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SENATE BILL 5952

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State of Washington                      63rd Legislature                      2013 3rd Special Session

By Senators Hill, Fain, Ericksen, Tom, Fraser, Eide, King, Hatfield, Hobbs, Bailey, Schoesler, Brown, Baumgartner, Litzow, Sheldon, O'Ban, Padden, Pearson, Mullet, Parlette, Benton, Roach, and Ranker; by request of Governor Inslee

Read first time 11/08/13. Referred to Committee on Ways & Means.

1            AN ACT Relating to incentivizing a long-term commitment to maintain  
2 and grow jobs in the aerospace industry in Washington state by  
3 extending the expiration date of aerospace tax preferences and  
4 expanding the sales and use tax exemption for the construction of new  
5 facilities used to manufacture superefficient airplanes to include the  
6 construction of new facilities used to manufacture commercial airplanes  
7 or the wings or fuselage of commercial airplanes; amending RCW  
8 82.08.980, 82.12.980, 82.04.260, 82.04.260, 82.04.250, 82.04.290,  
9 82.04.4461, 82.04.4463, 82.08.975, 82.12.975, 82.29A.137, and  
10 84.36.655; adding a new section to chapter 82.32 RCW; creating a new  
11 section; providing a contingent effective date; providing an effective  
12 date; and providing expiration dates.

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

14            NEW SECTION.    **Sec. 1.** (1) The legislature finds that the people of  
15 Washington have benefited enormously from the presence of the aerospace  
16 industry in Washington state. The legislature further finds that the  
17 industry continues to provide good wages and benefits for the thousands  
18 of engineers, mechanics, and support staff working directly in the  
19 industry throughout the state. The legislature further finds that

1 suppliers and vendors that support the aerospace industry in turn  
2 provide a range of well-paying jobs. In 2003, and again in 2006, and  
3 2007, the legislature determined it was in the public interest to  
4 encourage the continued presence of the aerospace industry through the  
5 provision of tax incentives. To this end, and in recognition of the  
6 continuing extreme importance of the aerospace industry in Washington,  
7 it is the legislature's intent to reaffirm and build upon prior  
8 aerospace tax incentive legislation in a fiscally prudent manner.

9 (2) The legislature categorizes the tax preferences extended in  
10 this act as intended to create or retain jobs, as indicated in RCW  
11 82.32.808(2)(c).

12 (3) It is the legislature's specific public policy objective to  
13 maintain and grow Washington's aerospace industry workforce. To help  
14 achieve this public policy objective, it is the legislature's intent to  
15 conditionally extend aerospace industry tax preferences until July 1,  
16 2040, in recognition of intent by the state's aerospace industry sector  
17 to maintain and grow its workforce within the state.

18 (4) The joint legislative audit and review committee must review  
19 the tax preferences provided in this act and report to the legislature  
20 by December 1, 2019, and every five years thereafter. As part of its  
21 tax preference reviews, the committee must specifically assess changes  
22 in aerospace industry employment in Washington in comparison with other  
23 states and internationally. To the extent practicable, the committee  
24 must use occupational data statistics provided by the bureau of labor  
25 statistics and state agencies responsible for administering  
26 unemployment insurance to perform this assessment.

27 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.32 RCW  
28 to read as follows:

29 (1) Chapter ..., Laws of 2013 3rd sp. sess. (this act) takes effect  
30 contingent upon the siting of a significant commercial airplane  
31 manufacturing program in the state of Washington. If a significant  
32 commercial airplane manufacturing program is not sited in the state of  
33 Washington by June 30, 2017, chapter ..., Laws of 2013 3rd sp. sess.  
34 (this act) does not take effect.

35 (2) The definitions in this subsection apply throughout this  
36 section unless the context clearly requires otherwise.

1 (a) "Commercial airplane" has the same meaning provided in RCW  
2 82.32.550.

3 (b) "New model, or new version of an existing model, of a  
4 commercial airplane" means a commercial airplane constructed with a  
5 carbon fiber composite fuselage or carbon fiber composite wings or  
6 both.

7 (c) "Significant commercial airplane manufacturing program" means  
8 the commencement of manufacturing of the following products at a new or  
9 existing location within Washington state on or after the effective  
10 date of this section:

11 (i) The new model, or new version of an existing model, of a  
12 commercial airplane; and

13 (ii) Fuselages and wings of a new model, or new version of an  
14 existing model, of a commercial airplane.

15 (d) "Siting" means a final decision by a manufacturer to locate a  
16 significant commercial airplane program in Washington state.

17 (3) The department must make a determination regarding whether the  
18 contingency in subsection (1) of this section occurs and must provide  
19 written notice of the date on which such contingency occurs and chapter  
20 ..., Laws of 2013 3rd sp. sess. (this act) takes effect. If the  
21 department determines that the contingency in subsection (1) of this  
22 section has not occurred by June 30, 2017, the department must provide  
23 written notice stating that chapter ..., Laws of 2013 3rd sp. sess.  
24 (this act) does not take effect. Written notice under this subsection  
25 (3) must be provided to affected parties, the chief clerk of the house  
26 of representatives, the secretary of the senate, the office of the code  
27 reviser, and others as deemed appropriate by the department.

28 **Sec. 3.** RCW 82.08.980 and 2010 c 114 s 126 are each amended to  
29 read as follows:

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

31 (a) Charges ((made)), for labor and services rendered in respect to  
32 the constructing of new buildings ((by a manufacturer engaged in the  
33 manufacturing of superefficient airplanes or by a port district, to be  
34 leased to a manufacturer engaged in the manufacturing of superefficient  
35 airplanes, to)), made to (i) a manufacturer engaged in the  
36 manufacturing of commercial airplanes or the fuselages or wings of  
37 commercial airplanes or (ii) a port district, political subdivision, or

1 municipal corporation, to be leased to a manufacturer engaged in the  
2 manufacturing of commercial airplanes or the fuselages or wings of  
3 commercial airplanes;

4 (b) Sales of tangible personal property that will be incorporated  
5 as an ingredient or component of such buildings during the course of  
6 the constructing(~~(, or to)~~); or

7 (c) Charges made for labor and services rendered in respect to  
8 installing, during the course of constructing such buildings, building  
9 fixtures not otherwise eligible for the exemption under RCW  
10 82.08.02565(2)(b).

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

15 ~~((+2))~~ (3) No application is necessary for the tax exemption in  
16 this section(~~(7)~~). However, in order to qualify under this section  
17 before starting construction, the port district, political subdivision,  
18 or municipal corporation must have entered into an agreement with the  
19 manufacturer to build such a facility. A person claiming the exemption  
20 under this section is subject to all the requirements of chapter 82.32  
21 RCW. In addition, the person must file a complete annual report with  
22 the department under RCW 82.32.534.

23 ~~((+3))~~ (4) The exemption in this section applies to buildings(~~(7)~~)  
24 or parts of buildings, including buildings or parts of buildings used  
25 for the storage of raw materials or finished product, that are used  
26 ~~((exclusively))~~ primarily in the manufacturing of ~~((superefficient~~  
27 ~~airplanes, including buildings used for the storage of raw materials~~  
28 ~~and finished product~~)) any one or more of the following products:

29 (a) Commercial airplanes;

30 (b) Fuselages of commercial airplanes; or

31 (c) Wings of commercial airplanes.

32 ~~((+4))~~ (5) For the purposes of this section, "~~((superefficient))~~  
33 commercial airplane" has the meaning given in RCW 82.32.550.

34 ~~((+5))~~ (6) This section expires July 1, ~~((2024))~~ 2040.

35 **Sec. 4.** RCW 82.12.980 and 2010 c 114 s 132 are each amended to  
36 read as follows:

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

3 (a) Tangible personal property that will be incorporated as an  
4 ingredient or component ((of new buildings by a manufacturer engaged in  
5 the manufacturing of superefficient airplanes or owned by a port  
6 district and to be leased to a manufacturer engaged in the  
7 manufacturing of superefficient airplanes, during the course of  
8 constructing such buildings, or to)) in constructing new buildings for  
9 (i) a manufacturer engaged in the manufacturing of commercial airplanes  
10 or the fuselages or wings of commercial airplanes or (ii) a port  
11 district, political subdivision, or municipal corporation, to be leased  
12 to a manufacturer engaged in the manufacturing of commercial airplanes  
13 or the fuselages or wings of commercial airplanes; or

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

17 (2) The eligibility requirements, conditions, and definitions in  
18 RCW 82.08.980 apply to this section, including the filing of a complete  
19 annual report with the department under RCW 82.32.534.

20 (3) This section expires July 1, ((2024)) 2040.

21 **Sec. 5.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 202 are each  
22 amended to read as follows:

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

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

31 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
32 raw frozen, or raw salted state at the completion of the manufacturing  
33 by that person; or selling manufactured seafood products that remain in  
34 a raw, raw frozen, or raw salted state at the completion of the  
35 manufacturing, to purchasers who transport in the ordinary course of  
36 business the goods out of this state; as to such persons the amount of  
37 tax with respect to such business is equal to the value of the products

1 manufactured or the gross proceeds derived from such sales, multiplied  
2 by the rate of 0.138 percent. Sellers must keep and preserve records  
3 for the period required by RCW 82.32.070 establishing that the goods  
4 were transported by the purchaser in the ordinary course of business  
5 out of this state;

6 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
7 products that the person has manufactured to purchasers who either  
8 transport in the ordinary course of business the goods out of state or  
9 purchasers who use such dairy products as an ingredient or component in  
10 the manufacturing of a dairy product; as to such persons the tax  
11 imposed is equal to the value of the products manufactured or the gross  
12 proceeds derived from such sales multiplied by the rate of 0.138  
13 percent. Sellers must keep and preserve records for the period  
14 required by RCW 82.32.070 establishing that the goods were transported  
15 by the purchaser in the ordinary course of business out of this state  
16 or sold to a manufacturer for use as an ingredient or component in the  
17 manufacturing of a dairy product.

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

20 (A) Products that as of September 20, 2001, are identified in 21  
21 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from  
22 the manufacturing of the dairy products, such as whey and casein; and

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

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

31 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
32 preserving, freezing, processing, or dehydrating fresh fruits or  
33 vegetables, or selling at wholesale fruits or vegetables manufactured  
34 by the seller by canning, preserving, freezing, processing, or  
35 dehydrating fresh fruits or vegetables and sold to purchasers who  
36 transport in the ordinary course of business the goods out of this  
37 state; as to such persons the amount of tax with respect to such  
38 business is equal to the value of the products manufactured or the

1 gross proceeds derived from such sales multiplied by the rate of 0.138  
2 percent. Sellers must keep and preserve records for the period  
3 required by RCW 82.32.070 establishing that the goods were transported  
4 by the purchaser in the ordinary course of business out of this state;

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

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

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

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

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

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

33 (6) Upon every person engaging within this state in business as an  
34 international steamship agent, international customs house broker,  
35 international freight forwarder, vessel and/or cargo charter broker in  
36 foreign commerce, and/or international air cargo agent; as to such  
37 persons the amount of the tax with respect to only international

1 activities is equal to the gross income derived from such activities  
2 multiplied by the rate of 0.275 percent.

3 (7) Upon every person engaging within this state in the business of  
4 stevedoring and associated activities pertinent to the movement of  
5 goods and commodities in waterborne interstate or foreign commerce; as  
6 to such persons the amount of tax with respect to such business is  
7 equal to the gross proceeds derived from such activities multiplied by  
8 the rate of 0.275 percent. Persons subject to taxation under this  
9 subsection are exempt from payment of taxes imposed by chapter 82.16  
10 RCW for that portion of their business subject to taxation under this  
11 subsection. Stevedoring and associated activities pertinent to the  
12 conduct of goods and commodities in waterborne interstate or foreign  
13 commerce are defined as all activities of a labor, service or  
14 transportation nature whereby cargo may be loaded or unloaded to or  
15 from vessels or barges, passing over, onto or under a wharf, pier, or  
16 similar structure; cargo may be moved to a warehouse or similar holding  
17 or storage yard or area to await further movement in import or export  
18 or may move to a consolidation freight station and be stuffed,  
19 unstuffed, containerized, separated or otherwise segregated or  
20 aggregated for delivery or loaded on any mode of transportation for  
21 delivery to its consignee. Specific activities included in this  
22 definition are: Wharfage, handling, loading, unloading, moving of  
23 cargo to a convenient place of delivery to the consignee or a  
24 convenient place for further movement to export mode; documentation  
25 services in connection with the receipt, delivery, checking, care,  
26 custody and control of cargo required in the transfer of cargo;  
27 imported automobile handling prior to delivery to consignee; terminal  
28 stevedoring and incidental vessel services, including but not limited  
29 to plugging and unplugging refrigerator service to containers,  
30 trailers, and other refrigerated cargo receptacles, and securing ship  
31 hatch covers.

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

37 If the gross income of the taxpayer is attributable to activities



1 both within and without this state, the gross income attributable to  
2 this state must be determined in accordance with the methods of  
3 apportionment required under RCW 82.04.460.

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

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

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

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

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

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

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

3 (d) In addition to all other requirements under this title, a  
4 person reporting under the tax rate provided in this subsection (11)  
5 must file a complete annual report with the department under RCW  
6 82.32.534.

7 (e)(i) Except as provided in (e)(ii) of this subsection (11), this  
8 subsection (11) does not apply on and after July 1, ((2024)) 2040.

9 (ii) With respect to the manufacturing of commercial airplanes or  
10 making sales, at retail or wholesale, of commercial airplanes, this  
11 subsection (11) does not apply on and after July 1st of the year in  
12 which the department makes a determination that the final assembly,  
13 wing assembly, or wing fabrication of any version or variant of a  
14 commercial airplane that is the basis of a siting of a significant  
15 commercial airplane manufacturing program in the state under section 2  
16 of this act has moved outside the state of Washington. This subsection  
17 (11)(e)(ii) only applies to the manufacturing or sale of commercial  
18 airplanes that are the basis of a siting of a significant commercial  
19 airplane manufacturing program in the state under section 2 of this  
20 act.

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

29 (b) Until July 1, 2024, upon every person engaging within this  
30 state in the business of manufacturing or processing for hire: (i)  
31 Timber into timber products or wood products; or (ii) timber products  
32 into other timber products or wood products; as to such persons the  
33 amount of the tax with respect to the business is, in the case of  
34 manufacturers, equal to the value of products, including by-products,  
35 manufactured, or in the case of processors for hire, equal to the gross  
36 income of the business, multiplied by the rate of 0.4235 percent from  
37 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
38 2007, through June 30, 2024.

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

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

21 (e) For purposes of this subsection, the following definitions  
22 apply:

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

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

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

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

10 (v) "Timber products" means:

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

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

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

18 (vi) "Wood products" means paper and paper products; dimensional  
19 lumber; engineered wood products such as particleboard, oriented strand  
20 board, medium density fiberboard, and plywood; wood doors; wood  
21 windows; and biocomposite surface products.

22 (f) Except for small harvesters as defined in RCW 84.33.035, a  
23 person reporting under the tax rate provided in this subsection (12)  
24 must file a complete annual survey with the department under RCW  
25 82.32.585.

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

31 (14)(a) Upon every person engaging within this state in the  
32 business of printing a newspaper, publishing a newspaper, or both, the  
33 amount of tax on such business is equal to the gross income of the  
34 business multiplied by the rate of 0.365 percent through June 30, 2013,  
35 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

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

1           **Sec. 6.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 203 are each  
2 amended to read as follows:

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

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

11           (b) Beginning July 1, 2015, seafood products that remain in a raw,  
12 raw frozen, or raw salted state at the completion of the manufacturing  
13 by that person; or selling manufactured seafood products that remain in  
14 a raw, raw frozen, or raw salted state at the completion of the  
15 manufacturing, to purchasers who transport in the ordinary course of  
16 business the goods out of this state; as to such persons the amount of  
17 tax with respect to such business is equal to the value of the products  
18 manufactured or the gross proceeds derived from such sales, multiplied  
19 by the rate of 0.138 percent. Sellers must keep and preserve records  
20 for the period required by RCW 82.32.070 establishing that the goods  
21 were transported by the purchaser in the ordinary course of business  
22 out of this state;

23           (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
24 products that the person has manufactured to purchasers who either  
25 transport in the ordinary course of business the goods out of state or  
26 purchasers who use such dairy products as an ingredient or component in  
27 the manufacturing of a dairy product; as to such persons the tax  
28 imposed is equal to the value of the products manufactured or the gross  
29 proceeds derived from such sales multiplied by the rate of 0.138  
30 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 or sold to a manufacturer for use as an ingredient or component in the  
34 manufacturing of a dairy product.

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

37           (A) Products that as of September 20, 2001, are identified in 21

1 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from  
2 the manufacturing of the dairy products, such as whey and casein; and

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

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

11 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
12 preserving, freezing, processing, or dehydrating fresh fruits or  
13 vegetables, or selling at wholesale fruits or vegetables manufactured  
14 by the seller by canning, preserving, freezing, processing, or  
15 dehydrating fresh fruits or vegetables and sold to purchasers who  
16 transport in the ordinary course of business the goods out of this  
17 state; as to such persons the amount of tax with respect to such  
18 business is equal to the value of the products manufactured or the  
19 gross proceeds derived from such sales multiplied by the rate of 0.138  
20 percent. Sellers must keep and preserve records for the period  
21 required by RCW 82.32.070 establishing that the goods were transported  
22 by the purchaser in the ordinary course of business out of this state;

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

28 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
29 persons the amount of tax with respect to the business is equal to the  
30 value of wood biomass fuel manufactured, multiplied by the rate of  
31 0.138 percent.

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

36 (3) Upon every nonprofit corporation and nonprofit association  
37 engaging within this state in research and development, as to such

1 corporations and associations, the amount of tax with respect to such  
2 activities is equal to the gross income derived from such activities  
3 multiplied by the rate of 0.484 percent.

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

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

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

21 (7) Upon every person engaging within this state in the business of  
22 stevedoring and associated activities pertinent to the movement of  
23 goods and commodities in waterborne interstate or foreign commerce; as  
24 to such persons the amount of tax with respect to such business is  
25 equal to the gross proceeds derived from such activities multiplied by  
26 the rate of 0.275 percent. Persons subject to taxation under this  
27 subsection are exempt from payment of taxes imposed by chapter 82.16  
28 RCW for that portion of their business subject to taxation under this  
29 subsection. Stevedoring and associated activities pertinent to the  
30 conduct of goods and commodities in waterborne interstate or foreign  
31 commerce are defined as all activities of a labor, service or  
32 transportation nature whereby cargo may be loaded or unloaded to or  
33 from vessels or barges, passing over, onto or under a wharf, pier, or  
34 similar structure; cargo may be moved to a warehouse or similar holding  
35 or storage yard or area to await further movement in import or export  
36 or may move to a consolidation freight station and be stuffed,  
37 unstuffed, containerized, separated or otherwise segregated or  
38 aggregated for delivery or loaded on any mode of transportation for

1 delivery to its consignee. Specific activities included in this  
2 definition are: Wharfage, handling, loading, unloading, moving of  
3 cargo to a convenient place of delivery to the consignee or a  
4 convenient place for further movement to export mode; documentation  
5 services in connection with the receipt, delivery, checking, care,  
6 custody and control of cargo required in the transfer of cargo;  
7 imported automobile handling prior to delivery to consignee; terminal  
8 stevedoring and incidental vessel services, including but not limited  
9 to plugging and unplugging refrigerator service to containers,  
10 trailers, and other refrigerated cargo receptacles, and securing ship  
11 hatch covers.

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

17 If the gross income of the taxpayer is attributable to activities  
18 both within and without this state, the gross income attributable to  
19 this state must be determined in accordance with the methods of  
20 apportionment required under RCW 82.04.460.

21 (9) Upon every person engaging within this state as an insurance  
22 producer or title insurance agent licensed under chapter 48.17 RCW or  
23 a surplus line broker licensed under chapter 48.15 RCW; as to such  
24 persons, the amount of the tax with respect to such licensed activities  
25 is equal to the gross income of such business multiplied by the rate of  
26 0.484 percent.

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

34 (11)(a) Beginning October 1, 2005, upon every person engaging  
35 within this state in the business of manufacturing commercial  
36 airplanes, or components of such airplanes, or making sales, at retail  
37 or wholesale, of commercial airplanes or components of such airplanes,  
38 manufactured by the seller, as to such persons the amount of tax with



1 respect to such business is, in the case of manufacturers, equal to the  
2 value of the product manufactured and the gross proceeds of sales of  
3 the product manufactured, or in the case of processors for hire, equal  
4 to the gross income of the business, multiplied by the rate of:

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

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

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

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

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

24 (e)(i) Except as provided in (e)(ii) of this subsection (11), this  
25 subsection (11) does not apply on and after July 1, ((2024)) 2040.

26 (ii) With respect to the manufacturing of commercial airplanes or  
27 making sales, at retail or wholesale, of commercial airplanes, this  
28 subsection (11) does not apply on and after July 1st of the year in  
29 which the department makes a determination that the final assembly,  
30 wing assembly, or wing fabrication of any version or variant of a  
31 commercial airplane that is the basis of a siting of a significant  
32 commercial airplane manufacturing program in the state under section 2  
33 of this act has moved outside the state of Washington. This subsection  
34 (11)(e)(ii) only applies to the manufacturing or sale of commercial  
35 airplanes that are the basis of a siting of a significant commercial  
36 airplane manufacturing program in the state under section 2 of this  
37 act.

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

9 (b) Until July 1, 2024, upon every person engaging within this  
10 state in the business of manufacturing or processing for hire: (i)  
11 Timber into timber products or wood products; or (ii) timber products  
12 into other timber products or wood products; as to such persons the  
13 amount of the tax with respect to the business is, in the case of  
14 manufacturers, equal to the value of products, including by-products,  
15 manufactured, or in the case of processors for hire, equal to the gross  
16 income of the business, multiplied by the rate of 0.4235 percent from  
17 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
18 2007, through June 30, 2024.

19 (c) Until July 1, 2024, upon every person engaging within this  
20 state in the business of selling at wholesale: (i) Timber extracted by  
21 that person; (ii) timber products manufactured by that person from  
22 timber or other timber products; or (iii) wood products manufactured by  
23 that person from timber or timber products; as to such persons the  
24 amount of the tax with respect to the business is equal to the gross  
25 proceeds of sales of the timber, timber products, or wood products  
26 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
27 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
28 2024.

29 (d) Until July 1, 2024, upon every person engaging within this  
30 state in the business of selling standing timber; as to such persons  
31 the amount of the tax with respect to the business is equal to the  
32 gross income of the business multiplied by the rate of 0.2904 percent.  
33 For purposes of this subsection (12)(d), "selling standing timber"  
34 means the sale of timber apart from the land, where the buyer is  
35 required to sever the timber within thirty months from the date of the  
36 original contract, regardless of the method of payment for the timber  
37 and whether title to the timber transfers before, upon, or after  
38 severance.

1 (e) For purposes of this subsection, the following definitions  
2 apply:

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

6 (ii) "Paper and paper products" means products made of interwoven  
7 cellulosic fibers held together largely by hydrogen bonding. "Paper  
8 and paper products" includes newsprint; office, printing, fine, and  
9 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
10 kraft bag, construction, and other kraft industrial papers; paperboard,  
11 liquid packaging containers, containerboard, corrugated, and solid-  
12 fiber containers including linerboard and corrugated medium; and  
13 related types of cellulosic products containing primarily, by weight or  
14 volume, cellulosic materials. "Paper and paper products" does not  
15 include books, newspapers, magazines, periodicals, and other printed  
16 publications, advertising materials, calendars, and similar types of  
17 printed materials.

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

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

27 (v) "Timber products" means:

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

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

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

35 (vi) "Wood products" means paper and paper products; dimensional  
36 lumber; engineered wood products such as particleboard, oriented strand  
37 board, medium density fiberboard, and plywood; wood doors; wood  
38 windows; and biocomposite surface products.

1 (f) Except for small harvesters as defined in RCW 84.33.035, a  
2 person reporting under the tax rate provided in this subsection (12)  
3 must file a complete annual survey with the department under RCW  
4 82.32.585.

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

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

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

17 **Sec. 7.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 are each  
18 amended to read as follows:

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

24 (2) Upon every person engaging within this state in the business of  
25 making sales at retail that are exempt from the tax imposed under  
26 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
27 82.08.0263, except persons taxable under RCW 82.04.260(~~(+10)~~) (11) or  
28 subsection (3) of this section, as to such persons, the amount of tax  
29 with respect to such business is equal to the gross proceeds of sales  
30 of the business, multiplied by the rate of 0.484 percent.

31 (3) Until July 1, (~~2024~~) 2040, upon every person classified by  
32 the federal aviation administration as a federal aviation regulation  
33 part 145 certificated repair station and that is engaging within this  
34 state in the business of making sales at retail that are exempt from  
35 the tax imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,  
36 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with

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

3 **Sec. 8.** RCW 82.04.290 and 2013 c 23 s 314 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))~~)  
8 is equal 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) or (3) of this  
13 section; as to such persons the amount of tax on account of such  
14 activities (~~((shall be))~~) is equal to the gross income of the business  
15 multiplied by the rate of 1.5 percent.

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

27 (3)(a) Until July 1, (~~((2024))~~) 2040, upon every person engaging  
28 within this state in the business of performing aerospace product  
29 development for others, as to such persons, the amount of tax with  
30 respect to such business (~~((shall be))~~) is equal to the gross income of  
31 the business multiplied 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. 9.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to  
35 read as follows:

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

1 is allowed for each person for qualified aerospace product development.  
2 For a person who is a manufacturer or processor for hire of commercial  
3 airplanes or components of such airplanes, credit may be earned for  
4 expenditures occurring after December 1, 2003. For all other persons,  
5 credit may be earned only for expenditures occurring after June 30,  
6 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 aerospace  
15 product development expenditures of a person, multiplied by the rate of  
16 1.5 percent.

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

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

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

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

34 (b) "Aerospace product development" means research, design, and  
35 engineering activities performed in relation to the development of an  
36 aerospace product or of a product line, model, or model derivative of  
37 an aerospace product, including prototype development, testing, and  
38 certification. The term includes the discovery of technological

1 information, the translating of technological information into new or  
2 improved products, processes, techniques, formulas, or inventions, and  
3 the adaptation of existing products and models into new products or new  
4 models, or derivatives of products or models. The term does not  
5 include manufacturing activities or other production-oriented  
6 activities, however the term does include tool design and engineering  
7 design for the manufacturing process. The term does not include  
8 surveys and studies, social science and humanities research, market  
9 research or testing, quality control, sale promotion and service,  
10 computer software developed for internal use, and research in areas  
11 such as improved style, taste, and seasonal design.

12 (c) "Qualified aerospace product development" means aerospace  
13 product development performed within this state.

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

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

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

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

34 (8) This section expires July 1, (~~2024~~) 2040.

35 **Sec. 10.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each  
36 amended to read as follows:

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

4 (2) The credit is equal to:

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

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

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

21 (ii) Property taxes attributable to an increase in assessed value  
22 due to the renovation or expansion, after: (A) December 1, 2003, of a  
23 building used exclusively in manufacturing commercial airplanes or  
24 components of such airplanes; and (B) June 30, 2008, of buildings used  
25 exclusively for aerospace product development, manufacturing tooling  
26 specifically designed for use in manufacturing commercial airplanes or  
27 their components, or in providing aerospace services, by persons not  
28 within the scope of (a)(ii)(A) of this subsection (2) and are taxable  
29 under RCW 82.04.290(3), 82.04.260(~~(+10+)~~) (11)(b), or 82.04.250(3); and

30 (b) An amount equal to:

31 (i)(A) Property taxes paid, by persons taxable under RCW  
32 82.04.260(~~(+10+)~~) (11)(a), on machinery and equipment exempt under RCW  
33 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

34 (B) Property taxes paid, by persons taxable under RCW  
35 82.04.260(~~(+10+)~~) (11)(b), on machinery and equipment exempt under RCW  
36 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

37 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)



1 or 82.04.290(3), on computer hardware, computer peripherals, and  
2 software exempt under RCW 82.08.975 or 82.12.975 and acquired after  
3 June 30, 2008.

4 (ii) For purposes of determining the amount eligible for credit  
5 under (i)(A) and (B) of this subsection (2)(b), the amount of property  
6 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 (b)  
9 on the applicable business activities of manufacturing commercial  
10 airplanes, components of such airplanes, or tooling specifically  
11 designed for use in the manufacturing of commercial airplanes or  
12 components of such airplanes.

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

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

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

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

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

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

36 (b) "Aerospace services" has the same meaning given in RCW  
37 82.08.975.

1 (c) "Commercial airplane" and "component" have the same meanings as  
2 provided in RCW 82.32.550.

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

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

10 (6) This section expires July 1, (~~(2024)~~) 2040.

11 **Sec. 11.** RCW 82.08.975 and 2008 c 81 s 2 are each amended to read  
12 as follows:

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

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

24 (~~(As used in this section, the following definitions apply:)~~)  
25 The definitions in this subsection apply throughout this section unless  
26 the context requires otherwise.

27 (a) "Aerospace products" means:

28 (i) Commercial airplanes and their components;

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

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

35 (b) "Aerospace services" means the maintenance, repair, overhaul,  
36 or refurbishing of commercial airplanes or their components, but only

1 when such services are performed by a FAR part 145 certificated repair  
2 station.

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

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

8 (4) This section expires July 1, (~~(2024)~~) 2040.

9 **Sec. 12.** RCW 82.12.975 and 2008 c 81 s 3 are each amended to read  
10 as follows:

11 (1) The provisions of this chapter (~~(shall)~~) do not apply in  
12 respect to the use of computer hardware, computer peripherals, or  
13 software, not otherwise eligible for exemption under RCW 82.12.02565,  
14 used primarily in the development, design, and engineering of aerospace  
15 products or in providing aerospace services, or to the use of labor and  
16 services rendered in respect to installing the computer hardware,  
17 computer peripherals, or software.

18 (2) As used in this section, "peripherals," "aerospace products,"  
19 and "aerospace services" have the same meanings as provided in RCW  
20 82.08.975.

21 (3) This section expires July 1, (~~(2024)~~) 2040.

22 **Sec. 13.** RCW 82.29A.137 and 2010 c 114 s 134 are each amended to  
23 read as follows:

24 (1) All leasehold interests in port district facilities exempt from  
25 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged  
26 in the manufacturing of superefficient airplanes, as defined in RCW  
27 82.32.550, are exempt from tax under this chapter. A person claiming  
28 the credit under RCW 82.04.4463 is not eligible for the exemption under  
29 this section.

30 (2) In addition to all other requirements under this title, a  
31 person claiming the exemption under this section must file a complete  
32 annual report with the department under RCW 82.32.534.

33 (3) This section expires July 1, (~~(2024)~~) 2040.

34 **Sec. 14.** RCW 84.36.655 and 2010 c 114 s 151 are each amended to  
35 read as follows:

1 (1) Effective January 1, 2005, all buildings, machinery, equipment,  
2 and other personal property of a lessee of a port district eligible  
3 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing  
4 superefficient airplanes, are exempt from property taxation. A person  
5 taking the credit under RCW 82.04.4463 is not eligible for the  
6 exemption under this section. For the purposes of this section,  
7 "superefficient airplane" and "component" have the meanings given in  
8 RCW 82.32.550.

9 (2) In addition to all other requirements under this title, a  
10 person claiming the exemption under this section must file a complete  
11 annual report with the department under RCW 82.32.534.

12 (3) Claims for exemption authorized by this section must be filed  
13 with the county assessor on forms prescribed by the department and  
14 furnished by the assessor. The assessor must verify and approve claims  
15 as the assessor determines to be justified and in accordance with this  
16 section. No claims may be filed after December 31, ((2023)) 2039. The  
17 department may adopt rules, under the provisions of chapter 34.05 RCW,  
18 as necessary to properly administer this section.

19 (4) This section applies to taxes levied for collection in 2006 and  
20 thereafter.

21 (5) This section expires July 1, ((2024)) 2040.

22 NEW SECTION. **Sec. 15.** Section 5 of this act expires July 1, 2015.

23 NEW SECTION. **Sec. 16.** Section 6 of this act takes effect July 1,  
24 2015.

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