
HOUSE BILL 1919

State of Washington

62nd Legislature

2011 Regular Session

By Representatives Lias, Hope, Stanford, Morris, McCoy, Kenney, and Maxwell

Read first time 02/10/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to tax incentives for certain segments of the
2 aerospace industry; amending RCW 82.04.260, 82.04.4461, 82.04.4463, and
3 82.08.975; providing an effective date; and declaring an emergency.

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

5 **Sec. 1.** RCW 82.04.260 and 2011 c 2 s 203 (Initiative Measure No.
6 1107) are each amended to read as follows:

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

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

15 (b) Beginning July 1, 2012, seafood products that remain in a raw,
16 raw frozen, or raw salted state at the completion of the manufacturing
17 by that person; or selling manufactured seafood products that remain in
18 a raw, raw frozen, or raw salted state at the completion of the
19 manufacturing, to purchasers who transport in the ordinary course of

1 business the goods out of this state; as to such persons the amount of
2 tax with respect to such business 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 (c) Beginning July 1, 2012, dairy products that as of September 20,
9 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
10 including by-products from the manufacturing of the dairy products such
11 as whey and casein; or selling the same to purchasers who transport in
12 the ordinary course of business the goods out of state; as to such
13 persons the tax imposed is equal to the value of the products
14 manufactured or the gross proceeds derived from such sales multiplied
15 by the rate of 0.138 percent. Sellers must keep and preserve records
16 for the period required by RCW 82.32.070 establishing that the goods
17 were transported by the purchaser in the ordinary course of business
18 out of this state;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 (10) Upon every person engaging within this state in business as a
36 hospital, as defined in chapter 70.41 RCW, that is operated as a
37 nonprofit corporation or by the state or any of its political
38 subdivisions, as to such persons, the amount of tax with respect to

1 such activities is equal to the gross income of the business multiplied
2 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent
3 thereafter.

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

- 13 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and
- 14 (ii) 0.2904 percent beginning July 1, 2007.

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

26 ~~((e))~~ (ii) Beginning July 1, 2012, upon every person who is not
27 eligible to report under the provisions of (a) of this subsection (11)
28 and is engaging within this state in the business of manufacturing
29 tooling specifically designed for use in manufacturing unmanned aerial
30 vehicles or components of unmanned aerial vehicles, or making sales, at
31 retail or wholesale, of such tooling manufactured by the seller, as to
32 such persons the amount of tax with respect to such business is, in the
33 case of manufacturers, equal to the value of the product manufactured
34 and the gross proceeds of sales of the product manufactured, or in the
35 case of processors for hire, equal to the gross income of the business,
36 multiplied by the rate of 0.2904 percent.

37 (c) Beginning July 1, 2012, upon every person engaging within this
38 state in the business of manufacturing unmanned aerial vehicles or

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

9 (d) For the purposes of this subsection (11), the following
10 definitions apply:

11 (i) "Commercial airplane" (~~(and "component" have)~~) has the same
12 meaning(~~(s)~~) as provided in RCW 82.32.550.

13 (~~(d)~~) (ii) "Component" has the same meaning as provided in RCW
14 82.32.550 when used with respect to commercial airplanes.

15 (iii) "Components of unmanned aerial vehicles" means any tangible
16 personal property that is attached to and becomes an integral part of
17 the unmanned aerial vehicle. The term includes such items as engines,
18 engine and body parts, batteries, paint, and tires.

19 (iv) "Unmanned aerial vehicle" means a reusable, uncrewed vehicle
20 capable of controlled, sustained, level flight and powered by a jet or
21 reciprocating engine.

22 (e) In addition to all other requirements under this title, a
23 person reporting under the tax rate provided in this subsection (11)
24 must file a complete annual report with the department under RCW
25 82.32.534.

26 (~~(e)~~) (f) This subsection (11) does not apply on and after July
27 1, 2024.

28 (12)(a) Until July 1, 2024, upon every person engaging within this
29 state in the business of extracting timber or extracting for hire
30 timber; as to such persons the amount of tax with respect to the
31 business is, in the case of extractors, equal to the value of products,
32 including by-products, extracted, or in the case of extractors for
33 hire, equal to the gross income of the business, multiplied by the rate
34 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904
35 percent from July 1, 2007, through June 30, 2024.

36 (b) Until July 1, 2024, upon every person engaging within this
37 state in the business of manufacturing or processing for hire: (i)
38 Timber into timber products or wood products; or (ii) timber products

1 into other timber products or wood products; as to such persons the
2 amount of the tax with respect to the business is, in the case of
3 manufacturers, equal to the value of products, including by-products,
4 manufactured, or in the case of processors for hire, equal to the gross
5 income of the business, multiplied by the rate of 0.4235 percent from
6 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
7 2007, through June 30, 2024.

8 (c) Until July 1, 2024, upon every person engaging within this
9 state in the business of selling at wholesale: (i) Timber extracted by
10 that person; (ii) timber products manufactured by that person from
11 timber or other timber products; or (iii) wood products manufactured by
12 that person from timber or timber products; as to such persons the
13 amount of the tax with respect to the business is equal to the gross
14 proceeds of sales of the timber, timber products, or wood products
15 multiplied by the rate of 0.4235 percent from July 1, 2006, through
16 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
17 2024.

18 (d) Until July 1, 2024, upon every person engaging within this
19 state in the business of selling standing timber; as to such persons
20 the amount of the tax with respect to the business is equal to the
21 gross income of the business multiplied by the rate of 0.2904 percent.
22 For purposes of this subsection (12)(d), "selling standing timber"
23 means the sale of timber apart from the land, where the buyer is
24 required to sever the timber within thirty months from the date of the
25 original contract, regardless of the method of payment for the timber
26 and whether title to the timber transfers before, upon, or after
27 severance.

28 (e) For purposes of this subsection, the following definitions
29 apply:

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

33 (ii) "Paper and paper products" means products made of interwoven
34 cellulosic fibers held together largely by hydrogen bonding. "Paper
35 and paper products" includes newsprint; office, printing, fine, and
36 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
37 kraft bag, construction, and other kraft industrial papers; paperboard,
38 liquid packaging containers, containerboard, corrugated, and solid-

1 fiber containers including linerboard and corrugated medium; and
2 related types of cellulosic products containing primarily, by weight or
3 volume, cellulosic materials. "Paper and paper products" does not
4 include books, newspapers, magazines, periodicals, and other printed
5 publications, advertising materials, calendars, and similar types of
6 printed materials.

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

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

16 (v) "Timber products" means:

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

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

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

24 (vi) "Wood products" means paper and paper products; dimensional
25 lumber; engineered wood products such as particleboard, oriented strand
26 board, medium density fiberboard, and plywood; wood doors; wood
27 windows; and biocomposite surface products.

28 (f) Except for small harvesters as defined in RCW 84.33.035, a
29 person reporting under the tax rate provided in this subsection (12)
30 must file a complete annual survey with the department under RCW
31 82.32.585.

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

37 (14)(a) Upon every person engaging within this state in the

1 business of printing a newspaper, publishing a newspaper, or both, the
2 amount of tax on such business is equal to the gross income of the
3 business multiplied by the rate of 0.2904 percent.

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

7 **Sec. 2.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to
8 read as follows:

9 (1)~~((a)(i))~~ In computing the tax imposed under this chapter, a
10 credit is allowed for each person for qualified aerospace product
11 development. ~~((For a person who is a manufacturer or processor for
12 hire of commercial airplanes or components of such airplanes,))~~ The
13 credit is equal to the amount of qualified aerospace product
14 development expenditures of a person, multiplied by the rate of 1.5
15 percent.

16 (2)(a)(i) Credit may be earned for expenditures occurring after
17 December 1, 2003, and related to the development of commercial
18 airplanes or components of such airplanes by manufacturers or
19 processors for hire. ((For all other persons,))

20 (ii) Credit may be earned ((only)) for expenditures occurring after
21 June 30, 2008, related to the development of any or all of the
22 following aerospace products:

23 (A) Commercial airplanes or components of such airplanes by persons
24 not eligible for the credit under (a)(i) of this subsection (2);

25 (B) Tooling specifically designed for use in manufacturing
26 commercial airplanes or their components; and

27 (C) Machinery and equipment that is designed for use, by federal
28 aviation regulation part 145 certificated repair stations, primarily
29 for the maintenance, repair, overhaul, or refurbishing of commercial
30 airplanes or their components.

31 (iii) Credit may be earned for expenditures occurring after July 1,
32 2011, related to the development of any or all of the following
33 aerospace products:

34 (A) Unmanned aerial vehicles or components of unmanned aerial
35 vehicles;

36 (B) Tooling specifically designed for use in manufacturing unmanned
37 aerial vehicles or components of unmanned aerial vehicles; and

1 (C) Machinery and equipment that is designed for use, by federal
2 aviation regulation part 145 certificated repair stations, primarily
3 for the maintenance, repair, overhaul, or refurbishing of unmanned
4 aerial vehicles or components of unmanned aerial vehicles.

5 ~~((+ii))~~ (b) For purposes of this subsection, the following
6 definitions apply:

7 (i) "Commercial airplane" ~~((and "component" have))~~ has the same
8 meaning~~((s))~~ as provided in RCW 82.32.550.

9 ~~((+b))~~ (ii) "Component" has the same meaning as provided in RCW
10 82.32.550 when used with respect to commercial airplanes.

11 (iii) "Unmanned aerial vehicle" and "components of unmanned aerial
12 vehicles" have the same meanings as in RCW 82.04.260.

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

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

21 ~~(+3))~~ (4) Except as provided in subsection ~~((+1)(b))~~ (3) of this
22 section the credit must be claimed against taxes due for the same
23 calendar year in which the qualified aerospace product development
24 expenditures are incurred. Credit earned on or after July 1, 2005, may
25 not be carried over. The credit for each calendar year may not exceed
26 the amount of tax otherwise due under this chapter for the calendar
27 year. Refunds may not be granted in the place of a credit.

28 ~~((+4))~~ (5) Any person claiming the credit must file a form
29 prescribed by the department that must include the amount of the credit
30 claimed, an estimate of the anticipated aerospace product development
31 expenditures during the calendar year for which the credit is claimed,
32 an estimate of the taxable amount during the calendar year for which
33 the credit is claimed, and such additional information as the
34 department may prescribe.

35 ~~((+5))~~ (6) The definitions in this subsection apply throughout
36 this section.

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

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

17 (c) "Qualified aerospace product development" means aerospace
18 product development performed within this state.

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

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

34 ~~((+6))~~ (7) In addition to all other requirements under this title,
35 a person claiming the credit under this section must file a complete
36 annual report with the department under RCW 82.32.534.

37 ~~((+7))~~ (8) Credit may not be claimed for expenditures for which a
38 credit is claimed under RCW 82.04.4452.

1 ~~((+8))~~ (9) This section expires July 1, 2024.

2 **Sec. 3.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each
3 amended to read as follows:

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

7 (2) The credit is equal to:

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

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

16 (C) Property taxes or leasehold excise taxes paid on, or with
17 respect to, buildings constructed after June 30, 2008, the land upon
18 which the buildings are located, or both, and used exclusively for
19 aerospace product development of aerospace products described in RCW
20 82.04.4461(2)(a) (i) or (ii), manufacturing tooling specifically
21 designed for use in manufacturing commercial airplanes or their
22 components, or in providing aerospace services in respect to commercial
23 airplanes or their components, by persons not within the scope of
24 (a)(i)(A) and (B) of this subsection (2) and are taxable under RCW
25 82.04.290(3), 82.04.260~~((+10))~~ (11)(b)(i), or 82.04.250(3); ~~((or))~~ and

26 (D) Property taxes or leasehold excise taxes paid on, or with
27 respect to, buildings constructed after June 30, 2011, the land upon
28 which the buildings are located, or both, and used exclusively for
29 aerospace product development of aerospace products described in RCW
30 82.04.4461(2)(a)(iii), manufacturing unmanned aerial vehicles or
31 components of unmanned aerial vehicles, or in providing aerospace
32 services in respect to unmanned aerial vehicles or components of
33 unmanned aerial vehicles, by persons not within the scope of (a)(i)(A),
34 (B), and (C) of this subsection (2) and are taxable under RCW
35 82.04.290(3), 82.04.260(11) (b)(ii) or (c), or 82.04.250(3);

36 (ii) Property taxes attributable to an increase in assessed value
37 due to the renovation or expansion, after:

1 (A) December 1, 2003, of ~~((a))~~ buildings used exclusively in
2 manufacturing commercial airplanes or components of such airplanes;
3 ~~((and))~~

4 (B) June 30, 2008, of buildings used exclusively for aerospace
5 product development of aerospace products described in RCW
6 82.04.4461(2)(a)(ii), manufacturing tooling specifically designed for
7 use in manufacturing commercial airplanes or their components, or in
8 providing aerospace services in respect to commercial airplanes or
9 their components, by persons not within the scope of (a)(ii)(A) of this
10 subsection (2) and are taxable under RCW 82.04.290(3),
11 82.04.260(~~((+10))~~) (11)(b)(i), or 82.04.250(3); and

12 (C) June 30, 2011, of buildings used exclusively for aerospace
13 product development of aerospace products described in RCW
14 82.04.4461(2)(a)(iii), manufacturing unmanned aerial vehicles or
15 components of unmanned aerial vehicles, or in providing aerospace
16 services in respect to unmanned aerial vehicles or components of
17 unmanned aerial vehicles, by persons not within the scope of (a)(ii)(A)
18 and (B) of this subsection (2) and are taxable under RCW 82.04.290(3),
19 82.04.260(11) (b)(ii) or (c), or 82.04.250(3); and

20 (b) An amount equal to:

21 (i)(A) Property taxes paid, by persons taxable under RCW
22 82.04.260(~~((+10))~~) (11)(a), on machinery and equipment exempt under RCW
23 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

24 (B) Property taxes paid, by persons taxable under RCW
25 82.04.260(~~((+10))~~) (11)(b)(i), on machinery and equipment exempt under
26 RCW 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; ~~((or))~~

27 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)
28 or 82.04.290(3), on computer hardware, computer peripherals, and
29 software exempt under RCW 82.08.975 or 82.12.975 ~~((and))~~, acquired
30 after June 30, 2008, and used in providing aerospace services or
31 aerospace product development related to any or all of the aerospace
32 products described in RCW 82.04.4461(2)(a) (i) or (ii);

33 (D) Property taxes paid, by persons taxable under RCW 82.04.260(11)
34 (b)(ii) or (c), on machinery and equipment exempt under RCW 82.08.02565
35 or 82.12.02565 and acquired after June 30, 2011; or

36 (E) Property taxes paid, by persons taxable under RCW 82.04.250(3)
37 or 82.04.290(3), on computer hardware, computer peripherals, and
38 software exempt under RCW 82.08.975 or 82.12.975, acquired after June

1 30, 2011, and used in providing aerospace services or aerospace product
2 development related to any or all of the aerospace products described
3 in RCW 82.04.4461(2)(a)(iii).

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

7 (A) The numerator of the fraction is the total taxable amount
8 subject to the tax imposed under RCW 82.04.260(~~(+10)~~) (11) (a) (~~or~~),
9 (b), or (c) on the applicable business activities of manufacturing
10 commercial airplanes, components of such airplanes, unmanned aerial
11 vehicles, components of unmanned aerial vehicles, or tooling
12 specifically designed for use in the manufacturing of commercial
13 airplanes (~~or~~), components of such airplanes, unmanned aerial
14 vehicles, components of unmanned aerial vehicles.

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

18 (C) For purposes of both the numerator and denominator of the
19 fraction, the total taxable amount refers to the total taxable amount
20 required to be reported on the person's returns for the calendar year
21 before the calendar year in which the credit under this section is
22 earned. The department may provide for an alternative method for
23 calculating the numerator in cases where the tax rate provided in RCW
24 82.04.260(~~(+10)~~) (11) for manufacturing was not in effect during the
25 full calendar year before the calendar year in which the credit under
26 this section is earned.

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

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

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

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

1 (b) "Aerospace services" has the same meaning given in RCW
2 82.08.975.

3 (c) "Commercial airplane" (~~(and "component" have)~~) has the same
4 meaning(~~(s)~~) as provided in RCW 82.32.550.

5 (d) "Component" has the same meaning as provided in RCW 82.32.550
6 when used with respect to commercial airplanes.

7 (e) "Unmanned aerial vehicles" and "components of unmanned aerial
8 vehicles" have the same meanings as in RCW 82.04.260.

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

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

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

17 **Sec. 4.** RCW 82.08.975 and 2008 c 81 s 2 are each amended to read
18 as follows:

19 (1) The tax levied by RCW 82.08.020 (~~(shall)~~) does not apply to
20 sales of computer hardware, computer peripherals, or software, not
21 otherwise eligible for exemption under RCW 82.08.02565, used primarily
22 in the development, design, and engineering of aerospace products or in
23 providing aerospace services, or to sales of or charges made for labor
24 and services rendered in respect to installing the computer hardware,
25 computer peripherals, or software.

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

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

31 (a) "Aerospace products" means:

32 (i) Commercial airplanes and their components;

33 (ii) Unmanned aerial vehicles and components of unmanned aerial
34 vehicles;

35 (iii) Machinery and equipment that is designed and used primarily
36 for the maintenance, repair, overhaul, or refurbishing of commercial

1 airplanes or their components or unmanned aerial vehicles or components
2 of unmanned aerial vehicles, by federal aviation regulation part 145
3 certificated repair stations; and

4 ~~((+iii))~~ (iv) Tooling specifically designed for use in
5 manufacturing commercial airplanes or their components or unmanned
6 aerial vehicles or components of unmanned aerial vehicles.

7 (b) "Aerospace services" means the maintenance, repair, overhaul,
8 or refurbishing of commercial airplanes or their components or unmanned
9 aerial vehicles or components of unmanned aerial vehicles, but only
10 when such services are performed by a FAR part 145 certificated repair
11 station.

12 (c) "Commercial airplane" ~~((and "component" have))~~ has the same
13 meaning(~~(s)~~) provided in RCW 82.32.550.

14 (d) "Component" has the same meaning as provided in RCW 82.32.550
15 when used with respect to commercial airplanes.

16 (e) "Peripherals" includes keyboards, monitors, mouse devices, and
17 other accessories that operate outside of the computer, excluding
18 cables, conduit, wiring, and other similar property.

19 (f) "Unmanned aerial vehicles" and "components of unmanned aerial
20 vehicles" have the same meanings provided in RCW 82.04.260.

21 (4) This section expires July 1, 2024.

22 NEW SECTION. **Sec. 5.** This act is necessary for the immediate
23 preservation of the public peace, health, or safety, or support of the
24 state government and its existing public institutions, and takes effect
25 July 1, 2011.

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