

SHB 2089 - H AMD 586

By Representative Carlyle

NOT CONSIDERED

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** (1) The legislature finds that the people
4 of Washington have benefited enormously from the presence of the
5 aerospace industry in Washington state. The legislature further finds
6 that the industry continues to provide good wages and benefits for the
7 thousands of engineers, mechanics, and support staff working directly
8 in the industry throughout the state. The legislature further finds
9 that suppliers and vendors that support the aerospace industry in turn
10 provide a range of well-paying jobs. In 2003, and again in 2006, and
11 2007, the legislature determined it was in the public interest to
12 encourage the continued presence of the aerospace industry through the
13 provision of tax incentives. To this end, and in recognition of the
14 continuing extreme importance of the aerospace industry in Washington,
15 it is the legislature's intent to reaffirm and build upon prior
16 aerospace tax incentive legislation in a fiscally prudent manner.

17 (2) The legislature categorizes the tax preferences extended in
18 this act as intended to create or retain jobs, as indicated in RCW
19 82.32.808(2)(c).

20 (3) It is the legislature's specific public policy objective to
21 maintain and grow Washington's aerospace industry workforce. To help
22 achieve this public policy objective, it is the legislature's intent to
23 conditionally extend aerospace industry tax preferences until July 1,
24 2040, in recognition of intent by the state's aerospace industry sector
25 to maintain and grow its workforce within the state.

26 (4) The joint legislative audit and review committee must review
27 the tax preferences provided in this act and report to the legislature
28 by December 1, 2019, and every five years thereafter. As part of its
29 tax preference reviews, the committee must specifically assess changes
30 in aerospace industry employment in Washington in comparison with other

1 states and internationally. To the extent practicable, the committee
2 must use occupational data statistics provided by the bureau of labor
3 statistics and state agencies responsible for administering
4 unemployment insurance to perform this assessment.

5 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.32 RCW
6 to read as follows:

7 (1) Chapter ..., Laws of 2013 3rd sp. sess. (this act) takes effect
8 contingent upon the siting of a significant commercial airplane
9 manufacturing program in the state of Washington. If a significant
10 commercial airplane manufacturing program is not sited in the state of
11 Washington by June 30, 2017, chapter ..., Laws of 2013 3rd sp. sess.
12 (this act) does not take effect.

13 (2) The definitions in this subsection apply throughout this
14 section unless the context clearly requires otherwise.

15 (a) "Commercial airplane" has the same meaning provided in RCW
16 82.32.550.

17 (b) "New model, or any version or variant of an existing model, of
18 a commercial airplane" means a commercial airplane manufactured with a
19 carbon fiber composite fuselage or carbon fiber composite wings or
20 both.

21 (c) "Significant commercial airplane manufacturing program" means
22 an airplane program in which the following products, including final
23 assembly, will commence manufacture at a new or existing location
24 within Washington state on or after the effective date of this section:

25 (i) The new model, or any version or variant of an existing model,
26 of a commercial airplane; and

27 (ii) Fuselages and wings of a new model, or any version or variant
28 of an existing model, of a commercial airplane.

29 (d) "Siting" means a final decision, made on or after November 1,
30 2013, by a manufacturer to locate a significant commercial airplane
31 manufacturing program in Washington state.

32 (3) The department must make a determination regarding whether the
33 contingency in subsection (1) of this section occurs and must provide
34 written notice of the date on which such contingency occurs and chapter
35 ..., Laws of 2013 3rd sp. sess. (this act) takes effect. If the
36 department determines that the contingency in subsection (1) of this
37 section has not occurred by June 30, 2017, the department must provide

1 written notice stating that chapter ..., Laws of 2013 3rd sp. sess.
2 (this act) does not take effect. Written notice under this subsection
3 (3) must be provided to affected parties, the chief clerk of the house
4 of representatives, the secretary of the senate, the office of the code
5 reviser, and others as deemed appropriate by the department.

6 **Sec. 3.** RCW 82.08.980 and 2010 c 114 s 126 are each amended to
7 read as follows:

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

9 (a) Charges ((made)), for labor and services rendered in respect to
10 the constructing of new buildings ~~((by a manufacturer engaged in the~~
11 ~~manufacturing of superefficient airplanes or by a port district, to be~~
12 ~~leased to a manufacturer engaged in the manufacturing of superefficient~~
13 ~~airplanes, — to)),~~ made to (i) a manufacturer engaged in the
14 manufacturing of commercial airplanes or the fuselages or wings of
15 commercial airplanes or (ii) a port district, political subdivision, or
16 municipal corporation, to be leased to a manufacturer engaged in the
17 manufacturing of commercial airplanes or the fuselages or wings of
18 commercial airplanes;

19 (b) Sales of tangible personal property that will be incorporated
20 as an ingredient or component of such buildings during the course of
21 the constructing((, — or to)); or

22 (c) Charges made for labor and services rendered in respect to
23 installing, during the course of constructing such buildings, building
24 fixtures not otherwise eligible for the exemption under RCW
25 82.08.02565(2)(b).

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 must retain a copy of the certificate for
29 the seller's files.

30 ~~((+2))~~ (3) No application is necessary for the tax exemption in
31 this section~~((7)).~~ However, in order to qualify under this section
32 before starting construction, the port district, political subdivision,
33 or municipal corporation must have entered into an agreement with the
34 manufacturer to build such a facility. A person claiming the exemption
35 under this section is subject to all the requirements of chapter 82.32
36 RCW. In addition, the person must file a complete annual report with
37 the department under RCW 82.32.534.

1 ~~((3))~~ (4) The exemption in this section applies to buildings~~((7))~~
2 or parts of buildings, including buildings or parts of buildings used
3 for the storage of raw materials or finished product, that are used
4 ~~((exclusively))~~ primarily in the manufacturing of ~~((superefficient~~
5 ~~airplanes, including buildings used for the storage of raw materials~~
6 ~~and finished product))~~ any one or more of the following products:

7 (a) Commercial airplanes;

8 (b) Fuselages of commercial airplanes; or

9 (c) Wings of commercial airplanes.

10 ~~((4))~~ (5) For the purposes of this section, "~~((superefficient))~~
11 commercial airplane" has the meaning given in RCW 82.32.550.

12 ~~((5))~~ (6) This section expires July 1, ~~((2024))~~ 2040.

13 **Sec. 4.** RCW 82.12.980 and 2010 c 114 s 132 are each amended to
14 read as follows:

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

17 (a) Tangible personal property that will be incorporated as an
18 ingredient or component ~~((of new buildings by a manufacturer engaged in~~
19 ~~the manufacturing of superefficient airplanes or owned by a port~~
20 ~~district and to be leased to a manufacturer engaged in the~~
21 ~~manufacturing of superefficient airplanes, during the course of~~
22 ~~constructing such buildings, or to))~~ in constructing new buildings for
23 (i) a manufacturer engaged in the manufacturing of commercial airplanes
24 or the fuselages or wings of commercial airplanes or (ii) a port
25 district, political subdivision, or municipal corporation, to be leased
26 to a manufacturer engaged in the manufacturing of commercial airplanes
27 or the fuselages or wings of commercial airplanes; or

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

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

34 (3) This section expires July 1, ~~((2024))~~ 2040.

35 **Sec. 5.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 202 are each
36 amended to read as follows:

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

3 (a) Wheat into flour, barley into pearl barley, soybeans into
4 soybean oil, canola into canola oil, canola meal, or canola by-
5 products, or sunflower seeds into sunflower oil; as to such persons the
6 amount of tax with respect to such business is equal to the value of
7 the flour, pearl barley, oil, canola meal, or canola by-product
8 manufactured, multiplied by the rate of 0.138 percent;

9 (b) Beginning July 1, 2015, seafood products that remain in a raw,
10 raw frozen, or raw salted state at the completion of the manufacturing
11 by that person; or selling manufactured seafood products that remain in
12 a raw, raw frozen, or raw salted state at the completion of the
13 manufacturing, to purchasers who transport in the ordinary course of
14 business the goods out of this state; as to such persons the amount of
15 tax with respect to such business is equal to the value of the products
16 manufactured or the gross proceeds derived from such sales, multiplied
17 by the rate of 0.138 percent. Sellers must keep and preserve records
18 for the period required by RCW 82.32.070 establishing that the goods
19 were transported by the purchaser in the ordinary course of business
20 out of this state;

21 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
22 products that the person has manufactured to purchasers who either
23 transport in the ordinary course of business the goods out of state or
24 purchasers who use such dairy products as an ingredient or component in
25 the manufacturing of a dairy product; as to such persons the tax
26 imposed is equal to the value of the products manufactured or the gross
27 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 or sold to a manufacturer for use as an ingredient or component in the
32 manufacturing of a dairy product.

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

35 (A) Products that as of September 20, 2001, are identified in 21
36 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
37 the manufacturing of the dairy products, such as whey and casein; and

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

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

9 (d) Beginning July 1, 2015, fruits or vegetables by canning,
10 preserving, freezing, processing, or dehydrating fresh fruits or
11 vegetables, or selling at wholesale fruits or vegetables manufactured
12 by the seller by canning, preserving, freezing, processing, or
13 dehydrating fresh fruits or vegetables and sold to purchasers who
14 transport in the ordinary course of business the goods out of this
15 state; as to such persons the amount of tax with respect to such
16 business is equal to the value of the products manufactured or the
17 gross proceeds derived from such sales multiplied by the rate of 0.138
18 percent. Sellers must keep and preserve records for the period
19 required by RCW 82.32.070 establishing that the goods were transported
20 by the purchaser in the ordinary course of business out of this state;

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

26 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
27 persons the amount of tax with respect to the business is equal to the
28 value of wood biomass fuel manufactured, multiplied by the rate of
29 0.138 percent.

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

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

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

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

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

18 (7) Upon every person engaging within this state in the business of
19 stevedoring and associated activities pertinent to the movement of
20 goods and commodities in waterborne interstate or foreign commerce; as
21 to such persons the amount of tax with respect to such business is
22 equal to the gross proceeds derived from such activities multiplied by
23 the rate of 0.275 percent. Persons subject to taxation under this
24 subsection are exempt from payment of taxes imposed by chapter 82.16
25 RCW for that portion of their business subject to taxation under this
26 subsection. Stevedoring and associated activities pertinent to the
27 conduct of goods and commodities in waterborne interstate or foreign
28 commerce are defined as all activities of a labor, service or
29 transportation nature whereby cargo may be loaded or unloaded to or
30 from vessels or barges, passing over, onto or under a wharf, pier, or
31 similar structure; cargo may be moved to a warehouse or similar holding
32 or storage yard or area to await further movement in import or export
33 or may move to a consolidation freight station and be stuffed,
34 unstuffed, containerized, separated or otherwise segregated or
35 aggregated for delivery or loaded on any mode of transportation for
36 delivery to its consignee. Specific activities included in this
37 definition are: Wharfage, handling, loading, unloading, moving of
38 cargo to a convenient place of delivery to the consignee or a

1 convenient place for further movement to export mode; documentation
2 services in connection with the receipt, delivery, checking, care,
3 custody and control of cargo required in the transfer of cargo;
4 imported automobile handling prior to delivery to consignee; terminal
5 stevedoring and incidental vessel services, including but not limited
6 to plugging and unplugging refrigerator service to containers,
7 trailers, and other refrigerated cargo receptacles, and securing ship
8 hatch covers.

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

14 If the gross income of the taxpayer is attributable to activities
15 both within and without this state, the gross income attributable to
16 this state must be determined in accordance with the methods of
17 apportionment required under RCW 82.04.460.

18 (9) Upon every person engaging within this state as an insurance
19 producer or title insurance agent licensed under chapter 48.17 RCW or
20 a surplus line broker licensed under chapter 48.15 RCW; as to such
21 persons, the amount of the tax with respect to such licensed activities
22 is equal to the gross income of such business multiplied by the rate of
23 0.484 percent.

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

31 (11)(a) Beginning October 1, 2005, upon every person engaging
32 within this state in the business of manufacturing commercial
33 airplanes, or components of such airplanes, or making sales, at retail
34 or wholesale, of commercial airplanes or components of such airplanes,
35 manufactured by the seller, as to such persons the amount of tax with
36 respect to such business is, in the case of manufacturers, equal to the
37 value of the product manufactured and the gross proceeds of sales of

1 the product manufactured, or in the case of processors for hire, equal
2 to the gross income of the business, multiplied by the rate of:

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

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

5 (b) Beginning July 1, 2008, upon every person who is not eligible
6 to report under the provisions of (a) of this subsection (11) and is
7 engaging within this state in the business of manufacturing tooling
8 specifically designed for use in manufacturing commercial airplanes or
9 components of such airplanes, or making sales, at retail or wholesale,
10 of such tooling manufactured by the seller, as to such persons the
11 amount of tax with respect to such business is, in the case of
12 manufacturers, equal to the value of the product manufactured and the
13 gross proceeds of sales of the product manufactured, or in the case of
14 processors for hire, be equal to the gross income of the business,
15 multiplied by the rate of 0.2904 percent.

16 (c) For the purposes of this subsection (11), "commercial airplane"
17 and "component" have the same meanings as provided in RCW 82.32.550.

18 (d) In addition to all other requirements under this title, a
19 person reporting under the tax rate provided in this subsection (11)
20 must file a complete annual report with the department under RCW
21 82.32.534.

22 (e)(i) Except as provided in (e)(ii) of this subsection (11), this
23 subsection (11) does not apply on and after July 1, ((2024)) 2040.

24 (ii) With respect to the manufacturing of commercial airplanes or
25 making sales, at retail or wholesale, of commercial airplanes, this
26 subsection (11) does not apply on and after July 1st of the year in
27 which the department makes a determination that any final assembly or
28 wing assembly of any version or variant of a commercial airplane that
29 is the basis of a siting of a significant commercial airplane
30 manufacturing program in the state under section 2 of this act has been
31 sited outside the state of Washington. This subsection (11)(e)(ii)
32 only applies to the manufacturing or sale of commercial airplanes that
33 are the basis of a siting of a significant commercial airplane
34 manufacturing program in the state under section 2 of this act.

35 (12)(a) Until July 1, 2024, upon every person engaging within this
36 state in the business of extracting timber or extracting for hire
37 timber; as to such persons the amount of tax with respect to the
38 business is, in the case of extractors, equal to the value of products,

1 including by-products, extracted, or in the case of extractors for
2 hire, equal to the gross income of the business, multiplied by the rate
3 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904
4 percent from July 1, 2007, through June 30, 2024.

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

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

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

35 (e) For purposes of this subsection, the following definitions
36 apply:

37 (i) "Biocomposite surface products" means surface material products

1 containing, by weight or volume, more than fifty percent recycled paper
2 and that also use nonpetroleum-based phenolic resin as a bonding agent.

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

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

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

24 (v) "Timber products" means:

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

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

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

32 (vi) "Wood products" means paper and paper products; dimensional
33 lumber; engineered wood products such as particleboard, oriented strand
34 board, medium density fiberboard, and plywood; wood doors; wood
35 windows; and biocomposite surface products.

36 (f) Except for small harvesters as defined in RCW 84.33.035, a
37 person reporting under the tax rate provided in this subsection (12)

1 must file a complete annual survey with the department under RCW
2 82.32.585.

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

8 (14)(a) Upon every person engaging within this state in the
9 business of printing a newspaper, publishing a newspaper, or both, the
10 amount of tax on such business is equal to the gross income of the
11 business multiplied by the rate of 0.365 percent through June 30, 2013,
12 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

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

16 **Sec. 6.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 203 are each
17 amended to read as follows:

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

20 (a) Wheat into flour, barley into pearl barley, soybeans into
21 soybean oil, canola into canola oil, canola meal, or canola by-
22 products, or sunflower seeds into sunflower oil; as to such persons the
23 amount of tax with respect to such business is equal to the value of
24 the flour, pearl barley, oil, canola meal, or canola by-product
25 manufactured, multiplied by the rate of 0.138 percent;

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

1 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
2 products that the person has manufactured to purchasers who either
3 transport in the ordinary course of business the goods out of state or
4 purchasers who use such dairy products as an ingredient or component in
5 the manufacturing of a dairy product; as to such persons the tax
6 imposed is equal to the value of the products manufactured or the gross
7 proceeds derived from such sales multiplied by the rate of 0.138
8 percent. Sellers must keep and preserve records for the period
9 required by RCW 82.32.070 establishing that the goods were transported
10 by the purchaser in the ordinary course of business out of this state
11 or sold to a manufacturer for use as an ingredient or component in the
12 manufacturing of a dairy product.

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

15 (A) Products that as of September 20, 2001, are identified in 21
16 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
17 the manufacturing of the dairy products, such as whey and casein; and

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

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

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

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

6 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
7 persons the amount of tax with respect to the business is equal to the
8 value of wood biomass fuel manufactured, multiplied by the rate of
9 0.138 percent.

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

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

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

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

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

36 (7) Upon every person engaging within this state in the business of
37 stevedoring and associated activities pertinent to the movement of
38 goods and commodities in waterborne interstate or foreign commerce; as

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

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

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

36 (9) Upon every person engaging within this state as an insurance
37 producer or title insurance agent licensed under chapter 48.17 RCW or
38 a surplus line broker licensed under chapter 48.15 RCW; as to such

1 persons, the amount of the tax with respect to such licensed activities
2 is equal to the gross income of such business multiplied by the rate of
3 0.484 percent.

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

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

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

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

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

33 (c) For the purposes of this subsection (11), "commercial airplane"
34 and "component" have the same meanings as provided in RCW 82.32.550.

35 (d) In addition to all other requirements under this title, a
36 person reporting under the tax rate provided in this subsection (11)
37 must file a complete annual report with the department under RCW
38 82.32.534.

1 (e)(i) Except as provided in (e)(ii) of this subsection (11), this
2 subsection (11) does not apply on and after July 1, ((2024)) 2040.

3 (ii) With respect to the manufacturing of commercial airplanes or
4 making sales, at retail or wholesale, of commercial airplanes, this
5 subsection (11) does not apply on and after July 1st of the year in
6 which the department makes a determination that any final assembly or
7 wing assembly of any version or variant of a commercial airplane that
8 is the basis of a siting of a significant commercial airplane
9 manufacturing program in the state under section 2 of this act has been
10 sited outside the state of Washington. This subsection (11)(e)(ii)
11 only applies to the manufacturing or sale of commercial airplanes that
12 are the basis of a siting of a significant commercial airplane
13 manufacturing program in the state under section 2 of this act.

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

22 (b) Until July 1, 2024, upon every person engaging within this
23 state in the business of manufacturing or processing for hire: (i)
24 Timber into timber products or wood products; or (ii) timber products
25 into other timber products or wood products; as to such persons the
26 amount of the tax with respect to the business is, in the case of
27 manufacturers, equal to the value of products, including by-products,
28 manufactured, or in the case of processors for hire, equal to the gross
29 income of the business, multiplied by the rate of 0.4235 percent from
30 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
31 2007, through June 30, 2024.

32 (c) Until July 1, 2024, upon every person engaging within this
33 state in the business of selling at wholesale: (i) Timber extracted by
34 that person; (ii) timber products manufactured by that person from
35 timber or other timber products; or (iii) wood products manufactured by
36 that person from timber or timber products; as to such persons the
37 amount of the tax with respect to the business is equal to the gross
38 proceeds of sales of the timber, timber products, or wood products

1 multiplied by the rate of 0.4235 percent from July 1, 2006, through
2 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
3 2024.

4 (d) Until July 1, 2024, upon every person engaging within this
5 state in the business of selling standing timber; as to such persons
6 the amount of the tax with respect to the business is equal to the
7 gross income of the business multiplied by the rate of 0.2904 percent.
8 For purposes of this subsection (12)(d), "selling standing timber"
9 means the sale of timber apart from the land, where the buyer is
10 required to sever the timber within thirty months from the date of the
11 original contract, regardless of the method of payment for the timber
12 and whether title to the timber transfers before, upon, or after
13 severance.

14 (e) For purposes of this subsection, the following definitions
15 apply:

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

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

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

36 (iv) "Timber" means forest trees, standing or down, on privately or
37 publicly owned land. "Timber" does not include Christmas trees that

1 are cultivated by agricultural methods or short-rotation hardwoods as
2 defined in RCW 84.33.035.

3 (v) "Timber products" means:

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

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

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

11 (vi) "Wood products" means paper and paper products; dimensional
12 lumber; engineered wood products such as particleboard, oriented strand
13 board, medium density fiberboard, and plywood; wood doors; wood
14 windows; and biocomposite surface products.

15 (f) Except for small harvesters as defined in RCW 84.33.035, a
16 person reporting under the tax rate provided in this subsection (12)
17 must file a complete annual survey with the department under RCW
18 82.32.585.

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

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

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

31 **Sec. 7.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 are each
32 amended to read as follows:

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

1 (2) Upon every person engaging within this state in the business of
2 making sales at retail that are exempt from the tax imposed under
3 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
4 82.08.0263, except persons taxable under RCW 82.04.260(~~(+10)~~) (11) or
5 subsection (3) of this section, as to such persons, the amount of tax
6 with respect to such business is equal to the gross proceeds of sales
7 of the business, multiplied by the rate of 0.484 percent.

8 (3) Until July 1, (~~2024~~) 2040, upon every person classified by
9 the federal aviation administration as a federal aviation regulation
10 part 145 certificated repair station and that is engaging within this
11 state in the business of making sales at retail that are exempt from
12 the tax imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,
13 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with
14 respect to such business is equal to the gross proceeds of sales of the
15 business, multiplied by the rate of .2904 percent.

16 **Sec. 8.** RCW 82.04.290 and 2013 c 23 s 314 are each amended to read
17 as follows:

18 (1) Upon every person engaging within this state in the business of
19 providing international investment management services, as to such
20 persons, the amount of tax with respect to such business (~~(shall be)~~)
21 is equal to the gross income or gross proceeds of sales of the business
22 multiplied by a rate of 0.275 percent.

23 (2)(a) Upon every person engaging within this state in any business
24 activity other than or in addition to an activity taxed explicitly
25 under another section in this chapter or subsection (1) or (3) of this
26 section; as to such persons the amount of tax on account of such
27 activities (~~(shall be)~~) is equal to the gross income of the business
28 multiplied by the rate of 1.5 percent.

29 (b) This subsection (2) includes, among others, and without
30 limiting the scope hereof (whether or not title to materials used in
31 the performance of such business passes to another by accession,
32 confusion or other than by outright sale), persons engaged in the
33 business of rendering any type of service which does not constitute a
34 "sale at retail" or a "sale at wholesale." The value of advertising,
35 demonstration, and promotional supplies and materials furnished to an
36 agent by his or her principal or supplier to be used for informational,

1 educational, and promotional purposes (~~shall~~) is not (~~be~~)
2 considered a part of the agent's remuneration or commission and
3 (~~shall~~) is not (~~be~~) subject to taxation under this section.

4 (3)(a) Until July 1, (~~2024~~) 2040, upon every person engaging
5 within this state in the business of performing aerospace product
6 development for others, as to such persons, the amount of tax with
7 respect to such business (~~shall-be~~) is equal to the gross income of
8 the business multiplied by a rate of 0.9 percent.

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

11 **Sec. 9.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to
12 read as follows:

13 (1)(a)(i) In computing the tax imposed under this chapter, a credit
14 is allowed for each person for qualified aerospace product development.
15 For a person who is a manufacturer or processor for hire of commercial
16 airplanes or components of such airplanes, credit may be earned for
17 expenditures occurring after December 1, 2003. For all other persons,
18 credit may be earned only for expenditures occurring after June 30,
19 2008.

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

22 (b) Before July 1, 2005, any credits earned under this section must
23 be accrued and carried forward and may not be used until July 1, 2005.
24 These carryover credits may be used at any time thereafter, and may be
25 carried over until used. Refunds may not be granted in the place of a
26 credit.

27 (2) The credit is equal to the amount of qualified aerospace
28 product development expenditures of a person, multiplied by the rate of
29 1.5 percent.

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

1 (4) Any person claiming the credit must file a form prescribed by
2 the department that must include the amount of the credit claimed, an
3 estimate of the anticipated aerospace product development expenditures
4 during the calendar year for which the credit is claimed, an estimate
5 of the taxable amount during the calendar year for which the credit is
6 claimed, and such additional information as the department may
7 prescribe.

8 (5) The definitions in this subsection apply throughout this
9 section.

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

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

27 (c) "Qualified aerospace product development" means aerospace
28 product development performed within this state.

29 (d) "Qualified aerospace product development expenditures" means
30 operating expenses, including wages, compensation of a proprietor or a
31 partner in a partnership as determined by the department, benefits,
32 supplies, and computer expenses, directly incurred in qualified
33 aerospace product development by a person claiming the credit provided
34 in this section. The term does not include amounts paid to a person or
35 to the state and any of its departments and institutions, other than a
36 public educational or research institution to conduct qualified
37 aerospace product development. The term does not include capital costs

1 and overhead, such as expenses for land, structures, or depreciable
2 property.

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

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

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

12 (8) This section expires July 1, (~~(2024)~~) 2040.

13 **Sec. 10.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each
14 amended to read as follows:

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

18 (2) The credit is equal to:

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

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

27 (C) Property taxes or leasehold excise taxes paid on, or with
28 respect to, buildings constructed after June 30, 2008, the land upon
29 which the buildings are located, or both, and used exclusively for
30 aerospace product development, manufacturing tooling specifically
31 designed for use in manufacturing commercial airplanes or their
32 components, or in providing aerospace services, by persons not within
33 the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable
34 under RCW 82.04.290(3), 82.04.260(~~(+10)~~) (11)(b), or 82.04.250(3); or

35 (ii) Property taxes attributable to an increase in assessed value
36 due to the renovation or expansion, after: (A) December 1, 2003, of a
37 building used exclusively in manufacturing commercial airplanes or

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

7 (b) An amount equal to:

8 (i)(A) Property taxes paid, by persons taxable under RCW
9 82.04.260(~~(+10+)~~) (11)(a), on machinery and equipment exempt under RCW
10 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

11 (B) Property taxes paid, by persons taxable under RCW
12 82.04.260(~~(+10+)~~) (11)(b), on machinery and equipment exempt under RCW
13 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

14 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)
15 or 82.04.290(3), on computer hardware, computer peripherals, and
16 software exempt under RCW 82.08.975 or 82.12.975 and acquired after
17 June 30, 2008.

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

21 (A) The numerator of the fraction is the total taxable amount
22 subject to the tax imposed under RCW 82.04.260(~~(+10+)~~) (11) (a) or (b)
23 on the applicable business activities of manufacturing commercial
24 airplanes, components of such airplanes, or tooling specifically
25 designed for use in the manufacturing of commercial airplanes or
26 components of such airplanes.

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

30 (C) For purposes of both the numerator and denominator of the
31 fraction, the total taxable amount refers to the total taxable amount
32 required to be reported on the person's returns for the calendar year
33 before the calendar year in which the credit under this section is
34 earned. The department may provide for an alternative method for
35 calculating the numerator in cases where the tax rate provided in RCW
36 82.04.260(~~(+10+)~~) (11) for manufacturing was not in effect during the
37 full calendar year before the calendar year in which the credit under
38 this section is earned.

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

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

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

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

12 (b) "Aerospace services" has the same meaning given in RCW
13 82.08.975.

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

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

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

23 (6) This section expires July 1, (~~(2024)~~) 2040.

24 **Sec. 11.** RCW 82.08.975 and 2008 c 81 s 2 are each amended to read
25 as follows:

26 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to
27 sales of computer hardware, computer peripherals, or software, not
28 otherwise eligible for exemption under RCW 82.08.02565, used primarily
29 in the development, design, and engineering of aerospace products or in
30 providing aerospace services, or to sales of or charges made for labor
31 and services rendered in respect to installing the computer hardware,
32 computer peripherals, or software.

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

1 (3) (~~As used in this section, the following definitions apply:~~)
2 The definitions in this subsection apply throughout this section unless
3 the context requires otherwise.

4 (a) "Aerospace products" means:

5 (i) Commercial airplanes and their components;

6 (ii) Machinery and equipment that is designed and used primarily
7 for the maintenance, repair, overhaul, or refurbishing of commercial
8 airplanes or their components by federal aviation regulation part 145
9 certificated repair stations; and

10 (iii) Tooling specifically designed for use in manufacturing
11 commercial airplanes or their components.

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

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

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

21 (4) This section expires July 1, (~~(2024)~~) 2040.

22 **Sec. 12.** RCW 82.12.975 and 2008 c 81 s 3 are each amended to read
23 as follows:

24 (1) The provisions of this chapter (~~shall~~) do not apply in
25 respect to the use of computer hardware, computer peripherals, or
26 software, not otherwise eligible for exemption under RCW 82.12.02565,
27 used primarily in the development, design, and engineering of aerospace
28 products or in providing aerospace services, or to the use of labor and
29 services rendered in respect to installing the computer hardware,
30 computer peripherals, or software.

31 (2) As used in this section, "peripherals," "aerospace products,"
32 and "aerospace services" have the same meanings as provided in RCW
33 82.08.975.

34 (3) This section expires July 1, (~~(2024)~~) 2040.

35 **Sec. 13.** RCW 82.29A.137 and 2010 c 114 s 134 are each amended to
36 read as follows:

1 (1) All leasehold interests in port district facilities exempt from
2 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged
3 in the manufacturing of superefficient airplanes, as defined in RCW
4 82.32.550, are exempt from tax under this chapter. A person claiming
5 the credit under RCW 82.04.4463 is not eligible for the exemption under
6 this section.

7 (2) In addition to all other requirements under this title, a
8 person claiming the exemption under this section must file a complete
9 annual report with the department under RCW 82.32.534.

10 (3) This section expires July 1, (~~2024~~) 2040.

11 **Sec. 14.** RCW 84.36.655 and 2010 c 114 s 151 are each amended to
12 read as follows:

13 (1) Effective January 1, 2005, all buildings, machinery, equipment,
14 and other personal property of a lessee of a port district eligible
15 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing
16 superefficient airplanes, are exempt from property taxation. A person
17 taking the credit under RCW 82.04.4463 is not eligible for the
18 exemption under this section. For the purposes of this section,
19 "superefficient airplane" and "component" have the meanings given in
20 RCW 82.32.550.

21 (2) In addition to all other requirements under this title, a
22 person claiming the exemption under this section must file a complete
23 annual report with the department under RCW 82.32.534.

24 (3) Claims for exemption authorized by this section must be filed
25 with the county assessor on forms prescribed by the department and
26 furnished by the assessor. The assessor must verify and approve claims
27 as the assessor determines to be justified and in accordance with this
28 section. No claims may be filed after December 31, (~~2023~~) 2039. The
29 department may adopt rules, under the provisions of chapter 34.05 RCW,
30 as necessary to properly administer this section.

31 (4) This section applies to taxes levied for collection in 2006 and
32 thereafter.

33 (5) This section expires July 1, (~~2024~~) 2040.

34 NEW SECTION. **Sec. 15.** Subject to section 2 of this act, section
35 5 of this act expires July 1, 2015.

1 NEW SECTION. **Sec. 16.** Subject to section 2 of this act, section
2 6 of this act takes effect July 1, 2015."

3 Correct the title.

EFFECT: Removes language that would terminate the preferential B&O rate if any fuselage assembly or fuselage or wing fabrication activities is sited outside the state. Clarifies that the preferential B&O rate for the 777X will not be terminated for modifications to commercial airplane manufacturing programs not related to the 777X.

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