
HOUSE BILL 2638

State of Washington

64th Legislature

2016 Regular Session

By Representatives Robinson, DeBolt, Condotta, Walkinshaw, Frame, Jinkins, Sells, Bergquist, Rossetti, Reykdal, Farrell, Santos, Ormsby, and Pollet

Read first time 01/18/16. Referred to Committee on Finance.

1 AN ACT Relating to providing accountability and transparency for
2 aerospace-related tax incentives; amending RCW 82.04.4461 and
3 82.32.534; amending 2013 3rd sp.s. c 2 s 1 (uncodified); reenacting
4 and amending RCW 82.04.260; adding a new section to chapter 82.04
5 RCW; adding a new section to chapter 82.32 RCW; adding a new section
6 to chapter 43.135 RCW; creating a new section; and providing an
7 effective date.

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

9 **Sec. 1.** 2013 3rd sp.s. c 2 s 1 (uncodified) is amended to read
10 as follows:

11 (1) The legislature finds that the people of Washington have
12 benefited enormously from the presence of the aerospace industry in
13 Washington state. The legislature further finds that the industry
14 continues to provide good wages and benefits for the thousands of
15 engineers, mechanics, and support staff working directly in the
16 industry throughout the state. The legislature further finds that
17 suppliers and vendors that support the aerospace industry in turn
18 provide a range of well-paying jobs. In 2003, and again in 2006, and
19 2007, the legislature determined it was in the public interest to
20 encourage the continued presence of the aerospace industry through
21 the provision of tax incentives. To this end, and in recognition of

1 the continuing extreme importance of the aerospace industry in
2 Washington, it is the legislature's intent to reaffirm and build upon
3 prior aerospace tax incentive legislation in a fiscally prudent
4 manner.

5 (2) The legislature categorizes the tax preferences extended in
6 this act as intended to create or retain jobs, as indicated in RCW
7 82.32.808(2)(c).

8 (3) It is the legislature's specific public policy objective to
9 maintain and grow Washington's aerospace industry workforce to one
10 hundred thousand five hundred employment positions by 2040. To help
11 achieve this public policy objective, it is the legislature's intent
12 to conditionally extend aerospace industry tax preferences until July
13 1, 2040, in recognition of intent by the state's aerospace industry
14 sector to maintain and grow its workforce within the state. It is
15 also the legislature's specific public policy objective to provide
16 tangible taxpayer accountability for Washington's largest aerospace
17 company by adopting a minimum employment baseline that must be met by
18 the company to fully qualify for aerospace tax incentives, similar to
19 aerospace job standards created in other states such as Alabama,
20 South Carolina, and Missouri.

21 (4) The joint legislative audit and review committee must review
22 the tax preferences provided in this act and report to the
23 legislature by December 1, 2019, and every five years thereafter. As
24 part of its tax preference reviews, the committee must specifically
25 assess changes in aerospace industry employment in Washington in
26 comparison with other states and internationally, assess whether
27 aerospace industry employment within Washington is on target to reach
28 an employment level of one hundred thousand five hundred by 2040, and
29 assess growth in high-wage employment, as defined by an annual or
30 hourly wage equal or greater than the state median wage. To the
31 extent practicable, the committee must use occupational data
32 statistics provided by the bureau of labor statistics and state
33 agencies responsible for administering unemployment insurance to
34 perform this assessment.

35 **Sec. 2.** RCW 82.04.260 and 2015 3rd sp.s. c 6 s 602 and 2015 3rd
36 sp.s. c 6 s 205 are each reenacted and amended to read as follows:

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

1 (a) Wheat into flour, barley into pearl barley, soybeans into
2 soybean oil, canola into canola oil, canola meal, or canola by-
3 products, or sunflower seeds into sunflower oil; as to such persons
4 the amount of tax with respect to such business is equal to the value
5 of the flour, pearl barley, oil, canola meal, or canola by-product
6 manufactured, multiplied by the rate of 0.138 percent;

7 (b) Beginning July 1, 2025, seafood products that remain in a
8 raw, raw frozen, or raw salted state at the completion of the
9 manufacturing by that person; or selling manufactured seafood
10 products that remain in a raw, raw frozen, or raw salted state at the
11 completion of the manufacturing, to purchasers who transport in the
12 ordinary course of business the goods out of this state; as to such
13 persons the amount of tax with respect to such business is equal to
14 the value of the products manufactured or the gross proceeds derived
15 from such sales, multiplied by the rate of 0.138 percent. Sellers
16 must keep and preserve records for the period required by RCW
17 82.32.070 establishing that the goods were transported by the
18 purchaser in the ordinary course of business out of this state;

19 (c)(i) Beginning July 1, 2025, dairy products; or selling dairy
20 products that the person has manufactured to purchasers who either
21 transport in the ordinary course of business the goods out of state
22 or purchasers who use such dairy products as an ingredient or
23 component in the manufacturing of a dairy product; as to such persons
24 the tax imposed is equal to the value of the products manufactured or
25 the gross proceeds derived from such sales multiplied by the rate of
26 0.138 percent. Sellers must keep and preserve records for the period
27 required by RCW 82.32.070 establishing that the goods were
28 transported by the purchaser in the ordinary course of business out
29 of this state or sold to a manufacturer for use as an ingredient or
30 component in the manufacturing of a dairy product.

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

33 (A) Products, not including any marijuana-infused product, that
34 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,
35 parts 131, 133, and 135, including by-products from the manufacturing
36 of the dairy products, such as whey and casein; and

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

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

6 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,
7 preserving, freezing, processing, or dehydrating fresh fruits or
8 vegetables, or selling at wholesale fruits or vegetables manufactured
9 by the seller by canning, preserving, freezing, processing, or
10 dehydrating fresh fruits or vegetables and sold to purchasers who
11 transport in the ordinary course of business the goods out of this
12 state; as to such persons the amount of tax with respect to such
13 business is equal to the value of the products manufactured or the
14 gross proceeds derived from such sales multiplied by the rate of
15 0.138 percent. Sellers must keep and preserve records for the period
16 required by RCW 82.32.070 establishing that the goods were
17 transported by the purchaser in the ordinary course of business out
18 of this state.

19 (ii) For purposes of this subsection (1)(d), "fruits" and
20 "vegetables" do not include marijuana, useable marijuana, or
21 marijuana-infused products;

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

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

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

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

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

6 (5) Upon every person engaging within this state in the business
7 of acting as a travel agent or tour operator; as to such persons the
8 amount of the tax with respect to such activities is equal to the
9 gross income derived from such activities multiplied by the rate of
10 0.275 percent.

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

18 (7) Upon every person engaging within this state in the business
19 of stevedoring and associated activities pertinent to the movement of
20 goods and commodities in waterborne interstate or foreign commerce;
21 as to such persons the amount of tax with respect to such business is
22 equal to the gross proceeds derived from such activities multiplied
23 by the rate of 0.275 percent. Persons subject to taxation under this
24 subsection are exempt from payment of taxes imposed by chapter 82.16
25 RCW for that portion of their business subject to taxation under this
26 subsection. Stevedoring and associated activities pertinent to the
27 conduct of goods and commodities in waterborne interstate or foreign
28 commerce are defined as all activities of a labor, service or
29 transportation nature whereby cargo may be loaded or unloaded to or
30 from vessels or barges, passing over, onto or under a wharf, pier, or
31 similar structure; cargo may be moved to a warehouse or similar
32 holding or storage yard or area to await further movement in import
33 or export or may move to a consolidation freight station and be
34 stuffed, unstuffed, containerized, separated or otherwise segregated
35 or aggregated for delivery or loaded on any mode of transportation
36 for delivery to its consignee. Specific activities included in this
37 definition are: Wharfage, handling, loading, unloading, moving of
38 cargo to a convenient place of delivery to the consignee or a
39 convenient place for further movement to export mode; documentation
40 services in connection with the receipt, delivery, checking, care,

1 custody and control of cargo required in the transfer of cargo;
2 imported automobile handling prior to delivery to consignee; terminal
3 stevedoring and incidental vessel services, including but not limited
4 to plugging and unplugging refrigerator service to containers,
5 trailers, and other refrigerated cargo receptacles, and securing ship
6 hatch covers.

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

12 If the gross income of the taxpayer is attributable to activities
13 both within and without this state, the gross income attributable to
14 this state must be determined in accordance with the methods of
15 apportionment required under RCW 82.04.460.

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

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

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

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

1 (ii) Except as provided in (f) of this subsection (11), 0.2904
2 percent beginning July 1, 2007.

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

14 (c) For the purposes of this subsection (11), "commercial
15 airplane" and "component" have the same meanings as provided in RCW
16 82.32.550.

17 (d) In addition to all other requirements under this title, a
18 person reporting under the tax rate provided in this subsection (11)
19 must file a complete annual report with the department under RCW
20 82.32.534.

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

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

34 (f) Beginning with taxes due and payable in the first calendar
35 year subsequent to the effective date of this section, and adjusted
36 for taxes due and payable each calendar year thereafter, the
37 preferential tax rate under (a) of this subsection must be reduced as
38 provided in section 3 of this act if the employment level of a
39 significant aerospace firm is four thousand or more employment
40 positions below the employment baseline. The tax rate adjustment

1 under this subsection (11)(f) only applies to a significant aerospace
2 firm claiming the preferential rate under this subsection (11). The
3 department must make a determination of any required tax rate
4 adjustment required under this subsection (11)(f) and notify a
5 taxpayer subject to a rate adjustment under this subsection (11)(f)
6 by January 1st of the calendar year in which the rate adjustment is
7 required. The definitions in section 3 of this act apply to this
8 subsection (11)(f). The tax rate adjustment determination under this
9 subsection (11)(f) does not apply, and the tax rate for the current
10 calendar continues to apply, if employment growth is forecasted to be
11 less than one percent for the following calendar year, as determined
12 by the state economic and revenue forecast council, or successor
13 entity as part of its November forecast.

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

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

33 (c) Until July 1, 2024, upon every person engaging within this
34 state in the business of selling at wholesale: (i) Timber extracted
35 by that person; (ii) timber products manufactured by that person from
36 timber or other timber products; or (iii) wood products manufactured
37 by that person from timber or timber products; as to such persons the
38 amount of the tax with respect to the business is equal to the gross
39 proceeds of sales of the timber, timber products, or wood products
40 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
7 percent. For purposes of this subsection (12)(d), "selling standing
8 timber" means the sale of timber apart from the land, where the buyer
9 is required to sever the timber within thirty months from the date of
10 the original contract, regardless of the method of payment for the
11 timber and whether title to the timber transfers before, upon, or
12 after severance.

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

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

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

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

37 (iv) "Timber" means forest trees, standing or down, on privately
38 or publicly owned land. "Timber" does not include Christmas trees
39 that are cultivated by agricultural methods or short-rotation
40 hardwoods as 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
4 hardwoods 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
11 strand board, medium density fiberboard, and plywood; wood doors;
12 wood 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
21 by 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,
24 the amount of tax on such business is equal to the gross income of
25 the business multiplied by the rate of 0.35 percent until July 1,
26 2024, and 0.484 percent thereafter.

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

30 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04
31 RCW to read as follows:

32 (1) As provided in RCW 82.04.260(11)(f), if a significant
33 aerospace firm has an employment level that is four thousand or more
34 employment positions below the employment baseline but less than five
35 thousand employment positions below the employment baseline, the
36 following rates apply:

37 (a) A rate of 0.3872 percent for the manufacturing of commercial
38 airplanes, or components of such airplanes, or making sales, at

1 wholesale, of commercial airplanes or components of such airplanes;
2 and

3 (b) A rate of 0.3807 percent for making sales at retail of
4 commercial airplanes or components of such airplanes.

5 (2) If a significant aerospace firm has an employment level that
6 is five thousand or more employment positions below the employment
7 baseline, the generally applicable rates for manufacturing,
8 wholesaling, and retailing apply.

9 (3) The definitions in this subsection apply to this section and
10 RCW 82.04.260(11).

11 (a) "Employment baseline" means eighty-three thousand two hundred
12 ninety-five employment positions.

13 (b) "Employment level" means the average number of employment
14 positions reported to the state employment security department for
15 the months of January through September.

16 (c) "Employment position" means a job in which the employee has
17 worked for a significant aerospace firm at an average rate of at
18 least thirty-five hours per week.

19 (d) "Significant aerospace firm" means a manufacturer that has
20 made a final decision to site a significant commercial airplane
21 manufacturing program in the state under RCW 82.32.850.

22 **Sec. 4.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each
23 amended to read as follows:

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

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

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

38 (2) The credit is equal to the amount of qualified aerospace
39 product development expenditures of a person, multiplied by the rate

1 of 1.5 percent and further multiplied by fifty percent if the credit
2 is claimed by a significant aerospace firm that has an increased rate
3 under section 3(1) of this act. No credit is allowed for a
4 significant aerospace firm that has an increased rate under section
5 3(2) of this act. "Significant aerospace firm" has the same meaning
6 as provided in section 3 of this act.

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

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

21 (5) The definitions in this subsection apply throughout this
22 section.

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

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

1 (c) "Qualified aerospace product development" means aerospace
2 product development performed within this state.

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

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

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

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

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

24 **Sec. 5.** RCW 82.32.534 and 2014 c 97 s 102 are each amended to
25 read as follows:

26 (1)(a) Every person claiming a tax preference that requires a
27 report under this section must file a complete annual report with the
28 department. The report is due by April 30th of the year following any
29 calendar year in which a person becomes eligible to claim the tax
30 preference that requires a report under this section. The department
31 may extend the due date for timely filing of annual reports under
32 this section as provided in RCW 82.32.590.

33 (b) The report must include information detailing employment,
34 wages, and employer-provided health and retirement benefits for
35 employment positions in Washington for the year that the tax
36 preference was claimed. (~~However, persons engaged in manufacturing
37 commercial airplanes or components of such airplanes may report
38 employment, wage, and benefit information per job at the
39 manufacturing site for the year that the tax preference was~~

1 ~~claimed.~~) The report (~~must~~) may not include names of employees.
2 The report must also detail employment by the total number of full-
3 time, part-time, and temporary positions for the year that the tax
4 preference was claimed.

5 (c) Persons receiving the benefit of the tax preference provided
6 by RCW 82.16.0421 or claiming any of the tax preferences provided by
7 RCW 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, or 82.12.022(5)
8 must indicate on the annual report the quantity of product produced
9 in this state during the time period covered by the report.

10 (d) If a person filing a report under this section did not file a
11 report with the department in the previous calendar year, the report
12 filed under this section must also include employment, wage, and
13 benefit information for the calendar year immediately preceding the
14 calendar year for which a tax preference was claimed.

15 (2) As part of the annual report, the department may request
16 additional information necessary to measure the results of, or
17 determine eligibility for, the tax preference.

18 (3) Other than information requested under subsection (2) of this
19 section, the information contained in an annual report filed under
20 this section is not subject to the confidentiality provisions of RCW
21 82.32.330 and may be disclosed to the public upon request.

22 (4) Except as otherwise provided by law, if a person claims a tax
23 preference that requires an annual report under this section but
24 fails to submit a complete report by the due date or any extension
25 under RCW 82.32.590, the department must declare the amount of the
26 tax preference claimed for the previous calendar year to be
27 immediately due and payable. The department must assess interest, but
28 not penalties, on the amounts due under this subsection. The interest
29 must be assessed at the rate provided for delinquent taxes under this
30 chapter, retroactively to the date the tax preference was claimed,
31 and accrues until the taxes for which the tax preference was claimed
32 are repaid. Amounts due under this subsection are not subject to the
33 confidentiality provisions of RCW 82.32.330 and may be disclosed to
34 the public upon request.

35 (5) The department must use the information from this section to
36 prepare summary descriptive statistics by category. No fewer than
37 three taxpayers may be included in any category. The department must
38 report these statistics to the legislature each year by December 1st.

39 (6) For the purposes of this section:

1 (a) "Person" has the meaning provided in RCW 82.04.030 and also
2 includes the state and its departments and institutions.

3 (b) "Tax preference" has the meaning provided in RCW 43.136.021
4 and includes only the tax preferences requiring a survey under this
5 section.

6 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.32
7 RCW to read as follows:

8 (1) By the last workday of the third calendar quarter, the state
9 treasurer must transfer the amount specified in subsection (2) of
10 this section from the general fund to the education legacy trust
11 account. The first transfer under this subsection (1), if applicable,
12 must occur by September 30, 2017.

13 (2) The department must estimate the increase in state general
14 fund revenue collections for the prior fiscal year resulting from the
15 changes made in this act. The department must notify the state
16 treasurer of this amount at least twenty days prior to the September
17 transfer under subsection (1) of this section.

18 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.135
19 RCW to read as follows:

20 RCW 43.135.034(4) does not apply to the transfers under section 6
21 of this act.

22 NEW SECTION. **Sec. 8.** This act may be known and cited as the
23 aerospace tax incentive accountability act.

24 NEW SECTION. **Sec. 9.** This act takes effect August 1, 2016.

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