

---

SENATE BILL 5641

---

State of Washington

62nd Legislature

2011 Regular Session

By Senator Shin

Read first time 02/02/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to tax incentives for certain segments of the  
2 aerospace industry; amending RCW 82.04.260, 82.04.4461, 82.04.4463, and  
3 82.08.975; providing an effective date; and declaring an emergency.

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

5 **Sec. 1.** RCW 82.04.260 and 2011 c 2 s 203 (Initiative Measure No.  
6 1107) are each amended to read as follows:

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

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

15 (b) Beginning July 1, 2012, seafood products that remain in a raw,  
16 raw frozen, or raw salted state at the completion of the manufacturing  
17 by that person; or selling manufactured seafood products that remain in  
18 a raw, raw frozen, or raw salted state at the completion of the  
19 manufacturing, to purchasers who transport in the ordinary course of

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

8 (c) Beginning July 1, 2012, dairy products that as of September 20,  
9 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,  
10 including by-products from the manufacturing of the dairy products such  
11 as whey and casein; or selling the same to purchasers who transport in  
12 the ordinary course of business the goods out of state; as to such  
13 persons the tax imposed is equal to the value of the products  
14 manufactured or the gross proceeds derived from such sales multiplied  
15 by the rate of 0.138 percent. Sellers must keep and preserve records  
16 for the period required by RCW 82.32.070 establishing that the goods  
17 were transported by the purchaser in the ordinary course of business  
18 out of this state;

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

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

36 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
37 persons the amount of tax with respect to the business is equal to the

1 value of wood biomass fuel manufactured, multiplied by the rate of  
2 0.138 percent.

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

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

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

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

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

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

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

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

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

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

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

1 such activities is equal to the gross income of the business multiplied  
2 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent  
3 thereafter.

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

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

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

26 ~~((e))~~ (ii) Beginning July 1, 2012, upon every person who is not  
27 eligible to report under the provisions of (a) of this subsection (11)  
28 and is engaging within this state in the business of manufacturing  
29 tooling specifically designed for use in manufacturing unmanned aerial  
30 vehicles or components of unmanned aerial vehicles, or making sales, at  
31 retail or wholesale, of such tooling manufactured by the seller, as to  
32 such persons the amount of tax with respect to such business is, in the  
33 case of manufacturers, equal to the value of the product manufactured  
34 and the gross proceeds of sales of the product manufactured, or in the  
35 case of processors for hire, equal to the gross income of the business,  
36 multiplied by the rate of 0.2904 percent.

37 (c) Beginning July 1, 2012, upon every person engaging within this  
38 state in the business of manufacturing unmanned aerial vehicles or

1 components of unmanned aerial vehicles, or making sales, at retail or  
2 wholesale, of unmanned aerial vehicles or components of unmanned aerial  
3 vehicles manufactured by the seller, as to such persons the amount of  
4 tax with respect to such business is, in the case of manufacturers,  
5 equal to the value of the product manufactured and the gross proceeds  
6 of sales of the product manufactured, or in the case of processors for  
7 hire, equal to the gross income of the business, multiplied by the rate  
8 of 0.2904 percent.

9 (d) For the purposes of this subsection (11), the following  
10 definitions apply:

11 (i) "Commercial airplane" (~~(and "component" have)~~) has the same  
12 meaning(~~(s)~~) as provided in RCW 82.32.550.

13 (~~(d)~~) (ii) "Component" has the same meaning as provided in RCW  
14 82.32.550 when used with respect to commercial airplanes.

15 (iii) "Components of unmanned aerial vehicles" means any tangible  
16 personal property that is attached to and becomes an integral part of  
17 the unmanned aerial vehicle. The term includes such items as engines,  
18 engine and body parts, batteries, paint, and tires.

19 (iv) "Unmanned aerial vehicle" means a reusable, uncrewed vehicle  
20 capable of controlled, sustained, level flight and powered by a jet or  
21 reciprocating engine.

22 (e) In addition to all other requirements under this title, a  
23 person reporting under the tax rate provided in this subsection (11)  
24 must file a complete annual report with the department under RCW  
25 82.32.534.

26 (~~(e)~~) (f) This subsection (11) does not apply on and after July  
27 1, 2024.

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

36 (b) Until July 1, 2024, upon every person engaging within this  
37 state in the business of manufacturing or processing for hire: (i)  
38 Timber into timber products or wood products; or (ii) timber products

1 into other timber products or wood products; as to such persons the  
2 amount of the tax with respect to the business is, in the case of  
3 manufacturers, equal to the value of products, including by-products,  
4 manufactured, or in the case of processors for hire, equal to the gross  
5 income of the business, multiplied by the rate of 0.4235 percent from  
6 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
7 2007, through June 30, 2024.

8 (c) Until July 1, 2024, upon every person engaging within this  
9 state in the business of selling at wholesale: (i) Timber extracted by  
10 that person; (ii) timber products manufactured by that person from  
11 timber or other timber products; or (iii) wood products manufactured by  
12 that person from timber or timber products; as to such persons the  
13 amount of the tax with respect to the business is equal to the gross  
14 proceeds of sales of the timber, timber products, or wood products  
15 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
16 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
17 2024.

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

28 (e) For purposes of this subsection, the following definitions  
29 apply:

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

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

1 fiber containers including linerboard and corrugated medium; and  
2 related types of cellulosic products containing primarily, by weight or  
3 volume, cellulosic materials. "Paper and paper products" does not  
4 include books, newspapers, magazines, periodicals, and other printed  
5 publications, advertising materials, calendars, and similar types of  
6 printed materials.

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

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

16 (v) "Timber products" means:

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

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

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

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

28 (f) Except for small harvesters as defined in RCW 84.33.035, a  
29 person reporting under the tax rate provided in this subsection (12)  
30 must file a complete annual survey with the department under RCW  
31 82.32.585.

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

37 (14)(a) Upon every person engaging within this state in the



1 business of printing a newspaper, publishing a newspaper, or both, the  
2 amount of tax on such business is equal to the gross income of the  
3 business multiplied by the rate of 0.2904 percent.

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

7 **Sec. 2.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to  
8 read as follows:

9 (1)~~((a)(i))~~ In computing the tax imposed under this chapter, a  
10 credit is allowed for each person for qualified aerospace product  
11 development. ~~((For a person who is a manufacturer or processor for  
12 hire of commercial airplanes or components of such airplanes,))~~ The  
13 credit is equal to the amount of qualified aerospace product  
14 development expenditures of a person, multiplied by the rate of 1.5  
15 percent.

16 (2)(a)(i) Credit may be earned for expenditures occurring after  
17 December 1, 2003, and related to the development of commercial  
18 airplanes or components of such airplanes by manufacturers or  
19 processors for hire. ((For all other persons,))

20 (ii) Credit may be earned ((only)) for expenditures occurring after  
21 June 30, 2008, related to the development of any or all of the  
22 following aerospace products:

23 (A) Commercial airplanes or components of such airplanes by persons  
24 not eligible for the credit under (a)(i) of this subsection (2);

25 (B) Tooling specifically designed for use in manufacturing  
26 commercial airplanes or their components; and

27 (C) Machinery and equipment that is designed for use, by federal  
28 aviation regulation part 145 certificated repair stations, primarily  
29 for the maintenance, repair, overhaul, or refurbishing of commercial  
30 airplanes or their components.

31 (iii) Credit may be earned for expenditures occurring after July 1,  
32 2011, related to the development of any or all of the following  
33 aerospace products:

34 (A) Unmanned aerial vehicles or components of unmanned aerial  
35 vehicles;

36 (B) Tooling specifically designed for use in manufacturing unmanned  
37 aerial vehicles or components of unmanned aerial vehicles; and

1        (C) Machinery and equipment that is designed for use, by federal  
2 aviation regulation part 145 certificated repair stations, primarily  
3 for the maintenance, repair, overhaul, or refurbishing of unmanned  
4 aerial vehicles or components of unmanned aerial vehicles.

5        ~~((+ii))~~ (b) For purposes of this subsection, the following  
6 definitions apply:

7        (i) "Commercial airplane" ~~((and "component" have))~~ has the same  
8 meaning~~((s))~~ as provided in RCW 82.32.550.

9        ~~((+b))~~ (ii) "Component" has the same meaning as provided in RCW  
10 82.32.550 when used with respect to commercial airplanes.

11        (iii) "Unmanned aerial vehicle" and "components of unmanned aerial  
12 vehicles" have the same meanings as in RCW 82.04.260.

13        (3) Before July 1, 2005, any credits earned under this section must  
14 be accrued and carried forward and may not be used until July 1, 2005.  
15 These carryover credits may be used at any time thereafter, and may be  
16 carried over until used. Refunds may not be granted in the place of a  
17 credit.

18        ~~((+2) The credit is equal to the amount of qualified aerospace~~  
19 ~~product development expenditures of a person, multiplied by the rate of~~  
20 ~~1.5 percent.~~

21        ~~(+3))~~ (4) Except as provided in subsection ~~((+1)(b))~~ (3) of this  
22 section the credit must be claimed against taxes due for the same  
23 calendar year in which the qualified aerospace product development  
24 expenditures are incurred. Credit earned on or after July 1, 2005, may  
25 not be carried over. The credit for each calendar year may not exceed  
26 the amount of tax otherwise due under this chapter for the calendar  
27 year. Refunds may not be granted in the place of a credit.

28        ~~((+4))~~ (5) Any person claiming the credit must file a form  
29 prescribed by the department that must include the amount of the credit  
30 claimed, an estimate of the anticipated aerospace product development  
31 expenditures during the calendar year for which the credit is claimed,  
32 an estimate of the taxable amount during the calendar year for which  
33 the credit is claimed, and such additional information as the  
34 department may prescribe.

35        ~~((+5))~~ (6) The definitions in this subsection apply throughout  
36 this section.

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

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

17 (c) "Qualified aerospace product development" means aerospace  
18 product development performed within this state.

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

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

34 ((+6)) (7) In addition to all other requirements under this title,  
35 a person claiming the credit under this section must file a complete  
36 annual report with the department under RCW 82.32.534.

37 ((+7)) (8) Credit may not be claimed for expenditures for which a  
38 credit is claimed under RCW 82.04.4452.

1           ~~((+8))~~ (9) This section expires July 1, 2024.

2           **Sec. 3.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each  
3 amended to read as follows:

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

7           (2) The credit is equal to:

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

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

16           (C) Property taxes or leasehold excise taxes paid on, or with  
17 respect to, buildings constructed after June 30, 2008, the land upon  
18 which the buildings are located, or both, and used exclusively for  
19 aerospace product development of aerospace products described in RCW  
20 82.04.4461(2)(a) (i) or (ii), manufacturing tooling specifically  
21 designed for use in manufacturing commercial airplanes or their  
22 components, or in providing aerospace services in respect to commercial  
23 airplanes or their components, by persons not within the scope of  
24 (a)(i)(A) and (B) of this subsection (2) and are taxable under RCW  
25 82.04.290(3), 82.04.260~~((+10))~~ (11)(b)(i), or 82.04.250(3); ~~((or))~~ and

26           (D) Property taxes or leasehold excise taxes paid on, or with  
27 respect to, buildings constructed after June 30, 2011, the land upon  
28 which the buildings are located, or both, and used exclusively for  
29 aerospace product development of aerospace products described in RCW  
30 82.04.4461(2)(a)(iii), manufacturing unmanned aerial vehicles or  
31 components of unmanned aerial vehicles, or in providing aerospace  
32 services in respect to unmanned aerial vehicles or components of  
33 unmanned aerial vehicles, by persons not within the scope of (a)(i)(A),  
34 (B), and (C) of this subsection (2) and are taxable under RCW  
35 82.04.290(3), 82.04.260(11) (b)(ii) or (c), or 82.04.250(3);

36           (ii) Property taxes attributable to an increase in assessed value  
37 due to the renovation or expansion, after:

1 (A) December 1, 2003, of ~~((a))~~ buildings used exclusively in  
2 manufacturing commercial airplanes or components of such airplanes;  
3 ~~((and))~~

4 (B) June 30, 2008, of buildings used exclusively for aerospace  
5 product development of aerospace products described in RCW  
6 82.04.4461(2)(a)(ii), manufacturing tooling specifically designed for  
7 use in manufacturing commercial airplanes or their components, or in  
8 providing aerospace services in respect to commercial airplanes or  
9 their components, by persons not within the scope of (a)(ii)(A) of this  
10 subsection (2) and are taxable under RCW 82.04.290(3),  
11 82.04.260(~~((+10))~~) (11)(b)(i), or 82.04.250(3); and

12 (C) June 30, 2011, of buildings used exclusively for aerospace  
13 product development of aerospace products described in RCW  
14 82.04.4461(2)(a)(iii), manufacturing unmanned aerial vehicles or  
15 components of unmanned aerial vehicles, or in providing aerospace  
16 services in respect to unmanned aerial vehicles or components of  
17 unmanned aerial vehicles, by persons not within the scope of (a)(ii)(A)  
18 and (B) of this subsection (2) and are taxable under RCW 82.04.290(3),  
19 82.04.260(11) (b)(ii) or (c), or 82.04.250(3); and

20 (b) An amount equal to:

21 (i)(A) Property taxes paid, by persons taxable under RCW  
22 82.04.260(~~((+10))~~) (11)(a), on machinery and equipment exempt under RCW  
23 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

24 (B) Property taxes paid, by persons taxable under RCW  
25 82.04.260(~~((+10))~~) (11)(b)(i), on machinery and equipment exempt under  
26 RCW 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; ~~((or))~~

27 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)  
28 or 82.04.290(3), on computer hardware, computer peripherals, and  
29 software exempt under RCW 82.08.975 or 82.12.975 ~~((and))~~,  
30 after June 30, 2008, and used in providing aerospace services or  
31 aerospace product development related to any or all of the aerospace  
32 products described in RCW 82.04.4461(2)(a) (i) or (ii);

33 (D) Property taxes paid, by persons taxable under RCW 82.04.260(11)  
34 (b)(ii) or (c), on machinery and equipment exempt under RCW 82.08.02565  
35 or 82.12.02565 and acquired after June 30, 2011; or

36 (E) Property taxes paid, by persons taxable under RCW 82.04.250(3)  
37 or 82.04.290(3), on computer hardware, computer peripherals, and  
38 software exempt under RCW 82.08.975 or 82.12.975, acquired after June

1 30, 2011, and used in providing aerospace services or aerospace product  
2 development related to any or all of the aerospace products described  
3 in RCW 82.04.4461(2)(a)(iii).

4 (ii) For purposes of determining the amount eligible for credit  
5 under (i)(A) (~~(and)~~), (B), and (D) of this subsection (2)(b), the  
6 amount of property taxes paid is multiplied by a fraction.

7 (A) The numerator of the fraction is the total taxable amount  
8 subject to the tax imposed under RCW 82.04.260(~~(+10)~~) (11) (a) (~~(or)~~),  
9 (b), or (c) on the applicable business activities of manufacturing  
10 commercial airplanes, components of such airplanes, unmanned aerial  
11 vehicles, components of unmanned aerial vehicles, or tooling  
12 specifically designed for use in the manufacturing of commercial  
13 airplanes (~~(or)~~), components of such airplanes, unmanned aerial  
14 vehicles, components of unmanned aerial vehicles.

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

18 (C) For purposes of both the numerator and denominator of the  
19 fraction, the total taxable amount refers to the total taxable amount  
20 required to be reported on the person's returns for the calendar year  
21 before the calendar year in which the credit under this section is  
22 earned. The department may provide for an alternative method for  
23 calculating the numerator in cases where the tax rate provided in RCW  
24 82.04.260(~~(+10)~~) (11) for manufacturing was not in effect during the  
25 full calendar year before the calendar year in which the credit under  
26 this section is earned.

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

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

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

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

1 (b) "Aerospace services" has the same meaning given in RCW  
2 82.08.975.

3 (c) "Commercial airplane" (~~and "component" have~~) has the same  
4 meaning(~~s~~) as provided in RCW 82.32.550.

5 (d) "Component" has the same meaning as provided in RCW 82.32.550  
6 when used with respect to commercial airplanes.

7 (e) "Unmanned aerial vehicles" and "components of unmanned aerial  
8 vehicles" have the same meanings as in RCW 82.04.260.

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

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

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

17 **Sec. 4.** RCW 82.08.975 and 2008 c 81 s 2 are each amended to read  
18 as follows:

19 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to  
20 sales of computer hardware, computer peripherals, or software, not  
21 otherwise eligible for exemption under RCW 82.08.02565, used primarily  
22 in the development, design, and engineering of aerospace products or in  
23 providing aerospace services, or to sales of or charges made for labor  
24 and services rendered in respect to installing the computer hardware,  
25 computer peripherals, or software.

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

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

31 (a) "Aerospace products" means:

32 (i) Commercial airplanes and their components;

33 (ii) Unmanned aerial vehicles and components of unmanned aerial  
34 vehicles;

35 (iii) Machinery and equipment that is designed and used primarily  
36 for the maintenance, repair, overhaul, or refurbishing of commercial

1 airplanes or their components or unmanned aerial vehicles or components  
2 of unmanned aerial vehicles, by federal aviation regulation part 145  
3 certificated repair stations; and

4 ~~((iii))~~ (iv) Tooling specifically designed for use in  
5 manufacturing commercial airplanes or their components or unmanned  
6 aerial vehicles or components of unmanned aerial vehicles.

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

12 (c) "Commercial airplane" ~~((and "component" have))~~ has the same  
13 meaning(~~s~~) provided in RCW 82.32.550.

14 (d) "Component" has the same meaning as provided in RCW 82.32.550  
15 when used with respect to commercial airplanes.

16 (e) "Peripherals" includes keyboards, monitors, mouse devices, and  
17 other accessories that operate outside of the computer, excluding  
18 cables, conduit, wiring, and other similar property.

19 (f) "Unmanned aerial vehicles" and "components of unmanned aerial  
20 vehicles" have the same meanings provided in RCW 82.04.260.

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

22 NEW SECTION. **Sec. 5.** This act is necessary for the immediate  
23 preservation of the public peace, health, or safety, or support of the  
24 state government and its existing public institutions, and takes effect  
25 July 1, 2011.

--- END ---