
SENATE BILL 5983

State of Washington 62nd Legislature 2011 2nd Special Session

By Senators Hobbs, Shin, Sheldon, Haugen, McAuliffe, and Hatfield; by request of Governor Gregoire

Read first time 12/07/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to extending the expiration date for the business
2 and occupation tax credit for qualified aerospace product development;
3 amending RCW 82.04.4461; and providing an expiration date.

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

5 **Sec. 1.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to
6 read as follows:

7 (1)(a)(i) In computing the tax imposed under this chapter, a credit
8 is allowed for each person for qualified aerospace product development.
9 For a person who is a manufacturer or processor for hire of commercial
10 airplanes or components of such airplanes, credit may be earned for
11 expenditures occurring after December 1, 2003. For all other persons,
12 credit may be earned only for expenditures occurring after June 30,
13 2008.

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

16 (b) Before July 1, 2005, any credits earned under this section must
17 be accrued and carried forward and may not be used until July 1, 2005.
18 These carryover credits may be used at any time thereafter, and may be

1 carried over until used. Refunds may not be granted in the place of a
2 credit.

3 (2) The credit is equal to the amount of qualified aerospace
4 product development expenditures of a person, multiplied by the rate of
5 1.5 percent.

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

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

20 (5) The definitions in this subsection apply throughout this
21 section.

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

23 (b) "Aerospace product development" means research, design, and
24 engineering activities performed in relation to the development of an
25 aerospace product or of a product line, model, or model derivative of
26 an aerospace product, including prototype development, testing, and
27 certification. The term includes the discovery of technological
28 information, the translating of technological information into new or
29 improved products, processes, techniques, formulas, or inventions, and
30 the adaptation of existing products and models into new products or new
31 models, or derivatives of products or models. The term does not
32 include manufacturing activities or other production-oriented
33 activities, however the term does include tool design and engineering
34 design for the manufacturing process. The term does not include
35 surveys and studies, social science and humanities research, market
36 research or testing, quality control, sale promotion and service,
37 computer software developed for internal use, and research in areas
38 such as improved style, taste, and seasonal design.

1 (c) "Qualified aerospace product development" means aerospace
2 product development performed within this state.

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

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

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

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

23 (8) This section expires July 1, ((2024)) 2034.

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