
HOUSE BILL 2639

State of Washington 59th Legislature 2006 Regular Session

By Representatives B. Sullivan, McCoy, O'Brien, Sells, Hinkle, Roberts, Ericks, Strow and Dunn

Read first time 01/11/2006. Referred to Committee on Economic Development, Agriculture & Trade.

1 AN ACT Relating to providing excise tax relief for aerospace
2 product development businesses; amending RCW 82.04.250, 82.04.440,
3 82.32.590, and 82.32.600; reenacting and amending RCW 82.04.260; adding
4 a new section to chapter 82.08 RCW; adding a new section to chapter
5 82.12 RCW; adding new sections to chapter 82.04 RCW; adding a new
6 section to chapter 82.32 RCW; providing an effective date; and
7 providing expiration dates.

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

9 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08 RCW
10 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, used primarily in
13 aerospace product development, or to sales of or charges made for labor
14 and services rendered in respect to installing the computer hardware,
15 computer peripherals, or software. The exemption is available only
16 when the buyer provides the seller with an exemption certificate in a
17 form and manner prescribed by the department. The seller shall retain
18 a copy of the certificate for the seller's files.

19 (2) As used in this section:

1 (a) "Aerospace product development" means research, design, and
2 engineering activities performed in relation to the development of:

3 (i) Commercial airplanes and components of such airplanes;

4 (ii) Tooling that is used in the manufacture of commercial
5 airplanes and by manufacturers of component parts of commercial
6 airplanes;

7 (iii) Maintenance, repair, or overhaul support equipment that is
8 used by airline customers in the aftermarket support of commercial
9 airplanes;

10 (iv) Ground support equipment, including test equipment, that is
11 used by airline customers in support of commercial airplanes; or

12 (v) General aviation aircraft and components of such aircraft.

13 (b) "Commercial airplane" and "component" have the meanings
14 provided in RCW 82.32.550.

15 (c) "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 (3) This section expires July 1, 2024.

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

21 (1) The provisions of this chapter do not apply in respect to the
22 use of computer hardware, computer peripherals, or software, used
23 primarily in aerospace product development, or to the use of labor and
24 services rendered in respect to installing the computer hardware,
25 computer peripherals, or software.

26 (2) The definitions in section 1 of this act apply to this section.

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

28 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04 RCW
29 to read as follows:

30 (1) In computing the tax imposed under this chapter, a credit is
31 allowed for each person for qualified aerospace product development
32 expenditures occurring after the effective date of this section.

33 (2) The credit is equal to the amount of qualified aerospace
34 product development expenditures of a person, multiplied by the rate of
35 1.5 percent.

1 (3) The credit shall be taken against taxes due for the same
2 calendar year in which the qualified aerospace product development
3 expenditures are incurred. Credits may not be carried over. The
4 credit for each calendar year may not exceed the amount of tax
5 otherwise due under this chapter for the calendar year. Refunds may
6 not be granted in the place of a credit.

7 (4) Any person entitled to the credit in this section as a result
8 of qualified aerospace product development conducted under contract may
9 assign all or any portion of the credit to the person contracting for
10 the performance of the qualified aerospace product development.

11 (5) The definitions in this subsection apply throughout this
12 section.

13 (a)(i) "Aerospace product development" means research, design, and
14 engineering activities performed in relation to the development of a
15 product, product line, model, or model derivative, including prototype
16 development, testing, and certification. The development of a product,
17 product line, model, or model derivative, shall be for:

18 (A) Commercial airplanes and components of such airplanes;

19 (B) Tooling that is used in the manufacture of commercial airplanes
20 and by manufacturers of component parts of commercial airplanes;

21 (C) Maintenance, repair, or overhaul support equipment that is used
22 by airline customers in the aftermarket support of commercial
23 airplanes;

24 (D) Ground support equipment, including test equipment, that is
25 used by airline customers in support of commercial airplanes; or

26 (E) General aviation aircraft and components of such aircraft.

27 (ii) "Aerospace product development" includes the discovery of
28 technological information, the translating of technological information
29 into new or improved products, processes, techniques, formulas, or
30 inventions, and the adaptation of existing products and models into new
31 products or new models, or derivatives of products or models. The term
32 does not include manufacturing activities or other production-oriented
33 activities. The term does not include surveys and studies, social
34 science and humanities research, market research or testing, quality
35 control, sale promotion and service, computer software developed for
36 internal use, and research in areas such as improved style, taste, and
37 seasonal design.

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

3 (c) "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
9 other than a public educational or research institution to conduct
10 qualified aerospace product development. The term does not include
11 capital costs and overhead, such as expenses for land, structures, or
12 depreciable property.

13 (6) Credit may not be claimed for expenditures for which a credit
14 is claimed under RCW 82.04.4452 or 82.04.4461.

15 (7) This section expires July 1, 2024.

16 **Sec. 4.** RCW 82.04.250 and 2003 2nd sp.s. c 1 s 2 are each amended
17 to read as follows:

18 (1) Upon every person (~~((except persons taxable under RCW 82.04.260~~
19 ~~(5) or (13), 82.04.272, or subsection (2) of this section))~~) engaging
20 within this state in the business of making sales at retail, except
21 persons taxable as retailers under other provisions of this chapter, as
22 to such persons, the amount of tax with respect to such business shall
23 be equal to the gross proceeds of sales of the business, multiplied by
24 the rate of 0.471 percent.

25 (2) Upon every person engaging within this state in the business of
26 making sales at retail that are exempt from the tax imposed under
27 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
28 82.08.0263, ~~except persons taxable under RCW 82.04.260((+13))~~ (11) or
29 (12), as to such persons, the amount of tax with respect to such
30 business shall be equal to the gross proceeds of sales of the business,
31 multiplied by the rate of 0.484 percent.

32 **Sec. 5.** RCW 82.04.260 and 2005 c 513 s 2 and 2005 c 443 s 4 are
33 each reenacted and amended to read as follows:

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

1 (a) Wheat into flour, barley into pearl barley, soybeans into
2 soybean oil, canola into canola oil, canola meal, or canola byproducts,
3 or sunflower seeds into sunflower oil; as to such persons the amount of
4 tax with respect to such business shall be equal to the value of the
5 flour, pearl barley, oil, canola meal, or canola byproduct
6 manufactured, multiplied by the rate of 0.138 percent;

7 (b) Seafood products which remain in a raw, raw frozen, or raw
8 salted state at the completion of the manufacturing by that person; as
9 to such persons the amount of tax with respect to such business shall
10 be equal to the value of the products manufactured, multiplied by the
11 rate of 0.138 percent;

12 (c) Dairy products that as of September 20, 2001, are identified in
13 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts
14 from the manufacturing of the dairy products such as whey and casein;
15 or selling the same to purchasers who transport in the ordinary course
16 of business the goods out of state; as to such persons the tax imposed
17 shall be equal to the value of the products manufactured multiplied by
18 the rate of 0.138 percent. As proof of sale to a person who transports
19 in the ordinary course of business goods out of this state, the seller
20 shall annually provide a statement in a form prescribed by the
21 department and retain the statement as a business record;

22 (d) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
23 feedstock, as those terms are defined in RCW 82.29A.135; as to such
24 persons the amount of tax with respect to the business shall be equal
25 to the value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
26 manufactured, multiplied by the rate of 0.138 percent; and

27 (e) Alcohol fuel or wood biomass fuel, as those terms are defined
28 in RCW 82.29A.135; as to such persons the amount of tax with respect to
29 the business shall be equal to the value of alcohol fuel or wood
30 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

31 (2) Upon every person engaging within this state in the business of
32 splitting or processing dried peas; as to such persons the amount of
33 tax with respect to such business shall be equal to the value of the
34 peas split or processed, multiplied by the rate of 0.138 percent.

35 (3) Upon every nonprofit corporation and nonprofit association
36 engaging within this state in research and development, as to such
37 corporations and associations, the amount of tax with respect to such

1 activities shall be equal to the gross income derived from such
2 activities multiplied by the rate of 0.484 percent.

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

8 (5) Upon every person engaging within this state in the business of
9 acting as a travel agent or tour operator; as to such persons the
10 amount of the tax with respect to such activities shall be equal to the
11 gross income derived from such activities multiplied by the rate of
12 0.275 percent.

13 (6) Upon every person engaging within this state in business as an
14 international steamship agent, international customs house broker,
15 international freight forwarder, vessel and/or cargo charter broker in
16 foreign commerce, and/or international air cargo agent; as to such
17 persons the amount of the tax with respect to only international
18 activities shall be equal to the gross income derived from such
19 activities multiplied by the rate of 0.275 percent.

20 (7) Upon every person engaging within this state in the business of
21 stevedoring and associated activities pertinent to the movement of
22 goods and commodities in waterborne interstate or foreign commerce; as
23 to such persons the amount of tax with respect to such business shall
24 be equal to the gross proceeds derived from such activities multiplied
25 by the rate of 0.275 percent. Persons subject to taxation under this
26 subsection shall be exempt from payment of taxes imposed by chapter
27 82.16 RCW for that portion of their business subject to taxation under
28 this subsection. Stevedoring and associated activities pertinent to
29 the conduct of goods and commodities in waterborne interstate or
30 foreign commerce are defined as all activities of a labor, service or
31 transportation nature whereby cargo may be loaded or unloaded to or
32 from vessels or barges, passing over, onto or under a wharf, pier, or
33 similar structure; cargo may be moved to a warehouse or similar holding
34 or storage yard or area to await further movement in import or export
35 or may move to a consolidation freight station and be stuffed,
36 unstuffed, containerized, separated or otherwise segregated or
37 aggregated for delivery or loaded on any mode of transportation for
38 delivery to its consignee. Specific activities included in this

1 definition are: Wharfage, handling, loading, unloading, moving of
2 cargo to a convenient place of delivery to the consignee or a
3 convenient place for further movement to export mode; documentation
4 services in connection with the receipt, delivery, checking, care,
5 custody and control of cargo required in the transfer of cargo;
6 imported automobile handling prior to delivery to consignee; terminal
7 stevedoring and incidental vessel services, including but not limited
8 to plugging and unplugging refrigerator service to containers,
9 trailers, and other refrigerated cargo receptacles, and securing ship
10 hatch covers.

11 (8) Upon every person engaging within this state in the business of
12 disposing of low-level waste, as defined in RCW 43.145.010; as to such
13 persons the amount of the tax with respect to such business shall be
14 equal to the gross income of the business, excluding any fees imposed
15 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

16 If the gross income of the taxpayer is attributable to activities
17 both within and without this state, the gross income attributable to
18 this state shall be determined in accordance with the methods of
19 apportionment required under RCW 82.04.460.

20 (9) Upon every person engaging within this state as an insurance
21 agent, insurance broker, or insurance solicitor licensed under chapter
22 48.17 RCW; as to such persons, the amount of the tax with respect to
23 such licensed activities shall be equal to the gross income of such
24 business multiplied by the rate of 0.484 percent.

25 (10) Upon every person engaging within this state in business as a
26 hospital, as defined in chapter 70.41 RCW, that is operated as a
27 nonprofit corporation or by the state or any of its political
28 subdivisions, as to such persons, the amount of tax with respect to
29 such activities shall be equal to the gross income of the business
30 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
31 percent thereafter. The moneys collected under this subsection shall
32 be deposited in the health services account created under RCW
33 43.72.900.

34 (11)(a) Beginning October 1, 2005, upon every person engaging
35 within this state in the business of manufacturing commercial
36 airplanes, or components of such airplanes, as to such persons the
37 amount of tax with respect to such business shall, in the case of

1 manufacturers, be equal to the value of the product manufactured, or in
2 the case of processors for hire, be equal to the gross income of the
3 business, multiplied by the rate of:

4 (i) 0.4235 percent from October 1, 2005, through the later of June
5 30, 2007, or the day preceding the date final assembly of a
6 superefficient airplane begins in Washington state, as determined under
7 RCW 82.32.550; and

8 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
9 date final assembly of a superefficient airplane begins in Washington
10 state, as determined under RCW 82.32.550.

11 (b) Beginning October 1, 2005, upon every person engaging within
12 this state in the business of making sales, at retail or wholesale, of
13 commercial airplanes, or components of such airplanes, manufactured by
14 that person, as to such persons the amount of tax with respect to such
15 business shall be equal to the gross proceeds of sales of the airplanes
16 or components multiplied by the rate of:

17 (i) 0.4235 percent from October 1, 2005, through the later of June
18 30, 2007, or the day preceding the date final assembly of a
19 superefficient airplane begins in Washington state, as determined under
20 RCW 82.32.550; and

21 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
22 date final assembly of a superefficient airplane begins in Washington
23 state, as determined under RCW 82.32.550.

24 (c) For the purposes of this subsection (11), "commercial
25 airplane," "component," and "final assembly of a superefficient
26 airplane" have the meanings given in RCW 82.32.550.

27 (d) In addition to all other requirements under this title, a
28 person eligible for the tax rate under this subsection (11) must report
29 as required under RCW 82.32.545.

30 (e) This subsection (11) does not apply after the earlier of: July
31 1, 2024; or December 31, 2007, if assembly of a superefficient airplane
32 does not begin by December 31, 2007, as determined under RCW 82.32.550.

33 (12)(a) Upon every person engaging within this state in the
34 business of manufacturing the following: (i) Tooling that is used in
35 the manufacture of commercial airplanes and by manufacturers of
36 component parts of commercial airplanes; (ii) maintenance, repair, or
37 overhaul support equipment that is used by airline customers in the
38 aftermarket support of commercial airplanes; (iii) ground support

1 equipment, including test equipment, that is used by airline customers
2 in support of commercial airplanes; or (iv) general aviation aircraft
3 or components of such aircraft; as to such persons the amount of the
4 tax with respect to the business shall be equal to the gross income of
5 the business, multiplied by the rate of 0.2904 percent.

6 (b) Upon every person engaging within this state in the business of
7 making sales, at retail or wholesale, of the following: (i) Tooling
8 that is used in the manufacture of commercial airplanes and by
9 manufacturers of component parts of commercial airplanes; (ii)
10 maintenance, repair, or overhaul support equipment that is used by
11 airline customers in the aftermarket support of commercial airplanes;
12 (iii) ground support equipment, including test equipment, that is used
13 by airline customers in support of commercial airplanes; or (iv)
14 general aviation aircraft or components of such aircraft; as to such
15 persons the amount of the tax with respect to the business shall be
16 equal to the gross income of the business, multiplied by the rate of
17 0.2904 percent.

18 **Sec. 6.** RCW 82.04.440 and 2005 c 301 s 3 are each amended to read
19 as follows:

20 (1) Every person engaged in activities which are within the purview
21 of the provisions of two or more of sections RCW 82.04.230 to
22 82.04.298, inclusive, shall be taxable under each paragraph applicable
23 to the activities engaged in.

24 (2) Persons taxable under RCW 82.04.2909(2), 82.04.250, 82.04.270,
25 82.04.294(2), or 82.04.260 (4) (~~or (13)~~), (11), or (12) with respect
26 to selling products in this state shall be allowed a credit against
27 those taxes for any (a) manufacturing taxes paid with respect to the
28 manufacturing of products so sold in this state, and/or (b) extracting
29 taxes paid with respect to the extracting of products so sold in this
30 state or ingredients of products so sold in this state. Extracting
31 taxes taken as credit under subsection (3) of this section may also be
32 taken under this subsection, if otherwise allowable under this
33 subsection. The amount of the credit shall not exceed the tax
34 liability arising under this chapter with respect to the sale of those
35 products.

36 (3) Persons taxable under RCW 82.04.240 or 82.04.260(1)(b) shall be
37 allowed a credit against those taxes for any extracting taxes paid with

1 respect to extracting the ingredients of the products so manufactured
2 in this state. The amount of the credit shall not exceed the tax
3 liability arising under this chapter with respect to the manufacturing
4 of those products.

5 (4) Persons taxable under RCW 82.04.230, 82.04.240, 82.04.2909(1),
6 82.04.294(1), or 82.04.260 (1), (2), (4), (~~((6), or (13))~~) (11), or
7 (12) with respect to extracting or manufacturing products in this state
8 shall be allowed a credit against those taxes for any (i) gross
9 receipts taxes paid to another state with respect to the sales of the
10 products so extracted or manufactured in this state, (ii) manufacturing
11 taxes paid with respect to the manufacturing of products using
12 ingredients so extracted in this state, or (iii) manufacturing taxes
13 paid with respect to manufacturing activities completed in another
14 state for products so manufactured in this state. The amount of the
15 credit shall not exceed the tax liability arising under this chapter
16 with respect to the extraction or manufacturing of those products.

17 (5) For the purpose of this section:

18 (a) "Gross receipts tax" means a tax:

19 (i) Which is imposed on or measured by the gross volume of
20 business, in terms of gross receipts or in other terms, and in the
21 determination of which the deductions allowed would not constitute the
22 tax an income tax or value added tax; and

23 (ii) Which is also not, pursuant to law or custom, separately
24 stated from the sales price.

25 (b) "State" means (i) the state of Washington, (ii) a state of the
26 United States other than Washington, or any political subdivision of
27 such other state, (iii) the District of Columbia, and (iv) any foreign
28 country or political subdivision thereof.

29 (c) "Manufacturing tax" means a gross receipts tax imposed on the
30 act or privilege of engaging in business as a manufacturer, and
31 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2909(1),
32 82.04.260 (1), (2), (4), (11), and (~~((13))~~) (12), and 82.04.294(1); and
33 (ii) similar gross receipts taxes paid to other states.

34 (d) "Extracting tax" means a gross receipts tax imposed on the act
35 or privilege of engaging in business as an extractor, and includes the
36 tax imposed in RCW 82.04.230 and similar gross receipts taxes paid to
37 other states.

1 (e) "Business", "manufacturer", "extractor", and other terms used
2 in this section have the meanings given in RCW 82.04.020 through
3 82.04.212, notwithstanding the use of those terms in the context of
4 describing taxes imposed by other states.

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

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

9 (2) The credit is equal to:

10 (a)(i) Property taxes paid on new buildings, and land upon which
11 this property is located, and used exclusively in manufacturing
12 activities performed in relation to the development of:

13 (A) Tooling that is used in the manufacture of commercial airplanes
14 and by manufacturers of component parts of commercial airplanes;

15 (B) Maintenance, repair, or overhaul support equipment that is used
16 by airline customers in the aftermarket support of commercial
17 airplanes;

18 (C) Ground support equipment, including test equipment, that is
19 used by airline customers in support of commercial airplanes; or

20 (D) Components of general aviation aircraft or components of such
21 aircraft; or

22 (ii) Property taxes attributable to an increase in assessed value
23 due to the renovation or expansion of a building used exclusively in
24 manufacturing activities described in (a)(i)(A) through (D) of this
25 subsection; and

26 (b) Property taxes paid on machinery and equipment exempt under RCW
27 82.08.02565 or 82.12.02565 and used exclusively in the manufacturing
28 activities described in (a)(i)(A) through (D) of this subsection.

29 (3) A person taking the credit under this section is subject to all
30 the requirements of chapter 82.32 RCW. A credit earned during one
31 calendar year may be carried over to be credited against taxes incurred
32 in a subsequent calendar year, but may not be carried over a second
33 year. No refunds may be granted for credits under this section.

34 (4) In addition to all other requirements under this title, a
35 person taking the credit under this section must report as required
36 under section 8 of this act.

1 (5) A person shall not take a credit under this section and RCW
2 82.04.4463.

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

4 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.32 RCW
5 to read as follows:

6 (1) The legislature finds that accountability and effectiveness are
7 important aspects of setting tax policy. In order to make policy
8 choices regarding the best use of limited state resources the
9 legislature needs information on how a tax incentive is used.

10 (2)(a) A person claiming a tax incentive shall file a complete
11 annual survey with the department. The survey is due by March 31st
12 following any year in which a tax incentive is claimed. The department
13 may extend the due date for timely filing of annual surveys under this
14 section as provided in RCW 82.32.590. The survey shall include the
15 amount of any tax incentive claimed. For a person claiming a credit
16 under section 3 of this act, the survey shall also include the
17 qualified aerospace product development expenditures during the
18 calendar year, whether the credit has been assigned under section 3(4)
19 of this act and who assigned the credit, the number of new products or
20 research projects by general classification, and the number of
21 trademarks, patents, and copyrights associated with the qualified
22 aerospace product development activities. The first survey filed under
23 this subsection shall include employment, wage, and benefit information
24 for the twelve-month period immediately before first use of a tax
25 incentive. The annual survey shall also include the following
26 information for employment positions in Washington:

- 27 (i) The number of total employment positions;
- 28 (ii) Full-time, part-time, and temporary employment positions as a
29 percent of total employment;
- 30 (iii) The number of employment positions according to the following
31 wage bands: Less than thirty thousand dollars; thirty thousand dollars
32 or greater, but less than sixty thousand dollars; and sixty thousand
33 dollars or greater. A wage band containing fewer than three
34 individuals may be combined with another wage band; and
- 35 (iv) The number of employment positions that have employer-provided
36 medical, dental, and retirement benefits, by each of the wage bands.

1 (b) As part of the annual survey, the department may request
2 additional information necessary to measure the results of, or
3 determine eligibility for, the tax incentive program.

4 (c) All information collected under this section, except the amount
5 of any tax incentive claimed, is deemed taxpayer information under RCW
6 82.32.330. Information on the amount of any tax incentive claimed is
7 not subject to the confidentiality provisions of RCW 82.32.330 and may
8 be disclosed to the public upon request, except as provided in (d) of
9 this subsection. If the amount of any tax incentive reported on the
10 survey is different than the amount actually claimed on the taxpayer's
11 tax returns or otherwise allowed by the department, the amount actually
12 claimed or allowed may be disclosed.

13 (d) Persons for whom the actual amount of all tax incentives
14 claimed on the taxpayer's returns or otherwise allowed by the
15 department is less than ten thousand dollars during the period covered
16 by the survey may request the department to treat the tax incentive
17 amount as confidential under RCW 82.32.330.

18 (3) If a person fails to submit a complete annual survey under
19 subsection (2) of this section by the due date or any extension under
20 RCW 82.32.590, the department shall declare the amount of taxes against
21 which any tax incentive was claimed for that year to be immediately due
22 and payable. The department shall assess interest, but not penalties,
23 on the taxes against which the tax incentive was claimed. Interest
24 shall be assessed at the rate provided for delinquent excise taxes
25 under this chapter, retroactively to the date the tax incentive was
26 claimed, and shall accrue until the taxes against which the tax
27 incentive was claimed are repaid.

28 (4) The department shall use the information from the annual survey
29 required under subsection (2) of this section to prepare summary
30 descriptive statistics by category. No fewer than three taxpayers
31 shall be included in any category. The department shall report these
32 statistics to the legislature each year by September 1st.

33 (5) In conjunction with the reports due under RCW 82.32.545, by
34 November 1, 2010, and November 1, 2023, the fiscal committees of the
35 house of representatives and the senate, in consultation with the
36 department, shall report to the legislature on the effectiveness of the
37 tax incentives authorized in sections 3, 5, and 7 of this act in regard
38 to keeping Washington competitive. The report shall measure the effect

1 of the tax incentives authorized in sections 3, 5, and 7 of this act on
2 job retention, net jobs created for Washington residents, company
3 growth, diversification of the state's economy, cluster dynamics, and
4 other factors as the committees select. The reports shall include a
5 discussion of principles to apply in evaluating whether the legislature
6 should reenact the tax incentives authorized in sections 3, 5, and 7 of
7 this act.

8 (6) A person who is subject to the requirements in RCW 82.32.545 is
9 not required to file a complete annual survey under this section if the
10 person timely files the annual report required by RCW 82.32.545.

11 (7) For the purposes of this section, "tax incentive" means a tax
12 credit under sections 3 and 7 of this act and the preferential tax
13 rates in RCW 82.04.260(12).

14 **Sec. 9.** RCW 82.32.590 and 2005 c 514 s 1001 are each amended to
15 read as follows:

16 (1) If the department finds that the failure of a taxpayer to file
17 an annual survey under RCW 82.04.4452 or section 8 of this act by the
18 due date was the result of circumstances beyond the control of the
19 taxpayer, the department shall extend the time for filing the survey.
20 Such extension shall be for a period of thirty days from the date the
21 department issues its written notification to the taxpayer that it
22 qualifies for an extension under this section. The department may
23 grant additional extensions as it deems proper.

24 (2) In making a determination whether the failure of a taxpayer to
25 file an annual survey by the due date was the result of circumstances
26 beyond the control of the taxpayer, the department shall be guided by
27 rules adopted by the department for the waiver or cancellation of
28 penalties when the underpayment or untimely payment of any tax was due
29 to circumstances beyond the control of the taxpayer.

30 **Sec. 10.** RCW 82.32.600 and 2005 c 514 s 1002 are each amended to
31 read as follows:

32 (1) Persons required to file surveys under RCW 82.04.4452 or
33 section 8 of this act must electronically file with the department all
34 surveys, returns, and any other forms or information the department
35 requires in an electronic format as provided or approved by the

1 department(~~(, unless the department grants relief under subsection (2)~~
2 ~~of this section)~~). As used in this section, "returns" has the same
3 meaning as "return" in RCW 82.32.050.

4 ~~(2) ((Upon request, the department may relieve a person of the~~
5 ~~obligations in subsection (1) of this section if the person's taxes~~
6 ~~have been reduced a cumulative total of less than one thousand dollars~~
7 ~~from all of the credits, exemptions, or preferential business and~~
8 ~~occupation tax rates, for which a person is required to file an annual~~
9 ~~survey under RCW 82.04.4452, 82.32.535, 82.32.545, 82.32.570,~~
10 ~~82.32.560, 82.60.070, or 82.63.020.~~

11 ~~(3) Persons who no longer qualify for relief under subsection (2)~~
12 ~~of this section will be notified in writing by the department and must~~
13 ~~comply with subsection (1) of this section by the date provided in the~~
14 ~~notice.~~

15 ~~(4))~~ Any survey, return, or any other form or information required
16 to be filed in an electronic format under subsection (1) of this
17 section is not filed until received by the department in an electronic
18 format.

19 (3) The department may waive the electronic filing requirement in
20 subsection (1) of this section for good cause shown.

21 NEW SECTION. Sec. 11. This act takes effect July 1, 2006.

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