

---

HOUSE BILL 2226

---

State of Washington

64th Legislature

2015 Regular Session

By Representative Morris

Read first time 04/08/15. Referred to Committee on Technology & Economic Development.

1 AN ACT Relating to extending specific aerospace tax preferences  
2 to include spacecrafts to encourage the migration of good wage jobs  
3 in the state; amending RCW 82.32.550 and 82.04.290; reenacting and  
4 amending RCW 82.04.260; adding new sections to chapter 82.04 RCW;  
5 adding new sections to chapter 82.08 RCW; adding new sections to  
6 chapter 82.12 RCW; creating a new section; providing an effective  
7 date; and providing an 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  
10 of Washington have benefited from the presence of the aerospace  
11 industry in Washington state. The legislature further finds that the  
12 industry continues to provide good wage jobs and benefits for  
13 employees throughout the state. The legislature further finds that  
14 expansion of the aerospace industry incentives to spacecraft  
15 manufacturers would provide additional good wage jobs for the  
16 citizens of Washington, increasing the economic activity of  
17 manufacturing in the state. The legislature further finds that  
18 expansion of the current aerospace industry to manufacturers of  
19 spacecraft components will establish Washington as the leading  
20 aerospace industry state. Therefore, the legislature intends to  
21 extend preferential tax rates, credits, and sales and use tax

1 exemptions for the aerospace industry to spacecraft and spacecraft  
2 component manufacturing. Specifically, the legislature intends to  
3 provide tax relief to manufacturers of all types of spacecraft to  
4 encourage the migration of these businesses to Washington, in turn  
5 creating and retaining good wage jobs and new tax revenue for the  
6 state.

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

15 (3)(a) In order to obtain the necessary data to perform a review  
16 of this tax preference, persons using any of the preferences created  
17 under this act must file a tax preference annual report under RCW  
18 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 assess employment  
22 changes and tax revenue changes in the spacecraft and spacecraft  
23 component industry in Washington in comparison to employment and tax  
24 revenues prior to the extension of tax preferences in this act. The  
25 committee must assess the number of jobs created in the spacecraft  
26 manufacturing industry in Washington during the term of the tax  
27 preferences provided in this act. If the committee finds that the  
28 number of jobs in the spacecraft industry has increased by ten  
29 percent during the term of the tax preferences provided in this act,  
30 then the legislature intends for the legislative auditor to recommend  
31 extending the expiration date of the tax preferences.

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

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

38 (1) "Commercial airplane" has its ordinary meaning, which is an  
39 airplane certified by the federal aviation administration for

1 transporting persons or property, and any military derivative of such  
2 an airplane.

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

6 (3) "Payload" means crew, instruments, or equipment carried by a  
7 spacecraft.

8 (4) "Spacecraft" means all types of manned or transportation  
9 vehicles intended to be used for the purpose of operating in, or  
10 transporting a payload to, from, or within outer space, or in  
11 suborbital trajectory.

12 (5) "Spacecraft component" means a part or system specifically  
13 designed for installation or assembly into a spacecraft.

14 (6) "Superefficient airplane" means a twin aisle airplane that  
15 carries between two hundred and three hundred fifty passengers, with  
16 a range of more than seven thousand two hundred nautical miles, a  
17 cruising speed of approximately mach .85, and that uses fifteen to  
18 twenty percent less fuel than other similar airplanes on the market.

19 **Sec. 3.** RCW 82.04.260 and 2014 c 140 s 6 and 2014 c 140 s 4 are  
20 each reenacted and amended to read as follows:

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

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

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

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

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

17 (A) Products, not including any marijuana-infused product, that  
18 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,  
19 parts 131, 133, and 135, including by-products from the manufacturing  
20 of the dairy products, such as whey and casein; and

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

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

29 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,  
30 preserving, freezing, processing, or dehydrating fresh fruits or  
31 vegetables, or selling at wholesale fruits or vegetables manufactured  
32 by the seller by canning, preserving, freezing, processing, or  
33 dehydrating fresh fruits or vegetables and sold to purchasers who  
34 transport in the ordinary course of business the goods out of this  
35 state; as to such persons the amount of tax with respect to such  
36 business is equal to the value of the products manufactured or the  
37 gross proceeds derived from such sales multiplied by the rate of  
38 0.138 percent. Sellers must keep and preserve records for the period  
39 required by RCW 82.32.070 establishing that the goods were

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

3 (ii) For purposes of this subsection (1)(d), "fruits" and  
4 "vegetables" do not include marijuana, useable marijuana, or  
5 marijuana-infused products;

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

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

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

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

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

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

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

1 (7) Upon every person engaging within this state in the business  
2 of stevedoring and associated activities pertinent to the movement of  
3 goods and commodities in waterborne interstate or foreign commerce;  
4 as to such persons the amount of tax with respect to such business is  
5 equal to the gross proceeds derived from such activities multiplied  
6 by 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  
15 holding or storage yard or area to await further movement in import  
16 or export or may move to a consolidation freight station and be  
17 stuffed, unstuffed, containerized, separated or otherwise segregated  
18 or aggregated for delivery or loaded on any mode of transportation  
19 for 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) 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 If the gross income of the taxpayer is attributable to activities  
36 both within and without this state, the gross income attributable to  
37 this state must be determined in accordance with the methods of  
38 apportionment required under RCW 82.04.460.

39 (9) Upon every person engaging within this state as an insurance  
40 producer or title insurance agent licensed under chapter 48.17 RCW or

1 a surplus line broker licensed under chapter 48.15 RCW; as to such  
2 persons, the amount of the tax with respect to such licensed  
3 activities is equal to the gross income of such business multiplied  
4 by the rate of 0.484 percent.

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

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

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

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

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

36 (c) For the purposes of this subsection (11), "commercial  
37 airplane" and "component" have the same meanings as provided in RCW  
38 82.32.550.

39 (d) In addition to all other requirements under this title, a  
40 person reporting under the tax rate provided in this subsection (11)

1 must file a complete annual report with the department under RCW  
2 82.32.534.

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

5 (ii) With respect to the manufacturing of commercial airplanes or  
6 making sales, at retail or wholesale, of commercial airplanes, this  
7 subsection (11) does not apply on and after July 1st of the year in  
8 which the department makes a determination that any final assembly or  
9 wing assembly of any version or variant of a commercial airplane that  
10 is the basis of a siting of a significant commercial airplane  
11 manufacturing program in the state under RCW 82.32.850 has been sited  
12 outside the state of Washington. This subsection (11)(e)(ii) only  
13 applies to the manufacturing or sale of commercial airplanes that are  
14 the basis of a siting of a significant commercial airplane  
15 manufacturing program in the state under RCW 82.32.850.

16 (12)(a) Until July 1, 2024, upon every person engaging within  
17 this state in the business of extracting timber or extracting for  
18 hire timber; as to such persons the amount of tax with respect to the  
19 business is, in the case of extractors, equal to the value of  
20 products, including by-products, extracted, or in the case of  
21 extractors for hire, equal to the gross income of the business,  
22 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
23 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
24 2024.

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

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



1 proceeds of sales of the timber, timber products, or wood products  
2 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
3 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
4 2024.

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

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

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

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

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

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

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

3 (v) "Timber products" means:

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

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

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

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

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

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

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

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

31 (15)(a) Beginning October 1, 2015, upon every person engaging  
32 within this state in the business of manufacturing spacecraft or  
33 spacecraft components, or making sales, at retail or wholesale, of  
34 such spacecraft or spacecraft components, manufactured by the seller,  
35 as to such persons the amount of tax with respect to such business  
36 is, in the case of manufacturers, equal to the value of the product  
37 manufactured and the gross proceeds of sales of the product  
38 manufactured, or in the case of processors for hire, equal to the  
39 gross income of the business, multiplied by the rate of 0.2904  
40 percent.

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

5 (c) For the purposes of this subsection (15), "spacecraft" and  
6 "spacecraft component," have the same meanings as provided in RCW  
7 82.32.550.

8 NEW SECTION. Sec. 4. A new section is added to chapter 82.04  
9 RCW to read as follows:

10 (1) Beginning July 1, 2015, in computing the tax imposed under  
11 this chapter, a credit is allowed for property taxes and leasehold  
12 excise taxes paid during the calendar year.

13 (2) The credit is equal to:

14 (a)(i) Property taxes or leasehold excise taxes paid on, or with  
15 respect to, buildings constructed after July 1, 2015, the land upon  
16 which the buildings are located, or both, and used exclusively for  
17 manufacturing spacecraft or spacecraft components, for spacecraft  
18 product development; or

19 (ii) Property taxes attributable to an increase in assessed value  
20 due to the renovation or expansion after July 1, 2015, of a building  
21 used exclusively for manufacturing spacecrafts or spacecraft  
22 components, or for spacecraft product development; and

23 (b)(i) An amount equal to:

24 (A) Property taxes paid, by persons taxable under RCW  
25 82.04.260(15) on machinery and equipment exempt under RCW 82.08.02565  
26 or 82.12.02565 and acquired after July 1, 2015; or

27 (B) Property taxes paid, by persons taxable under RCW  
28 82.04.250(3) or 82.04.290(4), on computer hardware, computer  
29 peripherals, and software exempt under sections (6) and (7) of this  
30 act and acquired after July 1, 2015.

31 (ii) For purposes of determining the amount eligible for credit  
32 under (b)(i)(A) of this subsection (2), the amount of property taxes  
33 paid is multiplied by a fraction.

34 (A) The numerator of the fraction is the total taxable amount  
35 subject to the tax imposed under RCW 82.04.260(15) on the applicable  
36 business activities of manufacturing spacecraft or spacecraft  
37 components.

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

4 (C) For purposes of both the numerator and denominator of the  
5 fraction, the total taxable amount refers to the total taxable amount  
6 required to be reported on the person's returns for the calendar year  
7 before the calendar year in which the credit under this section is  
8 earned. The department may provide for an alternative method for  
9 calculating the numerator in cases where the tax rate provided in RCW  
10 82.04.260(15) for manufacturing was not in effect during the full  
11 calendar year before the calendar year in which the credit under this  
12 section is earned. For the purposes of this subsection (2)(b)(ii)(C),  
13 "returns" means the tax returns for which the tax imposed under this  
14 chapter is reported to the department.

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

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

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

26 (5) The definitions in this subsection apply throughout this  
27 section unless the context clearly requires otherwise.

28 (a) "Spacecraft product development" means research, design, and  
29 engineering activities performed in relation to the development of a  
30 spacecraft product or of a product line, model, or model derivative  
31 of a spacecraft product, including prototype development, testing,  
32 and certification. The term includes the discovery of technological  
33 information, the translating of technological information into new or  
34 improved products, processes, techniques, formulas, or inventions,  
35 and the adaptation of existing products and models into new products  
36 or new models, or derivatives of products or models. The term does  
37 not include manufacturing activities or other production-oriented  
38 activities; however, the term does include tool design and  
39 engineering design for the manufacturing process. The term does not  
40 include surveys and studies, social science and humanities research,

1 market research or testing, quality control, sale promotion and  
2 service, computer software developed for internal use, and research  
3 in areas such as improved style, taste, and seasonal design.

4 (b) "Spacecraft products" means spacecraft and spacecraft  
5 components as provided in RCW 82.32.550.

6 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.04  
7 RCW to read as follows:

8 (1) Beginning July 1, 2015, in computing the tax imposed under  
9 this chapter, a credit is allowed for each person engaged in  
10 qualified spacecraft product development.

11 (2) The credit is equal to the amount of qualified spacecraft  
12 product development expenditures of a person, multiplied by the rate  
13 of 1.5 percent.

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

19 (4) Any person claiming the credit must file a form prescribed by  
20 the department and such additional information as the department may  
21 prescribe.

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

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

27 (7) The definitions in this subsection apply throughout this  
28 section unless the context clearly requires otherwise.

29 (a) "Qualified spacecraft product development" means spacecraft  
30 product development performed within this state.

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

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

3 (c) "Spacecraft products" and "spacecraft product development"  
4 have the same meanings as provided in section 4 of this act.

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

9 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.08  
10 RCW to read as follows:

11 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
12 computer hardware, computer peripherals, or software, not otherwise  
13 eligible for exemption under RCW 82.08.02565, used primarily in the  
14 development, design, and engineering of spacecraft products, or to  
15 sales of or charges made for labor and services rendered in respect  
16 to installing the computer hardware, computer peripherals, or  
17 software.

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

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

24 (a) "Peripherals" includes keyboards, monitors, mouse devices,  
25 and other accessories that operate outside of the computer, excluding  
26 cables, conduit, wiring, and other similar property.

27 (b) "Spacecraft products" has the same meaning as provided in  
28 section 4 of this act.

29 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.12  
30 RCW to read as follows:

31 (1) The provisions of this chapter do not apply in respect to the  
32 use of computer hardware, computer peripherals, or software, not  
33 otherwise eligible for exemption under RCW 82.12.02565, used  
34 primarily in the development, design, and engineering of spacecraft  
35 products, or to the use of labor and services rendered in respect to  
36 installing the computer hardware, computer peripherals, or software.

37 (2) As used in this section, "spacecraft products" has the same  
38 meaning as provided in section 4 of this act.

1 (3) As used in this section, "peripherals" has the same meaning  
2 as provided in section 6 of this act.

3 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.08  
4 RCW to read as follows:

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

6 (a) Charges, for labor and services rendered in respect to the  
7 constructing of new buildings, made to:

8 (i) A manufacturer engaged in the manufacturing of spacecraft or  
9 spacecraft components; or

10 (ii) A port district, political subdivision, or municipal  
11 corporation, to be leased to a manufacturer engaged in the  
12 manufacturing of spacecraft or spacecraft components.

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

16 (c) Charges made for labor and services rendered in respect to  
17 installing, during the course of constructing such buildings,  
18 building fixtures not otherwise eligible for the exemption under RCW  
19 82.08.02565(2)(b).

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

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

32 (4) The exemption in this section applies to buildings or parts  
33 of buildings, including buildings or parts of buildings used for the  
34 storage of raw materials or finished products, which are used  
35 primarily in the manufacturing of spacecraft or spacecraft  
36 components.

37 (5) For the purposes of this section, "spacecraft" and  
38 "spacecraft component" have the same meanings as provided in RCW  
39 82.32.550.

1        NEW SECTION.    **Sec. 9.**    A new section is added to chapter 82.12  
2    RCW to read as follows:

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

5        (a) Tangible personal property that will be incorporated as an  
6    ingredient or component in constructing new buildings for:

7        (i) A manufacturer engaged in the manufacturing of spacecraft or  
8    spacecraft components; or

9        (ii) A port district, political subdivision, or municipal  
10   corporation, to be leased to a manufacturer engaged in the  
11   manufacturing of spacecraft and spacecraft components; or

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

15       (2) The eligibility requirements, conditions, and definitions in  
16   section 8 of this act apply to this section, including the filing of  
17   a complete annual report with the department under RCW 82.32.534.

18       (3) For the purposes of this section, "spacecraft" and  
19   "spacecraft component," have the same meanings as provided in RCW  
20   82.32.550.

21       **Sec. 10.**    RCW 82.04.290 and 2014 c 97 s 404 are each amended to  
22   read as follows:

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

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

34       (b) This subsection (2) includes, among others, and without  
35   limiting the scope hereof (whether or not title to materials used in  
36   the performance of such business passes to another by accession,  
37   confusion or other than by outright sale), persons engaged in the  
38   business of rendering any type of service which does not constitute a  
39   "sale at retail" or a "sale at wholesale." The value of advertising,



1 demonstration, and promotional supplies and materials furnished to an  
2 agent by his or her principal or supplier to be used for  
3 informational, educational, and promotional purposes is not  
4 considered a part of the agent's remuneration or commission and is  
5 not subject to taxation under this section.

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

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

14 (c) "Aerospace product development" has the meaning as provided  
15 in RCW 82.04.4461.

16 (4)(a) Until July 1, 2025, upon every person engaging within this  
17 state in the business of performing spacecraft product development  
18 for others, as to such persons, the amount of tax with respect to  
19 such business is equal to the gross income of the business multiplied  
20 by a rate of 0.9 percent.

21 (b) "Spacecraft product development" has the same meaning as  
22 provided in section 4 of this act.

23 NEW SECTION. Sec. 11. This act takes effect October 1, 2015.

24 NEW SECTION. Sec. 12. This act expires July 1, 2025.

--- END ---