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**SUBSTITUTE HOUSE BILL 3245**

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**State of Washington**

**60th Legislature**

**2008 Regular Session**

**By** House Finance (originally sponsored by Representatives Lias, Orcutt, Ericks, Sells, Loomis, Ormsby, Grant, Condotta, Barlow, McIntire, Dunn, Conway, Kelley, and Kenney)

READ FIRST TIME 02/12/08.

1 AN ACT Relating to the excise taxation of the aerospace industry;  
2 amending RCW 82.08.975, 82.12.975, 82.04.250, 82.04.250, 82.04.290,  
3 82.04.4461, 82.04.4463, 82.04.44525, 82.32.545, 82.32.330, and  
4 82.32.550; reenacting and amending RCW 82.04.260, 82.32.590, and  
5 82.32.600; adding a new section to chapter 82.04 RCW; creating new  
6 sections; repealing RCW 82.04.4487, 82.08.981, 82.12.981, 82.32.635,  
7 and 82.32.640; providing effective dates; and providing an expiration  
8 date.

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

10 NEW SECTION. **Sec. 1.** The legislature finds that the aerospace  
11 industry provides good wages and benefits for the thousands of  
12 engineers, mechanics, support staff, and other employees working  
13 directly in the industry throughout the state. The legislature further  
14 finds that suppliers and vendors that support the aerospace industry in  
15 turn provide a range of well-paying jobs. In 2003, and again in 2006,  
16 the legislature determined it was in the public interest to encourage  
17 the continued presence of this industry through the provision of tax  
18 incentives.

1           However, the legislature recognizes that key elements of  
2 Washington's aerospace industry cluster were afforded few, if any, of  
3 the aerospace tax incentives enacted in 2003 and 2006. The  
4 comprehensive tax incentives in this act are intended to more  
5 comprehensively address the cost of doing business in Washington state  
6 compared to locations in other states for a larger segment of the  
7 aerospace industry cluster.

8           **Sec. 2.** RCW 82.08.975 and 2003 2nd sp.s. c 1 s 9 are each amended  
9 to read as follows:

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

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

22           (~~(2)~~) (3) As used in this section, (~~("commercial airplane" and~~  
23 ~~"component" have the meanings given in RCW 82.32.550)~~) the following  
24 definitions apply:

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

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

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

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

6        ~~((3))~~ (4) This section expires July 1, 2024.

7        **Sec. 3.** RCW 82.12.975 and 2003 2nd sp.s. c 1 s 10 are each amended  
8 to read as follows:

9        (1) The provisions of this chapter shall not apply in respect to  
10 the use of computer hardware, computer peripherals, or software, not  
11 otherwise eligible for exemption under RCW 82.12.02565, ~~((by a~~  
12 ~~manufacturer or processor for hire of commercial airplanes or~~  
13 ~~components of such airplanes,)) used primarily in the development,  
14 design, and engineering of ~~((such))~~ aerospace products or in providing  
15 aerospace services, or to the use of labor and services rendered in  
16 respect to installing the computer hardware, computer peripherals, or  
17 software.~~

18        (2) As used in this section, ~~(("commercial airplane" and~~  
19 ~~"component"))~~ "peripherals," "aerospace products," and "aerospace  
20 services" have the same meanings ~~((given in RCW 82.32.550.~~  
21 ~~"Peripherals" includes keyboards, monitors, mouse devices, and other~~  
22 ~~accessories that operate outside of the computer, excluding cables,~~  
23 ~~conduit, wiring, and other similar property))~~ as provided in RCW  
24 82.08.975.

25        (3) This section expires July 1, 2024.

26        **Sec. 4.** RCW 82.04.260 and 2007 c 54 s 6 and 2007 c 48 s 2 are each  
27 reenacted and amended to read as follows:

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

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

1 (b) Beginning July 1, 2012, seafood products that remain in a raw,  
2 raw frozen, or raw salted state at the completion of the manufacturing  
3 by that person; or selling manufactured seafood products that remain in  
4 a raw, raw frozen, or raw salted state at the completion of the  
5 manufacturing, to purchasers who transport in the ordinary course of  
6 business the goods out of this state; as to such persons the amount of  
7 tax with respect to such business shall be equal to the value of the  
8 products manufactured or the gross proceeds derived from such sales,  
9 multiplied by the rate of 0.138 percent. Sellers must keep and  
10 preserve records for the period required by RCW 82.32.070 establishing  
11 that the goods were transported by the purchaser in the ordinary course  
12 of business out of this state;

13 (c) Beginning July 1, 2012, dairy products that as of September 20,  
14 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,  
15 including byproducts from the manufacturing of the dairy products such  
16 as whey and casein; or selling the same to purchasers who transport in  
17 the ordinary course of business the goods out of state; as to such  
18 persons the tax imposed shall be equal to the value of the products  
19 manufactured or the gross proceeds derived from such sales multiplied  
20 by the rate of 0.138 percent. Sellers must keep and preserve records  
21 for the period required by RCW 82.32.070 establishing that the goods  
22 were transported by the purchaser in the ordinary course of business  
23 out of this state;

24 (d) Beginning July 1, 2012, fruits or vegetables by canning,  
25 preserving, freezing, processing, or dehydrating fresh fruits or  
26 vegetables, or selling at wholesale fruits or vegetables manufactured  
27 by the seller by canning, preserving, freezing, processing, or  
28 dehydrating fresh fruits or vegetables and sold to purchasers who  
29 transport in the ordinary course of business the goods out of this  
30 state; as to such persons the amount of tax with respect to such  
31 business shall be equal to the value of the products manufactured or  
32 the gross proceeds derived from such sales multiplied by the rate of  
33 0.138 percent. Sellers must keep and preserve records for the period  
34 required by RCW 82.32.070 establishing that the goods were transported  
35 by the purchaser in the ordinary course of business out of this state;

36 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
37 feedstock, as those terms are defined in RCW 82.29A.135; as to such

1 persons the amount of tax with respect to the business shall be equal  
2 to the value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
3 manufactured, multiplied by the rate of 0.138 percent; and

4 (f) Alcohol fuel or wood biomass fuel, as those terms are defined  
5 in RCW 82.29A.135; as to such persons the amount of tax with respect to  
6 the business shall be equal to the value of alcohol fuel or wood  
7 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

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

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

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

22 (5) Upon every person engaging within this state in the business of  
23 acting as a travel agent or tour operator; as to such persons the  
24 amount of the tax with respect to such activities shall be equal to the  
25 gross income derived from such activities multiplied by the rate of  
26 0.275 percent.

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

34 (7) Upon every person engaging within this state in the business of  
35 stevedoring and associated activities pertinent to the movement of  
36 goods and commodities in waterborne interstate or foreign commerce; as  
37 to such persons the amount of tax with respect to such business shall  
38 be equal to the gross proceeds derived from such activities multiplied

1 by the rate of 0.275 percent. Persons subject to taxation under this  
2 subsection shall be exempt from payment of taxes imposed by chapter  
3 82.16 RCW for that portion of their business subject to taxation under  
4 this subsection. Stevedoring and associated activities pertinent to  
5 the conduct of goods and commodities in waterborne interstate or  
6 foreign commerce are defined as all activities of a labor, service or  
7 transportation nature whereby cargo may be loaded or unloaded to or  
8 from vessels or barges, passing over, onto or under a wharf, pier, or  
9 similar structure; cargo may be moved to a warehouse or similar holding  
10 or storage yard or area to await further movement in import or export  
11 or may move to a consolidation freight station and be stuffed,  
12 unstuffed, containerized, separated or otherwise segregated or  
13 aggregated for delivery or loaded on any mode of transportation for  
14 delivery to its consignee. Specific activities included in this  
15 definition are: Wharfage, handling, loading, unloading, moving of  
16 cargo to a convenient place of delivery to the consignee or a  
17 convenient place for further movement to export mode; documentation  
18 services in connection with the receipt, delivery, checking, care,  
19 custody and control of cargo required in the transfer of cargo;  
20 imported automobile handling prior to delivery to consignee; terminal  
21 stevedoring and incidental vessel services, including but not limited  
22 to plugging and unplugging refrigerator service to containers,  
23 trailers, and other refrigerated cargo receptacles, and securing ship  
24 hatch covers.

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

30 If the gross income of the taxpayer is attributable to activities  
31 both within and without this state, the gross income attributable to  
32 this state shall be determined in accordance with the methods of  
33 apportionment required under RCW 82.04.460.

34 (9) Upon every person engaging within this state as an insurance  
35 agent, insurance broker, or insurance solicitor licensed under chapter  
36 48.17 RCW; as to such persons, the amount of the tax with respect to  
37 such licensed activities shall be equal to the gross income of such  
38 business multiplied by the rate of 0.484 percent.

1 (10) Upon every person engaging within this state in business as a  
2 hospital, as defined in chapter 70.41 RCW, that is operated as a  
3 nonprofit corporation or by the state or any of its political  
4 subdivisions, as to such persons, the amount of tax with respect to  
5 such activities shall be equal to the gross income of the business  
6 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5  
7 percent thereafter. The moneys collected under this subsection shall  
8 be deposited in the health services account created under RCW  
9 43.72.900.

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

20 (i) 0.4235 percent from October 1, 2005, through the later of June  
21 30, 2007(~~(, or the day preceding the date final assembly of a~~  
22 ~~superefficient airplane begins in Washington state, as determined under~~  
23 ~~RCW 82.32.550))~~); and

24 (ii) 0.2904 percent beginning (~~(on the later of))~~ July 1, 2007(~~(, or the date final assembly of a~~  
25 ~~superefficient airplane begins in~~  
26 ~~Washington state, as determined under RCW 82.32.550))~~).

27 (b) Beginning (~~(October 1, 2005))~~ July 1, 2008, upon every person  
28 who is not eligible to report under the provisions of (a) of this  
29 subsection (11) and is engaging within this state in the business of  
30 manufacturing tooling specifically designed for use in manufacturing  
31 commercial airplanes or components of such airplanes, or making sales,  
32 at retail or wholesale, of (~~(commercial airplanes, or components of~~  
33 ~~such airplanes, manufactured by that person)) such tooling manufactured~~  
34 by the seller, as to such persons the amount of tax with respect to  
35 such business shall, in the case of manufacturers, be equal to the  
36 value of the product manufactured and the gross proceeds of sales of  
37 the (~~(airplanes or components)) product manufactured, or in the case of~~

1 processors for hire, be equal to the gross income of the business,  
2 multiplied by the rate of(~~(~~  
3 ~~(i) 0.4235 percent from October 1, 2005, through the later of June~~  
4 ~~30, 2007, or the day preceding the date final assembly of a~~  
5 ~~superefficient airplane begins in Washington state, as determined under~~  
6 ~~RCW 82.32.550; and~~  
7 ~~(ii)) 0.2904 percent ((beginning on the later of July 1, 2007, or~~  
8 ~~the date final assembly of a superefficient airplane begins in~~  
9 ~~Washington state, as determined under RCW 82.32.550)).~~  
10 (c) For the purposes of this subsection (11), "commercial  
11 airplane(~~(~~)" and "component(~~(~~)" (~~(and "final assembly of a~~  
12 ~~superefficient airplane"~~)) have the same meanings (~~(given))~~ as provided  
13 in RCW 82.32.550.  
14 (d) In addition to all other requirements under this title, a  
15 person eligible for the tax rate under this subsection (11) must report  
16 as required under RCW 82.32.545.  
17 (e) This subsection (11) does not apply on and after (~~(the earlier~~  
18 ~~of~~)) July 1, 2024(~~(; or December 31, 2007, if assembly of a~~  
19 ~~superefficient airplane does not begin by December 31, 2007, as~~  
20 ~~determined under RCW 82.32.550)).~~  
21 (12)(a) Until July 1, 2024, upon every person engaging within this  
22 state in the business of extracting timber or extracting for hire  
23 timber; as to such persons the amount of tax with respect to the  
24 business shall, in the case of extractors, be equal to the value of  
25 products, including byproducts, extracted, or in the case of extractors  
26 for hire, be equal to the gross income of the business, multiplied by  
27 the rate of 0.4235 percent from July 1, 2006, through June 30, 2007,  
28 and 0.2904 percent from July 1, 2007, through June 30, 2024.  
29 (b) Until July 1, 2024, upon every person engaging within this  
30 state in the business of manufacturing or processing for hire: (i)  
31 Timber into timber products or wood products; or (ii) timber products  
32 into other timber products or wood products; as to such persons the  
33 amount of the tax with respect to the business shall, in the case of  
34 manufacturers, be equal to the value of products, including byproducts,  
35 manufactured, or in the case of processors for hire, be equal to the  
36 gross income of the business, multiplied by the rate of 0.4235 percent  
37 from July 1, 2006, through June 30, 2007, and 0.2904 percent from July  
38 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 by  
3 that person; (ii) timber products manufactured by that person from  
4 timber or other timber products; or (iii) wood products manufactured by  
5 that person from timber or timber products; as to such persons the  
6 amount of the tax with respect to the business shall be equal to the  
7 gross proceeds of sales of the timber, timber products, or wood  
8 products multiplied by the rate of 0.4235 percent from July 1, 2006,  
9 through June 30, 2007, and 0.2904 percent from July 1, 2007, through  
10 June 30, 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 shall be equal to  
14 the 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 after  
20 severance.

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

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

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

1 (iii) "Timber products" means logs, wood chips, sawdust, wood  
2 waste, and similar products obtained wholly from the processing of  
3 timber, short-rotation hardwoods as defined in RCW 84.33.035, or both;  
4 and pulp, including market pulp and pulp derived from recovered paper  
5 or paper products.

6 (iv) "Wood products" means paper and paper products; dimensional  
7 lumber; engineered wood products such as particleboard, oriented strand  
8 board, medium density fiberboard, and plywood; wood doors; and wood  
9 windows.

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

15 **Sec. 5.** RCW 82.04.250 and 2006 c 177 s 5 are each amended to read  
16 as follows:

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

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

29 (3) Upon every person classified by the federal aviation  
30 administration as a federal aviation regulation part 145 certificated  
31 repair station and that is engaging within this state in the business  
32 of making sales at retail that are exempt from the tax imposed under  
33 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
34 82.08.0263, (~~that is classified by the federal aviation administration~~  
35 ~~as a FAR part 145 certificated repair station with airframe and~~  
36 ~~instrument ratings and limited ratings for nondestructive testing,~~  
37 ~~radio, Class 3 Accessory, and specialized services,)) as to such~~

1 persons, the amount of tax with respect to such business shall be equal  
2 to the gross proceeds of sales of the business, multiplied by the rate  
3 of .2904 percent.

4 **Sec. 6.** RCW 82.04.250 and 2007 c 54 s 5 are each amended to read  
5 as follows:

6 (1) Upon every person engaging within this state in the business of  
7 making sales at retail, except persons taxable as retailers under other  
8 provisions of this chapter, as to such persons, the amount of tax with  
9 respect to such business shall be equal to the gross proceeds of sales  
10 of the business, multiplied by the rate of 0.471 percent.

11 (2) Upon every person engaging within this state in the business of  
12 making sales at retail that are exempt from the tax imposed under  
13 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
14 82.08.0263, except persons taxable under RCW 82.04.260(11) or  
15 subsection (3) of this section, as to such persons, the amount of tax  
16 with respect to such business shall be equal to the gross proceeds of  
17 sales of the business, multiplied by the rate of 0.484 percent.

18 (3) Upon every person classified by the federal aviation  
19 administration as a federal aviation regulation part 145 certificated  
20 repair station and that is engaging within this state in the business  
21 of making sales at retail that are exempt from the tax imposed under  
22 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
23 82.08.0263, as to such persons, the amount of tax with respect to such  
24 business shall be equal to the gross proceeds of sales of the business,  
25 multiplied by the rate of .2904 percent.

26 **Sec. 7.** RCW 82.04.290 and 2005 c 369 s 8 are each amended to read  
27 as follows:

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

33 (2)(a) Upon every person engaging within this state in any business  
34 activity other than or in addition to an activity taxed explicitly  
35 under another section in this chapter or subsection ((+1+)) (3) of this

1 section; as to such persons the amount of tax on account of such  
2 activities shall be equal to the gross income of the business  
3 multiplied by the rate of 1.5 percent.

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

15 (3)(a) Upon every person engaging within this state in the business  
16 of performing aerospace product development for others, as to such  
17 persons, the amount of tax with respect to such business shall be equal  
18 to the gross income of the business multiplied by a rate of 0.9  
19 percent.

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

22 **Sec. 8.** RCW 82.04.4461 and 2007 c 54 s 11 are each amended to read  
23 as follows:

24 (1)(a)(i) In computing the tax imposed under this chapter, a credit  
25 is allowed for each person for qualified ~~((preproduction))~~ aerospace  
26 product development. For a person who is a manufacturer or processor  
27 for hire of commercial airplanes or components of such airplanes,  
28 credit may be earned for expenditures occurring after December 1, 2003.  
29 For all other persons, credit may be earned only for expenditures  
30 occurring after June 30, 2008.

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

33 (b) Before July 1, 2005, any credits earned under this section must  
34 be accrued and carried forward and may not be used until July 1, 2005.  
35 These carryover credits may be used at any time thereafter, and may be  
36 carried over until used. Refunds may not be granted in the place of a  
37 credit.

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

4 (3) Except as provided in subsection (1)(b) of this section the  
5 credit shall be taken against taxes due for the same calendar year in  
6 which the qualified (~~(preproduction)~~) aerospace product development  
7 expenditures are incurred. Credit earned on or after July 1, 2005, may  
8 not be carried over. The credit for each calendar year shall not  
9 exceed the amount of tax otherwise due under this chapter for the  
10 calendar year. Refunds may not be granted in the place of a credit.

11 (4) Any person claiming the credit shall file (~~(an affidavit)~~) a  
12 form prescribed by the department that shall include the amount of the  
13 credit claimed, an estimate of the anticipated (~~(preproduction)~~)  
14 aerospace product development expenditures during the calendar year for  
15 which the credit is claimed, an estimate of the taxable amount during  
16 the calendar year for which the credit is claimed, and such additional  
17 information as the department may prescribe.

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

20 (a) (~~("Aeronautics" means the study of flight and the science of~~  
21 ~~building and operating commercial aircraft.~~

22 (~~(b) "Person" means a person as defined in RCW 82.04.030, who is a~~  
23 ~~manufacturer or processor for hire of commercial airplanes, or~~  
24 ~~components of such airplanes, as those terms are defined in RCW~~  
25 ~~82.32.550.~~

26 (~~(c) "Preproduction)" "Aerospace product" has the meaning given in~~  
27 ~~RCW 82.08.975.~~

28 ((b) "Aerospace product development" means research, design, and  
29 engineering activities performed in relation to the development of  
30 ((a) an aerospace product(~~(τ)~~) or of a product line, model, or model  
31 derivative of an aerospace product, including prototype development,  
32 testing, and certification. The term includes the discovery of  
33 technological information, the translating of technological information  
34 into new or improved products, processes, techniques, formulas, or  
35 inventions, and the adaptation of existing products and models into new  
36 products or new models, or derivatives of products or models. The term  
37 does not include manufacturing activities or other production-oriented  
38 activities, however the term does include tool design and engineering

1 design for the manufacturing process. The term does not include  
2 surveys and studies, social science and humanities research, market  
3 research or testing, quality control, sale promotion and service,  
4 computer software developed for internal use, and research in areas  
5 such as improved style, taste, and seasonal design.

6 ~~((d))~~ (c) "Qualified ~~((preproduction))~~ aerospace product  
7 development" means ~~((preproduction))~~ aerospace product development  
8 performed within this state ~~((in the field of aeronautics))~~.

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

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

25 (6) In addition to all other requirements under this title, a  
26 person taking the credit under this section must report as required  
27 under RCW 82.32.545.

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

30 (8) This section expires July 1, 2024.

31 **Sec. 9.** RCW 82.04.4463 and 2006 c 177 s 10 are each amended to  
32 read as follows:

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

36 (2) The credit is equal to:

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

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

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

18 (ii) Property taxes attributable to an increase in assessed value  
19 due to the renovation or expansion, after: (A) December 1, 2003, of a  
20 building used exclusively in manufacturing commercial airplanes or  
21 components of such airplanes; and (B) June 30, 2008, of buildings used  
22 exclusively for aerospace product development or in providing aerospace  
23 services, by persons not within the scope of (a)(ii)(A) of this  
24 subsection (2) and are: (I) Engaged in manufacturing tooling  
25 specifically designed for use in manufacturing commercial airplanes or  
26 their components; or (II) taxable under RCW 82.04.290(3) or  
27 82.04.250(3); and

28 (b) An amount equal to:

29 (i)(A) Property taxes paid, by persons taxable under RCW  
30 82.04.260(11)(a), on machinery and equipment exempt under RCW  
31 82.08.02565 or 82.12.02565 and acquired after December 1, 2003(~~(τ)~~);

32 (B) Property taxes paid, by persons taxable under RCW  
33 82.04.260(11)(b), on machinery and equipment exempt under RCW  
34 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

35 (C) Property taxes paid, by persons taxable under RCW 82.04.0250(3)  
36 or 82.04.290(3), on computer hardware, computer peripherals, and  
37 software exempt under RCW 82.08.975 or 82.12.975 and acquired after  
38 June 30, 2008.

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

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

10 (II) The denominator of the fraction is the total taxable amount  
11 subject to the tax imposed under all manufacturing classifications in  
12 chapter 82.04 RCW(~~7~~).

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

22 (IV) No credit is available under (b)(i)(A) or (B) of this  
23 subsection (2)(~~b~~) if either the numerator or the denominator of the  
24 fraction is zero. If the fraction is greater than or equal to nine-  
25 tenths, then the fraction is rounded to one. (~~For purposes of this~~  
26 subsection~~7~~).

27 (V) As used in (III) of this subsection (2)(b)(ii)(C), "returns"  
28 means the (~~combined excise~~) tax returns for (~~the calendar year~~)  
29 which the tax imposed under this chapter is reported to the department.

30 (3) (~~For the purposes of this section~~7~~~~) The definitions in this  
31 subsection apply throughout this section, unless the context clearly  
32 indicates otherwise.

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

35 (b) "Aerospace services" has the same meaning given in RCW  
36 82.08.975.

37 (c) "Commercial (~~passenger~~) airplane" and "component" have the  
38 same meanings (~~given~~) as provided in RCW 82.32.550.



1           (4) (~~A person taking the credit under this section is subject to~~  
2 ~~all the requirements of chapter 82.32 RCW. In addition, the person~~  
3 ~~must report as required under RCW 82.32.545.~~) A credit earned during  
4 one calendar year may be carried over to be credited against taxes  
5 incurred in a subsequent calendar year, but may not be carried over a  
6 second year. No refunds may be granted for credits under this section.

7           (5) In addition to all other requirements under this title, a  
8 person taking the credit under this section must report as required  
9 under RCW 82.32.545.

10          (6) This section expires July 1, 2024.

11          **Sec. 10.** RCW 82.04.44525 and 1998 c 313 s 2 are each amended to  
12 read as follows:

13          (1) Subject to the limits in this section, an eligible person is  
14 allowed a credit against the tax due under this chapter. The credit is  
15 based on qualified employment positions in eligible areas. The credit  
16 is available to persons who are engaged in international services as  
17 defined in this section. In order to receive the credit, the  
18 international service activities must take place at a business within  
19 the eligible area.

20          (2)(a) The credit shall equal three thousand dollars for each  
21 qualified employment position created after July 1, 1998, in an  
22 eligible area. A credit is earned for the calendar year the person is  
23 hired to fill the position, plus the four subsequent consecutive years,  
24 if the position is maintained for those four years.

25          (b) Credit may not be taken for hiring of persons into positions  
26 that exist on July 1, 1998. Credit is authorized for new employees  
27 hired for new positions created after July 1, 1998. New positions  
28 filled by existing employees are eligible for the credit under this  
29 section only if the position vacated by the existing employee is filled  
30 by a new hire.

31          (c) When a position is newly created, if it is filled before July  
32 1st, this position is eligible for the full yearly credit. If it is  
33 filled after June 30th, this position is eligible for half of the  
34 credit.

35          (d) Credit may be accrued and carried over until it is used. No  
36 refunds may be granted for credits under this section.

37          (3) For the purposes of this section:

1 (a) "Eligible area" means: (i) A community empowerment zone under  
2 RCW ((~~43.63A.700~~) 43.31C.020); or (ii) a contiguous group of census  
3 tracts that meets the unemployment and poverty criteria of RCW  
4 ((~~43.63A.710~~) 43.31C.030 and is designated under subsection (4) of  
5 this section;

6 (b) "Eligible person" means a person, as defined in RCW 82.04.030,  
7 who in an eligible area at a specific location is engaged in the  
8 business of providing international services;

9 (c)(i) "International services" means the provision of a service,  
10 as defined under (c)(iii) of this subsection, that is subject to tax  
11 under RCW 82.04.290 (2) or (3), and either:

- 12 (A) Is for a person domiciled outside the United States; or
- 13 (B) The service itself is for use primarily outside of the United  
14 States.

15 (ii) "International services" excludes any service taxable under  
16 RCW 82.04.290(1).

17 (iii) Eligible services are: Computer; data processing;  
18 information; legal; accounting and tax preparation; engineering;  
19 architectural; business consulting; business management; public  
20 relations and advertising; surveying; geological consulting; real  
21 estate appraisal; or financial services. For the purposes of this  
22 section these services mean the following:

23 (A) "Computer services" are services such as computer programming,  
24 custom software modification, customization of canned software, custom  
25 software installation, custom software maintenance, custom software  
26 repair, training in the use of software, computer systems design, and  
27 custom software update services;

28 (B) "Data processing services" are services such as word  
29 processing, data entry, data retrieval, data search, information  
30 compilation, payroll processing, business accounts processing, data  
31 production, and other computerized data and information storage or  
32 manipulation. "Data processing services" also includes the use of a  
33 computer or computer time for data processing whether the processing is  
34 performed by the provider of the computer or by the purchaser or other  
35 beneficiary of the service;

36 (C) "Information services" are services such as electronic data  
37 retrieval or research that entails furnishing financial or legal

1 information, data or research, internet service as defined in RCW  
2 82.04.297, general or specialized news, or current information;

3 (D) "Legal services" are services such as representation by an  
4 attorney, or other person when permitted, in an administrative or legal  
5 proceeding, legal drafting, paralegal services, legal research  
6 services, and court reporting services, arbitration, and mediation  
7 services;

8 (E) "Accounting and tax preparation services" are services such as  
9 accounting, auditing, actuarial, bookkeeping, or tax preparation  
10 services;

11 (F) "Engineering services" are services such as civil, electrical,  
12 mechanical, petroleum, marine, nuclear, and design engineering, machine  
13 designing, machine tool designing, and sewage disposal system designing  
14 services;

15 (G) "Architectural services" are services such as structural or  
16 landscape design or architecture, interior design, building design,  
17 building program management, and space planning services;

18 (H) "Business consulting services" are services such as primarily  
19 providing operating counsel, advice, or assistance to the management or  
20 owner of any business, private, nonprofit, or public organization,  
21 including but not limited to those in the following areas:  
22 Administrative management consulting; general management consulting;  
23 human resource consulting or training; management engineering  
24 consulting; management information systems consulting; manufacturing  
25 management consulting; marketing consulting; operations research  
26 consulting; personnel management consulting; physical distribution  
27 consulting; site location consulting; economic consulting; motel,  
28 hotel, and resort consulting; restaurant consulting; government affairs  
29 consulting; and lobbying;

30 (I) "Business management services" are services such as  
31 administrative management, business management, and office management.  
32 "Business management services" does not include property management or  
33 property leasing, motel, hotel, and resort management, or automobile  
34 parking management;

35 (J) "Public relations and advertising services" are services such  
36 as layout, art direction, graphic design, copy writing, mechanical  
37 preparation, opinion research, marketing research, marketing, or  
38 production supervision;

1 (K) "Surveying services" are services such as land surveying;

2 (L) "Geological consulting services" are services rendered for the  
3 oil, gas, and mining industry and other earth resource industries, and  
4 other services such as soil testing;

5 (M) "Real estate appraisal services" are services such as market  
6 appraisal and other real estate valuation; and

7 (N) "Financial services" are services such as banking, loan,  
8 security, investment management, investment advisory, mortgage  
9 servicing, contract collection, and finance leasing services, engaged  
10 in by financial businesses, or businesses similar to or in competition  
11 with financial businesses; and

12 (d) "Qualified employment position" means a permanent full-time  
13 position to provide international services. If an employee is either  
14 voluntarily or involuntarily separated from employment, the employment  
15 position is considered filled on a full-time basis if the employer is  
16 either training or actively recruiting a replacement employee.

17 (4) By ordinance, the legislative authority of a city, or  
18 legislative authorities of contiguous cities by ordinance of each  
19 city's legislative authority, with population greater than eighty  
20 thousand, located in a county containing no community empowerment zones  
21 as designated under RCW ((~~43.63A.700~~)) 43.31C.020, may designate a  
22 contiguous group of census tracts within the city or cities as an  
23 eligible area under this section. Each of the census tracts must meet  
24 the unemployment and poverty criteria of RCW ((~~43.63A.710~~)) 43.31C.030.  
25 Upon making the designation, the city or cities shall transmit to the  
26 department of revenue a certification letter and a map, each explicitly  
27 describing the boundaries of the census tract. This designation must  
28 be made by December 31, 1998.

29 (5) No application is necessary for the tax credit. The person  
30 must keep records necessary for the department to verify eligibility  
31 under this section. This information includes:

32 (a) Employment records for the previous six years;

33 (b) Information relating to description of international service  
34 activity engaged in at the eligible location by the person; and

35 (c) Information relating to customers of international service  
36 activity engaged in at that location by the person.

37 (6) If at any time the department finds that a person is not  
38 eligible for tax credit under this section, the amount of taxes for

1 which a credit has been used shall be immediately due. The department  
2 shall assess interest, but not penalties, on the credited taxes for  
3 which the person is not eligible. The interest shall be assessed at  
4 the rate provided for delinquent excise taxes under chapter 82.32 RCW,  
5 shall be assessed retroactively to the date the tax credit was taken,  
6 and shall accrue until the taxes for which a credit has been used are  
7 repaid.

8 (7) The employment security department shall provide to the  
9 department of revenue such information needed by the department of  
10 revenue to verify eligibility under this section.

11 **Sec. 11.** RCW 82.32.545 and 2007 c 54 s 19 are each amended to read  
12 as follows:

13 (1) The legislature finds that accountability and effectiveness are  
14 important aspects of setting tax policy. In order to make policy  
15 choices regarding the best use of limited state resources the  
16 legislature needs information on how a tax incentive is used.

17 (2)(a) A person who reports taxes under RCW 82.04.260(11),  
18 82.04.250(3), or 82.04.290(3), or who claims an exemption or credit  
19 under RCW 82.04.4461, 82.08.980, 82.12.980, 82.29A.137, 84.36.655, and  
20 82.04.4463 shall make an annual report to the department detailing  
21 employment, wages, and employer-provided health and retirement benefits  
22 for employment positions in Washington. However, persons engaged in  
23 manufacturing commercial airplanes or components of such airplanes may  
24 report employment, wage, and benefit information per job at the  
25 manufacturing site. The report shall not include names of employees.  
26 The report shall also detail employment by the total number of full-  
27 time, part-time, and temporary positions. The first report filed under  
28 this subsection shall include employment, wage, and benefit information  
29 for the twelve-month period immediately before first use of a  
30 preferential tax rate under RCW 82.04.260(11), 82.04.250(3), or  
31 82.04.290(3), or tax exemption or credit under RCW 82.04.4461,  
32 82.08.980, 82.12.980, 82.29A.137, 84.36.655, and 82.04.4463, unless a  
33 survey covering this twelve-month period was filed as required by a  
34 statute repealed by chapter . . . ., Laws of 2008 (this act). The  
35 report is due by March 31st following any year in which a preferential  
36 tax rate under RCW 82.04.260(11), 82.04.250(3), or 82.04.290(3), is  
37 used, or tax exemption or credit under RCW 82.04.4461, 82.08.980,

1 82.12.980, 82.29A.137, 84.36.655, and 82.04.4463 is taken. This  
2 information is not subject to the confidentiality provisions of RCW  
3 82.32.330 and may be disclosed to the public upon request.

4 (b) If a person fails to submit an annual report under (a) of this  
5 subsection by the due date of the report, the department shall declare  
6 the amount of taxes exempted or credited, or reduced in the case of the  
7 preferential business and occupation tax rate, for that year to be  
8 immediately due and payable. Excise taxes payable under this  
9 subsection are subject to interest but not penalties, as provided under  
10 this chapter. This information is not subject to the confidentiality  
11 provisions of RCW 82.32.330 and may be disclosed to the public upon  
12 request.

13 (3) By November 1, 2010, and by November 1, 2023, the fiscal  
14 committees of the house of representatives and the senate, in  
15 consultation with the department, shall report to the legislature on  
16 the effectiveness of chapter 1, Laws of 2003 2nd sp. sess., chapter  
17 177, Laws of 2006, and chapter . . . ., Laws of 2008 (this act) in  
18 regard to keeping Washington competitive. The report shall measure the  
19 effect of (~~chapter 1, Laws of 2003 2nd sp. sess.~~) these laws on job  
20 retention, net jobs created for Washington residents, company growth,  
21 diversification of the state's economy, cluster dynamics, and other  
22 factors as the committees select. The reports shall include a  
23 discussion of principles to apply in evaluating whether the legislature  
24 should reenact any or all of the tax preferences in chapter 1, Laws of  
25 2003 2nd sp. sess., chapter 177, Laws of 2006, and chapter . . . .,  
26 Laws of 2008 (this act).

27 **Sec. 12.** RCW 82.32.330 and 2007 c 6 s 1502 are each amended to  
28 read as follows:

29 (1) For purposes of this section:

30 (a) "Disclose" means to make known to any person in any manner  
31 whatever a return or tax information;

32 (b) "Return" means a tax or information return or claim for refund  
33 required by, or provided for or permitted under, the laws of this state  
34 which is filed with the department of revenue by, on behalf of, or with  
35 respect to a person, and any amendment or supplement thereto, including  
36 supporting schedules, attachments, or lists that are supplemental to,  
37 or part of, the return so filed;

1 (c) "Tax information" means (i) a taxpayer's identity, (ii) the  
2 nature, source, or amount of the taxpayer's income, payments, receipts,  
3 deductions, exemptions, credits, assets, liabilities, net worth, tax  
4 liability deficiencies, overassessments, or tax payments, whether taken  
5 from the taxpayer's books and records or any other source, (iii)  
6 whether the taxpayer's return was, is being, or will be examined or  
7 subject to other investigation or processing, (iv) a part of a written  
8 determination that is not designated as a precedent and disclosed  
9 pursuant to RCW 82.32.410, or a background file document relating to a  
10 written determination, and (v) other data received by, recorded by,  
11 prepared by, furnished to, or collected by the department of revenue  
12 with respect to the determination of the existence, or possible  
13 existence, of liability, or the amount thereof, of a person under the  
14 laws of this state for a tax, penalty, interest, fine, forfeiture, or  
15 other imposition, or offense: PROVIDED, That data, material, or  
16 documents that do not disclose information related to a specific or  
17 identifiable taxpayer do not constitute tax information under this  
18 section. Except as provided by RCW 82.32.410, nothing in this chapter  
19 shall require any person possessing data, material, or documents made  
20 confidential and privileged by this section to delete information from  
21 such data, material, or documents so as to permit its disclosure;

22 (d) "State agency" means every Washington state office, department,  
23 division, bureau, board, commission, or other state agency;

24 (e) "Taxpayer identity" means the taxpayer's name, address,  
25 telephone number, registration number, or any combination thereof, or  
26 any other information disclosing the identity of the taxpayer; and

27 (f) "Department" means the department of revenue or its officer,  
28 agent, employee, or representative.

29 (2) Returns and tax information shall be confidential and  
30 privileged, and except as authorized by this section, neither the  
31 department of revenue nor any other person may disclose any return or  
32 tax information.

33 (3) This section does not prohibit the department of revenue from:

34 (a) Disclosing such return or tax information in a civil or  
35 criminal judicial proceeding or an administrative proceeding:

36 (i) In respect of any tax imposed under the laws of this state if  
37 the taxpayer or its officer or other person liable under Title 82 RCW  
38 is a party in the proceeding; or

1 (ii) In which the taxpayer about whom such return or tax  
2 information is sought and another state agency are adverse parties in  
3 the proceeding;

4 (b) Disclosing, subject to such requirements and conditions as the  
5 director shall prescribe by rules adopted pursuant to chapter 34.05  
6 RCW, such return or tax information regarding a taxpayer to such  
7 taxpayer or to such person or persons as that taxpayer may designate in  
8 a request for, or consent to, such disclosure, or to any other person,  
9 at the taxpayer's request, to the extent necessary to comply with a  
10 request for information or assistance made by the taxpayer to such  
11 other person: PROVIDED, That tax information not received from the  
12 taxpayer shall not be so disclosed if the director determines that such  
13 disclosure would compromise any investigation or litigation by any  
14 federal, state, or local government agency in connection with the civil  
15 or criminal liability of the taxpayer or another person, or that such  
16 disclosure would identify a confidential informant, or that such  
17 disclosure is contrary to any agreement entered into by the department  
18 that provides for the reciprocal exchange of information with other  
19 government agencies which agreement requires confidentiality with  
20 respect to such information unless such information is required to be  
21 disclosed to the taxpayer by the order of any court;

22 (c) Disclosing the name of a taxpayer with a deficiency greater  
23 than five thousand dollars and against whom a warrant under RCW  
24 82.32.210 has been either issued or filed and remains outstanding for  
25 a period of at least ten working days. The department shall not be  
26 required to disclose any information under this subsection if a  
27 taxpayer: (i) Has been issued a tax assessment; (ii) has been issued  
28 a warrant that has not been filed; and (iii) has entered a deferred  
29 payment arrangement with the department of revenue and is making  
30 payments upon such deficiency that will fully satisfy the indebtedness  
31 within twelve months;

32 (d) Disclosing the name of a taxpayer with a deficiency greater  
33 than five thousand dollars and against whom a warrant under RCW  
34 82.32.210 has been filed with a court of record and remains  
35 outstanding;

36 (e) Publishing statistics so classified as to prevent the  
37 identification of particular returns or reports or items thereof;



1 (f) Disclosing such return or tax information, for official  
2 purposes only, to the governor or attorney general, or to any state  
3 agency, or to any committee or subcommittee of the legislature dealing  
4 with matters of taxation, revenue, trade, commerce, the control of  
5 industry or the professions;

6 (g) Permitting the department of revenue's records to be audited  
7 and examined by the proper state officer, his or her agents and  
8 employees;

9 (h) Disclosing any such return or tax information to a peace  
10 officer as defined in RCW 9A.04.110 or county prosecuting attorney, for  
11 official purposes. The disclosure may be made only in response to a  
12 search warrant, subpoena, or other court order, unless the disclosure  
13 is for the purpose of criminal tax enforcement. A peace officer or  
14 county prosecuting attorney who receives the return or tax information  
15 may disclose that return or tax information only for use in the  
16 investigation and a related court proceeding, or in the court  
17 proceeding for which the return or tax information originally was  
18 sought;

19 (i) Disclosing any such return or tax information to the proper  
20 officer of the internal revenue service of the United States, the  
21 Canadian government or provincial governments of Canada, or to the  
22 proper officer of the tax department of any state or city or town or  
23 county, for official purposes, but only if the statutes of the United  
24 States, Canada or its provincial governments, or of such other state or  
25 city or town or county, as the case may be, grants substantially  
26 similar privileges to the proper officers of this state;

27 (j) Disclosing any such return or tax information to the Department  
28 of Justice, including the Bureau of Alcohol, Tobacco, Firearms and  
29 Explosives within the Department of Justice, the Department of Defense,  
30 the Immigration and Customs Enforcement and the Customs and Border  
31 Protection agencies of the United States Department of Homeland  
32 Security, the Coast Guard of the United States, and the United States  
33 Department of Transportation, or any authorized representative thereof,  
34 for official purposes;

35 (k) Publishing or otherwise disclosing the text of a written  
36 determination designated by the director as a precedent pursuant to RCW  
37 82.32.410;

1 (l) Disclosing, in a manner that is not associated with other tax  
2 information, the taxpayer name, entity type, business address, mailing  
3 address, revenue tax registration numbers, North American industry  
4 classification system or standard industrial classification code of a  
5 taxpayer, and the dates of opening and closing of business. This  
6 subsection shall not be construed as giving authority to the department  
7 to give, sell, or provide access to any list of taxpayers for any  
8 commercial purpose;

9 (m) Disclosing such return or tax information that is also  
10 maintained by another Washington state or local governmental agency as  
11 a public record available for inspection and copying under the  
12 provisions of chapter 42.56 RCW or is a document maintained by a court  
13 of record not otherwise prohibited from disclosure;

14 (n) Disclosing such return or tax information to the United States  
15 department of agriculture for the limited purpose of investigating food  
16 stamp fraud by retailers;

17 (o) Disclosing to a financial institution, escrow company, or title  
18 company, in connection with specific real property that is the subject  
19 of a real estate transaction, current amounts due the department for a  
20 filed tax warrant, judgment, or lien against the real property;

21 (p) Disclosing to a person against whom the department has asserted  
22 liability as a successor under RCW 82.32.140 return or tax information  
23 pertaining to the specific business of the taxpayer to which the person  
24 has succeeded;

25 (q) Disclosing such return or tax information in the possession of  
26 the department relating to the administration or enforcement of the  
27 real estate excise tax imposed under chapter 82.45 RCW, including  
28 information regarding transactions exempt or otherwise not subject to  
29 tax; or

30 ~~(r) ((Disclosing the least amount of return or tax information  
31 necessary for the reports required in RCW 82.32.640 (4) and (5) when  
32 the number of taxpayers included in the reports or any part of the  
33 reports cannot be classified to prevent the identification of taxpayers  
34 or particular returns, reports, tax information, or items in the  
35 possession of the department; or~~

36 ~~(s))~~ Disclosing to local taxing jurisdictions the identity of  
37 sellers granted relief under RCW 82.32.430(5)(b)(i) and the period for  
38 which relief is granted.

1           (4)(a) The department may disclose return or taxpayer information  
2 to a person under investigation or during any court or administrative  
3 proceeding against a person under investigation as provided in this  
4 subsection (4). The disclosure must be in connection with the  
5 department's official duties relating to an audit, collection activity,  
6 or a civil or criminal investigation. The disclosure may occur only  
7 when the person under investigation and the person in possession of  
8 data, materials, or documents are parties to the return or tax  
9 information to be disclosed. The department may disclose return or tax  
10 information such as invoices, contracts, bills, statements, resale or  
11 exemption certificates, or checks. However, the department may not  
12 disclose general ledgers, sales or cash receipt journals, check  
13 registers, accounts receivable/payable ledgers, general journals,  
14 financial statements, expert's workpapers, income tax returns, state  
15 tax returns, tax return workpapers, or other similar data, materials,  
16 or documents.

17           (b) Before disclosure of any tax return or tax information under  
18 this subsection (4), the department shall, through written  
19 correspondence, inform the person in possession of the data, materials,  
20 or documents to be disclosed. The correspondence shall clearly  
21 identify the data, materials, or documents to be disclosed. The  
22 department may not disclose any tax return or tax information under  
23 this subsection (4) until the time period allowed in (c) of this  
24 subsection has expired or until the court has ruled on any challenge  
25 brought under (c) of this subsection.

26           (c) The person in possession of the data, materials, or documents  
27 to be disclosed by the department has twenty days from the receipt of  
28 the written request required under (b) of this subsection to petition  
29 the superior court of the county in which the petitioner resides for  
30 injunctive relief. The court shall limit or deny the request of the  
31 department if the court determines that:

32           (i) The data, materials, or documents sought for disclosure are  
33 cumulative or duplicative, or are obtainable from some other source  
34 that is more convenient, less burdensome, or less expensive;

35           (ii) The production of the data, materials, or documents sought  
36 would be unduly burdensome or expensive, taking into account the needs  
37 of the department, the amount in controversy, limitations on the  
38 petitioner's resources, and the importance of the issues at stake; or

1 (iii) The data, materials, or documents sought for disclosure  
2 contain trade secret information that, if disclosed, could harm the  
3 petitioner.

4 (d) The department shall reimburse reasonable expenses for the  
5 production of data, materials, or documents incurred by the person in  
6 possession of the data, materials, or documents to be disclosed.

7 (e) Requesting information under (b) of this subsection that may  
8 indicate that a taxpayer is under investigation does not constitute a  
9 disclosure of tax return or tax information under this section.

10 (5) Any person acquiring knowledge of any return or tax information  
11 in the course of his or her employment with the department of revenue  
12 and any person acquiring knowledge of any return or tax information as  
13 provided under subsection (3)(f), (g), (h), (i), (j), or (n) of this  
14 section, who discloses any such return or tax information to another  
15 person not entitled to knowledge of such return or tax information  
16 under the provisions of this section, is guilty of a misdemeanor. If  
17 the person guilty of such violation is an officer or employee of the  
18 state, such person shall forfeit such office or employment and shall be  
19 incapable of holding any public office or employment in this state for  
20 a period of two years thereafter.

21 **Sec. 13.** RCW 82.32.550 and 2007 c 54 s 20 are each amended to read  
22 as follows:

23 (1)(a) Chapter 1, Laws of 2003 2nd sp. sess. takes effect on the  
24 first day of the month in which the governor and a manufacturer of  
25 commercial airplanes sign a memorandum of agreement regarding an  
26 affirmative final decision to site a significant commercial airplane  
27 final assembly facility in Washington state. The department shall  
28 provide notice of the effective date of chapter 1, Laws of 2003 2nd sp.  
29 sess. to affected taxpayers, the legislature, and others as deemed  
30 appropriate by the department.

31 (b) Chapter 1, Laws of 2003 2nd sp. sess. is contingent upon the  
32 siting of a significant commercial airplane final assembly facility in  
33 the state of Washington. If a memorandum of agreement under subsection  
34 (1) of this section is not signed by June 30, 2005, chapter 1, Laws of  
35 2003 2nd sp. sess. is null and void.

36 (c)(i) ~~((The department shall make a determination regarding the  
37 date final assembly of a superefficient airplane begins in Washington~~

1 ~~state.))~~ The rate(~~s~~) in RCW 82.04.260(11)(a)(ii) (~~and (b)(ii)~~)  
2 takes effect (~~the first day of the month such assembly begins, or~~)  
3 July 1, 2007, (~~whichever is later. The department shall provide~~  
4 ~~notice of the effective date of such rates to affected taxpayers, the~~  
5 ~~legislature, and others as deemed appropriate by the department~~)).

6 (ii) If on December 31, 2007, final assembly of a superefficient  
7 airplane has not begun in Washington state, the department shall  
8 provide notice of such to affected taxpayers, the legislature, and  
9 others as deemed appropriate by the department.

10 (2) The definitions in this subsection apply throughout this  
11 section.

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

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

19 (c) "Final assembly of a superefficient airplane" means the  
20 activity of assembling an airplane from components parts necessary for  
21 its mechanical operation such that the finished commercial airplane is  
22 ready to deliver to the ultimate consumer.

23 (d) "Significant commercial airplane final assembly facility" means  
24 a location with the capacity to produce at least thirty-six  
25 superefficient airplanes a year.

26 (e) "Siting" means a final decision by a manufacturer to locate a  
27 significant commercial airplane final assembly facility in Washington  
28 state.

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

34 **Sec. 14.** RCW 82.32.590 and 2006 c 354 s 17, 2006 c 300 s 10, 2006  
35 c 177 s 8, 2006 c 112 s 7, and 2006 c 84 s 7 are each reenacted and  
36 amended to read as follows:

37 (1) If the department finds that the failure of a taxpayer to file

1 an annual survey or annual report under RCW 82.04.4452, 82.32.5351,  
2 82.32.650, ((82.32.635, 82.32.640,)) 82.32.630, 82.32.610, or 82.74.040  
3 by the due date was the result of circumstances beyond the control of  
4 the taxpayer, the department shall extend the time for filing the  
5 survey or report. Such extension shall be for a period of thirty days  
6 from the date the department issues its written notification to the  
7 taxpayer that it qualifies for an extension under this section. The  
8 department may grant additional extensions as it deems proper.

9 (2) In making a determination whether the failure of a taxpayer to  
10 file an annual survey or annual report by the due date was the result  
11 of circumstances beyond the control of the taxpayer, the department  
12 shall be guided by rules adopted by the department for the waiver or  
13 cancellation of penalties when the underpayment or untimely payment of  
14 any tax was due to circumstances beyond the control of the taxpayer.

15 **Sec. 15.** RCW 82.32.600 and 2007 c 54 s 23 and 2007 c 54 s 22 are  
16 each reenacted and amended to read as follows:

17 (1) Persons required to file annual surveys or annual reports under  
18 RCW 82.04.4452 ((~~or~~)), 82.32.5351, 82.32.545, 82.32.610, 82.32.630,  
19 ((~~82.32.635, 82.32.640,~~)) or 82.74.040 must electronically file with  
20 the department all surveys, reports, returns, and any other forms or  
21 information the department requires in an electronic format as provided  
22 or approved by the department. As used in this section, "returns" has  
23 the same meaning as "return" in RCW 82.32.050.

24 (2) Any survey, report, return, or any other form or information  
25 required to be filed in an electronic format under subsection (1) of  
26 this section is not filed until received by the department in an  
27 electronic format.

28 (3) The department may waive the electronic filing requirement in  
29 subsection (1) of this section for good cause shown.

30 NEW SECTION. **Sec. 16.** A new section is added to chapter 82.04 RCW  
31 to read as follows:

32 (1) Except as provided in subsection (2) of this section, for  
33 purposes of the taxes imposed under this chapter on the sale of parts  
34 to the manufacturer of a commercial airplane, the sale is deemed to  
35 take place at the site of the final testing or inspection as required  
36 by:

1 (a) An approved production inspection system under federal aviation  
2 regulation part 21, subpart F; or

3 (b) A quality control system for which a production certificate has  
4 been issued under federal aviation regulation part 21, subpart G.

5 (2) This section does not apply to:

6 (a) Sales of the types of parts listed in federal aviation  
7 regulation part 21, section 303(b)(2) through (4) or parts for which  
8 certification or approval under federal aviation regulation part 21 is  
9 not required; or

10 (b) Sales of parts in respect to which final testing or inspection  
11 as required by the approved production inspection system or quality  
12 control system takes place in this state.

13 (3) "Commercial airplane" has the same meaning given in RCW  
14 82.32.550.

15 NEW SECTION. **Sec. 17.** The following acts or parts of acts are  
16 each repealed:

17 (1) RCW 82.04.4487 (Credit--Commercial aircraft--Qualified  
18 preproduction development expenditures) and 2006 c 177 s 3;

19 (2) RCW 82.08.981 (Exemptions--Development, design, and engineering  
20 of commercial airplanes) and 2006 c 177 s 1;

21 (3) RCW 82.12.981 (Exemptions--Development, design, and engineering  
22 of commercial airplanes) and 2006 c 177 s 2;

23 (4) RCW 82.32.635 (Annual survey for tax incentive under RCW  
24 82.04.4487) and 2006 c 177 s 4; and

25 (5) RCW 82.32.640 (Annual survey for tax incentive under RCW  
26 82.04.250(3)) and 2006 c 177 s 6.

27 NEW SECTION. **Sec. 18.** This act does not affect any existing right  
28 acquired or liability or obligation incurred under the sections amended  
29 or repealed in this act or under any rule or order adopted under those  
30 sections, nor does it affect any proceeding instituted under those  
31 sections.

32 NEW SECTION. **Sec. 19.** This act takes effect July 1, 2008, except  
33 for section 6 of this act which takes effect July 1, 2011.

1        NEW SECTION.   **Sec. 20.**   Section 5 of this act expires July 1, 2011.

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