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SENATE BILL 6545

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State of Washington                      63rd Legislature                      2014 Regular Session

By Senators Braun, Rivers, Brown, and Benton

Read first time 02/04/14. Referred to Committee on Ways & Means.

1            AN ACT Relating to extending specific aerospace tax preferences to  
2 include other types of commercial aircraft to encourage the migration  
3 of good wage jobs in the state; amending RCW 82.32.550, 82.04.260,  
4 82.04.260, 82.04.260, 82.04.260, 82.04.4463, 82.04.4463, 82.04.4461,  
5 82.04.4461, 82.08.975, 82.08.975, 82.08.980, and 82.12.980; providing  
6 effective dates; providing contingent effective dates; and providing an  
7 expiration date.

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

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

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

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

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

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

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

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

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

36 ((+2)) (3) "Commercial rotorcraft" means an aircraft supported in  
37 flight by one or more rotors to provide lift, which may also include

1 rotorcrafts with additional thrust engines or propellers, certified by  
2 the federal aviation administration for transporting persons or  
3 property, and any military derivative of such an aircraft.

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

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

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

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

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

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

34 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
35 products that the person has manufactured to purchasers who either  
36 transport in the ordinary course of business the goods out of state or  
37 purchasers who use such dairy products as an ingredient or component in

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (9) Upon every person engaging within this state as an insurance  
32 producer or title insurance agent licensed under chapter 48.17 RCW or  
33 a surplus line broker licensed under chapter 48.15 RCW; as to such  
34 persons, the amount of the tax with respect to such licensed activities  
35 is equal to the gross income of such business multiplied by the rate of  
36 0.484 percent.

37 (10) Upon every person engaging within this state in business as a  
38 hospital, as defined in chapter 70.41 RCW, that is operated as a

1 nonprofit corporation or by the state or any of its political  
2 subdivisions, as to such persons, the amount of tax with respect to  
3 such activities is equal to the gross income of the business multiplied  
4 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent  
5 thereafter.

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

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

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

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

32 (d) In addition to all other requirements under this title, a  
33 person reporting under the tax rate provided in this subsection (11)  
34 must file a complete annual report with the department under RCW  
35 82.32.534.

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

37 (12)(a) Until July 1, 2024, upon every person engaging within this  
38 state in the business of extracting timber or extracting for hire

1 timber; as to such persons the amount of tax with respect to the  
2 business is, in the case of extractors, equal to the value of products,  
3 including by-products, extracted, or in the case of extractors for  
4 hire, equal to the gross income of the business, multiplied by the rate  
5 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
6 percent from July 1, 2007, through June 30, 2024.

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

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

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

37 (e) For purposes of this subsection, the following definitions  
38 apply:



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

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

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

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

25 (v) "Timber products" means:

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

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

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

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

37 (f) Except for small harvesters as defined in RCW 84.33.035, a

1 person reporting under the tax rate provided in this subsection (12)  
2 must file a complete annual survey with the department under RCW  
3 82.32.585.

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

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

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

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

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

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

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

1 were transported by the purchaser in the ordinary course of business  
2 out of this state;

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

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

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

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

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

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

1 required by RCW 82.32.070 establishing that the goods were transported  
2 by the purchaser in the ordinary course of business out of this state;

3 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
4 feedstock, as those terms are 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 alcohol fuel, biodiesel fuel, or biodiesel feedstock  
7 manufactured, multiplied by the rate of 0.138 percent; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 (c) For the purposes of this subsection (11), "commercial

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

3 (d) In addition to all other requirements under this title, a  
4 person reporting under the tax rate provided in this subsection (11)  
5 must file a complete annual report with the department under RCW  
6 82.32.534.

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

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

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

26 (c) Until July 1, 2024, upon every person engaging within this  
27 state in the business of selling at wholesale: (i) Timber extracted by  
28 that person; (ii) timber products manufactured by that person from  
29 timber or other timber products; or (iii) wood products manufactured by  
30 that person from timber or timber products; as to such persons the  
31 amount of the tax with respect to the business is equal to the gross  
32 proceeds of sales of the timber, timber products, or wood products  
33 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
34 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
35 2024.

36 (d) Until July 1, 2024, upon every person engaging within this  
37 state in the business of selling standing timber; as to such persons  
38 the amount of the tax with respect to the business is equal to the

1 gross income of the business multiplied by the rate of 0.2904 percent.  
2 For purposes of this subsection (12)(d), "selling standing timber"  
3 means the sale of timber apart from the land, where the buyer is  
4 required to sever the timber within thirty months from the date of the  
5 original contract, regardless of the method of payment for the timber  
6 and whether title to the timber transfers before, upon, or after  
7 severance.

8 (e) For purposes of this subsection, the following definitions  
9 apply:

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

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

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

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

34 (v) "Timber products" means:

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



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

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

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

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

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

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

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

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

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

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

35 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
36 raw frozen, or raw salted state at the completion of the manufacturing  
37 by that person; or selling manufactured seafood products that remain in

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

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

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

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

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

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

35 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
36 preserving, freezing, processing, or dehydrating fresh fruits or  
37 vegetables, or selling at wholesale fruits or vegetables manufactured  
38 by the seller by canning, preserving, freezing, processing, or

1 dehydrating fresh fruits or vegetables and sold to purchasers who  
2 transport in the ordinary course of business the goods out of this  
3 state; as to such persons the amount of tax with respect to such  
4 business is equal to the value of the products manufactured or the  
5 gross 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 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
10 feedstock, as those terms are defined in RCW 82.29A.135; as to such  
11 persons the amount of tax with respect to the business is equal to the  
12 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
13 manufactured, multiplied by the rate of 0.138 percent; and

14 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
15 persons the amount of tax with respect to the business is equal to the  
16 value of wood biomass fuel manufactured, multiplied by the rate of  
17 0.138 percent.

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

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

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

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

37 (6) Upon every person engaging within this state in business as an  
38 international steamship agent, international customs house broker,

1 international freight forwarder, vessel and/or cargo charter broker in  
2 foreign commerce, and/or international air cargo agent; as to such  
3 persons the amount of the tax with respect to only international  
4 activities is equal to the gross income derived from such activities  
5 multiplied by the rate of 0.275 percent.

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

35 (8)(a) Upon every person engaging within this state in the business  
36 of disposing of low-level waste, as defined in RCW 43.145.010; as to  
37 such persons the amount of the tax with respect to such business is

1 equal to the gross income of the business, excluding any fees imposed  
2 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

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

7 (9) Upon every person engaging within this state as an insurance  
8 producer or title insurance agent licensed under chapter 48.17 RCW or  
9 a surplus line broker licensed under chapter 48.15 RCW; as to such  
10 persons, the amount of the tax with respect to such licensed activities  
11 is equal to the gross income of such business multiplied by the rate of  
12 0.484 percent.

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

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

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

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

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

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

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

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

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

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

34 (b) Until July 1, 2024, upon every person engaging within this  
35 state in the business of manufacturing or processing for hire: (i)  
36 Timber into timber products or wood products; or (ii) timber products  
37 into other timber products or wood products; as to such persons the  
38 amount of the tax with respect to the business is, in the case of

1 manufacturers, equal to the value of products, including by-products,  
2 manufactured, or in the case of processors for hire, equal to the gross  
3 income of the business, multiplied by the rate of 0.4235 percent from  
4 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
5 2007, through June 30, 2024.

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

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

26 (e) For purposes of this subsection, the following definitions  
27 apply:

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

31 (ii) "Paper and paper products" means products made of interwoven  
32 cellulosic fibers held together largely by hydrogen bonding. "Paper  
33 and paper products" includes newsprint; office, printing, fine, and  
34 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
35 kraft bag, construction, and other kraft industrial papers; paperboard,  
36 liquid packaging containers, containerboard, corrugated, and solid-  
37 fiber containers including linerboard and corrugated medium; and  
38 related types of cellulosic products containing primarily, by weight or

1 volume, cellulosic materials. "Paper and paper products" does not  
2 include books, newspapers, magazines, periodicals, and other printed  
3 publications, advertising materials, calendars, and similar types of  
4 printed materials.

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

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

14 (v) "Timber products" means:

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

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

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

22 (vi) "Wood products" means paper and paper products; dimensional  
23 lumber; engineered wood products such as particleboard, oriented strand  
24 board, medium density fiberboard, and plywood; wood doors; wood  
25 windows; and biocomposite surface products.

26 (f) Except for small harvesters as defined in RCW 84.33.035, a  
27 person reporting under the tax rate provided in this subsection (12)  
28 must file a complete annual survey with the department under RCW  
29 82.32.585.

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

35 (14)(a) Upon every person engaging within this state in the  
36 business of printing a newspaper, publishing a newspaper, or both, the  
37 amount of tax on such business is equal to the gross income of the



1 business multiplied by the rate of 0.365 percent through June 30, 2013,  
2 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

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

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

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

10 (a) Wheat into flour, barley into pearl barley, soybeans into  
11 soybean oil, canola into canola oil, canola meal, or canola by-  
12 products, or sunflower seeds into sunflower oil; as to such persons the  
13 amount of tax with respect to such business is equal to the value of  
14 the flour, pearl barley, oil, canola meal, or canola by-product  
15 manufactured, multiplied by the rate of 0.138 percent;

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

28 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
29 products that the person has manufactured to purchasers who either  
30 transport in the ordinary course of business the goods out of state or  
31 purchasers who use such dairy products as an ingredient or component in  
32 the manufacturing of a dairy product; as to such persons the tax  
33 imposed is equal to the value of the products manufactured or the gross  
34 proceeds derived from such sales multiplied by the rate of 0.138  
35 percent. Sellers must keep and preserve records for the period  
36 required by RCW 82.32.070 establishing that the goods were transported

1 by the purchaser in the ordinary course of business out of this state  
2 or sold to a manufacturer for use as an ingredient or component in the  
3 manufacturing of a dairy product.

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

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

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

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

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

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

34 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
35 persons the amount of tax with respect to the business is equal to the  
36 value of wood biomass fuel manufactured, multiplied by the rate of  
37 0.138 percent.

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

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

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

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

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

27 (7) Upon every person engaging within this state in the business of  
28 stevedoring and associated activities pertinent to the movement of  
29 goods and commodities in waterborne interstate or foreign commerce; as  
30 to such persons the amount of tax with respect to such business is  
31 equal to the gross proceeds derived from such activities multiplied by  
32 the rate of 0.275 percent. Persons subject to taxation under this  
33 subsection are exempt from payment of taxes imposed by chapter 82.16  
34 RCW for that portion of their business subject to taxation under this  
35 subsection. Stevedoring and associated activities pertinent to the  
36 conduct of goods and commodities in waterborne interstate or foreign  
37 commerce are defined as all activities of a labor, service or  
38 transportation nature whereby cargo may be loaded or unloaded to or

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

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

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

27 (9) Upon every person engaging within this state as an insurance  
28 producer or title insurance agent licensed under chapter 48.17 RCW or  
29 a surplus line broker licensed under chapter 48.15 RCW; as to such  
30 persons, the amount of the tax with respect to such licensed activities  
31 is equal to the gross income of such business multiplied by the rate of  
32 0.484 percent.

33 (10) Upon every person engaging within this state in business as a  
34 hospital, as defined in chapter 70.41 RCW, that is operated as a  
35 nonprofit corporation or by the state or any of its political  
36 subdivisions, as to such persons, the amount of tax with respect to  
37 such activities is equal to the gross income of the business multiplied

1 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent  
2 thereafter.

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

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

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

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

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

29 (d) In addition to all other requirements under this title, a  
30 person reporting under the tax rate provided in this subsection (11)  
31 must file a complete annual report with the department under RCW  
32 82.32.534.

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

35 (ii) With respect to the manufacturing of commercial (~~airplanes~~)  
36 aircraft or making sales, at retail or wholesale, of commercial  
37 (~~airplanes~~) aircraft, this subsection (11) does not apply on and  
38 after July 1st of the year in which the department makes a

1 determination that any final assembly or wing assembly of any version  
2 or variant of a commercial (~~(airplane)~~) aircraft that is the basis of  
3 a siting of a significant commercial airplane manufacturing program in  
4 the state under RCW 82.32.850 has been sited outside the state of  
5 Washington. This subsection (11)(e)(ii) only applies to the  
6 manufacturing or sale of commercial (~~(airplanes)~~) aircraft that are the  
7 basis of a siting of a significant commercial airplane manufacturing  
8 program in the state under RCW 82.32.850.

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

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

27 (c) Until July 1, 2024, upon every person engaging within this  
28 state in the business of selling at wholesale: (i) Timber extracted by  
29 that person; (ii) timber products manufactured by that person from  
30 timber or other timber products; or (iii) wood products manufactured by  
31 that person from timber or timber products; as to such persons the  
32 amount of the tax with respect to the business is equal to the gross  
33 proceeds of sales of the timber, timber products, or wood products  
34 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
35 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
36 2024.

37 (d) Until July 1, 2024, upon every person engaging within this  
38 state in the business of selling standing timber; as to such persons

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

9 (e) For purposes of this subsection, the following definitions  
10 apply:

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

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

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

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

35 (v) "Timber products" means:

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

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

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

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

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

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

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

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

25 **Sec. 7.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each  
26 amended to read as follows:

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

30 (2) The credit is equal to:

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

35 (B) Leasehold excise taxes paid with respect to buildings  
36 constructed after January 1, 2006, the land upon which the buildings



1 are located, or both, if the buildings are used exclusively in  
2 manufacturing commercial ((airplanes)) aircraft or components of such  
3 ((airplanes)) aircraft; and

4 (C) Property taxes or leasehold excise taxes paid on, or with  
5 respect to, buildings constructed after June 30, 2008, the land upon  
6 which the buildings are located, or both, and used exclusively for  
7 aerospace product development, manufacturing tooling specifically  
8 designed for use in manufacturing commercial ((airplanes)) aircraft or  
9 their components, or in providing aerospace services, by persons not  
10 within the scope of (a)(i)(A) and (B) of this subsection (2) and are  
11 taxable under RCW 82.04.290(3), 82.04.260((+10)) (11)(b), or  
12 82.04.250(3); or

13 (ii) Property taxes attributable to an increase in assessed value  
14 due to the renovation or expansion, after: (A) December 1, 2003, of a  
15 building used exclusively in manufacturing commercial ((airplanes))  
16 aircraft or components of such ((airplanes)) aircraft; and (B) June 30,  
17 2008, of buildings used exclusively for aerospace product development,  
18 manufacturing tooling specifically designed for use in manufacturing  
19 commercial ((airplanes)) aircraft or their components, or in providing  
20 aerospace services, by persons not within the scope of (a)(ii)(A) of  
21 this subsection (2) and are taxable under RCW 82.04.290(3),  
22 82.04.260((+10)) (11)(b), or 82.04.250(3); and

23 (b) An amount equal to:

24 (i)(A) Property taxes paid, by persons taxable under RCW  
25 82.04.260((+10)) (11)(a), on machinery and equipment exempt under RCW  
26 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

27 (B) Property taxes paid, by persons taxable under RCW  
28 82.04.260((+10)) (11)(b), on machinery and equipment exempt under RCW  
29 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

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

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

37 (A) The numerator of the fraction is the total taxable amount  
38 subject to the tax imposed under RCW 82.04.260((+10)) (11) (a) or (b)

1 on the applicable business activities of manufacturing commercial  
2 ((airplanes)) aircraft, components of such ((airplanes)) aircraft, or  
3 tooling specifically designed for use in the manufacturing of  
4 commercial ((airplanes)) aircraft or components of such ((airplanes))  
5 aircraft.

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

9 (C) For purposes of both the numerator and denominator of the  
10 fraction, the total taxable amount refers to the total taxable amount  
11 required to be reported on the person's returns for the calendar year  
12 before the calendar year in which the credit under this section is  
13 earned. The department may provide for an alternative method for  
14 calculating the numerator in cases where the tax rate provided in RCW  
15 82.04.260((+10)) (11) for manufacturing was not in effect during the  
16 full calendar year before the calendar year in which the credit under  
17 this section is earned.

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

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

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

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

29 (b) "Aerospace services" has the same meaning given in RCW  
30 82.08.975.

31 (c) "Commercial ((airplane)) aircraft" and "component" have the  
32 same meanings as provided in RCW 82.32.550.

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

37 (5) In addition to all other requirements under this title, a

1 person claiming the credit under this section must file a complete  
2 annual report with the department under RCW 82.32.534.

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

4 **Sec. 8.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each  
5 amended to read as follows:

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

9 (2) The credit is equal to:

10 (a)(i)(A) Property taxes paid on buildings, and land upon which the  
11 buildings are located, constructed after December 1, 2003, and used  
12 exclusively in manufacturing commercial ((airplanes)) aircraft or  
13 components of such ((airplanes)) aircraft; and

14 (B) Leasehold excise taxes paid with respect to buildings  
15 constructed after January 1, 2006, the land upon which the buildings  
16 are located, or both, if the buildings are used exclusively in  
17 manufacturing commercial ((airplanes)) aircraft or components of such  
18 ((airplanes)) aircraft; and

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

27 (ii) Property taxes attributable to an increase in assessed value  
28 due to the renovation or expansion, after: (A) December 1, 2003, of a  
29 building used exclusively in manufacturing commercial  
30 ((airplanes)) aircraft or components of such ((airplanes)) aircraft; and

31 (B) June 30, 2008, of buildings used exclusively for aerospace product  
32 development, manufacturing tooling specifically designed for use in  
33 manufacturing commercial ((airplanes)) aircraft or their components, or  
34 in providing aerospace services, by persons not within the scope of  
35 (a)(ii)(A) of this subsection (2) and are taxable under RCW  
36 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); and

37 (b) An amount equal to:

1 (i)(A) Property taxes paid, by persons taxable under RCW  
2 82.04.260(11)(a), on machinery and equipment exempt under RCW  
3 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

4 (B) Property taxes paid, by persons taxable under RCW  
5 82.04.260(11)(b), on machinery and equipment exempt under RCW  
6 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

7 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)  
8 or 82.04.290(3), on computer hardware, computer peripherals, and  
9 software exempt under RCW 82.08.975 or 82.12.975 and acquired after  
10 June 30, 2008.

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

14 (A) The numerator of the fraction is the total taxable amount  
15 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the  
16 applicable business activities of manufacturing commercial  
17 (~~(airplanes))~~ aircraft, components of such (~~(airplanes))~~ aircraft, or  
18 tooling specifically designed for use in the manufacturing of  
19 commercial (~~(airplanes))~~ aircraft or components of such (~~(airplanes))~~  
20 aircraft.

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

24 (C) For purposes of both the numerator and denominator of the  
25 fraction, the total taxable amount refers to the total taxable amount  
26 required to be reported on the person's returns for the calendar year  
27 before the calendar year in which the credit under this section is  
28 earned. The department may provide for an alternative method for  
29 calculating the numerator in cases where the tax rate provided in RCW  
30 82.04.260(11) for manufacturing was not in effect during the full  
31 calendar year before the calendar year in which the credit under this  
32 section is earned.

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

37 (E) As used in (b)(ii)(C) of this subsection (2), "returns" means

1 the tax returns for which the tax imposed under this chapter is  
2 reported to the department.

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

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

7 (b) "Aerospace services" has the same meaning given in RCW  
8 82.08.975.

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

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

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

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

19 **Sec. 9.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to  
20 read as follows:

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

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

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

36 (2) The credit is equal to the amount of qualified aerospace

1 product development expenditures of a person, multiplied by the rate of  
2 1.5 percent.

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

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

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

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

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

36 (c) "Qualified aerospace product development" means aerospace  
37 product development performed within this state.

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

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

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

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

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

22 **Sec. 10.** 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 credit  
25 is allowed for each person for qualified aerospace product development.  
26 For a person who is a manufacturer or processor for hire of commercial  
27 (~~airplanes~~) aircraft or components of such (~~airplanes~~) aircraft,  
28 credit may be earned for expenditures occurring after December 1, 2003.  
29 For all other persons, credit may be earned only for expenditures  
30 occurring after June 30, 2008.

31 (ii) For purposes of this subsection, "commercial (~~airplane~~)  
32 aircraft" and "component" have the same meanings as provided in RCW  
33 82.32.550.

34 (b) Before July 1, 2005, any credits earned under this section must  
35 be accrued and carried forward and may not be used until July 1, 2005.  
36 These carryover credits may be used at any time thereafter, and may be

1 carried over until used. Refunds may not be granted in the place of a  
2 credit.

3 (2) The credit is equal to the amount of qualified aerospace  
4 product development expenditures of a person, multiplied by the rate of  
5 1.5 percent.

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

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

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

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

23 (b) "Aerospace product development" means research, design, and  
24 engineering activities performed in relation to the development of an  
25 aerospace product or of a product line, model, or model derivative of  
26 an aerospace product, including prototype development, testing, and  
27 certification. The term includes the discovery of technological  
28 information, the translating of technological information into new or  
29 improved products, processes, techniques, formulas, or inventions, and  
30 the adaptation of existing products and models into new products or new  
31 models, or derivatives of products or models. The term does not  
32 include manufacturing activities or other production-oriented  
33 activities, however the term does include tool design and engineering  
34 design for the manufacturing process. The term does not include  
35 surveys and studies, social science and humanities research, market  
36 research or testing, quality control, sale promotion and service,  
37 computer software developed for internal use, and research in areas  
38 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 a  
5 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 provided  
8 in this section. The term does not include amounts paid to a person or  
9 to the state and any of its departments and institutions, other than a  
10 public educational or research institution to conduct qualified  
11 aerospace product development. The term does not include capital costs  
12 and overhead, such as expenses for land, structures, or depreciable  
13 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. 11.** RCW 82.08.975 and 2008 c 81 s 2 are each amended to read  
25 as follows:

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

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

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

- 1 (a) "Aerospace products" means:
- 2 (i) Commercial ((~~airplanes~~)) aircraft and their components;
- 3 (ii) Machinery and equipment that is designed and used primarily
- 4 for the maintenance, repair, overhaul, or refurbishing of commercial
- 5 ((~~airplanes~~)) aircraft or their components by federal aviation
- 6 regulation part 145 certificated repair stations; and
- 7 (iii) Tooling specifically designed for use in manufacturing
- 8 commercial ((~~airplanes~~)) aircraft or their components.
- 9 (b) "Aerospace services" means the maintenance, repair, overhaul,
- 10 or refurbishing of commercial ((~~airplanes~~)) aircraft or their
- 11 components, but only when such services are performed by a FAR part 145
- 12 certificated repair station.
- 13 (c) "Commercial ((~~airplane~~)) aircraft" and "component" have the
- 14 same meanings provided in RCW 82.32.550.
- 15 (d) "Peripherals" includes keyboards, monitors, mouse devices, and
- 16 other accessories that operate outside of the computer, excluding
- 17 cables, conduit, wiring, and other similar property.
- 18 (4) This section expires July 1, 2024.

19 **Sec. 12.** RCW 82.08.975 and 2013 3rd sp.s. c 2 s 11 are each

20 amended to read as follows:

21 (1) The tax levied by RCW 82.08.020 does not apply to sales of

22 computer hardware, computer peripherals, or software, not otherwise

23 eligible for exemption under RCW 82.08.02565, used primarily in the

24 development, design, and engineering of aerospace products or in

25 providing aerospace services, or to sales of or charges made for labor

26 and services rendered in respect to installing the computer hardware,

27 computer peripherals, or software.

28 (2) The exemption is available only when the buyer provides the

29 seller with an exemption certificate in a form and manner prescribed by

30 the department. The seller must retain a copy of the certificate for

31 the seller's files.

32 (3) The definitions in this subsection apply throughout this

33 section unless the context requires otherwise.

- 34 (a) "Aerospace products" means:
- 35 (i) Commercial ((~~airplanes~~)) aircraft and their components;
- 36 (ii) Machinery and equipment that is designed and used primarily

1 for the maintenance, repair, overhaul, or refurbishing of commercial  
2 (~~airplanes~~) aircraft or their components by federal aviation  
3 regulation part 145 certificated repair stations; and

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

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

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

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

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

16 **Sec. 13.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each amended  
17 to read as follows:

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

19 (a) Charges, for labor and services rendered in respect to the  
20 constructing of new buildings, made to (i) a manufacturer engaged in  
21 the manufacturing of commercial (~~airplanes~~) aircraft or the fuselages  
22 or wings of commercial (~~airplanes~~) aircraft or (ii) a port district,  
23 political subdivision, or municipal corporation, to be leased to a  
24 manufacturer engaged in the manufacturing of commercial (~~airplanes~~)  
25 aircraft or the fuselages or wings of commercial (~~airplanes~~)  
26 aircraft;

27 (b) Sales of tangible personal property that will be incorporated  
28 as an ingredient or component of such buildings during the course of  
29 the constructing; or

30 (c) Charges made for labor and services rendered in respect to  
31 installing, during the course of constructing such buildings, building  
32 fixtures not otherwise eligible for the exemption under RCW  
33 82.08.02565(2)(b).

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

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

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

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

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

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

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

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

19 **Sec. 14.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each amended  
20 to read as follows:

21 (1) The provisions of this chapter do not apply with respect to the  
22 use of:

23 (a) Tangible personal property that will be incorporated as an  
24 ingredient or component in constructing new buildings for (i) a  
25 manufacturer engaged in the manufacturing of commercial (~~(airplanes)~~)  
26 aircraft or the fuselages or wings of commercial (~~(airplanes)~~) aircraft  
27 or (ii) a port district, political subdivision, or municipal  
28 corporation, to be leased to a manufacturer engaged in the  
29 manufacturing of commercial (~~(airplanes)~~) aircraft or the fuselages or  
30 wings of commercial (~~(airplanes)~~) aircraft; or

31 (b) Labor and services rendered in respect to installing, during  
32 the course of constructing such buildings, building fixtures not  
33 otherwise eligible for the exemption under RCW 82.08.02565(2)(b).

34 (2) The eligibility requirements, conditions, and definitions in  
35 RCW 82.08.980 apply to this section, including the filing of a complete  
36 annual report with the department under RCW 82.32.534.

1           (3) For the purposes of this section, "commercial aircraft" has the  
2 meaning given in RCW 82.32.550.

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

4           NEW SECTION. Sec. 15. This act takes effect July 1, 2014, except  
5 as provided otherwise in this section:

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

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

10          (3) Sections 5, 8, 10, and 12 through 14 of this act take effect on  
11 the date the contingency in section 2(1), chapter 2, Laws of 2013 3rd  
12 sp. sess. occurs.

13          NEW SECTION. Sec. 16. Sections 3 and 5 of this act expire July 1,  
14 2015.

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