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**SUBSTITUTE HOUSE BILL 2693**

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**State of Washington**

**63rd Legislature**

**2014 Regular Session**

**By** House Technology & Economic Development (originally sponsored by Representatives Orcutt, Takko, DeBolt, and Blake)

READ FIRST TIME 02/05/14.

1       AN ACT Relating to extending specific aerospace tax preferences to  
2 include other types of commercial aircraft to encourage the migration  
3 of good wage jobs in the state; amending RCW 82.32.550, 82.04.260,  
4 82.04.260, 82.04.260, 82.04.260, 82.04.290, and 82.04.290; adding new  
5 sections to chapter 82.04 RCW; adding new sections to chapter 82.08  
6 RCW; adding a new section to chapter 82.12 RCW; creating new sections;  
7 providing effective dates; providing contingent effective dates;  
8 providing expiration dates; and providing contingent expiration dates.

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

10       NEW SECTION.   **Sec. 1.** (1) The legislature finds that the people of  
11 Washington have benefited from the presence of the aerospace industry  
12 in Washington state. The legislature further finds that the industry  
13 continues to provide good wage jobs and benefits for employees  
14 throughout the state. The legislature further finds that expansion of  
15 the aerospace industry to other types of aircraft manufacturing would  
16 provide additional good wage jobs for the citizens of Washington,  
17 increasing the economic activity of manufacturing in the state. The  
18 legislature further finds that expansion of the current aerospace  
19 industry to all types of aerospace products will establish Washington

1 as the leading aerospace industry state. Therefore, the legislature  
2 intends to extend preferential tax rates, credits, and sales and use  
3 tax deferrals for the aerospace industry to other types of aircraft  
4 manufacturing. Specifically, the legislature intends to provide tax  
5 relief to manufacturers of all types of aircraft and manufacturers and  
6 suppliers of aircraft components to encourage the migration of these  
7 businesses to Washington, in turn creating and retaining good wage jobs  
8 and new tax revenue for the state.

9 (2) It is the specific public policy objective of the legislature  
10 to provide a preferential business and occupation tax rate, business  
11 and occupation tax credit, and sales and use tax deferral for the  
12 manufacturing of rotorcraft, including the components used in the  
13 manufacturing process. This tax preference is intended to promote  
14 economic growth and jobs for Washington. The legislature categorizes  
15 this tax preference as one intended to create and retain jobs, as  
16 described in RCW 82.32.808(2)(c).

17 (3)(a) In order to obtain the necessary data to perform a review of  
18 this tax preference, persons using any of the preferences created under  
19 this act must file a tax preference annual report under RCW 82.32.534.

20 (b) The joint legislative audit and review committee must review  
21 the tax preference provided in this act as part of its normal review  
22 process of tax preferences. The committee must assess employment  
23 changes and tax revenue changes in the commercial rotorcraft industry  
24 in Washington in comparison to employment and tax revenues prior to the  
25 extension of tax preferences in this act. The committee must assess  
26 the number of jobs created in the rotorcraft industry in Washington  
27 during the term of the tax preferences provided in this act. If the  
28 committee finds that the number of jobs in the rotorcraft industry have  
29 increased by an average of fifty jobs during the term of the tax  
30 preferences provided in this act, then the legislature intends for the  
31 legislative auditor to recommend extending the expiration date of the  
32 tax preference.

33 (c) To the extent practicable, the joint legislative audit and  
34 review committee must use data provided by state agencies responsible  
35 for administering unemployment insurance and collecting tax revenue and  
36 data statistics provided by the bureau of labor statistics.

1       **Sec. 2.** RCW 82.32.550 and 2010 1st sp.s. c 23 s 517 are each  
2 amended to read as follows:

3       (1) "Commercial airplane" has its ordinary meaning, which is an  
4 airplane certified by the federal aviation administration for  
5 transporting persons or property, and any military derivative of such  
6 an airplane.

7       (2) "Commercial rotorcraft" means an aircraft supported in flight  
8 by one or more rotors to provide lift, which may also include  
9 rotorcrafts with additional thrust engines or propellers, certified by  
10 the federal aviation administration for transporting persons or  
11 property, and any military derivative of such an aircraft.

12       (3) "Commercial rotorcraft component" means a part or system  
13 certified by the federal aviation administration for installation or  
14 assembly into a commercial rotorcraft.

15       (4) "Commercial rotorcraft mission equipment" means equipment which  
16 is intended to be attached to a rotorcraft to engage in certain  
17 applications or tasks, including, but not limited to, firefighting,  
18 agricultural spraying, maintaining power lines, or maintaining  
19 windmills.

20       (5) "Component" means a part or system certified by the federal  
21 aviation administration for installation or assembly into a commercial  
22 airplane.

23       (~~(+3)~~) (6) "Superefficient airplane" means a twin aisle airplane  
24 that carries between two hundred and three hundred fifty passengers,  
25 with a range of more than seven thousand two hundred nautical miles, a  
26 cruising speed of approximately mach .85, and that uses fifteen to  
27 twenty percent less fuel than other similar airplanes on the market.

28       **Sec. 3.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 202 are each  
29 amended to read as follows:

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

32       (a) Wheat into flour, barley into pearl barley, soybeans into  
33 soybean oil, canola into canola oil, canola meal, or canola by-  
34 products, or sunflower seeds into sunflower oil; as to such persons the  
35 amount of tax with respect to such business is equal to the value of  
36 the flour, pearl barley, oil, canola meal, or canola by-product  
37 manufactured, multiplied by the rate of 0.138 percent;

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

13 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
14 products that the person has manufactured to purchasers who either  
15 transport in the ordinary course of business the goods out of state or  
16 purchasers who use such dairy products as an ingredient or component in  
17 the manufacturing of a dairy product; as to such persons the tax  
18 imposed is equal to the value of the products manufactured or the gross  
19 proceeds derived from such sales multiplied by the rate of 0.138  
20 percent. Sellers must keep and preserve records for the period  
21 required by RCW 82.32.070 establishing that the goods were transported  
22 by the purchaser in the ordinary course of business out of this state  
23 or sold to a manufacturer for use as an ingredient or component in the  
24 manufacturing of a dairy product.

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

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

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

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

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

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

18 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
19 persons the amount of tax with respect to the business is equal to the  
20 value of wood biomass fuel manufactured, multiplied by the rate of  
21 0.138 percent.

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

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

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

36 (5) Upon every person engaging within this state in the business of  
37 acting as a travel agent or tour operator; as to such persons the

1 amount of the tax with respect to such activities is equal to the gross  
2 income derived from such activities multiplied by the rate of 0.275  
3 percent.

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

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

1 trailers, and other refrigerated cargo receptacles, and securing ship  
2 hatch covers.

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

8 (b) If the gross income of the taxpayer is attributable to  
9 activities both within and without this state, the gross income  
10 attributable to this state must be determined in accordance with the  
11 methods of apportionment required under RCW 82.04.460.

12 (9) Upon every person engaging within this state as an insurance  
13 producer or title insurance agent licensed under chapter 48.17 RCW or  
14 a surplus line broker licensed under chapter 48.15 RCW; as to such  
15 persons, the amount of the tax with respect to such licensed activities  
16 is equal to the gross income of such business multiplied by the rate of  
17 0.484 percent.

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

25 (11)(a) Beginning October 1, 2005, upon every person engaging  
26 within this state in the business of manufacturing commercial  
27 airplanes, or components of such airplanes, or making sales, at retail  
28 or wholesale, of commercial airplanes or components of such airplanes,  
29 manufactured by the seller, as to such persons the amount of tax with  
30 respect to such business is, in the case of manufacturers, equal to the  
31 value of the product manufactured and the gross proceeds of sales of  
32 the product manufactured, or in the case of processors for hire, equal  
33 to the gross income of the business, multiplied by the rate of:

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

36 (b) Beginning July 1, 2008, upon every person who is not eligible  
37 to report under the provisions of (a) of this subsection (11) and is  
38 engaging within this state in the business of manufacturing tooling

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

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

11 (d) In addition to all other requirements under this title, a  
12 person reporting under the tax rate provided in this subsection (11)  
13 must file a complete annual report with the department under RCW  
14 82.32.534.

15 (e) This subsection (11) does not apply on and after July 1, 2024.

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

24 (b) Until July 1, 2024, upon every person engaging within this  
25 state in the business of manufacturing or processing for hire: (i)  
26 Timber into timber products or wood products; or (ii) timber products  
27 into other timber products or wood products; as to such persons the  
28 amount of the tax with respect to the business is, in the case of  
29 manufacturers, equal to the value of products, including by-products,  
30 manufactured, or in the case of processors for hire, equal to the gross  
31 income of the business, multiplied by the rate of 0.4235 percent from  
32 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
33 2007, through June 30, 2024.

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



1 amount of the tax with respect to the business is equal to the gross  
2 proceeds of sales of the timber, timber products, or wood products  
3 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
4 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
5 2024.

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

16 (e) For purposes of this subsection, the following definitions  
17 apply:

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

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

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

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

5 (v) "Timber products" means:

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

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

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

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

17 (f) Except for small harvesters as defined in RCW 84.33.035, a  
18 person reporting under the tax rate provided in this subsection (12)  
19 must file a complete annual survey with the department under RCW  
20 82.32.585.

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

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

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

34 (15)(a) Beginning July 1, 2014, upon every person engaging within  
35 this state in the business of manufacturing commercial rotorcrafts,  
36 commercial rotorcraft components, or commercial rotorcraft mission  
37 equipment, or tooling specifically designed for use in manufacturing  
38 commercial rotorcrafts or commercial rotorcraft components, or making

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

9 (b) For the purposes of this subsection (15), "commercial  
10 rotorcraft," "commercial rotorcraft component," and "commercial  
11 rotorcraft mission equipment" have the same meanings as provided in RCW  
12 82.32.550.

13 (c) In addition to all other requirements under this title, a  
14 person reporting under the tax rate provided in this subsection (15)  
15 must file a complete annual report with the department under RCW  
16 82.32.534.

17 (d) This subsection (15) does not apply on and after July 1, 2024.

18 **Sec. 4.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 203 are each  
19 amended to read as follows:

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

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

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

1 for the period required by RCW 82.32.070 establishing that the goods  
2 were transported by the purchaser in the ordinary course of business  
3 out of this state;

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

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

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

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

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

29 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
30 preserving, freezing, processing, or dehydrating fresh fruits or  
31 vegetables, or selling at wholesale fruits or vegetables manufactured  
32 by the seller by canning, preserving, freezing, processing, or  
33 dehydrating fresh fruits or vegetables and sold to purchasers who  
34 transport in the ordinary course of business the goods out of this  
35 state; as to such persons the amount of tax with respect to such  
36 business is equal to the value of the products manufactured or the  
37 gross proceeds derived from such sales multiplied by the rate of 0.138

1 percent. Sellers must keep and preserve records for the period  
2 required by RCW 82.32.070 establishing that the goods were transported  
3 by the purchaser in the ordinary course of business out of this state;

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

9 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
10 persons the amount of tax with respect to the business is equal to the  
11 value of wood biomass fuel manufactured, multiplied by the rate of  
12 0.138 percent.

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

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

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

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

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

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

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

35 (b) If the gross income of the taxpayer is attributable to  
36 activities both within and without this state, the gross income  
37 attributable to this state must be determined in accordance with the  
38 methods of apportionment required under RCW 82.04.460.

1 (9) Upon every person engaging within this state as an insurance  
2 producer or title insurance agent licensed under chapter 48.17 RCW or  
3 a surplus line broker licensed under chapter 48.15 RCW; as to such  
4 persons, the amount of the tax with respect to such licensed activities  
5 is equal to the gross income of such business multiplied by the rate of  
6 0.484 percent.

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

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

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

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

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

1 (d) In addition to all other requirements under this title, a  
2 person reporting under the tax rate provided in this subsection (11)  
3 must file a complete annual report with the department under RCW  
4 82.32.534.

5 (e) This subsection (11) does not apply on and after July 1, 2024.

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

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

24 (c) Until July 1, 2024, upon every person engaging within this  
25 state in the business of selling at wholesale: (i) Timber extracted by  
26 that person; (ii) timber products manufactured by that person from  
27 timber or other timber products; or (iii) wood products manufactured by  
28 that person from timber or timber products; as to such persons the  
29 amount of the tax with respect to the business is equal to the gross  
30 proceeds of sales of the timber, timber products, or wood products  
31 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
32 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
33 2024.

34 (d) Until July 1, 2024, upon every person engaging within this  
35 state in the business of selling standing timber; as to such persons  
36 the amount of the tax with respect to the business is equal to the  
37 gross income of the business multiplied by the rate of 0.2904 percent.  
38 For purposes of this subsection (12)(d), "selling standing timber"



1 means the sale of timber apart from the land, where the buyer is  
2 required to sever the timber within thirty months from the date of the  
3 original contract, regardless of the method of payment for the timber  
4 and whether title to the timber transfers before, upon, or after  
5 severance.

6 (e) For purposes of this subsection, the following definitions  
7 apply:

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

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

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

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

32 (v) "Timber products" means:

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

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

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

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

7 (f) Except for small harvesters as defined in RCW 84.33.035, a  
8 person reporting under the tax rate provided in this subsection (12)  
9 must file a complete annual survey with the department under RCW  
10 82.32.585.

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

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

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

23 (15)(a) Beginning July 1, 2014, upon every person engaging within  
24 this state in the business of manufacturing commercial rotorcrafts,  
25 commercial rotorcraft components, or commercial rotorcraft mission  
26 equipment, or tooling specifically designed for use in manufacturing  
27 commercial rotorcrafts or commercial rotorcraft components, or making  
28 sales, at retail or wholesale, of such commercial rotorcrafts,  
29 commercial rotorcraft components, or commercial rotorcraft mission  
30 equipment, manufactured by the seller, or such tooling manufactured by  
31 the seller, as to such persons the amount of tax with respect to such  
32 business is, in the case of manufacturers, equal to the value of the  
33 product manufactured and the gross proceeds of sales of the product  
34 manufactured, or in the case of processors for hire, equal to the gross  
35 income of the business, multiplied by the rate of 0.2904 percent.

36 (b) For the purposes of this subsection (15), "commercial  
37 rotorcraft," "commercial rotorcraft component," and "commercial

1 rotorcraft mission equipment" have the same meanings as provided in RCW  
2 82.32.550.

3 (c) In addition to all other requirements under this title, a  
4 person reporting under the tax rate provided in this subsection (15)  
5 must file a complete annual report with the department under RCW  
6 82.32.534.

7 (d) This subsection (15) does not apply on and after July 1, 2024,  
8 unless no tax preference created in this act has been used by July 1,  
9 2017, then this subsection (15) does not apply on or after July 1,  
10 2017.

11 **Sec. 5.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 5 are each amended  
12 to read as follows:

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

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

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

33 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
34 products that the person has manufactured to purchasers who either  
35 transport in the ordinary course of business the goods out of state or  
36 purchasers who use such dairy products as an ingredient or component in  
37 the manufacturing of a dairy product; as to such persons the tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 (10) Upon every person engaging within this state in business as a  
38 hospital, as defined in chapter 70.41 RCW, that is operated as a

1 nonprofit corporation or by the state or any of its political  
2 subdivisions, as to such persons, the amount of tax with respect to  
3 such activities is equal to the gross income of the business multiplied  
4 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent  
5 thereafter.

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

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

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

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

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

30 (d) In addition to all other requirements under this title, a  
31 person reporting under the tax rate provided in this subsection (11)  
32 must file a complete annual report with the department under RCW  
33 82.32.534.

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

36 (ii) With respect to the manufacturing of commercial airplanes or  
37 making sales, at retail or wholesale, of commercial airplanes, this  
38 subsection (11) does not apply on and after July 1st of the year in

1 which the department makes a determination that any final assembly or  
2 wing assembly of any version or variant of a commercial airplane that  
3 is the basis of a siting of a significant commercial airplane  
4 manufacturing program in the state under RCW 82.32.850 has been sited  
5 outside the state of Washington. This subsection (11)(e)(ii) only  
6 applies to the manufacturing or sale of commercial airplanes that are  
7 the basis of a siting of a significant commercial airplane  
8 manufacturing program in the state under RCW 82.32.850.

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

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

27 (c) Until July 1, 2024, upon every person engaging within this  
28 state in the business of selling at wholesale: (i) Timber extracted by  
29 that person; (ii) timber products manufactured by that person from  
30 timber or other timber products; or (iii) wood products manufactured by  
31 that person from timber or timber products; as to such persons the  
32 amount of the tax with respect to the business is equal to the gross  
33 proceeds of sales of the timber, timber products, or wood products  
34 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
35 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
36 2024.

37 (d) Until July 1, 2024, upon every person engaging within this  
38 state in the business of selling standing timber; as to such persons



1 the amount of the tax with respect to the business is equal to the  
2 gross income of the business multiplied by the rate of 0.2904 percent.  
3 For purposes of this subsection (12)(d), "selling standing timber"  
4 means the sale of timber apart from the land, where the buyer is  
5 required to sever the timber within thirty months from the date of the  
6 original contract, regardless of the method of payment for the timber  
7 and whether title to the timber transfers before, upon, or after  
8 severance.

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

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

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

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

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

35 (v) "Timber products" means:

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

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

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

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

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

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

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

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

26 (15)(a) Beginning July 1, 2014, upon every person engaging within  
27 this state in the business of manufacturing commercial rotorcrafts,  
28 commercial rotorcraft components, or commercial rotorcraft mission  
29 equipment, or tooling specifically designed for use in manufacturing  
30 commercial rotorcrafts or commercial rotorcraft components, or making  
31 sales, at retail or wholesale, of such commercial rotorcrafts,  
32 commercial rotorcraft components, or commercial rotorcraft mission  
33 equipment, manufactured by the seller, or such tooling manufactured by  
34 the seller, as to such persons the amount of tax with respect to such  
35 business is, in the case of manufacturers, equal to the value of the  
36 product manufactured and the gross proceeds of sales of the product  
37 manufactured, or in the case of processors for hire, equal to the gross  
38 income of the business, multiplied by the rate of 0.2904 percent.

1 (b) For the purposes of this subsection (15), "commercial  
2 rotorcraft," "commercial rotorcraft component," and "commercial  
3 rotorcraft mission equipment" have the same meanings as provided in RCW  
4 82.32.550.

5 (c) In addition to all other requirements under this title, a  
6 person reporting under the tax rate provided in this subsection (15)  
7 must file a complete annual report with the department under RCW  
8 82.32.534.

9 (d) This subsection (15) does not apply on and after July 1, 2024.

10 **Sec. 6.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 6 are each amended  
11 to read as follows:

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

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

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

32 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
33 products that the person has manufactured to purchasers who either  
34 transport in the ordinary course of business the goods out of state or  
35 purchasers who use such dairy products as an ingredient or component in  
36 the manufacturing of a dairy product; as to such persons the tax  
37 imposed is equal to the value of the products manufactured or the gross

1 proceeds derived from such sales multiplied by the rate of 0.138  
2 percent. Sellers must keep and preserve records for the period  
3 required by RCW 82.32.070 establishing that the goods were transported  
4 by the purchaser in the ordinary course of business out of this state  
5 or sold to a manufacturer for use as an ingredient or component in the  
6 manufacturing of a dairy product.

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

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

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

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

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

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

37 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such

1 persons the amount of tax with respect to the business is equal to the  
2 value of wood biomass fuel manufactured, multiplied by the rate of  
3 0.138 percent.

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

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

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

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

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

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

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

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

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

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

36 (10) Upon every person engaging within this state in business as a  
37 hospital, as defined in chapter 70.41 RCW, that is operated as a  
38 nonprofit corporation or by the state or any of its political

1 subdivisions, as to such persons, the amount of tax with respect to  
2 such activities is equal to the gross income of the business multiplied  
3 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent  
4 thereafter.

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

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

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

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

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

29 (d) In addition to all other requirements under this title, a  
30 person reporting under the tax rate provided in this subsection (11)  
31 must file a complete annual report with the department under RCW  
32 82.32.534.

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

35 (ii) With respect to the manufacturing of commercial airplanes or  
36 making sales, at retail or wholesale, of commercial airplanes, this  
37 subsection (11) does not apply on and after July 1st of the year in  
38 which the department makes a determination that any final assembly or

1 wing assembly of any version or variant of a commercial airplane that  
2 is the basis of a siting of a significant commercial airplane  
3 manufacturing program in the state under RCW 82.32.850 has been sited  
4 outside the state of Washington. This subsection (11)(e)(ii) only  
5 applies to the manufacturing or sale of commercial airplanes that are  
6 the basis of a siting of a significant commercial airplane  
7 manufacturing program in the state under RCW 82.32.850.

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

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

26 (c) Until July 1, 2024, upon every person engaging within this  
27 state in the business of selling at wholesale: (i) Timber extracted by  
28 that person; (ii) timber products manufactured by that person from  
29 timber or other timber products; or (iii) wood products manufactured by  
30 that person from timber or timber products; as to such persons the  
31 amount of the tax with respect to the business is equal to the gross  
32 proceeds of sales of the timber, timber products, or wood products  
33 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
34 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
35 2024.

36 (d) Until July 1, 2024, upon every person engaging within this  
37 state in the business of selling standing timber; as to such persons  
38 the amount of the tax with respect to the business is equal to the



1 gross income of the business multiplied by the rate of 0.2904 percent.  
2 For purposes of this subsection (12)(d), "selling standing timber"  
3 means the sale of timber apart from the land, where the buyer is  
4 required to sever the timber within thirty months from the date of the  
5 original contract, regardless of the method of payment for the timber  
6 and whether title to the timber transfers before, upon, or after  
7 severance.

8 (e) For purposes of this subsection, the following definitions  
9 apply:

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

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

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

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

34 (v) "Timber products" means:

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

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

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

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

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

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

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

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

25 (15)(a) Beginning July 1, 2014, upon every person engaging within  
26 this state in the business of manufacturing commercial rotorcrafts,  
27 commercial rotorcraft components, or commercial rotorcraft mission  
28 equipment, or tooling specifically designed for use in manufacturing  
29 commercial rotorcrafts or commercial rotorcraft components, or making  
30 sales, at retail or wholesale, of such commercial rotorcrafts,  
31 commercial rotorcraft components, or commercial rotorcraft mission  
32 equipment, manufactured by the seller, or such tooling manufactured by  
33 the seller, as to such persons the amount of tax with respect to such  
34 business is, in the case of manufacturers, equal to the value of the  
35 product manufactured and the gross proceeds of sales of the product  
36 manufactured, or in the case of processors for hire, equal to the gross  
37 income of the business, multiplied by the rate of 0.2904 percent.

1       (b) For the purposes of this subsection (15), "commercial  
2 rotorcraft," "commercial rotorcraft component," and "commercial  
3 rotorcraft mission equipment" have the same meanings as provided in RCW  
4 82.32.550.

5       (c) In addition to all other requirements under this title, a  
6 person reporting under the tax rate provided in this subsection (15)  
7 must file a complete annual report with the department under RCW  
8 82.32.534.

9       (d) This subsection (15) does not apply on and after July 1, 2024,  
10 unless no tax preference created in this act has been used by July 1,  
11 2017, then this subsection (15) does not apply on or after July 1,  
12 2017.

13       NEW SECTION. Sec. 7. A new section is added to chapter 82.04 RCW  
14 to read as follows:

15       (1) Beginning July 1, 2014, in computing the tax imposed under this  
16 chapter, a credit is allowed for property taxes and leasehold excise  
17 taxes paid during the calendar year.

18       (2) The credit is equal to:

19       (a)(i) Property taxes or leasehold excise taxes paid on, or with  
20 respect to, buildings constructed after July 1, 2014, the land upon  
21 which the buildings are located, or both, and used exclusively for  
22 manufacturing commercial rotorcrafts, commercial rotorcraft components,  
23 or commercial rotorcraft mission equipment, for manufacturing of  
24 tooling specifically designed for use in commercial rotorcrafts,  
25 commercial rotorcraft components, or commercial rotorcraft mission  
26 equipment, for rotorcraft product development, or for providing  
27 rotorcraft services; or

28       (ii) Property taxes attributable to an increase in assessed value  
29 due to the renovation or expansion after July 1, 2014, of a building  
30 used exclusively for manufacturing commercial rotorcrafts, commercial  
31 rotorcraft components, or commercial rotorcraft mission equipment, for  
32 manufacturing of tooling specifically designed for use in commercial  
33 rotorcrafts, commercial rotorcraft components, or commercial rotorcraft  
34 mission equipment, for rotorcraft product development, or for providing  
35 rotorcraft services; and

36       (b) An amount equal to:

1 (i)(A) Property taxes paid, by persons taxable under RCW  
2 82.04.260(15) on machinery and equipment exempt under RCW 82.08.02565  
3 or 82.12.02565 and acquired after July 1, 2014; or

4 (B) Property taxes paid, by persons taxable under RCW 82.04.250(3)  
5 or 82.04.290(3), on computer hardware, computer peripherals, and  
6 software exempt under RCW 82.08.975 or 82.12.975 and acquired after  
7 July 1, 2014.

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

11 (A) The numerator of the fraction is the total taxable amount  
12 subject to the tax imposed under RCW 82.04.260(15) on the applicable  
13 business activities of manufacturing commercial rotorcrafts, commercial  
14 rotorcraft components, or commercial rotorcraft mission equipment or  
15 tooling specifically designed for use in the manufacturing of  
16 commercial rotorcrafts, commercial rotorcraft components, or commercial  
17 rotorcraft mission equipment.

18 (B) The denominator of the fraction is the total taxable amount  
19 subject to the tax imposed under all manufacturing classifications in  
20 this chapter.

21 (C) For purposes of both the numerator and denominator of the  
22 fraction, the total taxable amount refers to the total taxable amount  
23 required to be reported on the person's returns for the calendar year  
24 before the calendar year in which the credit under this section is  
25 earned. The department may provide for an alternative method for  
26 calculating the numerator in cases where the tax rate provided in RCW  
27 82.04.260(15) for manufacturing was not in effect during the full  
28 calendar year before the calendar year in which the credit under this  
29 section is earned.

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

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

37 (3) The definitions in this subsection apply throughout this  
38 section unless the context clearly requires otherwise.

1 (a) "Rotorcraft product development" means research, design, and  
2 engineering activities performed in relation to the development of a  
3 rotorcraft product or of a product line, model, or model derivative of  
4 a rotorcraft 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 (b) "Rotorcraft products" means:

18 (i) Commercial rotorcrafts, commercial rotorcraft components, and  
19 commercial rotorcraft mission equipment;

20 (ii) Machinery and equipment that is designed and used primarily  
21 for the maintenance, repair, overhaul, or refurbishing of commercial  
22 rotorcrafts, commercial rotorcraft components, and commercial  
23 rotorcraft mission equipment by federal aviation regulation part 145  
24 certificated repair stations; and

25 (iii) Tooling specifically designed for use in manufacturing  
26 commercial rotorcrafts, commercial rotorcraft components, and  
27 commercial rotorcraft mission equipment.

28 (c) "Rotorcraft services" means the maintenance, repair, overhaul,  
29 or refurbishing of commercial rotorcrafts, commercial rotorcraft  
30 components, and commercial rotorcraft mission equipment, but only when  
31 such services are performed by a federal aviation regulation part 145  
32 certificated repair station.

33 (d) "Commercial rotorcraft," "commercial rotorcraft component," and  
34 "commercial rotorcraft mission equipment" have the same meanings as  
35 provided in RCW 82.32.550.

36 (4) A credit earned during one calendar year may be carried over to  
37 be credited against taxes incurred in a subsequent calendar year, but

1 may not be carried over a second year. No refunds may be granted for  
2 credits under this section.

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

6 (6) This section expires July 1, 2024, unless no tax preference  
7 created in this act has been used by July 1, 2017, then this section  
8 expires July 1, 2017.

9 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.04 RCW  
10 to read as follows:

11 (1) Beginning July 1, 2014, in computing the tax imposed under this  
12 chapter, a credit is allowed for each person for qualified rotorcraft  
13 product development.

14 (2) The credit is equal to the amount of qualified rotorcraft  
15 product development expenditures of a person, multiplied by the rate of  
16 1.5 percent.

17 (3) The credit must be claimed against taxes due for the same  
18 calendar year in which the qualified rotorcraft product development  
19 expenditures are incurred. The credit for each calendar year may not  
20 exceed the amount of tax otherwise due under this chapter for the  
21 calendar year. Refunds may not be granted in the place of a credit.

22 (4) Any person claiming the credit must file a form prescribed by  
23 the department that must include the amount of the credit claimed, an  
24 estimate of the anticipated rotorcraft product development expenditures  
25 during the calendar year for which the credit is claimed, an estimate  
26 of the taxable amount during the calendar year for which the credit is  
27 claimed, and such additional information as the department may  
28 prescribe.

29 (5) The definitions in this subsection apply throughout this  
30 section.

31 (a) "Rotorcraft product" has the same meaning as provided in  
32 section 7 of this act.

33 (b) "Rotorcraft product development" has the same meaning as  
34 provided in section 7 of this act.

35 (c) "Qualified rotorcraft product development" means rotorcraft  
36 product development performed within this state.

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

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

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

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

21 (8) This section expires July 1, 2024, unless no tax preference  
22 created in this act has been used by July 1, 2017, then this section  
23 expires July 1, 2017.

24 NEW SECTION. **Sec. 9.** A new section is added to chapter 82.08 RCW  
25 to read as follows:

26 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
27 computer hardware, computer peripherals, or software, not otherwise  
28 eligible for exemption under RCW 82.08.02565, used primarily in the  
29 development, design, and engineering of rotorcraft products or in  
30 providing rotorcraft 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 must retain a copy of the certificate for  
36 the seller's files.

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

1 (a) "Rotorcraft products" has the same meaning as provided in  
2 section 7 of this act.

3 (b) "Rotorcraft services" has the same meaning as provided in  
4 section 7 of this act.

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

8 (4) This section expires July 1, 2024, unless no tax preference  
9 created in this act has been used by July 1, 2017, then this section  
10 expires July 1, 2017.

11 NEW SECTION. **Sec. 10.** A new section is added to chapter 82.08 RCW  
12 to read as follows:

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

14 (a) Charges, for labor and services rendered in respect to the  
15 constructing of new buildings, made to: (i) A manufacturer engaged in  
16 the manufacturing of commercial rotorcrafts, commercial rotorcraft  
17 components, or commercial rotorcraft mission equipment; or (ii) a port  
18 district, political subdivision, or municipal corporation, to be leased  
19 to a manufacturer engaged in the manufacturing of commercial  
20 rotorcrafts or commercial rotorcraft components;

21 (b) Sales of tangible personal property that will be incorporated  
22 as an ingredient or component of such buildings during the course of  
23 the constructing; or

24 (c) Charges made for labor and services rendered in respect to  
25 installing, during the course of constructing such buildings, building  
26 fixtures not otherwise eligible for the exemption under RCW  
27 82.08.02565(2)(b).

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

32 (3) No application is necessary for the tax exemption in this  
33 section. However, in order to qualify under this section before  
34 starting construction, the port district, political subdivision, or  
35 municipal corporation must have entered into an agreement with the  
36 manufacturer to build such a facility. A person claiming the exemption



1 under this section is subject to all the requirements of chapter 82.32  
2 RCW. In addition, the person must file a complete annual report with  
3 the department under RCW 82.32.534.

4 (4) The exemption in this section applies to buildings or parts of  
5 buildings, including buildings or parts of buildings used for the  
6 storage of raw materials or finished products, that are used primarily  
7 in the manufacturing of commercial rotorcrafts.

8 (5) For the purposes of this section, "commercial rotorcraft,"  
9 "commercial rotorcraft component," and "commercial rotorcraft mission  
10 equipment" have the same meanings given in RCW 82.32.550.

11 (6) This section expires July 1, 2024, unless no tax preference  
12 created in this act has been used by July 1, 2017, then this section  
13 expires July 1, 2017.

14 NEW SECTION. **Sec. 11.** A new section is added to chapter 82.12 RCW  
15 to read as follows:

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

18 (a) Tangible personal property that will be incorporated as an  
19 ingredient or component in constructing new buildings for: (i) A  
20 manufacturer engaged in the manufacturing of commercial rotorcrafts,  
21 commercial rotorcraft components, or commercial rotorcraft mission  
22 equipment; or (ii) a port district, political subdivision, or municipal  
23 corporation, to be leased to a manufacturer engaged in the  
24 manufacturing of commercial rotorcrafts; or

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

28 (2) The eligibility requirements, conditions, and definitions in  
29 section 10 of this act apply to this section, including the filing of  
30 a complete annual report with the department under RCW 82.32.534.

31 (3) For the purposes of this section, "commercial rotorcraft,"  
32 "commercial rotorcraft component," and "commercial rotorcraft mission  
33 equipment" have the same meanings as provided in RCW 82.32.550.

34 (4) This section expires July 1, 2024, unless no tax preference  
35 created in this act has been used by July 1, 2017, then this section  
36 expires July 1, 2017.

1           **Sec. 12.** RCW 82.04.290 and 2013 c 23 s 314 are each amended to  
2 read as follows:

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

8           (2)(a) Upon every person engaging within this state in any business  
9 activity other than or in addition to an activity taxed explicitly  
10 under another section in this chapter or subsection (1) or (3) of this  
11 section; as to such persons the amount of tax on account of such  
12 activities shall be equal to the gross income of the business  
13 multiplied by the rate of 1.5 percent.

14           (b) This subsection (2) includes, among others, and without  
15 limiting the scope hereof (whether or not title to materials used in  
16 the performance of such business passes to another by accession,  
17 confusion or other than by outright sale), persons engaged in the  
18 business of rendering any type of service which does not constitute a  
19 "sale at retail" or a "sale at wholesale." The value of advertising,  
20 demonstration, and promotional supplies and materials furnished to an  
21 agent by his or her principal or supplier to be used for informational,  
22 educational, and promotional purposes shall not be considered a part of  
23 the agent's remuneration or commission and shall not be subject to  
24 taxation under this section.

25           (3)(a) Until July 1, 2024, upon every person engaging within this  
26 state in the business of performing aerospace product development for  
27 others, as to such persons, the amount of tax with respect to such  
28 business shall be equal to the gross income of the business multiplied  
29 by a rate of 0.9 percent.

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

32           (4)(a) Until July 1, 2024, unless provided otherwise in this  
33 subsection (4), upon every person engaging within this state in the  
34 business of performing rotorcraft product development for others, as to  
35 such persons, the amount of tax with respect to such business is equal  
36 to the gross income of the business multiplied by a rate of 0.9  
37 percent.

1        (b) "Rotorcraft product development" has the same meaning as  
2 provided in section 7 of this act.

3        (c) This subsection (4) does not apply on or after July 1, 2017, if  
4 no tax preference created in this act has been used by July 1, 2017.

5        **Sec. 13.** RCW 82.04.290 and 2013 3rd sp.s. c 2 s 8 are each amended  
6 to read as follows:

7        (1) Upon every person engaging within this state in the business of  
8 providing international investment management services, as to such  
9 persons, the amount of tax with respect to such business is equal to  
10 the gross income or gross proceeds of sales of the business multiplied  
11 by a rate of 0.275 percent.

12        (2)(a) Upon every person engaging within this state in any business  
13 activity other than or in addition to an activity taxed explicitly  
14 under another section in this chapter or subsection (1) or (3) of this  
15 section; as to such persons the amount of tax on account of such  
16 activities is equal to the gross income of the business multiplied by  
17 the rate of 1.5 percent.

18        (b) This subsection (2) includes, among others, and without  
19 limiting the scope hereof (whether or not title to materials used in  
20 the performance of such business passes to another by accession,  
21 confusion or other than by outright sale), persons engaged in the  
22 business of rendering any type of service which does not constitute a  
23 "sale at retail" or a "sale at wholesale." The value of advertising,  
24 demonstration, and promotional supplies and materials furnished to an  
25 agent by his or her principal or supplier to be used for informational,  
26 educational, and promotional purposes is not considered a part of the  
27 agent's remuneration or commission and is not subject to taxation under  
28 this section.

29        (3)(a) Until July 1, 2040, upon every person engaging within this  
30 state in the business of performing aerospace product development for  
31 others, as to such persons, the amount of tax with respect to such  
32 business is equal to the gross income of the business multiplied by a  
33 rate of 0.9 percent.

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

36        (4)(a) Until July 1, 2024, unless provided otherwise in this  
37 subsection (4), upon every person engaging within this state in the

1 business of performing rotorcraft product development for others, as to  
2 such persons, the amount of tax with respect to such business is equal  
3 to the gross income of the business multiplied by a rate of 0.9  
4 percent.

5 (b) "Rotorcraft product development" has the same meaning as  
6 provided in section 7 of this act.

7 (c) This subsection (4) does not apply on or after July 1, 2017, if  
8 no tax preference created in this act has been used by July 1, 2017.

9 NEW SECTION. Sec. 14. This act takes effect July 1, 2014, except  
10 as provided otherwise in this section:

- 11 (1) Section 4 of this act takes effect July 1, 2015;
- 12 (2) Section 5 of this act takes effect, subject to the contingency  
13 in section 2, chapter 2, Laws of 2013 3rd sp. sess.; and
- 14 (3) Sections 6 and 13 of this act take effect July 1, 2015, subject  
15 to the contingency in section 2, chapter 2, Laws of 2013 3rd sp. sess.

16 NEW SECTION. Sec. 15. Section 3 of this act expires July 1, 2015.

17 NEW SECTION. Sec. 16. Section 5 of this act expires July 1, 2015,  
18 subject to the contingency stated in section 2, chapter 2, Laws of 2013  
19 3rd sp. sess.

20 NEW SECTION. Sec. 17. Section 12 of this act expires on the date  
21 that section 13 of this act takes effect.

22 NEW SECTION. Sec. 18. (1) The department of revenue must make a  
23 determination regarding whether the condition in sections 4(15)(d),  
24 6(15)(d), 7(6), 8(8), 9(4), 10(6), 11(4), 12(4)(c), and 13(4)(c) of  
25 this act has occurred.

26 (2) If the department of revenue determines that the condition  
27 specified in subsection (1) of this section has not occurred by July 1,  
28 2017, the department of revenue must provide written notice stating  
29 that on July 1, 2017, the sections and subsections listed in subsection  
30 (1) of this section expire or no longer apply. Written notice under  
31 this subsection (2) must be provided to the chief clerk of the house of

1 representatives, the secretary of the senate, the office of the code  
2 reviser, and others as deemed appropriate by the department of revenue.

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