
HOUSE BILL 1736

State of Washington

64th Legislature

2015 Regular Session

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

Read first time 01/27/15. Referred to Committee on Technology & Economic Development.

1 AN ACT Relating to extending specific aerospace tax preferences
2 to include other types of commercial aircraft to encourage the
3 migration of good wage jobs in the state; amending RCW 82.32.550 and
4 82.04.290; reenacting and amending RCW 82.04.260; adding new sections
5 to chapter 82.04 RCW; adding new sections to chapter 82.08 RCW;
6 adding a new section to chapter 82.12 RCW; and creating new sections.

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

8 NEW SECTION. **Sec. 1.** (1) The legislature finds that the people
9 of Washington have benefited from the presence of the aerospace
10 industry in Washington state. The legislature further finds that the
11 industry continues to provide good wage jobs and benefits for
12 employees throughout the state. The legislature further finds that
13 expansion of the aerospace industry to other types of aircraft
14 manufacturing would provide additional good wage jobs for the
15 citizens of Washington, increasing the economic activity of
16 manufacturing in the state. The legislature further finds that
17 expansion of the current aerospace industry to all types of aerospace
18 products will establish Washington as the leading aerospace industry
19 state. Therefore, the legislature intends to extend preferential tax
20 rates, credits, and sales and use tax deferrals for the aerospace
21 industry to other types of aircraft manufacturing. Specifically, the

1 legislature intends to provide tax relief to manufacturers of all
2 types of aircraft and manufacturers and suppliers of aircraft
3 components to encourage the migration of these businesses to
4 Washington, in turn creating and retaining good wage jobs and new tax
5 revenue for the state.

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

14 (3)(a) In order to obtain the necessary data to perform a review
15 of this tax preference, persons using any of the preferences created
16 under this act must file a tax preference annual report under RCW
17 82.32.534.

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

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

35 **Sec. 2.** RCW 82.32.550 and 2010 1st sp.s. c 23 s 517 are each
36 amended to read as follows:

37 (1) "Commercial airplane" has its ordinary meaning, which is an
38 airplane certified by the federal aviation administration for

1 transporting persons or property, and any military derivative of such
2 an airplane.

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

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

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

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

19 ~~((+3))~~ (6) "Superefficient airplane" means a twin aisle airplane
20 that carries between two hundred and three hundred fifty passengers,
21 with a range of more than seven thousand two hundred nautical miles,
22 a cruising speed of approximately mach .85, and that uses fifteen to
23 twenty percent less fuel than other similar airplanes on the market.

24 **Sec. 3.** RCW 82.04.260 and 2014 c 140 s 6 and 2014 c 140 s 4 are
25 each reenacted and amended to read as follows:

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

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

34 (b) Beginning July 1, 2015, seafood products that remain in a
35 raw, raw frozen, or raw salted state at the completion of the
36 manufacturing by that person; or selling manufactured seafood
37 products that remain in a raw, raw frozen, or raw salted state at the
38 completion of the manufacturing, to purchasers who transport in the
39 ordinary course of business the goods out of this state; as to such

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 (6) Upon every person engaging within this state in business as
38 an international steamship agent, international customs house broker,
39 international freight forwarder, vessel and/or cargo charter broker
40 in foreign commerce, and/or international air cargo agent; as to such

1 persons the amount of the tax with respect to only international
2 activities is equal to the gross income derived from such activities
3 multiplied by the rate of 0.275 percent.

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

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

39 (b) If the gross income of the taxpayer is attributable to
40 activities both within and without this state, the gross income

1 attributable to this state must be determined in accordance with the
2 methods of apportionment required under RCW 82.04.460.

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

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

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

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

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

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

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

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

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

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

21 (12)(a) Until July 1, 2024, upon every person engaging within
22 this state in the business of extracting timber or extracting for
23 hire timber; as to such persons the amount of tax with respect to the
24 business is, in the case of extractors, equal to the value of
25 products, including by-products, extracted, or in the case of
26 extractors for hire, equal to the gross income of the business,
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 (b) Until July 1, 2024, upon every person engaging within this
31 state in the business of manufacturing or processing for hire: (i)
32 Timber into timber products or wood products; or (ii) timber products
33 into other timber products or wood products; as to such persons the
34 amount of the tax with respect to the business is, in the case of
35 manufacturers, equal to the value of products, including by-products,
36 manufactured, or in the case of processors for hire, equal to the
37 gross income of the business, multiplied by the rate of 0.4235
38 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent
39 from July 1, 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
3 by that person; (ii) timber products manufactured by that person from
4 timber or other timber products; or (iii) wood products manufactured
5 by 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
15 percent. For purposes of this subsection (12)(d), "selling standing
16 timber" means the sale of timber apart from the land, where the buyer
17 is required to sever the timber within thirty months from the date of
18 the original contract, regardless of the method of payment for the
19 timber and whether title to the timber transfers before, upon, or
20 after severance.

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

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

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

39 (iii) "Recycled paper" means paper and paper products having
40 fifty percent or more of their fiber content that comes from

1 postconsumer waste. For purposes of this subsection (12)(e)(iii),
2 "postconsumer waste" means a finished material that would normally be
3 disposed of as solid waste, having completed its life cycle as a
4 consumer item.

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

9 (v) "Timber products" means:

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

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

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

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

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

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

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

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

37 (15)(a) Beginning July 1, 2015, upon every person engaging within
38 this state in the business of manufacturing commercial rotorcrafts,
39 commercial rotorcraft components, or commercial rotorcraft mission
40 equipment, or tooling specifically designed for use in manufacturing

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

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

15 (c) In addition to all other requirements under this title, a
16 person reporting under the tax rate provided in this subsection (15)
17 must file a complete annual report with the department under RCW
18 82.32.534.

19 (d) This subsection (15) does not apply on and after July 1,
20 2025, unless no tax preference created in this act has been used by
21 July 1, 2017, then this subsection (15) does not apply on or after
22 July 1, 2017.

23 NEW SECTION. Sec. 4. A new section is added to chapter 82.04
24 RCW to read as follows:

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

28 (2) The credit is equal to:

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

38 (ii) Property taxes attributable to an increase in assessed value
39 due to the renovation or expansion after July 1, 2015, of a building

1 used exclusively for manufacturing commercial rotorcrafts, commercial
2 rotorcraft components, or commercial rotorcraft mission equipment,
3 for manufacturing of tooling specifically designed for use in
4 commercial rotorcrafts, commercial rotorcraft components, or
5 commercial rotorcraft mission equipment, for rotorcraft product
6 development, or for providing rotorcraft services; and

7 (b) An amount equal to:

8 (i)(A) Property taxes paid, by persons taxable under RCW
9 82.04.260(15) on machinery and equipment exempt under RCW 82.08.02565
10 or 82.12.02565 and acquired after July 1, 2015; or

11 (B) Property taxes paid, by persons taxable under RCW
12 82.04.250(3) or 82.04.290(3), on computer hardware, computer
13 peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and
14 acquired after July 1, 2015.

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

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

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

28 (C) For purposes of both the numerator and denominator of the
29 fraction, the total taxable amount refers to the total taxable amount
30 required to be reported on the person's returns for the calendar year
31 before the calendar year in which the credit under this section is
32 earned. The department may provide for an alternative method for
33 calculating the numerator in cases where the tax rate provided in RCW
34 82.04.260(15) for manufacturing was not in effect during the full
35 calendar year before the calendar year in which the credit under this
36 section is earned.

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

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

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

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

22 (b) "Rotorcraft products" means:

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

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

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

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

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

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

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

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

11 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.04
12 RCW to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

24 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.08
25 RCW to read as follows:

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

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

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

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

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

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

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

9 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.08
10 RCW to read as follows:

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

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

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

22 (c) Charges made for labor and services rendered in respect to
23 installing, during the course of constructing such buildings,
24 building fixtures not otherwise eligible for the exemption under RCW
25 82.08.02565(2)(b).

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

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

38 (4) The exemption in this section applies to buildings or parts
39 of buildings, including buildings or parts of buildings used for the

1 storage of raw materials or finished products, that are used
2 primarily in the manufacturing of commercial rotorcrafts.

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

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

9 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.12
10 RCW to read as follows:

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

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

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

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

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

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

32 **Sec. 9.** RCW 82.04.290 and 2014 c 97 s 404 are each amended to
33 read as follows:

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

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

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

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

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

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

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

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

36 (c) This subsection (4) does not apply on or after July 1, 2017,
37 if no tax preference created in this act has been used by July 1,
38 2017.

1 NEW SECTION. **Sec. 10.** (1) The department of revenue must make a
2 determination regarding whether the condition in RCW
3 82.04.260(15)(d), sections 4(6), 5(8), 6(4), 7(6), and 8(4) of this
4 act, and RCW 82.04.290(4)(c) has occurred.

5 (2) If the department of revenue determines that the condition
6 specified in subsection (1) of this section has not occurred by July
7 1, 2017, the department of revenue must provide written notice
8 stating that on July 1, 2017, the sections and subsections listed in
9 subsection (1) of this section expire or no longer apply. Written
10 notice under this subsection (2) must be provided to the chief clerk
11 of the house of representatives, the secretary of the senate, the
12 office of the code reviser, and others as deemed appropriate by the
13 department of revenue.

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