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ENGROSSED SUBSTITUTE HOUSE BILL 2880

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State of Washington

66th Legislature

2020 Regular Session

By House Finance (originally sponsored by Representatives Dent, Chandler, and Barkis)

READ FIRST TIME 02/11/20.

1 AN ACT Relating to sales and use tax exemptions for aircraft fuel  
2 used for research and development purposes; adding a new section to  
3 chapter 82.08 RCW; adding a new section to chapter 82.12 RCW;  
4 creating a new section; providing an effective date; and providing  
5 expiration dates.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08  
8 RCW to read as follows:

9 (1) A taxpayer who has paid the tax levied by RCW 82.08.020 on  
10 aircraft fuel used in the operation of an aircraft for research and  
11 development purposes, related to the aircraft or components thereof,  
12 and meets the criteria of this section, is eligible for an exemption  
13 in the form of a remittance.

14 (2) To be eligible for an exemption under the provisions of this  
15 section:

16 (a)(i) In cases of an initial request, a taxpayer must, in the  
17 twelve months preceding the date of the request, hire and retain at  
18 least twenty new full-time equivalent employees whose primary duties  
19 are related to the research and development for which the exemption  
20 is made; or

1 (ii) For requests made in subsequent years, a taxpayer must  
2 continue to retain the minimum of twenty full-time equivalent  
3 employees as required in (a)(i) of this subsection.

4 (b) The research and development must be conducted as part of a  
5 test flight program that uses testbed aircraft that is based in this  
6 state to test new aircraft engine designs that advance the use of new  
7 technologies or new clean fuels in the aerospace sector of the state.

8 (3) Any taxpayer claiming exemption from retail sales tax under  
9 the provisions of this section must pay the state and local sales tax  
10 to the seller at the time of purchase and then request a remittance  
11 from the department in accordance with this subsection and subsection  
12 (4) of this section. The request for a remittance must include any  
13 information and documentation as required by the department, which  
14 may include the sales price and amount of aircraft fuel purchased,  
15 the amount of sales tax paid on the item, the date of the purchase,  
16 the name of the seller and the physical address where the sale took  
17 place, and copies of sales receipts showing the qualified purchases.

18 (4) A taxpayer may file no more than one request for remittance  
19 per calendar year, except to amend a request.

20 (5) The exemption provided by this section is only for the state  
21 portion of the sales tax. For purposes of this section, the state  
22 portion of the sales tax is not reduced by any local sales tax that  
23 is deducted or credited against the state sales tax as provided by  
24 law.

25 (6) A taxpayer may not make a request for remittance under the  
26 provisions of this section prior to twelve months from the effective  
27 date of this section.

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

30 (a) "Aircraft" is defined as provided in RCW 82.42.010.

31 (b) "Aircraft fuel" is defined as provided in RCW 82.42.010.

32 (c) "Research and development" means any activity performed to  
33 discover technological information, and technical and nonroutine  
34 activities concerned with translating technological information into  
35 new or improved products, processes, techniques, formulas,  
36 inventions, or software.

37 (d) "Retain" means to continue to employ an individual or, in  
38 cases where an employee has been terminated, resigned, or is  
39 otherwise no longer employed, "retain" means to actively seek new  
40 candidates for the vacant position.

1 (e) "Testbed aircraft" means an aircraft that has been  
2 specifically designed or modified to be used for research and  
3 development purposes as part of a test flight program.

4 (8) This section expires January 1, 2032.

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

7 (1) A taxpayer who has paid the tax levied by RCW 82.12.020 on  
8 aircraft fuel used in the operation of an aircraft for research and  
9 development purposes, related to the aircraft or components thereof,  
10 and meets the criteria in subsection (2) of this section, is eligible  
11 for an exemption in the form of a remittance.

12 (2) All of the eligibility requirements, conditions, limitations,  
13 and definitions in section 1 of this act apply to this section.

14 (3) This section expires January 1, 2032.

15 NEW SECTION. **Sec. 3.** (1) This section is the tax preference  
16 performance statement for the tax preferences contained in sections 1  
17 and 2, chapter . . ., Laws of 2020 (sections 1 and 2 of this act).  
18 This performance statement is only intended to be used for subsequent  
19 evaluation of the tax preferences. It is not intended to create a  
20 private right of action by any party or to be used to determine  
21 eligibility for preferential tax treatment.

22 (2) The legislature categorizes these tax preferences as ones  
23 intended to create or retain jobs as indicated in RCW 82.32.808  
24 (2)(c).

25 (3) It is the legislature's specific public policy objective to  
26 encourage new business activity in the field of aerospace to locate  
27 in the state.

28 (4) If a review finds that at least twenty jobs are created as a  
29 result of the preferences, then the legislature intends to extend the  
30 expiration dates of these tax preferences.

31 (5) In order to obtain the data necessary to perform the review  
32 in subsection (4) of this section, the joint legislative audit and  
33 review committee may refer to any data collected by the state.

34 NEW SECTION. **Sec. 4.** This act takes effect July 1, 2021.

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