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**HOUSE BILL 1736**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** Representatives Orcutt, Blake, Pike, Vick, Harris, Wilson, Young, Takko, Muri, and Buys

AN ACT Relating to extending specific aerospace tax preferences to include other types of commercial aircraft to encourage the migration of good wage jobs in the state; amending RCW 82.32.550 and 82.04.290; reenacting and amending RCW 82.04.260; adding new sections to chapter 82.04 RCW; adding new sections to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; and creating new sections.

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

NEW SECTION. **Sec.**  (1) The legislature finds that the people of Washington have benefited from the presence of the aerospace industry in Washington state. The legislature further finds that the industry continues to provide good wage jobs and benefits for employees throughout the state. The legislature further finds that expansion of the aerospace industry to other types of aircraft manufacturing would provide additional good wage jobs for the citizens of Washington, increasing the economic activity of manufacturing in the state. The legislature further finds that expansion of the current aerospace industry to all types of aerospace products will establish Washington as the leading aerospace industry state. Therefore, the legislature intends to extend preferential tax rates, credits, and sales and use tax deferrals for the aerospace industry to other types of aircraft manufacturing. Specifically, the legislature intends to provide tax relief to manufacturers of all types of aircraft and manufacturers and suppliers of aircraft components to encourage the migration of these businesses to Washington, in turn creating and retaining good wage jobs and new tax revenue for the state.

(2) It is the specific public policy objective of the legislature to provide a preferential business and occupation tax rate, business and occupation tax credit, and sales and use tax deferral for the manufacturing of rotorcraft, including the components used in the manufacturing process. This tax preference is intended to promote economic growth and jobs for Washington. The legislature categorizes this tax preference as one intended to create and retain jobs, as described in RCW 82.32.808(2)(c).

(3)(a) In order to obtain the necessary data to perform a review of this tax preference, persons using any of the preferences created under this act must file a tax preference annual report under RCW 82.32.534.

(b) The joint legislative audit and review committee must review the tax preference provided in this act as part of its normal review process of tax preferences. The committee must assess employment changes and tax revenue changes in the commercial rotorcraft industry in Washington in comparison to employment and tax revenues prior to the extension of tax preferences in this act. The committee must assess the number of jobs created in the rotorcraft industry in Washington during the term of the tax preferences provided in this act. If the committee finds that the number of jobs in the rotorcraft industry have increased by an average of fifty jobs during the term of the tax preferences provided in this act, then the legislature intends for the legislative auditor to recommend extending the expiration date of the tax preference.

(c) To the extent practicable, the joint legislative audit and review committee must use data provided by state agencies responsible for administering unemployment insurance and collecting tax revenue and data statistics provided by the bureau of labor statistics.

**Sec.**  RCW 82.32.550 and 2010 1st sp.s. c 23 s 517 are each amended to read as follows:

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

(2) "Commercial rotorcraft" means an aircraft supported in flight by one or more rotors to provide lift, which may also include rotorcrafts with additional thrust engines or propellers, certified by the federal aviation administration for transporting persons or property, and any military derivative of such an aircraft.

(3) "Commercial rotorcraft component" means a part or system certified by the federal aviation administration for installation or assembly into a commercial rotorcraft.

(4) "Commercial rotorcraft mission equipment" means equipment which is intended to be attached to a rotorcraft to engage in certain applications or tasks, including, but not limited to, firefighting, agricultural spraying, maintaining power lines, or maintaining windmills.

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

((~~(3)~~)) (6) "Superefficient airplane" means a twin aisle airplane that carries between two hundred and three hundred fifty passengers, with a range of more than seven thousand two hundred nautical miles, a cruising speed of approximately mach .85, and that uses fifteen to twenty percent less fuel than other similar airplanes on the market.

**Sec.**  RCW 82.04.260 and 2014 c 140 s 6 and 2014 c 140 s 4 are each reenacted and amended to read as follows:

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

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

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

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

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

(A) Products, not including any marijuana-infused product, that as of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from the manufacturing of the dairy products, such as whey and casein; and

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

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

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

(ii) For purposes of this subsection (1)(d), "fruits" and "vegetables" do not include marijuana, useable marijuana, or marijuana-infused products;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) 0.2904 percent beginning July 1, 2007.

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

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

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

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

(ii) With respect to the manufacturing of commercial airplanes or making sales, at retail or wholesale, of commercial airplanes, this subsection (11) does not apply on and after July 1st of the year in which the department makes a determination that any final assembly or wing assembly of any version or variant of a commercial airplane that is the basis of a siting of a significant commercial airplane manufacturing program in the state under RCW 82.32.850 has been sited outside the state of Washington. This subsection (11)(e)(ii) only applies to the manufacturing or sale of commercial airplanes that are the basis of a siting of a significant commercial airplane manufacturing program in the state under RCW 82.32.850.

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

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

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

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

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

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

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

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

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

(v) "Timber products" means:

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

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

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

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

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

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

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

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

(15)(a) Beginning July 1, 2015, upon every person engaging within this state in the business of manufacturing commercial rotorcrafts, commercial rotorcraft components, or commercial rotorcraft mission equipment, or tooling specifically designed for use in manufacturing commercial rotorcrafts or commercial rotorcraft components, or making sales, at retail or wholesale, of such commercial rotorcrafts, commercial rotorcraft components, or commercial rotorcraft mission equipment, manufactured by the seller, or such tooling manufactured by the seller, as to such persons the amount of tax with respect to such business is, in the case of manufacturers, equal to the value of the product manufactured and the gross proceeds of sales of the product manufactured, or in the case of processors for hire, equal to the gross income of the business, multiplied by the rate of 0.2904 percent.

(b) For the purposes of this subsection (15), "commercial rotorcraft," "commercial rotorcraft component," and "commercial rotorcraft mission equipment" have the same meanings as provided in RCW 82.32.550.

(c) In addition to all other requirements under this title, a person reporting under the tax rate provided in this subsection (15) must file a complete annual report with the department under RCW 82.32.534.

(d) This subsection (15) does not apply on and after July 1, 2025, unless no tax preference created in this act has been used by July 1, 2017, then this subsection (15) does not apply on or after July 1, 2017.

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

(1) Beginning July 1, 2015, in computing the tax imposed under this chapter, a credit is allowed for property taxes and leasehold excise taxes paid during the calendar year.

(2) The credit is equal to:

(a)(i) Property taxes or leasehold excise taxes paid on, or with respect to, buildings constructed after July 1, 2015, the land upon which the buildings are located, or both, and used exclusively for manufacturing commercial rotorcrafts, commercial rotorcraft components, or commercial rotorcraft mission equipment, for manufacturing of tooling specifically designed for use in commercial rotorcrafts, commercial rotorcraft components, or commercial rotorcraft mission equipment, for rotorcraft product development, or for providing rotorcraft services; or

(ii) Property taxes attributable to an increase in assessed value due to the renovation or expansion after July 1, 2015, of a building used exclusively for manufacturing commercial rotorcrafts, commercial rotorcraft components, or commercial rotorcraft mission equipment, for manufacturing of tooling specifically designed for use in commercial rotorcrafts, commercial rotorcraft components, or commercial rotorcraft mission equipment, for rotorcraft product development, or for providing rotorcraft services; and

(b) An amount equal to:

(i)(A) Property taxes paid, by persons taxable under RCW 82.04.260(15) on machinery and equipment exempt under RCW 82.08.02565 or 82.12.02565 and acquired after July 1, 2015; or

(B) Property taxes paid, by persons taxable under RCW 82.04.250(3) or 82.04.290(3), on computer hardware, computer peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and acquired after July 1, 2015.

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

(A) The numerator of the fraction is the total taxable amount subject to the tax imposed under RCW 82.04.260(15) on the applicable business activities of manufacturing commercial rotorcrafts, commercial rotorcraft components, or commercial rotorcraft mission equipment or tooling specifically designed for use in the manufacturing of commercial rotorcrafts, commercial rotorcraft components, or commercial rotorcraft mission equipment.

(B) The denominator of the fraction is the total taxable amount subject to the tax imposed under all manufacturing classifications in this chapter.

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

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

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

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

(a) "Rotorcraft product development" means research, design, and engineering activities performed in relation to the development of a rotorcraft product or of a product line, model, or model derivative of a rotorcraft product, including prototype development, testing, and certification. The term includes the discovery of technological information, the translating of technological information into new or improved products, processes, techniques, formulas, or inventions, and the adaptation of existing products and models into new products or new models, or derivatives of products or models. The term does not include manufacturing activities or other production-oriented activities, however, the term does include tool design and engineering design for the manufacturing process. The term does not include surveys and studies, social science and humanities research, market research or testing, quality control, sale promotion and service, computer software developed for internal use, and research in areas such as improved style, taste, and seasonal design.

(b) "Rotorcraft products" means:

(i) Commercial rotorcrafts, commercial rotorcraft components, and commercial rotorcraft mission equipment;

(ii) Machinery and equipment that is designed and used primarily for the maintenance, repair, overhaul, or refurbishing of commercial rotorcrafts, commercial rotorcraft components, and commercial rotorcraft mission equipment by federal aviation regulation part 145 certificated repair stations; and

(iii) Tooling specifically designed for use in manufacturing commercial rotorcrafts, commercial rotorcraft components, and commercial rotorcraft mission equipment.

(c) "Rotorcraft services" means the maintenance, repair, overhaul, or refurbishing of commercial rotorcrafts, commercial rotorcraft components, and commercial rotorcraft mission equipment, but only when such services are performed by a federal aviation regulation part 145 certificated repair station.

(d) "Commercial rotorcraft," "commercial rotorcraft component," and "commercial rotorcraft mission equipment" have the same meanings as provided in RCW 82.32.550.

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

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

(6) This section expires July 1, 2025, unless no tax preference created in this act has been used by July 1, 2017, then this section expires July 1, 2017.

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

(1) Beginning July 1, 2015, in computing the tax imposed under this chapter, a credit is allowed for each person for qualified rotorcraft product development.

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

(3) The credit must be claimed against taxes due for the same calendar year in which the qualified rotorcraft product development expenditures are incurred. The credit for each calendar year may not exceed the amount of tax otherwise due under this chapter for the calendar year. Refunds may not be granted in the place of a credit.

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

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

(a) "Rotorcraft product" has the same meaning as provided in section 4 of this act.

(b) "Rotorcraft product development" has the same meaning as provided in section 4 of this act.

(c) "Qualified rotorcraft product development" means rotorcraft product development performed within this state.

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

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

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

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

(8) This section expires July 1, 2025, unless no tax preference created in this act has been used by July 1, 2017, then this section expires July 1, 2017.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

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

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

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

(a) "Rotorcraft products" has the same meaning as provided in section 4 of this act.

(b) "Rotorcraft services" has the same meaning as provided in section 4 of this act.

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

(4) This section expires July 1, 2025, unless no tax preference created in this act has been used by July 1, 2017, then this section expires July 1, 2017.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

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

(a) Charges, for labor and services rendered in respect to the constructing of new buildings, made to: (i) A manufacturer engaged in the manufacturing of commercial rotorcrafts, commercial rotorcraft components, or commercial rotorcraft mission equipment; or (ii) a port district, political subdivision, or municipal corporation, to be leased to a manufacturer engaged in the manufacturing of commercial rotorcrafts or commercial rotorcraft components;

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

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

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

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

(4) The exemption in this section applies to buildings or parts of buildings, including buildings or parts of buildings used for the storage of raw materials or finished products, that are used primarily in the manufacturing of commercial rotorcrafts.

(5) For the purposes of this section, "commercial rotorcraft," "commercial rotorcraft component," and "commercial rotorcraft mission equipment" have the same meanings given in RCW 82.32.550.

(6) This section expires July 1, 2025, unless no tax preference created in this act has been used by July 1, 2017, then this section expires July 1, 2017.

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

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

(a) Tangible personal property that will be incorporated as an ingredient or component in constructing new buildings for: (i) A manufacturer engaged in the manufacturing of commercial rotorcrafts, commercial rotorcraft components, or commercial rotorcraft mission equipment; or (ii) a port district, political subdivision, or municipal corporation, to be leased to a manufacturer engaged in the manufacturing of commercial rotorcrafts; or

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

(2) The eligibility requirements, conditions, and definitions in section 7 of this act apply to this section, including the filing of a complete annual report with the department under RCW 82.32.534.

(3) For the purposes of this section, "commercial rotorcraft," "commercial rotorcraft component," and "commercial rotorcraft mission equipment" have the same meanings as provided in RCW 82.32.550.

(4) This section expires July 1, 2025, unless no tax preference created in this act has been used by July 1, 2017, then this section expires July 1, 2017.

**Sec.**  RCW 82.04.290 and 2014 c 97 s 404 are each amended to read as follows:

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

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

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

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

(b) A person reporting under the tax rate provided in this subsection (3) must file a complete annual report with the department under RCW 82.32.534.

(c) "Aerospace product development" has the meaning as provided in RCW 82.04.4461.

(4)(a) Until July 1, 2025, unless provided otherwise in this subsection (4), upon every person engaging within this state in the business of performing rotorcraft product development for others, as to such persons, the amount of tax with respect to such business is equal to the gross income of the business multiplied by a rate of 0.9 percent.

(b) "Rotorcraft product development" has the same meaning as provided in section 4 of this act.

(c) This subsection (4) does not apply on or after July 1, 2017, if no tax preference created in this act has been used by July 1, 2017.

NEW SECTION. **Sec.**  (1) The department of revenue must make a determination regarding whether the condition in RCW 82.04.260(15)(d), sections 4(6), 5(8), 6(4), 7(6), and 8(4) of this act, and RCW 82.04.290(4)(c) has occurred.

(2) If the department of revenue determines that the condition specified in subsection (1) of this section has not occurred by July 1, 2017, the department of revenue must provide written notice stating that on July 1, 2017, the sections and subsections listed in subsection (1) of this section expire or no longer apply. Written notice under this subsection (2) must be provided to the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the department of revenue.

**--- END ---**