

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 5952

63rd Legislature
2013 3rd Special Session

Passed by the Senate November 9, 2013
YEAS 42 NAYS 2

President of the Senate

Passed by the House November 9, 2013
YEAS 75 NAYS 11

Speaker of the House of Representatives

Approved

Governor of the State of Washington

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5952** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 5952

Passed Legislature - 2013 3rd Special Session

State of Washington 63rd Legislature 2013 3rd Special Session

By Senate Ways & Means (originally sponsored by Senators Hill, Fain, Ericksen, Tom, Fraser, Eide, King, Hatfield, and Hobbs; by request of Governor Inslee)

READ FIRST TIME 11/09/13.

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 any version or variant of an existing model, of
4 a commercial airplane" means a commercial airplane manufactured with a
5 carbon fiber composite fuselage or carbon fiber composite wings or
6 both.

7 (c) "Significant commercial airplane manufacturing program" means
8 an airplane program in which the following products, including final
9 assembly, will commence manufacture at a new or existing location
10 within Washington state on or after the effective date of this section:

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

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

15 (d) "Siting" means a final decision, made on or after November 1,
16 2013, by a manufacturer to locate a significant commercial airplane
17 manufacturing program in Washington state.

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

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

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

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

1 commercial airplanes or (ii) a port district, political subdivision, or
2 municipal corporation, to be leased to a manufacturer engaged in the
3 manufacturing of commercial airplanes or the fuselages or wings of
4 commercial airplanes;

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

8 (c) Charges made for labor and services rendered in respect to
9 installing, during the course of constructing such buildings, building
10 fixtures not otherwise eligible for the exemption under RCW
11 82.08.02565(2)(b).

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

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

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

- 30 (a) Commercial airplanes;
- 31 (b) Fuselages of commercial airplanes; or
- 32 (c) Wings of commercial airplanes.

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

35 ~~((+5))~~ (6) This section expires July 1, ~~((2024))~~ 2040.

36 **Sec. 4.** RCW 82.12.980 and 2010 c 114 s 132 are each amended to
37 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 any final assembly or
13 wing assembly of any version or variant of a commercial airplane that
14 is the basis of a siting of a significant commercial airplane
15 manufacturing program in the state under section 2 of this act has been
16 sited outside the state of Washington. This subsection (11)(e)(ii)
17 only applies to the manufacturing or sale of commercial airplanes that
18 are the basis of a siting of a significant commercial airplane
19 manufacturing program in the state under section 2 of this act.

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

28 (b) Until July 1, 2024, upon every person engaging within this
29 state in the business of manufacturing or processing for hire: (i)
30 Timber into timber products or wood products; or (ii) timber products
31 into other timber products or wood products; as to such persons the
32 amount of the tax with respect to the business is, in the case of
33 manufacturers, equal to the value of products, including by-products,
34 manufactured, or in the case of processors for hire, equal to the gross
35 income of the business, multiplied by the rate of 0.4235 percent from
36 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
37 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 any final assembly or
30 wing assembly of any version or variant of a commercial airplane that
31 is the basis of a siting of a significant commercial airplane
32 manufacturing program in the state under section 2 of this act has been
33 sited outside the state of Washington. This subsection (11)(e)(ii)
34 only applies to the manufacturing or sale of commercial airplanes that
35 are the basis of a siting of a significant commercial airplane
36 manufacturing program in the state under section 2 of this act.

37 (12)(a) Until July 1, 2024, upon every person engaging within this
38 state in the business of extracting timber or extracting for hire

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

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

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

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

37 (e) For purposes of this subsection, the following definitions
38 apply:

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

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

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

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

25 (v) "Timber products" means:

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

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

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

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

37 (f) Except for small harvesters as defined in RCW 84.33.035, a

1 person reporting under the tax rate provided in this subsection (12)
2 must file a complete annual survey with the department under RCW
3 82.32.585.

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

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

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

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

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

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

30 (3) Until July 1, (~~(2024)~~) 2040, upon every person classified by
31 the federal aviation administration as a federal aviation regulation
32 part 145 certificated repair station and that is engaging within this
33 state in the business of making sales at retail that are exempt from
34 the tax imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,
35 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with
36 respect to such business is equal to the gross proceeds of sales of the
37 business, multiplied by the rate of .2904 percent.

1 **Sec. 8.** RCW 82.04.290 and 2013 c 23 s 314 are each amended to read
2 as follows:

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

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

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

25 (3)(a) Until July 1, (~~2024~~) 2040, upon every person engaging
26 within this state in the business of performing aerospace product
27 development for others, as to such persons, the amount of tax with
28 respect to such business (~~shall be~~) is equal to the gross income of
29 the business multiplied by a rate of 0.9 percent.

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

32 **Sec. 9.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to
33 read as follows:

34 (1)(a)(i) In computing the tax imposed under this chapter, a credit
35 is allowed for each person for qualified aerospace product development.
36 For a person who is a manufacturer or processor for hire of commercial
37 airplanes or components of such airplanes, credit may be earned for

1 expenditures occurring after December 1, 2003. For all other persons,
2 credit may be earned only for expenditures occurring after June 30,
3 2008.

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

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

11 (2) The credit is equal to the amount of qualified aerospace
12 product development expenditures of a person, multiplied by the rate of
13 1.5 percent.

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

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

28 (5) The definitions in this subsection apply throughout this
29 section.

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

31 (b) "Aerospace product development" means research, design, and
32 engineering activities performed in relation to the development of an
33 aerospace product or of a product line, model, or model derivative of
34 an aerospace product, including prototype development, testing, and
35 certification. The term includes the discovery of technological
36 information, the translating of technological information into new or
37 improved products, processes, techniques, formulas, or inventions, and
38 the adaptation of existing products and models into new products or new

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

9 (c) "Qualified aerospace product development" means aerospace
10 product development performed within this state.

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

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

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

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

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

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

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

37 (2) The credit is equal to:

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

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

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

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

26 (b) An amount equal to:

27 (i)(A) Property taxes paid, by persons taxable under RCW
28 82.04.260(~~(+10)~~) (11)(a), on machinery and equipment exempt under RCW
29 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

30 (B) Property taxes paid, by persons taxable under RCW
31 82.04.260(~~(+10)~~) (11)(b), on machinery and equipment exempt under RCW
32 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

33 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)
34 or 82.04.290(3), on computer hardware, computer peripherals, and
35 software exempt under RCW 82.08.975 or 82.12.975 and acquired after
36 June 30, 2008.

37 (ii) For purposes of determining the amount eligible for credit

1 under (i)(A) and (B) of this subsection (2)(b), the amount of property
2 taxes paid is multiplied by a fraction.

3 (A) The numerator of the fraction is the total taxable amount
4 subject to the tax imposed under RCW 82.04.260(~~(+10+)~~) (11) (a) or (b)
5 on the applicable business activities of manufacturing commercial
6 airplanes, components of such airplanes, or tooling specifically
7 designed for use in the manufacturing of commercial airplanes or
8 components of such airplanes.

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

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

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

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

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

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

32 (b) "Aerospace services" has the same meaning given in RCW
33 82.08.975.

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

36 (4) A credit earned during one calendar year may be carried over to
37 be credited against taxes incurred in a subsequent calendar year, but

1 may not be carried over a second year. No refunds may be granted for
2 credits under this section.

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

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

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

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

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

20 (3) (~~As used in this section, the following definitions apply:~~)
21 The definitions in this subsection apply throughout this section unless
22 the context requires otherwise.

- 23 (a) "Aerospace products" means:
24 (i) Commercial airplanes and their components;
25 (ii) Machinery and equipment that is designed and used primarily
26 for the maintenance, repair, overhaul, or refurbishing of commercial
27 airplanes or their components by federal aviation regulation part 145
28 certificated repair stations; and
29 (iii) Tooling specifically designed for use in manufacturing
30 commercial airplanes or their components.

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

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

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

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

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

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

14 (2) As used in this section, "peripherals," "aerospace products,"
15 and "aerospace services" have the same meanings as provided in RCW
16 82.08.975.

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

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

20 (1) All leasehold interests in port district facilities exempt from
21 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged
22 in the manufacturing of superefficient airplanes, as defined in RCW
23 82.32.550, are exempt from tax under this chapter. A person claiming
24 the credit under RCW 82.04.4463 is not eligible for the exemption under
25 this section.

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

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

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

32 (1) Effective January 1, 2005, all buildings, machinery, equipment,
33 and other personal property of a lessee of a port district eligible
34 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing
35 superefficient airplanes, are exempt from property taxation. A person

1 taking the credit under RCW 82.04.4463 is not eligible for the
2 exemption under this section. For the purposes of this section,
3 "superefficient airplane" and "component" have the meanings given in
4 RCW 82.32.550.

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

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

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

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

18 NEW SECTION. **Sec. 15.** Subject to section 2 of this act, section
19 5 of this act expires July 1, 2015.

20 NEW SECTION. **Sec. 16.** Subject to section 2 of this act, section
21 6 of this act takes effect July 1, 2015.

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