
HOUSE BILL 2226

State of Washington

64th Legislature

2015 Regular Session

By Representative Morris

Read first time 04/08/15. Referred to Committee on Technology & Economic Development.

1 AN ACT Relating to extending specific aerospace tax preferences
2 to include spacecrafts to encourage the migration of good wage jobs
3 in the state; amending RCW 82.32.550 and 82.04.290; reenacting and
4 amending RCW 82.04.260; adding new sections to chapter 82.04 RCW;
5 adding new sections to chapter 82.08 RCW; adding new sections to
6 chapter 82.12 RCW; creating a new section; providing an effective
7 date; and providing an 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
10 of Washington have benefited from the presence of the aerospace
11 industry in Washington state. The legislature further finds that the
12 industry continues to provide good wage jobs and benefits for
13 employees throughout the state. The legislature further finds that
14 expansion of the aerospace industry incentives to spacecraft
15 manufacturers would provide additional good wage jobs for the
16 citizens of Washington, increasing the economic activity of
17 manufacturing in the state. The legislature further finds that
18 expansion of the current aerospace industry to manufacturers of
19 spacecraft components will establish Washington as the leading
20 aerospace industry state. Therefore, the legislature intends to
21 extend preferential tax rates, credits, and sales and use tax

1 exemptions for the aerospace industry to spacecraft and spacecraft
2 component manufacturing. Specifically, the legislature intends to
3 provide tax relief to manufacturers of all types of spacecraft to
4 encourage the migration of these businesses to Washington, in turn
5 creating and retaining good wage jobs and new tax revenue for the
6 state.

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

15 (3)(a) In order to obtain the necessary data to perform a review
16 of this tax preference, persons using any of the preferences created
17 under this act must file a tax preference annual report under RCW
18 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 assess employment
22 changes and tax revenue changes in the spacecraft and spacecraft
23 component industry in Washington in comparison to employment and tax
24 revenues prior to the extension of tax preferences in this act. The
25 committee must assess the number of jobs created in the spacecraft
26 manufacturing industry in Washington during the term of the tax
27 preferences provided in this act. If the committee finds that the
28 number of jobs in the spacecraft industry has increased by ten
29 percent during the term of the tax preferences provided in this act,
30 then the legislature intends for the legislative auditor to recommend
31 extending the expiration date of the tax preferences.

32 (c) To the extent practicable, the joint legislative audit and
33 review committee must use data provided by state agencies responsible
34 for administering unemployment insurance and collecting tax revenue
35 and data statistics provided by the bureau of labor statistics.

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

38 (1) "Commercial airplane" has its ordinary meaning, which is an
39 airplane certified by the federal aviation administration for

1 transporting persons or property, and any military derivative of such
2 an airplane.

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

6 (3) "Payload" means crew, instruments, or equipment carried by a
7 spacecraft.

8 (4) "Spacecraft" means all types of manned or transportation
9 vehicles intended to be used for the purpose of operating in, or
10 transporting a payload to, from, or within outer space, or in
11 suborbital trajectory.

12 (5) "Spacecraft component" means a part or system specifically
13 designed for installation or assembly into a spacecraft.

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

19 **Sec. 3.** RCW 82.04.260 and 2014 c 140 s 6 and 2014 c 140 s 4 are
20 each reenacted and amended to read as follows:

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

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

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

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

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

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

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

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

29 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,
30 preserving, freezing, processing, or dehydrating fresh fruits or
31 vegetables, or selling at wholesale fruits or vegetables manufactured
32 by the seller by canning, preserving, freezing, processing, or
33 dehydrating fresh fruits or vegetables and sold to purchasers who
34 transport in the ordinary course of business the goods out of this
35 state; as to such persons the amount of tax with respect to such
36 business is equal to the value of the products manufactured or the
37 gross proceeds derived from such sales multiplied by the rate of
38 0.138 percent. Sellers must keep and preserve records for the period
39 required by RCW 82.32.070 establishing that the goods were

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

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

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

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

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

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

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

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

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

1 (7) Upon every person engaging within this state in the business
2 of stevedoring and associated activities pertinent to the movement of
3 goods and commodities in waterborne interstate or foreign commerce;
4 as to such persons the amount of tax with respect to such business is
5 equal to the gross proceeds derived from such activities multiplied
6 by 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
15 holding or storage yard or area to await further movement in import
16 or export or may move to a consolidation freight station and be
17 stuffed, unstuffed, containerized, separated or otherwise segregated
18 or aggregated for delivery or loaded on any mode of transportation
19 for 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) 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 If the gross income of the taxpayer is attributable to activities
36 both within and without this state, the gross income attributable to
37 this state must be determined in accordance with the methods of
38 apportionment required under RCW 82.04.460.

39 (9) Upon every person engaging within this state as an insurance
40 producer or title insurance agent licensed under chapter 48.17 RCW or

1 a surplus line broker licensed under chapter 48.15 RCW; as to such
2 persons, the amount of the tax with respect to such licensed
3 activities is equal to the gross income of such business multiplied
4 by the rate of 0.484 percent.

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

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

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

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

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

36 (c) For the purposes of this subsection (11), "commercial
37 airplane" and "component" have the same meanings as provided in RCW
38 82.32.550.

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

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

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

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

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

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

35 (c) Until July 1, 2024, upon every person engaging within this
36 state in the business of selling at wholesale: (i) Timber extracted
37 by that person; (ii) timber products manufactured by that person from
38 timber or other timber products; or (iii) wood products manufactured
39 by that person from timber or timber products; as to such persons the
40 amount of the tax with respect to the business is equal to the gross

1 proceeds of sales of the timber, timber products, or wood products
2 multiplied by the rate of 0.4235 percent from July 1, 2006, through
3 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
4 2024.

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

15 (e) For purposes of this subsection, the following definitions
16 apply:

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

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

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

39 (iv) "Timber" means forest trees, standing or down, on privately
40 or publicly owned land. "Timber" does not include Christmas trees

1 that are cultivated by agricultural methods or short-rotation
2 hardwoods as defined in RCW 84.33.035.

3 (v) "Timber products" means:

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

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

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

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

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

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

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

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

31 (15)(a) Beginning October 1, 2015, upon every person engaging
32 within this state in the business of manufacturing spacecraft or
33 spacecraft components, or making sales, at retail or wholesale, of
34 such spacecraft or spacecraft components, manufactured by the seller,
35 as to such persons the amount of tax with respect to such business
36 is, in the case of manufacturers, equal to the value of the product
37 manufactured and the gross proceeds of sales of the product
38 manufactured, or in the case of processors for hire, equal to the
39 gross income of the business, multiplied by the rate of 0.2904
40 percent.

1 (b) In addition to all other requirements under this title, a
2 person reporting under the tax rate provided in this subsection (15)
3 must file a complete annual report with the department under RCW
4 82.32.534.

5 (c) For the purposes of this subsection (15), "spacecraft" and
6 "spacecraft component," have the same meanings as provided in RCW
7 82.32.550.

8 NEW SECTION. Sec. 4. A new section is added to chapter 82.04
9 RCW to read as follows:

10 (1) Beginning July 1, 2015, in computing the tax imposed under
11 this chapter, a credit is allowed for property taxes and leasehold
12 excise taxes paid during the calendar year.

13 (2) The credit is equal to:

14 (a)(i) Property taxes or leasehold excise taxes paid on, or with
15 respect to, buildings constructed after July 1, 2015, the land upon
16 which the buildings are located, or both, and used exclusively for
17 manufacturing spacecraft or spacecraft components, for spacecraft
18 product development; or

19 (ii) Property taxes attributable to an increase in assessed value
20 due to the renovation or expansion after July 1, 2015, of a building
21 used exclusively for manufacturing spacecrafts or spacecraft
22 components, or for spacecraft product development; and

23 (b)(i) An amount equal to:

24 (A) Property taxes paid, by persons taxable under RCW
25 82.04.260(15) on machinery and equipment exempt under RCW 82.08.02565
26 or 82.12.02565 and acquired after July 1, 2015; or

27 (B) Property taxes paid, by persons taxable under RCW
28 82.04.250(3) or 82.04.290(4), on computer hardware, computer
29 peripherals, and software exempt under sections (6) and (7) of this
30 act and acquired after July 1, 2015.

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

34 (A) The numerator of the fraction is the total taxable amount
35 subject to the tax imposed under RCW 82.04.260(15) on the applicable
36 business activities of manufacturing spacecraft or spacecraft
37 components.

1 (B) The denominator of the fraction is the total taxable amount
2 subject to the tax imposed under all manufacturing classifications in
3 this chapter.

4 (C) For purposes of both the numerator and denominator of the
5 fraction, the total taxable amount refers to the total taxable amount
6 required to be reported on the person's returns for the calendar year
7 before the calendar year in which the credit under this section is
8 earned. The department may provide for an alternative method for
9 calculating the numerator in cases where the tax rate provided in RCW
10 82.04.260(15) for manufacturing was not in effect during the full
11 calendar year before the calendar year in which the credit under this
12 section is earned. For the purposes of this subsection (2)(b)(ii)(C),
13 "returns" means the tax returns for which the tax imposed under this
14 chapter is reported to the department.

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

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

23 (4) In addition to all other requirements under this title, a
24 person claiming the credit under this section must file a complete
25 annual report with the department under RCW 82.32.534.

26 (5) The definitions in this subsection apply throughout this
27 section unless the context clearly requires otherwise.

28 (a) "Spacecraft product development" means research, design, and
29 engineering activities performed in relation to the development of a
30 spacecraft product or of a product line, model, or model derivative
31 of a spacecraft product, including prototype development, testing,
32 and certification. The term includes the discovery of technological
33 information, the translating of technological information into new or
34 improved products, processes, techniques, formulas, or inventions,
35 and the adaptation of existing products and models into new products
36 or new models, or derivatives of products or models. The term does
37 not include manufacturing activities or other production-oriented
38 activities; however, the term does include tool design and
39 engineering design for the manufacturing process. The term does not
40 include surveys and studies, social science and humanities research,

1 market research or testing, quality control, sale promotion and
2 service, computer software developed for internal use, and research
3 in areas such as improved style, taste, and seasonal design.

4 (b) "Spacecraft products" means spacecraft and spacecraft
5 components as provided in RCW 82.32.550.

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

8 (1) Beginning July 1, 2015, in computing the tax imposed under
9 this chapter, a credit is allowed for each person engaged in
10 qualified spacecraft product development.

11 (2) The credit is equal to the amount of qualified spacecraft
12 product development expenditures of a person, multiplied by the rate
13 of 1.5 percent.

14 (3) The credit must be claimed against taxes due for the same
15 calendar year in which the qualified spacecraft product development
16 expenditures are incurred. The credit for each calendar year may not
17 exceed the amount of tax otherwise due under this chapter for the
18 calendar year. Refunds may not be granted in the place of a credit.

19 (4) Any person claiming the credit must file a form prescribed by
20 the department and such additional information as the department may
21 prescribe.

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

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

27 (7) The definitions in this subsection apply throughout this
28 section unless the context clearly requires otherwise.

29 (a) "Qualified spacecraft product development" means spacecraft
30 product development performed within this state.

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

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

3 (c) "Spacecraft products" and "spacecraft product development"
4 have the same meanings as provided in section 4 of this act.

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

9 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.08
10 RCW to read as follows:

11 (1) The tax levied by RCW 82.08.020 does not apply to sales of
12 computer hardware, computer peripherals, or software, not otherwise
13 eligible for exemption under RCW 82.08.02565, used primarily in the
14 development, design, and engineering of spacecraft products, or to
15 sales of or charges made for labor and services rendered in respect
16 to installing the computer hardware, computer peripherals, or
17 software.

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

22 (3) The definitions in this subsection apply throughout this
23 section unless the context clearly requires otherwise.

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

27 (b) "Spacecraft products" has the same meaning as provided in
28 section 4 of this act.

29 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.12
30 RCW to read as follows:

31 (1) The provisions of this chapter do not apply in respect to the
32 use of computer hardware, computer peripherals, or software, not
33 otherwise eligible for exemption under RCW 82.12.02565, used
34 primarily in the development, design, and engineering of spacecraft
35 products, or to the use of labor and services rendered in respect to
36 installing the computer hardware, computer peripherals, or software.

37 (2) As used in this section, "spacecraft products" has the same
38 meaning as provided in section 4 of this act.

1 (3) As used in this section, "peripherals" has the same meaning
2 as provided in section 6 of this act.

3 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.08
4 RCW to read as follows:

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

6 (a) Charges, for labor and services rendered in respect to the
7 constructing of new buildings, made to:

8 (i) A manufacturer engaged in the manufacturing of spacecraft or
9 spacecraft components; or

10 (ii) A port district, political subdivision, or municipal
11 corporation, to be leased to a manufacturer engaged in the
12 manufacturing of spacecraft or spacecraft components.

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

16 (c) Charges made for labor and services rendered in respect to
17 installing, during the course of constructing such buildings,
18 building fixtures not otherwise eligible for the exemption under RCW
19 82.08.02565(2)(b).

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

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

32 (4) The exemption in this section applies to buildings or parts
33 of buildings, including buildings or parts of buildings used for the
34 storage of raw materials or finished products, which are used
35 primarily in the manufacturing of spacecraft or spacecraft
36 components.

37 (5) For the purposes of this section, "spacecraft" and
38 "spacecraft component" have the same meanings as provided in RCW
39 82.32.550.

1 NEW SECTION. **Sec. 9.** A new section is added to chapter 82.12
2 RCW to read as follows:

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

5 (a) Tangible personal property that will be incorporated as an
6 ingredient or component in constructing new buildings for:

7 (i) A manufacturer engaged in the manufacturing of spacecraft or
8 spacecraft components; or

9 (ii) A port district, political subdivision, or municipal
10 corporation, to be leased to a manufacturer engaged in the
11 manufacturing of spacecraft and spacecraft components; or

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

15 (2) The eligibility requirements, conditions, and definitions in
16 section 8 of this act apply to this section, including the filing of
17 a complete annual report with the department under RCW 82.32.534.

18 (3) For the purposes of this section, "spacecraft" and
19 "spacecraft component," have the same meanings as provided in RCW
20 82.32.550.

21 **Sec. 10.** RCW 82.04.290 and 2014 c 97 s 404 are each amended to
22 read as follows:

23 (1) Upon every person engaging within this state in the business
24 of providing international investment management services, as to such
25 persons, the amount of tax with respect to such business is equal to
26 the gross income or gross proceeds of sales of the business
27 multiplied by a rate of 0.275 percent.

28 (2)(a) Upon every person engaging within this state in any
29 business activity other than or in addition to an activity taxed
30 explicitly under another section in this chapter or subsection (1) or
31 (3) of this section; as to such persons the amount of tax on account
32 of such activities is equal to the gross income of the business
33 multiplied by the rate of 1.5 percent.

34 (b) This subsection (2) includes, among others, and without
35 limiting the scope hereof (whether or not title to materials used in
36 the performance of such business passes to another by accession,
37 confusion or other than by outright sale), persons engaged in the
38 business of rendering any type of service which does not constitute a
39 "sale at retail" or a "sale at wholesale." The value of advertising,

1 demonstration, and promotional supplies and materials furnished to an
2 agent by his or her principal or supplier to be used for
3 informational, educational, and promotional purposes is not
4 considered a part of the agent's remuneration or commission and is
5 not subject to taxation under this section.

6 (3)(a) Until July 1, 2040, upon every person engaging within this
7 state in the business of performing aerospace product development for
8 others, as to such persons, the amount of tax with respect to such
9 business is equal to the gross income of the business multiplied by a
10 rate of 0.9 percent.

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

14 (c) "Aerospace product development" has the meaning as provided
15 in RCW 82.04.4461.

16 (4)(a) Until July 1, 2025, upon every person engaging within this
17 state in the business of performing spacecraft product development
18 for others, as to such persons, the amount of tax with respect to
19 such business is equal to the gross income of the business multiplied
20 by a rate of 0.9 percent.

21 (b) "Spacecraft product development" has the same meaning as
22 provided in section 4 of this act.

23 NEW SECTION. Sec. 11. This act takes effect October 1, 2015.

24 NEW SECTION. Sec. 12. This act expires July 1, 2025.

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