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HOUSE BILL 2203

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State of Washington                      63rd Legislature                      2014 Regular Session

By Representatives Orcutt, Takko, Blake, Haler, DeBolt, Buys, Magendanz, and Vick

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1            AN ACT Relating to amending the definition of commercial airplane  
2 for specific tax preferences to include other types of commercial  
3 aircraft to encourage the migration of good wage jobs in the state;  
4 amending RCW 82.32.550, 82.04.260, 82.04.260, 82.04.260, 82.04.260,  
5 82.04.627, 82.04.4463, 82.04.4463, 82.04.4461, 82.04.4461, 82.04.43391,  
6 82.08.975, 82.08.975, 82.08.980, 82.32.850, and 82.32.550; providing  
7 effective dates; providing contingent effective dates; and providing an  
8 expiration date.

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

10            NEW SECTION.    **Sec. 1.** (1) The legislature finds that the people of  
11 Washington have benefited from the presence of the aerospace industry  
12 in Washington state. The legislature further finds that the industry  
13 continues to provide good wage jobs and benefits for employees  
14 throughout the state. The legislature further finds that expansion of  
15 the aerospace industry to other types of aircraft manufacturing would  
16 provide additional good wage jobs for the citizens of Washington,  
17 increasing the economic activity of manufacturing in the state. The  
18 legislature further finds that expansion of the current aerospace  
19 industry to all types of aerospace products will establish Washington

1 as the leading aerospace industry state. Therefore, the legislature  
2 intends to extend preferential tax rates, credits, and sales and use  
3 tax deferrals for the aerospace industry to other types of aircraft  
4 manufacturing. Specifically, the legislature intends to provide tax  
5 relief to manufacturers of all types of aircraft and manufacturers and  
6 suppliers of aircraft components to encourage the migration of these  
7 businesses to Washington, in turn creating and retaining good wage jobs  
8 and new tax revenue for the state.

9 (2) It is the specific public policy objective of the legislature  
10 to provide a preferential business and occupation tax rate, business  
11 and occupation tax credit, and sales and use tax deferral for the  
12 manufacturing of rotorcraft, including the components used in the  
13 manufacturing process. This tax preference is intended to promote  
14 economic growth and jobs for Washington. The legislature categorizes  
15 this tax preference as one intended to create and retain jobs, as  
16 described in RCW 82.32.808(2)(c).

17 (3)(a) In order to obtain the necessary data to perform a review of  
18 this tax preference, persons using this preference must file a tax  
19 preference annual report under RCW 82.32.534.

20 (b) The joint legislative audit and review committee must review  
21 the tax preference provided in this act as part of its normal review  
22 process of tax preferences. The committee must specifically assess  
23 employment changes and tax revenue changes in the commercial aircraft  
24 industry in Washington in comparison to employment and tax revenues  
25 prior to the extension of tax preferences in this act. To the extent  
26 practicable, the committee must use data provided by state agencies  
27 responsible for administering unemployment insurance and collecting tax  
28 revenue and data statistics provided by the bureau of labor statistics.

29 **Sec. 2.** RCW 82.32.550 and 2010 1st sp.s. c 23 s 517 are each  
30 amended to read as follows:

31 (1) "Commercial aircraft" means a "commercial airplane" or  
32 "commercial rotorcraft."

33 (2) "Commercial airplane" has its ordinary meaning, which is an  
34 airplane certified by the federal aviation administration for  
35 transporting persons or property, and any military derivative of such  
36 an airplane.

1        ~~((+2))~~ (3) "Commercial rotorcraft" means an aircraft supported in  
2 flight by one or more rotors to provide lift, which may also include  
3 rotorcrafts with additional thrust engines or propellers, certified by  
4 the federal aviation administration for transporting persons or  
5 property, and any military derivative of such an aircraft.

6        (4) "Component" means a part or system certified by the federal  
7 aviation administration for installation or assembly into a commercial  
8 ~~((airplane))~~ aircraft.

9        ~~((+3))~~ (5) "Superefficient airplane" means a twin aisle airplane  
10 that carries between two hundred and three hundred fifty passengers,  
11 with a range of more than seven thousand two hundred nautical miles, a  
12 cruising speed of approximately mach .85, and that uses fifteen to  
13 twenty percent less fuel than other similar airplanes on the market.

14        **Sec. 3.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 202 are each  
15 amended to read as follows:

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

18        (a) Wheat into flour, barley into pearl barley, soybeans into  
19 soybean oil, canola into canola oil, canola meal, or canola by-  
20 products, or sunflower seeds into sunflower oil; as to such persons the  
21 amount of tax with respect to such business is equal to the value of  
22 the flour, pearl barley, oil, canola meal, or canola by-product  
23 manufactured, multiplied by the rate of 0.138 percent;

24        (b) Beginning July 1, 2015, seafood products that remain in a raw,  
25 raw frozen, or raw salted state at the completion of the manufacturing  
26 by that person; or selling manufactured seafood products that remain in  
27 a raw, raw frozen, or raw salted state at the completion of the  
28 manufacturing, to purchasers who transport in the ordinary course of  
29 business the goods out of this state; as to such persons the amount of  
30 tax with respect to such business is equal to the value of the products  
31 manufactured or the gross proceeds derived from such sales, multiplied  
32 by the rate of 0.138 percent. Sellers must keep and preserve records  
33 for the period required by RCW 82.32.070 establishing that the goods  
34 were transported by the purchaser in the ordinary course of business  
35 out of this state;

36        (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
37 products that the person has manufactured to purchasers who either

1 transport in the ordinary course of business the goods out of state or  
2 purchasers who use such dairy products as an ingredient or component in  
3 the manufacturing of a dairy product; as to such persons the tax  
4 imposed is equal to the value of the products manufactured or the gross  
5 proceeds derived from such sales multiplied by the rate of 0.138  
6 percent. Sellers must keep and preserve records for the period  
7 required by RCW 82.32.070 establishing that the goods were transported  
8 by the purchaser in the ordinary course of business out of this state  
9 or sold to a manufacturer for use as an ingredient or component in the  
10 manufacturing of a dairy product.

11 (ii) For the purposes of this subsection (1)(c), "dairy products"  
12 means:

13 (A) Products that as of September 20, 2001, are identified in 21  
14 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from  
15 the manufacturing of the dairy products, such as whey and casein; and

16 (B) Products comprised of not less than seventy percent dairy  
17 products that qualify under (c)(ii)(A) of this subsection, measured by  
18 weight or volume.

19 (iii) The preferential tax rate provided to taxpayers under this  
20 subsection (1)(c) does not apply to sales of dairy products on or after  
21 July 1, 2023, where a dairy product is used by the purchaser as an  
22 ingredient or component in the manufacturing in Washington of a dairy  
23 product;

24 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
25 preserving, freezing, processing, or dehydrating fresh fruits or  
26 vegetables, or selling at wholesale fruits or vegetables manufactured  
27 by the seller by canning, preserving, freezing, processing, or  
28 dehydrating fresh fruits or vegetables and sold to purchasers who  
29 transport in the ordinary course of business the goods out of this  
30 state; as to such persons the amount of tax with respect to such  
31 business is equal to the value of the products manufactured or the  
32 gross proceeds derived from such sales multiplied by the rate of 0.138  
33 percent. Sellers must keep and preserve records for the period  
34 required by RCW 82.32.070 establishing that the goods were transported  
35 by the purchaser in the ordinary course of business out of this state;

36 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
37 feedstock, as those terms are defined in RCW 82.29A.135; as to such

1 persons the amount of tax with respect to the business is equal to the  
2 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
3 manufactured, multiplied by the rate of 0.138 percent; and

4 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
5 persons the amount of tax with respect to the business is equal to the  
6 value of wood biomass fuel manufactured, multiplied by the rate of  
7 0.138 percent.

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

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

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

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

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

34 (7) Upon every person engaging within this state in the business of  
35 stevedoring and associated activities pertinent to the movement of  
36 goods and commodities in waterborne interstate or foreign commerce; as  
37 to such persons the amount of tax with respect to such business is  
38 equal to the gross proceeds derived from such activities multiplied by

1 the rate of 0.275 percent. Persons subject to taxation under this  
2 subsection are exempt from payment of taxes imposed by chapter 82.16  
3 RCW for that portion of their business subject to taxation under this  
4 subsection. Stevedoring and associated activities pertinent to the  
5 conduct of goods and commodities in waterborne interstate or foreign  
6 commerce are defined as all activities of a labor, service or  
7 transportation nature whereby cargo may be loaded or unloaded to or  
8 from vessels or barges, passing over, onto or under a wharf, pier, or  
9 similar structure; cargo may be moved to a warehouse or similar holding  
10 or storage yard or area to await further movement in import or export  
11 or may move to a consolidation freight station and be stuffed,  
12 unstuffed, containerized, separated or otherwise segregated or  
13 aggregated for delivery or loaded on any mode of transportation for  
14 delivery to its consignee. Specific activities included in this  
15 definition are: Wharfage, handling, loading, unloading, moving of  
16 cargo to a convenient place of delivery to the consignee or a  
17 convenient place for further movement to export mode; documentation  
18 services in connection with the receipt, delivery, checking, care,  
19 custody and control of cargo required in the transfer of cargo;  
20 imported automobile handling prior to delivery to consignee; terminal  
21 stevedoring and incidental vessel services, including but not limited  
22 to plugging and unplugging refrigerator service to containers,  
23 trailers, and other refrigerated cargo receptacles, and securing ship  
24 hatch covers.

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

30 (b) If the gross income of the taxpayer is attributable to  
31 activities both within and without this state, the gross income  
32 attributable to this state must be determined in accordance with the  
33 methods of apportionment required under RCW 82.04.460.

34 (9) Upon every person engaging within this state as an insurance  
35 producer or title insurance agent licensed under chapter 48.17 RCW or  
36 a surplus line broker licensed under chapter 48.15 RCW; as to such  
37 persons, the amount of the tax with respect to such licensed activities

1 is equal to the gross income of such business multiplied by the rate of  
2 0.484 percent.

3 (10) Upon every person engaging within this state in business as a  
4 hospital, as defined in chapter 70.41 RCW, that is operated as a  
5 nonprofit corporation or by the state or any of its political  
6 subdivisions, as to such persons, the amount of tax with respect to  
7 such activities is equal to the gross income of the business multiplied  
8 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent  
9 thereafter.

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

20 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and  
21 (ii) 0.2904 percent beginning July 1, 2007.

22 (b) Beginning July 1, 2008, upon every person who is not eligible  
23 to report under the provisions of (a) of this subsection (11) and is  
24 engaging within this state in the business of manufacturing tooling  
25 specifically designed for use in manufacturing commercial (~~(airplanes))~~  
26 aircraft or components of such (~~(airplanes))~~ aircraft, or making sales,  
27 at retail or wholesale, of such tooling manufactured by the seller, as  
28 to such persons the amount of tax with respect to such business is, in  
29 the case of manufacturers, equal to the value of the product  
30 manufactured and the gross proceeds of sales of the product  
31 manufactured, or in the case of processors for hire, be equal to the  
32 gross income of the business, multiplied by the rate of 0.2904 percent.

33 (c) For the purposes of this subsection (11), "commercial  
34 (~~(airplane))~~ aircraft" and "component" have the same meanings as  
35 provided in RCW 82.32.550.

36 (d) In addition to all other requirements under this title, a  
37 person reporting under the tax rate provided in this subsection (11)

1 must file a complete annual report with the department under RCW  
2 82.32.534.

3 (e) This subsection (11) does not apply on and after July 1, 2024.

4 (12)(a) Until July 1, 2024, upon every person engaging within this  
5 state in the business of extracting timber or extracting for hire  
6 timber; as to such persons the amount of tax with respect to the  
7 business is, in the case of extractors, equal to the value of products,  
8 including by-products, extracted, or in the case of extractors for  
9 hire, equal to the gross income of the business, multiplied by the rate  
10 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
11 percent from July 1, 2007, through June 30, 2024.

12 (b) Until July 1, 2024, upon every person engaging within this  
13 state in the business of manufacturing or processing for hire: (i)  
14 Timber into timber products or wood products; or (ii) timber products  
15 into other timber products or wood products; as to such persons the  
16 amount of the tax with respect to the business is, in the case of  
17 manufacturers, equal to the value of products, including by-products,  
18 manufactured, or in the case of processors for hire, equal to the gross  
19 income of the business, multiplied by the rate of 0.4235 percent from  
20 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
21 2007, through June 30, 2024.

22 (c) Until July 1, 2024, upon every person engaging within this  
23 state in the business of selling at wholesale: (i) Timber extracted by  
24 that person; (ii) timber products manufactured by that person from  
25 timber or other timber products; or (iii) wood products manufactured by  
26 that person from timber or timber products; as to such persons the  
27 amount of the tax with respect to the business is equal to the gross  
28 proceeds of sales of the timber, timber products, or wood products  
29 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
30 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
31 2024.

32 (d) Until July 1, 2024, upon every person engaging within this  
33 state in the business of selling standing timber; as to such persons  
34 the amount of the tax with respect to the business is equal to the  
35 gross income of the business multiplied by the rate of 0.2904 percent.  
36 For purposes of this subsection (12)(d), "selling standing timber"  
37 means the sale of timber apart from the land, where the buyer is  
38 required to sever the timber within thirty months from the date of the



1 original contract, regardless of the method of payment for the timber  
2 and whether title to the timber transfers before, upon, or after  
3 severance.

4 (e) For purposes of this subsection, the following definitions  
5 apply:

6 (i) "Biocomposite surface products" means surface material products  
7 containing, by weight or volume, more than fifty percent recycled paper  
8 and that also use nonpetroleum-based phenolic resin as a bonding agent.

9 (ii) "Paper and paper products" means products made of interwoven  
10 cellulosic fibers held together largely by hydrogen bonding. "Paper  
11 and paper products" includes newsprint; office, printing, fine, and  
12 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
13 kraft bag, construction, and other kraft industrial papers; paperboard,  
14 liquid packaging containers, containerboard, corrugated, and solid-  
15 fiber containers including linerboard and corrugated medium; and  
16 related types of cellulosic products containing primarily, by weight or  
17 volume, cellulosic materials. "Paper and paper products" does not  
18 include books, newspapers, magazines, periodicals, and other printed  
19 publications, advertising materials, calendars, and similar types of  
20 printed materials.

21 (iii) "Recycled paper" means paper and paper products having fifty  
22 percent or more of their fiber content that comes from postconsumer  
23 waste. For purposes of this subsection (12)(e)(iii), "postconsumer  
24 waste" means a finished material that would normally be disposed of as  
25 solid waste, having completed its life cycle as a consumer item.

26 (iv) "Timber" means forest trees, standing or down, on privately or  
27 publicly owned land. "Timber" does not include Christmas trees that  
28 are cultivated by agricultural methods or short-rotation hardwoods as  
29 defined in RCW 84.33.035.

30 (v) "Timber products" means:

31 (A) Logs, wood chips, sawdust, wood waste, and similar products  
32 obtained wholly from the processing of timber, short-rotation hardwoods  
33 as defined in RCW 84.33.035, or both;

34 (B) Pulp, including market pulp and pulp derived from recovered  
35 paper or paper products; and

36 (C) Recycled paper, but only when used in the manufacture of  
37 biocomposite surface products.

1 (vi) "Wood products" means paper and paper products; dimensional  
2 lumber; engineered wood products such as particleboard, oriented strand  
3 board, medium density fiberboard, and plywood; wood doors; wood  
4 windows; and biocomposite surface products.

5 (f) Except for small harvesters as defined in RCW 84.33.035, a  
6 person reporting under the tax rate provided in this subsection (12)  
7 must file a complete annual survey with the department under RCW  
8 82.32.585.

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

14 (14)(a) Upon every person engaging within this state in the  
15 business of printing a newspaper, publishing a newspaper, or both, the  
16 amount of tax on such business is equal to the gross income of the  
17 business multiplied by the rate of 0.365 percent through June 30, 2013,  
18 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

19 (b) A person reporting under the tax rate provided in this  
20 subsection (14) must file a complete annual report with the department  
21 under RCW 82.32.534.

22 **Sec. 4.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 203 are each  
23 amended to read as follows:

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

26 (a) Wheat into flour, barley into pearl barley, soybeans into  
27 soybean oil, canola into canola oil, canola meal, or canola by-  
28 products, or sunflower seeds into sunflower oil; as to such persons the  
29 amount of tax with respect to such business is equal to the value of  
30 the flour, pearl barley, oil, canola meal, or canola by-product  
31 manufactured, multiplied by the rate of 0.138 percent;

32 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
33 raw frozen, or raw salted state at the completion of the manufacturing  
34 by that person; or selling manufactured seafood products that remain in  
35 a raw, raw frozen, or raw salted state at the completion of the  
36 manufacturing, to purchasers who transport in the ordinary course of  
37 business the goods out of this state; as to such persons the amount of

1 tax with respect to such business is equal to the value of the products  
2 manufactured or the gross proceeds derived from such sales, multiplied  
3 by the rate of 0.138 percent. Sellers must keep and preserve records  
4 for the period required by RCW 82.32.070 establishing that the goods  
5 were transported by the purchaser in the ordinary course of business  
6 out of this state;

7 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
8 products that the person has manufactured to purchasers who either  
9 transport in the ordinary course of business the goods out of state or  
10 purchasers who use such dairy products as an ingredient or component in  
11 the manufacturing of a dairy product; as to such persons the tax  
12 imposed is equal to the value of the products manufactured or the gross  
13 proceeds derived from such sales multiplied by the rate of 0.138  
14 percent. Sellers must keep and preserve records for the period  
15 required by RCW 82.32.070 establishing that the goods were transported  
16 by the purchaser in the ordinary course of business out of this state  
17 or sold to a manufacturer for use as an ingredient or component in the  
18 manufacturing of a dairy product.

19 (ii) For the purposes of this subsection (1)(c), "dairy products"  
20 means:

21 (A) Products that as of September 20, 2001, are identified in 21  
22 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from  
23 the manufacturing of the dairy products, such as whey and casein; and

24 (B) Products comprised of not less than seventy percent dairy  
25 products that qualify under (c)(ii)(A) of this subsection, measured by  
26 weight or volume.

27 (iii) The preferential tax rate provided to taxpayers under this  
28 subsection (1)(c) does not apply to sales of dairy products on or after  
29 July 1, 2023, where a dairy product is used by the purchaser as an  
30 ingredient or component in the manufacturing in Washington of a dairy  
31 product;

32 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
33 preserving, freezing, processing, or dehydrating fresh fruits or  
34 vegetables, or selling at wholesale fruits or vegetables manufactured  
35 by the seller by canning, preserving, freezing, processing, or  
36 dehydrating fresh fruits or vegetables and sold to purchasers who  
37 transport in the ordinary course of business the goods out of this  
38 state; as to such persons the amount of tax with respect to such

1 business is equal to the value of the products manufactured or the  
2 gross proceeds derived from such sales multiplied by the rate of 0.138  
3 percent. Sellers must keep and preserve records for the period  
4 required by RCW 82.32.070 establishing that the goods were transported  
5 by the purchaser in the ordinary course of business out of this state;

6 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
7 feedstock, as those terms are defined in RCW 82.29A.135; as to such  
8 persons the amount of tax with respect to the business is equal to the  
9 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
10 manufactured, multiplied by the rate of 0.138 percent; and

11 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
12 persons the amount of tax with respect to the business is equal to the  
13 value of wood biomass fuel manufactured, multiplied by the rate of  
14 0.138 percent.

15 (2) Upon every person engaging within this state in the business of  
16 splitting or processing dried peas; as to such persons the amount of  
17 tax with respect to such business is equal to the value of the peas  
18 split or processed, multiplied by the rate of 0.138 percent.

19 (3) Upon every nonprofit corporation and nonprofit association  
20 engaging within this state in research and development, as to such  
21 corporations and associations, the amount of tax with respect to such  
22 activities is equal to the gross income derived from such activities  
23 multiplied by the rate of 0.484 percent.

24 (4) Upon every person engaging within this state in the business of  
25 slaughtering, breaking and/or processing perishable meat products  
26 and/or selling the same at wholesale only and not at retail; as to such  
27 persons the tax imposed is equal to the gross proceeds derived from  
28 such sales multiplied by the rate of 0.138 percent.

29 (5) Upon every person engaging within this state in the business of  
30 acting as a travel agent or tour operator; as to such persons the  
31 amount of the tax with respect to such activities is equal to the gross  
32 income derived from such activities multiplied by the rate of 0.275  
33 percent.

34 (6) Upon every person engaging within this state in business as an  
35 international steamship agent, international customs house broker,  
36 international freight forwarder, vessel and/or cargo charter broker in  
37 foreign commerce, and/or international air cargo agent; as to such

1 persons the amount of the tax with respect to only international  
2 activities is equal to the gross income derived from such activities  
3 multiplied by the rate of 0.275 percent.

4 (7) Upon every person engaging within this state in the business of  
5 stevedoring and associated activities pertinent to the movement of  
6 goods and commodities in waterborne interstate or foreign commerce; as  
7 to such persons the amount of tax with respect to such business is  
8 equal to the gross proceeds derived from such activities multiplied by  
9 the rate of 0.275 percent. Persons subject to taxation under this  
10 subsection are exempt from payment of taxes imposed by chapter 82.16  
11 RCW for that portion of their business subject to taxation under this  
12 subsection. Stevedoring and associated activities pertinent to the  
13 conduct of goods and commodities in waterborne interstate or foreign  
14 commerce are defined as all activities of a labor, service or  
15 transportation nature whereby cargo may be loaded or unloaded to or  
16 from vessels or barges, passing over, onto or under a wharf, pier, or  
17 similar structure; cargo may be moved to a warehouse or similar holding  
18 or storage yard or area to await further movement in import or export  
19 or may move to a consolidation freight station and be stuffed,  
20 unstuffed, containerized, separated or otherwise segregated or  
21 aggregated for delivery or loaded on any mode of transportation for  
22 delivery to its consignee. Specific activities included in this  
23 definition are: Wharfage, handling, loading, unloading, moving of  
24 cargo to a convenient place of delivery to the consignee or a  
25 convenient place for further movement to export mode; documentation  
26 services in connection with the receipt, delivery, checking, care,  
27 custody and control of cargo required in the transfer of cargo;  
28 imported automobile handling prior to delivery to consignee; terminal  
29 stevedoring and incidental vessel services, including but not limited  
30 to plugging and unplugging refrigerator service to containers,  
31 trailers, and other refrigerated cargo receptacles, and securing ship  
32 hatch covers.

33 (8)(a) Upon every person engaging within this state in the business  
34 of disposing of low-level waste, as defined in RCW 43.145.010; as to  
35 such persons the amount of the tax with respect to such business is  
36 equal to the gross income of the business, excluding any fees imposed  
37 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

1       **(b)** If the gross income of the taxpayer is attributable to  
2 activities both within and without this state, the gross income  
3 attributable to this state must be determined in accordance with the  
4 methods of apportionment required under RCW 82.04.460.

5       (9) Upon every person engaging within this state as an insurance  
6 producer or title insurance agent licensed under chapter 48.17 RCW or  
7 a surplus line broker licensed under chapter 48.15 RCW; as to such  
8 persons, the amount of the tax with respect to such licensed activities  
9 is equal to the gross income of such business multiplied by the rate of  
10 0.484 percent.

11       (10) Upon every person engaging within this state in business as a  
12 hospital, as defined in chapter 70.41 RCW, that is operated as a  
13 nonprofit corporation or by the state or any of its political  
14 subdivisions, as to such persons, the amount of tax with respect to  
15 such activities is equal to the gross income of the business multiplied  
16 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent  
17 thereafter.

18       (11)(a) Beginning October 1, 2005, upon every person engaging  
19 within this state in the business of manufacturing commercial  
20 ~~((airplanes))~~ aircraft, or components of such ~~((airplanes))~~ aircraft,  
21 or making sales, at retail or wholesale, of commercial ~~((airplanes))~~  
22 aircraft or components of such ~~((airplanes))~~ aircraft, manufactured by  
23 the seller, as to such persons the amount of tax with respect to such  
24 business is, in the case of manufacturers, equal to the value of the  
25 product manufactured and the gross proceeds of sales of the product  
26 manufactured, or in the case of processors for hire, equal to the gross  
27 income of the business, multiplied by the rate of:

28       (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and

29       (ii) 0.2904 percent beginning July 1, 2007.

30       (b) Beginning July 1, 2008, upon every person who is not eligible  
31 to report under the provisions of (a) of this subsection (11) and is  
32 engaging within this state in the business of manufacturing tooling  
33 specifically designed for use in manufacturing commercial ~~((airplanes))~~  
34 aircraft or components of such ~~((airplanes))~~ aircraft, or making sales,  
35 at retail or wholesale, of such tooling manufactured by the seller, as  
36 to such persons the amount of tax with respect to such business is, in  
37 the case of manufacturers, equal to the value of the product

1 manufactured and the gross proceeds of sales of the product  
2 manufactured, or in the case of processors for hire, be equal to the  
3 gross income of the business, multiplied by the rate of 0.2904 percent.

4 (c) For the purposes of this subsection (11), "commercial  
5 (~~airplane~~) aircraft" and "component" have the same meanings as  
6 provided in RCW 82.32.550.

7 (d) In addition to all other requirements under this title, a  
8 person reporting under the tax rate provided in this subsection (11)  
9 must file a complete annual report with the department under RCW  
10 82.32.534.

11 (e) This subsection (11) does not apply on and after July 1, 2024.

12 (12)(a) Until July 1, 2024, upon every person engaging within this  
13 state in the business of extracting timber or extracting for hire  
14 timber; as to such persons the amount of tax with respect to the  
15 business is, in the case of extractors, equal to the value of products,  
16 including by-products, extracted, or in the case of extractors for  
17 hire, equal to the gross income of the business, multiplied by the rate  
18 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
19 percent from July 1, 2007, through June 30, 2024.

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

30 (c) Until July 1, 2024, upon every person engaging within this  
31 state in the business of selling at wholesale: (i) Timber extracted by  
32 that person; (ii) timber products manufactured by that person from  
33 timber or other timber products; or (iii) wood products manufactured by  
34 that person from timber or timber products; as to such persons the  
35 amount of the tax with respect to the business is equal to the gross  
36 proceeds of sales of the timber, timber products, or wood products  
37 multiplied by the rate of 0.4235 percent from July 1, 2006, through

1 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
2 2024.

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

13 (e) For purposes of this subsection, the following definitions  
14 apply:

15 (i) "Biocomposite surface products" means surface material products  
16 containing, by weight or volume, more than fifty percent recycled paper  
17 and that also use nonpetroleum-based phenolic resin as a bonding agent.

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

30 (iii) "Recycled paper" means paper and paper products having fifty  
31 percent or more of their fiber content that comes from postconsumer  
32 waste. For purposes of this subsection (12)(e)(iii), "postconsumer  
33 waste" means a finished material that would normally be disposed of as  
34 solid waste, having completed its life cycle as a consumer item.

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



1 (v) "Timber products" means:

2 (A) Logs, wood chips, sawdust, wood waste, and similar products  
3 obtained wholly from the processing of timber, short-rotation hardwoods  
4 as defined in RCW 84.33.035, or both;

5 (B) Pulp, including market pulp and pulp derived from recovered  
6 paper or paper products; and

7 (C) Recycled paper, but only when used in the manufacture of  
8 biocomposite surface products.

9 (vi) "Wood products" means paper and paper products; dimensional  
10 lumber; engineered wood products such as particleboard, oriented strand  
11 board, medium density fiberboard, and plywood; wood doors; wood  
12 windows; and biocomposite surface products.

13 (f) Except for small harvesters as defined in RCW 84.33.035, a  
14 person reporting under the tax rate provided in this subsection (12)  
15 must file a complete annual survey with the department under RCW  
16 82.32.585.

17 (13) Upon every person engaging within this state in inspecting,  
18 testing, labeling, and storing canned salmon owned by another person,  
19 as to such persons, the amount of tax with respect to such activities  
20 is equal to the gross income derived from such activities multiplied by  
21 the rate of 0.484 percent.

22 (14)(a) Upon every person engaging within this state in the  
23 business of printing a newspaper, publishing a newspaper, or both, the  
24 amount of tax on such business is equal to the gross income of the  
25 business multiplied by the rate of 0.2904 percent.

26 (b) A person reporting under the tax rate provided in this  
27 subsection (14) must file a complete annual report with the department  
28 under RCW 82.32.534.

29 **Sec. 5.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 5 are each amended  
30 to read as follows:

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

33 (a) Wheat into flour, barley into pearl barley, soybeans into  
34 soybean oil, canola into canola oil, canola meal, or canola by-  
35 products, or sunflower seeds into sunflower oil; as to such persons the  
36 amount of tax with respect to such business is equal to the value of

1 the flour, pearl barley, oil, canola meal, or canola by-product  
2 manufactured, multiplied by the rate of 0.138 percent;

3 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
4 raw frozen, or raw salted state at the completion of the manufacturing  
5 by that person; or selling manufactured seafood products that remain in  
6 a raw, raw frozen, or raw salted state at the completion of the  
7 manufacturing, to purchasers who transport in the ordinary course of  
8 business the goods out of this state; as to such persons the amount of  
9 tax with respect to such business is equal to the value of the products  
10 manufactured or the gross proceeds derived from such sales, multiplied  
11 by the rate of 0.138 percent. Sellers must keep and preserve records  
12 for the period required by RCW 82.32.070 establishing that the goods  
13 were transported by the purchaser in the ordinary course of business  
14 out of this state;

15 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
16 products that the person has manufactured to purchasers who either  
17 transport in the ordinary course of business the goods out of state or  
18 purchasers who use such dairy products as an ingredient or component in  
19 the manufacturing of a dairy product; as to such persons the tax  
20 imposed is equal to the value of the products manufactured or the gross  
21 proceeds derived from such sales multiplied by the rate of 0.138  
22 percent. Sellers must keep and preserve records for the period  
23 required by RCW 82.32.070 establishing that the goods were transported  
24 by the purchaser in the ordinary course of business out of this state  
25 or sold to a manufacturer for use as an ingredient or component in the  
26 manufacturing of a dairy product.

27 (ii) For the purposes of this subsection (1)(c), "dairy products"  
28 means:

29 (A) Products that as of September 20, 2001, are identified in 21  
30 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from  
31 the manufacturing of the dairy products, such as whey and casein; and

32 (B) Products comprised of not less than seventy percent dairy  
33 products that qualify under (c)(ii)(A) of this subsection, measured by  
34 weight or volume.

35 (iii) The preferential tax rate provided to taxpayers under this  
36 subsection (1)(c) does not apply to sales of dairy products on or after  
37 July 1, 2023, where a dairy product is used by the purchaser as an

1 ingredient or component in the manufacturing in Washington of a dairy  
2 product;

3 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
4 preserving, freezing, processing, or dehydrating fresh fruits or  
5 vegetables, or selling at wholesale fruits or vegetables manufactured  
6 by the seller by canning, preserving, freezing, processing, or  
7 dehydrating fresh fruits or vegetables and sold to purchasers who  
8 transport in the ordinary course of business the goods out of this  
9 state; as to such persons the amount of tax with respect to such  
10 business is equal to the value of the products manufactured or the  
11 gross proceeds derived from such sales multiplied by the rate of 0.138  
12 percent. Sellers must keep and preserve records for the period  
13 required by RCW 82.32.070 establishing that the goods were transported  
14 by the purchaser in the ordinary course of business out of this state;

15 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
16 feedstock, as those terms are defined in RCW 82.29A.135; as to such  
17 persons the amount of tax with respect to the business is equal to the  
18 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
19 manufactured, multiplied by the rate of 0.138 percent; and

20 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
21 persons the amount of tax with respect to the business is equal to the  
22 value of wood biomass fuel manufactured, multiplied by the rate of  
23 0.138 percent.

24 (2) Upon every person engaging within this state in the business of  
25 splitting or processing dried peas; as to such persons the amount of  
26 tax with respect to such business is equal to the value of the peas  
27 split or processed, multiplied by the rate of 0.138 percent.

28 (3) Upon every nonprofit corporation and nonprofit association  
29 engaging within this state in research and development, as to such  
30 corporations and associations, the amount of tax with respect to such  
31 activities is equal to the gross income derived from such activities  
32 multiplied by the rate of 0.484 percent.

33 (4) Upon every person engaging within this state in the business of  
34 slaughtering, breaking and/or processing perishable meat products  
35 and/or selling the same at wholesale only and not at retail; as to such  
36 persons the tax imposed is equal to the gross proceeds derived from  
37 such sales multiplied by the rate of 0.138 percent.

1 (5) Upon every person engaging within this state in the business of  
2 acting as a travel agent or tour operator; as to such persons the  
3 amount of the tax with respect to such activities is equal to the gross  
4 income derived from such activities multiplied by the rate of 0.275  
5 percent.

6 (6) Upon every person engaging within this state in business as an  
7 international steamship agent, international customs house broker,  
8 international freight forwarder, vessel and/or cargo charter broker in  
9 foreign commerce, and/or international air cargo agent; as to such  
10 persons the amount of the tax with respect to only international  
11 activities is equal to the gross income derived from such activities  
12 multiplied by the rate of 0.275 percent.

13 (7) Upon every person engaging within this state in the business of  
14 stevedoring and associated activities pertinent to the movement of  
15 goods and commodities in waterborne interstate or foreign commerce; as  
16 to such persons the amount of tax with respect to such business is  
17 equal to the gross proceeds derived from such activities multiplied by  
18 the rate of 0.275 percent. Persons subject to taxation under this  
19 subsection are exempt from payment of taxes imposed by chapter 82.16  
20 RCW for that portion of their business subject to taxation under this  
21 subsection. Stevedoring and associated activities pertinent to the  
22 conduct of goods and commodities in waterborne interstate or foreign  
23 commerce are defined as all activities of a labor, service or  
24 transportation nature whereby cargo may be loaded or unloaded to or  
25 from vessels or barges, passing over, onto or under a wharf, pier, or  
26 similar structure; cargo may be moved to a warehouse or similar holding  
27 or storage yard or area to await further movement in import or export  
28 or may move to a consolidation freight station and be stuffed,  
29 unstuffed, containerized, separated or otherwise segregated or  
30 aggregated for delivery or loaded on any mode of transportation for  
31 delivery to its consignee. Specific activities included in this  
32 definition are: Wharfage, handling, loading, unloading, moving of  
33 cargo to a convenient place of delivery to the consignee or a  
34 convenient place for further movement to export mode; documentation  
35 services in connection with the receipt, delivery, checking, care,  
36 custody and control of cargo required in the transfer of cargo;  
37 imported automobile handling prior to delivery to consignee; terminal  
38 stevedoring and incidental vessel services, including but not limited

1 to plugging and unplugging refrigerator service to containers,  
2 trailers, and other refrigerated cargo receptacles, and securing ship  
3 hatch covers.

4 (8)(a) Upon every person engaging within this state in the business  
5 of disposing of low-level waste, as defined in RCW 43.145.010; as to  
6 such persons the amount of the tax with respect to such business is  
7 equal to the gross income of the business, excluding any fees imposed  
8 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

9 (b) If the gross income of the taxpayer is attributable to  
10 activities both within and without this state, the gross income  
11 attributable to this state must be determined in accordance with the  
12 methods of apportionment required under RCW 82.04.460.

13 (9) Upon every person engaging within this state as an insurance  
14 producer or title insurance agent licensed under chapter 48.17 RCW or  
15 a surplus line broker licensed under chapter 48.15 RCW; as to such  
16 persons, the amount of the tax with respect to such licensed activities  
17 is equal to the gross income of such business multiplied by the rate of  
18 0.484 percent.

19 (10) Upon every person engaging within this state in business as a  
20 hospital, as defined in chapter 70.41 RCW, that is operated as a  
21 nonprofit corporation or by the state or any of its political  
22 subdivisions, as to such persons, the amount of tax with respect to  
23 such activities is equal to the gross income of the business multiplied  
24 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent  
25 thereafter.

26 (11)(a) Beginning October 1, 2005, upon every person engaging  
27 within this state in the business of manufacturing commercial  
28 ((airplanes)) aircraft, or components of such ((airplanes)) aircraft,  
29 or making sales, at retail or wholesale, of commercial ((airplanes))  
30 aircraft or components of such ((airplanes)) aircraft, manufactured by  
31 the seller, as to such persons the amount of tax with respect to such  
32 business is, in the case of manufacturers, equal to the value of the  
33 product manufactured and the gross proceeds of sales of the product  
34 manufactured, or in the case of processors for hire, equal to the gross  
35 income of the business, multiplied by the rate of:

- 36 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and
- 37 (ii) 0.2904 percent beginning July 1, 2007.

1 (b) Beginning July 1, 2008, upon every person who is not eligible  
2 to report under the provisions of (a) of this subsection (11) and is  
3 engaging within this state in the business of manufacturing tooling  
4 specifically designed for use in manufacturing commercial ((airplanes))  
5 aircraft or components of such ((airplanes)) aircraft, or making sales,  
6 at retail or wholesale, of such tooling manufactured by the seller, as  
7 to such persons the amount of tax with respect to such business is, in  
8 the case of manufacturers, equal to the value of the product  
9 manufactured and the gross proceeds of sales of the product  
10 manufactured, or in the case of processors for hire, be equal to the  
11 gross income of the business, multiplied by the rate of 0.2904 percent.

12 (c) For the purposes of this subsection (11), "commercial  
13 ((airplane)) aircraft" and "component" have the same meanings as  
14 provided in RCW 82.32.550.

15 (d) In addition to all other requirements under this title, a  
16 person reporting under the tax rate provided in this subsection (11)  
17 must file a complete annual report with the department under RCW  
18 82.32.534.

19 (e)(i) Except as provided in (e)(ii) of this subsection (11), this  
20 subsection (11) does not apply on and after July 1, 2040.

21 (ii) With respect to the manufacturing of commercial ((airplanes))  
22 aircraft or making sales, at retail or wholesale, of commercial  
23 ((airplanes)) aircraft, this subsection (11) does not apply on and  
24 after July 1st of the year in which the department makes a  
25 determination that any final assembly or wing assembly of any version  
26 or variant of a commercial ((airplane)) aircraft that is the basis of  
27 a siting of a significant commercial airplane manufacturing program in  
28 the state under RCW 82.32.850 has been sited outside the state of  
29 Washington. This subsection (11)(e)(ii) only applies to the  
30 manufacturing or sale of commercial ((airplanes)) aircraft that are the  
31 basis of a siting of a significant commercial airplane manufacturing  
32 program in the state under RCW 82.32.850.

33 (12)(a) Until July 1, 2024, upon every person engaging within this  
34 state in the business of extracting timber or extracting for hire  
35 timber; as to such persons the amount of tax with respect to the  
36 business is, in the case of extractors, equal to the value of products,  
37 including by-products, extracted, or in the case of extractors for

1 hire, equal to the gross income of the business, multiplied by the rate  
2 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
3 percent from July 1, 2007, through June 30, 2024.

4 (b) Until July 1, 2024, upon every person engaging within this  
5 state in the business of manufacturing or processing for hire: (i)  
6 Timber into timber products or wood products; or (ii) timber products  
7 into other timber products or wood products; as to such persons the  
8 amount of the tax with respect to the business is, in the case of  
9 manufacturers, equal to the value of products, including by-products,  
10 manufactured, or in the case of processors for hire, equal to the gross  
11 income of the business, multiplied by the rate of 0.4235 percent from  
12 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
13 2007, through June 30, 2024.

14 (c) Until July 1, 2024, upon every person engaging within this  
15 state in the business of selling at wholesale: (i) Timber extracted by  
16 that person; (ii) timber products manufactured by that person from  
17 timber or other timber products; or (iii) wood products manufactured by  
18 that person from timber or timber products; as to such persons the  
19 amount of the tax with respect to the business is equal to the gross  
20 proceeds of sales of the timber, timber products, or wood products  
21 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
22 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
23 2024.

24 (d) Until July 1, 2024, upon every person engaging within this  
25 state in the business of selling standing timber; as to such persons  
26 the amount of the tax with respect to the business is equal to the  
27 gross income of the business multiplied by the rate of 0.2904 percent.  
28 For purposes of this subsection (12)(d), "selling standing timber"  
29 means the sale of timber apart from the land, where the buyer is  
30 required to sever the timber within thirty months from the date of the  
31 original contract, regardless of the method of payment for the timber  
32 and whether title to the timber transfers before, upon, or after  
33 severance.

34 (e) For purposes of this subsection, the following definitions  
35 apply:

36 (i) "Biocomposite surface products" means surface material products  
37 containing, by weight or volume, more than fifty percent recycled paper  
38 and that also use nonpetroleum-based phenolic resin as a bonding agent.

1 (ii) "Paper and paper products" means products made of interwoven  
2 cellulosic fibers held together largely by hydrogen bonding. "Paper  
3 and paper products" includes newsprint; office, printing, fine, and  
4 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
5 kraft bag, construction, and other kraft industrial papers; paperboard,  
6 liquid packaging containers, containerboard, corrugated, and solid-  
7 fiber containers including linerboard and corrugated medium; and  
8 related types of cellulosic products containing primarily, by weight or  
9 volume, cellulosic materials. "Paper and paper products" does not  
10 include books, newspapers, magazines, periodicals, and other printed  
11 publications, advertising materials, calendars, and similar types of  
12 printed materials.

13 (iii) "Recycled paper" means paper and paper products having fifty  
14 percent or more of their fiber content that comes from postconsumer  
15 waste. For purposes of this subsection (12)(e)(iii), "postconsumer  
16 waste" means a finished material that would normally be disposed of as  
17 solid waste, having completed its life cycle as a consumer item.

18 (iv) "Timber" means forest trees, standing or down, on privately or  
19 publicly owned land. "Timber" does not include Christmas trees that  
20 are cultivated by agricultural methods or short-rotation hardwoods as  
21 defined in RCW 84.33.035.

22 (v) "Timber products" means:

23 (A) Logs, wood chips, sawdust, wood waste, and similar products  
24 obtained wholly from the processing of timber, short-rotation hardwoods  
25 as defined in RCW 84.33.035, or both;

26 (B) Pulp, including market pulp and pulp derived from recovered  
27 paper or paper products; and

28 (C) Recycled paper, but only when used in the manufacture of  
29 biocomposite surface products.

30 (vi) "Wood products" means paper and paper products; dimensional  
31 lumber; engineered wood products such as particleboard, oriented strand  
32 board, medium density fiberboard, and plywood; wood doors; wood  
33 windows; and biocomposite surface products.

34 (f) Except for small harvesters as defined in RCW 84.33.035, a  
35 person reporting under the tax rate provided in this subsection (12)  
36 must file a complete annual survey with the department under RCW  
37 82.32.585.



1 (13) Upon every person engaging within this state in inspecting,  
2 testing, labeling, and storing canned salmon owned by another person,  
3 as to such persons, the amount of tax with respect to such activities  
4 is equal to the gross income derived from such activities multiplied by  
5 the rate of 0.484 percent.

6 (14)(a) Upon every person engaging within this state in the  
7 business of printing a newspaper, publishing a newspaper, or both, the  
8 amount of tax on such business is equal to the gross income of the  
9 business multiplied by the rate of 0.365 percent through June 30, 2013,  
10 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

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

14 **Sec. 6.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 6 are each amended  
15 to read as follows:

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

18 (a) Wheat into flour, barley into pearl barley, soybeans into  
19 soybean oil, canola into canola oil, canola meal, or canola by-  
20 products, or sunflower seeds into sunflower oil; as to such persons the  
21 amount of tax with respect to such business is equal to the value of  
22 the flour, pearl barley, oil, canola meal, or canola by-product  
23 manufactured, multiplied by the rate of 0.138 percent;

24 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
25 raw frozen, or raw salted state at the completion of the manufacturing  
26 by that person; or selling manufactured seafood products that remain in  
27 a raw, raw frozen, or raw salted state at the completion of the  
28 manufacturing, to purchasers who transport in the ordinary course of  
29 business the goods out of this state; as to such persons the amount of  
30 tax with respect to such business is equal to the value of the products  
31 manufactured or the gross proceeds derived from such sales, multiplied  
32 by the rate of 0.138 percent. Sellers must keep and preserve records  
33 for the period required by RCW 82.32.070 establishing that the goods  
34 were transported by the purchaser in the ordinary course of business  
35 out of this state;

36 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
37 products that the person has manufactured to purchasers who either

1 transport in the ordinary course of business the goods out of state or  
2 purchasers who use such dairy products as an ingredient or component in  
3 the manufacturing of a dairy product; as to such persons the tax  
4 imposed is equal to the value of the products manufactured or the gross  
5 proceeds derived from such sales multiplied by the rate of 0.138  
6 percent. Sellers must keep and preserve records for the period  
7 required by RCW 82.32.070 establishing that the goods were transported  
8 by the purchaser in the ordinary course of business out of this state  
9 or sold to a manufacturer for use as an ingredient or component in the  
10 manufacturing of a dairy product.

11 (ii) For the purposes of this subsection (1)(c), "dairy products"  
12 means:

13 (A) Products that as of September 20, 2001, are identified in 21  
14 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from  
15 the manufacturing of the dairy products, such as whey and casein; and

16 (B) Products comprised of not less than seventy percent dairy  
17 products that qualify under (c)(ii)(A) of this subsection, measured by  
18 weight or volume.

19 (iii) The preferential tax rate provided to taxpayers under this  
20 subsection (1)(c) does not apply to sales of dairy products on or after  
21 July 1, 2023, where a dairy product is used by the purchaser as an  
22 ingredient or component in the manufacturing in Washington of a dairy  
23 product;

24 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
25 preserving, freezing, processing, or dehydrating fresh fruits or  
26 vegetables, or selling at wholesale fruits or vegetables manufactured  
27 by the seller by canning, preserving, freezing, processing, or  
28 dehydrating fresh fruits or vegetables and sold to purchasers who  
29 transport in the ordinary course of business the goods out of this  
30 state; as to such persons the amount of tax with respect to such  
31 business is equal to the value of the products manufactured or the  
32 gross proceeds derived from such sales multiplied by the rate of 0.138  
33 percent. Sellers must keep and preserve records for the period  
34 required by RCW 82.32.070 establishing that the goods were transported  
35 by the purchaser in the ordinary course of business out of this state;

36 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
37 feedstock, as those terms are defined in RCW 82.29A.135; as to such

1 persons the amount of tax with respect to the business is equal to the  
2 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
3 manufactured, multiplied by the rate of 0.138 percent; and

4 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
5 persons the amount of tax with respect to the business is equal to the  
6 value of wood biomass fuel manufactured, multiplied by the rate of  
7 0.138 percent.

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

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

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

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

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

34 (7) Upon every person engaging within this state in the business of  
35 stevedoring and associated activities pertinent to the movement of  
36 goods and commodities in waterborne interstate or foreign commerce; as  
37 to such persons the amount of tax with respect to such business is  
38 equal to the gross proceeds derived from such activities multiplied by

1 the rate of 0.275 percent. Persons subject to taxation under this  
2 subsection are exempt from payment of taxes imposed by chapter 82.16  
3 RCW for that portion of their business subject to taxation under this  
4 subsection. Stevedoring and associated activities pertinent to the  
5 conduct of goods and commodities in waterborne interstate or foreign  
6 commerce are defined as all activities of a labor, service or  
7 transportation nature whereby cargo may be loaded or unloaded to or  
8 from vessels or barges, passing over, onto or under a wharf, pier, or  
9 similar structure; cargo may be moved to a warehouse or similar holding  
10 or storage yard or area to await further movement in import or export  
11 or may move to a consolidation freight station and be stuffed,  
12 unstuffed, containerized, separated or otherwise segregated or  
13 aggregated for delivery or loaded on any mode of transportation for  
14 delivery to its consignee. Specific activities included in this  
15 definition are: Wharfage, handling, loading, unloading, moving of  
16 cargo to a convenient place of delivery to the consignee or a  
17 convenient place for further movement to export mode; documentation  
18 services in connection with the receipt, delivery, checking, care,  
19 custody and control of cargo required in the transfer of cargo;  
20 imported automobile handling prior to delivery to consignee; terminal  
21 stevedoring and incidental vessel services, including but not limited  
22 to plugging and unplugging refrigerator service to containers,  
23 trailers, and other refrigerated cargo receptacles, and securing ship  
24 hatch covers.

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

30 (b) If the gross income of the taxpayer is attributable to  
31 activities both within and without this state, the gross income  
32 attributable to this state must be determined in accordance with the  
33 methods of apportionment required under RCW 82.04.460.

34 (9) Upon every person engaging within this state as an insurance  
35 producer or title insurance agent licensed under chapter 48.17 RCW or  
36 a surplus line broker licensed under chapter 48.15 RCW; as to such  
37 persons, the amount of the tax with respect to such licensed activities

1 is equal to the gross income of such business multiplied by the rate of  
2 0.484 percent.

3 (10) Upon every person engaging within this state in business as a  
4 hospital, as defined in chapter 70.41 RCW, that is operated as a  
5 nonprofit corporation or by the state or any of its political  
6 subdivisions, as to such persons, the amount of tax with respect to  
7 such activities is equal to the gross income of the business multiplied  
8 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent  
9 thereafter.

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

- 20 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and  
21 (ii) 0.2904 percent beginning July 1, 2007.

22 (b) Beginning July 1, 2008, upon every person who is not eligible  
23 to report under the provisions of (a) of this subsection (11) and is  
24 engaging within this state in the business of manufacturing tooling  
25 specifically designed for use in manufacturing commercial (~~(airplanes)~~)  
26 aircraft or components of such (~~(airplanes)~~) aircraft, or making sales,  
27 at retail or wholesale, of such tooling manufactured by the seller, as  
28 to such persons the amount of tax with respect to such business is, in  
29 the case of manufacturers, equal to the value of the product  
30 manufactured and the gross proceeds of sales of the product  
31 manufactured, or in the case of processors for hire, be equal to the  
32 gross income of the business, multiplied by the rate of 0.2904 percent.

33 (c) For the purposes of this subsection (11), "commercial  
34 (~~(airplane)~~) aircraft" and "component" have the same meanings as  
35 provided in RCW 82.32.550.

36 (d) In addition to all other requirements under this title, a  
37 person reporting under the tax rate provided in this subsection (11)

1 must file a complete annual report with the department under RCW  
2 82.32.534.

3 (e)(i) Except as provided in (e)(ii) of this subsection (11), this  
4 subsection (11) does not apply on and after July 1, 2040.

5 (ii) With respect to the manufacturing of commercial (~~airplanes~~)  
6 aircraft or making sales, at retail or wholesale, of commercial  
7 (~~airplanes~~) aircraft, this subsection (11) does not apply on and  
8 after July 1st of the year in which the department makes a  
9 determination that any final assembly or wing assembly of any version  
10 or variant of a commercial (~~airplane~~) aircraft that is the basis of  
11 a siting of a significant commercial airplane manufacturing program in  
12 the state under RCW 82.32.850 has been sited outside the state of  
13 Washington. This subsection (11)(e)(ii) only applies to the  
14 manufacturing or sale of commercial (~~airplanes~~) aircraft that are the  
15 basis of a siting of a significant commercial airplane manufacturing  
16 program in the state under RCW 82.32.850.

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

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

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

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

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

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

19 (i) "Biocomposite surface products" means surface material products  
20 containing, by weight or volume, more than fifty percent recycled paper  
21 and that also use nonpetroleum-based phenolic resin as a bonding agent.

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

34 (iii) "Recycled paper" means paper and paper products having fifty  
35 percent or more of their fiber content that comes from postconsumer  
36 waste. For purposes of this subsection (12)(e)(iii), "postconsumer  
37 waste" means a finished material that would normally be disposed of as  
38 solid waste, having completed its life cycle as a consumer item.

1 (iv) "Timber" means forest trees, standing or down, on privately or  
2 publicly owned land. "Timber" does not include Christmas trees that  
3 are cultivated by agricultural methods or short-rotation hardwoods as  
4 defined in RCW 84.33.035.

5 (v) "Timber products" means:

6 (A) Logs, wood chips, sawdust, wood waste, and similar products  
7 obtained wholly from the processing of timber, short-rotation hardwoods  
8 as defined in RCW 84.33.035, or both;

9 (B) Pulp, including market pulp and pulp derived from recovered  
10 paper or paper products; and

11 (C) Recycled paper, but only when used in the manufacture of  
12 biocomposite surface products.

13 (vi) "Wood products" means paper and paper products; dimensional  
14 lumber; engineered wood products such as particleboard, oriented strand  
15 board, medium density fiberboard, and plywood; wood doors; wood  
16 windows; and biocomposite surface products.

17 (f) Except for small harvesters as defined in RCW 84.33.035, a  
18 person reporting under the tax rate provided in this subsection (12)  
19 must file a complete annual survey with the department under RCW  
20 82.32.585.

21 (13) Upon every person engaging within this state in inspecting,  
22 testing, labeling, and storing canned salmon owned by another person,  
23 as to such persons, the amount of tax with respect to such activities  
24 is equal to the gross income derived from such activities multiplied by  
25 the rate of 0.484 percent.

26 (14)(a) Upon every person engaging within this state in the  
27 business of printing a newspaper, publishing a newspaper, or both, the  
28 amount of tax on such business is equal to the gross income of the  
29 business multiplied by the rate of 0.2904 percent.

30 (b) A person reporting under the tax rate provided in this  
31 subsection (14) must file a complete annual report with the department  
32 under RCW 82.32.534.

33 **Sec. 7.** RCW 82.04.627 and 2008 c 81 s 15 are each amended to read  
34 as follows:

35 (1) Except as provided in subsection (2) of this section, for  
36 purposes of the taxes imposed under this chapter on the sale of parts



1 to the manufacturer of a commercial ((~~airplane~~)) aircraft, the sale is  
2 deemed to take place at the site of the final testing or inspection as  
3 required by:

4 (a) An approved production inspection system under federal aviation  
5 regulation part 21, subpart F; or

6 (b) A quality control system for which a production certificate has  
7 been issued under federal aviation regulation part 21, subpart G.

8 (2) This section does not apply to:

9 (a) Sales of the types of parts listed in federal aviation  
10 regulation part 21, section 303(b)(2) through (4) or parts for which  
11 certification or approval under federal aviation regulation part 21 is  
12 not required; or

13 (b) Sales of parts in respect to which final testing or inspection  
14 as required by the approved production inspection system or quality  
15 control system takes place in this state.

16 (3) "Commercial ((~~airplane~~)) aircraft" has the same meaning given  
17 in RCW 82.32.550.

18 **Sec. 8.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each  
19 amended to read as follows:

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

23 (2) The credit is equal to:

24 (a)(i)(A) Property taxes paid on buildings, and land upon which the  
25 buildings are located, constructed after December 1, 2003, and used  
26 exclusively in manufacturing commercial ((~~airplanes~~)) aircraft or  
27 components of such ((~~airplanes~~)) aircraft; and

28 (B) Leasehold excise taxes paid with respect to buildings  
29 constructed after January 1, 2006, the land upon which the buildings  
30 are located, or both, if the buildings are used exclusively in  
31 manufacturing commercial ((~~airplanes~~)) aircraft or components of such  
32 ((~~airplanes~~)) aircraft; and

33 (C) Property taxes or leasehold excise taxes paid on, or with  
34 respect to, buildings constructed after June 30, 2008, the land upon  
35 which the buildings are located, or both, and used exclusively for  
36 aerospace product development, manufacturing tooling specifically  
37 designed for use in manufacturing commercial ((~~airplanes~~)) aircraft or

1 their components, or in providing aerospace services, by persons not  
2 within the scope of (a)(i)(A) and (B) of this subsection (2) and are  
3 taxable under RCW 82.04.290(3), 82.04.260(~~(+10)~~) (11)(b), or  
4 82.04.250(3); or

5 (ii) Property taxes attributable to an increase in assessed value  
6 due to the renovation or expansion, after: (A) December 1, 2003, of a  
7 building used exclusively in manufacturing commercial (~~(airplanes)~~)  
8 aircraft or components of such (~~(airplanes)~~) aircraft; and (B) June 30,  
9 2008, of buildings used exclusively for aerospace product development,  
10 manufacturing tooling specifically designed for use in manufacturing  
11 commercial (~~(airplanes)~~) aircraft or their components, or in providing  
12 aerospace services, by persons not within the scope of (a)(ii)(A) of  
13 this subsection (2) and are taxable under RCW 82.04.290(3),  
14 82.04.260(~~(+10)~~) (11)(b), or 82.04.250(3); and

15 (b) An amount equal to:

16 (i)(A) Property taxes paid, by persons taxable under RCW  
17 82.04.260(~~(+10)~~) (11)(a), on machinery and equipment exempt under RCW  
18 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

19 (B) Property taxes paid, by persons taxable under RCW  
20 82.04.260(~~(+10)~~) (11)(b), on machinery and equipment exempt under RCW  
21 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

22 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)  
23 or 82.04.290(3), on computer hardware, computer peripherals, and  
24 software exempt under RCW 82.08.975 or 82.12.975 and acquired after  
25 June 30, 2008.

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

29 (A) The numerator of the fraction is the total taxable amount  
30 subject to the tax imposed under RCW 82.04.260(~~(+10)~~) (11) (a) or (b)  
31 on the applicable business activities of manufacturing commercial  
32 (~~(airplanes)~~) aircraft, components of such (~~(airplanes)~~) aircraft, or  
33 tooling specifically designed for use in the manufacturing of  
34 commercial (~~(airplanes)~~) aircraft or components of such (~~(airplanes)~~)  
35 aircraft.

36 (B) The denominator of the fraction is the total taxable amount  
37 subject to the tax imposed under all manufacturing classifications in  
38 chapter 82.04 RCW.

1 (C) For purposes of both the numerator and denominator of the  
2 fraction, the total taxable amount refers to the total taxable amount  
3 required to be reported on the person's returns for the calendar year  
4 before the calendar year in which the credit under this section is  
5 earned. The department may provide for an alternative method for  
6 calculating the numerator in cases where the tax rate provided in RCW  
7 82.04.260(~~(+10+)~~) (11) for manufacturing was not in effect during the  
8 full calendar year before the calendar year in which the credit under  
9 this section is earned.

10 (D) No credit is available under (b)(i)(A) or (B) of this  
11 subsection (2) if either the numerator or the denominator of the  
12 fraction is zero. If the fraction is greater than or equal to nine-  
13 tenths, then the fraction is rounded to one.

14 (E) As used in (b)(ii)(C) of this subsection (2), "returns" means  
15 the tax returns for which the tax imposed under this chapter is  
16 reported to the department.

17 (3) The definitions in this subsection apply throughout this  
18 section, unless the context clearly indicates otherwise.

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

21 (b) "Aerospace services" has the same meaning given in RCW  
22 82.08.975.

23 (c) "Commercial (~~airplane~~) aircraft" and "component" have the  
24 same meanings as provided in RCW 82.32.550.

25 (4) A credit earned during one calendar year may be carried over to  
26 be credited against taxes incurred in a subsequent calendar year, but  
27 may not be carried over a second year. No refunds may be granted for  
28 credits under this section.

29 (5) In addition to all other requirements under this title, a  
30 person claiming the credit under this section must file a complete  
31 annual report with the department under RCW 82.32.534.

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

33 **Sec. 9.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each  
34 amended to read as follows:

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

1 (2) The credit is equal to:

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

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

11 (C) Property taxes or leasehold excise taxes paid on, or with  
12 respect to, buildings constructed after June 30, 2008, the land upon  
13 which the buildings are located, or both, and used exclusively for  
14 aerospace product development, manufacturing tooling specifically  
15 designed for use in manufacturing commercial (~~(airplanes))~~ aircraft or  
16 their components, or in providing aerospace services, by persons not  
17 within the scope of (a)(i)(A) and (B) of this subsection (2) and are  
18 taxable under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); or

19 (ii) Property taxes attributable to an increase in assessed value  
20 due to the renovation or expansion, after: (A) December 1, 2003, of a  
21 building used exclusively in manufacturing commercial  
22 (~~(airplanes))~~aircraft or components of such (~~(airplanes))~~ aircraft; and  
23 (B) June 30, 2008, of buildings used exclusively for aerospace product  
24 development, manufacturing tooling specifically designed for use in  
25 manufacturing commercial (~~(airplanes))~~ aircraft or their components, or  
26 in providing aerospace services, by persons not within the scope of  
27 (a)(ii)(A) of this subsection (2) and are taxable under RCW  
28 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); and

29 (b) An amount equal to:

30 (i)(A) Property taxes paid, by persons taxable under RCW  
31 82.04.260(11)(a), on machinery and equipment exempt under RCW  
32 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

33 (B) Property taxes paid, by persons taxable under RCW  
34 82.04.260(11)(b), on machinery and equipment exempt under RCW  
35 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

36 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)  
37 or 82.04.290(3), on computer hardware, computer peripherals, and

1 software exempt under RCW 82.08.975 or 82.12.975 and acquired after  
2 June 30, 2008.

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

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

13 (B) The denominator of the fraction is the total taxable amount  
14 subject to the tax imposed under all manufacturing classifications in  
15 chapter 82.04 RCW.

16 (C) For purposes of both the numerator and denominator of the  
17 fraction, the total taxable amount refers to the total taxable amount  
18 required to be reported on the person's returns for the calendar year  
19 before the calendar year in which the credit under this section is  
20 earned. The department may provide for an alternative method for  
21 calculating the numerator in cases where the tax rate provided in RCW  
22 82.04.260(11) for manufacturing was not in effect during the full  
23 calendar year before the calendar year in which the credit under this  
24 section is earned.

25 (D) No credit is available under (b)(i)(A) or (B) of this  
26 subsection (2) if either the numerator or the denominator of the  
27 fraction is zero. If the fraction is greater than or equal to nine-  
28 tenths, then the fraction is rounded to one.

29 (E) As used in (b)(ii)(C) of this subsection (2), "returns" means  
30 the tax returns for which the tax imposed under this chapter is  
31 reported to the department.

32 (3) The definitions in this subsection apply throughout this  
33 section, unless the context clearly indicates otherwise.

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

36 (b) "Aerospace services" has the same meaning given in RCW  
37 82.08.975.

1 (c) "Commercial (~~airplane~~) aircraft" and "component" have the  
2 same meanings as provided in RCW 82.32.550.

3 (4) A credit earned during one calendar year may be carried over to  
4 be credited against taxes incurred in a subsequent calendar year, but  
5 may not be carried over a second year. No refunds may be granted for  
6 credits under this section.

7 (5) In addition to all other requirements under this title, a  
8 person claiming the credit under this section must file a complete  
9 annual report with the department under RCW 82.32.534.

10 (6) This section expires July 1, 2040.

11 **Sec. 10.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to  
12 read as follows:

13 (1)(a)(i) In computing the tax imposed under this chapter, a credit  
14 is allowed for each person for qualified aerospace product development.  
15 For a person who is a manufacturer or processor for hire of commercial  
16 (~~airplanes~~) aircraft or components of such (~~airplanes~~) aircraft,  
17 credit may be earned for expenditures occurring after December 1, 2003.  
18 For all other persons, credit may be earned only for expenditures  
19 occurring after June 30, 2008.

20 (ii) For purposes of this subsection, "commercial (~~airplane~~)  
21 aircraft" and "component" have the same meanings as provided in RCW  
22 82.32.550.

23 (b) Before July 1, 2005, any credits earned under this section must  
24 be accrued and carried forward and may not be used until July 1, 2005.  
25 These carryover credits may be used at any time thereafter, and may be  
26 carried over until used. Refunds may not be granted in the place of a  
27 credit.

28 (2) The credit is equal to the amount of qualified aerospace  
29 product development expenditures of a person, multiplied by the rate of  
30 1.5 percent.

31 (3) Except as provided in subsection (1)(b) of this section the  
32 credit must be claimed against taxes due for the same calendar year in  
33 which the qualified aerospace product development expenditures are  
34 incurred. Credit earned on or after July 1, 2005, may not be carried  
35 over. The credit for each calendar year may not exceed the amount of  
36 tax otherwise due under this chapter for the calendar year. Refunds  
37 may not be granted in the place of a credit.

1 (4) Any person claiming the credit must file a form prescribed by  
2 the department that must include the amount of the credit claimed, an  
3 estimate of the anticipated aerospace product development expenditures  
4 during the calendar year for which the credit is claimed, an estimate  
5 of the taxable amount during the calendar year for which the credit is  
6 claimed, and such additional information as the department may  
7 prescribe.

8 (5) The definitions in this subsection apply throughout this  
9 section.

10 (a) "Aerospace product" has the meaning given in RCW 82.08.975.

11 (b) "Aerospace product development" means research, design, and  
12 engineering activities performed in relation to the development of an  
13 aerospace product or of a product line, model, or model derivative of  
14 an aerospace product, including prototype development, testing, and  
15 certification. The term includes the discovery of technological  
16 information, the translating of technological information into new or  
17 improved products, processes, techniques, formulas, or inventions, and  
18 the adaptation of existing products and models into new products or new  
19 models, or derivatives of products or models. The term does not  
20 include manufacturing activities or other production-oriented  
21 activities, however the term does include tool design and engineering  
22 design for the manufacturing process. The term does not include  
23 surveys and studies, social science and humanities research, market  
24 research or testing, quality control, sale promotion and service,  
25 computer software developed for internal use, and research in areas  
26 such as improved style, taste, and seasonal design.

27 (c) "Qualified aerospace product development" means aerospace  
28 product development performed within this state.

29 (d) "Qualified aerospace product development expenditures" means  
30 operating expenses, including wages, compensation of a proprietor or a  
31 partner in a partnership as determined by the department, benefits,  
32 supplies, and computer expenses, directly incurred in qualified  
33 aerospace product development by a person claiming the credit provided  
34 in this section. The term does not include amounts paid to a person or  
35 to the state and any of its departments and institutions, other than a  
36 public educational or research institution to conduct qualified  
37 aerospace product development. The term does not include capital costs

1 and overhead, such as expenses for land, structures, or depreciable  
2 property.

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

7 (6) In addition to all other requirements under this title, a  
8 person claiming the credit under this section must file a complete  
9 annual report with the department under RCW 82.32.534.

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

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

13 **Sec. 11.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each  
14 amended to read as follows:

15 (1)(a)(i) In computing the tax imposed under this chapter, a credit  
16 is allowed for each person for qualified aerospace product development.  
17 For a person who is a manufacturer or processor for hire of commercial  
18 (~~(airplanes)~~) aircraft or components of such (~~(airplanes)~~) aircraft,  
19 credit may be earned for expenditures occurring after December 1, 2003.  
20 For all other persons, credit may be earned only for expenditures  
21 occurring after June 30, 2008.

22 (ii) For purposes of this subsection, "commercial (~~(airplane)~~)  
23 aircraft" and "component" have the same meanings as provided in RCW  
24 82.32.550.

25 (b) Before July 1, 2005, any credits earned under this section must  
26 be accrued and carried forward and may not be used until July 1, 2005.  
27 These carryover credits may be used at any time thereafter, and may be  
28 carried over until used. Refunds may not be granted in the place of a  
29 credit.

30 (2) The credit is equal to the amount of qualified aerospace  
31 product development expenditures of a person, multiplied by the rate of  
32 1.5 percent.

33 (3) Except as provided in subsection (1)(b) of this section the  
34 credit must be claimed against taxes due for the same calendar year in  
35 which the qualified aerospace product development expenditures are  
36 incurred. Credit earned on or after July 1, 2005, may not be carried



1 over. The credit for each calendar year may not exceed the amount of  
2 tax otherwise due under this chapter for the calendar year. Refunds  
3 may not be granted in the place of a credit.

4 (4) Any person claiming the credit must file a form prescribed by  
5 the department that must include the amount of the credit claimed, an  
6 estimate of the anticipated aerospace product development expenditures  
7 during the calendar year for which the credit is claimed, an estimate  
8 of the taxable amount during the calendar year for which the credit is  
9 claimed, and such additional information as the department may  
10 prescribe.

11 (5) The definitions in this subsection apply throughout this  
12 section.

13 (a) "Aerospace product" has the meaning given in RCW 82.08.975.

14 (b) "Aerospace product development" means research, design, and  
15 engineering activities performed in relation to the development of an  
16 aerospace product or of a product line, model, or model derivative of  
17 an aerospace product, including prototype development, testing, and  
18 certification. The term includes the discovery of technological  
19 information, the translating of technological information into new or  
20 improved products, processes, techniques, formulas, or inventions, and  
21 the adaptation of existing products and models into new products or new  
22 models, or derivatives of products or models. The term does not  
23 include manufacturing activities or other production-oriented  
24 activities, however the term does include tool design and engineering  
25 design for the manufacturing process. The term does not include  
26 surveys and studies, social science and humanities research, market  
27 research or testing, quality control, sale promotion and service,  
28 computer software developed for internal use, and research in areas  
29 such as improved style, taste, and seasonal design.

30 (c) "Qualified aerospace product development" means aerospace  
31 product development performed within this state.

32 (d) "Qualified aerospace product development expenditures" means  
33 operating expenses, including wages, compensation of a proprietor or a  
34 partner in a partnership as determined by the department, benefits,  
35 supplies, and computer expenses, directly incurred in qualified  
36 aerospace product development by a person claiming the credit provided  
37 in this section. The term does not include amounts paid to a person or  
38 to the state and any of its departments and institutions, other than a

1 public educational or research institution to conduct qualified  
2 aerospace product development. The term does not include capital costs  
3 and overhead, such as expenses for land, structures, or depreciable  
4 property.

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

9 (6) In addition to all other requirements under this title, a  
10 person claiming the credit under this section must file a complete  
11 annual report with the department under RCW 82.32.534.

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

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

15 **Sec. 12.** RCW 82.04.43391 and 2010 1st sp.s. c 23 s 112 are each  
16 amended to read as follows:

17 (1) In computing tax there may be deducted from the measure of tax  
18 interest and fees on loans secured by commercial aircraft primarily  
19 used to provide routine air service and owned by:

20 (a) An air carrier, as defined in RCW (~~82.42.030~~) 82.42.010,  
21 which is primarily engaged in the business of providing passenger air  
22 service;

23 (b) An affiliate of such air carrier; or

24 (c) A parent entity for which such air carrier is an affiliate.

25 (2) The deduction authorized under this section is not available to  
26 any person who is physically present in this state as determined under  
27 RCW 82.04.067(6).

28 (3) For purposes of this section, the following definitions apply:

29 (a) "Affiliate" means a person is "affiliated," as defined in RCW  
30 82.04.645, with another person; and

31 (b) "Commercial aircraft" (~~means a commercial airplane as~~  
32 ~~defined~~) has the same meaning as provided in RCW 82.32.550.

33 **Sec. 13.** RCW 82.08.975 and 2008 c 81 s 2 are each amended to read  
34 as follows:

35 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to  
36 sales of computer hardware, computer peripherals, or software, not

1 otherwise eligible for exemption under RCW 82.08.02565, used primarily  
2 in the development, design, and engineering of aerospace products or in  
3 providing aerospace services, or to sales of or charges made for labor  
4 and services rendered in respect to installing the computer hardware,  
5 computer peripherals, or software.

6 (2) The exemption is available only when the buyer provides the  
7 seller with an exemption certificate in a form and manner prescribed by  
8 the department. The seller (~~shall~~) must retain a copy of the  
9 certificate for the seller's files.

10 (3) As used in this section, the following definitions apply:

11 (a) "Aerospace products" means:

12 (i) Commercial (~~airplanes~~) aircraft and their components;

13 (ii) Machinery and equipment that is designed and used primarily  
14 for the maintenance, repair, overhaul, or refurbishing of commercial  
15 (~~airplanes~~) aircraft or their components by federal aviation  
16 regulation part 145 certificated repair stations; and

17 (iii) Tooling specifically designed for use in manufacturing  
18 commercial (~~airplanes~~) aircraft or their components.

19 (b) "Aerospace services" means the maintenance, repair, overhaul,  
20 or refurbishing of commercial (~~airplanes~~) aircraft or their  
21 components, but only when such services are performed by a FAR part 145  
22 certificated repair station.

23 (c) "Commercial (~~airplane~~) aircraft" and "component" have the  
24 same meanings provided in RCW 82.32.550.

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

28 (4) This section expires July 1, 2024.

29 **Sec. 14.** RCW 82.08.975 and 2013 3rd sp.s. c 2 s 11 are each  
30 amended to read as follows:

31 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
32 computer hardware, computer peripherals, or software, not otherwise  
33 eligible for exemption under RCW 82.08.02565, used primarily in the  
34 development, design, and engineering of aerospace products or in  
35 providing aerospace services, or to sales of or charges made for labor  
36 and services rendered in respect to installing the computer hardware,  
37 computer peripherals, or software.

1 (2) The exemption is available only when the buyer provides the  
2 seller with an exemption certificate in a form and manner prescribed by  
3 the department. The seller must retain a copy of the certificate for  
4 the seller's files.

5 (3) The definitions in this subsection apply throughout this  
6 section unless the context requires otherwise.

7 (a) "Aerospace products" means:

8 (i) Commercial (~~(airplanes)~~) aircraft and their components;

9 (ii) Machinery and equipment that is designed and used primarily  
10 for the maintenance, repair, overhaul, or refurbishing of commercial  
11 (~~(airplanes)~~) aircraft or their components by federal aviation  
12 regulation part 145 certificated repair stations; and

13 (iii) Tooling specifically designed for use in manufacturing  
14 commercial (~~(airplanes)~~) aircraft or their components.

15 (b) "Aerospace services" means the maintenance, repair, overhaul,  
16 or refurbishing of commercial (~~(airplanes)~~) aircraft or their  
17 components, but only when such services are performed by a FAR part 145  
18 certificated repair station.

19 (c) "Commercial (~~(airplane)~~) aircraft" and "component" have the  
20 same meanings provided in RCW 82.32.550.

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

24 (4) This section expires July 1, 2040.

25 **Sec. 15.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each amended  
26 to read as follows:

27 (1) The tax levied by RCW 82.08.020 does not apply to:

28 (a) Charges, for labor and services rendered in respect to the  
29 constructing of new buildings, made to (i) a manufacturer engaged in  
30 the manufacturing of commercial (~~(airplanes)~~) aircraft or the fuselages  
31 or wings of commercial (~~(airplanes)~~) aircraft or (ii) a port district,  
32 political subdivision, or municipal corporation, to be leased to a  
33 manufacturer engaged in the manufacturing of commercial (~~(airplanes)~~)  
34 aircraft or the fuselages or wings of commercial (~~(airplanes)~~)  
35 aircraft;

36 (b) Sales of tangible personal property that will be incorporated

1 as an ingredient or component of such buildings during the course of  
2 the constructing; or

3 (c) Charges made for labor and services rendered in respect to  
4 installing, during the course of constructing such buildings, building  
5 fixtures not otherwise eligible for the exemption under RCW  
6 82.08.02565(2)(b).

7 (2) The exemption is available only when the buyer provides the  
8 seller with an exemption certificate in a form and manner prescribed by  
9 the department. The seller must retain a copy of the certificate for  
10 the seller's files.

11 (3) No application is necessary for the tax exemption in this  
12 section. However, in order to qualify under this section before  
13 starting construction, the port district, political subdivision, or  
14 municipal corporation must have entered into an agreement with the  
15 manufacturer to build such a facility. A person claiming the exemption  
16 under this section is subject to all the requirements of chapter 82.32  
17 RCW. In addition, the person must file a complete annual report with  
18 the department under RCW 82.32.534.

19 (4) The exemption in this section applies to buildings or parts of  
20 buildings, including buildings or parts of buildings used for the  
21 storage of raw materials or finished product, that are used primarily  
22 in the manufacturing of any one or more of the following products:

23 (a) Commercial (~~(airplanes)~~) aircraft;

24 (b) Fuselages of commercial (~~(airplanes)~~) aircraft; or

25 (c) Wings of commercial (~~(airplanes)~~) aircraft.

26 (5) For the purposes of this section, "commercial (~~(airplane)~~)  
27 aircraft" has the meaning given in RCW 82.32.550.

28 (6) This section expires July 1, 2040.

29 **Sec. 16.** RCW 82.32.850 and 2013 3rd sp.s. c 2 s 2 are each amended  
30 to read as follows:

31 (1) Chapter 2, Laws of 2013 3rd sp. sess. takes effect contingent  
32 upon the siting of a significant commercial airplane manufacturing  
33 program in the state of Washington. If a significant commercial  
34 airplane manufacturing program is not sited in the state of Washington  
35 by June 30, 2017, chapter 2, Laws of 2013 3rd sp. sess. does not take  
36 effect.

1 (2) The definitions in this subsection apply throughout this  
2 section unless the context clearly requires otherwise.

3 (a) "Commercial (~~(airplane)~~) aircraft" has the same meaning  
4 provided in RCW 82.32.550.

5 (b) "New model, or any version or variant of an existing model, of  
6 a commercial (~~(airplane)~~) aircraft" means a commercial (~~(airplane)~~)  
7 aircraft manufactured with a carbon fiber composite fuselage or carbon  
8 fiber composite wings or both.

9 (c) "Significant commercial airplane manufacturing program" means  
10 an airplane program in which the following products, including final  
11 assembly, will commence manufacture at a new or existing location  
12 within Washington state on or after the effective date of this section:

13 (i) The new model, or any version or variant of an existing model,  
14 of a commercial (~~(airplane)~~) aircraft; and

15 (ii) Fuselages and wings of a new model, or any version or variant  
16 of an existing model, of a commercial (~~(airplane)~~) aircraft.

17 (d) "Siting" means a final decision, made on or after November 1,  
18 2013, by a manufacturer to locate a significant commercial airplane  
19 manufacturing program in Washington state.

20 (3) The department must make a determination regarding whether the  
21 contingency in subsection (1) of this section occurs and must provide  
22 written notice of the date on which such contingency occurs and chapter  
23 2, Laws of 2013 3rd sp. sess. takes effect. If the department  
24 determines that the contingency in subsection (1) of this section has  
25 not occurred by June 30, 2017, the department must provide written  
26 notice stating that chapter 2, Laws of 2013 3rd sp. sess. does not take  
27 effect. Written notice under this subsection (3) must be provided to  
28 affected parties, the chief clerk of the house of representatives, the  
29 secretary of the senate, the office of the code reviser, and others as  
30 deemed appropriate by the department.

31 **Sec. 17.** RCW 82.32.550 and 2010 1st sp.s. c 23 s 517 are each  
32 amended to read as follows:

33 (1) "Commercial (~~(airplane)~~) aircraft" has its ordinary meaning,  
34 which is an (~~(airplane)~~) aircraft certified by the federal aviation  
35 administration for transporting persons or property, and any military  
36 derivative of such (~~(an airplane)~~) aircraft.

1           (2) "Component" means a part or system certified by the federal  
2 aviation administration for installation or assembly into a commercial  
3 (~~airplane~~) aircraft.

4           (3) "Superefficient airplane" means a twin aisle airplane that  
5 carries between two hundred and three hundred fifty passengers, with a  
6 range of more than seven thousand two hundred nautical miles, a  
7 cruising speed of approximately mach .85, and that uses fifteen to  
8 twenty percent less fuel than other similar airplanes on the market.

9           NEW SECTION.   **Sec. 18.** This act takes effect July 1, 2014, except  
10 as provided otherwise in this section:

11           (1) Section 4 of this act takes effect July 1, 2015;

12           (2) Section 6 of this act takes effect July 1, 2015, if the  
13 contingency in section 2(1), chapter 2, Laws of 2013 3rd sp. sess. has  
14 occurred;

15           (3) Sections 5, 9, 11, 14, 15, and 16 of this act take effect on  
16 the date the contingency in section 2(1), chapter 2, Laws of 2013 3rd  
17 sp. sess. occurs.

18           NEW SECTION.   **Sec. 19.** Sections 3 and 5 of this act expire July 1,  
19 2015.

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