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SENATE BILL 5864

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State of Washington

59th Legislature

2005 Regular Session

By Senators Prentice, Schmidt, Esser, Shin, Berkey, Zarelli and Rasmussen; by request of Department of Revenue and Department of Community, Trade, and Economic Development

Read first time 02/10/2005. Referred to Committee on Ways & Means.

1 AN ACT Relating to providing excise tax relief for nonmanufacturing  
2 aerospace businesses; adding a new section to chapter 82.08 RCW; adding  
3 a new section to chapter 82.12 RCW; adding a new section to chapter  
4 82.04 RCW; providing an effective date; providing expiration dates; and  
5 declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08 RCW  
8 to read as follows:

9 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
10 computer hardware, computer peripherals, or software, not otherwise  
11 eligible for exemption under RCW 82.08.02565 or 82.08.975, used  
12 primarily in the development, design, and engineering of commercial  
13 airplanes or components of such airplanes, or to sales of or charges  
14 made for labor and services rendered in respect to installing the  
15 computer hardware, computer peripherals, or software. The exemption is  
16 available only when the buyer provides the seller with an exemption  
17 certificate in a form and manner prescribed by the department. The  
18 seller shall retain a copy of the certificate for the seller's files.

19 (2) As used in this section:

1 (a) "Commercial airplane" and "component" have the meanings given  
2 in RCW 82.32.550.

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

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

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

9 (1) The provisions of this chapter do not apply in respect to the  
10 use of computer hardware, computer peripherals, or software, not  
11 otherwise eligible for exemption under RCW 82.12.02565 or 82.12.975,  
12 used primarily in the development, design, and engineering of  
13 commercial airplanes or components of such airplanes, or to the use of  
14 labor and services rendered in respect to installing the computer  
15 hardware, computer peripherals, or software.

16 (2) As used in this section:

17 (a) "Commercial airplane" and "component" have the meanings given  
18 in RCW 82.32.550.

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

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

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

25 (1) In computing the tax imposed under this chapter, a credit is  
26 allowed for each person for qualified preproduction development  
27 expenditures occurring after the effective date of this section.

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

31 (3) The credit shall be taken against taxes due for the same  
32 calendar year in which the qualified preproduction development  
33 expenditures are incurred. Credits may not be carried over. The  
34 credit for each calendar year shall not exceed the amount of tax  
35 otherwise due under this chapter for the calendar year. Refunds may  
36 not be granted in the place of a credit.

1 (4) Any person entitled to the credit provided in subsection (2) of  
2 this section as a result of qualified preproduction development  
3 conducted under contract may assign all or any portion of the credit to  
4 the person contracting for the performance of the qualified  
5 preproduction development.

6 (5) Any person claiming the credit shall file an annual report in  
7 a form prescribed by the department that shall include the amount of  
8 the credit claimed, an estimate of the anticipated preproduction  
9 development expenditures during the calendar year for which the credit  
10 is claimed, an estimate of the taxable amount for the calendar year for  
11 which the credit is claimed, and any additional information the  
12 department may require.

13 (6) The following definitions apply throughout this section:

14 (a) "Aeronautics" means the study of flight and the science of  
15 building and operating commercial aircraft.

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

30 (c) "Qualified preproduction development" means preproduction  
31 development performed within this state in the field of aeronautics.

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

1 preproduction development. The term does not include capital costs and  
2 overhead, such as expenses for land, structures, or depreciable  
3 property.

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

8 (7) Credit may not be claimed for expenditures for which a credit  
9 is claimed under RCW 82.04.4452 or 82.04.4461.

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

11 NEW SECTION. **Sec. 4.** This act is necessary for the immediate  
12 preservation of the public peace, health, or safety, or support of the  
13 state government and its existing public institutions, and takes effect  
14 July 1, 2005.

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