
SENATE BILL 5756

State of Washington

64th Legislature

2015 Regular Session

By Senators Braun, Hatfield, Rivers, Angel, Ericksen, Honeyford, and Benton

Read first time 02/02/15. Referred to Committee on Trade & 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,
4 82.04.4463, 82.04.4461, 82.08.975, 82.08.980, and 82.12.980;
5 reenacting and amending RCW 82.04.260; creating a new section;
6 providing an effective date; and declaring an emergency.

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 this preference must file a tax
16 preference annual report under RCW 82.32.534.

17 (b) The joint legislative audit and review committee must review
18 the tax preference provided in this act as part of its normal review
19 process of tax preferences. The committee must specifically assess
20 employment changes and tax revenue changes in the commercial aircraft
21 industry in Washington in comparison to employment and tax revenues
22 prior to the extension of tax preferences in this act. To the extent
23 practicable, the committee must use data provided by state agencies
24 responsible for administering unemployment insurance and collecting
25 tax revenue and data statistics provided by the bureau of labor
26 statistics.

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

29 (1) "Commercial aircraft" means a "commercial airplane" or
30 "commercial rotorcraft."

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

35 ~~((+2))~~ (3) "Commercial rotorcraft" means an aircraft supported
36 in flight by one or more rotors to provide lift, which may also
37 include rotorcrafts with additional thrust engines or propellers,
38 certified by the federal aviation administration for transporting
39 persons or property, and any military derivative of such an aircraft.

1 (4) "Component" means a part or system certified by the federal
2 aviation administration for installation or assembly into a
3 commercial (~~airplane~~) aircraft.

4 (~~(3)~~) (5) "Superefficient airplane" means a twin aisle airplane
5 that carries between two hundred and three hundred fifty passengers,
6 with a range of more than seven thousand two hundred nautical miles,
7 a cruising speed of approximately mach .85, and that uses fifteen to
8 twenty percent less fuel than other similar airplanes on the market.

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

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

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

19 (b) Beginning July 1, 2015, seafood products that remain in a
20 raw, raw frozen, or raw salted state at the completion of the
21 manufacturing by that person; or selling manufactured seafood
22 products that remain in a raw, raw frozen, or raw salted state at the
23 completion of the manufacturing, to purchasers who transport in the
24 ordinary course of business the goods out of this state; as to such
25 persons the amount of tax with respect to such business is equal to
26 the value of the products manufactured or the gross proceeds derived
27 from such sales, multiplied by the rate of 0.138 percent. Sellers
28 must keep and preserve records for the period required by RCW
29 82.32.070 establishing that the goods were transported by the
30 purchaser in the ordinary course of business out of this state;

31 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
32 products that the person has manufactured to purchasers who either
33 transport in the ordinary course of business the goods out of state
34 or purchasers who use such dairy products as an ingredient or
35 component in the manufacturing of a dairy product; as to such persons
36 the tax imposed is equal to the value of the products manufactured or
37 the gross proceeds derived from such sales multiplied by the rate of
38 0.138 percent. Sellers must keep and preserve records for the period
39 required by RCW 82.32.070 establishing that the goods were

1 transported by the purchaser in the ordinary course of business out
2 of this state or sold to a manufacturer for use as an ingredient or
3 component in the manufacturing of a dairy product.

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

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

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

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

18 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,
19 preserving, freezing, processing, or dehydrating fresh fruits or
20 vegetables, or selling at wholesale fruits or vegetables manufactured
21 by the seller by canning, preserving, freezing, processing, or
22 dehydrating fresh fruits or vegetables and sold to purchasers who
23 transport in the ordinary course of business the goods out of this
24 state; as to such persons the amount of tax with respect to such
25 business is equal to the value of the products manufactured or the
26 gross proceeds derived from such sales multiplied by the rate of
27 0.138 percent. Sellers must keep and preserve records for the period
28 required by RCW 82.32.070 establishing that the goods were
29 transported by the purchaser in the ordinary course of business out
30 of this state.

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

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

39 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
40 persons the amount of tax with respect to the business is equal to

1 the value of wood biomass fuel manufactured, multiplied by the rate
2 of 0.138 percent.

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

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

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

17 (5) Upon every person engaging within this state in the business
18 of acting as a travel agent or tour operator; as to such persons the
19 amount of the tax with respect to such activities is equal to the
20 gross income derived from such activities multiplied by the rate of
21 0.275 percent.

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

29 (7) Upon every person engaging within this state in the business
30 of stevedoring and associated activities pertinent to the movement of
31 goods and commodities in waterborne interstate or foreign commerce;
32 as to such persons the amount of tax with respect to such business is
33 equal to the gross proceeds derived from such activities multiplied
34 by the rate of 0.275 percent. Persons subject to taxation under this
35 subsection are exempt from payment of taxes imposed by chapter 82.16
36 RCW for that portion of their business subject to taxation under this
37 subsection. Stevedoring and associated activities pertinent to the
38 conduct of goods and commodities in waterborne interstate or foreign
39 commerce are defined as all activities of a labor, service or
40 transportation nature whereby cargo may be loaded or unloaded to or

1 from vessels or barges, passing over, onto or under a wharf, pier, or
2 similar structure; cargo may be moved to a warehouse or similar
3 holding or storage yard or area to await further movement in import
4 or export or may move to a consolidation freight station and be
5 stuffed, unstuffed, containerized, separated or otherwise segregated
6 or aggregated for delivery or loaded on any mode of transportation
7 for delivery to its consignee. Specific activities included in this
8 definition are: Wharfage, handling, loading, unloading, moving of
9 cargo to a convenient place of delivery to the consignee or a
10 convenient place for further movement to export mode; documentation
11 services in connection with the receipt, delivery, checking, care,
12 custody and control of cargo required in the transfer of cargo;
13 imported automobile handling prior to delivery to consignee; terminal
14 stevedoring and incidental vessel services, including but not limited
15 to plugging and unplugging refrigerator service to containers,
16 trailers, and other refrigerated cargo receptacles, and securing ship
17 hatch covers.

18 (8)(a) Upon every person engaging within this state in the
19 business of disposing of low-level waste, as defined in RCW
20 43.145.010; as to such persons the amount of the tax with respect to
21 such business is equal to the gross income of the business, excluding
22 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
23 3.3 percent.

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

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

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

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

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

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

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

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

29 (d) In addition to all other requirements under this title, a
30 person reporting under the tax rate provided in this subsection (11)
31 must file a complete annual report with the department under RCW
32 82.32.534.

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

35 (ii) With respect to the manufacturing of commercial
36 (~~(airplanes)~~) aircraft or making sales, at retail or wholesale, of
37 commercial (~~(airplanes)~~) aircraft, this subsection (11) does not
38 apply on and after July 1st of the year in which the department makes
39 a determination that any final assembly or wing assembly of any
40 version or variant of a commercial (~~(airplane)~~) aircraft that is the

1 basis of a siting of a significant commercial airplane manufacturing
2 program in the state under RCW 82.32.850 has been sited outside the
3 state of Washington. This subsection (11)(e)(ii) only applies to the
4 manufacturing or sale of commercial (~~airplanes~~) aircraft that are
5 the basis of a siting of a significant commercial airplane
6 manufacturing program in the state under RCW 82.32.850.

7 (12)(a) Until July 1, 2024, upon every person engaging within
8 this state in the business of extracting timber or extracting for
9 hire timber; as to such persons the amount of tax with respect to the
10 business is, in the case of extractors, equal to the value of
11 products, including by-products, extracted, or in the case of
12 extractors for hire, equal to the gross income of the business,
13 multiplied by the rate of 0.4235 percent from July 1, 2006, through
14 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
15 2024.

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

26 (c) Until July 1, 2024, upon every person engaging within this
27 state in the business of selling at wholesale: (i) Timber extracted
28 by that person; (ii) timber products manufactured by that person from
29 timber or other timber products; or (iii) wood products manufactured
30 by that person from timber or timber products; as to such persons the
31 amount of the tax with respect to the business is equal to the gross
32 proceeds of sales of the timber, timber products, or wood products
33 multiplied by the rate of 0.4235 percent from July 1, 2006, through
34 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
35 2024.

36 (d) Until July 1, 2024, upon every person engaging within this
37 state in the business of selling standing timber; as to such persons
38 the amount of the tax with respect to the business is equal to the
39 gross income of the business multiplied by the rate of 0.2904
40 percent. For purposes of this subsection (12)(d), "selling standing

1 timber" means the sale of timber apart from the land, where the buyer
2 is required to sever the timber within thirty months from the date of
3 the original contract, regardless of the method of payment for the
4 timber and whether title to the timber transfers before, upon, or
5 after severance.

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

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

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

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

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

34 (v) "Timber products" means:

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

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

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

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

7 (f) Except for small harvesters as defined in RCW 84.33.035, a
8 person reporting under the tax rate provided in this subsection (12)
9 must file a complete annual survey with the department under RCW
10 82.32.585.

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

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

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

23 **Sec. 4.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each
24 amended to read as follows:

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

28 (2) The credit is equal to:

29 (a)(i)(A) Property taxes paid on buildings, and land upon which
30 the buildings are located, constructed after December 1, 2003, and
31 used exclusively in manufacturing commercial (~~airplanes~~) aircraft
32 or components of such (~~airplanes~~) aircraft; and

33 (B) Leasehold excise taxes paid with respect to buildings
34 constructed after January 1, 2006, the land upon which the buildings
35 are located, or both, if the buildings are used exclusively in
36 manufacturing commercial (~~airplanes~~) aircraft or components of such
37 (~~airplanes~~) aircraft; and

38 (C) Property taxes or leasehold excise taxes paid on, or with
39 respect to, buildings constructed after June 30, 2008, the land upon

1 which the buildings are located, or both, and used exclusively for
2 aerospace product development, manufacturing tooling specifically
3 designed for use in manufacturing commercial (~~airplanes~~) aircraft
4 or their components, or in providing aerospace services, by persons
5 not within the scope of (a)(i)(A) and (B) of this subsection (2) and
6 are taxable under RCW 82.04.290(3), 82.04.260(11)(b), or
7 82.04.250(3); or

8 (ii) Property taxes attributable to an increase in assessed value
9 due to the renovation or expansion, after: (A) December 1, 2003, of a
10 building used exclusively in manufacturing commercial (~~airplanes~~)
11 aircraft or components of such (~~airplanes~~) aircraft; and (B) June
12 30, 2008, of buildings used exclusively for aerospace product
13 development, manufacturing tooling specifically designed for use in
14 manufacturing commercial (~~airplanes~~) aircraft or their components,
15 or in providing aerospace services, by persons not within the scope
16 of (a)(ii)(A) of this subsection (2) and are taxable under RCW
17 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); and

18 (b) An amount equal to:

19 (i)(A) Property taxes paid, by persons taxable under RCW
20 82.04.260(11)(a), on machinery and equipment exempt under RCW
21 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

22 (B) Property taxes paid, by persons taxable under RCW
23 82.04.260(11)(b), on machinery and equipment exempt under RCW
24 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

25 (C) Property taxes paid, by persons taxable under RCW
26 82.04.250(3) or 82.04.290(3), on computer hardware, computer
27 peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and
28 acquired after June 30, 2008.

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

32 (A) The numerator of the fraction is the total taxable amount
33 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the
34 applicable business activities of manufacturing commercial
35 (~~airplanes~~) aircraft, components of such (~~airplanes~~) aircraft, or
36 tooling specifically designed for use in the manufacturing of
37 commercial (~~airplanes~~) aircraft or components of such (~~airplanes~~)
38 aircraft.

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

4 (C) For purposes of both the numerator and denominator of the
5 fraction, the total taxable amount refers to the total taxable amount
6 required to be reported on the person's returns for the calendar year
7 before the calendar year in which the credit under this section is
8 earned. The department may provide for an alternative method for
9 calculating the numerator in cases where the tax rate provided in RCW
10 82.04.260(11) for manufacturing was not in effect during the full
11 calendar year before the calendar year in which the credit under this
12 section is earned.

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

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

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

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

24 (b) "Aerospace services" has the same meaning given in RCW
25 82.08.975.

26 (c) "Commercial (~~airplane~~) aircraft" and "component" have the
27 same meanings as provided in RCW 82.32.550.

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

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

35 (6) This section expires July 1, 2040.

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

38 (1)(a)(i) In computing the tax imposed under this chapter, a
39 credit is allowed for each person for qualified aerospace product

1 development. For a person who is a manufacturer or processor for hire
2 of commercial ((airplanes)) aircraft or components of such
3 ((airplanes)) aircraft, credit may be earned for expenditures
4 occurring after December 1, 2003. For all other persons, credit may
5 be earned only for expenditures occurring after June 30, 2008.

6 (ii) For purposes of this subsection, "commercial ((airplane))
7 aircraft" and "component" have the same meanings as provided in RCW
8 82.32.550.

9 (b) Before July 1, 2005, any credits earned under this section
10 must be accrued and carried forward and may not be used until July 1,
11 2005. These carryover credits may be used at any time thereafter, and
12 may be carried over until used. Refunds may not be granted in the
13 place of a credit.

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

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

24 (4) Any person claiming the credit must file a form prescribed by
25 the department that must include the amount of the credit claimed, an
26 estimate of the anticipated aerospace product development
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) "Aerospace product" has the meaning given in RCW 82.08.975.

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

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

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

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

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

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

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

32 (8) This section expires July 1, 2040.

33 **Sec. 6.** RCW 82.08.975 and 2013 3rd sp.s. c 2 s 11 are each
34 amended to read as follows:

35 (1) The tax levied by RCW 82.08.020 does not apply to sales of
36 computer hardware, computer peripherals, or software, not otherwise
37 eligible for exemption under RCW 82.08.02565, used primarily in the
38 development, design, and engineering of aerospace products or in
39 providing aerospace services, or to sales of or charges made for

1 labor and services rendered in respect to installing the computer
2 hardware, computer peripherals, or software.

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

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

9 (a) "Aerospace products" means:

10 (i) Commercial ((airplanes)) aircraft and their components;

11 (ii) Machinery and equipment that is designed and used primarily
12 for the maintenance, repair, overhaul, or refurbishing of commercial
13 ((airplanes)) aircraft or their components by federal aviation
14 regulation part 145 certificated repair stations; and

15 (iii) Tooling specifically designed for use in manufacturing
16 commercial ((airplanes)) aircraft or their components.

17 (b) "Aerospace services" means the maintenance, repair, overhaul,
18 or refurbishing of commercial ((airplanes)) aircraft or their
19 components, but only when such services are performed by a FAR part
20 145 certificated repair station.

21 (c) "Commercial ((airplane)) aircraft" and "component" have the
22 same meanings provided in RCW 82.32.550.

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

26 (4) This section expires July 1, 2040.

27 **Sec. 7.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each
28 amended to read as follows:

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

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

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

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

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

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

20 (4) The exemption in this section applies to buildings or parts
21 of buildings, including buildings or parts of buildings used for the
22 storage of raw materials or finished product, that are used primarily
23 in the manufacturing of any one or more of the following products:

24 (a) Commercial (~~(airplanes)~~) aircraft;

25 (b) Fuselages of commercial (~~(airplanes)~~) aircraft; or

26 (c) Wings of commercial (~~(airplanes)~~) aircraft.

27 (5) For the purposes of this section, "commercial (~~(airplane)~~)
28 aircraft" has the meaning given in RCW 82.32.550.

29 (6) This section expires July 1, 2040.

30 **Sec. 8.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each
31 amended to read as follows:

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

34 (a) Tangible personal property that will be incorporated as an
35 ingredient or component in constructing new buildings for (i) a
36 manufacturer engaged in the manufacturing of commercial (~~(airplanes)~~)
37 aircraft or the fuselages or wings of commercial (~~(airplanes)~~)
38 aircraft or (ii) a port district, political subdivision, or municipal
39 corporation, to be leased to a manufacturer engaged in the

1 manufacturing of commercial ((airplanes)) aircraft or the fuselages
2 or wings of commercial ((airplanes)) aircraft, or to be leased to a
3 person engaged in the maintenance of commercial aircraft; or

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

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

10 (3) For the purposes of this section, "commercial aircraft" has
11 the meaning given in RCW 82.32.550.

12 (4) This section expires July 1, 2040.

13 NEW SECTION. Sec. 9. Section 3 of this act is necessary for the
14 immediate preservation of the public peace, health, or safety, or
15 support of the state government and its existing public institutions,
16 and takes effect July 1, 2015.

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