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**SUBSTITUTE SENATE BILL 6828**

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**State of Washington**

**60th Legislature**

**2008 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Marr, Prentice, Zarelli, Schoesler, Hobbs, Kilmer, Shin, and Rasmussen)

READ FIRST TIME 02/28/08.

1       AN ACT Relating to the excise taxation of the aerospace industry;  
2 amending RCW 82.08.975, 82.12.975, 82.04.250, 82.04.290, 82.04.4461,  
3 82.04.4463, 82.04.44525, 82.32.545, 82.32.330, and 82.32.550;  
4 reenacting and amending RCW 82.04.260, 82.32.590, and 82.32.600; adding  
5 a new section to chapter 82.04 RCW; creating new sections; repealing  
6 RCW 82.04.4487, 82.08.981, 82.12.981, 82.32.635, and 82.32.640;  
7 providing an effective date; and providing an expiration date.

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

9       NEW SECTION. **Sec. 1.** The legislature finds that the aerospace  
10 industry provides good wages and benefits for the thousands of  
11 engineers, mechanics, support staff, and other employees working  
12 directly in the industry throughout the state. The legislature further  
13 finds that suppliers and vendors that support the aerospace industry in  
14 turn provide a range of well-paying jobs. In 2003, and again in 2006,  
15 the legislature determined it was in the public interest to encourage  
16 the continued presence of this industry through the provision of tax  
17 incentives.

18       However, the legislature recognizes that key elements of  
19 Washington's aerospace industry cluster were afforded few, if any, of

1 the aerospace tax incentives enacted in 2003 and 2006. The  
2 comprehensive tax incentives in this act are intended to more  
3 comprehensively address the cost of doing business in Washington state  
4 compared to locations in other states for a larger segment of the  
5 aerospace industry cluster.

6 **Sec. 2.** RCW 82.08.975 and 2003 2nd sp.s. c 1 s 9 are each amended  
7 to read as follows:

8 (1) The tax levied by RCW 82.08.020 shall not apply to sales of  
9 computer hardware, computer peripherals, or software, not otherwise  
10 eligible for exemption under RCW 82.08.02565, (~~to a manufacturer or~~  
11 ~~processor for hire of commercial airplanes or components of such~~  
12 ~~airplanes,~~) used primarily in the development, design, and engineering  
13 of ((such)) aerospace products or in providing aerospace services, or  
14 to sales of or charges made for labor and services rendered in respect  
15 to installing the computer hardware, computer peripherals, or software.

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

20 ((+2)) (3) As used in this section, (~~"commercial airplane" and~~  
21 ~~"component" have the meanings given in RCW 82.32.550~~) the following  
22 definitions apply:

23 (a) "Aerospace products" means:

24 (i) Commercial airplanes and their components;

25 (ii) Machinery and equipment that is designed and used primarily  
26 for the maintenance, repair, overhaul, or refurbishing of commercial  
27 airplanes or their components by federal aviation regulation part 145  
28 certificated repair stations; and

29 (iii) Tooling specifically designed for use in manufacturing  
30 commercial airplanes or their components.

31 (b) "Aerospace services" means the maintenance, repair, overhaul,  
32 or refurbishing of commercial airplanes or their components, but only  
33 when such services are performed by a FAR part 145 certificated repair  
34 station.

35 (c) "Commercial airplane" and "component" have the same meanings  
36 provided in RCW 82.32.550.

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

4        ~~((3))~~ (4) This section expires July 1, 2024.

5        **Sec. 3.** RCW 82.12.975 and 2003 2nd sp.s. c 1 s 10 are each amended  
6 to read as follows:

7        (1) The provisions of this chapter shall not apply in respect to  
8 the use of computer hardware, computer peripherals, or software, not  
9 otherwise eligible for exemption under RCW 82.12.02565, ~~((by a  
10 manufacturer or processor for hire of commercial airplanes or  
11 components of such airplanes,))~~ used primarily in the development,  
12 design, and engineering of ~~((such))~~ aerospace products or in providing  
13 aerospace services, or to the use of labor and services rendered in  
14 respect to installing the computer hardware, computer peripherals, or  
15 software.

16        (2) As used in this section, ~~(("commercial airplane" and  
17 "component"))~~ "peripherals," "aerospace products," and "aerospace  
18 services" have the same meanings ~~((given in RCW 82.32.550.~~  
19 ~~"Peripherals" includes keyboards, monitors, mouse devices, and other  
20 accessories that operate outside of the computer, excluding cables,  
21 conduit, wiring, and other similar property))~~ as provided in RCW  
22 82.08.975.

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

24        **Sec. 4.** RCW 82.04.260 and 2007 c 54 s 6 and 2007 c 48 s 2 are each  
25 reenacted and amended to read as follows:

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

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

34        (b) Beginning July 1, 2012, seafood products that remain in a raw,  
35 raw frozen, or raw salted state at the completion of the manufacturing  
36 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 shall be equal to the value of the  
5 products manufactured or the gross proceeds derived from such sales,  
6 multiplied by the rate of 0.138 percent. Sellers must keep and  
7 preserve records for the period required by RCW 82.32.070 establishing  
8 that the goods were transported by the purchaser in the ordinary course  
9 of business out of this state;

10 (c) Beginning July 1, 2012, dairy products that as of September 20,  
11 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,  
12 including byproducts from the manufacturing of the dairy products such  
13 as whey and casein; or selling the same to purchasers who transport in  
14 the ordinary course of business the goods out of state; as to such  
15 persons the tax imposed shall be equal to the value of the products  
16 manufactured or the gross proceeds derived from such sales multiplied  
17 by the rate of 0.138 percent. Sellers must keep and preserve records  
18 for the period required by RCW 82.32.070 establishing that the goods  
19 were transported by the purchaser in the ordinary course of business  
20 out of this state;

21 (d) Beginning July 1, 2012, fruits or vegetables by canning,  
22 preserving, freezing, processing, or dehydrating fresh fruits or  
23 vegetables, or selling at wholesale fruits or vegetables manufactured  
24 by the seller by canning, preserving, freezing, processing, or  
25 dehydrating fresh fruits or vegetables and sold to purchasers who  
26 transport in the ordinary course of business the goods out of this  
27 state; as to such persons the amount of tax with respect to such  
28 business shall be equal to the value of the products manufactured or  
29 the gross proceeds derived from such sales multiplied by the rate of  
30 0.138 percent. Sellers must keep and preserve records for the period  
31 required by RCW 82.32.070 establishing that the goods were transported  
32 by the purchaser in the ordinary course of business out of this state;

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

1 (f) Alcohol fuel or wood biomass fuel, as those terms are defined  
2 in RCW 82.29A.135; as to such persons the amount of tax with respect to  
3 the business shall be equal to the value of alcohol fuel or wood  
4 biomass fuel manufactured, multiplied by the rate of 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 shall be equal to the value of the  
8 peas 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 shall be equal to the gross income derived from such  
13 activities 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 shall be equal to the gross proceeds derived  
18 from 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 shall be equal to the  
22 gross income derived from such activities multiplied by the rate of  
23 0.275 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 shall be equal to the gross income derived from such  
30 activities 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 shall  
35 be equal to the gross proceeds derived from such activities multiplied  
36 by the rate of 0.275 percent. Persons subject to taxation under this  
37 subsection shall be exempt from payment of taxes imposed by chapter  
38 82.16 RCW for that portion of their business subject to taxation under

1 this subsection. Stevedoring and associated activities pertinent to  
2 the conduct of goods and commodities in waterborne interstate or  
3 foreign 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) Upon every person engaging within this state in the business of  
23 disposing of low-level waste, as defined in RCW 43.145.010; as to such  
24 persons the amount of the tax with respect to such business shall be  
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 If the gross income of the taxpayer is attributable to activities  
28 both within and without this state, the gross income attributable to  
29 this state shall be determined in accordance with the methods of  
30 apportionment required under RCW 82.04.460.

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

36 (10) Upon every person engaging within this state in business as a  
37 hospital, as defined in chapter 70.41 RCW, that is operated as a  
38 nonprofit corporation or by the state or any of its political

1 subdivisions, as to such persons, the amount of tax with respect to  
2 such activities shall be equal to the gross income of the business  
3 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5  
4 percent thereafter. The moneys collected under this subsection shall  
5 be deposited in the health services account created under RCW  
6 43.72.900.

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

17 (i) 0.4235 percent from October 1, 2005, through the later of June  
18 30, 2007(~~(, or the day preceding the date final assembly of a~~  
19 ~~superefficient airplane begins in Washington state, as determined under~~  
20 ~~RCW 82.32.550))~~); and

21 (ii) 0.2904 percent beginning (~~(on the later of))~~ July 1, 2007(~~(, or~~  
22 ~~the date final assembly of a superefficient airplane begins in~~  
23 ~~Washington state, as determined under RCW 82.32.550))~~).

24 (b) Beginning (~~(October 1, 2005))~~ July 1, 2008, upon every person  
25 who is not eligible to report under the provisions of (a) of this  
26 subsection (11) and is engaging within this state in the business of  
27 manufacturing tooling specifically designed for use in manufacturing  
28 commercial airplanes or components of such airplanes, or making sales,  
29 at retail or wholesale, of ((commercial airplanes, or components of  
30 such airplanes, manufactured by that person)) such tooling manufactured  
31 by the seller, as to such persons the amount of tax with respect to  
32 such business shall, in the case of manufacturers, be equal to the  
33 value of the product manufactured and the gross proceeds of sales of  
34 the ((airplanes or components)) product manufactured, or in the case of  
35 processors for hire, be equal to the gross income of the business,  
36 multiplied by the rate of(~~(÷~~

37 ~~(i) 0.4235 percent from October 1, 2005, through the later of June~~

1 ~~30, 2007, or the day preceding the date final assembly of a~~  
2 ~~superefficient airplane begins in Washington state, as determined under~~  
3 ~~RCW 82.32.550; and~~

4 (ii)) 0.2904 percent (~~(beginning on the later of July 1, 2007, or~~  
5 ~~the date final assembly of a superefficient airplane begins in~~  
6 ~~Washington state, as determined under RCW 82.32.550)).~~

7 (c) For the purposes of this subsection (11), "commercial  
8 airplane((~~τ~~))" and "component((~~τ~~))" (~~(and "final assembly of a~~  
9 ~~superefficient airplane"~~)) have the same meanings (~~(given))~~ as provided  
10 in RCW 82.32.550.

11 (d) In addition to all other requirements under this title, a  
12 person eligible for the tax rate under this subsection (11) must report  
13 as required under RCW 82.32.545.

14 (e) This subsection (11) does not apply on and after (~~(the earlier~~  
15 ~~of:))~~ July 1, 2024(~~(; or December 31, 2007, if assembly of a~~  
16 ~~superefficient airplane does not begin by December 31, 2007, as~~  
17 ~~determined under RCW 82.32.550)).~~

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

26 (b) Until July 1, 2024, upon every person engaging within this  
27 state in the business of manufacturing or processing for hire: (i)  
28 Timber into timber products or wood products; or (ii) timber products  
29 into other timber products or wood products; as to such persons the  
30 amount of the tax with respect to the business shall, in the case of  
31 manufacturers, be equal to the value of products, including byproducts,  
32 manufactured, or in the case of processors for hire, be equal to the  
33 gross income of the business, multiplied by the rate of 0.4235 percent  
34 from July 1, 2006, through June 30, 2007, and 0.2904 percent from July  
35 1, 2007, through June 30, 2024.

36 (c) Until July 1, 2024, upon every person engaging within this  
37 state in the business of selling at wholesale: (i) Timber extracted by  
38 that person; (ii) timber products manufactured by that person from



1 timber or other timber products; or (iii) wood products manufactured by  
2 that person from timber or timber products; as to such persons the  
3 amount of the tax with respect to the business shall be equal to the  
4 gross proceeds of sales of the timber, timber products, or wood  
5 products multiplied by the rate of 0.4235 percent from July 1, 2006,  
6 through June 30, 2007, and 0.2904 percent from July 1, 2007, through  
7 June 30, 2024.

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

18 (e) For purposes of this subsection, the following definitions  
19 apply:

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

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

36 (iii) "Timber products" means logs, wood chips, sawdust, wood  
37 waste, and similar products obtained wholly from the processing of

1 timber, short-rotation hardwoods as defined in RCW 84.33.035, or both;  
2 and pulp, including market pulp and pulp derived from recovered paper  
3 or paper products.

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

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

13 **Sec. 5.** RCW 82.04.250 and 2006 c 177 s 5 are each amended to read  
14 as follows:

15 (1) Upon every person engaging within this state in the business of  
16 making sales at retail, except persons taxable as retailers under other  
17 provisions of this chapter, as to such persons, the amount of tax with  
18 respect to such business shall be equal to the gross proceeds of sales  
19 of the business, multiplied by the rate of 0.471 percent.

20 (2) Upon every person engaging within this state in the business of  
21 making sales at retail that are exempt from the tax imposed under  
22 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
23 82.08.0263, except persons taxable under RCW 82.04.260(11) or  
24 subsection (3) of this section, as to such persons, the amount of tax  
25 with respect to such business shall be equal to the gross proceeds of  
26 sales of the business, multiplied by the rate of 0.484 percent.

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

1 to the gross proceeds of sales of the business, multiplied by the rate  
2 of .2904 percent.

3 **Sec. 6.** RCW 82.04.290 and 2005 c 369 s 8 are each amended to read  
4 as follows:

5 (1) Upon every person engaging within this state in the business of  
6 providing international investment management services, as to such  
7 persons, the amount of tax with respect to such business shall be equal  
8 to the gross income or gross proceeds of sales of the business  
9 multiplied by a rate of 0.275 percent.

10 (2)(a) Upon every person engaging within this state in any business  
11 activity other than or in addition to an activity taxed explicitly  
12 under another section in this chapter or subsection ~~((+1+))~~ (3) of this  
13 section; as to such persons the amount of tax on account of such  
14 activities shall be equal to the gross income of the business  
15 multiplied by the rate of 1.5 percent.

16 ~~((+3+))~~ (b) This subsection (2) ((of this section)) includes, among  
17 others, and without limiting the scope hereof (whether or not title to  
18 materials used in the performance of such business passes to another by  
19 accession, confusion or other than by outright sale), persons engaged  
20 in the business of rendering any type of service which does not  
21 constitute a "sale at retail" or a "sale at wholesale." The value of  
22 advertising, demonstration, and promotional supplies and materials  
23 furnished to an agent by his principal or supplier to be used for  
24 informational, educational and promotional purposes shall not be  
25 considered a part of the agent's remuneration or commission and shall  
26 not be subject to taxation under this section.

27 (3)(a) Until July 1, 2024, upon every person engaging within this  
28 state in the business of performing aerospace product development for  
29 others, as to such persons, the amount of tax with respect to such  
30 business shall be equal to the gross income of the business multiplied  
31 by a rate of 0.9 percent.

32 (b) "Aerospace product development" has the meaning as provided in  
33 RCW 82.04.4461.

34 **Sec. 7.** RCW 82.04.4461 and 2007 c 54 s 11 are each amended to read  
35 as follows:

36 (1)(a)(i) In computing the tax imposed under this chapter, a credit

1 is allowed for each person for qualified (~~(preproduction)~~) aerospace  
2 product development. For a person who is a manufacturer or processor  
3 for hire of commercial airplanes or components of such airplanes,  
4 credit may be earned for expenditures occurring after December 1, 2003.  
5 For all other persons, credit may be earned only for expenditures  
6 occurring after June 30, 2008.

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

9 (b) Before July 1, 2005, any credits earned under this section must  
10 be accrued and carried forward and may not be used until July 1, 2005.  
11 These carryover credits may be used at any time thereafter, and may be  
12 carried over until used. Refunds may not be granted in the place of a  
13 credit.

14 (2) The credit is equal to the amount of qualified  
15 (~~(preproduction)~~) aerospace product development expenditures of a  
16 person, multiplied by the rate of 1.5 percent.

17 (3) Except as provided in subsection (1)(b) of this section the  
18 credit shall be taken against taxes due for the same calendar year in  
19 which the qualified (~~(preproduction)~~) aerospace product development  
20 expenditures are incurred. Credit earned on or after July 1, 2005, may  
21 not be carried over. The credit for each calendar year shall not  
22 exceed the amount of tax otherwise due under this chapter for the  
23 calendar year. Refunds may not be granted in the place of a credit.

24 (4) Any person claiming the credit shall file (~~(an affidavit)~~) a  
25 form prescribed by the department that shall include the amount of the  
26 credit claimed, an estimate of the anticipated (~~(preproduction)~~)  
27 aerospace product development expenditures during the calendar year for  
28 which the credit is claimed, an estimate of the taxable amount during  
29 the calendar year for which the credit is claimed, and such additional  
30 information as the department may prescribe.

31 (5) The definitions in this subsection apply throughout this  
32 section.

33 (a) (~~("Aeronautics" means the study of flight and the science of~~  
34 ~~building and operating commercial aircraft.~~

35 (~~(b) "Person" means a person as defined in RCW 82.04.030, who is a~~  
36 ~~manufacturer or processor for hire of commercial airplanes, or~~  
37 ~~components of such airplanes, as those terms are defined in RCW~~  
38 ~~82.32.550.~~

1       ~~(c)~~ "~~Preproduction~~)" "Aerospace product" has the meaning given in  
2 RCW 82.08.975.

3       **(b)** "Aerospace product development" means research, design, and  
4 engineering activities performed in relation to the development of  
5 ~~((a))~~ an aerospace product ~~((τ))~~ or of a product line, model, or model  
6 derivative of an aerospace product, including prototype development,  
7 testing, and certification. The term includes the discovery of  
8 technological information, the translating of technological information  
9 into new or improved products, processes, techniques, formulas, or  
10 inventions, and the adaptation of existing products and models into new  
11 products or new models, or derivatives of products or models. The term  
12 does not include manufacturing activities or other production-oriented  
13 activities, however the term does include tool design and engineering  
14 design for the manufacturing process. The term does not include  
15 surveys and studies, social science and humanities research, market  
16 research or testing, quality control, sale promotion and service,  
17 computer software developed for internal use, and research in areas  
18 such as improved style, taste, and seasonal design.

19       ~~((d))~~ **(c)** "Qualified ~~((preproduction))~~ aerospace product  
20 development" means ~~((preproduction))~~ aerospace product development  
21 performed within this state ~~((in the field of aeronautics))~~.

22       ~~((e))~~ **(d)** "Qualified ~~((preproduction))~~ aerospace product  
23 development expenditures" means operating expenses, including wages,  
24 compensation of a proprietor or a partner in a partnership as  
25 determined by the department, benefits, supplies, and computer  
26 expenses, directly incurred in qualified ~~((preproduction))~~ aerospace  
27 product development by a person claiming the credit provided in this  
28 section. The term does not include amounts paid to a person or to the  
29 state and any of its departments and institutions, other than a public  
30 educational or research institution to conduct qualified  
31 ~~((preproduction))~~ aerospace product development. The term does not  
32 include capital costs and overhead, such as expenses for land,  
33 structures, or depreciable property.

34       ~~((f))~~ **(e)** "Taxable amount" means the taxable amount subject to  
35 the tax imposed in this chapter required to be reported on the person's  
36 tax returns during the year in which the credit is claimed, less any  
37 taxable amount for which a credit is allowed under RCW 82.04.440.

1 (6) In addition to all other requirements under this title, a  
2 person taking the credit under this section must report as required  
3 under RCW 82.32.545.

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

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

7 **Sec. 8.** RCW 82.04.4463 and 2006 c 177 s 10 are each amended to  
8 read as follows:

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

12 (2) The credit is equal to:

13 (a)(i)(A) Property taxes paid on (~~new~~) buildings, and land upon  
14 which (~~this property is~~) the buildings are located, (~~built~~)  
15 constructed after December 1, 2003, and used exclusively in  
16 manufacturing commercial airplanes or components of such airplanes; and

17 (B) Leasehold excise taxes paid with respect to (~~a~~) buildings  
18 (~~built~~) constructed after January 1, 2006, the land upon which the  
19 buildings (~~is~~) are located, or both, if the buildings (~~is~~) are used  
20 exclusively in manufacturing commercial airplanes or components of such  
21 airplanes; and

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

30 (ii) Property taxes attributable to an increase in assessed value  
31 due to the renovation or expansion, after: (A) December 1, 2003, of a  
32 building used exclusively in manufacturing commercial airplanes or  
33 components of such airplanes; and (B) June 30, 2008, of buildings used  
34 exclusively for aerospace product development or in providing aerospace  
35 services, by persons not within the scope of (a)(ii)(A) of this  
36 subsection (2) and are: (I) Engaged in manufacturing tooling

1 specifically designed for use in manufacturing commercial airplanes or  
2 their components; or (II) taxable under RCW 82.04.290(3) or  
3 82.04.250(3); and

4 (b) An amount equal to:

5 (I)(A) Property taxes paid, by persons taxable under RCW  
6 82.04.260(11)(a), on machinery and equipment exempt under RCW  
7 82.08.02565 or 82.12.02565 and acquired after December 1, 2003((τ));

8 (B) Property taxes paid, by persons taxable under RCW  
9 82.04.260(11)(b), on machinery and equipment exempt under RCW  
10 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

11 (C) Property taxes paid, by persons taxable under RCW 82.04.0250(3)  
12 or 82.04.290(3), on computer hardware, computer peripherals, and  
13 software exempt under RCW 82.08.975 or 82.12.975 and acquired after  
14 June 30, 2008.

15 (ii) For purposes of determining the amount eligible for credit  
16 under (I)(A) and (B) of this subsection (2)(b), the amount of property  
17 taxes paid is multiplied by a fraction.

18 (I) The numerator of the fraction is the total taxable amount  
19 subject to the tax imposed under RCW 82.04.260(11) ((and)) (a) or (b)  
20 on the applicable business activities of manufacturing commercial  
21 airplanes, components of such airplanes, or tooling specifically  
22 designed for use in the manufacturing of commercial airplanes or  
23 components of such airplanes.

24 (II) The denominator of the fraction is the total taxable amount  
25 subject to the tax imposed under all manufacturing classifications in  
26 chapter 82.04 RCW((τ)).

27 (III) For purposes of both the numerator and denominator of the  
28 fraction, the total taxable amount refers to the total taxable amount  
29 required to be reported on the person's returns for the calendar year  
30 before the calendar year in which the credit under this section is  
31 earned. The department may provide for an alternative method for  
32 calculating the numerator in cases where the tax rate provided in RCW  
33 82.04.260(11) for manufacturing was not in effect during the full  
34 calendar year before the calendar year in which the credit under this  
35 section is earned.

36 (IV) No credit is available under (b)(I)(A) or (B) of this  
37 subsection (2)((+b)) if either the numerator or the denominator of the

1 fraction is zero. If the fraction is greater than or equal to nine-  
2 tenths, then the fraction is rounded to one. (~~For purposes of this~~  
3 ~~subsection,~~)

4 (V) As used in (III) of this subsection (2)(b)(ii)(C), "returns"  
5 means the ((combined-exeise)) tax returns for ((the-calendar-year))  
6 which the tax imposed under this chapter is reported to the department.

7 (3) (~~For the purposes of this section,~~) The definitions in this  
8 subsection apply throughout this section, unless the context clearly  
9 indicates otherwise.

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

12 (b) "Aerospace services" has the same meaning given in RCW  
13 82.08.975.

14 (c) "Ccommercial ((passenger)) airplane" and "component" have the  
15 same meanings ((given)) as provided in RCW 82.32.550.

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

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

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

26 **Sec. 9.** RCW 82.04.44525 and 1998 c 313 s 2 are each amended to  
27 read as follows:

28 (1) Subject to the limits in this section, an eligible person is  
29 allowed a credit against the tax due under this chapter. The credit is  
30 based on qualified employment positions in eligible areas. The credit  
31 is available to persons who are engaged in international services as  
32 defined in this section. In order to receive the credit, the  
33 international service activities must take place at a business within  
34 the eligible area.

35 (2)(a) The credit shall equal three thousand dollars for each  
36 qualified employment position created after July 1, 1998, in an



1 eligible area. A credit is earned for the calendar year the person is  
2 hired to fill the position, plus the four subsequent consecutive years,  
3 if the position is maintained for those four years.

4 (b) Credit may not be taken for hiring of persons into positions  
5 that exist on July 1, 1998. Credit is authorized for new employees  
6 hired for new positions created after July 1, 1998. New positions  
7 filled by existing employees are eligible for the credit under this  
8 section only if the position vacated by the existing employee is filled  
9 by a new hire.

10 (c) When a position is newly created, if it is filled before July  
11 1st, this position is eligible for the full yearly credit. If it is  
12 filled after June 30th, this position is eligible for half of the  
13 credit.

14 (d) Credit may be accrued and carried over until it is used. No  
15 refunds may be granted for credits under this section.

16 (3) For the purposes of this section:

17 (a) "Eligible area" means: (i) A community empowerment zone under  
18 RCW ((~~43.63A.700~~) 43.31C.020; or (ii) a contiguous group of census  
19 tracts that meets the unemployment and poverty criteria of RCW  
20 ((~~43.63A.710~~) 43.31C.030 and is designated under subsection (4) of  
21 this section;

22 (b) "Eligible person" means a person, as defined in RCW 82.04.030,  
23 who in an eligible area at a specific location is engaged in the  
24 business of providing international services;

25 (c)(i) "International services" means the provision of a service,  
26 as defined under (c)(iii) of this subsection, that is subject to tax  
27 under RCW 82.04.290 (2) or (3), and either:

28 (A) Is for a person domiciled outside the United States; or

29 (B) The service itself is for use primarily outside of the United  
30 States.

31 (ii) "International services" excludes any service taxable under  
32 RCW 82.04.290(1).

33 (iii) Eligible services are: Computer; data processing;  
34 information; legal; accounting and tax preparation; engineering;  
35 architectural; business consulting; business management; public  
36 relations and advertising; surveying; geological consulting; real  
37 estate appraisal; or financial services. For the purposes of this  
38 section these services mean the following:

1 (A) "Computer services" are services such as computer programming,  
2 custom software modification, customization of canned software, custom  
3 software installation, custom software maintenance, custom software  
4 repair, training in the use of software, computer systems design, and  
5 custom software update services;

6 (B) "Data processing services" are services such as word  
7 processing, data entry, data retrieval, data search, information  
8 compilation, payroll processing, business accounts processing, data  
9 production, and other computerized data and information storage or  
10 manipulation. "Data processing services" also includes the use of a  
11 computer or computer time for data processing whether the processing is  
12 performed by the provider of the computer or by the purchaser or other  
13 beneficiary of the service;

14 (C) "Information services" are services such as electronic data  
15 retrieval or research that entails furnishing financial or legal  
16 information, data or research, internet service as defined in RCW  
17 82.04.297, general or specialized news, or current information;

18 (D) "Legal services" are services such as representation by an  
19 attorney, or other person when permitted, in an administrative or legal  
20 proceeding, legal drafting, paralegal services, legal research  
21 services, and court reporting services, arbitration, and mediation  
22 services;

23 (E) "Accounting and tax preparation services" are services such as  
24 accounting, auditing, actuarial, bookkeeping, or tax preparation  
25 services;

26 (F) "Engineering services" are services such as civil, electrical,  
27 mechanical, petroleum, marine, nuclear, and design engineering, machine  
28 designing, machine tool designing, and sewage disposal system designing  
29 services;

30 (G) "Architectural services" are services such as structural or  
31 landscape design or architecture, interior design, building design,  
32 building program management, and space planning services;

33 (H) "Business consulting services" are services such as primarily  
34 providing operating counsel, advice, or assistance to the management or  
35 owner of any business, private, nonprofit, or public organization,  
36 including but not limited to those in the following areas:  
37 Administrative management consulting; general management consulting;  
38 human resource consulting or training; management engineering

1 consulting; management information systems consulting; manufacturing  
2 management consulting; marketing consulting; operations research  
3 consulting; personnel management consulting; physical distribution  
4 consulting; site location consulting; economic consulting; motel,  
5 hotel, and resort consulting; restaurant consulting; government affairs  
6 consulting; and lobbying;

7 (I) "Business management services" are services such as  
8 administrative management, business management, and office management.  
9 "Business management services" does not include property management or  
10 property leasing, motel, hotel, and resort management, or automobile  
11 parking management;

12 (J) "Public relations and advertising services" are services such  
13 as layout, art direction, graphic design, copy writing, mechanical  
14 preparation, opinion research, marketing research, marketing, or  
15 production supervision;

16 (K) "Surveying services" are services such as land surveying;

17 (L) "Geological consulting services" are services rendered for the  
18 oil, gas, and mining industry and other earth resource industries, and  
19 other services such as soil testing;

20 (M) "Real estate appraisal services" are services such as market  
21 appraisal and other real estate valuation; and

22 (N) "Financial services" are services such as banking, loan,  
23 security, investment management, investment advisory, mortgage  
24 servicing, contract collection, and finance leasing services, engaged  
25 in by financial businesses, or businesses similar to or in competition  
26 with financial businesses; and

27 (d) "Qualified employment position" means a permanent full-time  
28 position to provide international services. If an employee is either  
29 voluntarily or involuntarily separated from employment, the employment  
30 position is considered filled on a full-time basis if the employer is  
31 either training or actively recruiting a replacement employee.

32 (4) By ordinance, the legislative authority of a city, or  
33 legislative authorities of contiguous cities by ordinance of each  
34 'cities legislative authority, with population greater than eighty  
35 thousand, located in a county containing no community empowerment zones  
36 as designated under RCW ((~~43.63A.700~~)) 43.31C.020, may designate a  
37 contiguous group of census tracts within the city or cities as an  
38 eligible area under this section. Each of the census tracts must meet

1 the unemployment and poverty criteria of RCW ((43.63A.710)) 43.31C.030.  
2 Upon making the designation, the city or cities shall transmit to the  
3 department of revenue a certification letter and a map, each explicitly  
4 describing the boundaries of the census tract. This designation must  
5 be made by December 31, 1998.

6 (5) No application is necessary for the tax credit. The person  
7 must keep records necessary for the department to verify eligibility  
8 under this section. This information includes:

- 9 (a) Employment records for the previous six years;
- 10 (b) Information relating to description of international service  
11 activity engaged in at the eligible location by the person; and
- 12 (c) Information relating to customers of international service  
13 activity engaged in at that location by the person.

14 (6) If at any time the department finds that a person is not  
15 eligible for tax credit under this section, the amount of taxes for  
16 which a credit has been used shall be immediately due. The department  
17 shall assess interest, but not penalties, on the credited taxes for  
18 which the person is not eligible. The interest shall be assessed at  
19 the rate provided for delinquent excise taxes under chapter 82.32 RCW,  
20 shall be assessed retroactively to the date the tax credit was taken,  
21 and shall accrue until the taxes for which a credit has been used are  
22 repaid.

23 (7) The employment security department shall provide to the  
24 department of revenue such information needed by the department of  
25 revenue to verify eligibility under this section.

26 **Sec. 10.** RCW 82.32.545 and 2007 c 54 s 19 are each amended to read  
27 as follows:

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

32 (2)(a) A person who reports taxes under RCW 82.04.260(11),  
33 82.04.250(3), or 82.04.290(3), or who claims an exemption or credit  
34 under RCW 82.04.4461, 82.08.980, 82.12.980, 82.29A.137, 84.36.655, and  
35 82.04.4463 shall make an annual report to the department detailing  
36 employment, wages, and employer-provided health and retirement benefits  
37 for employment positions in Washington. However, persons engaged in

1 manufacturing commercial airplanes or components of such airplanes may  
2 report employment, wage, and benefit information per job at the  
3 manufacturing site. The report shall not include names of employees.  
4 The report shall also detail employment by the total number of full-  
5 time, part-time, and temporary positions. The first report filed under  
6 this subsection shall include employment, wage, and benefit information  
7 for the twelve-month period immediately before first use of a  
8 preferential tax rate under RCW 82.04.260(11), 82.04.250(3), or  
9 82.04.290(3), or tax exemption or credit under RCW 82.04.4461,  
10 82.08.980, 82.12.980, 82.29A.137, 84.36.655, and 82.04.4463, unless a  
11 survey covering this twelve-month period was filed as required by a  
12 statute repealed by chapter . . . ., Laws of 2008 (this act). The  
13 report is due by March 31st following any year in which a preferential  
14 tax rate under RCW 82.04.260(11), 82.04.250(3), or 82.04.290(3), is  
15 used, or tax exemption or credit under RCW 82.04.4461, 82.08.980,  
16 82.12.980, 82.29A.137, 84.36.655, and 82.04.4463 is taken. This  
17 information is not subject to the confidentiality provisions of RCW  
18 82.32.330 and may be disclosed to the public upon request.

19 (b) If a person fails to submit an annual report under (a) of this  
20 subsection by the due date of the report, the department shall declare  
21 the amount of taxes exempted or credited, or reduced in the case of the  
22 preferential business and occupation tax rate, for that year to be  
23 immediately due and payable. Excise taxes payable under this  
24 subsection are subject to interest but not penalties, as provided under  
25 this chapter. This information is not subject to the confidentiality  
26 provisions of RCW 82.32.330 and may be disclosed to the public upon  
27 request.

28 (3) By November 1, 2010, and by November 1, 2023, the fiscal  
29 committees of the house of representatives and the senate, in  
30 consultation with the department, shall report to the legislature on  
31 the effectiveness of chapter 1, Laws of 2003 2nd sp. sess., chapter  
32 177, Laws of 2006, and chapter . . . ., Laws of 2008 (this act) in  
33 regard to keeping Washington competitive. The report shall measure the  
34 effect of (~~chapter 1, Laws of 2003 2nd sp. sess.~~) these laws on job  
35 retention, net jobs created for Washington residents, company growth,  
36 diversification of the state's economy, cluster dynamics, and other  
37 factors as the committees select. The reports shall include a  
38 discussion of principles to apply in evaluating whether the legislature

1 should reenact any or all of the tax preferences in chapter 1, Laws of  
2 2003 2nd sp. sess., chapter 177, Laws of 2006, and chapter . . . .,  
3 Laws of 2008 (this act).

4 **Sec. 11.** RCW 82.32.330 and 2007 c 6 s 1502 are each amended to  
5 read as follows:

6 (1) For purposes of this section:

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

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

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

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

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

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

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

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

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

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

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

19 (b) Disclosing, subject to such requirements and conditions as the  
20 director shall prescribe by rules adopted pursuant to chapter 34.05  
21 RCW, such return or tax information regarding a taxpayer to such  
22 taxpayer or to such person or persons as that taxpayer may designate in  
23 a request for, or consent to, such disclosure, or to any other person,  
24 at the taxpayer's request, to the extent necessary to comply with a  
25 request for information or assistance made by the taxpayer to such  
26 other person: PROVIDED, That tax information not received from the  
27 taxpayer shall not be so disclosed if the director determines that such  
28 disclosure would compromise any investigation or litigation by any  
29 federal, state, or local government agency in connection with the civil  
30 or criminal liability of the taxpayer or another person, or that such  
31 disclosure would identify a confidential informant, or that such  
32 disclosure is contrary to any agreement entered into by the department  
33 that provides for the reciprocal exchange of information with other  
34 government agencies which agreement requires confidentiality with  
35 respect to such information unless such information is required to be  
36 disclosed to the taxpayer by the order of any court;

37 (c) Disclosing the name of a taxpayer with a deficiency greater  
38 than five thousand dollars and against whom a warrant under RCW

1 82.32.210 has been either issued or filed and remains outstanding for  
2 a period of at least ten working days. The department shall not be  
3 required to disclose any information under this subsection if a  
4 taxpayer: (i) Has been issued a tax assessment; (ii) has been issued  
5 a warrant that has not been filed; and (iii) has entered a deferred  
6 payment arrangement with the department of revenue and is making  
7 payments upon such deficiency that will fully satisfy the indebtedness  
8 within twelve months;

9 (d) Disclosing the name of a taxpayer with a deficiency greater  
10 than five thousand dollars and against whom a warrant under RCW  
11 82.32.210 has been filed with a court of record and remains  
12 outstanding;

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

15 (f) Disclosing such return or tax information, for official  
16 purposes only, to the governor or attorney general, or to any state  
17 agency, or to any committee or subcommittee of the legislature dealing  
18 with matters of taxation, revenue, trade, commerce, the control of  
19 industry or the professions;

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

23 (h) Disclosing any such return or tax information to a peace  
24 officer as defined in RCW 9A.04.110 or county prosecuting attorney, for  
25 official purposes. The disclosure may be made only in response to a  
26 search warrant, subpoena, or other court order, unless the disclosure  
27 is for the purpose of criminal tax enforcement. A peace officer or  
28 county prosecuting attorney who receives the return or tax information  
29 may disclose that return or tax information only for use in the  
30 investigation and a related court proceeding, or in the court  
31 proceeding for which the return or tax information originally was  
32 sought;

33 (i) Disclosing any such return or tax information to the proper  
34 officer of the internal revenue service of the United States, the  
35 Canadian government or provincial governments of Canada, or to the  
36 proper officer of the tax department of any state or city or town or  
37 county, for official purposes, but only if the statutes of the United



1 States, Canada or its provincial governments, or of such other state or  
2 city or town or county, as the case may be, grants substantially  
3 similar privileges to the proper officers of this state;

4 (j) Disclosing any such return or tax information to the Department  
5 of Justice, including the Bureau of Alcohol, Tobacco, Firearms and  
6 Explosives within the Department of Justice, the Department of Defense,  
7 the Immigration and Customs Enforcement and the Customs and Border  
8 Protection agencies of the United States Department of Homeland  
9 Security, the Coast Guard of the United States, and the United States  
10 Department of Transportation, or any authorized representative thereof,  
11 for official purposes;

12 (k) Publishing or otherwise disclosing the text of a written  
13 determination designated by the director as a precedent pursuant to RCW  
14 82.32.410;

15 (l) Disclosing, in a manner that is not associated with other tax  
16 information, the taxpayer name, entity type, business address, mailing  
17 address, revenue tax registration numbers, North American industry  
18 classification system or standard industrial classification code of a  
19 taxpayer, and the dates of opening and closing of business. This  
20 subsection shall not be construed as giving authority to the department  
21 to give, sell, or provide access to any list of taxpayers for any  
22 commercial purpose;

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

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

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

35 (p) Disclosing to a person against whom the department has asserted  
36 liability as a successor under RCW 82.32.140 return or tax information  
37 pertaining to the specific business of the taxpayer to which the person  
38 has succeeded;

1 (q) Disclosing such return or tax information in the possession of  
2 the department relating to the administration or enforcement of the  
3 real estate excise tax imposed under chapter 82.45 RCW, including  
4 information regarding transactions exempt or otherwise not subject to  
5 tax; or

6 ~~(r) ((Disclosing the least amount of return or tax information  
7 necessary for the reports required in RCW 82.32.640 (4) and (5) when  
8 the number of taxpayers included in the reports or any part of the  
9 reports cannot be classified to prevent the identification of taxpayers  
10 or particular returns, reports, tax information, or items in the  
11 possession of the department; or~~

12 ~~(s))~~ Disclosing to local taxing jurisdictions the identity of  
13 sellers granted relief under RCW 82.32.430(5)(b)(i) and the period for  
14 which relief is granted.

15 (4)(a) The department may disclose return or taxpayer information  
16 to a person under investigation or during any court or administrative  
17 proceeding against a person under investigation as provided in this  
18 subsection (4). The disclosure must be in connection with the  
19 department's official duties relating to an audit, collection activity,  
20 or a civil or criminal investigation. The disclosure may occur only  
21 when the person under investigation and the person in possession of  
22 data, materials, or documents are parties to the return or tax  
23 information to be disclosed. The department may disclose return or tax  
24 information such as invoices, contracts, bills, statements, resale or  
25 exemption certificates, or checks. However, the department may not  
26 disclose general ledgers, sales or cash receipt journals, check  
27 registers, accounts receivable/payable ledgers, general journals,  
28 financial statements, expert's work papers, income tax returns, state  
29 tax returns, tax return work papers, or other similar data, materials,  
30 or documents.

31 (b) Before disclosure of any tax return or tax information under  
32 this subsection (4), the department shall, through written  
33 correspondence, inform the person in possession of the data, materials,  
34 or documents to be disclosed. The correspondence shall clearly  
35 identify the data, materials, or documents to be disclosed. The  
36 department may not disclose any tax return or tax information under  
37 this subsection (4) until the time period allowed in (c) of this

1 subsection has expired or until the court has ruled on any challenge  
2 brought under (c) of this subsection.

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

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

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

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

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

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

25 (5) Any person acquiring knowledge of any return or tax information  
26 in the course of his or her employment with the department of revenue  
27 and any person acquiring knowledge of any return or tax information as  
28 provided under subsection (3)(f), (g), (h), (i), (j), or (n) of this  
29 section, who discloses any such return or tax information to another  
30 person not entitled to knowledge of such return or tax information  
31 under the provisions of this section, is guilty of a misdemeanor. If  
32 the person guilty of such violation is an officer or employee of the  
33 state, such person shall forfeit such office or employment and shall be  
34 incapable of holding any public office or employment in this state for  
35 a period of two years thereafter.

36 **Sec. 12.** RCW 82.32.550 and 2007 c 54 s 20 are each amended to read  
37 as follows:

1 (1)(a) Chapter 1, Laws of 2003 2nd sp. sess. takes effect on the  
2 first day of the month in which the governor and a manufacturer of  
3 commercial airplanes sign a memorandum of agreement regarding an  
4 affirmative final decision to site a significant commercial airplane  
5 final assembly facility in Washington state. The department shall  
6 provide notice of the effective date of chapter 1, Laws of 2003 2nd sp.  
7 sess. to affected taxpayers, the legislature, and others as deemed  
8 appropriate by the department.

9 (b) Chapter 1, Laws of 2003 2nd sp. sess. is contingent upon the  
10 siting of a significant commercial airplane final assembly facility in  
11 the state of Washington. If a memorandum of agreement under subsection  
12 (1) of this section is not signed by June 30, 2005, chapter 1, Laws of  
13 2003 2nd sp. sess. is null and void.

14 (c)(i) ~~((The department shall make a determination regarding the  
15 date final assembly of a superefficient airplane begins in Washington  
16 state.))~~ The rate(~~s~~) in RCW 82.04.260(11)(a)(ii) ~~((and (b)(ii))  
17 takes effect ((the first day of the month such assembly begins, or)  
18 July 1, 2007, ((whichever is later. The department shall provide  
19 notice of the effective date of such rates to affected taxpayers, the  
20 legislature, and others as deemed appropriate by the department))).~~

21 (ii) If on December 31, 2007, final assembly of a superefficient  
22 airplane has not begun in Washington state, the department shall  
23 provide notice of such to affected taxpayers, the legislature, and  
24 others as deemed appropriate by the department.

25 (2) The definitions in this subsection apply throughout this  
26 section.

27 (a) "Commercial airplane" has its ordinary meaning, which is an  
28 airplane certified by the federal aviation administration for  
29 transporting persons or property, and any military derivative of such  
30 an airplane.

31 (b) "Component" means a part or system certified by the federal  
32 aviation administration for installation or assembly into a commercial  
33 airplane.

34 (c) "Final assembly of a superefficient airplane" means the  
35 activity of assembling an airplane from components parts necessary for  
36 its mechanical operation such that the finished commercial airplane is  
37 ready to deliver to the ultimate consumer.

1 (d) "Significant commercial airplane final assembly facility" means  
2 a location with the capacity to produce at least thirty-six  
3 superefficient airplanes a year.

4 (e) "Siting" means a final decision by a manufacturer to locate a  
5 significant commercial airplane final assembly facility in Washington  
6 state.

7 (f) "Superefficient airplane" means a twin aisle airplane that  
8 carries between two hundred and three hundred fifty passengers, with a  
9 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. 13.** RCW 82.32.590 and 2006 c 354 s 17, 2006 c 300 s 10, 2006  
13 c 177 s 8, 2006 c 112 s 7, and 2006 c 84 s 7 are each reenacted and  
14 amended to read as follows:

15 (1) If the department finds that the failure of a taxpayer to file  
16 an annual survey or annual report under RCW 82.04.4452, 82.32.5351,  
17 82.32.650, (~~(82.32.635, 82.32.640)~~) 82.32.630, 82.32.610, or 82.74.040  
18 by the due date was the result of circumstances beyond the control of  
19 the taxpayer, the department shall extend the time for filing the  
20 survey or report. Such extension shall be for a period of thirty days  
21 from the date the department issues its written notification to the  
22 taxpayer that it qualifies for an extension under this section. The  
23 department may grant additional extensions as it deems proper.

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

30 **Sec. 14.** RCW 82.32.600 and 2007 c 54 s 23 and 2007 c 54 s 22 are  
31 each reenacted and amended to read as follows:

32 (1) Persons required to file annual surveys or annual reports under  
33 RCW 82.04.4452 (~~(or)~~), 82.32.5351, 82.32.545, 82.32.610, 82.32.630,  
34 (~~(82.32.635, 82.32.640)~~) or 82.74.040 must electronically file with  
35 the department all surveys, reports, returns, and any other forms or

1 information the department requires in an electronic format as provided  
2 or approved by the department. As used in this section, "returns" has  
3 the same meaning as "return" in RCW 82.32.050.

4 (2) Any survey, report, return, or any other form or information  
5 required to be filed in an electronic format under subsection (1) of  
6 this section is not filed until received by the department in an  
7 electronic format.

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

10 NEW SECTION. **Sec. 15.** A new section is added to chapter 82.04 RCW  
11 to read as follows:

12 (1) Except as provided in subsection (2) of this section, for  
13 purposes of the taxes imposed under this chapter on the sale of parts  
14 to the manufacturer of a commercial airplane, the sale is deemed to  
15 take place at the site of the final testing or inspection as required  
16 by:

17 (a) An approved production inspection system under federal aviation  
18 regulation part 21, subpart F; or

19 (b) A quality control system for which a production certificate has  
20 been issued under federal aviation regulation part 21, subpart G.

21 (2) This section does not apply to:

22 (a) Sales of the types of parts listed in federal aviation  
23 regulation part 21, section 303(b)(2) through (4) or parts for which  
24 certification or approval under federal aviation regulation part 21 is  
25 not required; or

26 (b) Sales of parts in respect to which final testing or inspection  
27 as required by the approved production inspection system or quality  
28 control system takes place in this state.

29 (3) "Commercial airplane" has the same meaning given in RCW  
30 82.32.550.

31 NEW SECTION. **Sec. 16.** The following acts or parts of acts are  
32 each repealed:

33 (1) RCW 82.04.4487 (Credit--Commercial aircraft--Qualified  
34 preproduction development expenditures) and 2006 c 177 s 3;

35 (2) RCW 82.08.981 (Exemptions--Development, design, and engineering  
36 of commercial airplanes) and 2006 c 177 s 1;

1 (3) RCW 82.12.981 (Exemptions--Development, design, and engineering  
2 of commercial airplanes) and 2006 c 177 s 2;

3 (4) RCW 82.32.635 (Annual survey for tax incentive under RCW  
4 82.04.4487) and 2006 c 177 s 4; and

5 (5) RCW 82.32.640 (Annual survey for tax incentive under RCW  
6 82.04.250(3)) and 2006 c 177 s 6.

7 NEW SECTION. **Sec. 17.** This act does not affect any existing right  
8 acquired or liability or obligation incurred under the sections amended  
9 or repealed in this act or under any rule or order adopted under those  
10 sections, nor does it affect any proceeding instituted under those  
11 sections.

12 NEW SECTION. **Sec. 18.** This act takes effect July 1, 2008.

13 NEW SECTION. **Sec. 19.** Section 5 of this act expires July 1, 2011.

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