~~(is)~~) are used
8 exclusively in manufacturing commercial airplanes or components of such
9 airplanes; and

10 (C) Property taxes or leasehold excise taxes paid on, or with
11 respect to, buildings constructed after June 30, 2008, the land upon
12 which the buildings are located, or both, and used exclusively for
13 aerospace product development or in providing aerospace services, by
14 persons not within the scope of (a)(i)(A) and (B) of this subsection
15 (2) and are: (I) Engaged in manufacturing tooling specifically
16 designed for use in manufacturing commercial airplanes or their
17 components; or (II) taxable under RCW 82.04.290(3) or 82.04.250(3); or

18 (ii) Property taxes attributable to an increase in assessed value
19 due to the renovation or expansion, after: (A) December 1, 2003, of a
20 building used exclusively in manufacturing commercial airplanes or
21 components of such airplanes; and (B) June 30, 2008, of buildings used
22 exclusively for aerospace product development or in providing aerospace
23 services, by persons not within the scope of (a)(ii)(A) of this
24 subsection (2) and are: (I) Engaged in manufacturing tooling
25 specifically designed for use in manufacturing commercial airplanes or
26 their components; or (II) taxable under RCW 82.04.290(3) or
27 82.04.250(3); and

28 (b) An amount equal to:

29 (i)(A) Property taxes paid, by persons taxable under RCW
30 82.04.260(11)(a), on machinery and equipment exempt under RCW
31 82.08.02565 or 82.12.02565 and acquired after December 1, 2003(~~(τ)~~);

32 (B) Property taxes paid, by persons taxable under RCW
33 82.04.260(11)(b), on machinery and equipment exempt under RCW
34 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

35 (C) Property taxes paid, by persons taxable under RCW 82.04.0250(3)
36 or 82.04.290(3), on computer hardware, computer peripherals, and
37 software exempt under RCW 82.08.975 or 82.12.975 and acquired after
38 June 30, 2008.

1 (ii) For purposes of determining the amount eligible for credit
2 under (i)(A) and (B) of this subsection (2)(b), the amount of property
3 taxes paid is multiplied by a fraction.

4 (I) The numerator of the fraction is the total taxable amount
5 subject to the tax imposed under RCW 82.04.260(11) (~~and~~) (a) or (b)
6 on the applicable business activities of manufacturing commercial
7 airplanes, components of such airplanes, or tooling specifically
8 designed for use in the manufacturing of commercial airplanes or
9 components of such airplanes.

10 (II) The denominator of the fraction is the total taxable amount
11 subject to the tax imposed under all manufacturing classifications in
12 chapter 82.04 RCW(~~7~~).

13 (III) For purposes of both the numerator and denominator of the
14 fraction, the total taxable amount refers to the total taxable amount
15 required to be reported on the person's returns for the calendar year
16 before the calendar year in which the credit under this section is
17 earned. The department may provide for an alternative method for
18 calculating the numerator in cases where the tax rate provided in RCW
19 82.04.260(11) for manufacturing was not in effect during the full
20 calendar year before the calendar year in which the credit under this
21 section is earned.

22 (IV) No credit is available under (b)(i)(A) or (B) of this
23 subsection (2)(~~b~~) if either the numerator or the denominator of the
24 fraction is zero. If the fraction is greater than or equal to nine-
25 tenths, then the fraction is rounded to one. (~~For purposes of this~~
26 subsection~~7~~).

27 (V) As used in (III) of this subsection (2)(b)(ii)(C), "returns"
28 means the (~~combined excise~~) tax returns for (~~the calendar year~~)
29 which the tax imposed under this chapter is reported to the department.

30 (3) (~~For the purposes of this section~~7~~~~) The definitions in this
31 subsection apply throughout this section, unless the context clearly
32 indicates otherwise.

33 (a) "Aerospace product development" has the same meaning as
34 provided in RCW 82.04.4461.

35 (b) "Aerospace services" has the same meaning given in RCW
36 82.08.975.

37 (c) "Commercial (~~passenger~~) airplane" and "component" have the
38 same meanings (~~given~~) as provided in RCW 82.32.550.

1 (4) (~~A person taking the credit under this section is subject to~~
2 ~~all the requirements of chapter 82.32 RCW. In addition, the person~~
3 ~~must report as required under RCW 82.32.545.~~) A credit earned during
4 one calendar year may be carried over to be credited against taxes
5 incurred in a subsequent calendar year, but may not be carried over a
6 second year. No refunds may be granted for credits under this section.

7 (5) In addition to all other requirements under this title, a
8 person taking the credit under this section must report as required
9 under RCW 82.32.545.

10 (6) This section expires July 1, 2024.

11 **Sec. 10.** RCW 82.04.44525 and 1998 c 313 s 2 are each amended to
12 read as follows:

13 (1) Subject to the limits in this section, an eligible person is
14 allowed a credit against the tax due under this chapter. The credit is
15 based on qualified employment positions in eligible areas. The credit
16 is available to persons who are engaged in international services as
17 defined in this section. In order to receive the credit, the
18 international service activities must take place at a business within
19 the eligible area.

20 (2)(a) The credit shall equal three thousand dollars for each
21 qualified employment position created after July 1, 1998, in an
22 eligible area. A credit is earned for the calendar year the person is
23 hired to fill the position, plus the four subsequent consecutive years,
24 if the position is maintained for those four years.

25 (b) Credit may not be taken for hiring of persons into positions
26 that exist on July 1, 1998. Credit is authorized for new employees
27 hired for new positions created after July 1, 1998. New positions
28 filled by existing employees are eligible for the credit under this
29 section only if the position vacated by the existing employee is filled
30 by a new hire.

31 (c) When a position is newly created, if it is filled before July
32 1st, this position is eligible for the full yearly credit. If it is
33 filled after June 30th, this position is eligible for half of the
34 credit.

35 (d) Credit may be accrued and carried over until it is used. No
36 refunds may be granted for credits under this section.

37 (3) For the purposes of this section:

1 (a) "Eligible area" means: (i) A community empowerment zone under
2 RCW ((~~43.63A.700~~) 43.31C.020); or (ii) a contiguous group of census
3 tracts that meets the unemployment and poverty criteria of RCW
4 ((~~43.63A.710~~) 43.31C.030 and is designated under subsection (4) of
5 this section;

6 (b) "Eligible person" means a person, as defined in RCW 82.04.030,
7 who in an eligible area at a specific location is engaged in the
8 business of providing international services;

9 (c)(i) "International services" means the provision of a service,
10 as defined under (c)(iii) of this subsection, that is subject to tax
11 under RCW 82.04.290 (2) or (3), and either:

- 12 (A) Is for a person domiciled outside the United States; or
- 13 (B) The service itself is for use primarily outside of the United
14 States.

15 (ii) "International services" excludes any service taxable under
16 RCW 82.04.290(1).

17 (iii) Eligible services are: Computer; data processing;
18 information; legal; accounting and tax preparation; engineering;
19 architectural; business consulting; business management; public
20 relations and advertising; surveying; geological consulting; real
21 estate appraisal; or financial services. For the purposes of this
22 section these services mean the following:

23 (A) "Computer services" are services such as computer programming,
24 custom software modification, customization of canned software, custom
25 software installation, custom software maintenance, custom software
26 repair, training in the use of software, computer systems design, and
27 custom software update services;

28 (B) "Data processing services" are services such as word
29 processing, data entry, data retrieval, data search, information
30 compilation, payroll processing, business accounts processing, data
31 production, and other computerized data and information storage or
32 manipulation. "Data processing services" also includes the use of a
33 computer or computer time for data processing whether the processing is
34 performed by the provider of the computer or by the purchaser or other
35 beneficiary of the service;

36 (C) "Information services" are services such as electronic data
37 retrieval or research that entails furnishing financial or legal

1 information, data or research, internet service as defined in RCW
2 82.04.297, general or specialized news, or current information;

3 (D) "Legal services" are services such as representation by an
4 attorney, or other person when permitted, in an administrative or legal
5 proceeding, legal drafting, paralegal services, legal research
6 services, and court reporting services, arbitration, and mediation
7 services;

8 (E) "Accounting and tax preparation services" are services such as
9 accounting, auditing, actuarial, bookkeeping, or tax preparation
10 services;

11 (F) "Engineering services" are services such as civil, electrical,
12 mechanical, petroleum, marine, nuclear, and design engineering, machine
13 designing, machine tool designing, and sewage disposal system designing
14 services;

15 (G) "Architectural services" are services such as structural or
16 landscape design or architecture, interior design, building design,
17 building program management, and space planning services;

18 (H) "Business consulting services" are services such as primarily
19 providing operating counsel, advice, or assistance to the management or
20 owner of any business, private, nonprofit, or public organization,
21 including but not limited to those in the following areas:
22 Administrative management consulting; general management consulting;
23 human resource consulting or training; management engineering
24 consulting; management information systems consulting; manufacturing
25 management consulting; marketing consulting; operations research
26 consulting; personnel management consulting; physical distribution
27 consulting; site location consulting; economic consulting; motel,
28 hotel, and resort consulting; restaurant consulting; government affairs
29 consulting; and lobbying;

30 (I) "Business management services" are services such as
31 administrative management, business management, and office management.
32 "Business management services" does not include property management or
33 property leasing, motel, hotel, and resort management, or automobile
34 parking management;

35 (J) "Public relations and advertising services" are services such
36 as layout, art direction, graphic design, copy writing, mechanical
37 preparation, opinion research, marketing research, marketing, or
38 production supervision;

1 (K) "Surveying services" are services such as land surveying;

2 (L) "Geological consulting services" are services rendered for the
3 oil, gas, and mining industry and other earth resource industries, and
4 other services such as soil testing;

5 (M) "Real estate appraisal services" are services such as market
6 appraisal and other real estate valuation; and

7 (N) "Financial services" are services such as banking, loan,
8 security, investment management, investment advisory, mortgage
9 servicing, contract collection, and finance leasing services, engaged
10 in by financial businesses, or businesses similar to or in competition
11 with financial businesses; and

12 (d) "Qualified employment position" means a permanent full-time
13 position to provide international services. If an employee is either
14 voluntarily or involuntarily separated from employment, the employment
15 position is considered filled on a full-time basis if the employer is
16 either training or actively recruiting a replacement employee.

17 (4) By ordinance, the legislative authority of a city, or
18 legislative authorities of contiguous cities by ordinance of each
19 city's legislative authority, with population greater than eighty
20 thousand, located in a county containing no community empowerment zones
21 as designated under RCW ((~~43.63A.700~~)) 43.31C.020, may designate a
22 contiguous group of census tracts within the city or cities as an
23 eligible area under this section. Each of the census tracts must meet
24 the unemployment and poverty criteria of RCW ((~~43.63A.710~~)) 43.31C.030.
25 Upon making the designation, the city or cities shall transmit to the
26 department of revenue a certification letter and a map, each explicitly
27 describing the boundaries of the census tract. This designation must
28 be made by December 31, 1998.

29 (5) No application is necessary for the tax credit. The person
30 must keep records necessary for the department to verify eligibility
31 under this section. This information includes:

32 (a) Employment records for the previous six years;

33 (b) Information relating to description of international service
34 activity engaged in at the eligible location by the person; and

35 (c) Information relating to customers of international service
36 activity engaged in at that location by the person.

37 (6) 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

1 which a credit has been used shall be immediately due. The department
2 shall assess interest, but not penalties, on the credited taxes for
3 which the person is not eligible. The interest shall be assessed at
4 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
5 shall be assessed retroactively to the date the tax credit was taken,
6 and shall accrue until the taxes for which a credit has been used are
7 repaid.

8 (7) The employment security department shall provide to the
9 department of revenue such information needed by the department of
10 revenue to verify eligibility under this section.

11 **Sec. 11.** RCW 82.32.545 and 2007 c 54 s 19 are each amended to read
12 as follows:

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

17 (2)(a) A person who reports taxes under RCW 82.04.260(11),
18 82.04.250(3), or 82.04.290(3), or who claims an exemption or credit
19 under RCW 82.04.4461, 82.08.980, 82.12.980, 82.29A.137, 84.36.655, and
20 82.04.4463 shall make an annual report to the department detailing
21 employment, wages, and employer-provided health and retirement benefits
22 for employment positions in Washington. However, persons engaged in
23 manufacturing commercial airplanes or components of such airplanes may
24 report employment, wage, and benefit information per job at the
25 manufacturing site. The report shall not include names of employees.
26 The report shall also detail employment by the total number of full-
27 time, part-time, and temporary positions. The first report filed under
28 this subsection shall include employment, wage, and benefit information
29 for the twelve-month period immediately before first use of a
30 preferential tax rate under RCW 82.04.260(11), 82.04.250(3), or
31 82.04.290(3), or tax exemption or credit under RCW 82.04.4461,
32 82.08.980, 82.12.980, 82.29A.137, 84.36.655, and 82.04.4463, unless a
33 survey covering this twelve-month period was filed as required by a
34 statute repealed by chapter, Laws of 2008 (this act). The
35 report is due by March 31st following any year in which a preferential
36 tax rate under RCW 82.04.260(11), 82.04.250(3), or 82.04.290(3), is
37 used, or tax exemption or credit under RCW 82.04.4461, 82.08.980,

1 82.12.980, 82.29A.137, 84.36.655, and 82.04.4463 is taken. This
2 information is not subject to the confidentiality provisions of RCW
3 82.32.330 and may be disclosed to the public upon request.

4 (b) If a person fails to submit an annual report under (a) of this
5 subsection by the due date of the report, the department shall declare
6 the amount of taxes exempted or credited, or reduced in the case of the
7 preferential business and occupation tax rate, for that year to be
8 immediately due and payable. Excise taxes payable under this
9 subsection are subject to interest but not penalties, as provided under
10 this chapter. This information is not subject to the confidentiality
11 provisions of RCW 82.32.330 and may be disclosed to the public upon
12 request.

13 (3) By November 1, 2010, and by November 1, 2023, the fiscal
14 committees of the house of representatives and the senate, in
15 consultation with the department, shall report to the legislature on
16 the effectiveness of chapter 1, Laws of 2003 2nd sp. sess., chapter
17 177, Laws of 2006, and chapter, Laws of 2008 (this act) in
18 regard to keeping Washington competitive. The report shall measure the
19 effect of (~~chapter 1, Laws of 2003 2nd sp. sess.~~) these laws on job
20 retention, net jobs created for Washington residents, company growth,
21 diversification of the state's economy, cluster dynamics, and other
22 factors as the committees select. The reports shall include a
23 discussion of principles to apply in evaluating whether the legislature
24 should reenact any or all of the tax preferences in chapter 1, Laws of
25 2003 2nd sp. sess., chapter 177, Laws of 2006, and chapter,
26 Laws of 2008 (this act).

27 **Sec. 12.** RCW 82.32.330 and 2007 c 6 s 1502 are each amended to
28 read as follows:

29 (1) For purposes of this section:

30 (a) "Disclose" means to make known to any person in any manner
31 whatever a return or tax information;

32 (b) "Return" means a tax or information return or claim for refund
33 required by, or provided for or permitted under, the laws of this state
34 which is filed with the department of revenue by, on behalf of, or with
35 respect to a person, and any amendment or supplement thereto, including
36 supporting schedules, attachments, or lists that are supplemental to,
37 or part of, the return so filed;

1 (c) "Tax information" means (i) a taxpayer's identity, (ii) the
2 nature, source, or amount of the taxpayer's income, payments, receipts,
3 deductions, exemptions, credits, assets, liabilities, net worth, tax
4 liability deficiencies, overassessments, or tax payments, whether taken
5 from the taxpayer's books and records or any other source, (iii)
6 whether the taxpayer's return was, is being, or will be examined or
7 subject to other investigation or processing, (iv) a part of a written
8 determination that is not designated as a precedent and disclosed
9 pursuant to RCW 82.32.410, or a background file document relating to a
10 written determination, and (v) other data received by, recorded by,
11 prepared by, furnished to, or collected by the department of revenue
12 with respect to the determination of the existence, or possible
13 existence, of liability, or the amount thereof, of a person under the
14 laws of this state for a tax, penalty, interest, fine, forfeiture, or
15 other imposition, or offense: PROVIDED, That data, material, or
16 documents that do not disclose information related to a specific or
17 identifiable taxpayer do not constitute tax information under this
18 section. Except as provided by RCW 82.32.410, nothing in this chapter
19 shall require any person possessing data, material, or documents made
20 confidential and privileged by this section to delete information from
21 such data, material, or documents so as to permit its disclosure;

22 (d) "State agency" means every Washington state office, department,
23 division, bureau, board, commission, or other state agency;

24 (e) "Taxpayer identity" means the taxpayer's name, address,
25 telephone number, registration number, or any combination thereof, or
26 any other information disclosing the identity of the taxpayer; and

27 (f) "Department" means the department of revenue or its officer,
28 agent, employee, or representative.

29 (2) Returns and tax information shall be confidential and
30 privileged, and except as authorized by this section, neither the
31 department of revenue nor any other person may disclose any return or
32 tax information.

33 (3) This section does not prohibit the department of revenue from:

34 (a) Disclosing such return or tax information in a civil or
35 criminal judicial proceeding or an administrative proceeding:

36 (i) In respect of any tax imposed under the laws of this state if
37 the taxpayer or its officer or other person liable under Title 82 RCW
38 is a party in the proceeding; or

1 (ii) In which the taxpayer about whom such return or tax
2 information is sought and another state agency are adverse parties in
3 the proceeding;

4 (b) Disclosing, subject to such requirements and conditions as the
5 director shall prescribe by rules adopted pursuant to chapter 34.05
6 RCW, such return or tax information regarding a taxpayer to such
7 taxpayer or to such person or persons as that taxpayer may designate in
8 a request for, or consent to, such disclosure, or to any other person,
9 at the taxpayer's request, to the extent necessary to comply with a
10 request for information or assistance made by the taxpayer to such
11 other person: PROVIDED, That tax information not received from the
12 taxpayer shall not be so disclosed if the director determines that such
13 disclosure would compromise any investigation or litigation by any
14 federal, state, or local government agency in connection with the civil
15 or criminal liability of the taxpayer or another person, or that such
16 disclosure would identify a confidential informant, or that such
17 disclosure is contrary to any agreement entered into by the department
18 that provides for the reciprocal exchange of information with other
19 government agencies which agreement requires confidentiality with
20 respect to such information unless such information is required to be
21 disclosed to the taxpayer by the order of any court;

22 (c) Disclosing the name of a taxpayer with a deficiency greater
23 than five thousand dollars and against whom a warrant under RCW
24 82.32.210 has been either issued or filed and remains outstanding for
25 a period of at least ten working days. The department shall not be
26 required to disclose any information under this subsection if a
27 taxpayer: (i) Has been issued a tax assessment; (ii) has been issued
28 a warrant that has not been filed; and (iii) has entered a deferred
29 payment arrangement with the department of revenue and is making
30 payments upon such deficiency that will fully satisfy the indebtedness
31 within twelve months;

32 (d) Disclosing the name of a taxpayer with a deficiency greater
33 than five thousand dollars and against whom a warrant under RCW
34 82.32.210 has been filed with a court of record and remains
35 outstanding;

36 (e) Publishing statistics so classified as to prevent the
37 identification of particular returns or reports or items thereof;

1 (f) Disclosing such return or tax information, for official
2 purposes only, to the governor or attorney general, or to any state
3 agency, or to any committee or subcommittee of the legislature dealing
4 with matters of taxation, revenue, trade, commerce, the control of
5 industry or the professions;

6 (g) Permitting the department of revenue's records to be audited
7 and examined by the proper state officer, his or her agents and
8 employees;

9 (h) Disclosing any such return or tax information to a peace
10 officer as defined in RCW 9A.04.110 or county prosecuting attorney, for
11 official purposes. The disclosure may be made only in response to a
12 search warrant, subpoena, or other court order, unless the disclosure
13 is for the purpose of criminal tax enforcement. A peace officer or
14 county prosecuting attorney who receives the return or tax information
15 may disclose that return or tax information only for use in the
16 investigation and a related court proceeding, or in the court
17 proceeding for which the return or tax information originally was
18 sought;

19 (i) Disclosing any such return or tax information to the proper
20 officer of the internal revenue service of the United States, the
21 Canadian government or provincial governments of Canada, or to the
22 proper officer of the tax department of any state or city or town or
23 county, for official purposes, but only if the statutes of the United
24 States, Canada or its provincial governments, or of such other state or
25 city or town or county, as the case may be, grants substantially
26 similar privileges to the proper officers of this state;

27 (j) Disclosing any such return or tax information to the Department
28 of Justice, including the Bureau of Alcohol, Tobacco, Firearms and
29 Explosives within the Department of Justice, the Department of Defense,
30 the Immigration and Customs Enforcement and the Customs and Border
31 Protection agencies of the United States Department of Homeland
32 Security, the Coast Guard of the United States, and the United States
33 Department of Transportation, or any authorized representative thereof,
34 for official purposes;

35 (k) Publishing or otherwise disclosing the text of a written
36 determination designated by the director as a precedent pursuant to RCW
37 82.32.410;

1 (l) Disclosing, in a manner that is not associated with other tax
2 information, the taxpayer name, entity type, business address, mailing
3 address, revenue tax registration numbers, North American industry
4 classification system or standard industrial classification code of a
5 taxpayer, and the dates of opening and closing of business. This
6 subsection shall not be construed as giving authority to the department
7 to give, sell, or provide access to any list of taxpayers for any
8 commercial purpose;

9 (m) Disclosing such return or tax information that is also
10 maintained by another Washington state or local governmental agency as
11 a public record available for inspection and copying under the
12 provisions of chapter 42.56 RCW or is a document maintained by a court
13 of record not otherwise prohibited from disclosure;

14 (n) Disclosing such return or tax information to the United States
15 department of agriculture for the limited purpose of investigating food
16 stamp fraud by retailers;

17 (o) Disclosing to a financial institution, escrow company, or title
18 company, in connection with specific real property that is the subject
19 of a real estate transaction, current amounts due the department for a
20 filed tax warrant, judgment, or lien against the real property;

21 (p) Disclosing to a person against whom the department has asserted
22 liability as a successor under RCW 82.32.140 return or tax information
23 pertaining to the specific business of the taxpayer to which the person
24 has succeeded;

25 (q) Disclosing such return or tax information in the possession of
26 the department relating to the administration or enforcement of the
27 real estate excise tax imposed under chapter 82.45 RCW, including
28 information regarding transactions exempt or otherwise not subject to
29 tax; or

30 ~~(r) ((Disclosing the least amount of return or tax information
31 necessary for the reports required in RCW 82.32.640 (4) and (5) when
32 the number of taxpayers included in the reports or any part of the
33 reports cannot be classified to prevent the identification of taxpayers
34 or particular returns, reports, tax information, or items in the
35 possession of the department; or~~

36 ~~(s))~~ Disclosing to local taxing jurisdictions the identity of
37 sellers granted relief under RCW 82.32.430(5)(b)(i) and the period for
38 which relief is granted.

1 (4)(a) The department may disclose return or taxpayer information
2 to a person under investigation or during any court or administrative
3 proceeding against a person under investigation as provided in this
4 subsection (4). The disclosure must be in connection with the
5 department's official duties relating to an audit, collection activity,
6 or a civil or criminal investigation. The disclosure may occur only
7 when the person under investigation and the person in possession of
8 data, materials, or documents are parties to the return or tax
9 information to be disclosed. The department may disclose return or tax
10 information such as invoices, contracts, bills, statements, resale or
11 exemption certificates, or checks. However, the department may not
12 disclose general ledgers, sales or cash receipt journals, check
13 registers, accounts receivable/payable ledgers, general journals,
14 financial statements, expert's workpapers, income tax returns, state
15 tax returns, tax return workpapers, or other similar data, materials,
16 or documents.

17 (b) Before disclosure of any tax return or tax information under
18 this subsection (4), the department shall, through written
19 correspondence, inform the person in possession of the data, materials,
20 or documents to be disclosed. The correspondence shall clearly
21 identify the data, materials, or documents to be disclosed. The
22 department may not disclose any tax return or tax information under
23 this subsection (4) until the time period allowed in (c) of this
24 subsection has expired or until the court has ruled on any challenge
25 brought under (c) of this subsection.

26 (c) The person in possession of the data, materials, or documents
27 to be disclosed by the department has twenty days from the receipt of
28 the written request required under (b) of this subsection to petition
29 the superior court of the county in which the petitioner resides for
30 injunctive relief. The court shall limit or deny the request of the
31 department if the court determines that:

32 (i) The data, materials, or documents sought for disclosure are
33 cumulative or duplicative, or are obtainable from some other source
34 that is more convenient, less burdensome, or less expensive;

35 (ii) The production of the data, materials, or documents sought
36 would be unduly burdensome or expensive, taking into account the needs
37 of the department, the amount in controversy, limitations on the
38 petitioner's resources, and the importance of the issues at stake; or

1 (iii) The data, materials, or documents sought for disclosure
2 contain trade secret information that, if disclosed, could harm the
3 petitioner.

4 (d) The department shall reimburse reasonable expenses for the
5 production of data, materials, or documents incurred by the person in
6 possession of the data, materials, or documents to be disclosed.

7 (e) Requesting information under (b) of this subsection that may
8 indicate that a taxpayer is under investigation does not constitute a
9 disclosure of tax return or tax information under this section.

10 (5) Any person acquiring knowledge of any return or tax information
11 in the course of his or her employment with the department of revenue
12 and any person acquiring knowledge of any return or tax information as
13 provided under subsection (3)(f), (g), (h), (i), (j), or (n) of this
14 section, who discloses any such return or tax information to another
15 person not entitled to knowledge of such return or tax information
16 under the provisions of this section, is guilty of a misdemeanor. If
17 the person guilty of such violation is an officer or employee of the
18 state, such person shall forfeit such office or employment and shall be
19 incapable of holding any public office or employment in this state for
20 a period of two years thereafter.

21 **Sec. 13.** RCW 82.32.550 and 2007 c 54 s 20 are each amended to read
22 as follows:

23 (1)(a) Chapter 1, Laws of 2003 2nd sp. sess. takes effect on the
24 first day of the month in which the governor and a manufacturer of
25 commercial airplanes sign a memorandum of agreement regarding an
26 affirmative final decision to site a significant commercial airplane
27 final assembly facility in Washington state. The department shall
28 provide notice of the effective date of chapter 1, Laws of 2003 2nd sp.
29 sess. to affected taxpayers, the legislature, and others as deemed
30 appropriate by the department.

31 (b) Chapter 1, Laws of 2003 2nd sp. sess. is contingent upon the
32 siting of a significant commercial airplane final assembly facility in
33 the state of Washington. If a memorandum of agreement under subsection
34 (1) of this section is not signed by June 30, 2005, chapter 1, Laws of
35 2003 2nd sp. sess. is null and void.

36 (c)(i) ~~((The department shall make a determination regarding the
37 date final assembly of a superefficient airplane begins in Washington~~

1 ~~state.)) The rate((s)) in RCW 82.04.260(11)(a)(ii) ((and (b)(ii)))~~
2 ~~takes effect ((the first day of the month such assembly begins, or))~~
3 ~~July 1, 2007, ((whichever is later. The department shall provide~~
4 ~~notice of the effective date of such rates to affected taxpayers, the~~
5 ~~legislature, and others as deemed appropriate by the department)).~~

6 (ii) If on December 31, 2007, final assembly of a superefficient
7 airplane has not begun in Washington state, the department shall
8 provide notice of such to affected taxpayers, the legislature, and
9 others as deemed appropriate by the department.

10 (2) The definitions in this subsection apply throughout this
11 section.

12 (a) "Commercial airplane" has its ordinary meaning, which is an
13 airplane certified by the federal aviation administration for
14 transporting persons or property, and any military derivative of such
15 an airplane.

16 (b) "Component" means a part or system certified by the federal
17 aviation administration for installation or assembly into a commercial
18 airplane.

19 (c) "Final assembly of a superefficient airplane" means the
20 activity of assembling an airplane from components parts necessary for
21 its mechanical operation such that the finished commercial airplane is
22 ready to deliver to the ultimate consumer.

23 (d) "Significant commercial airplane final assembly facility" means
24 a location with the capacity to produce at least thirty-six
25 superefficient airplanes a year.

26 (e) "Siting" means a final decision by a manufacturer to locate a
27 significant commercial airplane final assembly facility in Washington
28 state.

29 (f) "Superefficient airplane" means a twin aisle airplane that
30 carries between two hundred and three hundred fifty passengers, with a
31 range of more than seven thousand two hundred nautical miles, a
32 cruising speed of approximately mach .85, and that uses fifteen to
33 twenty percent less fuel than other similar airplanes on the market.

34 **Sec. 14.** RCW 82.32.590 and 2006 c 354 s 17, 2006 c 300 s 10, 2006
35 c 177 s 8, 2006 c 112 s 7, and 2006 c 84 s 7 are each reenacted and
36 amended to read as follows:

37 (1) If the department finds that the failure of a taxpayer to file

1 an annual survey or annual report under RCW 82.04.4452, 82.32.5351,
2 82.32.650, (~~82.32.635, 82.32.640,~~) 82.32.630, 82.32.610, or 82.74.040
3 by the due date was the result of circumstances beyond the control of
4 the taxpayer, the department shall extend the time for filing the
5 survey or report. Such extension shall be for a period of thirty days
6 from the date the department issues its written notification to the
7 taxpayer that it qualifies for an extension under this section. The
8 department may grant additional extensions as it deems proper.

9 (2) In making a determination whether the failure of a taxpayer to
10 file an annual survey or annual report by the due date was the result
11 of circumstances beyond the control of the taxpayer, the department
12 shall be guided by rules adopted by the department for the waiver or
13 cancellation of penalties when the underpayment or untimely payment of
14 any tax was due to circumstances beyond the control of the taxpayer.

15 **Sec. 15.** RCW 82.32.600 and 2007 c 54 s 23 and 2007 c 54 s 22 are
16 each reenacted and amended to read as follows:

17 (1) Persons required to file annual surveys or annual reports under
18 RCW 82.04.4452 (~~(e)~~), 82.32.5351, 82.32.545, 82.32.610, 82.32.630,
19 (~~82.32.635, 82.32.640,~~) or 82.74.040 must electronically file with
20 the department all surveys, reports, returns, and any other forms or
21 information the department requires in an electronic format as provided
22 or approved by the department. As used in this section, "returns" has
23 the same meaning as "return" in RCW 82.32.050.

24 (2) Any survey, report, return, or any other form or information
25 required to be filed in an electronic format under subsection (1) of
26 this section is not filed until received by the department in an
27 electronic format.

28 (3) The department may waive the electronic filing requirement in
29 subsection (1) of this section for good cause shown.

30 NEW SECTION. **Sec. 16.** The following acts or parts of acts are
31 each repealed:

32 (1) RCW 82.04.4487 (Credit--Commercial aircraft--Qualified
33 preproduction development expenditures) and 2006 c 177 s 3;

34 (2) RCW 82.08.981 (Exemptions--Development, design, and engineering
35 of commercial airplanes) and 2006 c 177 s 1;

1 (3) RCW 82.12.981 (Exemptions--Development, design, and engineering
2 of commercial airplanes) and 2006 c 177 s 2;

3 (4) RCW 82.32.635 (Annual survey for tax incentive under RCW
4 82.04.4487) and 2006 c 177 s 4; and

5 (5) RCW 82.32.640 (Annual survey for tax incentive under RCW
6 82.04.250(3)) and 2006 c 177 s 6.

7 NEW SECTION. **Sec. 17.** This act does not affect any existing right
8 acquired or liability or obligation incurred under the sections amended
9 or repealed in this act or under any rule or order adopted under those
10 sections, nor does it affect any proceeding instituted under those
11 sections.

12 NEW SECTION. **Sec. 18.** This act takes effect July 1, 2008, except
13 for section 6 of this act which takes effect July 1, 2011.

14 NEW SECTION. **Sec. 19.** Section 5 of this act expires July 1, 2011.

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