

CERTIFICATION OF ENROLLMENT

HOUSE BILL 2466

Chapter 177, Laws of 2006

59th Legislature
2006 Regular Session

TAX INCENTIVES--AEROSPACE INDUSTRY

EFFECTIVE DATE: 7/1/06 - Except sections 10 and 11, which become effective 1/1/07.

Passed by the House March 7, 2006
Yeas 95 Nays 3

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate March 6, 2006
Yeas 36 Nays 7

BRAD OWEN

President of the Senate

Approved March 23, 2006.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2466** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

March 23, 2006 - 10:12 a.m.

**Secretary of State
State of Washington**

HOUSE BILL 2466

AS AMENDED BY THE SENATE

Passed Legislature - 2006 Regular Session

State of Washington **59th Legislature** **2006 Regular Session**

By Representatives Lovick, McCoy, Conway, Haler, Sells, Morris, Dunshee, Ericks, Morrell, O'Brien and Green; by request of Governor Gregoire

Prefiled 1/6/2006. Read first time 01/09/2006. Referred to Committee on Economic Development, Agriculture & Trade.

1 AN ACT Relating to providing excise tax relief for aerospace
2 businesses; amending RCW 82.04.250, 82.32.590, 82.32.600, and
3 82.04.4463; reenacting and amending RCW 82.32.330; adding a new section
4 to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding
5 a new section to chapter 82.04 RCW; adding new sections to chapter
6 82.32 RCW; creating a new section; providing effective dates; and
7 providing expiration dates.

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

9 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08 RCW
10 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 or 82.08.975, used
14 primarily in the development, design, and engineering of commercial
15 airplanes or components of such airplanes, or to sales of or charges
16 made for labor and services rendered in respect to installing the
17 computer hardware, computer peripherals, or software. The exemption is
18 available only when the buyer provides the seller with an exemption

1 certificate in a form and manner prescribed by the department. The
2 seller shall retain a copy of the certificate for the seller's files.

3 (2) As used in this section:

4 (a) "Commercial airplane" and "component" have the meanings in RCW
5 82.32.550.

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

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

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

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

19 (2) As used in this section:

20 (a) "Commercial airplane" and "component" have the meanings in RCW
21 82.32.550.

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

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

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

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

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

34 (3) The credit shall be taken against taxes due for the same
35 calendar year in which the qualified preproduction development
36 expenditures are incurred. Credits may not be carried over. The

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

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

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

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

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

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

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

1 (6) Credit may not be claimed for expenditures for which a credit
2 is claimed under RCW 82.04.4452 or 82.04.4461.

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

4 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.32 RCW
5 to read as follows:

6 (1) The legislature finds that accountability and effectiveness are
7 important aspects of setting tax policy. In order to make policy
8 choices regarding the best use of limited state resources the
9 legislature needs information on how a tax incentive is used.

10 (2)(a) A person claiming the credit under section 3 of this act
11 shall file a complete annual survey with the department. The survey is
12 due by March 31st following any year in which a credit is claimed. The
13 department may extend the due date for timely filing of annual surveys
14 under this section as provided in RCW 82.32.590. The survey shall
15 include the amount of the tax credit claimed, the qualified
16 preproduction development expenditures during the calendar year for
17 which the credit is claimed, whether the credit has been assigned under
18 section 3(4) of this act and who assigned the credit, the number of new
19 products or research projects by general classification, and the number
20 of trademarks, patents, and copyrights associated with the qualified
21 preproduction development activities for which a credit was claimed.
22 The survey shall also include the following information for employment
23 positions in Washington:

24 (i) The number of total employment positions;

25 (ii) Full-time, part-time, and temporary employment positions as a
26 percent of total employment;

27 (iii) The number of employment positions according to the following
28 wage bands: Less than thirty thousand dollars; thirty thousand dollars
29 or greater, but less than sixty thousand dollars; and sixty thousand
30 dollars or greater. A wage band containing fewer than three
31 individuals may be combined with another wage band; and

32 (iv) The number of employment positions that have employer-provided
33 medical, dental, and retirement benefits, by each of the wage bands.

34 (b) As part of the annual survey, the department may request
35 additional information necessary to measure the results of, or
36 determine eligibility for, the tax credit program.

1 (c) All information collected under this section, except the amount
2 of the tax credit claimed, is deemed taxpayer information under RCW
3 82.32.330. Information on the amount of tax credit claimed is not
4 subject to the confidentiality provisions of RCW 82.32.330 and may be
5 disclosed to the public upon request, except as provided in (d) of this
6 subsection. If the amount of the tax credit as reported on the survey
7 is different than the amount actually claimed on the taxpayer's tax
8 returns or otherwise allowed by the department, the amount actually
9 claimed or allowed may be disclosed.

10 (d) Persons for whom the actual amount of the tax credit claimed on
11 the taxpayer's returns or otherwise allowed by the department is less
12 than ten thousand dollars during the period covered by the survey may
13 request the department to treat the tax credit amount as confidential
14 under RCW 82.32.330.

15 (3) If a person fails to submit a complete annual survey under
16 subsection (2) of this section by the due date or any extension under
17 RCW 82.32.590, the department shall declare the amount of taxes against
18 which a credit was claimed for that year to be immediately due and
19 payable. The department shall assess interest, but not penalties, on
20 the taxes against which the credit was claimed. Interest shall be
21 assessed at the rate provided for delinquent excise taxes under this
22 chapter, retroactively to the date the credit was claimed, and shall
23 accrue until the taxes against which the credit was claimed are repaid.

24 (4) The department shall use the information from the annual survey
25 required under subsection (2) of this section to prepare summary
26 descriptive statistics by category. No fewer than three taxpayers
27 shall be included in any category. The department shall report these
28 statistics to the legislature each year by September 1st.

29 (5) In conjunction with the reports due under RCW 82.32.545, by
30 November 1, 2010, and November 1, 2023, the fiscal committees of the
31 house of representatives and the senate, in consultation with the
32 department, shall report to the legislature on the effectiveness of the
33 credit authorized in section 3 of this act in regard to keeping
34 Washington competitive. The report shall measure the effect of the
35 credit authorized in section 3 of this act on job retention, net jobs
36 created for Washington residents, company growth, diversification of
37 the state's economy, cluster dynamics, and other factors as the

1 committees select. The reports shall include a discussion of
2 principles to apply in evaluating whether the legislature should
3 reenact the credit authorized in section 3 of this act.

4 (6) A person who is subject to the requirements in RCW 82.32.545 is
5 not required to file a complete annual survey under this section if the
6 person timely files the annual report required by RCW 82.32.545.

7 **Sec. 5.** RCW 82.04.250 and 2003 2nd sp.s. c 1 s 2 are each amended
8 to read as follows:

9 (1) Upon every person (~~((except persons taxable under RCW 82.04.260~~
10 ~~(5) or (13), 82.04.272, or subsection (2) of this section))~~) engaging
11 within this state in the business of making sales at retail, except
12 persons taxable as retailers under other provisions of this chapter, as
13 to such persons, the amount of tax with respect to such business shall
14 be equal to the gross proceeds of sales of the business, multiplied by
15 the rate of 0.471 percent.

16 (2) Upon every person engaging within this state in the business of
17 making sales at retail that are exempt from the tax imposed under
18 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
19 82.08.0263, ~~except persons taxable under RCW 82.04.260((+13))~~ (11) or
20 subsection (3) of this section, as to such persons, the amount of tax
21 with respect to such business shall be equal to the gross proceeds of
22 sales of the business, multiplied by the rate of 0.484 percent.

23 (3) Upon every person engaging within this state in the business of
24 making sales at retail that are exempt from the tax imposed under
25 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
26 82.08.0263, that is classified by the federal aviation administration
27 as a FAR part 145 certificated repair station with airframe and
28 instrument ratings and limited ratings for nondestructive testing,
29 radio, Class 3 Accessory, and specialized services, as to such persons,
30 the amount of tax with respect to such business shall be equal to the
31 gross proceeds of sales of the business, multiplied by the rate of
32 .2904 percent.

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

35 (1) The legislature finds that accountability and effectiveness are

1 important aspects of setting tax policy. In order to make policy
2 choices regarding the best use of limited state resources, the
3 legislature needs information on how a tax incentive is used.

4 (2)(a) A person who reports taxes under RCW 82.04.250(3) shall file
5 a complete annual survey with the department. The survey is due by
6 March 31st following any year in which a person reports taxes under RCW
7 82.04.250(3). The department may extend the due date for timely filing
8 of annual surveys under this section as provided in RCW 82.32.590. The
9 survey shall include the amount of tax reduced under the preferential
10 rate in RCW 82.04.250(3). The survey shall also include the following
11 information for employment positions in Washington:

12 (i) The number of total employment positions;

13 (ii) Full-time, part-time, and temporary employment positions as a
14 percent of total employment;

15 (iii) The number of employment positions according to the following
16 wage bands: Less than thirty thousand dollars; thirty thousand dollars
17 or greater, but less than sixty thousand dollars; and sixty thousand
18 dollars or greater. A wage band containing fewer than three
19 individuals may be combined with another wage band; and

20 (iv) The number of employment positions that have employer-provided
21 medical, dental, and retirement benefits, by each of the wage bands.

22 (b) As part of the annual survey, the department may request
23 additional information necessary to measure the results of, or
24 determine eligibility for, the preferential tax rate in RCW
25 82.04.250(3).

26 (c) All information collected under this section, except the amount
27 of the tax reduced under the preferential rate in RCW 82.04.250(3), is
28 deemed taxpayer information under RCW 82.32.330. Information on the
29 amount of tax reduced is not subject to the confidentiality provisions
30 of RCW 82.32.330 and may be disclosed to the public upon request,
31 except as provided in (d) of this subsection. If the amount of the tax
32 reduced as reported on the survey is different than the amount actually
33 reduced based on the taxpayer's excise tax returns or otherwise allowed
34 by the department, the amount actually reduced may be disclosed.

35 (d) Persons for whom the actual amount of the tax reduction is less
36 than ten thousand dollars during the period covered by the survey may
37 request the department to treat the amount of the tax reduction as
38 confidential under RCW 82.32.330.

1 (3) If a person fails to submit a complete annual survey under
2 subsection (2) of this section by the due date or any extension under
3 RCW 82.32.590, the department shall declare the amount of taxes reduced
4 under the preferential rate in RCW 82.04.250(3) for that year to be
5 immediately due and payable. The department shall assess interest, but
6 not penalties, on the taxes. Interest shall be assessed at the rate
7 provided for delinquent excise taxes under this chapter, retroactively
8 to the date the reduced taxes were due, and shall accrue until the
9 amount of the reduced taxes is repaid.

10 (4) The department shall use the information from the annual survey
11 required under subsection (2) of this section to prepare summary
12 descriptive statistics by category. The department shall report these
13 statistics to the legislature each year by September 1st.

14 (5) By November 1, 2010, the fiscal committees of the house of
15 representatives and the senate, in consultation with the department,
16 shall report to the legislature on the effectiveness of the
17 preferential tax rate provided in RCW 82.04.250(3) in regard to keeping
18 Washington competitive. The report shall measure the effect of the
19 preferential tax rate provided in RCW 82.04.250(3) on job retention,
20 net jobs created for Washington residents, company growth,
21 diversification of the state's economy, cluster dynamics, and other
22 factors as the committees select. The report shall include a
23 discussion of principles to apply in evaluating whether the legislature
24 should extend the preferential tax rate provided in RCW 82.04.250(3).

25 (6) This section expires December 31, 2012.

26 **Sec. 7.** RCW 82.32.330 and 2005 c 326 s 1 and 2005 c 274 s 361 are
27 each reenacted and amended to read as follows:

28 (1) For purposes of this section:

29 (a) "Disclose" means to make known to any person in any manner
30 whatever a return or tax information;

31 (b) "Return" means a tax or information return or claim for refund
32 required by, or provided for or permitted under, the laws of this state
33 which is filed with the department of revenue by, on behalf of, or with
34 respect to a person, and any amendment or supplement thereto, including
35 supporting schedules, attachments, or lists that are supplemental to,
36 or part of, the return so filed;

1 (c) "Tax information" means (i) a taxpayer's identity, (ii) the
2 nature, source, or amount of the taxpayer's income, payments, receipts,
3 deductions, exemptions, credits, assets, liabilities, net worth, tax
4 liability deficiencies, overassessments, or tax payments, whether taken
5 from the taxpayer's books and records or any other source, (iii)
6 whether the taxpayer's return was, is being, or will be examined or
7 subject to other investigation or processing, (iv) a part of a written
8 determination that is not designated as a precedent and disclosed
9 pursuant to RCW 82.32.410, or a background file document relating to a
10 written determination, and (v) other data received by, recorded by,
11 prepared by, furnished to, or collected by the department of revenue
12 with respect to the determination of the existence, or possible
13 existence, of liability, or the amount thereof, of a person under the
14 laws of this state for a tax, penalty, interest, fine, forfeiture, or
15 other imposition, or offense: PROVIDED, That data, material, or
16 documents that do not disclose information related to a specific or
17 identifiable taxpayer do not constitute tax information under this
18 section. Except as provided by RCW 82.32.410, nothing in this chapter
19 shall require any person possessing data, material, or documents made
20 confidential and privileged by this section to delete information from
21 such data, material, or documents so as to permit its disclosure;

22 (d) "State agency" means every Washington state office, department,
23 division, bureau, board, commission, or other state agency;

24 (e) "Taxpayer identity" means the taxpayer's name, address,
25 telephone number, registration number, or any combination thereof, or
26 any other information disclosing the identity of the taxpayer; and

27 (f) "Department" means the department of revenue or its officer,
28 agent, employee, or representative.

29 (2) Returns and tax information shall be confidential and
30 privileged, and except as authorized by this section, neither the
31 department of revenue nor any other person may disclose any return or
32 tax information.

33 (3) This section does not prohibit the department of revenue from:

34 (a) Disclosing such return or tax information in a civil or
35 criminal judicial proceeding or an administrative proceeding:

36 (i) In respect of any tax imposed under the laws of this state if
37 the taxpayer or its officer or other person liable under Title 82 RCW
38 is a party in the proceeding; or

1 (ii) In which the taxpayer about whom such return or tax
2 information is sought and another state agency are adverse parties in
3 the proceeding;

4 (b) Disclosing, subject to such requirements and conditions as the
5 director shall prescribe by rules adopted pursuant to chapter 34.05
6 RCW, such return or tax information regarding a taxpayer to such
7 taxpayer or to such person or persons as that taxpayer may designate in
8 a request for, or consent to, such disclosure, or to any other person,
9 at the taxpayer's request, to the extent necessary to comply with a
10 request for information or assistance made by the taxpayer to such
11 other person: PROVIDED, That tax information not received from the
12 taxpayer shall not be so disclosed if the director determines that such
13 disclosure would compromise any investigation or litigation by any
14 federal, state, or local government agency in connection with the civil
15 or criminal liability of the taxpayer or another person, or that such
16 disclosure would identify a confidential informant, or that such
17 disclosure is contrary to any agreement entered into by the department
18 that provides for the reciprocal exchange of information with other
19 government agencies which agreement requires confidentiality with
20 respect to such information unless such information is required to be
21 disclosed to the taxpayer by the order of any court;

22 (c) Disclosing the name of a taxpayer with a deficiency greater
23 than five thousand dollars and against whom a warrant under RCW
24 82.32.210 has been either issued or filed and remains outstanding for
25 a period of at least ten working days. The department shall not be
26 required to disclose any information under this subsection if a
27 taxpayer: (i) Has been issued a tax assessment; (ii) has been issued
28 a warrant that has not been filed; and (iii) has entered a deferred
29 payment arrangement with the department of revenue and is making
30 payments upon such deficiency that will fully satisfy the indebtedness
31 within twelve months;

32 (d) Disclosing the name of a taxpayer with a deficiency greater
33 than five thousand dollars and against whom a warrant under RCW
34 82.32.210 has been filed with a court of record and remains
35 outstanding;

36 (e) Publishing statistics so classified as to prevent the
37 identification of particular returns or reports or items thereof;

1 (f) Disclosing such return or tax information, for official
2 purposes only, to the governor or attorney general, or to any state
3 agency, or to any committee or subcommittee of the legislature dealing
4 with matters of taxation, revenue, trade, commerce, the control of
5 industry or the professions;

6 (g) Permitting the department of revenue's records to be audited
7 and examined by the proper state officer, his or her agents and
8 employees;

9 (h) Disclosing any such return or tax information to a peace
10 officer as defined in RCW 9A.04.110 or county prosecuting attorney, for
11 official purposes. The disclosure may be made only in response to a
12 search warrant, subpoena, or other court order, unless the disclosure
13 is for the purpose of criminal tax enforcement. A peace officer or
14 county prosecuting attorney who receives the return or tax information
15 may disclose that return or tax information only for use in the
16 investigation and a related court proceeding, or in the court
17 proceeding for which the return or tax information originally was
18 sought;

19 (i) Disclosing any such return or tax information to the proper
20 officer of the internal revenue service of the United States, the
21 Canadian government or provincial governments of Canada, or to the
22 proper officer of the tax department of any state or city or town or
23 county, for official purposes, but only if the statutes of the United
24 States, Canada or its provincial governments, or of such other state or
25 city or town or county, as the case may be, grants substantially
26 similar privileges to the proper officers of this state;

27 (j) Disclosing any such return or tax information to the Department
28 of Justice, including the Bureau of Alcohol, Tobacco (~~and~~), Firearms
29 (~~of the Department of the Treasury~~) and Explosives within the
30 Department of Justice, the Department of Defense, the Immigration and
31 Customs Enforcement and the Customs and Border Protection agencies of
32 the United States (~~Customs Service~~) Department of Homeland Security,
33 the Coast Guard of the United States, and the United States Department
34 of Transportation, or any authorized representative thereof, for
35 official purposes;

36 (k) Publishing or otherwise disclosing the text of a written
37 determination designated by the director as a precedent pursuant to RCW
38 82.32.410;

1 (l) Disclosing, in a manner that is not associated with other tax
2 information, the taxpayer name, entity type, business address, mailing
3 address, revenue tax registration numbers, North American industry
4 classification system or standard industrial classification code of a
5 taxpayer, and the dates of opening and closing of business. This
6 subsection shall not be construed as giving authority to the department
7 to give, sell, or provide access to any list of taxpayers for any
8 commercial purpose;

9 (m) Disclosing such return or tax information that is also
10 maintained by another Washington state or local governmental agency as
11 a public record available for inspection and copying under the
12 provisions of chapter 42.56 RCW or is a document maintained by a court
13 of record not otherwise prohibited from disclosure;

14 (n) Disclosing such return or tax information to the United States
15 department of agriculture for the limited purpose of investigating food
16 stamp fraud by retailers;

17 (o) Disclosing to a financial institution, escrow company, or title
18 company, in connection with specific real property that is the subject
19 of a real estate transaction, current amounts due the department for a
20 filed tax warrant, judgment, or lien against the real property;

21 (p) Disclosing to a person against whom the department has asserted
22 liability as a successor under RCW 82.32.140 return or tax information
23 pertaining to the specific business of the taxpayer to which the person
24 has succeeded; ((~~or~~))

25 (q) Disclosing such return or tax information in the possession of
26 the department relating to the administration or enforcement of the
27 real estate excise tax imposed under chapter 82.45 RCW, including
28 information regarding transactions exempt or otherwise not subject to
29 tax; or

30 (r) Disclosing the least amount of return or tax information
31 necessary for the reports required in section 6 (4) and (5) of this act
32 when the number of taxpayers included in the reports or any part of the
33 reports cannot be classified to prevent the identification of taxpayers
34 or particular returns, reports, tax information, or items in the
35 possession of the department.

36 (4)(a) The department may disclose return or taxpayer information
37 to a person under investigation or during any court or administrative
38 proceeding against a person under investigation as provided in this

1 subsection (4). The disclosure must be in connection with the
2 department's official duties relating to an audit, collection activity,
3 or a civil or criminal investigation. The disclosure may occur only
4 when the person under investigation and the person in possession of
5 data, materials, or documents are parties to the return or tax
6 information to be disclosed. The department may disclose return or tax
7 information such as invoices, contracts, bills, statements, resale or
8 exemption certificates, or checks. However, the department may not
9 disclose general ledgers, sales or cash receipt journals, check
10 registers, accounts receivable/payable ledgers, general journals,
11 financial statements, expert's workpapers, income tax returns, state
12 tax returns, tax return workpapers, or other similar data, materials,
13 or documents.

14 (b) Before disclosure of any tax return or tax information under
15 this subsection (4), the department shall, through written
16 correspondence, inform the person in possession of the data, materials,
17 or documents to be disclosed. The correspondence shall clearly
18 identify the data, materials, or documents to be disclosed. The
19 department may not disclose any tax return or tax information under
20 this subsection (4) until the time period allowed in (c) of this
21 subsection has expired or until the court has ruled on any challenge
22 brought under (c) of this subsection.

23 (c) The person in possession of the data, materials, or documents
24 to be disclosed by the department has twenty days from the receipt of
25 the written request required under (b) of this subsection to petition
26 the superior court of the county in which the petitioner resides for
27 injunctive relief. The court shall limit or deny the request of the
28 department if the court determines that:

29 (i) The data, materials, or documents sought for disclosure are
30 cumulative or duplicative, or are obtainable from some other source
31 that is more convenient, less burdensome, or less expensive;

32 (ii) The production of the data, materials, or documents sought
33 would be unduly burdensome or expensive, taking into account the needs
34 of the department, the amount in controversy, limitations on the
35 petitioner's resources, and the importance of the issues at stake; or

36 (iii) The data, materials, or documents sought for disclosure
37 contain trade secret information that, if disclosed, could harm the
38 petitioner.

1 (d) The department shall reimburse reasonable expenses for the
2 production of data, materials, or documents incurred by the person in
3 possession of the data, materials, or documents to be disclosed.

4 (e) Requesting information under (b) of this subsection that may
5 indicate that a taxpayer is under investigation does not constitute a
6 disclosure of tax return or tax information under this section.

7 (5) Any person acquiring knowledge of any return or tax information
8 in the course of his or her employment with the department of revenue
9 and any person acquiring knowledge of any return or tax information as
10 provided under subsection (3)(f), (g), (h), (i), (j), or (n) of this
11 section, who discloses any such return or tax information to another
12 person not entitled to knowledge of such return or tax information
13 under the provisions of this section, is guilty of a misdemeanor. If
14 the person guilty of such violation is an officer or employee of the
15 state, such person shall forfeit such office or employment and shall be
16 incapable of holding any public office or employment in this state for
17 a period of two years thereafter.

18 **Sec. 8.** RCW 82.32.590 and 2005 c 514 s 1001 are each amended to
19 read as follows:

20 (1) If the department finds that the failure of a taxpayer to file
21 an annual survey under RCW 82.04.4452, section 4 of this act, or
22 section 6 of this act by the due date was the result of circumstances
23 beyond the control of the taxpayer, the department shall extend the
24 time for filing the survey. Such extension shall be for a period of
25 thirty days from the date the department issues its written
26 notification to the taxpayer that it qualifies for an extension under
27 this section. The department may grant additional extensions as it
28 deems proper.

29 (2) In making a determination whether the failure of a taxpayer to
30 file an annual survey by the due date was the result of circumstances
31 beyond the control of the taxpayer, the department shall be guided by
32 rules adopted by the department for the waiver or cancellation of
33 penalties when the underpayment or untimely payment of any tax was due
34 to circumstances beyond the control of the taxpayer.

35 **Sec. 9.** RCW 82.32.600 and 2005 c 514 s 1002 are each amended to
36 read as follows:

1 (1) Persons required to file surveys under RCW 82.04.4452, section
2 4 of this act, or section 6 of this act must electronically file with
3 the department all surveys, returns, and any other forms or information
4 the department requires in an electronic format as provided or approved
5 by the department (~~(, unless the department grants relief under~~
6 ~~subsection (2) of this section)~~). As used in this section, "returns"
7 has the same meaning as "return" in RCW 82.32.050.

8 ~~(2) ((Upon request, the department may relieve a person of the~~
9 ~~obligations in subsection (1) of this section if the person's taxes~~
10 ~~have been reduced a cumulative total of less than one thousand dollars~~
11 ~~from all of the credits, exemptions, or preferential business and~~
12 ~~occupation tax rates, for which a person is required to file an annual~~
13 ~~survey under RCW 82.04.4452, 82.32.535, 82.32.545, 82.32.570,~~
14 ~~82.32.560, 82.60.070, or 82.63.020.~~

15 ~~(3) Persons who no longer qualify for relief under subsection (2)~~
16 ~~of this section will be notified in writing by the department and must~~
17 ~~comply with subsection (1) of this section by the date provided in the~~
18 ~~notice.~~

19 ~~(4))~~ Any survey, return, or any other form or information required
20 to be filed in an electronic format under subsection (1) of this
21 section is not filed until received by the department in an electronic
22 format.

23 (3) The department may waive the electronic filing requirement in
24 subsection (1) of this section for good cause shown.

25 **Sec. 10.** RCW 82.04.4463 and 2005 c 514 s 501 are each amended to
26 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 new buildings, and land upon which
32 this property is located, built after December 1, 2003, and used
33 exclusively in manufacturing commercial airplanes or components of such
34 airplanes; and

35 (B) Leasehold excise taxes paid with respect to a building built
36 after January 1, 2006, the land upon which the building is located, or

1 both, if the building is used exclusively in manufacturing commercial
2 airplanes or components of such airplanes; or

3 (ii) Property taxes attributable to an increase in assessed value
4 due to the renovation or expansion, after December 1, 2003, of a
5 building used exclusively in manufacturing commercial airplanes or
6 components of such airplanes; and

7 (b) An amount equal to property taxes paid on machinery and
8 equipment exempt under RCW 82.08.02565 or 82.12.02565 and acquired
9 after December 1, 2003, multiplied by a fraction. The numerator of the
10 fraction is the total taxable amount subject to the tax imposed under
11 RCW 82.04.260(~~((+13))~~) (11) and the denominator of the fraction is the
12 total taxable amount subject to the tax imposed under all manufacturing
13 classifications in chapter 82.04 RCW, required to be reported on the
14 person's returns for the calendar year before the calendar year in
15 which the credit under this section is earned. No credit is available
16 under this subsection (2)(b) if either the numerator or the denominator
17 of the fraction is zero. If the fraction is greater than or equal to
18 nine-tenths, then the fraction is rounded to one. For purposes of this
19 subsection, "returns" means the combined excise tax returns for the
20 calendar year.

21 (3) For the purposes of this section, "commercial passenger
22 airplane" and "component" have the meanings given in RCW 82.32.550.

23 (4) A person taking the credit under this section is subject to all
24 the requirements of chapter 82.32 RCW. In addition, the person must
25 report as required under RCW 82.32.545. A credit earned during one
26 calendar year may be carried over to be credited against taxes incurred
27 in a subsequent calendar year, but may not be carried over a second
28 year. No refunds may be granted for credits under this section.

29 (5) In addition to all other requirements under this title, a
30 person taking the credit under this section must report as required
31 under RCW 82.32.545.

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

33 NEW SECTION. **Sec. 11.** Section 10 of this act applies with respect
34 to leasehold excise taxes paid on or after January 1, 2007.

35 NEW SECTION. **Sec. 12.** Sections 1 through 9 of this act take
36 effect July 1, 2006.

1 NEW SECTION. **Sec. 13.** Sections 10 and 11 of this act take effect
2 January 1, 2007.

3 NEW SECTION. **Sec. 14.** Section 5 of this act expires July 1, 2011.
 Passed by the House March 7, 2006.
 Passed by the Senate March 6, 2006.
 Approved by the Governor March 23, 2006.
 Filed in Office of Secretary of State March 23, 2006.