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SUBSTITUTE HOUSE BILL 1786

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State of Washington

64th Legislature

2015 Regular Session

**By** House Labor (originally sponsored by Representatives Gregerson, Tarleton, Robinson, Sells, Ortiz-Self, McBride, Peterson, Cody, Bergquist, Moscoso, Jenkins, Ormsby, Stanford, Ryu, Pollet, and S. Hunt)

READ FIRST TIME 02/20/15.

1       AN ACT Relating to establishing a statewide wage standard for  
2 aerospace employment as a requirement to qualify for certain  
3 aerospace-related tax incentives; amending RCW 82.32.534; amending  
4 2013 3rd sp.s. c 2 s 1 (uncodified); reenacting and amending  
5 82.04.260; adding a new section to chapter 82.04 RCW; adding a new  
6 section to chapter 82.32 RCW; creating a new section; providing an  
7 effective date; and declaring an emergency.

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

9       **Sec. 1.** 2013 3rd sp.s. c 2 s 1 (uncodified) is amended to read  
10 as follows:

11       (1) The legislature finds that the people of Washington have  
12 benefited enormously from the presence of the aerospace industry in  
13 Washington state. The legislature further finds that the industry  
14 (~~continues to provide~~) has historically provided good wages and  
15 benefits for the thousands of engineers, mechanics, and support staff  
16 working directly in the industry throughout the state. (~~The~~  
17 ~~legislature further finds that suppliers and vendors that support the~~  
18 ~~aerospace industry in turn provide a range of well-paying jobs.~~) In  
19 2003, and again in 2006, and 2007, the legislature determined it was  
20 in the public interest to encourage the continued presence of the  
21 aerospace industry through the provision of tax incentives. To this

1 end, and in recognition of the continuing extreme importance of the  
2 aerospace industry in Washington, it is the legislature's intent to  
3 reaffirm and build upon prior aerospace tax incentive legislation in  
4 a fiscally prudent manner.

5 (2) The legislature categorizes the tax preferences extended in  
6 this act as intended to create or retain jobs, as indicated in RCW  
7 82.32.808(2)(c).

8 (3) It is the legislature's specific public policy objective to  
9 maintain and grow Washington's aerospace industry workforce and the  
10 good wages traditionally offered by aerospace employment. To help  
11 achieve this public policy objective, it is the legislature's intent  
12 to conditionally extend aerospace industry tax preferences until July  
13 1, 2040, in recognition of intent by the state's aerospace industry  
14 sector to maintain and grow its well-paid workforce within the state.

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

26 **Sec. 2.** RCW 82.04.260 and 2014 c 140 s 6 and 2014 c 140 s 4 are  
27 each reenacted and amended to read as follows:

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

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

36 (b) Beginning July 1, 2015, seafood products that remain in a  
37 raw, raw frozen, or raw salted state at the completion of the  
38 manufacturing by that person; or selling manufactured seafood  
39 products that remain in a raw, raw frozen, or raw salted state at the

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

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

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

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

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

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

35 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,  
36 preserving, freezing, processing, or dehydrating fresh fruits or  
37 vegetables, or selling at wholesale fruits or vegetables manufactured  
38 by the seller by canning, preserving, freezing, processing, or  
39 dehydrating fresh fruits or vegetables and sold to purchasers who  
40 transport in the ordinary course of business the goods out of this

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

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

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

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

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

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

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

34 (5) Upon every person engaging within this state in the business  
35 of acting as a travel agent or tour operator; as to such persons the  
36 amount of the tax with respect to such activities is equal to the  
37 gross income derived from such activities multiplied by the rate of  
38 0.275 percent.

39 (6) Upon every person engaging within this state in business as  
40 an international steamship agent, international customs house broker,

1 international freight forwarder, vessel and/or cargo charter broker  
2 in foreign commerce, and/or international air cargo agent; as to such  
3 persons the amount of the tax with respect to only international  
4 activities is equal to the gross income derived from such activities  
5 multiplied by the rate of 0.275 percent.

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

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

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

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

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

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

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

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

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

1 the case of processors for hire, be equal to the gross income of the  
2 business, multiplied by the rate of 0.2904 percent.

3 (c) For the purposes of this subsection (11), "commercial  
4 airplane" and "component" have the same meanings as provided in RCW  
5 82.32.550.

6 (d) In addition to all other requirements under this title, a  
7 person reporting under the tax rate provided in this subsection (11)  
8 must file a complete annual report with the department under RCW  
9 82.32.534.

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

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

23 (f) Beginning with taxes due and payable in calendar year 2016, a  
24 taxpayer may not claim the preferential rates under this subsection  
25 (11) for taxes due and payable during the calendar year if the wage  
26 ratio of the taxpayer does not equal one. The department, in  
27 collaboration with the employment security department, must make this  
28 determination and notify affected taxpayers, to the extent possible,  
29 by January 1st of each year. Taxpayers disallowed from claiming the  
30 preferential rates under (a)(ii) of this subsection (11) during any  
31 calendar year may claim the preferential rates in subsequent calendar  
32 years if the wage ratio requirement under this subsection (11)(f) is  
33 met for those calendar years. This subsection (11)(f) applies to a  
34 taxpayer only if: (i) The taxpayer files on a monthly or quarterly  
35 basis; and (ii) the taxpayer claimed a preferential rate under  
36 (a)(ii) of this subsection (11) and reported wage data to the  
37 employment security department for the entire twelve-month period  
38 ending on September 30th, as described in section 3 of this act.  
39 "Wage ratio" has the meaning provided in section 3 of this act.

1 (12)(a) Until July 1, 2024, upon every person engaging within  
2 this state in the business of extracting timber or extracting for  
3 hire timber; as to such persons the amount of tax with respect to the  
4 business is, in the case of extractors, equal to the value of  
5 products, including by-products, extracted, or in the case of  
6 extractors for hire, equal to the gross income of the business,  
7 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
8 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
9 2024.

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

20 (c) Until July 1, 2024, upon every person engaging within this  
21 state in the business of selling at wholesale: (i) Timber extracted  
22 by that person; (ii) timber products manufactured by that person from  
23 timber or other timber products; or (iii) wood products manufactured  
24 by that person from timber or timber products; as to such persons the  
25 amount of the tax with respect to the business is equal to the gross  
26 proceeds of sales of the timber, timber products, or wood products  
27 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
28 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
29 2024.

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



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

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

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

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

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

29 (v) "Timber products" means:

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

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

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

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

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

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

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

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

17 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04  
18 RCW to read as follows:

19 The definitions in this section apply to this section and RCW  
20 82.04.260(11).

21 (1) "Qualifying wage standard" means eighty percent of the state  
22 median wage for the determination made by the department under RCW  
23 82.04.260(11)(f) in 2015, ninety percent of the state median wage for  
24 the determination made by the department in 2016, and one hundred  
25 percent of the state median wage for the determination made by the  
26 department in 2017 and every year thereafter.

27 (2) "State median wage" means the most recent median hourly wage  
28 for all Washington state occupations as published by the United  
29 States bureau of labor statistics, occupational employment statistics  
30 program.

31 (3) "Wage data" means wage amounts reported to the employment  
32 security department by an employer.

33 (4) "Wage ratio" means the fraction of employees of an employer  
34 earning at least the qualifying wage standard for the twelve-month  
35 period ending on September 30th. The determination includes only  
36 employees for which wage data has been reported by the employer to  
37 the employment security department for at least thirty-six months  
38 through September 30th. The wage data used in the determination under  
39 this subsection (4) is not subject to the confidentiality provisions

1 of RCW 50.13.020 or 82.32.330 and may be disclosed to the public upon  
2 request as long as names, social security numbers, addresses, and any  
3 details identifying an individual or employer are deleted.

4 **Sec. 4.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each  
5 amended to read as follows:

6 (1)(a)(i) In computing the tax imposed under this chapter, a  
7 credit is allowed for each person for qualified aerospace product  
8 development. For a person who is a manufacturer or processor for hire  
9 of commercial airplanes or components of such airplanes, credit may  
10 be earned for expenditures occurring after December 1, 2003. For all  
11 other persons, credit may be earned only for expenditures occurring  
12 after June 30, 2008.

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

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

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

23 (3) Beginning with taxes due and payable in calendar year 2016, a  
24 taxpayer may not claim the credit under this section if the taxpayer  
25 is disallowed from claiming the preferential rate under RCW  
26 82.04.260(11)(a)(ii) due to RCW 82.04.260(11)(f). The department must  
27 notify affected taxpayers, to the extent possible, by January 1st of  
28 each year. Taxpayers disallowed from claiming the credit under this  
29 subsection (3) during a calendar year may claim the credit in  
30 subsequent calendar years if the wage ratio requirement under RCW  
31 82.04.260(11)(f) is met for those calendar years.

32 (4) Except as provided in subsection (1)(b) of this section the  
33 credit must be claimed against taxes due for the same calendar year  
34 in which the qualified aerospace product development expenditures are  
35 incurred. Credit earned on or after July 1, 2005, may not be carried  
36 over. The credit for each calendar year may not exceed the amount of  
37 tax otherwise due under this chapter for the calendar year. Refunds  
38 may not be granted in the place of a credit.

1       (~~(4)~~) (5) Any person claiming the credit must file a form  
2 prescribed by the department that must include the amount of the  
3 credit claimed, an estimate of the anticipated aerospace product  
4 development expenditures during the calendar year for which the  
5 credit is claimed, an estimate of the taxable amount during the  
6 calendar year for which the credit is claimed, and such additional  
7 information as the department may prescribe.

8       (~~(5)~~) (6) The definitions in this subsection apply throughout  
9 this section.

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

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

27       (c) "Qualified aerospace product development" means aerospace  
28 product development performed within this state.

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

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

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

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

10 ~~((+8))~~ (9) This section expires July 1, 2040.

11 **Sec. 5.** RCW 82.32.534 and 2014 c 97 s 102 are each amended to  
12 read as follows:

13 (1)(a) Every person claiming a tax preference that requires a  
14 report under this section must file a complete annual report with the  
15 department. The report is due by April 30th of the year following any  
16 calendar year in which a person becomes eligible to claim the tax  
17 preference that requires a report under this section. The department  
18 may extend the due date for timely filing of annual reports under  
19 this section as provided in RCW 82.32.590.

20 (b) The report must include information detailing employment,  
21 wages, and employer-provided health and retirement benefits for  
22 employment positions in Washington for the year that the tax  
23 preference was claimed. ~~((However, persons engaged in manufacturing  
24 commercial airplanes or components of such airplanes may report  
25 employment, wage, and benefit information per job at the  
26 manufacturing site for the year that the tax preference was  
27 claimed.))~~ The report ~~((must))~~ may not include names of employees.  
28 The report must also detail employment by the total number of full-  
29 time, part-time, and temporary positions for the year that the tax  
30 preference was claimed.

31 (c) Persons receiving the benefit of the tax preference provided  
32 by RCW 82.16.0421 or claiming any of the tax preferences provided by  
33 RCW 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, or 82.12.022(5)  
34 must indicate on the annual report the quantity of product produced  
35 in this state during the time period covered by the report.

36 (d) If a person filing a report under this section did not file a  
37 report with the department in the previous calendar year, the report  
38 filed under this section must also include employment, wage, and

1 benefit information for the calendar year immediately preceding the  
2 calendar year for which a tax preference was claimed.

3 (2) As part of the annual report, the department may request  
4 additional information necessary to measure the results of, or  
5 determine eligibility for, the tax preference.

6 (3) Other than information requested under subsection (2) of this  
7 section, the information contained in an annual report filed under  
8 this section is not subject to the confidentiality provisions of RCW  
9 82.32.330 and may be disclosed to the public upon request.

10 (4) Except as otherwise provided by law, if a person claims a tax  
11 preference that requires an annual report under this section but  
12 fails to submit a complete report by the due date or any extension  
13 under RCW 82.32.590, the department must declare the amount of the  
14 tax preference claimed for the previous calendar year to be  
15 immediately due and payable. The department must assess interest, but  
16 not penalties, on the amounts due under this subsection. The interest  
17 must be assessed at the rate provided for delinquent taxes under this  
18 chapter, retroactively to the date the tax preference was claimed,  
19 and accrues until the taxes for which the tax preference was claimed  
20 are repaid. Amounts due under this subsection are not subject to the  
21 confidentiality provisions of RCW 82.32.330 and may be disclosed to  
22 the public upon request.

23 (5) The department must use the information from this section to  
24 prepare summary descriptive statistics by category. No fewer than  
25 three taxpayers may be included in any category. The department must  
26 report these statistics to the legislature each year by December 1st.

27 (6) For the purposes of this section:

28 (a) "Person" has the meaning provided in RCW 82.04.030 and also  
29 includes the state and its departments and institutions.

30 (b) "Tax preference" has the meaning provided in RCW 43.136.021  
31 and includes only the tax preferences requiring a survey under this  
32 section.

33 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.32  
34 RCW to read as follows:

35 Increases in state general fund revenue collections resulting  
36 from the changes made in this act must be used for state services  
37 that aid low-income individuals.

1        NEW SECTION.    **Sec. 7.**    This act may be known and cited as the  
2 aerospace tax incentive accountability act.

3        NEW SECTION.    **Sec. 8.**    Section 2 of this act is necessary for the  
4 immediate preservation of the public peace, health, or safety, or  
5 support of the state government and its existing public institutions,  
6 and takes effect July 1, 2015.

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