
HOUSE BILL 2146

State of Washington

65th Legislature

2017 Regular Session

By Representatives DeBolt and Condotta

Read first time 03/10/17. Referred to Committee on Finance.

1 AN ACT Relating to honoring the legislature's intent to create
2 and retain local jobs through incentives provided to the aerospace
3 industry by redirecting those incentives to other job creating
4 opportunities if the number of aerospace jobs continues to decline;
5 amending RCW 82.04.4461 and 82.32.534; amending 2013 3rd sp.s. c 2 s
6 1 (uncodified); reenacting and amending RCW 82.04.260; adding new
7 sections to chapter 82.32 RCW; adding a new section to chapter
8 28A.700 RCW; adding new sections to chapter 50.20 RCW; adding a new
9 section to chapter 82.04 RCW; adding a new section to chapter 43.135
10 RCW; creating new sections; providing a contingent effective date;
11 and providing a contingent expiration date.

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

13 **Sec. 1.** 2013 3rd sp.s. c 2 s 1 (uncodified) is amended to read
14 as follows:

15 (1) The legislature finds that the people of Washington have
16 benefited enormously from the presence of the aerospace industry in
17 Washington state. The legislature further finds that the industry
18 continues to provide good wages and benefits for the thousands of
19 engineers, mechanics, and support staff working directly in the
20 industry throughout the state. The legislature further finds that
21 suppliers and vendors that support the aerospace industry in turn

1 provide a range of well-paying jobs. In 2003, and again in 2006, and
2 2007, the legislature determined it was in the public interest to
3 encourage the continued presence of the aerospace industry through
4 the provision of tax incentives. Certain tax incentives provided to
5 the aerospace industry, however, have not fully lived up to the
6 legislature's intent, as evidenced by the loss of twelve thousand two
7 hundred fifty-nine jobs at Washington's largest aerospace employer
8 since the tax incentives were last extended while other states have
9 experienced net gains in their employment. To this end, and in
10 recognition of the continuing extreme importance of the aerospace
11 industry in Washington, it is the legislature's intent to reaffirm
12 and build upon prior aerospace tax incentive legislation in a
13 fiscally prudent manner.

14 (2) The legislature categorizes the tax preferences extended in
15 this act as intended to create or retain jobs in Washington, as
16 indicated in RCW 82.32.808(2)(c).

17 (3) It is the legislature's specific public policy objective to
18 maintain and grow Washington's aerospace industry workforce. To help
19 achieve this public policy objective, it is the legislature's intent
20 to conditionally extend aerospace industry tax preferences until July
21 1, 2040, in recognition of intent by the state's aerospace industry
22 sector to maintain and grow its workforce within the state. It is
23 also the legislature's specific public policy objective to provide
24 tangible taxpayer accountability for Washington's largest aerospace
25 company by adopting a minimum employment baseline that must be met by
26 the company to fully qualify for aerospace tax incentives, similar to
27 aerospace job standards created in other states such as Alabama,
28 South Carolina, and Missouri, to ensure taxpayer dollars are used to
29 create jobs here in Washington. If it is determined that the
30 legislature's intent is not being met, this aerospace incentive
31 should be reinvested to encourage job growth at small businesses in
32 Washington, increase educational opportunities by providing
33 additional funding for the state need grant, and provide
34 opportunities for career and technical education.

35 (4) The joint legislative audit and review committee must review
36 the tax preferences provided in this act and report to the
37 legislature by December 1, 2019, and every five years thereafter. As
38 part of its tax preference reviews, the committee must specifically
39 assess changes in aerospace industry employment in Washington in
40 comparison with other states and internationally. To the extent

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

5 (5) If the department of revenue, in consultation with the
6 employment security department, determines that the aerospace
7 industry job losses are due to outsourcing to other states or
8 internationally at the expense of jobs in Washington, it is the
9 intent of the legislature to expire the aerospace business and
10 occupation tax rates and credits.

11 **Sec. 2.** RCW 82.04.260 and 2015 3rd sp.s. c 6 s 602 and 2015 3rd
12 sp.s. c 6 s 205 are each reenacted and amended to read as follows:

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

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

21 (b) Beginning July 1, 2025, seafood products that remain in a
22 raw, raw frozen, or raw salted state at the completion of the
23 manufacturing by that person; or selling manufactured seafood
24 products that remain in a raw, raw frozen, or raw salted state at the
25 completion of the manufacturing, to purchasers who transport in the
26 ordinary course of business the goods out of this state; as to such
27 persons the amount of tax with respect to such business is equal to
28 the value of the products manufactured or the gross proceeds derived
29 from such sales, multiplied by the rate of 0.138 percent. Sellers
30 must keep and preserve records for the period required by RCW
31 82.32.070 establishing that the goods were transported by the
32 purchaser in the ordinary course of business out of this state;

33 (c)(i) (~~Beginning July 1, 2025~~) Except as provided otherwise in
34 (c)(iii) of this subsection, from July 1, 2025, until January 1,
35 2036, dairy products; or selling dairy products that the person has
36 manufactured to purchasers who either transport in the ordinary
37 course of business the goods out of state or purchasers who use such
38 dairy products as an ingredient or component in the manufacturing of
39 a dairy product; as to such persons the tax imposed is equal to the

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

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

10 (A) Products, not including any marijuana-infused product, that
11 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,
12 parts 131, 133, and 135, including by-products from the manufacturing
13 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
16 by 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
19 after July 1, 2023, where a dairy product is used by the purchaser as
20 an ingredient or component in the manufacturing in Washington of a
21 dairy product;

22 (d)(i) Beginning July 1, 2025, 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
31 0.138 percent. Sellers must keep and preserve records for the period
32 required by RCW 82.32.070 establishing that the goods were
33 transported by the purchaser in the ordinary course of business out
34 of this state.

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

38 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or
39 biodiesel feedstock, as those terms are defined in RCW 82.29A.135; as
40 to such persons the amount of tax with respect to the business is

1 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel
2 feedstock manufactured, multiplied by the rate of 0.138 percent; and

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

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

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

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

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

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

33 (7) Upon every person engaging within this state in the business
34 of stevedoring and associated activities pertinent to the movement of
35 goods and commodities in waterborne interstate or foreign commerce;
36 as to such persons the amount of tax with respect to such business is
37 equal to the gross proceeds derived from such activities multiplied
38 by the rate of 0.275 percent. Persons subject to taxation under this
39 subsection are exempt from payment of taxes imposed by chapter 82.16
40 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
7 holding or storage yard or area to await further movement in import
8 or export or may move to a consolidation freight station and be
9 stuffed, unstuffed, containerized, separated or otherwise segregated
10 or aggregated for delivery or loaded on any mode of transportation
11 for 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) 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 If the gross income of the taxpayer is attributable to activities
28 both within and without this state, the gross income attributable to
29 this state must be determined in accordance with the methods of
30 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
35 activities is equal to the gross income of such business multiplied
36 by the rate of 0.484 percent.

37 (10) Upon every person engaging within this state in business as
38 a hospital, as defined in chapter 70.41 RCW, that is operated as a
39 nonprofit corporation or by the state or any of its political
40 subdivisions, as to such persons, the amount of tax with respect to

1 such activities is equal to the gross income of the business
2 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
3 percent thereafter.

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

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

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

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

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

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

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

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

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

8 (iii) If on July 1, 2024, the department, in consultation with
9 the employment security department, determines that the average of
10 the monthly employment level from July 1, 2017, through January 31,
11 2024, of a significant commercial airplane manufacturer is below
12 seventy-five thousand employment positions, the rate under this
13 subsection (11) expires as of July 1, 2024. For the purposes of this
14 subsection, the following definitions apply:

15 (A) "Employment level" means the average number of employment
16 positions reported to the state employment security department for
17 the months of January through December.

18 (B) "Employment position" means a job in which the employee has
19 worked for a significant aerospace firm at an average rate of at
20 least thirty-five hours per week.

21 (C) "Significant aerospace firm" means a manufacturer that has
22 made a final decision to site a significant commercial airplane
23 manufacturing program in the state under RCW 82.32.850.

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

33 (b) Until July 1, 2024, upon every person engaging within this
34 state in the business of manufacturing or processing for hire: (i)
35 Timber into timber products or wood products; or (ii) timber products
36 into other timber products or wood products; as to such persons the
37 amount of the tax with respect to the business is, in the case of
38 manufacturers, equal to the value of products, including by-products,
39 manufactured, or in the case of processors for hire, equal to the
40 gross income of the business, multiplied by the rate of 0.4235

1 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent
2 from July 1, 2007, through June 30, 2024.

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

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

23 (e) For purposes of this subsection, the following definitions
24 apply:

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

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

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

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

11 (v) "Timber products" means:

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

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

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

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

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

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

32 (14)(a) Upon every person engaging within this state in the
33 business of printing a newspaper, publishing a newspaper, or both,
34 the amount of tax on such business is equal to the gross income of
35 the business multiplied by the rate of 0.35 percent until July 1,
36 2024, and 0.484 percent thereafter.

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

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

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

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

12 (b) Before July 1, 2005, any credits earned under this section
13 must be accrued and carried forward and may not be used until July 1,
14 2005. These carryover credits may be used at any time thereafter, and
15 may be carried over until used. Refunds may not be granted in the
16 place of a credit.

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

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

27 (4) Any person claiming the credit must file a form prescribed by
28 the department that must include the amount of the credit claimed, an
29 estimate of the anticipated aerospace product development
30 expenditures during the calendar year for which the credit is
31 claimed, an estimate of the taxable amount during the calendar year
32 for which the credit is claimed, and such additional information as
33 the department may prescribe.

34 (5) The definitions in this subsection apply throughout this
35 section.

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

37 (b) "Aerospace product development" means research, design, and
38 engineering activities performed in relation to the development of an
39 aerospace product or of a product line, model, or model derivative of
40 an aerospace product, including prototype development, testing, and

1 certification. The term includes the discovery of technological
2 information, the translating of technological information into new or
3 improved products, processes, techniques, formulas, or inventions,
4 and the adaptation of existing products and models into new products
5 or new models, or derivatives of products or models. The term does
6 not include manufacturing activities or other production-oriented
7 activities, however the term does include tool design and engineering
8 design for the manufacturing process. The term does not include
9 surveys and studies, social science and humanities research, market
10 research or testing, quality control, sale promotion and service,
11 computer software developed for internal use, and research in areas
12 such as improved style, taste, and seasonal design.

13 (c) "Qualified aerospace product development" means aerospace
14 product development performed within this state.

15 (d) "Qualified aerospace product development expenditures" means
16 operating expenses, including wages, compensation of a proprietor or
17 a partner in a partnership as determined by the department, benefits,
18 supplies, and computer expenses, directly incurred in qualified
19 aerospace product development by a person claiming the credit
20 provided in this section. The term does not include amounts paid to a
21 person or to the state and any of its departments and institutions,
22 other than a public educational or research institution to conduct
23 qualified aerospace product development. The term does not include
24 capital costs and overhead, such as expenses for land, structures, or
25 depreciable property.

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

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

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

35 (8) Except as provided otherwise in this section, this section
36 expires July 1, 2040.

37 (9) If on July 1, 2024, the department, in consultation with the
38 employment security department, determines that the average of the
39 monthly employment level from July 1, 2017, through January 31, 2024,
40 of a significant commercial airplane manufacturer is below seventy-

1 five thousand employment positions, the credit under this section
2 expires as of July 1, 2024. For the purposes of this subsection, the
3 following definitions apply:

4 (a) "Employment level" means the average number of employment
5 positions reported to the state employment security department for
6 the months of January through December.

7 (b) "Employment position" means a job in which the employee has
8 worked for a significant aerospace firm at an average rate of at
9 least thirty-five hours per week.

10 (c) "Significant aerospace firm" means a manufacturer that has
11 made a final decision to site a significant commercial airplane
12 manufacturing program in the state under RCW 82.32.850.

13 **Sec. 4.** RCW 82.32.534 and 2016 c 175 s 1 are each amended to
14 read as follows:

15 (1)(a) Every person claiming a tax preference that requires a
16 report under this section must file a complete annual report with the
17 department. The report is due by May 31st of the year following any
18 calendar year in which a person becomes eligible to claim the tax
19 preference that requires a report under this section. The department
20 may extend the due date for timely filing of annual reports under
21 this section as provided in RCW 82.32.590.

22 (b) The report must include information detailing employment,
23 wages, and employer-provided health and retirement benefits for
24 employment positions in Washington for the year that the tax
25 preference was claimed. (~~However, persons engaged in manufacturing~~
26 ~~commercial airplanes or components of such airplanes may report~~
27 ~~employment, wage, and benefit information per job at the~~
28 ~~manufacturing site for the year that the tax preference was~~
29 ~~claimed.)) The report must not include names of employees. The report
30 (~~must~~) may also detail employment by the total number of full-time,
31 part-time, and temporary positions for the year that the tax
32 preference was claimed.~~

33 (c) Persons receiving the benefit of the tax preference provided
34 by RCW 82.16.0421 or claiming any of the tax preferences provided by
35 RCW 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, or 82.12.022(5)
36 must indicate on the annual report the quantity of product produced
37 in this state during the time period covered by the report.

38 (d) If a person filing a report under this section did not file a
39 report with the department in the previous calendar year, the report

1 filed under this section must also include employment, wage, and
2 benefit information for the calendar year immediately preceding the
3 calendar year for which a tax preference was claimed.

4 (2) As part of the annual report, the department may request
5 additional information necessary to measure the results of, or
6 determine eligibility for, the tax preference.

7 (3) Other than information requested under subsection (2) of this
8 section, the information contained in an annual report filed under
9 this section is not subject to the confidentiality provisions of RCW
10 82.32.330 and may be disclosed to the public upon request.

11 (4)(a) Except as otherwise provided by law, if a person claims a
12 tax preference that requires an annual report under this section but
13 fails to submit a complete report by the due date or any extension
14 under RCW 82.32.590, the department must declare:

15 (i) Thirty-five percent of the amount of the tax preference
16 claimed for the previous calendar year to be immediately due and
17 payable; and

18 (ii) An additional fifteen percent of the amount of the tax
19 preference claimed for the previous calendar year to be immediately
20 due and payable if the person has previously been assessed under this
21 subsection (4) for failure to submit a report under this section for
22 the same tax preference.

23 (b) The department may not assess interest or penalties on
24 amounts due under this subsection.

25 (5) The department must use the information from this section to
26 prepare summary descriptive statistics by category. No fewer than
27 three taxpayers may be included in any category. The department must
28 report these statistics to the legislature each year by December
29 31st.

30 (6) For the purposes of this section:

31 (a) "Person" has the meaning provided in RCW 82.04.030 and also
32 includes the state and its departments and institutions.

33 (b) "Tax preference" has the meaning provided in RCW 43.136.021
34 and includes only the tax preferences requiring a survey under this
35 section.

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

38 (1) By the last workday of the third calendar quarter, the state
39 treasurer must transfer the amount specified in subsection (5) of

1 this section from the general fund to the small business tax credit
2 account. The first transfer under this subsection (1), if applicable,
3 must occur by September 30, 2024.

4 (2) By the last workday of the third calendar quarter, the state
5 treasurer must transfer the amount specified in subsection (5) of
6 this section from the general fund to the student achievement council
7 for the purposes of funding the state need grant program established
8 in RCW 28B.92.010. The first transfer under this subsection (2), if
9 applicable, must occur by September 30, 2024.

10 (3) By the last workday of the third calendar quarter, the state
11 treasurer must transfer the amount specified in subsection (5) of
12 this section from the general fund to the career and technical
13 education account created in section 7 of this act for the purposes
14 of funding career and technical education. The first transfer under
15 this subsection (3), if applicable, must occur by September 30, 2024.

16 (4) By the last workday of the third calendar quarter, the state
17 treasurer must transfer the amount specified in subsection (5) of
18 this section from the general fund to the worker readjustment account
19 created in section 8 of this act for the purposes of funding worker
20 readjustment programs. The first transfer under this subsection (4),
21 if applicable, must occur by September 30, 2024.

22 (5) If the department determines that the contingency in RCW
23 82.04.260(11)(e)(iii) or 82.04.4461(9) occurs, the department must
24 estimate the increase in state general fund revenue collections for
25 the prior fiscal year based on the new rate. The department must
26 notify the state treasurer of this amount at least twenty days prior
27 to the September transfers under subsections (1) through (4) of this
28 section. The amount that the state general fund increases due to the
29 rate adjustment caused by the contingency in RCW
30 82.04.260(11)(e)(iii) or 82.04.4461(9) occurring must be distributed
31 as follows:

32 (a) Thirty percent of this amount must be transferred to the
33 student achievement council for the state need grant program;

34 (b) Thirty percent of this amount must be deposited into the
35 small business tax credit account;

36 (c) Thirty percent of this amount must be deposited into the
37 career and technical education account; and

38 (d) Ten percent of this amount must be deposited into the worker
39 readjustment account.

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

3 The small business tax credit account is created in the state
4 treasury. All receipts received pursuant to section 5(1) of this act
5 must be deposited into this account. Moneys in the account may be
6 spent only after appropriation. Expenditures from the account may be
7 used only for small business tax credits authorized by section 10 of
8 this act.

9 NEW SECTION. **Sec. 7.** A new section is added to chapter 28A.700
10 RCW to read as follows:

11 The career and technical education account is created in the
12 state treasury. All receipts received pursuant to section 5(3) of
13 this act must be deposited into this account. Moneys in the account
14 may be spent only after appropriation. Expenditures from the account
15 may be used only for career and technical education programs.

16 NEW SECTION. **Sec. 8.** A new section is added to chapter 50.20
17 RCW to read as follows:

18 The worker readjustment account is created in the state treasury.
19 All receipts received pursuant to section 5(4) of this act must be
20 deposited into this account. Moneys in the account may be spent only
21 after appropriation. Expenditures from the account may be used only
22 for worker readjustment programs authorized under section 9 of this
23 act.

24 NEW SECTION. **Sec. 9.** A new section is added to chapter 50.20
25 RCW to read as follows:

26 (1) The worker readjustment program is created and must be
27 administered by the employment security department. The program must
28 provide adjustment assistance to aerospace workers who are unemployed
29 when employment at a significant aerospace firm goes below the
30 employment baseline. The program will provide job search allowances,
31 training assistance, income support, relocation assistance, and other
32 benefits that the employment security department determines are
33 necessary to assist the worker transition to new employment.

34 (2) The definitions in RCW 82.04.4461 apply to this section.

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

1 (1) Subject to the limits of this section, a credit against the
2 tax owed under this chapter may be taken by a small business pursuant
3 to this section.

4 (2) The credit amount is two thousand dollars multiplied by the
5 number of qualified employees hired by the business during the
6 taxable year. This credit amount is per person per calendar year and
7 subject to an annual statewide maximum as set by the department under
8 subsection (3) of this section.

9 (3) By December 1st of each year, the department must notify
10 taxpayers if there are funds available for tax credits based on the
11 transfers in section 6 of this act. The amount available in the small
12 business tax credit account on November 1st of each calendar year
13 must be the statewide maximum credit amount allowed for the
14 subsequent calendar year.

15 (4) The credit is available on a first in-time basis up to the
16 annual statewide maximum. Once the statewide maximum amount is
17 reached, the department must notify taxpayers that the credit is no
18 longer available for that year. The department must disallow any
19 credits, or portion thereof, that would cause the total amount of the
20 credits claimed under this section in any calendar year to exceed the
21 statewide maximum provided in subsection (3) of this section.

22 (5) A tax credit claimed under this section may not be carried
23 over to another year.

24 (6) The credit is nonrefundable.

25 (7) To claim a credit under this section, a person must
26 electronically file with the department all returns, forms, and any
27 other information required by the department, in an electronic format
28 as provided or approved by the department. Any return, form, or
29 information required to be filed in an electronic format under this
30 section is not filed until received by the department in an
31 electronic format.

32 (8) For the purposes of this section, "qualified employee" means
33 a person who is a graduate of a career and technical education
34 program within the previous twelve months, is employed by the
35 business for at least twelve consecutive months, and who works
36 thirty-five hours per week, averaged over a calendar year for the
37 small business.

38 NEW SECTION. **Sec. 11.** This section is the tax preference
39 performance statement for the tax preference contained in section 10,

1 chapter . . ., Laws of 2017 (section 10 of this act). This
2 performance statement is only intended to be used for subsequent
3 evaluation of the tax preference. It is not intended to create a
4 private right of action by any party or to be used to determine
5 eligibility for preferential tax treatment.

6 (1) The legislature categorizes this tax preference as one
7 intended to induce certain designated taxpayers under RCW
8 82.32.808(2) (c) and (e).

9 (2) The legislature's public policy objective is to provide tax
10 relief to the hiring of recent graduate of career and technical
11 education.

12 (3) The measure of the effectiveness of the tax preference is the
13 number of firms utilizing the credit, the value of the credits
14 awarded, and the number of career and technical education graduates
15 hired by businesses. If a review finds that more than twenty
16 businesses participate and the number of qualified employees hired by
17 businesses exceeds five hundred, then the legislature intends to
18 extend the expiration of the tax preference.

19 (4) In order to obtain the data necessary to perform the review
20 in subsection (3) of this section, the joint legislative audit and
21 review committee may refer to approved applications on file at the
22 department of revenue.

23 NEW SECTION. **Sec. 12.** A new section is added to chapter 43.135
24 RCW to read as follows:

25 RCW 43.135.034(4) does not apply to transfers under section 5 of
26 this act.

27 NEW SECTION. **Sec. 13.** This act may be known and cited as the
28 aerospace tax incentive accountability act.

29 NEW SECTION. **Sec. 14.** (1) Sections 10 and 11 of this act take
30 effect July 1, 2024, if the contingency in RCW 82.04.260(11)(e)(iii)
31 occurs.

32 (2) The department of revenue must provide written notice of the
33 effective date of sections 10 and 11 of this act to affected parties,
34 the chief clerk of the house of representatives, the secretary of the
35 senate, the office of the code reviser, and others as deemed
36 appropriate by the department.

1 NEW SECTION. **Sec. 15.** (1) Sections 5 through 9 and 12 of this
2 act expire July 1, 2024, if the contingency in RCW
3 82.04.260(11)(e)(iii) occurs.

4 (2) The department of revenue must provide written notice of the
5 expiration date of sections 5 through 9 and 12 of this act to
6 affected parties, the chief clerk of the house of representatives,
7 the secretary of the senate, the office of the code reviser, and
8 others as deemed appropriate by the department.

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