

ESSB 6143 - S AMD 449
By Senator Prentice

ADOPTED 03/19/2010

1 On page 14, at the beginning of line 32, strike "3Aa-7" and insert
2 "3a-7"

3 On page 35, after line 30, insert the following:

4 "Sec. 404. RCW 82.04.4266 and 2010 c ... (SHB 3066) s 111 are each
5 amended to read as follows:

6 (1) This chapter does not apply to the value of products or the
7 gross proceeds of sales derived from:

8 (a) Manufacturing fruit(~~s~~) or vegetable(~~s~~) products by canning,
9 preserving, freezing, processing, or dehydrating fresh fruits or
10 vegetables; or

11 (b) Selling at wholesale fruit(~~s~~) or vegetable(~~s~~) products
12 manufactured by the seller by canning, preserving, freezing,
13 processing, or dehydrating fresh fruits or vegetables and sold to
14 purchasers who transport in the ordinary course of business the goods
15 out of this state. A person taking an exemption under this subsection
16 (1)(b) must keep and preserve records for the period required by RCW
17 82.32.070 establishing that the goods were transported by the purchaser
18 in the ordinary course of business out of this state.

19 (2) A person claiming the exemption provided in this section must
20 file a complete annual survey with the department under RCW 82.32.---
21 (section 102, chapter ... (SHB 3066), Laws of 2010).

22 (3)(a) For the purposes of this section, "fruit or vegetable
23 products" means:

24 (i) Products comprised exclusively of fruits, vegetables, or both;
25 and

26 (ii) Products comprised of fruits, vegetables, or both, and which
27 may also contain water, sugar, salt, seasonings, preservatives,
28 binders, stabilizers, flavorings, yeast, and similar substances.

1 However, the amount of all ingredients contained in the product, other
2 than fruits, vegetables, and water, may not exceed the amount of fruits
3 and vegetables contained in the product measured by weight or volume.

4 (b) "Fruit or vegetable products" includes only products that are
5 intended for human consumption as food or animal consumption as feed.

6 (4) This section expires July 1, 2012."

7 Renumber the remaining sections consecutively and correct any
8 internal references accordingly.

9 On page 42, after line 34, insert the following:

10 **"Sec. 405.** RCW 82.04.260 and 2010 c ... (SHB 3066) s 107 are each
11 amended to read as follows:

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

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

20 (b) Beginning July 1, 2012, seafood products that remain in a raw,
21 raw frozen, or raw salted state at the completion of the manufacturing
22 by that person; or selling manufactured seafood products that remain in
23 a raw, raw frozen, or raw salted state at the completion of the
24 manufacturing, to purchasers who transport in the ordinary course of
25 business the goods out of this state; as to such persons the amount of
26 tax with respect to such business is equal to the value of the products
27 manufactured or the gross proceeds derived from such sales, multiplied
28 by the rate of 0.138 percent. Sellers must keep and preserve records
29 for the period required by RCW 82.32.070 establishing that the goods
30 were transported by the purchaser in the ordinary course of business
31 out of this state;

32 (c) Beginning July 1, 2012, dairy products that as of September 20,
33 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
34 including by-products from the manufacturing of the dairy products such
35 as whey and casein; or selling the same to purchasers who transport in

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

8 (d)(i) Beginning July 1, 2012, fruit((s)) or vegetable((s))
9 products by canning, preserving, freezing, processing, or dehydrating
10 fresh fruits or vegetables, or selling at wholesale fruit((s)) or
11 vegetable((s)) products manufactured by the seller by canning,
12 preserving, freezing, processing, or dehydrating fresh fruits or
13 vegetables and sold to purchasers who transport in the ordinary course
14 of business the goods out of this state; as to such persons the amount
15 of tax with respect to such business is equal to the value of the
16 products manufactured or the gross proceeds derived from such sales
17 multiplied by the rate of 0.138 percent. Sellers must keep and
18 preserve records for the period required by RCW 82.32.070 establishing
19 that the goods were transported by the purchaser in the ordinary course
20 of business out of this state;

21 (ii) For purposes of this subsection, "fruit or vegetable products"
22 means:

23 (A) Products comprised exclusively of fruits, vegetables, or both;
24 or

25 (B) Products comprised of fruits, vegetables, or both, and which
26 may also contain water, sugar, salt, seasonings, preservatives,
27 binders, stabilizers, flavorings, yeast, and similar substances.
28 However, the amount of all ingredients contained in the product, other
29 than fruits, vegetables, and water, may not exceed the amount of fruits
30 and vegetables contained in the product measured by weight or volume;

31 (iii) "Fruit and vegetable products" includes only products that
32 are intended for human consumption as food or animal consumption as
33 feed;

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

1 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
2 persons the amount of tax with respect to the business is equal to the
3 value of wood biomass fuel manufactured, multiplied by the rate of
4 0.138 percent.

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

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

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

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

24 ~~((6))~~ (5) Upon every person engaging within this state in
25 business as an international steamship agent, international customs
26 house broker, international freight forwarder, vessel and/or cargo
27 charter broker in foreign commerce, and/or international air cargo
28 agent; as to such persons the amount of the tax with respect to only
29 international activities is equal to the gross income derived from such
30 activities multiplied by the rate of 0.275 percent.

31 ~~((7))~~ (6) Upon every person engaging within this state in the
32 business of stevedoring and associated activities pertinent to the
33 movement of goods and commodities in waterborne interstate or foreign
34 commerce; as to such persons the amount of tax with respect to such
35 business is equal to the gross proceeds derived from such activities
36 multiplied by the rate of 0.275 percent. Persons subject to taxation
37 under this subsection are exempt from payment of taxes imposed by
38 chapter 82.16 RCW for that portion of their business subject to

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

22 ~~((+8))~~ (7) Upon every person engaging within this state in the
23 business of disposing of low-level waste, as defined in RCW 43.145.010;
24 as to such persons the amount of the tax with respect to such business
25 is equal to the gross income of the business, excluding any fees
26 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3
27 percent.

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

32 ~~((+9))~~ (8) Upon every person engaging within this state as an
33 insurance producer or title insurance agent licensed under chapter
34 48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW; as
35 to such persons, the amount of the tax with respect to such licensed
36 activities is equal to the gross income of such business multiplied by
37 the rate of 0.484 percent.

1 (e) This subsection (~~((+11))~~) (10) does not apply on and after July
2 1, 2024.

3 (~~((+12))~~) (11)(a) Until July 1, 2024, upon every person engaging
4 within this state in the business of extracting timber or extracting
5 for hire timber; as to such persons the amount of tax with respect to
6 the business is, in the case of extractors, equal to the value of
7 products, including by-products, extracted, or in the case of
8 extractors for hire, equal to the gross income of the business,
9 multiplied by the rate of 0.4235 percent from July 1, 2006, through
10 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
11 2024.

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

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

32 (d) Until July 1, 2024, upon every person engaging within this
33 state in the business of selling standing timber; as to such persons
34 the amount of the tax with respect to the business is equal to the
35 gross income of the business multiplied by the rate of 0.2904 percent.
36 For purposes of this subsection (~~((+12))~~) (11)(d), "selling standing
37 timber" means the sale of timber apart from the land, where the buyer
38 is required to sever the timber within thirty months from the date of

1 the original contract, regardless of the method of payment for the
2 timber and whether title to the timber transfers before, upon, or after
3 severance.

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

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

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

21 (iii) "Recycled paper" means paper and paper products having fifty
22 percent or more of their fiber content that comes from postconsumer
23 waste. For purposes of this subsection (~~((+12+))~~) (11)(e)(iii),
24 "postconsumer waste" means a finished material that would normally be
25 disposed of as solid waste, having completed its life cycle as a
26 consumer item.

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

31 (v) "Timber products" means:

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

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

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

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

5 (f) Except for small harvesters as defined in RCW 84.33.035, a
6 person reporting under the tax rate provided in this subsection
7 (~~((+12))~~) (11) must file a complete annual survey with the department
8 under RCW 82.32.--- (section 102, chapter ... (SHB 3066), Laws of
9 2010).

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

15 (~~((+14))~~) (13)(a) Upon every person engaging within this state in
16 the business of printing a newspaper, publishing a newspaper, or both,
17 the amount of tax on such business is equal to the gross income of the
18 business multiplied by the rate of 0.2904 percent.

19 (b) A person reporting under the tax rate provided in this
20 subsection (~~((+14))~~) (13) must file a complete annual report with the
21 department under RCW 82.32.--- (section 103, chapter ... (SHB 3066),
22 Laws of 2010)."

23 Renumber the remaining sections consecutively and correct any
24 internal references accordingly.

25 On page 43, after line 20, insert the following:

26 "**Sec. 406.** RCW 82.04.250 and 2010 c ... (SHB 3066) s 106 are each
27 amended to read as follows:

28 (1) Upon every person engaging within this state in the business of
29 making sales at retail, except persons taxable as retailers under other
30 provisions of this chapter, as to such persons, the amount of tax with
31 respect to such business is equal to the gross proceeds of sales of the
32 business, multiplied by the rate of 0.471 percent.

33 (2) Upon every person engaging within this state in the business of
34 making sales at retail that are exempt from the tax imposed under
35 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or

1 82.08.0263, except persons taxable under RCW 82.04.260(~~(+11+)~~) (10) or
2 subsection (3) of this section, as to such persons, the amount of tax
3 with respect to such business is equal to the gross proceeds of sales
4 of the business, multiplied by the rate of 0.484 percent.

5 (3)(a) Upon every person classified by the federal aviation
6 administration as a federal aviation regulation part 145 certificated
7 repair station and that is engaging within this state in the business
8 of making sales at retail that are exempt from the tax imposed under
9 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
10 82.08.0263, as to such persons, the amount of tax with respect to such
11 business is equal to the gross proceeds of sales of the business,
12 multiplied by the rate of 0.2904 percent.

13 (b) A person reporting under the tax rate provided in this
14 subsection (3) must file a complete annual report with the department
15 under RCW 82.32.--- (section 103, chapter ... (SHB 3066), Laws of
16 2010)."

17 Renumber the remaining sections consecutively and correct any
18 internal references accordingly.

19 On page 51, after line 23, insert the following:

20 "**Sec. 412.** RCW 82.04.4463 and 2010 c ... (SHB 3066) s 116 are each
21 amended to read as follows:

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

25 (2) The credit is equal to:

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

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

34 (C) Property taxes or leasehold excise taxes paid on, or with
35 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 or their
4 components, or in providing aerospace services, by persons not within
5 the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable
6 under RCW 82.04.290(3), 82.04.260(~~((+11+))~~) (10)(b), or 82.04.250(3); or

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

16 (b) An amount equal to:

17 (i)(A) Property taxes paid, by persons taxable under RCW
18 82.04.260(~~((+11+))~~) (10)(a), on machinery and equipment exempt under RCW
19 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

20 (B) Property taxes paid, by persons taxable under RCW
21 82.04.260(~~((+11+))~~) (10)(b), on machinery and equipment exempt under RCW
22 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

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

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

30 (A) The numerator of the fraction is the total taxable amount
31 subject to the tax imposed under RCW 82.04.260(~~((+11+))~~) (10) (a) or (b)
32 on the applicable business activities of manufacturing commercial
33 airplanes, components of such airplanes, or tooling specifically
34 designed for use in the manufacturing of commercial airplanes or
35 components of such airplanes.

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

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

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

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

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

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

21 (b) "Aerospace services" has the same meaning given in RCW
22 82.08.975.

23 (c) "Commercial airplane" and "component" have the same meanings as
24 provided in RCW 82.32.550.

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

29 (5) In addition to all other requirements under this title, a
30 person claiming the credit under this section must file a complete
31 annual report with the department under RCW 82.32.--- (section 103,
32 chapter ... (SHB 3066), Laws of 2010).

33 (6) This section expires July 1, 2024."

34 Renumber the remaining sections consecutively and correct any
35 internal references accordingly.

36 Beginning on page 52, line 27, strike all of section 413

1 Unless the context clearly requires otherwise, the definitions in
2 this section apply throughout this chapter.

3 (1) "Applicant" means a person applying for a tax deferral under
4 this chapter.

5 (2) "Department" means the department of revenue.

6 (3) "Eligible area" means a rural county as defined in RCW
7 82.14.370.

8 (4)(a) "Eligible investment project" means an investment project in
9 an eligible area as defined in subsection (3) of this section.

10 (b) The lessor or owner of a qualified building is not eligible for
11 a deferral unless:

12 (i) The underlying ownership of the buildings, machinery, and
13 equipment vests exclusively in the same person; or

14 (ii)(A) The lessor by written contract agrees to pass the economic
15 benefit of the deferral to the lessee;

16 (B) The lessee that receives the economic benefit of the deferral
17 agrees in writing with the department to complete the annual survey
18 required under RCW 82.60.070; and

19 (C) The economic benefit of the deferral passed to the lessee is no
20 less than the amount of tax deferred by the lessor and is evidenced by
21 written documentation of any type of payment, credit, or other
22 financial arrangement between the lessor or owner of the qualified
23 building and the lessee.

24 (c) "Eligible investment project" does not include any portion of
25 an investment project undertaken by a light and power business as
26 defined in RCW 82.16.010(4), other than that portion of a cogeneration
27 project that is used to generate power for consumption within the
28 manufacturing site of (~~which~~) that the cogeneration project is an
29 integral part, or investment projects which have already received
30 deferrals under this chapter.

31 (5) "Initiation of construction" has the same meaning as in RCW
32 82.63.010.

33 (6) "Investment project" means an investment in qualified buildings
34 or qualified machinery and equipment, including labor and services
35 rendered in the planning, installation, and construction of the
36 project.

37 (7) "Manufacturing" means the same as defined in RCW 82.04.120.
38 "Manufacturing" also includes:

1 (a) Before July 1, 2010: (i) Computer programming, the production
2 of computer software, and other computer-related services, but only
3 when the computer programming, production of computer software, or
4 other computer-related services are performed by a manufacturer as
5 defined in RCW 82.04.110 and contribute to the production of a new,
6 different, or useful substance or article of tangible personal property
7 for sale; (ii) the activities performed by research and development
8 laboratories and commercial testing laboratories; and (iii) the
9 conditioning of vegetable seeds; and

10 (b) Beginning July 1, 2010: (i) The activities performed by
11 research and development laboratories and commercial testing
12 laboratories; and (ii) the conditioning of vegetable seeds.

13 (8) "Person" has the meaning given in RCW 82.04.030.

14 (9) "Qualified buildings" means construction of new structures, and
15 expansion or renovation of existing structures for the purpose of
16 increasing floor space or production capacity used for manufacturing
17 and research and development activities, including plant offices and
18 warehouses or other facilities for the storage of raw material or
19 finished goods if such facilities are an essential or an integral part
20 of a factory, mill, plant, or laboratory used for manufacturing or
21 research and development. If a building is used partly for
22 manufacturing or research and development and partly for other
23 purposes, the applicable tax deferral must be determined by
24 apportionment of the costs of construction under rules adopted by the
25 department.

26 (10) "Qualified employment position" means a permanent full-time
27 employee employed in the eligible investment project during the entire
28 tax year. The term "entire tax year" means a full-time position that
29 is filled for a period of twelve consecutive months. The term "full-
30 time" means at least thirty-five hours a week, four hundred fifty-five
31 hours a quarter, or one thousand eight hundred twenty hours a year.

32 (11) "Qualified machinery and equipment" means all new industrial
33 and research fixtures, equipment, and support facilities that are an
34 integral and necessary part of a manufacturing or research and
35 development operation. "Qualified machinery and equipment" includes:
36 Computers; software; data processing equipment; laboratory equipment;
37 manufacturing components such as belts, pulleys, shafts, and moving

1 parts; molds, tools, and dies; operating structures; and all equipment
2 used to control or operate the machinery.

3 (12) "Recipient" means a person receiving a tax deferral under this
4 chapter.

5 (13) "Research and development" means the development, refinement,
6 testing, marketing, and commercialization of a product, service, or
7 process before commercial sales have begun, but only when such
8 activities are intended to ultimately result in the production of a
9 new, different, or useful substance or article of tangible personal
10 property for sale. As used in this subsection, "commercial sales"
11 excludes sales of prototypes or sales for market testing if the total
12 gross receipts from such sales of the product, service, or process do
13 not exceed one million dollars.

14 **Sec. 903.** RCW 82.62.010 and 2007 c 485 s 1 are each amended to
15 read as follows:

16 Unless the context clearly requires otherwise, the definitions in
17 this section apply throughout this chapter.

18 (1) "Applicant" means a person applying for a tax credit under this
19 chapter.

20 (2) "Department" means the department of revenue.

21 (3) "Eligible area" means an area as defined in RCW 82.60.020.

22 (4)(a) "Eligible business project" means manufacturing or research
23 and development activities which are conducted by an applicant in an
24 eligible area at a specific facility, provided the applicant's average
25 qualified employment positions at the specific facility will be at
26 least fifteen percent greater in the four consecutive full calendar
27 quarters after the calendar quarter during which the first qualified
28 employment position is filled than the applicant's average qualified
29 employment positions at the same facility in the four consecutive full
30 calendar quarters immediately preceding the calendar quarter during
31 which the first qualified employment position is filled.

32 (b) "Eligible business project" does not include any portion of a
33 business project undertaken by a light and power business as defined in
34 RCW 82.16.010(~~((5))~~)(4) or that portion of a business project creating
35 qualified full-time employment positions outside an eligible area.

36 (5) "First qualified employment position" means the first qualified

1 employment position filled for which a credit under this chapter is
2 sought.

3 (6) "Manufacturing" means the same as defined in RCW 82.04.120.
4 "Manufacturing" also includes:

5 (a) Before July 1, 2010: (i) Computer programming, the production
6 of computer software, and other computer-related services, but only
7 when the computer programming, production of computer software, or
8 other computer-related services are performed by a manufacturer as
9 defined in RCW 82.04.110 and contribute to the production of a new,
10 different, or useful substance or article of tangible personal property
11 for sale; and (ii) the activities performed by research and development
12 laboratories and commercial testing laboratories; and

13 (b) Beginning July 1, 2010: (i) The activities performed by
14 research and development laboratories and commercial testing
15 laboratories; and (ii) the conditioning of vegetable seeds.

16 (7) "Person" has the meaning given in RCW 82.04.030.

17 (8)(a)(i) "Qualified employment position" means a permanent full-
18 time employee employed in the eligible business project during four
19 consecutive full calendar quarters.

20 (ii) For seasonal employers, "qualified employment position" also
21 includes the equivalent of a full-time employee in work hours for four
22 consecutive full calendar quarters.

23 (b) For purposes of this subsection, "full time" means a normal
24 work week of at least thirty-five hours.

25 (c) Once a permanent, full-time employee has been employed, a
26 position does not cease to be a qualified employment position solely
27 due to periods in which the position goes vacant, as long as:

28 (i) The cumulative period of any vacancies in that position is not
29 more than one hundred twenty days in the four-quarter period; and

30 (ii) During a vacancy, the employer is training or actively
31 recruiting a replacement permanent, full-time employee for the
32 position.

33 (9) "Recipient" means a person receiving tax credits under this
34 chapter.

35 (10) "Research and development" means the development, refinement,
36 testing, marketing, and commercialization of a product, service, or
37 process before commercial sales have begun, but only when such
38 activities are intended to ultimately result in the production of a

1 new, different, or useful substance or article of tangible personal
2 property for sale. As used in this subsection, "commercial sales"
3 excludes sales of prototypes or sales for market testing if the total
4 gross receipts from such sales of the product, service, or process do
5 not exceed one million dollars.

6 (11) "Seasonal employee" means an employee of a seasonal employer
7 who works on a seasonal basis. For the purposes of this subsection and
8 subsection (12) of this section, "seasonal basis" means a continuous
9 employment period of less than twelve consecutive months.

10 (12) "Seasonal employer" means a person who regularly hires more
11 than fifty percent of its employees to work on a seasonal basis.

12 **Sec. 904.** RCW 82.62.010 and 2010 c ... (E2SHB 1597) s 232 are each
13 amended to read as follows:

14 Unless the context clearly requires otherwise, the definitions in
15 this section apply throughout this chapter.

16 (1) "Applicant" means a person applying for a tax credit under this
17 chapter.

18 (2) "Department" means the department of revenue.

19 (3) "Eligible area" means an area as defined in RCW 82.60.020.

20 (4)(a) "Eligible business project" means manufacturing or research
21 and development activities which are conducted by an applicant in an
22 eligible area at a specific facility, provided the applicant's average
23 qualified employment positions at the specific facility will be at
24 least fifteen percent greater in the four consecutive full calendar
25 quarters after the calendar quarter during which the first qualified
26 employment position is filled than the applicant's average qualified
27 employment positions at the same facility in the four consecutive full
28 calendar quarters immediately preceding the calendar quarter during
29 which the first qualified employment position is filled.

30 (b) "Eligible business project" does not include any portion of a
31 business project undertaken by a light and power business as defined in
32 RCW 82.16.010(4) or that portion of a business project creating
33 qualified full-time employment positions outside an eligible area.

34 (5) "First qualified employment position" means the first qualified
35 employment position filled for which a credit under this chapter is
36 sought.

1 (6) "Manufacturing" means the same as defined in RCW 82.04.120.

2 "Manufacturing" also includes:

3 (a) Before July 1, 2010: (i) Computer programming, the production
4 of computer software, and other computer-related services, but only
5 when the computer programming, production of computer software, or
6 other computer-related services are performed by a manufacturer as
7 defined in RCW 82.04.110 and contribute to the production of a new,
8 different, or useful substance or article of tangible personal property
9 for sale; and (ii) the activities performed by research and development
10 laboratories and commercial testing laboratories; and

11 (b) Beginning July 1, 2010: (i) The activities performed by
12 research and development laboratories and commercial testing
13 laboratories; and (ii) the conditioning of vegetable seeds.

14 (7) "Person" has the meaning given in RCW 82.04.030.

15 (8)(a)(i) "Qualified employment position" means a permanent full-
16 time employee employed in the eligible business project during four
17 consecutive full calendar quarters.

18 (ii) For seasonal employers, "qualified employment position" also
19 includes the equivalent of a full-time employee in work hours for four
20 consecutive full calendar quarters.

21 (b) For purposes of this subsection, "full time" means a normal
22 work week of at least thirty-five hours.

23 (c) Once a permanent, full-time employee has been employed, a
24 position does not cease to be a qualified employment position solely
25 due to periods in which the position goes vacant, as long as:

26 (i) The cumulative period of any vacancies in that position is not
27 more than one hundred twenty days in the four-quarter period; and

28 (ii) During a vacancy, the employer is training or actively
29 recruiting a replacement permanent, full-time employee for the
30 position.

31 (9) "Recipient" means a person receiving tax credits under this
32 chapter.

33 (10) "Research and development" means the development, refinement,
34 testing, marketing, and commercialization of a product, service, or
35 process before commercial sales have begun, but only when such
36 activities are intended to ultimately result in the production of a
37 new, different, or useful substance or article of tangible personal
38 property for sale. As used in this subsection, "commercial sales"

1 excludes sales of prototypes or sales for market testing if the total
2 gross receipts from such sales of the product, service, or process do
3 not exceed one million dollars.

4 (11) "Seasonal employee" means an employee of a seasonal employer
5 who works on a seasonal basis. For the purposes of this subsection and
6 subsection (12) of this section, "seasonal basis" means a continuous
7 employment period of less than twelve consecutive months.

8 (12) "Seasonal employer" means a person who regularly hires more
9 than fifty percent of its employees to work on a seasonal basis."

10 Renumber the remaining sections consecutively and correct any
11 internal references accordingly.

12 Beginning on page 77, strike all of Part XII

13 Renumber the remaining parts and sections consecutively and correct
14 any internal references accordingly.

15 On page 94, line 14, after "taxpayer," strike "subject to the tax"
16 and insert "which reports at least fifty percent of its taxable income"

17 On page 95, line 19, after "paying" strike "the" and insert "at
18 least fifty percent of their"

19 On page 105, line 6, after "after" strike "July" and insert "June"

20 On page 106, beginning on line 1, after "Except" strike all
21 material through "2105 of" on line 2 and insert "as otherwise provided
22 in"

23 On page 106, after line 5, strike all of section 2110

24 Renumber the remaining sections consecutively and correct any
25 internal references accordingly.

26 On page 106, after line 9, insert the following:

1 "NEW SECTION. Sec. 2112. Sections 403, 405, 411, and 901 of this
2 act expire June 10, 2010.

3 NEW SECTION. Sec. 2113. Sections 404, 406, 412, and 902 of this
4 act take effect June 10, 2010.

5 NEW SECTION. Sec. 2114. Section 406 of this act expires July 1,
6 2011.

7 NEW SECTION. Sec. 2115. Sections 502 and 903 of this act expire
8 July 1, 2010.

9 NEW SECTION. Sec. 2116. Sections 503 and 904 of this act take
10 effect July 1, 2010."

11 Renumber the remaining sections consecutively and correct any
12 internal references accordingly.

13 On page 106, after line 14, insert the following:

14 "NEW SECTION. Sec. 2114. Part XVIII of this act expires June 1,
15 2013."

16 Renumber the remaining sections consecutively and correct any
17 internal references accordingly.

18 On page 106, after line 18, strike all of section 2116

19 Renumber the remaining sections consecutively and correct any
20 internal references accordingly.

21 On page 106, line 22, after "502" insert ", 503,"

