
HOUSE BILL 2693

State of Washington

63rd Legislature

2014 Regular Session

By Representatives Orcutt, Takko, DeBolt, and Blake

Read first time 01/27/14. Referred to Committee on Technology & Economic Development.

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, 82.04.4463, 82.04.4463, 82.04.4461,
5 82.04.4461, 82.08.975, 82.08.975, 82.08.980, and 82.12.980; providing
6 effective dates; providing contingent effective dates; and providing an
7 expiration date.

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

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

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

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

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

19 (b) The joint legislative audit and review committee must review
20 the tax preference provided in this act as part of its normal review
21 process of tax preferences. The committee must specifically assess
22 employment changes and tax revenue changes in the commercial aircraft
23 industry in Washington in comparison to employment and tax revenues
24 prior to the extension of tax preferences in this act. To the extent
25 practicable, the committee must use data provided by state agencies
26 responsible for administering unemployment insurance and collecting tax
27 revenue and data statistics provided by the bureau of labor statistics.

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

30 (1) "Commercial aircraft" means a "commercial airplane" or
31 "commercial rotorcraft."

32 (2) "Commercial airplane" has its ordinary meaning, which is an
33 airplane certified by the federal aviation administration for
34 transporting persons or property, and any military derivative of such
35 an airplane.

36 ((+2)) (3) "Commercial rotorcraft" means an aircraft supported in
37 flight by one or more rotors to provide lift, which may also include

1 rotorcrafts with additional thrust engines or propellers, certified by
2 the federal aviation administration for transporting persons or
3 property, and any military derivative of such an aircraft.

4 (4) "Component" means a part or system certified by the federal
5 aviation administration for installation or assembly into a commercial
6 (~~airplane~~) aircraft.

7 (~~(3)~~) (5) "Superefficient airplane" means a twin aisle airplane
8 that carries between two hundred and three hundred fifty passengers,
9 with a range of more than seven thousand two hundred nautical miles, a
10 cruising speed of approximately mach .85, and that uses fifteen to
11 twenty percent less fuel than other similar airplanes on the market.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (4) Upon every person engaging within this state in the business 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)~~) aircraft, or components of such (~~(airplanes)~~) aircraft,
9 or making sales, at retail or wholesale, of commercial (~~(airplanes)~~)
10 aircraft or components of such (~~(airplanes)~~) aircraft, manufactured by
11 the seller, as to such persons the amount of tax with respect to such
12 business is, in the case of manufacturers, equal to the value of the
13 product manufactured and the gross proceeds of sales of the product
14 manufactured, or in the case of processors for hire, equal to the gross
15 income of the business, multiplied by the rate of:

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

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

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

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

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

37 (12)(a) Until July 1, 2024, upon every person engaging within this
38 state in the business of extracting timber or extracting for hire

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

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

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

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

37 (e) For purposes of this subsection, the following definitions
38 apply:

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

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

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

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

25 (v) "Timber products" means:

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

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

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

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

37 (f) Except for small harvesters as defined in RCW 84.33.035, a

1 person reporting under the tax rate provided in this subsection (12)
2 must file a complete annual survey with the department under RCW
3 82.32.585.

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

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

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

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

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

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

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

1 were transported by the purchaser in the ordinary course of business
2 out of this state;

3 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
4 products that the person has manufactured to purchasers who either
5 transport in the ordinary course of business the goods out of state or
6 purchasers who use such dairy products as an ingredient or component in
7 the manufacturing of a dairy product; as to such persons the tax
8 imposed is equal to the value of the products manufactured or the gross
9 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 or sold to a manufacturer for use as an ingredient or component in the
14 manufacturing of a dairy product.

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

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

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

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

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

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

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

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

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

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

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

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

31 (6) Upon every person engaging within this state in business as an
32 international steamship agent, international customs house broker,
33 international freight forwarder, vessel and/or cargo charter broker in
34 foreign commerce, and/or international air cargo agent; as to such
35 persons the amount of the tax with respect to only international
36 activities is equal to the gross income derived from such activities
37 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~~)) aircraft, or components of such ((~~airplanes~~)) aircraft,
17 or making sales, at retail or wholesale, of commercial ((~~airplanes~~))
18 aircraft or components of such ((~~airplanes~~)) aircraft, manufactured by
19 the seller, as to such persons the amount of tax with respect to such
20 business is, in the case of manufacturers, equal to the value of the
21 product manufactured and the gross proceeds of sales of the product
22 manufactured, or in the case of processors for hire, equal to the gross
23 income of the business, multiplied by the rate of:

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

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

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

37 (c) For the purposes of this subsection (11), "commercial

1 ((~~airplane~~)) aircraft" and "component" have the same meanings as
2 provided in RCW 82.32.550.

3 (d) In addition to all other requirements under this title, a
4 person reporting under the tax rate provided in this subsection (11)
5 must file a complete annual report with the department under RCW
6 82.32.534.

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

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

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

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

35 (b) Beginning July 1, 2015, seafood products that remain in a raw,
36 raw frozen, or raw salted state at the completion of the manufacturing
37 by that person; or selling manufactured seafood products that remain in

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

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

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

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

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

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

35 (d) Beginning July 1, 2015, fruits or vegetables by canning,
36 preserving, freezing, processing, or dehydrating fresh fruits or
37 vegetables, or selling at wholesale fruits or vegetables manufactured
38 by the seller by canning, preserving, freezing, processing, or

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

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

14 (f) Wood biomass fuel as 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 wood biomass fuel manufactured, multiplied by the rate of
17 0.138 percent.

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

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

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

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

37 (6) Upon every person engaging within this state in business as an
38 international steamship agent, international customs house broker,

1 international freight forwarder, vessel and/or cargo charter broker in
2 foreign commerce, and/or international air cargo agent; as to such
3 persons the amount of the tax with respect to only international
4 activities is equal to the gross income derived from such activities
5 multiplied by the rate of 0.275 percent.

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

35 (8)(a) Upon every person engaging within this state in the business
36 of disposing of low-level waste, as defined in RCW 43.145.010; as to
37 such persons the amount of the tax with respect to such business is

1 equal to the gross income of the business, excluding any fees imposed
2 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

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

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

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

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

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

32 (b) Beginning July 1, 2008, upon every person who is not eligible
33 to report under the provisions of (a) of this subsection (11) and is
34 engaging within this state in the business of manufacturing tooling
35 specifically designed for use in manufacturing commercial (~~(airplanes))~~
36 aircraft or components of such (~~(airplanes)) aircraft~~, or making sales,
37 at retail or wholesale, of such tooling manufactured by the seller, as
38 to such persons the amount of tax with respect to such business is, in

1 the case of manufacturers, equal to the value of the product
2 manufactured and the gross proceeds of sales of the product
3 manufactured, or in the case of processors for hire, be equal to the
4 gross income of the business, multiplied by the rate of 0.2904 percent.

5 (c) For the purposes of this subsection (11), "commercial
6 (~~airplane~~) aircraft" and "component" have the same meanings as
7 provided in RCW 82.32.550.

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

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

14 (ii) With respect to the manufacturing of commercial (~~airplanes~~)
15 aircraft or making sales, at retail or wholesale, of commercial
16 (~~airplanes~~) aircraft, this subsection (11) does not apply on and
17 after July 1st of the year in which the department makes a
18 determination that any final assembly or wing assembly of any version
19 or variant of a commercial (~~airplane~~) aircraft that is the basis of
20 a siting of a significant commercial airplane manufacturing program in
21 the state under RCW 82.32.850 has been sited outside the state of
22 Washington. This subsection (11)(e)(ii) only applies to the
23 manufacturing or sale of commercial (~~airplanes~~) aircraft that are the
24 basis of a siting of a significant commercial airplane manufacturing
25 program in the state under RCW 82.32.850.

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

34 (b) Until July 1, 2024, upon every person engaging within this
35 state in the business of manufacturing or processing for hire: (i)
36 Timber into timber products or wood products; or (ii) timber products
37 into other timber products or wood products; as to such persons the
38 amount of the tax with respect to the business is, in the case of

1 manufacturers, equal to the value of products, including by-products,
2 manufactured, or in the case of processors for hire, equal to the gross
3 income of the business, multiplied by the rate of 0.4235 percent from
4 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
5 2007, through June 30, 2024.

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

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

26 (e) For purposes of this subsection, the following definitions
27 apply:

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

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

1 volume, cellulosic materials. "Paper and paper products" does not
2 include books, newspapers, magazines, periodicals, and other printed
3 publications, advertising materials, calendars, and similar types of
4 printed materials.

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

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

14 (v) "Timber products" means:

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

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

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

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

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

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

35 (14)(a) Upon every person engaging within this state in the
36 business of printing a newspaper, publishing a newspaper, or both, the
37 amount of tax on such business is equal to the gross income of the

1 business multiplied by the rate of 0.365 percent through June 30, 2013,
2 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

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

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

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

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

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

28 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
29 products that the person has manufactured to purchasers who either
30 transport in the ordinary course of business the goods out of state or
31 purchasers who use such dairy products as an ingredient or component in
32 the manufacturing of a dairy product; as to such persons the tax
33 imposed is equal to the value of the products manufactured or the gross
34 proceeds derived from such sales multiplied by the rate of 0.138
35 percent. Sellers must keep and preserve records for the period
36 required by RCW 82.32.070 establishing that the goods were transported

1 by the purchaser in the ordinary course of business out of this state
2 or sold to a manufacturer for use as an ingredient or component in the
3 manufacturing of a dairy product.

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

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

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

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

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

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

34 (f) Wood biomass fuel as 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 wood biomass fuel manufactured, multiplied by the rate of
37 0.138 percent.

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

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

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

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

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

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

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

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

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

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

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

1 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent
2 thereafter.

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

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

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

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

26 (c) For the purposes of this subsection (11), "commercial
27 (~~airplane~~) aircraft" and "component" have the same meanings as
28 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~~)
36 aircraft or making sales, at retail or wholesale, of commercial
37 (~~airplanes~~) aircraft, this subsection (11) does not apply on and
38 after July 1st of the year in which the department makes a

1 determination that any final assembly or wing assembly of any version
2 or variant of a commercial (~~(airplane)~~) aircraft that is the basis of
3 a siting of a significant commercial airplane manufacturing program in
4 the state under RCW 82.32.850 has been sited outside the state of
5 Washington. This subsection (11)(e)(ii) only applies to the
6 manufacturing or sale of commercial (~~(airplanes)~~) aircraft that are the
7 basis of a siting of a significant commercial airplane manufacturing
8 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 0.2904 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 **Sec. 7.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each
26 amended to read as follows:

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

30 (2) The credit is equal to:

31 (a)(i)(A) Property taxes paid on buildings, and land upon which the
32 buildings are located, constructed after December 1, 2003, and used
33 exclusively in manufacturing commercial (~~(airplanes))~~ aircraft or
34 components of such (~~(airplanes))~~ aircraft; and

35 (B) Leasehold excise taxes paid with respect to buildings
36 constructed after January 1, 2006, the land upon which the buildings

1 are located, or both, if the buildings are used exclusively in
2 manufacturing commercial ((airplanes)) aircraft or components of such
3 ((airplanes)) aircraft; and

4 (C) Property taxes or leasehold excise taxes paid on, or with
5 respect to, buildings constructed after June 30, 2008, the land upon
6 which the buildings are located, or both, and used exclusively for
7 aerospace product development, manufacturing tooling specifically
8 designed for use in manufacturing commercial ((airplanes)) aircraft or
9 their components, or in providing aerospace services, by persons not
10 within the scope of (a)(i)(A) and (B) of this subsection (2) and are
11 taxable under RCW 82.04.290(3), 82.04.260((+10+)) (11)(b), or
12 82.04.250(3); or

13 (ii) Property taxes attributable to an increase in assessed value
14 due to the renovation or expansion, after: (A) December 1, 2003, of a
15 building used exclusively in manufacturing commercial ((airplanes))
16 aircraft or components of such ((airplanes)) aircraft; and (B) June 30,
17 2008, of buildings used exclusively for aerospace product development,
18 manufacturing tooling specifically designed for use in manufacturing
19 commercial ((airplanes)) aircraft or their components, or in providing
20 aerospace services, by persons not within the scope of (a)(ii)(A) of
21 this subsection (2) and are taxable under RCW 82.04.290(3),
22 82.04.260((+10+)) (11)(b), or 82.04.250(3); and

23 (b) An amount equal to:

24 (i)(A) Property taxes paid, by persons taxable under RCW
25 82.04.260((+10+)) (11)(a), on machinery and equipment exempt under RCW
26 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

27 (B) Property taxes paid, by persons taxable under RCW
28 82.04.260((+10+)) (11)(b), on machinery and equipment exempt under RCW
29 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

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

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

37 (A) The numerator of the fraction is the total taxable amount
38 subject to the tax imposed under RCW 82.04.260((+10+)) (11) (a) or (b)

1 on the applicable business activities of manufacturing commercial
2 ((airplanes)) aircraft, components of such ((airplanes)) aircraft, or
3 tooling specifically designed for use in the manufacturing of
4 commercial ((airplanes)) aircraft or components of such ((airplanes))
5 aircraft.

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

9 (C) For purposes of both the numerator and denominator of the
10 fraction, the total taxable amount refers to the total taxable amount
11 required to be reported on the person's returns for the calendar year
12 before the calendar year in which the credit under this section is
13 earned. The department may provide for an alternative method for
14 calculating the numerator in cases where the tax rate provided in RCW
15 82.04.260((+10)) (11) for manufacturing was not in effect during the
16 full calendar year before the calendar year in which the credit under
17 this section is earned.

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

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

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

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

29 (b) "Aerospace services" has the same meaning given in RCW
30 82.08.975.

31 (c) "Commercial ((airplane)) aircraft" and "component" have the
32 same meanings as provided in RCW 82.32.550.

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

37 (5) In addition to all other requirements under this title, a

1 person claiming the credit under this section must file a complete
2 annual report with the department under RCW 82.32.534.

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

4 **Sec. 8.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each
5 amended to read as follows:

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

9 (2) The credit is equal to:

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

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

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

27 (ii) Property taxes attributable to an increase in assessed value
28 due to the renovation or expansion, after: (A) December 1, 2003, of a
29 building used exclusively in manufacturing commercial
30 ((airplanes)) aircraft or components of such ((airplanes)) aircraft; and

31 (B) June 30, 2008, of buildings used exclusively for aerospace product
32 development, manufacturing tooling specifically designed for use in
33 manufacturing commercial ((airplanes)) aircraft or their components, or
34 in providing aerospace services, by persons not within the scope of
35 (a)(ii)(A) of this subsection (2) and are taxable under RCW
36 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); and

37 (b) An amount equal to:

1 (i)(A) Property taxes paid, by persons taxable under RCW
2 82.04.260(11)(a), on machinery and equipment exempt under RCW
3 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

4 (B) Property taxes paid, by persons taxable under RCW
5 82.04.260(11)(b), on machinery and equipment exempt under RCW
6 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

7 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)
8 or 82.04.290(3), on computer hardware, computer peripherals, and
9 software exempt under RCW 82.08.975 or 82.12.975 and acquired after
10 June 30, 2008.

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

14 (A) The numerator of the fraction is the total taxable amount
15 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the
16 applicable business activities of manufacturing commercial
17 (~~(airplanes))~~ aircraft, components of such (~~(airplanes))~~ aircraft, or
18 tooling specifically designed for use in the manufacturing of
19 commercial (~~(airplanes))~~ aircraft or components of such (~~(airplanes))~~
20 aircraft.

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

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

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

37 (E) As used in (b)(ii)(C) of this subsection (2), "returns" means

1 the tax returns for which the tax imposed under this chapter is
2 reported to the department.

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

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

7 (b) "Aerospace services" has the same meaning given in RCW
8 82.08.975.

9 (c) "Commercial (~~airplane~~) aircraft" and "component" have the
10 same meanings as provided in RCW 82.32.550.

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

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

18 (6) This section expires July 1, 2040.

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

21 (1)(a)(i) In computing the tax imposed under this chapter, a credit
22 is allowed for each person for qualified aerospace product development.
23 For a person who is a manufacturer or processor for hire of commercial
24 (~~airplanes~~) aircraft or components of such (~~airplanes~~) aircraft,
25 credit may be earned for expenditures occurring after December 1, 2003.
26 For all other persons, credit may be earned only for expenditures
27 occurring after June 30, 2008.

28 (ii) For purposes of this subsection, "commercial (~~airplane~~)
29 aircraft" and "component" have the same meanings as provided in RCW
30 82.32.550.

31 (b) Before July 1, 2005, any credits earned under this section must
32 be accrued and carried forward and may not be used until July 1, 2005.
33 These carryover credits may be used at any time thereafter, and may be
34 carried over until used. Refunds may not be granted in the place of a
35 credit.

36 (2) The credit is equal to the amount of qualified aerospace

1 product development expenditures of a person, multiplied by the rate of
2 1.5 percent.

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

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

17 (5) The definitions in this subsection apply throughout this
18 section.

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

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

36 (c) "Qualified aerospace product development" means aerospace
37 product development performed within this state.

1 (d) "Qualified aerospace 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 aerospace 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 aerospace product development. The term does not include capital costs
10 and overhead, such as expenses for land, structures, or depreciable
11 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.

22 **Sec. 10.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each
23 amended to read as follows:

24 (1)(a)(i) In computing the tax imposed under this chapter, a credit
25 is allowed for each person for qualified aerospace product development.
26 For a person who is a manufacturer or processor for hire of commercial
27 (~~airplanes~~) aircraft or components of such (~~airplanes~~) aircraft,
28 credit may be earned for expenditures occurring after December 1, 2003.
29 For all other persons, credit may be earned only for expenditures
30 occurring after June 30, 2008.

31 (ii) For purposes of this subsection, "commercial (~~airplane~~)
32 aircraft" and "component" have the same meanings as provided in RCW
33 82.32.550.

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

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

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

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

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

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

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

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

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

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

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

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

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

23 (8) This section expires July 1, 2040.

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

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

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

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

- 1 (a) "Aerospace products" means:
- 2 (i) Commercial ((~~airplanes~~)) aircraft and their components;
- 3 (ii) Machinery and equipment that is designed and used primarily
- 4 for the maintenance, repair, overhaul, or refurbishing of commercial
- 5 ((~~airplanes~~)) aircraft or their components by federal aviation
- 6 regulation part 145 certificated repair stations; and
- 7 (iii) Tooling specifically designed for use in manufacturing
- 8 commercial ((~~airplanes~~)) aircraft or their components.
- 9 (b) "Aerospace services" means the maintenance, repair, overhaul,
- 10 or refurbishing of commercial ((~~airplanes~~)) aircraft or their
- 11 components, but only when such services are performed by a FAR part 145
- 12 certificated repair station.
- 13 (c) "Commercial ((~~airplane~~)) aircraft" and "component" have the
- 14 same meanings provided in RCW 82.32.550.
- 15 (d) "Peripherals" includes keyboards, monitors, mouse devices, and
- 16 other accessories that operate outside of the computer, excluding
- 17 cables, conduit, wiring, and other similar property.
- 18 (4) This section expires July 1, 2024.

19 **Sec. 12.** RCW 82.08.975 and 2013 3rd sp.s. c 2 s 11 are each

20 amended to read as follows:

21 (1) The tax levied by RCW 82.08.020 does not apply to sales of

22 computer hardware, computer peripherals, or software, not otherwise

23 eligible for exemption under RCW 82.08.02565, used primarily in the

24 development, design, and engineering of aerospace products or in

25 providing aerospace services, or to sales of or charges made for labor

26 and services rendered in respect to installing the computer hardware,

27 computer peripherals, or software.

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) The definitions in this subsection apply throughout this

33 section unless the context requires otherwise.

- 34 (a) "Aerospace products" means:
- 35 (i) Commercial ((~~airplanes~~)) aircraft and their components;
- 36 (ii) Machinery and equipment that is designed and used primarily

1 for the maintenance, repair, overhaul, or refurbishing of commercial
2 (~~airplanes~~) aircraft or their components by federal aviation
3 regulation part 145 certificated repair stations; and

4 (iii) Tooling specifically designed for use in manufacturing
5 commercial (~~airplanes~~) aircraft or their components.

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

10 (c) "Commercial (~~airplane~~) aircraft" and "component" have the
11 same meanings provided in RCW 82.32.550.

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

15 (4) This section expires July 1, 2040.

16 **Sec. 13.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each amended
17 to read as follows:

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

19 (a) Charges, for labor and services rendered in respect to the
20 constructing of new buildings, made to (i) a manufacturer engaged in
21 the manufacturing of commercial (~~airplanes~~) aircraft or the fuselages
22 or wings of commercial (~~airplanes~~) aircraft or (ii) a port district,
23 political subdivision, or municipal corporation, to be leased to a
24 manufacturer engaged in the manufacturing of commercial (~~airplanes~~)
25 aircraft or the fuselages or wings of commercial (~~airplanes~~)
26 aircraft;

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

30 (c) Charges made for labor and services rendered in respect to
31 installing, during the course of constructing such buildings, building
32 fixtures not otherwise eligible for the exemption under RCW
33 82.08.02565(2)(b).

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

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

9 (4) The exemption in this section applies to buildings or parts of
10 buildings, including buildings or parts of buildings used for the
11 storage of raw materials or finished product, that are used primarily
12 in the manufacturing of any one or more of the following products:

13 (a) Commercial (~~(airplanes)~~) aircraft;

14 (b) Fuselages of commercial (~~(airplanes)~~) aircraft; or

15 (c) Wings of commercial (~~(airplanes)~~) aircraft.

16 (5) For the purposes of this section, "commercial (~~(airplane)~~)
17 aircraft" has the meaning given in RCW 82.32.550.

18 (6) This section expires July 1, 2040.

19 **Sec. 14.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each amended
20 to read as follows:

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

23 (a) Tangible personal property that will be incorporated as an
24 ingredient or component in constructing new buildings for (i) a
25 manufacturer engaged in the manufacturing of commercial (~~(airplanes)~~)
26 aircraft or the fuselages or wings of commercial (~~(airplanes)~~) aircraft
27 or (ii) a port district, political subdivision, or municipal
28 corporation, to be leased to a manufacturer engaged in the
29 manufacturing of commercial (~~(airplanes)~~) aircraft or the fuselages or
30 wings of commercial (~~(airplanes)~~) aircraft; or

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

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

1 (3) For the purposes of this section, "commercial aircraft" has the
2 meaning given in RCW 82.32.550.

3 (4) This section expires July 1, 2040.

4 NEW SECTION. Sec. 15. This act takes effect July 1, 2014, except
5 as provided otherwise in this section:

6 (1) Section 4 of this act takes effect July 1, 2015;

7 (2) Section 6 of this act takes effect July 1, 2015, if the
8 contingency in section 2(1), chapter 2, Laws of 2013 3rd sp. sess. has
9 occurred;

10 (3) Sections 5, 8, 10, and 12 through 14 of this act take effect on
11 the date the contingency in section 2(1), chapter 2, Laws of 2013 3rd
12 sp. sess. occurs.

13 NEW SECTION. Sec. 16. Sections 3 and 5 of this act expire July 1,
14 2015.

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