
SUBSTITUTE HOUSE BILL 1597

State of Washington

61st Legislature

2009 Regular Session

By House Finance (originally sponsored by Representatives Springer and Hunter; by request of Department of Revenue)

READ FIRST TIME 03/02/09.

1 AN ACT Relating to improving the administration of state and local
2 tax programs without impacting tax collections by providing greater
3 consistency in numerous tax incentive programs, revising provisions
4 relating to the confidentiality and disclosure of tax information, and
5 amending statutes to improve clarity and consistency, eliminate
6 obsolete provisions, and simplify administration; amending RCW
7 82.04.240, 82.04.2404, 82.04.250, 82.04.2909, 82.04.294, 82.04.426,
8 82.04.4266, 82.04.4268, 82.04.4269, 82.04.4452, 82.04.4461, 82.04.4463,
9 82.04.448, 82.04.4481, 82.04.4483, 82.04.4484, 82.04.449, 82.08.805,
10 82.08.965, 82.08.9651, 82.08.970, 82.08.980, 82.12.022, 82.12.805,
11 82.12.965, 82.12.9651, 82.12.970, 82.12.980, 82.16.0421, 82.29A.137,
12 82.60.020, 82.60.070, 82.63.020, 82.63.045, 82.74.040, 82.74.050,
13 82.75.010, 82.75.020, 82.75.040, 82.82.020, 82.82.040, 84.36.645,
14 84.36.655, 42.56.230, 82.16.120, 82.32.330, 82.32.480, 82.60.100,
15 82.62.080, 82.63.070, 82.74.070, 82.75.060, 83.100.210, 39.100.050,
16 82.36.440, 82.38.280, 82.04.3651, 82.08.02573, 82.08.0273, 82.08.0293,
17 82.08.865, 82.12.035, 82.12.040, 82.12.865, 82.80.120, 83.100.040,
18 83.100.046, 82.04.280, 82.04.280, 29A.36.210, 36.68.525, 36.69.145,
19 82.03.140, 84.34.020, 84.36.040, 84.36.381, 84.37.030, 84.37.902,
20 84.40.042, 84.48.050, 84.52.030, 84.52.070, 84.52.080, 84.56.070,
21 84.60.050, 86.09.490, 87.03.265, and 87.03.270; amending 2006 c 300 s

1 12 (uncodified); reenacting and amending RCW 82.04.260, 82.32.590,
2 82.32.600, 82.04.050, and 84.36.383; adding new sections to chapter
3 82.32 RCW; adding a new section to chapter 82.75 RCW; adding a new
4 section to chapter 35.102 RCW; creating new sections; repealing RCW
5 82.32.535, 82.32.5351, 82.32.545, 82.32.560, 82.32.570, 82.32.610,
6 82.32.620, 82.32.630, 82.32.645, 82.32.650, 82.16.140, and 84.55.080;
7 repealing 2005 c 301 s 5 (uncodified); providing a contingent effective
8 date; and providing expiration dates.

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

10 **PART I**

11 **PROVIDING UNIFORMITY IN TAX INCENTIVE ACCOUNTABILITY PROVISIONS**

12 NEW SECTION. **Sec. 101.** (1) The legislature finds that
13 accountability and effectiveness are important aspects of setting tax
14 policy. In order to make policy choices regarding the best use of
15 limited state resources, the legislature needs information on how a tax
16 preference is used. In recent years, the legislature has enacted or
17 extended numerous tax preferences that require the reporting of
18 information to the department of revenue. Although there are many
19 similarities in the requirements, and only two distinct accountability
20 documents, there is a lack of uniformity in the information reported,
21 penalties for failure to file, due dates, filing extensions, and filing
22 requirements. Greater uniformity in the data reported is necessary to
23 adequately compare tax preference programs. The legislature intends to
24 create two sets of uniform reporting requirements that apply to the
25 existing tax preferences and can be used in future legislation granting
26 additional tax preferences.

27 (2) The legislative fiscal committees or the department of revenue
28 are required to study many of the existing tax preferences and report
29 to the legislature at least once. Because chapter 43.136 RCW now
30 requires the joint legislative audit and review committee, with support
31 from the department of revenue, to comprehensively review most tax
32 preferences every ten years and provide a report to the legislature, a
33 number of redundant studies by the legislative fiscal committees and
34 the department of revenue have been eliminated. However, the

1 department of revenue will continue to prepare summary descriptive
2 statistics by category and report the statistics to the legislature
3 each year.

4 NEW SECTION. **Sec. 102.** A new section is added to chapter 82.32
5 RCW to read as follows:

6 (1)(a) Every person claiming a tax preference that requires a
7 survey under this section must file a complete annual survey with the
8 department.

9 (i) Except as provided in (a)(ii) of this subsection, the survey is
10 due by April 30th of the year following any calendar year in which a
11 person becomes eligible to claim the tax preference that requires a
12 survey under this section.

13 (ii) If the tax preference is a deferral of tax, the first survey
14 must be filed by April 30th of the calendar year following the calendar
15 year in which the investment project is certified by the department as
16 operationally complete, and a survey must be filed by April 30th of
17 each of the seven succeeding calendar years.

18 (b) The department may extend the due date for timely filing of
19 annual surveys under this section as provided in RCW 82.32.590.

20 (2)(a) The survey must include the amount of the tax preference
21 claimed for the calendar year covered by the survey.

22 (b) The survey must also include the following information for
23 employment positions in Washington, not to include names of employees,
24 for the year that the tax preference was claimed:

25 (i) The number of total employment positions;

26 (ii) Full-time, part-time, and temporary employment positions as a
27 percent of total employment;

28 (iii) The number of employment positions according to the following
29 wage bands: Less than thirty thousand dollars; thirty thousand dollars
30 or greater, but less than sixty thousand dollars; and sixty thousand
31 dollars or greater. A wage band containing fewer than three
32 individuals may be combined with another wage band; and

33 (iv) The number of employment positions that have employer-provided
34 medical, dental, and retirement benefits, by each of the wage bands.

35 (c) For persons claiming the tax preference provided under chapter
36 82.60 or 82.63 RCW, the survey must also include the number of new

1 products or research projects by general classification, and the number
2 of trademarks, patents, and copyrights associated with activities at
3 the investment project.

4 (d) For persons claiming the credit provided under RCW 82.04.4452,
5 the survey must also include the qualified research and development
6 expenditures during the calendar year for which the credit was claimed,
7 the taxable amount during the calendar year for which the credit was
8 claimed, the number of new products or research projects by general
9 classification, the number of trademarks, patents, and copyrights
10 associated with the research and development activities for which the
11 credit was claimed, and whether the tax preference has been assigned,
12 and who assigned the credit. The definitions in RCW 82.04.4452 apply
13 to this subsection (2)(d).

14 (e) If the person filing a survey under this section did not file
15 a survey with the department in the previous calendar year, the survey
16 filed under this section must also include the employment, wage, and
17 benefit information required under (b)(i) through (iv) of this
18 subsection for the calendar year immediately preceding the calendar
19 year for which a tax preference was claimed.

20 (3) As part of the annual survey, the department may request
21 additional information necessary to measure the results of, or
22 determine eligibility for, the tax preference.

23 (4) All information collected under this section, except the amount
24 of the tax preference claimed, is deemed taxpayer information under RCW
25 82.32.330. Information on the amount of tax preference claimed is not
26 subject to the confidentiality provisions of RCW 82.32.330 and may be
27 disclosed to the public upon request, except as provided in subsection
28 (5) of this section. If the amount of the tax preference claimed as
29 reported on the survey is different than the amount actually claimed or
30 otherwise allowed by the department based on the taxpayer's excise tax
31 returns or other information known to the department, the amount
32 actually claimed or allowed may be disclosed.

33 (5) Persons for whom the actual amount of the tax reduced or saved
34 is less than ten thousand dollars during the period covered by the
35 survey may request the department to treat the amount of the tax
36 reduction or savings as confidential under RCW 82.32.330.

37 (6)(a) Except as otherwise provided by law, if a person claims a
38 tax preference that requires an annual survey under this section but

1 fails to submit a complete annual survey by the due date of the survey
2 or any extension under RCW 82.32.590, the department must declare the
3 amount of the tax preference claimed for the previous calendar year to
4 be immediately due. If the tax preference is a deferral of tax, twelve
5 and one-half percent of the deferred tax is immediately due. If the
6 economic benefits of the deferral are passed to a lessee, the lessee is
7 responsible for payment to the extent the lessee has received the
8 economic benefit.

9 (b) The department must assess interest, but not penalties, on the
10 amounts due under this subsection. The interest must be assessed at
11 the rate provided for delinquent taxes under this chapter,
12 retroactively to the date the tax preference was claimed, and accrues
13 until the taxes for which the tax preference was claimed are repaid.
14 Amounts due under this subsection are not subject to the
15 confidentiality provisions of RCW 82.32.330 and may be disclosed to the
16 public upon request.

17 (7) The department must use the information from this section to
18 prepare summary descriptive statistics by category. No fewer than
19 three taxpayers may be included in any category. The department must
20 report these statistics to the legislature each year by October 1st.

21 (8) For the purposes of this section:

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

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

27 NEW SECTION. **Sec. 103.** A new section is added to chapter 82.32
28 RCW to read as follows:

29 (1)(a) Every person claiming a tax preference that requires a
30 report under this section must file a complete annual report with the
31 department. The report is due by April 30th of the year following any
32 calendar year in which a person becomes eligible to claim the tax
33 preference that requires a report under this section. The department
34 may extend the due date for timely filing of annual reports under this
35 section as provided in RCW 82.32.590.

36 (b) The report must include information detailing employment,
37 wages, and employer-provided health and retirement benefits for

1 employment positions in Washington for the year that the tax preference
2 was claimed. However, persons engaged in manufacturing commercial
3 airplanes or components of such airplanes may report employment, wage,
4 and benefit information per job at the manufacturing site for the year
5 that the tax preference was claimed. The report must not include names
6 of employees. The report must also detail employment by the total
7 number of full-time, part-time, and temporary positions for the year
8 that the tax preference was claimed.

9 (c) Persons receiving the benefit of the tax preference provided by
10 RCW 82.16.0421 or claiming any of the tax preferences provided by RCW
11 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, or 82.12.022(5) must
12 indicate on the annual report the quantity of product produced in this
13 state during the time period covered by the report.

14 (d) If a person filing a report under this section did not file a
15 report with the department in the previous calendar year, the report
16 filed under this section must also include employment, wage, and
17 benefit information for the calendar year immediately preceding the
18 calendar year for which a tax preference was claimed.

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

22 (3) Other than information requested under subsection (2) of this
23 section, the information contained in an annual report filed under this
24 section is not subject to the confidentiality provisions of RCW
25 82.32.330 and may be disclosed to the public upon request.

26 (4) Except as otherwise provided by law, if a person claims a tax
27 preference that requires an annual report under this section but fails
28 to submit a complete report by the due date or any extension under RCW
29 82.32.590, the department must declare the amount of the tax preference
30 claimed for the previous calendar year to be immediately due and
31 payable. The department must assess interest, but not penalties, on
32 the amounts due under this subsection. The interest must be assessed
33 at the rate provided for delinquent taxes under this chapter,
34 retroactively to the date the tax preference was claimed, and accrues
35 until the taxes for which the tax preference was claimed are repaid.
36 Amounts due under this subsection are not subject to the
37 confidentiality provisions of RCW 82.32.330 and may be disclosed to the
38 public upon request.

1 (5) The department must use the information from this section to
2 prepare summary descriptive statistics by category. No fewer than
3 three taxpayers may be included in any category. The department must
4 report these statistics to the legislature each year by October 1st.

5 (6) For the purposes of this section:

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

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

11 **Sec. 104.** RCW 82.04.240 and 2003 c 149 s 3 are each amended to
12 read as follows:

13 (1) Upon every person engaging within this state in business as a
14 manufacturer, except persons taxable as manufacturers under other
15 provisions of this chapter; as to such persons the amount of the tax
16 with respect to such business (~~(shall be)~~) is equal to the value of the
17 products, including byproducts, manufactured, multiplied by the rate of
18 0.484 percent.

19 (2)(a) Upon every person engaging within this state in the business
20 of manufacturing semiconductor materials, as to such persons the amount
21 of tax with respect to such business (~~(shall)~~) is, in the case of
22 manufacturers, (~~(be)~~) equal to the value of the product manufactured,
23 or, in the case of processors for hire, (~~(be)~~) equal to the gross
24 income of the business, multiplied by the rate of 0.275 percent. For
25 the purposes of this subsection "semiconductor materials" means silicon
26 crystals, silicon ingots, raw polished semiconductor wafers, compound
27 semiconductors, integrated circuits, and microchips.

28 (b) A person reporting under the tax rate provided in this
29 subsection (2) must file a complete annual report with the department
30 under section 103 of this act.

31 (c) This subsection (2) expires twelve years after the effective
32 date of this act.

33 (3) The measure of the tax is the value of the products, including
34 byproducts, so manufactured regardless of the place of sale or the fact
35 that deliveries may be made to points outside the state.

1 **Sec. 105.** RCW 82.04.2404 and 2006 c 84 s 2 are each amended to
2 read as follows:

3 (1) Upon every person engaging within this state in the business of
4 manufacturing or processing for hire semiconductor materials, as to
5 such persons the amount of tax with respect to such business (~~shall~~)
6 is, in the case of manufacturers, (~~be~~) equal to the value of the
7 product manufactured, or, in the case of processors for hire, (~~be~~)
8 equal to the gross income of the business, multiplied by the rate of
9 0.275 percent.

10 (2) For the purposes of this section "semiconductor materials"
11 means silicon crystals, silicon ingots, raw polished semiconductor
12 wafers, and compound semiconductor wafers.

13 (3) A person reporting under the tax rate provided in this section
14 must file a complete annual report with the department under section
15 103 of this act.

16 (4) This section expires (~~twelve years after~~) December 1,
17 (~~2006~~) 2018.

18 **Sec. 106.** RCW 82.04.250 and 2008 c 81 s 5 are each amended to read
19 as follows:

20 (1) Upon every person engaging within this state in the business of
21 making sales at retail, except persons taxable as retailers under other
22 provisions of this chapter, as to such persons, the amount of tax with
23 respect to such business (~~shall be~~) is equal to the gross proceeds of
24 sales of the business, multiplied by 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(11) or
29 subsection (3) of this section, as to such persons, the amount of tax
30 with respect to such business (~~shall be~~) is equal to the gross
31 proceeds of sales of the business, multiplied by the rate of 0.484
32 percent.

33 (3)(a) Upon every person classified by the federal aviation
34 administration as a federal aviation regulation part 145 certificated
35 repair station and that is engaging within this state in the business
36 of making sales at retail that are exempt from the tax imposed under
37 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or

1 82.08.0263, as to such persons, the amount of tax with respect to such
2 business (~~(shall be)~~) is equal to the gross proceeds of sales of the
3 business, multiplied by the rate of .2904 percent.

4 (b) A person reporting under the tax rate provided in this
5 subsection (3) must file a complete annual report with the department
6 under section 103 of this act.

7 **Sec. 107.** RCW 82.04.260 and 2008 c 296 s 1, 2008 c 217 s 100, and
8 2008 c 81 s 4 are each reenacted and amended to read as follows:

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

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

17 (b) Beginning July 1, 2012, seafood products that remain in a raw,
18 raw frozen, or raw salted state at the completion of the manufacturing
19 by that person; or selling manufactured seafood products that remain in
20 a raw, raw frozen, or raw salted state at the completion of the
21 manufacturing, to purchasers who transport in the ordinary course of
22 business the goods out of this state; as to such persons the amount of
23 tax with respect to such business (~~(shall be)~~) is equal to the value of
24 the products manufactured or the gross proceeds derived from such
25 sales, multiplied by the rate of 0.138 percent. Sellers must keep and
26 preserve records for the period required by RCW 82.32.070 establishing
27 that the goods were transported by the purchaser in the ordinary course
28 of business out of this state;

29 (c) Beginning July 1, 2012, dairy products that as of September 20,
30 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
31 including byproducts from the manufacturing of the dairy products such
32 as whey and casein; or selling the same to purchasers who transport in
33 the ordinary course of business the goods out of state; as to such
34 persons the tax imposed (~~(shall be)~~) is equal to the value of the
35 products manufactured or the gross proceeds derived from such sales
36 multiplied by the rate of 0.138 percent. Sellers must keep and

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

4 (d) Beginning July 1, 2012, fruits or vegetables by canning,
5 preserving, freezing, processing, or dehydrating fresh fruits or
6 vegetables, or selling at wholesale fruits or vegetables manufactured
7 by the seller by canning, preserving, freezing, processing, or
8 dehydrating fresh fruits or vegetables and sold to purchasers who
9 transport in the ordinary course of business the goods out of this
10 state; as to such persons the amount of tax with respect to such
11 business (~~shall be~~) is equal to the value of the products
12 manufactured or the gross proceeds derived from such sales multiplied
13 by the rate of 0.138 percent. Sellers must keep and preserve records
14 for the period required by RCW 82.32.070 establishing that the goods
15 were transported by the purchaser in the ordinary course of business
16 out of this state;

17 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
18 feedstock, as those terms are defined in RCW 82.29A.135; as to such
19 persons the amount of tax with respect to the business (~~shall be~~) is
20 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel
21 feedstock manufactured, multiplied by the rate of 0.138 percent; and

22 (f) (~~Alcohol fuel or~~) Wood biomass fuel(~~(r)~~) as (~~those terms~~
23 ~~are~~) defined in RCW 82.29A.135; as to such persons the amount of tax
24 with respect to the business (~~shall be~~) is equal to the value of
25 (~~alcohol fuel or~~) wood biomass fuel manufactured, multiplied by the
26 rate of 0.138 percent.

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

31 (3) Upon every nonprofit corporation and nonprofit association
32 engaging within this state in research and development, as to such
33 corporations and associations, the amount of tax with respect to such
34 activities (~~shall be~~) is equal to the gross income derived from such
35 activities multiplied by the rate of 0.484 percent.

36 (4) Upon every person engaging within this state in the business of
37 slaughtering, breaking and/or processing perishable meat products

1 and/or selling the same at wholesale only and not at retail; as to such
2 persons the tax imposed (~~shall be~~) is equal to the gross proceeds
3 derived from such sales multiplied by the rate of 0.138 percent.

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

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

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

1 checking, care, custody and control of cargo required in the transfer
2 of cargo; imported automobile handling prior to delivery to consignee;
3 terminal stevedoring and incidental vessel services, including but not
4 limited to plugging and unplugging refrigerator service to containers,
5 trailers, and other refrigerated cargo receptacles, and securing ship
6 hatch covers.

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

13 If the gross income of the taxpayer is attributable to activities
14 both within and without this state, the gross income attributable to
15 this state (~~shall~~) must be determined in accordance with the methods
16 of apportionment required under RCW 82.04.460.

17 (9) Upon every person engaging within this state as an insurance
18 producer or title insurance agent licensed under chapter 48.17 RCW; as
19 to such persons, the amount of the tax with respect to such licensed
20 activities (~~shall be~~) is equal to the gross income of such business
21 multiplied by the rate of 0.484 percent.

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

31 (11)(a) Beginning October 1, 2005, upon every person engaging
32 within this state in the business of manufacturing commercial
33 airplanes, or components of such airplanes, or making sales, at retail
34 or wholesale, of commercial airplanes or components of such airplanes,
35 manufactured by the seller, as to such persons the amount of tax with
36 respect to such business (~~shall~~) is, in the case of manufacturers,
37 (~~be~~) equal to the value of the product manufactured and the gross

1 proceeds of sales of the product manufactured, or in the case of
2 processors for hire, ~~((be))~~ equal to the gross income of the business,
3 multiplied by the rate of:

4 (i) 0.4235 percent from October 1, 2005, through ~~((the later of))~~
5 June 30, 2007; and

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

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

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

20 (d) In addition to all other requirements under this title, a
21 person ~~((eligible for))~~ reporting under the tax rate ~~((under))~~ provided
22 in this subsection (11) must ~~((report as required))~~ file a complete
23 annual report with the department under ~~((RCW 82.32.545))~~ section 103
24 of this act.

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

26 (12)(a) Until July 1, 2024, upon every person engaging within this
27 state in the business of extracting timber or extracting for hire
28 timber; as to such persons the amount of tax with respect to the
29 business ~~((shall))~~ is, in the case of extractors, ~~((be))~~ equal to the
30 value of products, including byproducts, extracted, or in the case of
31 extractors for hire, be equal to the gross income of the business,
32 multiplied by the rate of 0.4235 percent from July 1, 2006, through
33 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
34 2024.

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

1 amount of the tax with respect to the business (~~shall~~) is, in the
2 case of manufacturers, (~~be~~) equal to the value of products, including
3 byproducts, manufactured, or in the case of processors for hire, (~~be~~)
4 equal to the gross income of the business, multiplied by the rate of
5 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904
6 percent from July 1, 2007, through June 30, 2024.

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

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

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

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

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

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

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

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

15 (v) "Timber products" means:

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

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

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

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

27 (f) Except for small harvesters as defined in RCW 84.33.035, a
28 person reporting under the tax rate provided in this subsection (12)
29 must file a complete annual survey with the department under section
30 102 of this act.

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

36 **Sec. 108.** RCW 82.04.2909 and 2006 c 182 s 1 are each amended to
37 read as follows:

1 (1) Upon every person who is an aluminum smelter engaging within
2 this state in the business of manufacturing aluminum; as to such
3 persons the amount of tax with respect to such business (~~shall~~) is,
4 in the case of manufacturers, (~~be~~) equal to the value of the product
5 manufactured, or in the case of processors for hire, (~~be~~) equal to
6 the gross income of the business, multiplied by the rate of .2904
7 percent.

8 (2) Upon every person who is an aluminum smelter engaging within
9 this state in the business of making sales at wholesale of aluminum
10 manufactured by that person, as to such persons the amount of tax with
11 respect to such business (~~shall be~~) is equal to the gross proceeds of
12 sales of the aluminum multiplied by the rate of .2904 percent.

13 (3) A person reporting under the tax rate provided in this section
14 must file a complete annual report with the department under section
15 103 of this act.

16 (4) This section expires January 1, 2012.

17 **Sec. 109.** RCW 82.04.294 and 2007 c 54 s 8 are each amended to read
18 as follows:

19 (1) Beginning October 1, 2005, upon every person engaging within
20 this state in the business of manufacturing solar energy systems using
21 photovoltaic modules, or of manufacturing solar grade silicon to be
22 used exclusively in components of such systems; as to such persons the
23 amount of tax with respect to such business (~~shall~~) is, in the case
24 of manufacturers, (~~be~~) equal to the value of the product
25 manufactured, or in the case of processors for hire, (~~be~~) equal to
26 the gross income of the business, multiplied by the rate of 0.2904
27 percent.

28 (2) Beginning October 1, 2005, upon every person engaging within
29 this state in the business of making sales at wholesale of solar energy
30 systems using photovoltaic modules and manufactured by the seller, or
31 of solar grade silicon manufactured by the seller to be used
32 exclusively in components of such systems(~~, manufactured by that~~
33 ~~person~~)); as to such persons the amount of tax with respect to such
34 business (~~shall be~~) is equal to the gross proceeds of sales of the
35 solar energy systems using photovoltaic modules, or of the solar grade
36 silicon to be used exclusively in components of such systems,
37 multiplied by the rate of 0.2904 percent.

1 (3) The definitions in this subsection apply throughout this
2 section.

3 (a) "Module" means the smallest nondivisible self-contained
4 physical structure housing interconnected photovoltaic cells and
5 providing a single direct current electrical output.

6 (b) "Photovoltaic cell" means a device that converts light directly
7 into electricity without moving parts.

8 (c) "Solar energy system" means any device or combination of
9 devices or elements that rely upon direct sunlight as an energy source
10 for use in the generation of electricity.

11 (d) "Solar grade silicon" means high-purity silicon used
12 exclusively in components of solar energy systems using photovoltaic
13 modules to capture direct sunlight. "Solar grade silicon" does not
14 include silicon used in semiconductors.

15 (4) A person reporting under the tax rate provided in this section
16 must file a complete annual report with the department under section
17 103 of this act.

18 (5) This section expires June 30, 2014.

19 **Sec. 110.** RCW 82.04.426 and 2003 c 149 s 2 are each amended to
20 read as follows:

21 (1) The tax imposed by RCW 82.04.240(2) does not apply to any
22 person in respect to the manufacturing of semiconductor microchips.

23 (2) For the purposes of this section:

24 (a) "Manufacturing semiconductor microchips" means taking raw
25 polished semiconductor wafers and embedding integrated circuits on the
26 wafers using processes such as masking, etching, and diffusion; and

27 (b) "Integrated circuit" means a set of microminiaturized,
28 electronic circuits.

29 (3) A person reporting under the tax rate provided in this section
30 must file a complete annual report with the department under section
31 103 of this act.

32 (4) This section expires nine years after the effective date of
33 this act.

34 **Sec. 111.** RCW 82.04.4266 and 2006 c 354 s 3 are each amended to
35 read as follows:

1 (1) This chapter (~~shall~~) does not apply to the value of products
2 or the gross proceeds of sales derived from:

3 (a) Manufacturing fruits or vegetables by canning, preserving,
4 freezing, processing, or dehydrating fresh fruits or vegetables; or

5 (b) Selling at wholesale fruits or vegetables manufactured by the
6 seller by canning, preserving, freezing, processing, or dehydrating
7 fresh fruits or vegetables and sold to purchasers who transport in the
8 ordinary course of business the goods out of this state. A person
9 taking an exemption under this subsection (1)(b) must keep and preserve
10 records for the period required by RCW 82.32.070 establishing that the
11 goods were transported by the purchaser in the ordinary course of
12 business out of this state.

13 (2) A person claiming the exemption provided in this section must
14 file a complete annual survey with the department under section 102 of
15 this act.

16 (3) This section expires July 1, 2012.

17 **Sec. 112.** RCW 82.04.4268 and 2006 c 354 s 1 are each amended to
18 read as follows:

19 (1) This chapter (~~shall~~) does not apply to the value of products
20 or the gross proceeds of sales derived from:

21 (a) Manufacturing dairy products; or

22 (b) Selling manufactured dairy products to purchasers who transport
23 in the ordinary course of business the goods out of this state. A
24 person taking an exemption under this subsection (1)(b) must keep and
25 preserve records for the period required by RCW 82.32.070 establishing
26 that the goods were transported by the purchaser in the ordinary course
27 of business out of this state.

28 (2) "Dairy products" means dairy products that as of September 20,
29 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
30 including byproducts from the manufacturing of the dairy products such
31 as whey and casein.

32 (3) A person claiming the exemption provided in this section must
33 file a complete annual survey with the department under section 102 of
34 this act.

35 (4) This section expires July 1, 2012.

1 **Sec. 113.** RCW 82.04.4269 and 2006 c 354 s 2 are each amended to
2 read as follows:

3 (1) This chapter does not apply to the value of products or the
4 gross proceeds of sales derived from:

5 (a) Manufacturing seafood products that remain in a raw, raw
6 frozen, or raw salted state at the completion of the manufacturing by
7 that person; or

8 (b) Selling manufactured seafood products that remain in a raw, raw
9 frozen, or raw salted state to purchasers who transport in the ordinary
10 course of business the goods out of this state. A person taking an
11 exemption under this subsection (1)(b) must keep and preserve records
12 for the period required by RCW 82.32.070 establishing that the goods
13 were transported by the purchaser in the ordinary course of business
14 out of this state.

15 (2) A person claiming the exemption provided in this section must
16 file a complete annual survey with the department under section 102 of
17 this act.

18 (3) This section expires July 1, 2012.

19 **Sec. 114.** RCW 82.04.4452 and 2005 c 514 s 1003 are each amended to
20 read as follows:

21 (1) In computing the tax imposed under this chapter, a credit is
22 allowed for each person whose research and development spending during
23 the year in which the credit is claimed exceeds 0.92 percent of the
24 person's taxable amount during the same calendar year.

25 (2) The credit (~~(shall be)~~) is calculated as follows:

26 (a) Determine the greater of the amount of qualified research and
27 development expenditures of a person or eighty percent of amounts
28 received by a person other than a public educational or research
29 institution in compensation for the conduct of qualified research and
30 development;

31 (b) Subtract 0.92 percent of the person's taxable amount from the
32 amount determined under (a) of this subsection;

33 (c) Multiply the amount determined under (b) of this subsection by
34 the following:

35 (i) For the period June 10, 2004, through December 31, 2006, the
36 person's average tax rate for the calendar year for which the credit is
37 claimed;

1 (ii) For the calendar year ending December 31, 2007, the greater of
2 the person's average tax rate for that calendar year or 0.75 percent;

3 (iii) For the calendar year ending December 31, 2008, the greater
4 of the person's average tax rate for that calendar year or 1.0 percent;

5 (iv) For the calendar year ending December 31, 2009, the greater of
6 the person's average tax rate for that calendar year or 1.25 percent;

7 (v) For the calendar year ending December 31, 2010, and thereafter,
8 1.50 percent.

9 For purposes of calculating the credit, if a person's reporting
10 period is less than annual, the person may use an estimated average tax
11 rate for the calendar year for which the credit is claimed by using the
12 person's average tax rate for each reporting period. A person who uses
13 an estimated average tax rate must make an adjustment to the total
14 credit claimed for the calendar year using the person's actual average
15 tax rate for the calendar year when the person files its last return
16 for the calendar year for which the credit is claimed.

17 (3) Any person entitled to the credit provided in subsection (2) of
18 this section as a result of qualified research and development
19 conducted under contract may assign all or any portion of the credit to
20 the person contracting for the performance of the qualified research
21 and development.

22 (4) The credit, including any credit assigned to a person under
23 subsection (3) of this section, (~~shall~~) must be claimed against taxes
24 due for the same calendar year in which the qualified research and
25 development expenditures are incurred. The credit, including any
26 credit assigned to a person under subsection (3) of this section, for
27 each calendar year (~~shall~~) may not exceed the lesser of two million
28 dollars or the amount of tax otherwise due under this chapter for the
29 calendar year.

30 (5) For any person claiming the credit, including any credit
31 assigned to a person under subsection (3) of this section, whose
32 research and development spending during the calendar year in which the
33 credit is claimed fails to exceed 0.92 percent of the person's taxable
34 amount during the same calendar year or who is otherwise ineligible,
35 the department (~~shall~~) must declare the taxes against which the
36 credit was claimed to be immediately due and payable. The department
37 (~~shall~~) must assess interest, but not penalties, on the taxes against
38 which the credit was claimed. Interest (~~shall~~) must be assessed at

1 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
2 retroactively to the date the credit was claimed, and ~~((shall))~~ accrues
3 until the taxes against which the credit was claimed are repaid. Any
4 credit assigned to a person under subsection (3) of this section that
5 is disallowed as a result of this section may be claimed by the person
6 who performed the qualified research and development subject to the
7 limitations set forth in subsection (4) of this section.

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

12 ~~(b))~~ A person claiming the credit ~~((shall))~~ provided in this
13 section must file a complete annual survey with the department under
14 section 102 of this act. ~~((The survey is due by March 31st following~~
15 ~~any year in which a credit is claimed. The department may extend the~~
16 ~~due date for timely filing of annual surveys under this section as~~
17 ~~provided in RCW 82.32.590. The survey shall include the amount of the~~
18 ~~tax credit claimed, the qualified research and development expenditures~~
19 ~~during the calendar year for which the credit is claimed, the taxable~~
20 ~~amount during the calendar year for which the credit is claimed, the~~
21 ~~number of new products or research projects by general classification,~~
22 ~~the number of trademarks, patents, and copyrights associated with the~~
23 ~~research and development activities for which a credit was claimed, and~~
24 ~~whether the credit has been assigned under subsection (3) of this~~
25 ~~section and who assigned the credit. The survey shall also include the~~
26 ~~following 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.~~

37 ~~(c) The department may request additional information necessary to~~

1 ~~measure the results of the tax credit program, to be submitted at the~~
2 ~~same time as the survey.~~

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

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

17 ~~(e) If a person fails to file a complete annual survey required~~
18 ~~under this subsection with the department by the due date or any~~
19 ~~extension under RCW 82.32.590, the person entitled to the credit~~
20 ~~provided in subsection (2) of this section is not eligible to claim or~~
21 ~~assign the credit provided in subsection (2) of this section in the~~
22 ~~year the person failed to timely file a complete survey.~~

23 ~~(7) The department shall use the information from subsection (6) of~~
24 ~~this section to prepare summary descriptive statistics by category. No~~
25 ~~fewer than three taxpayers shall be included in any category. The~~
26 ~~department shall report these statistics to the legislature each year~~
27 ~~by September 1st.~~

28 ~~(8) The department shall use the information from subsection (6) of~~
29 ~~this section to study the tax credit program authorized under this~~
30 ~~section. The department shall report to the legislature by December 1,~~
31 ~~2009, and December 1, 2013. The reports shall measure the effect of~~
32 ~~the program on job creation, the number of jobs created for Washington~~
33 ~~residents, company growth, the introduction of new products, the~~
34 ~~diversification of the state's economy, growth in research and~~
35 ~~development investment, the movement of firms or the consolidation of~~
36 ~~firms' operations into the state, and such other factors as the~~
37 ~~department selects.~~

38 ~~(9)) (7) For the purpose of this section:~~

1 (a) "Average tax rate" means a person's total tax liability under
2 this chapter for the calendar year for which the credit is claimed
3 divided by the taxpayer's total taxable amount under this chapter for
4 the calendar year for which the credit is claimed.

5 (b) "Qualified research and development expenditures" means
6 operating expenses, including wages, compensation of a proprietor or a
7 partner in a partnership as determined under rules adopted by the
8 department, benefits, supplies, and computer expenses, directly
9 incurred in qualified research and development by a person claiming the
10 credit provided in this section. The term does not include amounts
11 paid to a person other than a public educational or research
12 institution to conduct qualified research and development. Nor does
13 the term include capital costs and overhead, such as expenses for land,
14 structures, or depreciable property.

15 (c) "Qualified research and development" shall have the same
16 meaning as in RCW 82.63.010.

17 (d) "Research and development spending" means qualified research
18 and development expenditures plus eighty percent of amounts paid to a
19 person other than a public educational or research institution to
20 conduct qualified research and development.

21 (e) "Taxable amount" means the taxable amount subject to the tax
22 imposed in this chapter required to be reported on the person's
23 combined excise tax returns for the calendar year for which the credit
24 is claimed, less any taxable amount for which a credit is allowed under
25 RCW 82.04.440.

26 ((+10+)) (8) This section expires January 1, 2015.

27 **Sec. 115.** RCW 82.04.4461 and 2008 c 81 s 7 are each amended to
28 read as follows:

29 (1)(a)(i) In computing the tax imposed under this chapter, a credit
30 is allowed for each person for qualified aerospace product development.
31 For a person who is a manufacturer or processor for hire of commercial
32 airplanes or components of such airplanes, credit may be earned for
33 expenditures occurring after December 1, 2003. For all other persons,
34 credit may be earned only for expenditures occurring after June 30,
35 2008.

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

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

6 (2) The credit is equal to the amount of qualified aerospace
7 product development expenditures of a person, multiplied by the rate of
8 1.5 percent.

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

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

23 (5) The definitions in this subsection apply throughout this
24 section.

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

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

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

4 (c) "Qualified aerospace product development" means aerospace
5 product development performed within this state.

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

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

21 (6) In addition to all other requirements under this title, a
22 person (~~taking~~) claiming the credit under this section must file a
23 complete annual report (~~as required~~) with the department under (~~RCW~~
24 ~~82.32.545~~) section 103 of this act.

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

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

28 **Sec. 116.** RCW 82.04.4463 and 2008 c 81 s 8 are each amended to
29 read as follows:

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

33 (2) The credit is equal to:

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

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

5 (C) Property taxes or leasehold excise taxes paid on, or with
6 respect to, buildings constructed after June 30, 2008, the land upon
7 which the buildings are located, or both, and used exclusively for
8 aerospace product development, manufacturing tooling specifically
9 designed for use in manufacturing commercial airplanes or their

10 components, or in providing aerospace services, by persons not within
11 the scope of (a)(i)(A) and (B) of this subsection (2) and are(~~(I)~~
12 ~~Engaged in manufacturing tooling specifically designed for use in~~
13 ~~manufacturing commercial airplanes or their components; or (II))~~)
14 taxable under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); or

15 (ii) Property taxes attributable to an increase in assessed value
16 due to the renovation or expansion, after: (A) December 1, 2003, of a
17 building used exclusively in manufacturing commercial airplanes or
18 components of such airplanes; and (B) June 30, 2008, of buildings used
19 exclusively for aerospace product development, manufacturing tooling

20 specifically designed for use in manufacturing commercial airplanes or
21 their components, or in providing aerospace services, by persons not
22 within the scope of (a)(ii)(A) of this subsection (2) and are(~~(I)~~
23 ~~Engaged in manufacturing tooling specifically designed for use in~~
24 ~~manufacturing commercial airplanes or their components; or (II))~~)
25 taxable under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); and

26 (b) An amount equal to:

27 (i)(A) Property taxes paid, by persons taxable under RCW
28 82.04.260(11)(a), on machinery and equipment exempt under RCW
29 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

30 (B) Property taxes paid, by persons taxable under RCW
31 82.04.260(11)(b), on machinery and equipment exempt under RCW
32 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

33 (C) Property taxes paid, by persons taxable under RCW
34 (~~(82.04.0250(3) [82.04.250(3)])~~) 82.04.250(3) or 82.04.290(3), on
35 computer hardware, computer peripherals, and software exempt under RCW
36 82.08.975 or 82.12.975 and acquired after June 30, 2008.

37 (ii) For purposes of determining the amount eligible for credit

1 under (i)(A) and (B) of this subsection (2)(b), the amount of property
2 taxes paid is multiplied by a fraction.

3 ~~((+I+))~~ (A) The numerator of the fraction is the total taxable
4 amount subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on
5 the applicable business activities of manufacturing commercial
6 airplanes, components of such airplanes, or tooling specifically
7 designed for use in the manufacturing of commercial airplanes or
8 components of such airplanes.

9 ~~((+II+))~~ (B) The denominator of the fraction is the total taxable
10 amount subject to the tax imposed under all manufacturing
11 classifications in chapter 82.04 RCW.

12 ~~((+III+))~~ (C) For purposes of both the numerator and denominator of
13 the fraction, the total taxable amount refers to the total taxable
14 amount required to be reported on the person's returns for the calendar
15 year before the calendar year in which the credit under this section is
16 earned. The department may provide for an alternative method for
17 calculating the numerator in cases where the tax rate provided in RCW
18 82.04.260(11) for manufacturing was not in effect during the full
19 calendar year before the calendar year in which the credit under this
20 section is earned.

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

25 ~~((+V+))~~ (E) As used in ~~((+III+))~~ (C) of this subsection
26 (2)(b)(ii)~~((+C+))~~, "returns" means the tax returns for which the tax
27 imposed under this chapter is reported to the department.

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

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

32 (b) "Aerospace services" has the same meaning given in RCW
33 82.08.975.

34 (c) "Commercial airplane" and "component" have the same meanings as
35 provided in RCW 82.32.550.

36 (4) A credit earned during one calendar year may be carried over to
37 be credited against taxes incurred in a subsequent calendar year, but

1 may not be carried over a second year. No refunds may be granted for
2 credits under this section.

3 (5) In addition to all other requirements under this title, a
4 person (~~taking~~) claiming the credit under this section must file a
5 complete annual report (~~as required~~) with the department under (~~RCW~~
6 ~~82.32.545~~) section 103 of this act.

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

8 **Sec. 117.** RCW 82.04.448 and 2003 c 149 s 9 are each amended to
9 read as follows:

10 (1) Subject to the limits and provisions of this section, a credit
11 is authorized against the tax otherwise due under RCW 82.04.240(2) for
12 persons engaged in the business of manufacturing semiconductor
13 materials. For the purposes of this section "semiconductor materials"
14 has the same meaning as provided in RCW 82.04.240(2).

15 (2)(a) The credit under this section (~~shall~~) equals three
16 thousand dollars for each employment position used in manufacturing
17 production that takes place in a new building exempt from sales and use
18 tax under RCW 82.08.965 and 82.12.965. A credit is earned for the
19 calendar year a person fills a position. Additionally a credit is
20 earned for each year the position is maintained over the subsequent
21 consecutive years, up to eight years. Those positions that are not
22 filled for the entire year are eligible for fifty percent of the credit
23 if filled less than six months, and the entire credit if filled more
24 than six months.

25 (b) To qualify for the credit, the manufacturing activity of the
26 person must be conducted at a new building that qualifies for the
27 exemption from sales and use tax under RCW 82.08.965 and 82.12.965.

28 (c) In those situations where a production building in existence on
29 the effective date of this section will be phased out of operation,
30 during which time employment at the new building at the same site is
31 increased, the person is eligible for credit for employment at the
32 existing building and new building, with the limitation that the
33 combined eligible employment not exceed full employment at the new
34 building. "Full employment" has the same meaning as in RCW 82.08.965.
35 The credit may not be earned until the commencement of commercial
36 production, as that term is used in RCW 82.08.965.

1 (3) No application is necessary for the tax credit. The person is
2 subject to all of the requirements of chapter 82.32 RCW. In no case
3 may a credit earned during one calendar year be carried over to be
4 credited against taxes incurred in a subsequent calendar year. No
5 refunds may be granted for credits under this section.

6 (4) If at any time the department finds that a person is not
7 eligible for tax credit under this section, the amount of taxes for
8 which a credit has been claimed (~~((shall be))~~) is immediately due. The
9 department (~~((shall))~~) must assess interest, but not penalties, on the
10 taxes for which the person is not eligible. The interest (~~((shall))~~)
11 must be assessed at the rate provided for delinquent excise taxes under
12 chapter 82.32 RCW, (~~((shall be))~~) is retroactive to the date the tax
13 credit was taken, and (~~((shall))~~) accrues until the taxes for which a
14 credit has been used are repaid.

15 (5) A person (~~((taking))~~) claiming the credit under this section must
16 file a complete annual report with the department under ((RCW
17 ~~82.32.535~~)) section 103 of this act.

18 (6) Credits may be (~~((taken))~~) claimed after twelve years after the
19 effective date of this act, for those buildings at which commercial
20 production began before twelve years after the effective date of this
21 act, subject to all of the eligibility criteria and limitations of this
22 section.

23 (7) This section expires twelve years after the effective date of
24 this act.

25 **Sec. 118.** RCW 82.04.4481 and 2006 c 182 s 2 are each amended to
26 read as follows:

27 (1) In computing the tax imposed under this chapter, a credit is
28 allowed for all property taxes paid during the calendar year on
29 property owned by a direct service industrial customer and reasonably
30 necessary for the purposes of an aluminum smelter.

31 (2) A person (~~((taking))~~) claiming the credit under this section is
32 subject to all the requirements of chapter 82.32 RCW. A credit earned
33 during one calendar year may be carried over to be credited against
34 taxes incurred in the subsequent calendar year, but may not be carried
35 over a second year. Credits carried over must be applied to tax
36 liability before new credits. No refunds may be granted for credits
37 under this section.

1 (3) Credits may not be claimed under this section for property
2 taxes levied for collection in 2012 and thereafter.

3 (4) A person claiming the credit provided in this section must file
4 a complete annual report with the department under section 103 of this
5 act.

6 **Sec. 119.** RCW 82.04.4483 and 2004 c 25 s 1 are each amended to
7 read as follows:

8 (1) Subject to the limits and provisions of this section, a credit
9 is authorized against the tax otherwise due under this chapter for
10 persons engaged in a rural county in the business of manufacturing
11 computer software or programming, as those terms are defined in this
12 section.

13 (2) A person who partially or totally relocates a business from one
14 rural county to another rural county is eligible for any new qualifying
15 employment positions created as a result of the relocation but is not
16 eligible to receive credit for the jobs moved from one county to the
17 other.

18 (3)(a) To qualify for the credit, the qualifying activity of the
19 person must be conducted in a rural county and the new qualified
20 employment position must be located in the rural county.

21 (b) If an activity is conducted both from a rural county and
22 outside of a rural county, the credit is available if at least ninety
23 percent of the qualifying activity is conducted within a rural county.
24 If the qualifying activity is a service taxable activity, the place
25 where the work is performed is the place at which the activity is
26 conducted.

27 (4)(a) The credit under this section shall equal one thousand
28 dollars for each new qualified employment position created after
29 January 1, 2004, in an eligible area. A credit is earned for the
30 calendar year the person is hired to fill the position. Additionally
31 a credit is earned for each year the position is maintained over the
32 subsequent consecutive years, up to four years. The county must meet
33 the definition of a rural county at the time the position is filled.
34 If the county does not have a rural county status the following year or
35 years, the position is still eligible for the remaining years if all
36 other conditions are met.

1 (b) Participants who claimed credit under RCW 82.04.4456 for
2 qualified employment positions created before December 31, 2003, are
3 eligible to earn credit for each year the position is maintained over
4 the subsequent consecutive years, for up to four years, which four
5 years include any years claimed under RCW 82.04.4456. Those persons
6 who did not receive a credit under RCW 82.04.4456 before December 31,
7 2003, are not eligible to earn credit for qualified employment
8 positions created before December 31, 2003.

9 (c) Credit is authorized for new employees hired for new qualified
10 employment positions created on or after January 1, 2004. New
11 qualified employment positions filled by existing employees are
12 eligible for the credit under this section only if the position vacated
13 by the existing employee is filled by a new hire. A business that is
14 a sole proprietorship without any employees is equivalent to one
15 employee position and this type of business is eligible to receive
16 credit for one position.

17 (d) If a position is filled before July 1st, the position is
18 eligible for the full yearly credit for that calendar year. If it is
19 filled after June 30th, the position is eligible for half of the credit
20 for that calendar year.

21 (5) No application is necessary for the tax credit. The person
22 must keep records necessary for the department to verify eligibility
23 under this section. This information includes information relating to
24 description of qualifying activity conducted in the rural county and
25 outside the rural county by the person as well as detailed records on
26 positions and employees.

27 (6) If at any time the department finds that a person is not
28 eligible for tax credit under this section, the amount of taxes for
29 which a credit has been claimed (~~((shall be))~~) is immediately due. The
30 department (~~((shall))~~) must assess interest, but not penalties, on the
31 taxes for which the person is not eligible. The interest (~~((shall))~~)
32 must be assessed at the rate provided for delinquent excise taxes under
33 chapter 82.32 RCW, (~~((shall be assessed))~~) applies retroactively to the
34 date the tax credit was taken, and (~~((shall accrue))~~) accrues until the
35 taxes for which a credit has been used are repaid.

36 (7) The credit under this section may be used against any tax due
37 under this chapter, but in no case may a credit earned during one
38 calendar year be carried over to be credited against taxes incurred in

1 a subsequent calendar year. A person is not eligible to receive a
2 credit under this section if the person is receiving credit for the
3 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking
4 a credit under this chapter for information technology help desk
5 services conducted from a rural county. No refunds may be granted for
6 credits under this section.

7 (8) Transfer of ownership does not affect credit eligibility.
8 However, the successive credits are available to the successor for
9 remaining periods in the five years only if the eligibility conditions
10 of this section are met.

11 (9) A person (~~taking~~) claiming a tax credit(~~s~~) under this
12 section (~~shall make an~~) must file a complete annual (~~report to~~)
13 survey with the department under section 102 of this act. (~~The report~~
14 ~~shall be in a letter form and shall include the following information:~~
15 ~~Number of positions for which credit is being claimed, type of position~~
16 ~~for which credit is being claimed, type of activity in which the person~~
17 ~~is engaged in the county, how long the person has been located in the~~
18 ~~county, and taxpayer name and registration number. The report must be~~
19 ~~filed by January 30th of each year for which credit was claimed during~~
20 ~~the previous year. Failure to file a report will not result in the~~
21 ~~loss of eligibility under this section. However, the department,~~
22 ~~through its research division, shall contact taxpayers who have not~~
23 ~~filed the report and obtain the data from the taxpayer or assist the~~
24 ~~taxpayer in the filing of the report, so that the data and information~~
25 ~~necessary to measure the program's effectiveness is maintained.~~)

26 (10) As used in this section:

27 (a) "Computer software" has the meaning as defined in RCW 82.04.215
28 after June 30, 2004, and includes "software" as defined in RCW
29 82.04.215 before July 1, 2004.

30 (b) "Manufacturing" means the same as "to manufacture" under RCW
31 82.04.120. Manufacturing includes the activities of both manufacturers
32 and processors for hire.

33 (c) "Programming" means the activities that involve the creation or
34 modification of computer software, as that term is defined in this
35 chapter, and that are taxable as a service under RCW 82.04.290(2) or as
36 a retail sale under RCW 82.04.050.

37 (d) "Qualifying activity" means manufacturing of computer software
38 or programming.

1 (e) "Qualified employment position" means a permanent full-time
2 position doing programming of computer software or manufacturing of
3 computer software. This excludes administrative, professional,
4 service, executive, and other similar positions. If an employee is
5 either voluntarily or involuntarily separated from employment, the
6 employment position is considered filled on a full-time basis if the
7 employer is either training or actively recruiting a replacement
8 employee. Full-time means a position for at least thirty-five hours a
9 week.

10 (f) "Rural county" means the same as in RCW 82.14.370.

11 (11) No credit may be taken or accrued under this section on or
12 after January 1, 2011.

13 (12) This section expires January 1, 2011.

14 **Sec. 120.** RCW 82.04.4484 and 2004 c 25 s 2 are each amended to
15 read as follows:

16 (1) Subject to the limits and provisions of this section, a credit
17 is authorized against the tax otherwise due under this chapter for
18 persons engaged in a rural county in the business of providing
19 information technology help desk services to third parties.

20 (2) To qualify for the credit, the help desk services must be
21 conducted from a rural county.

22 (3) The amount of the tax credit for persons engaged in the
23 activity of providing information technology help desk services in
24 rural counties (~~shall be~~) is equal to one hundred percent of the
25 amount of tax due under this chapter that is attributable to providing
26 the services from the rural county. In order to qualify for the credit
27 under this subsection, the county must meet the definition of rural
28 county at the time the person begins to conduct qualifying business in
29 the county.

30 (4) No application is necessary for the tax credit. The person
31 must keep records necessary for the department to verify eligibility
32 under this section. These records include information relating to
33 description of activity engaged in a rural county by the person.

34 (5) If at any time the department finds that a person is not
35 eligible for tax credit under this section, the amount of taxes for
36 which a credit has been used is immediately due. The department
37 (~~shall~~) must assess interest, but not penalties, on the credited

1 taxes for which the person is not eligible. The interest (~~shall~~)
2 must be assessed at the rate provided for delinquent excise taxes under
3 chapter 82.32 RCW, (~~shall be assessed~~) retroactively to the date the
4 tax credit was taken, and (~~shall~~) will accrue until the taxes for
5 which a credit has been used are repaid.

6 (6) The credit under this section may be used against any tax due
7 under this chapter, but in no case may a credit earned during one
8 calendar year be carried over to be credited against taxes incurred in
9 a subsequent calendar year. No refunds may be granted for credits
10 under this section.

11 (7) Transfer of ownership does not affect credit eligibility.
12 However, the credit is available to the successor only if the
13 eligibility conditions of this section are met.

14 (8) A person (~~taking~~) claiming a tax credit(~~s~~) under this
15 section (~~shall make an~~) must file a complete annual (~~report to~~)
16 survey with the department under section 102 of this act. (~~The report~~
17 ~~shall be in a letter form and shall include the following information:~~
18 ~~Type of activity in which the person is engaged in the county, number~~
19 ~~of employees in the rural county, how long the person has been located~~
20 ~~in the county, and taxpayer name and registration number. The report~~
21 ~~must be filed by January 30th of each year for which credit was claimed~~
22 ~~during the previous year. Failure to file a report will not result in~~
23 ~~the loss of eligibility under this section. However, the department,~~
24 ~~through its research division, shall contact taxpayers who have not~~
25 ~~filed the report and obtain the data from the taxpayer or assist the~~
26 ~~taxpayer in the filing of the report, so that the data and information~~
27 ~~necessary to measure the program's effectiveness is maintained.~~)

28 (9) As used in this section:

29 (a) "Information technology help desk services" means the following
30 services performed using electronic and telephonic communication:

- 31 (i) Software and hardware maintenance;
- 32 (ii) Software and hardware diagnostics and troubleshooting;
- 33 (iii) Software and hardware installation;
- 34 (iv) Software and hardware repair;
- 35 (v) Software and hardware information and training; and
- 36 (vi) Software and hardware upgrade.

37 (b) "Rural county" means the same as in RCW 82.14.370.

38 (10) This section expires January 1, 2011.

1 **Sec. 121.** RCW 82.04.449 and 2006 c 112 s 5 are each amended to
2 read as follows:

3 (1) In computing the tax imposed under this chapter, a credit is
4 allowed for participants in the Washington customized employment
5 training program created in RCW 28B.67.020. The credit allowed under
6 this section is equal to fifty percent of the value of a participant's
7 payments to the employment training finance account created in RCW
8 28B.67.030. If a participant in the program does not meet the
9 qualifications in RCW 28B.67.020(2)(b)(ii), the participant must remit
10 to the department the value of any credits taken plus interest. The
11 credit earned by a participant in one calendar year may be carried over
12 to be credited against taxes incurred in a subsequent calendar year.
13 No credit may be allowed for repayment of training allowances received
14 from the Washington customized employment training program on or after
15 July 1, 2016.

16 (2) A person claiming the credit provided in this section must file
17 a complete annual survey with the department under section 102 of this
18 act.

19 **Sec. 122.** RCW 82.08.805 and 2006 c 182 s 3 are each amended to
20 read as follows:

21 (1) A person who has paid tax under RCW 82.08.020 for tangible
22 personal property used at an aluminum smelter, tangible personal
23 property that will be incorporated as an ingredient or component of
24 buildings or other structures at an aluminum smelter, or for labor and
25 services rendered with respect to such buildings, structures, or
26 tangible personal property, is eligible for an exemption from the state
27 share of the tax in the form of a credit, as provided in this section.
28 A person claiming an exemption must pay the tax and may then take a
29 credit equal to the state share of retail sales tax paid under RCW
30 82.08.020. The person (~~shall~~) must submit information, in a form and
31 manner prescribed by the department, specifying the amount of
32 qualifying purchases or acquisitions for which the exemption is claimed
33 and the amount of exempted tax.

34 (2) For the purposes of this section, "aluminum smelter" has the
35 same meaning as provided in RCW 82.04.217.

36 (3) A person claiming the tax preference provided in this section

1 must file a complete annual report with the department under section
2 103 of this act.

3 (4) Credits may not be claimed under this section for taxable
4 events occurring on or after January 1, 2012.

5 **Sec. 123.** RCW 82.08.965 and 2003 c 149 s 5 are each amended to
6 read as follows:

7 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to
8 charges made for labor and services rendered in respect to the
9 constructing of new buildings used for the manufacturing of
10 semiconductor materials, to sales of tangible personal property that
11 will be incorporated as an ingredient or component of such buildings
12 during the course of the constructing, or to labor and services
13 rendered in respect to installing, during the course of constructing,
14 building fixtures not otherwise eligible for the exemption under RCW
15 82.08.02565(2)(b). The exemption is available only when the buyer
16 provides the seller with an exemption certificate in a form and manner
17 prescribed by the department. The seller (~~shall~~) must retain a copy
18 of the certificate for the seller's files.

19 (2) To be eligible under this section the manufacturer or processor
20 for hire must meet the following requirements for an eight-year period,
21 such period beginning the day the new building commences commercial
22 production, or a portion of tax otherwise due (~~shall~~) will be
23 immediately due and payable pursuant to subsection (3) of this section:

24 (a) The manufacturer or processor for hire must maintain at least
25 seventy-five percent of full employment at the new building for which
26 the exemption under this section is claimed.

27 (b) Before commencing commercial production at a new facility the
28 manufacturer or processor for hire must meet with the department to
29 review projected employment levels in the new buildings. The
30 department, using information provided by the taxpayer, (~~shall~~) must
31 make a determination of the number of positions that would be filled at
32 full employment. This number (~~shall~~) must be used throughout the
33 eight-year period to determine whether any tax is to be repaid. This
34 information is not subject to the confidentiality provisions of RCW
35 82.32.330 and may be disclosed to the public upon request.

36 (c) In those situations where a production building in existence on
37 the effective date of this section will be phased out of operation

1 during which time employment at the new building at the same site is
2 increased, the manufacturer or processor for hire (~~shall~~) must
3 maintain seventy-five percent of full employment at the manufacturing
4 site overall.

5 (d) No application is necessary for the tax exemption. The person
6 is subject to all the requirements of chapter 82.32 RCW. A person
7 (~~taking~~) claiming the exemption under this section must file a
8 complete annual report (~~as required~~) with the department under (~~RCW~~
9 ~~82.32.535~~) section 103 of this act.

10 (3) If the employment requirement is not met for any one calendar
11 year, one-eighth of the exempt sales and use taxes (~~shall~~) will be
12 due and payable by April 1st of the following year. The department
13 (~~shall~~) must assess interest to the date the tax was imposed, but not
14 penalties, on the taxes for which the person is not eligible.

15 (4) The exemption applies to new buildings, or parts of buildings,
16 that are used exclusively in the manufacturing of semiconductor
17 materials, including the storage of raw materials and finished product.

18 (5) For the purposes of this section:

19 (a) "Commencement of commercial production" is deemed to have
20 occurred when the equipment and process qualifications in the new
21 building are completed and production for sale has begun; and

22 (b) "Full employment" is the number of positions required for full
23 capacity production at the new building, for positions such as line
24 workers, engineers, and technicians.

25 (c) "Semiconductor materials" has the same meaning as provided in
26 RCW 82.04.240(2).

27 (6) No exemption may be taken after twelve years after the
28 effective date of this act, however all of the eligibility criteria and
29 limitations are applicable to any exemptions claimed before that date.

30 (7) This section expires twelve years after the effective date of
31 this act.

32 **Sec. 124.** RCW 82.08.9651 and 2006 c 84 s 3 are each amended to
33 read as follows:

34 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to
35 sales of gases and chemicals used by a manufacturer or processor for
36 hire in the production of semiconductor materials. This exemption is
37 limited to gases and chemicals used in the production process to grow

1 the product, deposit or grow permanent or sacrificial layers on the
2 product, to etch or remove material from the product, to anneal the
3 product, to immerse the product, to clean the product, and other such
4 uses whereby the gases and chemicals come into direct contact with the
5 product during the production process, or uses of gases and chemicals
6 to clean the chambers and other like equipment in which such processing
7 takes place. For the purposes of this section, "semiconductor
8 materials" has the meaning provided in RCW 82.04.2404.

9 (2) A person (~~(taking)~~) claiming the exemption under this section
10 must file a complete annual report with the department under (~~(RCW~~
11 ~~82.32.5351)~~) section 103 of this act. No application is necessary for
12 the tax exemption. The person is subject to all of the requirements of
13 chapter 82.32 RCW.

14 (3) This section expires (~~(twelve years after)~~) December 1,
15 (~~(2006)~~) 2018.

16 **Sec. 125.** RCW 82.08.970 and 2003 c 149 s 7 are each amended to
17 read as follows:

18 (1) The tax levied by RCW 82.08.020 (~~(shall)~~) does not apply to
19 sales of gases and chemicals used by a manufacturer or processor for
20 hire in the manufacturing of semiconductor materials. This exemption
21 is limited to gases and chemicals used in the manufacturing process to
22 grow the product, deposit or grow permanent or sacrificial layers on
23 the product, to etch or remove material from the product, to anneal the
24 product, to immerse the product, to clean the product, and other such
25 uses whereby the gases and chemicals come into direct contact with the
26 product during the manufacturing process, or uses of gases and
27 chemicals to clean the chambers and other like equipment in which such
28 processing takes place. For the purposes of this section,
29 "semiconductor materials" has the same meaning as provided in RCW
30 82.04.240(2).

31 (2) A person (~~(taking)~~) claiming the exemption under this section
32 must file a complete annual report with the department under (~~(RCW~~
33 ~~82.32.535)~~) section 103 of this act. No application is necessary for
34 the tax exemption. The person is subject to all of the requirements of
35 chapter 82.32 RCW.

36 (3) This section expires twelve years after the effective date of
37 this act.

1 **Sec. 126.** RCW 82.08.980 and 2003 2nd sp.s. c 1 s 11 are each
2 amended to read as follows:

3 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to
4 charges made for labor and services rendered in respect to the
5 constructing of new buildings by a manufacturer engaged in the
6 manufacturing of superefficient airplanes or by a port district, to be
7 leased to a manufacturer engaged in the manufacturing of superefficient
8 airplanes, to sales of tangible personal property that will be
9 incorporated as an ingredient or component of such buildings during the
10 course of the constructing, or to labor and services rendered in
11 respect to installing, during the course of constructing, building
12 fixtures not otherwise eligible for the exemption under RCW
13 82.08.02565(2)(b). The exemption is available only when the buyer
14 provides the seller with an exemption certificate in a form and manner
15 prescribed by the department. The seller (~~shall~~) must retain a copy
16 of the certificate for the seller's files.

17 (2) No application is necessary for the tax exemption in this
18 section, however in order to qualify under this section before starting
19 construction the port district must have entered into an agreement with
20 the manufacturer to build such a facility. A person (~~taking~~)
21 claiming the exemption under this section is subject to all the
22 requirements of chapter 82.32 RCW. In addition, the person must file
23 a complete annual report (~~as required~~) with the department under
24 (~~RCW 82.32.545~~) section 103 of this act.

25 (3) The exemption in this section applies to buildings, or parts of
26 buildings, that are used exclusively in the manufacturing of
27 superefficient airplanes, including buildings used for the storage of
28 raw materials and finished product.

29 (4) For the purposes of this section, "superefficient airplane" has
30 the meaning given in RCW 82.32.550.

31 (5) This section expires July 1, 2024.

32 **Sec. 127.** RCW 82.12.022 and 2006 c 182 s 5 are each amended to
33 read as follows:

34 (1) (~~There is hereby levied and there shall be collected from~~) A
35 use tax is levied on every person in this state (~~a use tax~~) for the
36 privilege of using natural gas or manufactured gas within this state as
37 a consumer.

1 (2) The tax (~~shall~~) must be levied and collected in an amount
2 equal to the value of the article used by the taxpayer multiplied by
3 the rate in effect for the public utility tax on gas distribution
4 businesses under RCW 82.16.020. The "value of the article used" does
5 not include any amounts that are paid for the hire or use of a gas
6 distribution business as defined in RCW 82.16.010(7) in transporting
7 the gas subject to tax under this subsection if those amounts are
8 subject to tax under that chapter.

9 (3) The tax levied in this section (~~shall~~) does not apply to the
10 use of natural or manufactured gas delivered to the consumer by other
11 means than through a pipeline.

12 (4) The tax levied in this section (~~shall~~) does not apply to the
13 use of natural or manufactured gas if the person who sold the gas to
14 the consumer has paid a tax under RCW 82.16.020 with respect to the gas
15 for which exemption is sought under this subsection.

16 (5)(a) The tax levied in this section (~~shall~~) does not apply to
17 the use of natural or manufactured gas by an aluminum smelter as that
18 term is defined in RCW 82.04.217 before January 1, 2012.

19 (b) A person claiming the exemption provided in this subsection (5)
20 must file a complete annual report with the department under section
21 103 of this act.

22 (6) There (~~shall be~~) is a credit against the tax levied under
23 this section in an amount equal to any tax paid by:

24 (a) The person who sold the gas to the consumer when that tax is a
25 gross receipts tax similar to that imposed pursuant to RCW 82.16.020 by
26 another state with respect to the gas for which a credit is sought
27 under this subsection; or

28 (b) The person consuming the gas upon which a use tax similar to
29 the tax imposed by this section was paid to another state with respect
30 to the gas for which a credit is sought under this subsection.

31 (7) The use tax (~~hereby~~) imposed (~~shall~~) in this section must
32 be paid by the consumer to the department.

33 (8) There is imposed a reporting requirement on the person who
34 delivered the gas to the consumer to make a quarterly report to the
35 department. Such report (~~shall~~) must contain the volume of gas
36 delivered, name of the consumer to whom delivered, and such other
37 information as the department (~~shall~~) may require by rule.

1 (9) The department may adopt rules under chapter 34.05 RCW for the
2 administration and enforcement of sections 1 through 6, chapter 384,
3 Laws of 1989.

4 **Sec. 128.** RCW 82.12.805 and 2006 c 182 s 4 are each amended to
5 read as follows:

6 (1) A person who is subject to tax under RCW 82.12.020 for tangible
7 personal property used at an aluminum smelter, or for tangible personal
8 property that will be incorporated as an ingredient or component of
9 buildings or other structures at an aluminum smelter, or for labor and
10 services rendered with respect to such buildings, structures, or
11 tangible personal property, is eligible for an exemption from the state
12 share of the tax in the form of a credit, as provided in this section.
13 The amount of the credit (~~(shall be)~~) equals ((~~to~~) the state share of
14 use tax computed to be due under RCW 82.12.020. The person (~~(shall)~~)
15 must submit information, in a form and manner prescribed by the
16 department, specifying the amount of qualifying purchases or
17 acquisitions for which the exemption is claimed and the amount of
18 exempted tax.

19 (2) For the purposes of this section, "aluminum smelter" has the
20 same meaning as provided in RCW 82.04.217.

21 (3) A person reporting under the tax rate provided in this section
22 must file a complete annual report with the department under section
23 103 of this act.

24 (4) Credits may not be claimed under this section for taxable
25 events occurring on or after January 1, 2012.

26 **Sec. 129.** RCW 82.12.965 and 2003 c 149 s 6 are each amended to
27 read as follows:

28 (1) The provisions of this chapter do not apply with respect to the
29 use of tangible personal property that will be incorporated as an
30 ingredient or component of new buildings used for the manufacturing of
31 semiconductor materials during the course of constructing such
32 buildings or to labor and services rendered in respect to installing,
33 during the course of constructing, building fixtures not otherwise
34 eligible for the exemption under RCW 82.08.02565(2)(b).

35 (2) The eligibility requirements, conditions, and definitions in

1 RCW 82.08.965 apply to this section, including the filing of a complete
2 annual report with the department under section 103 of this act.

3 (3) No exemption may be taken twelve years after the effective date
4 of this act, however all of the eligibility criteria and limitations
5 are applicable to any exemptions claimed before that date.

6 (4) This section expires twelve years after the effective date of
7 this act.

8 **Sec. 130.** RCW 82.12.9651 and 2006 c 84 s 4 are each amended to
9 read as follows:

10 (1) The provisions of this chapter do not apply with respect to the
11 use of gases and chemicals used by a manufacturer or processor for hire
12 in the production of semiconductor materials. This exemption is
13 limited to gases and chemicals used in the production process to grow
14 the product, deposit or grow permanent or sacrificial layers on the
15 product, to etch or remove material from the product, to anneal the
16 product, to immerse the product, to clean the product, and other such
17 uses whereby the gases and chemicals come into direct contact with the
18 product during the production process, or uses of gases and chemicals
19 to clean the chambers and other like equipment in which such processing
20 takes place. For purposes of this section, "semiconductor materials"
21 has the meaning provided in RCW 82.04.2404.

22 (2) A person (~~(taking)~~) claiming the exemption under this section
23 must file a complete annual report with the department under (~~(RCW~~
24 ~~82.32.5351)~~) section 103 of this act. No application is necessary for
25 the tax exemption. The person is subject to all of the requirements of
26 chapter 82.32 RCW.

27 (3) This section expires (~~(twelve years after)~~) December 1,
28 (~~(2006)~~) 2018.

29 **Sec. 131.** RCW 82.12.970 and 2003 c 149 s 8 are each amended to
30 read as follows:

31 (1) The provisions of this chapter do not apply with respect to the
32 use of gases and chemicals used by a manufacturer or processor for hire
33 in the manufacturing of semiconductor materials. This exemption is
34 limited to gases and chemicals used in the manufacturing process to
35 grow the product, deposit or grow permanent or sacrificial layers on
36 the product, to etch or remove material from the product, to anneal the

1 product, to immerse the product, to clean the product, and other such
2 uses whereby the gases and chemicals come into direct contact with the
3 product during the manufacturing process, or uses of gases and
4 chemicals to clean the chambers and other like equipment in which such
5 processing takes place. For purposes of this section, "semiconductor
6 materials" has the same meaning as provided in RCW 82.04.240(2).

7 (2) A person (~~(taking)~~) claiming the exemption under this section
8 must file a complete annual report with the department under (~~RCW~~
9 ~~82.32.535~~) section 103 of this act. No application is necessary for
10 the tax exemption. The person is subject to all of the requirements of
11 chapter 82.32 RCW.

12 (3) This section expires twelve years after the effective date of
13 this act.

14 **Sec. 132.** RCW 82.12.980 and 2003 2nd sp.s. c 1 s 12 are each
15 amended to read as follows:

16 (1) The provisions of this chapter do not apply with respect to the
17 use of tangible personal property that will be incorporated as an
18 ingredient or component of new buildings by a manufacturer engaged in
19 the manufacturing of superefficient airplanes or owned by a port
20 district and to be leased to a manufacturer engaged in the
21 manufacturing of superefficient airplanes, during the course of
22 constructing such buildings, or to labor and services rendered in
23 respect to installing, during the course of constructing, building
24 fixtures not otherwise eligible for the exemption under RCW
25 82.08.02565(2)(b).

26 (2) The eligibility requirements, conditions, and definitions in
27 RCW 82.08.980 apply to this section, including the filing of a complete
28 annual report with the department under section 103 of this act.

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

30 **Sec. 133.** RCW 82.16.0421 and 2004 c 240 s 1 are each amended to
31 read as follows:

32 (1) For the purposes of this section:

33 (a) "Chlor-alkali electrolytic processing business" means a person
34 who is engaged in a business that uses more than ten average megawatts
35 of electricity per month in a chlor-alkali electrolytic process to
36 split the electrochemical bonds of sodium chloride and water to make

1 chlorine and sodium hydroxide. A "chlor-alkali electrolytic processing
2 business" does not include direct service industrial customers or their
3 subsidiaries that contract for the purchase of power from the
4 Bonneville power administration as of June 10, 2004.

5 (b) "Sodium chlorate electrolytic processing business" means a
6 person who is engaged in a business that uses more than ten average
7 megawatts of electricity per month in a sodium chlorate electrolytic
8 process to split the electrochemical bonds of sodium chloride and water
9 to make sodium chlorate and hydrogen. A "sodium chlorate electrolytic
10 processing business" does not include direct service industrial
11 customers or their subsidiaries that contract for the purchase of power
12 from the Bonneville power administration as of June 10, 2004.

13 (2) Effective July 1, 2004, the tax levied under this chapter does
14 not apply to sales of electricity made by a light and power business to
15 a chlor-alkali electrolytic processing business or a sodium chlorate
16 electrolytic processing business for the electrolytic process if the
17 contract for sale of electricity to the business contains the following
18 terms:

19 (a) The electricity to be used in the electrolytic process is
20 separately metered from the electricity used for general operations of
21 the business;

22 (b) The price charged for the electricity used in the electrolytic
23 process will be reduced by an amount equal to the tax exemption
24 available to the light and power business under this section; and

25 (c) Disallowance of all or part of the exemption under this section
26 is a breach of contract and the damages to be paid by the chlor-alkali
27 electrolytic processing business or the sodium chlorate electrolytic
28 processing business are the amount of the tax exemption disallowed.

29 (3) The exemption provided for in this section does not apply to
30 amounts received from the remarketing or resale of electricity
31 originally obtained by contract for the electrolytic process.

32 (4) In order to claim an exemption under this section, the chlor-
33 alkali electrolytic processing business or the sodium chlorate
34 electrolytic processing business must provide the light and power
35 business with an exemption certificate in a form and manner prescribed
36 by the department.

37 (5) A person receiving the benefit of the exemption provided in

1 this section must file a complete annual report with the department
2 under section 103 of this act.

3 (6)(a) This section does not apply to sales of electricity made
4 after December 31, 2010.

5 (b) This section expires June 30, 2011.

6 **Sec. 134.** RCW 82.29A.137 and 2003 2nd sp.s. c 1 s 13 are each
7 amended to read as follows:

8 (1) All leasehold interests in port district facilities exempt from
9 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged
10 in the manufacturing of superefficient airplanes, as defined in RCW
11 82.32.550, are exempt from tax under this chapter. A person (~~taking~~)
12 claiming the credit under RCW 82.04.4463 is not eligible for the
13 exemption under this section.

14 (2) In addition to all other requirements under this title, a
15 person (~~taking~~) claiming the exemption under this section must file
16 a complete annual report (~~as required~~) with the department under
17 (~~RCW 82.32.545~~) section 103 of this act.

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

19 **Sec. 135.** RCW 82.32.590 and 2008 c 81 s 13 and 2008 c 15 s 7 are
20 each reenacted and amended to read as follows:

21 (1) If the department finds that the failure of a taxpayer to file
22 an annual survey under section 102 of this act or annual report under
23 (~~RCW 82.04.4452, 82.32.5351, 82.32.650, 82.32.630, 82.32.610,~~
24 ~~82.82.020, or 82.74.040~~) section 103 of this act by the due date was
25 the result of circumstances beyond the control of the taxpayer, the
26 department (~~shall~~) must extend the time for filing the survey or
27 report. Such extension (~~shall~~) must be for a period of thirty days
28 from the date the department issues its written notification to the
29 taxpayer that it qualifies for an extension under this section. The
30 department may grant additional extensions as it deems proper.

31 (2) In making a determination whether the failure of a taxpayer to
32 file an annual survey or annual report by the due date was the result
33 of circumstances beyond the control of the taxpayer, the department
34 (~~shall~~) must be guided by rules adopted by the department for the
35 waiver or cancellation of penalties when the underpayment or untimely

1 payment of any tax was due to circumstances beyond the control of the
2 taxpayer.

3 **Sec. 136.** RCW 82.32.600 and 2008 c 81 s 14 and 2008 c 15 s 8 are
4 each reenacted and amended to read as follows:

5 (1) Persons required to file annual surveys or annual reports under
6 ((~~RCW 82.04.4452, 82.32.5351, 82.32.545, 82.32.610, 82.32.630,~~
7 ~~82.82.020, or 82.74.040~~)) section 102 or 103 of this act must
8 electronically file with the department all surveys, reports, returns,
9 and any other forms or information the department requires in an
10 electronic format as provided or approved by the department. As used
11 in this section, "returns" has the same meaning as "return" in RCW
12 82.32.050.

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

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

19 **Sec. 137.** RCW 82.60.020 and 2006 c 142 s 1 are each amended to
20 read as follows:

21 Unless the context clearly requires otherwise, the definitions in
22 this section apply throughout this chapter.

23 (1) "Applicant" means a person applying for a tax deferral under
24 this chapter.

25 (2) "Department" means the department of revenue.

26 (3) "Eligible area" means a rural county as defined in RCW
27 82.14.370.

28 (4)(a) "Eligible investment project" means an investment project in
29 an eligible area as defined in subsection (3) of this section.

30 (b) The lessor or owner of a qualified building is not eligible for
31 a deferral unless:

32 (i) The underlying ownership of the buildings, machinery, and
33 equipment vests exclusively in the same person; or

34 (ii)(A) The lessor by written contract agrees to pass the economic
35 benefit of the deferral to the lessee;

1 (B) The lessee that receives the economic benefit of the deferral
2 agrees in writing with the department to complete the annual survey
3 required under RCW 82.60.070; and

4 (C) The economic benefit of the deferral passed to the lessee is no
5 less than the amount of tax deferred by the lessor and is evidenced by
6 written documentation of any type of payment, credit, or other
7 financial arrangement between the lessor or owner of the qualified
8 building and the lessee.

9 (c) "Eligible investment project" does not include any portion of
10 an investment project undertaken by a light and power business as
11 defined in RCW 82.16.010(5), other than that portion of a cogeneration
12 project that is used to generate power for consumption within the
13 manufacturing site of which the cogeneration project is an integral
14 part, or investment projects which have already received deferrals
15 under this chapter.

16 (5) "Initiation of construction" has the same meaning as in RCW
17 82.63.010.

18 (6) "Investment project" means an investment in qualified buildings
19 or qualified machinery and equipment, including labor and services
20 rendered in the planning, installation, and construction of the
21 project.

22 ~~((+6))~~ (7) "Manufacturing" means the same as defined in RCW
23 82.04.120. "Manufacturing" also includes computer programming, the
24 production of computer software, and other computer-related services,
25 the activities performed by research and development laboratories and
26 commercial testing laboratories, and the conditioning of vegetable
27 seeds.

28 ~~((+7))~~ (8) "Person" has the meaning given in RCW 82.04.030.

29 ~~((+8))~~ (9) "Qualified buildings" means construction of new
30 structures, and expansion or renovation of existing structures for the
31 purpose of increasing floor space or production capacity used for
32 manufacturing and research and development activities, including plant
33 offices and warehouses or other facilities for the storage of raw
34 material or finished goods if such facilities are an essential or an
35 integral part of a factory, mill, plant, or laboratory used for
36 manufacturing or research and development. If a building is used
37 partly for manufacturing or research and development and partly for

1 other purposes, the applicable tax deferral (~~shall~~) must be
2 determined by apportionment of the costs of construction under rules
3 adopted by the department.

4 (~~(9)~~) (10) "Qualified employment position" means a permanent
5 full-time employee employed in the eligible investment project during
6 the entire tax year. The term "entire tax year" means a full-time
7 position that is filled for a period of twelve consecutive months. The
8 term "full-time" means at least thirty-five hours a week, four hundred
9 fifty-five hours a quarter, or one thousand eight hundred twenty hours
10 a year.

11 (~~(10)~~) (11) "Qualified machinery and equipment" means all new
12 industrial and research fixtures, equipment, and support facilities
13 that are an integral and necessary part of a manufacturing or research
14 and development operation. "Qualified machinery and equipment"
15 includes: Computers; software; data processing equipment; laboratory
16 equipment; manufacturing components such as belts, pulleys, shafts, and
17 moving parts; molds, tools, and dies; operating structures; and all
18 equipment used to control or operate the machinery.

19 (~~(11)~~) (12) "Recipient" means a person receiving a tax deferral
20 under this chapter.

21 (~~(12)~~) (13) "Research and development" means the development,
22 refinement, testing, marketing, and commercialization of a product,
23 service, or process before commercial sales have begun. As used in
24 this subsection, "commercial sales" excludes sales of prototypes or
25 sales for market testing if the total gross receipts from such sales of
26 the product, service, or process do not exceed one million dollars.

27 **Sec. 138.** RCW 82.60.070 and 2004 c 25 s 7 are each amended to read
28 as follows:

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

33 ~~(b)~~) Each recipient of a deferral of taxes granted under this
34 chapter (~~after June 30, 1994, shall~~) must file a complete (~~an~~)
35 annual survey with the department under section 102 of this act. If
36 the economic benefits of the deferral are passed to a lessee as
37 provided in RCW 82.60.020(4), the lessee (~~shall agree to~~) must file

1 a complete ((the)) annual survey, and the applicant is not required to
2 file a complete ((the)) annual survey. ((The survey is due by March
3 31st of the year following the calendar year in which the investment
4 project is certified by the department as having been operationally
5 complete and the seven succeeding calendar years. The survey shall
6 include the amount of tax deferred, the number of new products or
7 research projects by general classification, and the number of
8 trademarks, patents, and copyrights associated with activities at the
9 investment project. The survey shall also include the following
10 information for employment positions in Washington:

11 (i) The number of total employment positions;

12 (ii) Full-time, part-time, and temporary employment positions as a
13 percent of total employment;

14 (iii) The number of employment positions according to the following
15 wage bands: Less than thirty thousand dollars; thirty thousand dollars
16 or greater, but less than sixty thousand dollars; and sixty thousand
17 dollars or greater. A wage band containing fewer than three
18 individuals may be combined with another wage band; and

19 (iv) The number of employment positions that have employer-provided
20 medical, dental, and retirement benefits, by each of the wage bands.

21 (c) The department may request additional information necessary to
22 measure the results of the deferral program, to be submitted at the
23 same time as the survey.

24 (d) All information collected under this subsection, except the
25 amount of the tax deferral taken, is deemed taxpayer information under
26 RCW 82.32.330 and is not disclosable. Information on the amount of tax
27 deferral taken is not subject to the confidentiality provisions of RCW
28 82.32.330 and may be disclosed to the public upon request.

29 (e) The department shall use the information from this section to
30 prepare summary descriptive statistics by category. No fewer than
31 three taxpayers shall be included in any category. The department
32 shall report these statistics to the legislature each year by September
33 1st.

34 (f)) (b) The department ((shall also)) must use the information
35 reported on the annual survey required by this section to study the tax
36 deferral program authorized under this chapter. The department
37 ((shall)) must report to the legislature by December 1, 2009. The
38 report ((shall)) must measure the effect of the program on job

1 creation, the number of jobs created for residents of eligible areas,
2 company growth, the introduction of new products, the diversification
3 of the state's economy, growth in research and development investment,
4 the movement of firms or the consolidation of firms' operations into
5 the state, and such other factors as the department selects.

6 (2)~~((a))~~ If, on the basis of a survey under ~~((this))~~ section 102
7 of this act or other information, the department finds that an
8 investment project is not eligible for tax deferral under this chapter,
9 the amount of deferred taxes outstanding for the project ~~((shall be))~~
10 is immediately due.

11 ~~((b) If a recipient of the deferral fails to complete the annual~~
12 ~~survey required under subsection (1) of this section by the date due,~~
13 ~~twelve and one half percent of the deferred tax shall be immediately~~
14 ~~due. If the economic benefits of the deferral are passed to a lessee~~
15 ~~as provided in RCW 82.60.020(4), the lessee shall be responsible for~~
16 ~~payment to the extent the lessee has received the economic benefit.))~~

17 (3) ~~((Notwithstanding any other subsection of this section,~~
18 ~~deferred taxes need not be repaid on machinery and equipment for lumber~~
19 ~~and wood products industries, and sales of or charges made for labor~~
20 ~~and services, of the type which qualifies for exemption under RCW~~
21 ~~82.08.02565 or 82.12.02565 to the extent the taxes have not been repaid~~
22 ~~before July 1, 1995)) A recipient who must repay deferred taxes under
23 subsection (2) of this section because the department has found that an
24 investment project is not eligible for tax deferral under this chapter
25 is no longer required to file annual surveys under section 102 of this
26 act beginning on the date an investment project is used for
27 nonqualifying purposes.~~

28 (4) Notwithstanding any other ~~((subsection))~~ provision of this
29 section or section 102 of this act, deferred taxes on the following
30 need not be repaid:

31 (a) Machinery and equipment, and sales of or charges made for labor
32 and services, which at the time of purchase would have qualified for
33 exemption under RCW 82.08.02565; and

34 (b) Machinery and equipment which at the time of first use would
35 have qualified for exemption under RCW 82.12.02565.

36 **Sec. 139.** RCW 82.63.020 and 2004 c 2 s 4 are each amended to read
37 as follows:

1 (1) Application for deferral of taxes under this chapter must be
2 made before initiation of construction of, or acquisition of equipment
3 or machinery for the investment project. The application (~~shall~~)
4 must be made to the department in a form and manner prescribed by the
5 department. The application (~~shall~~) must contain information
6 regarding the location of the investment project, the applicant's
7 average employment in the state for the prior year, estimated or actual
8 new employment related to the project, estimated or actual wages of
9 employees related to the project, estimated or actual costs, time
10 schedules for completion and operation, and other information required
11 by the department. The department (~~shall~~) must rule on the
12 application within sixty days.

13 ~~(2)((a) The legislature finds that accountability and~~
14 ~~effectiveness are important aspects of setting tax policy. In order to~~
15 ~~make policy choices regarding the best use of limited state resources~~
16 ~~the legislature needs information on how a tax incentive is used.~~

17 ~~(b) Applicants for)~~ Each recipient of a deferral of taxes under
18 this chapter (~~shall agree to~~) must file a complete ((an)) annual
19 survey with the department under section 102 of this act. If the
20 economic benefits of the deferral are passed to a lessee as provided in
21 RCW 82.63.010(7), the lessee (~~shall agree to~~) must file a complete
22 ~~((the)) annual survey,~~ and the applicant is not required to
23 ~~((complete)) file the annual survey. ((The survey is due by March 31st~~
24 ~~of the year following the calendar year in which the investment project~~
25 ~~is certified by the department as having been operationally complete~~
26 ~~and the seven succeeding calendar years. The survey shall include the~~
27 ~~amount of tax deferred, the number of new products or research projects~~
28 ~~by general classification, and the number of trademarks, patents, and~~
29 ~~copyrights associated with activities at the investment project. The~~
30 ~~survey shall also include the following information for employment~~
31 ~~positions in Washington:~~

- 32 ~~(i) The number of total employment positions;~~
- 33 ~~(ii) Full-time, part-time, and temporary employment positions as a~~
34 ~~percent of total employment;~~
- 35 ~~(iii) The number of employment positions according to the following~~
36 ~~wage bands: Less than thirty thousand dollars; thirty thousand dollars~~
37 ~~or greater, but less than sixty thousand dollars; and sixty thousand~~

1 dollars or greater. A wage band containing fewer than three
2 individuals may be combined with another wage band; and

3 (iv) The number of employment positions that have employer-provided
4 medical, dental, and retirement benefits, by each of the wage bands.

5 (c) The department may request additional information necessary to
6 measure the results of the deferral program, to be submitted at the
7 same time as the survey.

8 (d) All information collected under this subsection, except the
9 amount of the tax deferral taken, is deemed taxpayer information under
10 RCW 82.32.330 and is not disclosable. Information on the amount of tax
11 deferral taken is not subject to the confidentiality provisions of RCW
12 82.32.330 and may be disclosed to the public upon request.

13 (3) The department shall use the information from this section to
14 prepare summary descriptive statistics by category. No fewer than
15 three taxpayers shall be included in any category. The department
16 shall report these statistics to the legislature each year by September
17 1st.

18 (4)) (3) The department ((shall)) must use the information
19 reported on the annual survey required by this section to study the tax
20 deferral program authorized under this chapter. The department
21 ((shall)) must report to the legislature by December 1, 2009, and
22 December 1, 2013. The reports ((shall)) must measure the effect of the
23 program on job creation, the number of jobs created for Washington
24 residents, company growth, the introduction of new products, the
25 diversification of the state's economy, growth in research and
26 development investment, the movement of firms or the consolidation of
27 firms' operations into the state, and such other factors as the
28 department selects.

29 (4) A recipient who must repay deferred taxes under RCW 82.63.045
30 because the department has found that an investment project is used for
31 purposes other than research and development performed within this
32 state in the fields of advanced computing, advanced materials,
33 biotechnology, electronic device technology, and environmental
34 technology is no longer required to file annual surveys under section
35 102 of this act beginning on the date an investment project is used for
36 nonqualifying purposes.

1 **Sec. 140.** RCW 82.63.045 and 2004 c 2 s 6 are each amended to read
2 as follows:

3 (1) Except as provided in subsection (2) of this section and
4 section 102 of this act, taxes deferred under this chapter need not be
5 repaid.

6 (2)(a) If, on the basis of the survey under ((RCW 82.63.020))
7 section 102 of this act or other information, the department finds that
8 an investment project is used for purposes other than qualified
9 research and development or pilot scale manufacturing at any time
10 during the calendar year in which the investment project is certified
11 by the department as having been operationally completed, or at any
12 time during any of the seven succeeding calendar years, a portion of
13 deferred taxes ((shall be)) is immediately due according to the
14 following schedule:

Year in which use occurs	% of deferred taxes due
1	100%
2	87.5%
3	75%
4	62.5%
5	50%
6	37.5%
7	25%
8	12.5%

24 (b) ((If a recipient of the deferral fails to complete the annual
25 survey required under RCW 82.63.020 by the date due, 12.5 percent of
26 the deferred tax shall be immediately due. If the economic benefits of
27 the deferral are passed to a lessee as provided in RCW 82.63.010(7),
28 the lessee shall be responsible for payment to the extent the lessee
29 has received the economic benefit.

30 (c) ~~If an investment project is used for purposes other than~~
31 ~~qualified research and development or pilot scale manufacturing at any~~
32 ~~time during the calendar year in which the investment project is~~
33 ~~certified as having been operationally complete and the recipient of~~
34 ~~the deferral fails to complete the annual survey due under RCW~~
35 ~~82.63.020, the portion of deferred taxes immediately due is the amount~~
36 ~~on the schedule in (a) of this subsection.)) If the economic benefits~~

1 of the deferral are passed to a lessee as provided in RCW 82.63.010(7),
2 the lessee (~~shall be~~) is responsible for payment to the extent the
3 lessee has received the economic benefit.

4 (3) The department (~~shall~~) must assess interest at the rate
5 provided for delinquent taxes, but not penalties, retroactively to the
6 date of deferral. The debt for deferred taxes will not be extinguished
7 by insolvency or other failure of the recipient. Transfer of ownership
8 does not terminate the deferral. The deferral is transferred, subject
9 to the successor meeting the eligibility requirements of this chapter,
10 for the remaining periods of the deferral.

11 (4) Notwithstanding subsection (2) of this section or section 102
12 of this act, deferred taxes on the following need not be repaid:

13 (a) Machinery and equipment, and sales of or charges made for labor
14 and services, which at the time of purchase would have qualified for
15 exemption under RCW 82.08.02565; and

16 (b) Machinery and equipment which at the time of first use would
17 have qualified for exemption under RCW 82.12.02565.

18 **Sec. 141.** RCW 82.74.040 and 2006 c 354 s 8 are each amended to
19 read as follows:

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

24 ~~(b))~~ Each recipient of a deferral of taxes granted under this
25 chapter (~~shall~~) must file a complete ~~(an)~~ annual survey with the
26 department under section 102 of this act. If the economic benefits of
27 the deferral are passed to a lessee as provided in RCW 82.74.010(6),
28 the lessee (~~shall~~) must file a complete ~~(the)~~ annual survey, and
29 the applicant is not required to ~~(complete)~~ file the annual survey.
30 ~~(The survey is due by March 31st of the year following the calendar~~
31 ~~year in which the investment project is certified by the department as~~
32 ~~having been operationally complete and each of the seven succeeding~~
33 ~~calendar years. The department may extend the due date for timely~~
34 ~~filing of annual surveys under this section as provided in RCW~~
35 ~~82.32.590. The survey shall include the amount of tax deferred. The~~
36 ~~survey shall also include the following information for employment~~
37 ~~positions in Washington:~~

1 ~~(i) The number of total employment positions;~~
2 ~~(ii) Full-time, part-time, and temporary employment positions as a~~
3 ~~percent of total employment;~~
4 ~~(iii) The number of employment positions according to the following~~
5 ~~wage bands: Less than thirty thousand dollars; thirty thousand dollars~~
6 ~~or greater, but less than sixty thousand dollars; and sixty thousand~~
7 ~~dollars or greater. A wage band containing fewer than three~~
8 ~~individuals may be combined with another wage band; and~~

9 ~~(iv) The number of employment positions that have employer-provided~~
10 ~~medical, dental, and retirement benefits, by each of the wage bands.~~

11 ~~(c) The department may request additional information necessary to~~
12 ~~measure the results of the deferral program, to be submitted at the~~
13 ~~same time as the survey.~~

14 ~~(d) All information collected under this subsection, except the~~
15 ~~amount of the tax deferral taken, is deemed taxpayer information under~~
16 ~~RCW 82.32.330. Information on the amount of tax deferral taken is not~~
17 ~~subject to the confidentiality provisions of RCW 82.32.330 and may be~~
18 ~~disclosed to the public upon request.~~

19 ~~(e) The department shall use the information from this section to~~
20 ~~prepare summary descriptive statistics by category. No fewer than~~
21 ~~three taxpayers shall be included in any category. The department~~
22 ~~shall report these statistics to the legislature each year by September~~
23 ~~1st.~~

24 ~~(f) The department shall also use the information to study the tax~~
25 ~~deferral program authorized under this chapter. The department shall~~
26 ~~report to the legislature by December 1, 2011. The report shall~~
27 ~~measure the effect of the program on job creation, company growth, the~~
28 ~~introduction of new products, the diversification of the state's~~
29 ~~economy, growth in research and development investment, the movement of~~
30 ~~firms or the consolidation of firms' operations into the state, and~~
31 ~~such other factors as the department selects.~~

32 ~~(2)(a) If a recipient of the deferral fails to complete the annual~~
33 ~~survey required under subsection (1) of this section by the date due or~~
34 ~~any extension under RCW 82.32.590, twelve and one-half percent of the~~
35 ~~deferred tax shall be immediately due. If the economic benefits of the~~
36 ~~deferral are passed to a lessee as provided in RCW 82.74.010(6), the~~
37 ~~lessee shall be responsible for payment to the extent the lessee has~~
38 ~~received the economic benefit. The department shall assess interest,~~

1 ~~but not penalties, on the amounts due under this section. The interest~~
2 ~~shall be assessed at the rate provided for delinquent taxes under~~
3 ~~chapter 82.32 RCW, and shall accrue until the amounts due are repaid.~~

4 ~~(b))~~ (2) A recipient who must repay deferred taxes under RCW
5 82.74.050(2) because the department has found that an investment
6 project is used for purposes other than fresh fruit and vegetable
7 processing, dairy product manufacturing, seafood product manufacturing,
8 cold storage warehousing, or research and development is no longer
9 required to file annual surveys under ~~((this))~~ section 102 of this act
10 beginning on the date an investment project is used for nonqualifying
11 purposes.

12 **Sec. 142.** RCW 82.74.050 and 2006 c 354 s 9 are each amended to
13 read as follows:

14 (1) Except as provided in subsection (2) of this section and
15 section 102 of this act, taxes deferred under this chapter need not be
16 repaid.

17 (2)(a) If, on the basis of the survey under ~~((RCW 82.74.040))~~
18 section 102 of this act or other information, the department finds that
19 an investment project is used for purposes other than fresh fruit and
20 vegetable processing, dairy product manufacturing, seafood product
21 manufacturing, cold storage warehousing, or research and development at
22 any time during the calendar year in which the investment project is
23 certified by the department as having been operationally completed, or
24 at any time during any of the seven succeeding calendar years, a
25 portion of deferred taxes ~~((shall be))~~ is immediately due according to
26 the following schedule:

Year in which nonqualifying use occurs	% of deferred taxes due
1	100%
2	87.5%
3	75%
4	62.5%
5	50%
6	37.5%
7	25%
8	12.5%

1 (b) If the economic benefits of the deferral are passed to a lessee
2 as provided in RCW 82.74.010(6), the lessee is responsible for payment
3 to the extent the lessee has received the economic benefit.

4 (3) The department (~~shall~~) must assess interest, but not
5 penalties, on the deferred taxes under subsection (2) of this section.
6 The interest (~~shall~~) must be assessed at the rate provided for
7 delinquent taxes under chapter 82.32 RCW, retroactively to the date of
8 deferral, and (~~shall~~) will accrue until the deferred taxes are
9 repaid. The debt for deferred taxes will not be extinguished by
10 insolvency or other failure of the recipient. Transfer of ownership
11 does not terminate the deferral. The deferral is transferred, subject
12 to the successor meeting the eligibility requirements of this chapter,
13 for the remaining periods of the deferral.

14 (4) Notwithstanding subsection (2) of this section or section 102
15 of this act, deferred taxes on the following need not be repaid:

16 (a) Machinery and equipment, and sales of or charges made for labor
17 and services, which at the time of purchase would have qualified for
18 exemption under RCW 82.08.02565; and

19 (b) Machinery and equipment which at the time of first use would
20 have qualified for exemption under RCW 82.12.02565.

21 NEW SECTION. **Sec. 143.** A new section is added to chapter 82.75
22 RCW to read as follows:

23 (1) Each recipient of a deferral of taxes granted under this
24 chapter must file a complete annual survey with the department under
25 section 102 of this act. If the economic benefits of the deferral are
26 passed to a lessee as provided in RCW 82.75.010(5), the lessee must
27 file a complete annual survey, and the applicant is not required to
28 file the annual survey.

29 (2) A recipient who must repay deferred taxes under RCW
30 82.75.040(2) because the department has found that an investment
31 project is used for purposes other than qualified biotechnology product
32 manufacturing or medical device manufacturing activities is no longer
33 required to file annual surveys under section 102 of this act beginning
34 on the date an investment project is used for nonqualifying purposes.

35 **Sec. 144.** RCW 82.75.010 and 2006 c 178 s 2 are each amended to
36 read as follows:

1 Unless the context clearly requires otherwise, the definitions in
2 this section apply throughout this chapter.

3 (1) "Applicant" means a person applying for a tax deferral under
4 this chapter.

5 (2) "Biotechnology" means a technology based on the science of
6 biology, microbiology, molecular biology, cellular biology,
7 biochemistry, or biophysics, or any combination of these, and includes,
8 but is not limited to, recombinant DNA techniques, genetics and genetic
9 engineering, cell fusion techniques, and new bioprocesses, using living
10 organisms, or parts of organisms.

11 (3) "Biotechnology product" means any virus, therapeutic serum,
12 antibody, protein, toxin, antitoxin, vaccine, blood, blood component or
13 derivative, allergenic product, or analogous product produced through
14 the application of biotechnology that is used in the prevention,
15 treatment, or cure of diseases or injuries to humans.

16 (4) "Department" means the department of revenue.

17 (5)(a) "Eligible investment project" means an investment in
18 qualified buildings or qualified machinery and equipment, including
19 labor and services rendered in the planning, installation, and
20 construction of the project.

21 (b) The lessor or owner of a qualified building is not eligible for
22 a deferral unless:

23 (i) The underlying ownership of the buildings, machinery, and
24 equipment vests exclusively in the same person; or

25 (ii)(A) The lessor by written contract agrees to pass the economic
26 benefit of the deferral to the lessee;

27 (B) The lessee that receives the economic benefit of the deferral
28 agrees in writing with the department to complete the annual survey
29 required under (~~RCW 82.32.645~~) section 143 of this act; and

30 (C) The economic benefit of the deferral passed to the lessee is no
31 less than the amount of tax deferred by the lessor and is evidenced by
32 written documentation of any type of payment, credit, or other
33 financial arrangement between the lessor or owner of the qualified
34 building and the lessee.

35 (6)(a) "Initiation of construction" means the date that a building
36 permit is issued under the building code adopted under RCW 19.27.031
37 for:

1 (i) Construction of the qualified building, if the underlying
2 ownership of the building vests exclusively with the person receiving
3 the economic benefit of the deferral;

4 (ii) Construction of the qualified building, if the economic
5 benefits of the deferral are passed to a lessee as provided in
6 subsection (5)(b)(ii)(A) of this section; or

7 (iii) Tenant improvements for a qualified building, if the economic
8 benefits of the deferral are passed to a lessee as provided in
9 subsection (5)(b)(ii)(A) of this section.

10 (b) "Initiation of construction" does not include soil testing,
11 site clearing and grading, site preparation, or any other related
12 activities that are initiated before the issuance of a building permit
13 for the construction of the foundation of the building.

14 (c) If the investment project is a phased project, "initiation of
15 construction" (~~shall apply~~) applies separately to each phase.

16 (7) "Manufacturing" has the meaning provided in RCW 82.04.120.

17 (8) "Medical device" means an instrument, apparatus, implement,
18 machine, contrivance, implant, in vitro reagent, or other similar or
19 related article, including any component, part, or accessory, that is
20 designed or developed and:

21 (a) Recognized in the national formulary, or the United States
22 pharmacopeia, or any supplement to them;

23 (b) Intended for use in the diagnosis of disease, or in the cure,
24 mitigation, treatment, or prevention of disease or other conditions in
25 human beings or other animals; or

26 (c) Intended to affect the structure or any function of the body of
27 man or other animals, and which does not achieve any of its primary
28 intended purposes through chemical action within or on the body of man
29 or other animals and which is not dependent upon being metabolized for
30 the achievement of any of its principal intended purposes.

31 (9) "Person" has the meaning provided in RCW 82.04.030.

32 (10) "Qualified buildings" means construction of new structures,
33 and expansion or renovation of existing structures for the purpose of
34 increasing floor space or production capacity used for biotechnology
35 product manufacturing or medical device manufacturing activities,
36 including plant offices, commercial laboratories for process
37 development, quality assurance and quality control, and warehouses or
38 other facilities for the storage of raw material or finished goods if

1 the facilities are an essential or an integral part of a factory,
2 plant, or laboratory used for biotechnology product manufacturing or
3 medical device manufacturing. If a building is used partly for
4 biotechnology product manufacturing or medical device manufacturing and
5 partly for other purposes, the applicable tax deferral (~~shall~~) must
6 be determined by apportionment of the costs of construction under rules
7 adopted by the department.

8 (11) "Qualified machinery and equipment" means all new industrial
9 and research fixtures, equipment, and support facilities that are an
10 integral and necessary part of a biotechnology product manufacturing or
11 medical device manufacturing operation. "Qualified machinery and
12 equipment" includes: Computers; software; data processing equipment;
13 laboratory equipment; manufacturing components such as belts, pulleys,
14 shafts, and moving parts; molds, tools, and dies; operating structures;
15 and all equipment used to control or operate the machinery.

16 (12) "Recipient" means a person receiving a tax deferral under this
17 chapter.

18 **Sec. 145.** RCW 82.75.020 and 2006 c 178 s 3 are each amended to
19 read as follows:

20 Application for deferral of taxes under this chapter must be made
21 (~~and approved~~) before initiation of the construction of the
22 investment project or acquisition of equipment or machinery. The
23 application (~~shall~~) must be made to the department in a form and
24 manner prescribed by the department. The application (~~shall~~) must
25 contain information regarding the location of the investment project,
26 the applicant's average employment in the state for the prior year,
27 estimated or actual new employment related to the project, estimated or
28 actual wages of employees related to the project, estimated or actual
29 costs, time schedules for completion and operation, and other
30 information required by the department. The department (~~shall~~) must
31 rule on the application within sixty days.

32 **Sec. 146.** RCW 82.75.040 and 2006 c 178 s 5 are each amended to
33 read as follows:

34 (1) Except as provided in subsection (2) of this section and (~~RCW~~
35 ~~82.32.645~~) section 102 of this act, taxes deferred under this chapter
36 need not be repaid.

1 (2)(a) If, on the basis of the survey under (~~RCW 82.32.645~~)
 2 section 102 of this act or other information, the department finds that
 3 an investment project is used for purposes other than qualified
 4 biotechnology product manufacturing or medical device manufacturing
 5 activities at any time during the calendar year in which the eligible
 6 investment project is certified by the department as having been
 7 operationally completed, or at any time during any of the seven
 8 succeeding calendar years, a portion of deferred taxes (~~shall be~~) is
 9 immediately due and payable according to the following schedule:

10	Year in which use occurs	% of deferred taxes due
11	1	100%
12	2	87.5%
13	3	75%
14	4	62.5%
15	5	50%
16	6	37.5%
17	7	25%
18	8	12.5%

19 (~~(b) ((If a recipient of the deferral fails to complete the annual
 20 survey required under RCW 82.32.645 by the date due, the amount of
 21 deferred tax specified in RCW 82.32.645(6) shall be immediately due and
 22 payable.))~~ If the economic benefits of the deferral are passed to a
 23 lessee as provided in RCW 82.75.010, the lessee is responsible for
 24 payment to the extent the lessee has received the economic benefit.

25 (3) For a violation of subsection (2)(a) of this section, the
 26 department (~~shall~~) must assess interest at the rate provided for
 27 delinquent taxes, but not penalties, retroactively to the date of
 28 deferral. The debt for deferred taxes (~~shall~~) will not be
 29 extinguished by insolvency or other failure of the recipient. Transfer
 30 of ownership does not terminate the deferral. The deferral is
 31 transferred, subject to the successor meeting the eligibility
 32 requirements of this chapter, for the remaining periods of the
 33 deferral.

34 (4) Notwithstanding subsection (2) of this section or section 102
 35 of this act, deferred taxes on the following need not be repaid:

1 (a) Machinery and equipment, and sales of or charges made for labor
2 and services, which at the time of purchase would have qualified for
3 exemption under RCW 82.08.02565; and

4 (b) Machinery and equipment which at the time of first use would
5 have qualified for exemption under RCW 82.12.02565.

6 **Sec. 147.** RCW 82.82.020 and 2008 c 15 s 2 are each amended to read
7 as follows:

8 (1) Application for deferral of taxes under this chapter can be
9 made at any time prior to completion of construction of a qualified
10 building or buildings, but tax liability incurred prior to the
11 department's receipt of an application may not be deferred. The
12 application must be made to the department in a form and manner
13 prescribed by the department. The application must contain information
14 regarding the location of the investment project, the applicant's
15 average employment in the state for the prior year, estimated or actual
16 new employment related to the project, estimated or actual wages of
17 employees related to the project, estimated or actual costs, time
18 schedules for completion and operation, and other information required
19 by the department. The department must rule on the application within
20 sixty days.

21 ~~(2)((a) The legislature finds that accountability and~~
22 ~~effectiveness are important aspects of setting tax policy. In order to~~
23 ~~make policy choices regarding the best use of limited state resources~~
24 ~~the legislature needs information on how a tax incentive is used.~~

25 ~~(b) Applicants for deferral of taxes under this chapter must agree~~
26 ~~to complete an annual survey. If the economic benefits of the deferral~~
27 ~~are passed to a lessee as provided in RCW 82.82.010(5), the lessee must~~
28 ~~agree to complete the annual survey and the applicant is not required~~
29 ~~to complete the annual survey. The survey is due by March 31st of the~~
30 ~~year following the calendar year in which the investment project is~~
31 ~~certified by the department as having been operationally complete and~~
32 ~~the seven succeeding calendar years. The survey must include the~~
33 ~~amount of tax deferred. The survey must also include the following~~
34 ~~information for employment positions in Washington:~~

35 ~~(i) The number of total employment positions;~~

36 ~~(ii) Full-time, part-time, and temporary employment positions as a~~
37 ~~percent of total employment;~~

1 ~~(iii) The number of employment positions according to the following~~
2 ~~wage bands: Less than thirty thousand dollars; thirty thousand dollars~~
3 ~~or greater, but less than sixty thousand dollars; and sixty thousand~~
4 ~~dollars or greater. A wage band containing fewer than three~~
5 ~~individuals may be combined with another wage band; and~~

6 ~~(iv) The number of employment positions that have employer-provided~~
7 ~~medical, dental, and retirement benefits, by each of the wage bands.~~

8 ~~(c) The department may request additional information necessary to~~
9 ~~measure the results of the deferral program, to be submitted at the~~
10 ~~same time as the survey.~~

11 ~~(d) All information collected under this subsection, except the~~
12 ~~amount of the tax deferral taken, is deemed taxpayer information under~~
13 ~~RCW 82.32.330 and is not disclosable. Information on the amount of tax~~
14 ~~deferral taken is not subject to the confidentiality provisions of RCW~~
15 ~~82.32.330 and may be disclosed to the public upon request.~~

16 ~~(3) The department must use the information to study the tax~~
17 ~~deferral program authorized under this chapter. The department must~~
18 ~~report to the legislature by December 1, 2014, and December 1, 2018.~~
19 ~~The reports must measure the effect of the program on job creation, the~~
20 ~~number of jobs created for Washington residents, company growth, the~~
21 ~~introduction of new products, the diversification of the state's~~
22 ~~economy, growth in research and development investment, the movement of~~
23 ~~firms or the consolidation of firms' operations into the state, and~~
24 ~~such other factors as the department selects. If fewer than three~~
25 ~~deferrals are granted under this chapter, the department may not report~~
26 ~~statistical information.~~

27 ~~(4)) Applications for deferral of taxes under this section may not~~
28 ~~be made after December 31, 2020.~~

29 (3) Each recipient of a deferral of taxes under this chapter must
30 file a complete annual survey with the department under section 102 of
31 this act. If the economic benefits of the deferral are passed to a
32 lessee as provided in RCW 82.82.010(5), the lessee must file a complete
33 annual survey, and the applicant is not required to file the annual
34 survey.

35 (4) A recipient who must repay deferred taxes under RCW 82.82.040
36 because the department has found that an investment project is no
37 longer an eligible investment project is no longer required to file

1 annual surveys under section 102 of this act beginning on the date an
2 investment project is used for nonqualifying purposes.

3 **Sec. 148.** RCW 82.82.040 and 2008 c 15 s 5 are each amended to read
4 as follows:

5 (1) Except as provided in subsection (2) of this section and
6 section 102 of this act, taxes deferred under this chapter need not be
7 repaid.

8 (2)(a) If, on the basis of the survey under ((RCW 82.82.020))
9 section 102 of this act or other information, the department finds that
10 an investment project is no longer an "eligible investment project"
11 under RCW 82.82.010 at any time during the calendar year in which the
12 investment project is certified by the department as having been
13 operationally completed, or at any time during any of the seven
14 succeeding calendar years, a portion of deferred taxes are immediately
15 due according to the following schedule:

16	Year in which use occurs	% of deferred taxes due
17	1	100%
18	2	87.5%
19	3	75%
20	4	62.5%
21	5	50%
22	6	37.5%
23	7	25%
24	8	12.5%

25 (b) ((If a recipient of the deferral fails to complete the annual
26 survey required under RCW 82.82.020 by the date due, twelve and one-
27 half percent of the deferred tax is immediately due.)) If the economic
28 benefits of the deferral are passed to a lessee as provided in RCW
29 82.82.010(5), the lessee is responsible for payment to the extent the
30 lessee has received the economic benefit.

31 ((c) If an investment project is meeting the requirement of RCW
32 82.82.010(5) at any time during the calendar year in which the
33 investment project is certified as having been operationally complete
34 and the recipient of the deferral fails to complete the annual survey

1 ~~due under RCW 82.82.020, the portion of deferred taxes immediately due~~
2 ~~is the amount on the schedule in (a) of this subsection. If the~~
3 ~~economic benefits of the deferral are passed to a lessee as provided in~~
4 ~~RCW 82.82.010(5), the lessee is responsible for payment to the extent~~
5 ~~the lessee has received the economic benefit.))~~

6 (3) The department must assess interest at the rate provided for
7 delinquent taxes under chapter 82.32 RCW, but not penalties,
8 retroactively to the date of deferral. The debt for deferred taxes
9 will not be extinguished by insolvency or other failure of the
10 recipient. Transfer of ownership does not terminate the deferral. The
11 deferral is transferred, subject to the successor meeting the
12 eligibility requirements of this chapter, for the remaining periods of
13 the deferral.

14 **Sec. 149.** RCW 84.36.645 and 2003 c 149 s 10 are each amended to
15 read as follows:

16 (1) Machinery and equipment exempt under RCW 82.08.02565 or
17 82.12.02565 used in manufacturing semiconductor materials at a building
18 exempt from sales and use tax and in compliance with the employment
19 requirement under RCW 82.08.965 and 82.12.965 are (~~tax~~) exempt from
20 property taxation. "Semiconductor materials" has the same meaning as
21 provided in RCW 82.04.240(2).

22 (2) A person seeking this exemption must make application to the
23 county assessor, on forms prescribed by the department.

24 (3) A person (~~receiving~~) claiming an exemption under this section
25 must file a complete annual report (~~in the manner prescribed in RCW~~
26 ~~82.32.535~~) with the department under section 103 of this act.

27 (4) This section is effective for taxes levied for collection one
28 year after the effective date of this act and thereafter.

29 (5) This section expires December 31st of the year occurring twelve
30 years after the effective date of this act, for taxes levied for
31 collection in the following year.

32 **Sec. 150.** RCW 84.36.655 and 2003 2nd sp.s. c 1 s 14 are each
33 amended to read as follows:

34 (1) Effective January 1, 2005, all buildings, machinery, equipment,
35 and other personal property of a lessee of a port district eligible
36 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing

1 superefficient airplanes, are exempt from property taxation. A person
2 taking the credit under RCW 82.04.4463 is not eligible for the
3 exemption under this section. For the purposes of this section,
4 "superefficient airplane" and "component" have the meanings given in
5 RCW 82.32.550.

6 (2) In addition to all other requirements under this title, a
7 person (~~taking~~) claiming the exemption under this section must file
8 a complete annual report (~~as required~~) with the department under
9 (~~RCW 82.32.545~~) section 103 of this act.

10 (3) Claims for exemption authorized by this section (~~shall~~) must
11 be filed with the county assessor on forms prescribed by the department
12 and furnished by the assessor. The assessor (~~shall~~) must verify and
13 approve claims as the assessor determines to be justified and in
14 accordance with this section. No claims may be filed after December
15 31, 2023. The department may adopt rules, under the provisions of
16 chapter 34.05 RCW, as necessary to properly administer this section.

17 (4) This section applies to taxes levied for collection in 2006 and
18 thereafter.

19 (5) This section expires July 1, 2024.

20 NEW SECTION. Sec. 151. The following acts or parts of acts are
21 each repealed:

22 (1) RCW 82.32.535 (Annual report by semiconductor businesses) and
23 2003 c 149 s 11;

24 (2) RCW 82.32.5351 (Annual report by semiconductor businesses--
25 Report to legislature) and 2006 c 84 s 5;

26 (3) RCW 82.32.545 (Annual report for airplane manufacturing tax
27 preferences) and 2008 c 283 s 2, 2008 c 81 s 10, 2007 c 54 s 19, & 2003
28 2nd sp.s. c 1 s 16;

29 (4) RCW 82.32.560 (Electrolytic processing business tax exemption--
30 Annual report) and 2004 c 240 s 2;

31 (5) RCW 82.32.570 (Smelter tax incentives--Goals--Annual report)
32 and 2006 c 182 s 6 & 2004 c 24 s 14;

33 (6) RCW 82.32.610 (Annual survey for fruit and vegetable business
34 tax incentive--Report to legislature) and 2006 c 354 s 5 & 2005 c 513
35 s 3;

36 (7) RCW 82.32.620 (Annual report for tax incentives under RCW
37 82.04.294) and 2005 c 301 s 4;

- 1 (8) RCW 82.32.630 (Annual survey for timber tax incentives) and
2 2007 c 48 s 6 & 2006 c 300 s 9;
- 3 (9) RCW 82.32.645 (Annual survey for biotechnology and medical
4 device manufacturing business tax incentive--Report to legislature) and
5 2006 c 178 s 8;
- 6 (10) RCW 82.32.650 (Annual survey--Customized employment training--
7 Report to legislature) and 2006 c 112 s 6;
- 8 (11) RCW 82.16.140 (Renewable energy system cost recovery--Report
9 to legislature) and 2005 c 300 s 5; and
- 10 (12) 2005 c 301 s 5 (uncodified).

11 NEW SECTION. **Sec. 152.** The repeals in section 151 of this act do
12 not affect any existing right acquired or liability or obligation
13 incurred under the statutes repealed or under any rule or order adopted
14 under those statutes, nor do they affect any proceeding instituted
15 under those statutes.

16 **PART II**
17 **CONFIDENTIALITY**

18 NEW SECTION. **Sec. 201.** A new section is added to chapter 35.102
19 RCW to read as follows:

20 A city that imposes a business and occupation tax may by ordinance
21 provide that return or tax information is confidential, privileged, and
22 subject to disclosure in the manner provided by RCW 82.32.330.

23 **Sec. 202.** RCW 42.56.230 and 2008 c 200 s 5 are each amended to
24 read as follows:

25 The following personal information is exempt from public inspection
26 and copying under this chapter:

- 27 (1) Personal information in any files maintained for students in
28 public schools, patients or clients of public institutions or public
29 health agencies, or welfare recipients;
- 30 (2) Personal information in files maintained for employees,
31 appointees, or elected officials of any public agency to the extent
32 that disclosure would violate their right to privacy;
- 33 (3) Information required of any taxpayer in connection with the
34 assessment or collection of any tax if the disclosure of the

1 information to other persons would: (a) Be prohibited to such persons
2 by RCW 84.08.210, 82.32.330, 84.40.020, (~~or~~) 84.40.340, or any
3 ordinance authorized under section 201 of this act; or (b) violate the
4 taxpayer's right to privacy or result in unfair competitive
5 disadvantage to the taxpayer;

6 (4) Credit card numbers, debit card numbers, electronic check
7 numbers, card expiration dates, or bank or other financial account
8 numbers, except when disclosure is expressly required by or governed by
9 other law; and

10 (5) Documents and related materials and scanned images of documents
11 and related materials used to prove identity, age, residential address,
12 social security number, or other personal information required to apply
13 for a driver's license or identicard.

14 **Sec. 203.** RCW 82.16.120 and 2007 c 111 s 101 are each amended to
15 read as follows:

16 (1) Any individual, business, or local governmental entity, not in
17 the light and power business or in the gas distribution business, may
18 apply to the light and power business serving the situs of the system,
19 each fiscal year beginning on July 1, 2005, for an investment cost
20 recovery incentive for each kilowatt-hour from a customer-generated
21 electricity renewable energy system installed on its property that is
22 not interconnected to the electric distribution system. No incentive
23 may be paid for kilowatt-hours generated before July 1, 2005, or after
24 June 30, 2014.

25 (2) When light and power businesses serving eighty percent of the
26 total customer load in the state adopt uniform standards for
27 interconnection to the electric distribution system, any individual,
28 business, or local governmental entity, not in the light and power
29 business or in the gas distribution business, may apply to the light
30 and power business serving the situs of the system, each fiscal year,
31 for an investment cost recovery incentive for each kilowatt-hour from
32 a customer-generated electricity renewable energy system installed on
33 its property that is not interconnected to the electric distribution
34 system and from a customer-generated electricity renewable energy
35 system installed on its property that is interconnected to the electric
36 distribution system. Uniform standards for interconnection to the
37 electric distribution system means those standards established by light

1 and power businesses that have ninety percent of total requirements the
2 same. No incentive may be paid for kilowatt-hours generated before
3 July 1, 2005, or after June 30, 2014.

4 (3)(a) Before submitting for the first time the application for the
5 incentive allowed under this section, the applicant (~~shall~~) must
6 submit to the department of revenue and to the climate and rural energy
7 development center at the Washington State University, established
8 under RCW 28B.30.642, a certification in a form and manner prescribed
9 by the department that includes, but is not limited to, the following
10 information:

11 (i) The name and address of the applicant and location of the
12 renewable energy system;

13 (ii) The applicant's tax registration number;

14 (iii) That the electricity produced by the applicant meets the
15 definition of "customer-generated electricity" and that the renewable
16 energy system produces electricity with:

17 (A) Any solar inverters and solar modules manufactured in
18 Washington state;

19 (B) A wind generator powered by blades manufactured in Washington
20 state;

21 (C) A solar inverter manufactured in Washington state;

22 (D) A solar module manufactured in Washington state; or

23 (E) Solar or wind equipment manufactured outside of Washington
24 state;

25 (iv) That the electricity can be transformed or transmitted for
26 entry into or operation in parallel with electricity transmission and
27 distribution systems;

28 (v) The date that the renewable energy system received its final
29 electrical permit from the applicable local jurisdiction.

30 (b) Within thirty days of receipt of the certification the
31 department of revenue (~~shall~~) must notify the applicant by mail, or
32 electronically as provided in RCW 82.32.135, whether the renewable
33 energy system qualifies for an incentive under this section. The
34 department may consult with the climate and rural energy development
35 center to determine eligibility for the incentive. System
36 certifications and the information contained therein are subject to
37 disclosure under RCW 82.32.330(3)(~~+~~) (1).

1 (4)(a) By August 1st of each year application for the incentive
2 (~~shall~~) must be made to the light and power business serving the
3 situs of the system by certification in a form and manner prescribed by
4 the department that includes, but is not limited to, the following
5 information:

6 (i) The name and address of the applicant and location of the
7 renewable energy system;

8 (ii) The applicant's tax registration number;

9 (iii) The date of the notification from the department of revenue
10 stating that the renewable energy system is eligible for the incentives
11 under this section;

12 (iv) A statement of the amount of kilowatt-hours generated by the
13 renewable energy system in the prior fiscal year.

14 (b) Within sixty days of receipt of the incentive certification the
15 light and power business serving the situs of the system (~~shall~~) must
16 notify the applicant in writing whether the incentive payment will be
17 authorized or denied. The business may consult with the climate and
18 rural energy development center to determine eligibility for the
19 incentive payment. Incentive certifications and the information
20 contained therein are subject to disclosure under RCW
21 82.32.330(3)(~~m~~) (l).

22 (c)(i) Persons receiving incentive payments (~~shall~~) must keep and
23 preserve, for a period of five years, suitable records as may be
24 necessary to determine the amount of incentive applied for and
25 received. Such records (~~shall~~) must be open for examination at any
26 time upon notice by the light and power business that made the payment
27 or by the department. If upon examination of any records or from other
28 information obtained by the business or department it appears that an
29 incentive has been paid in an amount that exceeds the correct amount of
30 incentive payable, the business may assess against the person for the
31 amount found to have been paid in excess of the correct amount of
32 incentive payable and (~~shall~~) must add thereto interest on the
33 amount. Interest (~~shall~~) must be assessed in the manner that the
34 department assesses interest upon delinquent tax under RCW 82.32.050.

35 (ii) If it appears that the amount of incentive paid is less than
36 the correct amount of incentive payable the business may authorize
37 additional payment.

1 (5) The investment cost recovery incentive may be paid fifteen
2 cents per economic development kilowatt-hour unless requests exceed the
3 amount authorized for credit to the participating light and power
4 business. For the purposes of this section, the rate paid for the
5 investment cost recovery incentive may be multiplied by the following
6 factors:

7 (a) For customer-generated electricity produced using solar modules
8 manufactured in Washington state, two and four-tenths;

9 (b) For customer-generated electricity produced using a solar or a
10 wind generator equipped with an inverter manufactured in Washington
11 state, one and two-tenths;

12 (c) For customer-generated electricity produced using an anaerobic
13 digester, or by other solar equipment or using a wind generator
14 equipped with blades manufactured in Washington state, one; and

15 (d) For all other customer-generated electricity produced by wind,
16 eight-tenths.

17 (6) No individual, household, business, or local governmental
18 entity is eligible for incentives for more than two thousand dollars
19 per year.

20 (7) If requests for the investment cost recovery incentive exceed
21 the amount of funds available for credit to the participating light and
22 power business, the incentive payments (~~shall~~) must be reduced
23 proportionately.

24 (8) The climate and rural energy development center at Washington
25 State University energy program may establish guidelines and standards
26 for technologies that are identified as Washington manufactured and
27 therefore most beneficial to the state's environment.

28 (9) The environmental attributes of the renewable energy system
29 belong to the applicant, and do not transfer to the state or the light
30 and power business upon receipt of the investment cost recovery
31 incentive.

32 **Sec. 204.** RCW 82.32.330 and 2008 c 81 s 11 are each amended to
33 read as follows:

34 (1) For purposes of this section:

35 (a) "Disclose" means to make known to any person in any manner
36 whatever a return or tax information;

1 (b) "Return" means a tax or information return or claim for refund
2 required by, or provided for or permitted under, the laws of this state
3 which is filed with the department of revenue by, on behalf of, or with
4 respect to a person, and any amendment or supplement thereto, including
5 supporting schedules, attachments, or lists that are supplemental to,
6 or part of, the return so filed;

7 (c) "Tax information" means (i) a taxpayer's identity, (ii) the
8 nature, source, or amount of the taxpayer's income, payments, receipts,
9 deductions, exemptions, credits, assets, liabilities, net worth, tax
10 liability deficiencies, overassessments, or tax payments, whether taken
11 from the taxpayer's books and records or any other source, (iii)
12 whether the taxpayer's return was, is being, or will be examined or
13 subject to other investigation or processing, (iv) a part of a written
14 determination that is not designated as a precedent and disclosed
15 pursuant to RCW 82.32.410, or a background file document relating to a
16 written determination, and (v) other data received by, recorded by,
17 prepared by, furnished to, or collected by the department of revenue
18 with respect to the determination of the existence, or possible
19 existence, of liability, or the amount thereof, of a person under the
20 laws of this state for a tax, penalty, interest, fine, forfeiture, or
21 other imposition, or offense: PROVIDED, That data, material, or
22 documents that do not disclose information related to a specific or
23 identifiable taxpayer do not constitute tax information under this
24 section. Except as provided by RCW 82.32.410, nothing in this chapter
25 (~~shall~~) requires any person possessing data, material, or documents
26 made confidential and privileged by this section to delete information
27 from such data, material, or documents so as to permit its disclosure;

28 (d) "State agency" means every Washington state office, department,
29 division, bureau, board, commission, or other state agency;

30 (e) "Taxpayer identity" means the taxpayer's name, address,
31 telephone number, registration number, or any combination thereof, or
32 any other information disclosing the identity of the taxpayer; and

33 (f) "Department" means the department of revenue or its officer,
34 agent, employee, or representative.

35 (2) Returns and tax information (~~shall be~~) are confidential and
36 privileged, and except as authorized by this section, neither the
37 department of revenue nor any other person may disclose any return or
38 tax information.

1 (3) This section does not prohibit the department of revenue from:
2 (a) Disclosing such return or tax information in a civil or
3 criminal judicial proceeding or an administrative proceeding:
4 (i) In respect of any tax imposed under the laws of this state if
5 the taxpayer or its officer or other person liable under Title 82 RCW
6 or chapter 83.100 RCW is a party in the proceeding; (~~(or)~~)
7 (ii) In which the taxpayer about whom such return or tax
8 information is sought and another state agency are adverse parties in
9 the proceeding; or
10 (iii) Brought by the department under RCW 18.27.040 or 19.28.071;
11 (b) Disclosing, subject to such requirements and conditions as the
12 director (~~(shall)~~) prescribes by rules adopted pursuant to chapter
13 34.05 RCW, such return or tax information regarding a taxpayer to such
14 taxpayer or to such person or persons as that taxpayer may designate in
15 a request for, or consent to, such disclosure, or to any other person,
16 at the taxpayer's request, to the extent necessary to comply with a
17 request for information or assistance made by the taxpayer to such
18 other person: PROVIDED, That tax information not received from the
19 taxpayer (~~(shall)~~) must not be so disclosed if the director determines
20 that such disclosure would compromise any investigation or litigation
21 by any federal, state, or local government agency in connection with
22 the civil or criminal liability of the taxpayer or another person, or
23 that such disclosure would identify a confidential informant, or that
24 such disclosure is contrary to any agreement entered into by the
25 department that provides for the reciprocal exchange of information
26 with other government agencies which agreement requires confidentiality
27 with respect to such information unless such information is required to
28 be disclosed to the taxpayer by the order of any court;
29 (c) Disclosing the name of a taxpayer (~~(with a deficiency greater~~
30 ~~than five thousand dollars and)~~) against whom a warrant under RCW
31 82.32.210 has been either issued or filed and remains outstanding for
32 a period of at least ten working days. The department (~~(shall not be)~~)
33 is not required to disclose any information under this subsection if a
34 taxpayer(~~(i) Has been issued a tax assessment; (ii) has been issued~~
35 ~~a warrant that has not been filed; and (iii))~~) has entered a deferred
36 payment arrangement with the department of revenue for the payment of
37 a warrant that has not been filed and is making payments upon such

1 deficiency that will fully satisfy the indebtedness within twelve
2 months;

3 ~~((d))~~ ~~((Disclosing the name of a taxpayer with a deficiency greater
4 than five thousand dollars and against whom a warrant under RCW
5 82.32.210 has been filed with a court of record and remains
6 outstanding;~~

7 ~~((e))~~) Publishing statistics so classified as to prevent the
8 identification of particular returns or reports or items thereof;

9 ~~((f))~~) (e) Disclosing such return or tax information, for official
10 purposes only, to the governor or attorney general, or to any state
11 agency, or to any committee or subcommittee of the legislature dealing
12 with matters of taxation, revenue, trade, commerce, the control of
13 industry or the professions;

14 ~~((g))~~) (f) Permitting the department of revenue's records to be
15 audited and examined by the proper state officer, his or her agents and
16 employees;

17 ~~((h))~~) (g) Disclosing any such return or tax information to a
18 peace officer as defined in RCW 9A.04.110 or county prosecuting
19 attorney, for official purposes. The disclosure may be made only in
20 response to a search warrant, subpoena, or other court order, unless
21 the disclosure is for the purpose of criminal tax enforcement. A peace
22 officer or county prosecuting attorney who receives the return or tax
23 information may disclose that return or tax information only for use in
24 the investigation and a related court proceeding, or in the court
25 proceeding for which the return or tax information originally was
26 sought;

27 ~~((i))~~) (h) Disclosing any such return or tax information to the
28 proper officer of the internal revenue service of the United States,
29 the Canadian government or provincial governments of Canada, or to the
30 proper officer of the tax department of any state or city or town or
31 county, for official purposes, but only if the statutes of the United
32 States, Canada or its provincial governments, or of such other state or
33 city or town or county, as the case may be, grants substantially
34 similar privileges to the proper officers of this state;

35 ~~((j))~~) (i) Disclosing any such return or tax information to the
36 United States Department of Justice, including the Bureau of Alcohol,
37 Tobacco, Firearms and Explosives ~~((within the Department of Justice))~~,
38 the Department of Defense, the Immigration and Customs Enforcement and

1 the Customs and Border Protection agencies of the United States
2 Department of Homeland Security, the United States Coast Guard (~~(of the~~
3 ~~United States)~~), the Alcohol and Tobacco Tax and Trade Bureau of the
4 United States Department of Treasury, and the United States Department
5 of Transportation, or any authorized representative (~~(thereof)~~) of
6 these federal agencies, for official purposes;

7 ~~((+k))~~ (j) Publishing or otherwise disclosing the text of a
8 written determination designated by the director as a precedent
9 pursuant to RCW 82.32.410;

10 ~~((+l))~~ (k) Disclosing, in a manner that is not associated with
11 other tax information, the taxpayer name, entity type, business
12 address, mailing address, revenue tax registration numbers, North
13 American industry classification system or standard industrial
14 classification code of a taxpayer, and the dates of opening and closing
15 of business. This subsection (~~(shall)~~) must not be construed as giving
16 authority to the department to give, sell, or provide access to any
17 list of taxpayers for any commercial purpose;

18 ~~((+m))~~ (l) Disclosing such return or tax information that is also
19 maintained by another Washington state or local governmental agency as
20 a public record available for inspection and copying under the
21 provisions of chapter 42.56 RCW or is a document maintained by a court
22 of record and is not otherwise prohibited from disclosure;

23 ~~((+n))~~ (m) Disclosing such return or tax information to the United
24 States department of agriculture for the limited purpose of
25 investigating food stamp fraud by retailers;

26 ~~((+o))~~ (n) Disclosing to a financial institution, escrow company,
27 or title company, in connection with specific real property that is the
28 subject of a real estate transaction, current amounts due the
29 department for a filed tax warrant, judgment, or lien against the real
30 property;

31 ~~((+p))~~ (o) Disclosing to a person against whom the department has
32 asserted liability as a successor under RCW 82.32.140 return or tax
33 information pertaining to the specific business of the taxpayer to
34 which the person has succeeded;

35 ~~((+q))~~ (p) Disclosing (~~(such return or tax information)~~) real
36 estate excise tax affidavit forms filed under RCW 82.45.150 in the
37 possession of the department (~~(relating to the administration or~~

1 enforcement of the real estate excise tax imposed under chapter 82.45
2 RCW)), including ((information)) real estate excise tax affidavit forms
3 regarding transactions exempt or otherwise not subject to tax; ((or
4 ~~(r)~~) (q) Disclosing to local taxing jurisdictions the identity of
5 sellers granted relief under RCW 82.32.430(5)(b)(i) and the period for
6 which relief is granted;

7 (r) Disclosing to a person against whom the department has asserted
8 liability under RCW 83.100.120 return or tax information pertaining to
9 that person's liability for tax under chapter 83.100 RCW; or

10 (s) Disclosing any such return or tax information to the
11 streamlined sales tax governing board for official board purposes.

12 (4)(a) The department may disclose return or taxpayer information
13 to a person under investigation or during any court or administrative
14 proceeding against a person under investigation as provided in this
15 subsection (4). The disclosure must be in connection with the
16 department's official duties relating to an audit, collection activity,
17 or a civil or criminal investigation. The disclosure may occur only
18 when the person under investigation and the person in possession of
19 data, materials, or documents are parties to the return or tax
20 information to be disclosed. The department may disclose return or tax
21 information such as invoices, contracts, bills, statements, resale or
22 exemption certificates, or checks. However, the department may not
23 disclose general ledgers, sales or cash receipt journals, check
24 registers, accounts receivable/payable ledgers, general journals,
25 financial statements, expert's workpapers, income tax returns, state
26 tax returns, tax return workpapers, or other similar data, materials,
27 or documents.

28 (b) Before disclosure of any tax return or tax information under
29 this subsection (4), the department ((shall)) must, through written
30 correspondence, inform the person in possession of the data, materials,
31 or documents to be disclosed. The correspondence ((shall)) must
32 clearly identify the data, materials, or documents to be disclosed.
33 The department may not disclose any tax return or tax information under
34 this subsection (4) until the time period allowed in (c) of this
35 subsection has expired or until the court has ruled on any challenge
36 brought under (c) of this subsection.

37 (c) The person in possession of the data, materials, or documents
38 to be disclosed by the department has twenty days from the receipt of

1 the written request required under (b) of this subsection to petition
2 the superior court of the county in which the petitioner resides for
3 injunctive relief. The court (~~shall~~) may limit or deny the request
4 of the department if the court determines that:

5 (i) The data, materials, or documents sought for disclosure are
6 cumulative or duplicative, or are obtainable from some other source
7 that is more convenient, less burdensome, or less expensive;

8 (ii) The production of the data, materials, or documents sought
9 would be unduly burdensome or expensive, taking into account the needs
10 of the department, the amount in controversy, limitations on the
11 petitioner's resources, and the importance of the issues at stake; or

12 (iii) The data, materials, or documents sought for disclosure
13 contain trade secret information that, if disclosed, could harm the
14 petitioner.

15 (d) The department (~~shall~~) must reimburse reasonable expenses for
16 the production of data, materials, or documents incurred by the person
17 in possession of the data, materials, or documents to be disclosed.

18 (e) Requesting information under (b) of this subsection that may
19 indicate that a taxpayer is under investigation does not constitute a
20 disclosure of tax return or tax information under this section.

21 (5) Any person acquiring knowledge of any return or tax information
22 in the course of his or her employment with the department of revenue
23 and any person acquiring knowledge of any return or tax information as
24 provided under subsection (3)(~~(f), (g), (h), (i), (j), or (n)~~) (e),
25 (f), (g), (h), (i), or (m) of this section, who discloses any such
26 return or tax information to another person not entitled to knowledge
27 of such return or tax information under the provisions of this section,
28 is guilty of a misdemeanor. If the person guilty of such violation is
29 an officer or employee of the state, such person (~~shall~~) must forfeit
30 such office or employment and (~~shall be~~) is incapable of holding any
31 public office or employment in this state for a period of two years
32 thereafter.

33 **Sec. 205.** RCW 82.32.480 and 2001 c 314 s 20 are each amended to
34 read as follows:

35 The forest products commission, created pursuant to chapter 15.100
36 RCW, constitutes a state agency for purposes of applying the exemption
37 contained in RCW 82.32.330(3)(~~(f)~~) (e) for the disclosure of taxpayer

1 information by the department. Disclosure of return or tax information
2 may be made only to employees of the commission and not to commission
3 members. Employees are authorized to use this information in
4 accordance with RCW 15.100.100(4). Employees are subject to all civil
5 and criminal penalties provided under RCW 82.32.330 for disclosures
6 made to another person not entitled under the provisions of this
7 section or RCW 15.100.100 to knowledge of such information.

8 **Sec. 206.** RCW 82.60.100 and 1987 c 49 s 1 are each amended to read
9 as follows:

10 Applications, reports, and any other information received by the
11 department under this chapter (~~shall~~), except applications not
12 approved by the department, are not (~~be~~) confidential and (~~shall~~
13 ~~be~~) are subject to disclosure.

14 **Sec. 207.** RCW 82.62.080 and 1987 c 49 s 3 are each amended to read
15 as follows:

16 Applications, reports, and any other information received by the
17 department under this chapter (~~shall~~), except applications not
18 approved by the department, are not (~~be~~) confidential and (~~shall~~
19 ~~be~~) are subject to disclosure.

20 **Sec. 208.** RCW 82.63.070 and 2004 c 2 s 7 are each amended to read
21 as follows:

22 Applications (~~received~~) approved by the department under this
23 chapter are not confidential and are subject to disclosure.

24 **Sec. 209.** RCW 82.74.070 and 2005 c 513 s 10 are each amended to
25 read as follows:

26 Applications (~~received~~) approved by the department under this
27 chapter are not confidential and are subject to disclosure.

28 **Sec. 210.** RCW 82.75.060 and 2006 c 178 s 7 are each amended to
29 read as follows:

30 Applications (~~received~~) approved by the department under this
31 chapter are not confidential and are subject to disclosure.

1 **Sec. 211.** RCW 83.100.210 and 2005 c 516 s 15 are each amended to
2 read as follows:

3 (1) The following provisions of chapter 82.32 RCW have full force
4 and application with respect to the taxes imposed under this chapter
5 unless the context clearly requires otherwise: RCW 82.32.110,
6 82.32.120, 82.32.130, 82.32.320, 82.32.330, and 82.32.340. The
7 definitions in this chapter have full force and application with
8 respect to the application of chapter 82.32 RCW to this chapter unless
9 the context clearly requires otherwise.

10 (2) The department may enter into closing agreements as provided in
11 RCW 82.32.350 and 82.32.360.

12 **PART III**
13 **CLARIFICATIONS AND TECHNICAL CORRECTIONS**

14 **Sec. 301.** RCW 39.100.050 and 2007 c 266 s 6 are each amended to
15 read as follows:

16 (1) A local government that creates a benefit zone and has received
17 approval from the department under RCW 82.32.700 to impose the local
18 option sales and use tax authorized in RCW 82.14.465 may use annually
19 any excess local excise taxes received by it from taxable activity
20 within the benefit zone to finance public improvement costs associated
21 with the public improvements financed in whole or in part by hospital
22 benefit zone financing. The use of excess local excise taxes must
23 cease when tax allocation revenues are no longer necessary or obligated
24 to pay the costs of the public improvements. Any participating taxing
25 authority is authorized to allocate excess local excise taxes to the
26 local government as long as the local government has received approval
27 from the department under RCW 82.32.700 to impose the local option
28 sales and use tax authorized in RCW 82.14.465. The legislature
29 declares that it is a proper purpose of a local government or
30 participating taxing authority to allocate excess local excise taxes
31 for purposes of financing public improvements under this chapter.

32 (2) A local government (~~shall~~) must provide the department
33 accurate information describing the geographical boundaries of the
34 benefit zone at least seventy-five days before the effective date of
35 the ordinance creating the benefit zone. The local government

1 ((shall)) must ensure that the boundary information provided to the
2 department is kept current.

3 (3) The department ((shall)) must provide the necessary information
4 to calculate excess local excise taxes to each local government that
5 has provided boundary information to the department as provided in this
6 section and that has received approval from the department under RCW
7 82.32.700 to impose the local option sales and use tax authorized in
8 RCW 82.14.465.

9 (4) The definitions in this subsection apply throughout this
10 section unless the context clearly requires otherwise.

11 (a) "Base year" means the calendar year immediately following the
12 creation of a benefit zone.

13 (b) "Excess local excise taxes" means the amount of local excise
14 taxes received by the local government during the measurement year from
15 taxable activity within the benefit zone over and above the amount of
16 local excise taxes received by the local government during the base
17 year from taxable activity within the benefit zone. However, if a
18 local government creates the benefit zone and reasonably determines
19 that no activity subject to tax under chapters 82.08 and 82.12 RCW
20 occurred in the twelve months immediately preceding the creation of the
21 benefit zone within the boundaries of the area that became the benefit
22 zone, "excess local excise taxes" means the entire amount of local
23 excise taxes received by the local government during a calendar year
24 period beginning with the calendar year immediately following the
25 creation of the benefit zone and continuing with each measurement year
26 thereafter.

27 (c) "Local excise taxes" means local revenues derived from the
28 imposition of sales and use taxes authorized in RCW 82.14.030 at the
29 tax rate that was in effect at the time the hospital benefit zone is
30 approved by the department, except that if a local government reduces
31 the rate of such tax after the ((revenue development area)) hospital
32 benefit zone was approved, "local excise taxes" means the local
33 revenues derived from the imposition of the sales and use taxes
34 authorized in RCW 82.14.030 at the lower tax rate.

35 (d) "Measurement year" means a calendar year, beginning with the
36 calendar year following the base year and each calendar year
37 thereafter, that is used annually to measure the amount of excess state

1 excise taxes and excess local excise taxes required to be used to
2 finance public improvement costs associated with public improvements
3 financed in whole or in part by hospital benefit zone financing.

4 **Sec. 302.** RCW 82.36.440 and 2003 c 350 s 5 are each amended to
5 read as follows:

6 (1) The tax levied in this chapter is in lieu of any excise,
7 privilege, or occupational tax upon the business of manufacturing,
8 selling, or distributing motor vehicle fuel, and no city, town, county,
9 township or other subdivision or municipal corporation of the state
10 (~~shall~~) may levy or collect any excise tax upon or measured by the
11 sale, receipt, distribution, or use of motor vehicle fuel, except as
12 provided in chapter 82.80 RCW and RCW 82.47.020.

13 (2) This section does not apply to any tax imposed by the state.

14 **Sec. 303.** RCW 82.38.280 and 2003 c 350 s 6 are each amended to
15 read as follows:

16 (1) The tax levied in this chapter is in lieu of any excise,
17 privilege, or occupational tax upon the business of manufacturing,
18 selling, or distributing special fuel, and no city, town, county,
19 township or other subdivision or municipal corporation of the state
20 (~~shall~~) may levy or collect any excise tax upon or measured by the
21 sale, receipt, distribution, or use of special fuel, except as provided
22 in chapter 82.80 RCW and RCW 82.47.020.

23 (2) This section does not apply to any tax imposed by the state.

24 **Sec. 304.** RCW 82.04.050 and 2007 c 54 s 4 and 2007 c 6 s 1004 are
25 each reenacted and amended to read as follows:

26 (1)(a) "Sale at retail" or "retail sale" means every sale of
27 tangible personal property (including articles produced, fabricated, or
28 imprinted) to all persons irrespective of the nature of their business
29 and including, among others, without limiting the scope hereof, persons
30 who install, repair, clean, alter, improve, construct, or decorate real
31 or personal property of or for consumers other than a sale to a person
32 who presents a resale certificate under RCW 82.04.470 and who:

33 (~~(a)~~) (i) Purchases for the purpose of resale as tangible
34 personal property in the regular course of business without intervening

1 use by such person, but a purchase for the purpose of resale by a
2 regional transit authority under RCW 81.112.300 is not a sale for
3 resale; or

4 ~~((b))~~ (ii) Installs, repairs, cleans, alters, imprints, improves,
5 constructs, or decorates real or personal property of or for consumers,
6 if such tangible personal property becomes an ingredient or component
7 of such real or personal property without intervening use by such
8 person; or

9 ~~((c))~~ (iii) Purchases for the purpose of consuming the property
10 purchased in producing for sale a new article of tangible personal
11 property or substance, of which such property becomes an ingredient or
12 component or is a chemical used in processing, when the primary purpose
13 of such chemical is to create a chemical reaction directly through
14 contact with an ingredient of a new article being produced for sale; or

15 ~~((d))~~ (iv) Purchases for the purpose of consuming the property
16 purchased in producing ferrosilicon which is subsequently used in
17 producing magnesium for sale, if the primary purpose of such property
18 is to create a chemical reaction directly through contact with an
19 ingredient of ferrosilicon; or

20 ~~((e))~~ (v) Purchases for the purpose of providing the property to
21 consumers as part of competitive telephone service, as defined in RCW
22 82.04.065. ~~((The term shall include every sale of tangible personal
23 property which is used or consumed or to be used or consumed in the
24 performance of any activity classified as a "sale at retail" or "retail
25 sale" even though such property is resold or utilized as provided in
26 (a), (b), (c), (d), or (e) of this subsection following such use. The
27 term also means every sale of tangible personal property to persons
28 engaged in any business which is taxable under RCW 82.04.280 (2) and
29 (7), 82.04.290, and 82.04.2908)); or~~

30 ~~((f))~~ (vi) Purchases for the purpose of satisfying the person's
31 obligations under an extended warranty as defined in subsection (7) of
32 this section, if such tangible personal property replaces or becomes an
33 ingredient or component of property covered by the extended warranty
34 without intervening use by such person.

35 (b) The term includes every sale of tangible personal property that
36 is used or consumed or to be used or consumed in the performance of any
37 activity defined as a "sale at retail" or "retail sale" even though

1 such property is resold or used as provided in (a)(i) through (vi) of
2 this subsection following such use.

3 (c) The term also means every sale of tangible personal property to
4 persons engaged in any business that is taxable under RCW 82.04.280 (2)
5 and (7), 82.04.290, and 82.04.2908.

6 (2) The term "sale at retail" or "retail sale" (~~shall~~) includes
7 the sale of or charge made for tangible personal property consumed
8 and/or for labor and services rendered in respect to the following:

9 (a) The installing, repairing, cleaning, altering, imprinting, or
10 improving of tangible personal property of or for consumers, including
11 charges made for the mere use of facilities in respect thereto, but
12 excluding charges made for the use of self-service laundry facilities,
13 and also excluding sales of laundry service to nonprofit health care
14 facilities, and excluding services rendered in respect to live animals,
15 birds and insects;

16 (b) The constructing, repairing, decorating, or improving of new or
17 existing buildings or other structures under, upon, or above real
18 property of or for consumers, including the installing or attaching of
19 any article of tangible personal property therein or thereto, whether
20 or not such personal property becomes a part of the realty by virtue of
21 installation, and (~~shall~~) also includes the sale of services or
22 charges made for the clearing of land and the moving of earth excepting
23 the mere leveling of land used in commercial farming or agriculture;

24 (c) The constructing, repairing, or improving of any structure
25 upon, above, or under any real property owned by an owner who conveys
26 the property by title, possession, or any other means to the person
27 performing such construction, repair, or improvement for the purpose of
28 performing such construction, repair, or improvement and the property
29 is then reconveyed by title, possession, or any other means to the
30 original owner;

31 (d) The cleaning, fumigating, razing, or moving of existing
32 buildings or structures, but (~~shall~~) does not include the charge made
33 for janitorial services; and for purposes of this section the term
34 "janitorial services" (~~shall~~) means those cleaning and caretaking
35 services ordinarily performed by commercial janitor service businesses
36 including, but not limited to, wall and window washing, floor cleaning
37 and waxing, and the cleaning in place of rugs, drapes and upholstery.

1 The term "janitorial services" does not include painting, papering,
2 repairing, furnace or septic tank cleaning, snow removal or
3 sandblasting;

4 (e) Automobile towing and similar automotive transportation
5 services, but not in respect to those required to report and pay taxes
6 under chapter 82.16 RCW;

7 (f) The furnishing of lodging and all other services by a hotel,
8 rooming house, tourist court, motel, trailer camp, and the granting of
9 any similar license to use real property, as distinguished from the
10 renting or leasing of real property, and it (~~shall~~) must be presumed
11 that the occupancy of real property for a continuous period of one
12 month or more constitutes a rental or lease of real property and not a
13 mere license to use or enjoy the same. For the purposes of this
14 subsection, it (~~shall~~) must be presumed that the sale of and charge
15 made for the furnishing of lodging for a continuous period of one month
16 or more to a person is a rental or lease of real property and not a
17 mere license to enjoy the same;

18 (g) Persons taxable under (a), (b), (c), (d), (e), and (f) of this
19 subsection when such sales or charges are for property, labor and
20 services which are used or consumed in whole or in part by such persons
21 in the performance of any activity defined as a "sale at retail" or
22 "retail sale" even though such property, labor and services may be
23 resold after such use or consumption. Nothing contained in this
24 subsection (~~shall~~) may be construed to modify subsection (1) of this
25 section and nothing contained in subsection (1) of this section
26 (~~shall~~) may be construed to modify this subsection.

27 (3) The term "sale at retail" or "retail sale" (~~shall~~) includes
28 the sale of or charge made for personal, business, or professional
29 services including amounts designated as interest, rents, fees,
30 admission, and other service emoluments however designated, received by
31 persons engaging in the following business activities:

32 (a) Amusement and recreation services including but not limited to
33 golf, pool, billiards, skating, bowling, ski lifts and tows, day trips
34 for sightseeing purposes, and others, when provided to consumers;

35 (b) Abstract, title insurance, and escrow services;

36 (c) Credit bureau services;

37 (d) Automobile parking and storage garage services;

1 (e) Landscape maintenance and horticultural services but excluding
2 (i) horticultural services provided to farmers and (ii) pruning,
3 trimming, repairing, removing, and clearing of trees and brush near
4 electric transmission or distribution lines or equipment, if performed
5 by or at the direction of an electric utility;

6 (f) Service charges associated with tickets to professional
7 sporting events; and

8 (g) The following personal services: Physical fitness services,
9 tanning salon services, tattoo parlor services, steam bath services,
10 turkish bath services, escort services, and dating services.

11 (4)(a) The term (~~shall~~) also includes:

12 (i) The renting or leasing of tangible personal property to
13 consumers; and

14 (ii) Providing tangible personal property along with an operator
15 for a fixed or indeterminate period of time. A consideration of this
16 is that the operator is necessary for the tangible personal property to
17 perform as designed. For the purpose of this subsection (4)(a)(ii), an
18 operator must do more than maintain, inspect, or set up the tangible
19 personal property.

20 (b) The term (~~shall~~) does not include the renting or leasing of
21 tangible personal property where the lease or rental is for the purpose
22 of sublease or subrent.

23 (5) The term (~~shall~~) also includes the providing of "competitive
24 telephone service," "telecommunications service," or "ancillary
25 services," as those terms are defined in RCW 82.04.065, to consumers.

26 (6) The term (~~shall~~) also includes the sale of prewritten
27 computer software other than a sale to a person who presents a resale
28 certificate under RCW 82.04.470, regardless of the method of delivery
29 to the end user, but (~~shall~~) does not include custom software or the
30 customization of prewritten computer software.

31 (7) The term (~~shall~~) also includes the sale of or charge made for
32 an extended warranty to a consumer. For purposes of this subsection,
33 "extended warranty" means an agreement for a specified duration to
34 perform the replacement or repair of tangible personal property at no
35 additional charge or a reduced charge for tangible personal property,
36 labor, or both, or to provide indemnification for the replacement or
37 repair of tangible personal property, based on the occurrence of
38 specified events. The term "extended warranty" does not include an

1 agreement, otherwise meeting the definition of extended warranty in
2 this subsection, if no separate charge is made for the agreement and
3 the value of the agreement is included in the sales price of the
4 tangible personal property covered by the agreement. For purposes of
5 this subsection, "sales price" has the same meaning as in RCW
6 82.08.010.

7 (8) The term (~~shall~~) does not include the sale of or charge made
8 for labor and services rendered in respect to the building, repairing,
9 or improving of any street, place, road, highway, easement, right-of-
10 way, mass public transportation terminal or parking facility, bridge,
11 tunnel, or trestle which is owned by a municipal corporation or
12 political subdivision of the state or by the United States and which is
13 used or to be used primarily for foot or vehicular traffic including
14 mass transportation vehicles of any kind.

15 (9) The term (~~shall~~) also does not include sales of chemical
16 sprays or washes to persons for the purpose of postharvest treatment of
17 fruit for the prevention of scald, fungus, mold, or decay, nor
18 (~~shall~~) does it include sales of feed, seed, seedlings, fertilizer,
19 agents for enhanced pollination including insects such as bees, and
20 spray materials to: (a) Persons who participate in the federal
21 conservation reserve program, the environmental quality incentives
22 program, the wetlands reserve program, and the wildlife habitat
23 incentives program, or their successors administered by the United
24 States department of agriculture; (b) farmers for the purpose of
25 producing for sale any agricultural product; and (c) farmers acting
26 under cooperative habitat development or access contracts with an
27 organization exempt from federal income tax under 26 U.S.C. Sec.
28 501(c)(3) or the Washington state department of fish and wildlife to
29 produce or improve wildlife habitat on land that the farmer owns or
30 leases.

31 (10) The term (~~shall~~) does not include the sale of or charge made
32 for labor and services rendered in respect to the constructing,
33 repairing, decorating, or improving of new or existing buildings or
34 other structures under, upon, or above real property of or for the
35 United States, any instrumentality thereof, or a county or city housing
36 authority created pursuant to chapter 35.82 RCW, including the
37 installing, or attaching of any article of tangible personal property
38 therein or thereto, whether or not such personal property becomes a

1 part of the realty by virtue of installation. Nor (~~shall~~) does the
2 term include the sale of services or charges made for the clearing of
3 land and the moving of earth of or for the United States, any
4 instrumentality thereof, or a county or city housing authority. Nor
5 (~~shall~~) does the term include the sale of services or charges made
6 for cleaning up for the United States, or its instrumentalities,
7 radioactive waste and other byproducts of weapons production and
8 nuclear research and development.

9 (11) The term (~~shall~~) does not include the sale of or charge made
10 for labor, services, or tangible personal property pursuant to
11 agreements providing maintenance services for bus, rail, or rail fixed
12 guideway equipment when a regional transit authority is the recipient
13 of the labor, services, or tangible personal property, and a transit
14 agency, as defined in RCW 81.104.015, performs the labor or services.

15 **Sec. 305.** RCW 82.04.3651 and 1999 c 358 s 3 are each amended to
16 read as follows:

17 (1) This chapter does not apply to amounts received from
18 fundraising activities by nonprofit organizations, as defined in
19 subsection (2) of this section, (~~for fund-raising activities~~) and
20 libraries as defined in RCW 27.12.010.

21 (2) As used in this section, a "nonprofit organization" means:

22 (a) An organization exempt from tax under section 501(c) (3), (4),
23 or (10) of the federal internal revenue code (26 U.S.C. Sec. 501(c)
24 (3), (4), or (10));

25 (b) A nonprofit organization that would qualify under (a) of this
26 subsection except that it is not organized as a nonprofit corporation;
27 or

28 (c) A nonprofit organization that meets all of the following
29 criteria:

30 (i) The members, stockholders, officers, directors, or trustees of
31 the organization do not receive any part of the organization's gross
32 income, except as payment for services rendered;

33 (ii) The compensation received by any person for services rendered
34 to the organization does not exceed an amount reasonable under the
35 circumstances; and

36 (iii) The activities of the organization do not include a

1 substantial amount of political activity, including but not limited to
2 influencing legislation and participation in any campaign on behalf of
3 any candidate for political office.

4 (3) As used in this section, the term "fund-raising activity" means
5 soliciting or accepting contributions of money or other property or
6 activities involving the anticipated exchange of goods or services for
7 money between the soliciting organization and the organization or
8 person solicited, for the purpose of furthering the goals of the
9 nonprofit organization. "Fund-raising activity" does not include the
10 operation of a regular place of business in which sales are made during
11 regular hours such as a bookstore, thrift shop, restaurant, or similar
12 business or the operation of a regular place of business from which
13 services are provided or performed during regular hours such as the
14 provision of retail, personal, or professional services. The sale of
15 used books, used videos, used sound recordings, or similar used
16 information products in a library, as defined in RCW 27.12.010, is not
17 the operation of a regular place of business for the purposes of this
18 section, if the proceeds of the sales are used to support the library.

19 **Sec. 306.** RCW 82.08.02573 and 1998 c 336 s 3 are each amended to
20 read as follows:

21 The tax levied by RCW 82.08.020 does not apply to a sale made by a
22 nonprofit organization or a library, if the gross income from the sale
23 is exempt under RCW 82.04.3651.

24 **Sec. 307.** RCW 82.08.0273 and 2007 c 135 s 2 are each amended to
25 read as follows:

26 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to
27 sales to nonresidents of this state of tangible personal property for
28 use outside this state when the purchaser (a) is a bona fide resident
29 of a state or possession or Province of Canada other than the state of
30 Washington and such state, possession, or Province of Canada does not
31 impose a retail sales tax or use tax of three percent or more or, if
32 imposing such a tax, permits Washington residents exemption from
33 otherwise taxable sales by reason of their residence, and (b) agrees,
34 when requested, to grant the department of revenue access to such
35 records and other forms of verification at his or her place of

1 residence to assure that such purchases are not first used
2 substantially in the state of Washington.

3 (2) Notwithstanding anything to the contrary in this chapter, if
4 parts or other tangible personal property are installed by the seller
5 during the course of repairing, cleaning, altering, or improving motor
6 vehicles, trailers, or campers and the seller makes a separate charge
7 for the tangible personal property, the tax levied by RCW 82.08.020
8 does not apply to the separately stated charge to a nonresident
9 purchaser for the tangible personal property but only if the separately
10 stated charge does not exceed either the seller's current publicly
11 stated retail price for the tangible personal property or, if no
12 (~~separately~~) publicly stated retail price is available, the seller's
13 cost for the tangible personal property. However, the exemption
14 provided by this section does not apply if tangible personal property
15 is installed by the seller during the course of repairing, cleaning,
16 altering, or improving motor vehicles, trailers, or campers and the
17 seller makes a single nonitemized charge for providing the tangible
18 personal property and service. All of the requirements in subsections
19 (1) and (3) through (6) of this section apply to this subsection.

20 (3)(a) Any person claiming exemption from retail sales tax under
21 the provisions of this section must display proof of his or her current
22 nonresident status as provided in this section.

23 (b) Acceptable proof of a nonresident person's status (~~shall~~
24 ~~include~~) includes one piece of identification such as a valid driver's
25 license from the jurisdiction in which the out-of-state residency is
26 claimed or a valid identification card which has a photograph of the
27 holder and is issued by the out-of-state jurisdiction. Identification
28 under this subsection (3)(b) must show the holder's residential address
29 and have as one of its legal purposes the establishment of residency in
30 that out-of-state jurisdiction.

31 (4) Nothing in this section requires the vendor to make tax exempt
32 retail sales to nonresidents. A vendor may choose to make sales to
33 nonresidents, collect the sales tax, and remit the amount of sales tax
34 collected to the state as otherwise provided by law. If the vendor
35 chooses to make a sale to a nonresident without collecting the sales
36 tax, the vendor (~~shall~~) must, in good faith, examine the proof of
37 nonresidence, determine whether the proof is acceptable under
38 subsection (3)(b) of this section, and maintain records for each

1 nontaxable sale which (~~shall~~) must show the type of proof accepted,
2 including any identification numbers where appropriate, and the
3 expiration date, if any.

4 (5)(a) Any person making fraudulent statements, which includes the
5 offer of fraudulent identification or fraudulently procured
6 identification to a vendor, in order to purchase goods without paying
7 retail sales tax is guilty of perjury under chapter 9A.72 RCW.

8 (b) Any person making tax exempt purchases under this section by
9 displaying proof of identification not his or her own, or counterfeit
10 identification, with intent to violate the provisions of this section,
11 is guilty of a misdemeanor and, in addition, (~~shall be~~) is liable for
12 the tax and subject to a penalty equal to the greater of one hundred
13 dollars or the tax due on such purchases.

14 (6)(a) Any vendor who makes sales without collecting the tax to a
15 person who does not hold valid identification establishing out-of-state
16 residency, and any vendor who fails to maintain records of sales to
17 nonresidents as provided in this section, (~~shall be~~) is personally
18 liable for the amount of tax due.

19 (b) Any vendor who makes sales without collecting the retail sales
20 tax under this section and who has actual knowledge that the
21 purchaser's proof of identification establishing out-of-state residency
22 is fraudulent is guilty of a misdemeanor and, in addition, (~~shall be~~)
23 is liable for the tax and subject to a penalty equal to the greater of
24 one thousand dollars or the tax due on such sales. In addition, both
25 the purchaser and the vendor (~~shall be~~) are liable for any penalties
26 and interest assessable under chapter 82.32 RCW.

27 **Sec. 308.** RCW 82.08.0293 and 2004 c 153 s 201 are each amended to
28 read as follows:

29 (1) Except as otherwise provided in this section or any other
30 provision of this chapter, the tax levied by RCW 82.08.020 (~~shall~~)
31 does not apply to sales of food and food ingredients other than
32 prepared food, soft drinks, and dietary supplements. (~~"Food and food~~
33 ~~ingredients" means substances, whether in liquid, concentrated, solid,~~
34 ~~frozen, dried, or dehydrated form, that are sold for ingestion or~~
35 ~~chewing by humans and are consumed for their taste or nutritional~~
36 ~~value. "Food and food ingredients" does not include:~~

1 ~~(a) "Alcoholic beverages," which means beverages that are suitable~~
2 ~~for human consumption and contain one-half of one percent or more of~~
3 ~~alcohol by volume; and~~

4 ~~(b) "Tobacco," which means cigarettes, cigars, chewing or pipe~~
5 ~~tobacco, or any other item that contains tobacco.~~

6 ~~(2) The exemption of "food and food ingredients" provided for in~~
7 ~~subsection (1) of this section shall not apply to prepared food, soft~~
8 ~~drinks, or dietary supplements.~~

9 ~~(a) "Prepared food" means:~~

10 ~~(i) Food sold in a heated state or heated by the seller;~~

11 ~~(ii) Food sold with eating utensils provided by the seller,~~
12 ~~including plates, knives, forks, spoons, glasses, cups, napkins, or~~
13 ~~straws. A plate does not include a container or packaging used to~~
14 ~~transport the food; or~~

15 ~~(iii) Two or more food ingredients mixed or combined by the seller~~
16 ~~for sale as a single item, except:~~

17 ~~(A) Food that is only cut, repackaged, or pasteurized by the~~
18 ~~seller; or~~

19 ~~(B) Raw eggs, fish, meat, poultry, and foods containing these raw~~
20 ~~animal foods requiring cooking by the consumer as recommended by the~~
21 ~~federal food and drug administration in chapter 3, part 401.11 of The~~
22 ~~Food Code, published by the food and drug administration, as amended or~~
23 ~~renumbered as of January 1, 2003, so as to prevent foodborne illness.~~

24 ~~(b) "Prepared food" does not include the following food or food~~
25 ~~ingredients, if the food or food ingredients are sold without eating~~
26 ~~utensils provided by the seller:~~

27 ~~(i) Food sold by a seller whose proper primary North American~~
28 ~~industry classification system (NAICS) classification is manufacturing~~
29 ~~in sector 311, except subsector 3118 (bakeries), as provided in the~~
30 ~~"North American industry classification system—United States, 2002";~~

31 ~~(ii) Food sold in an unheated state by weight or volume as a single~~
32 ~~item; or~~

33 ~~(iii) Bakery items. The term "bakery items" includes bread, rolls,~~
34 ~~buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes,~~
35 ~~tortes, pies, tarts, muffins, bars, cookies, or tortillas.~~

36 ~~(c) "Soft drinks" means nonalcoholic beverages that contain natural~~
37 ~~or artificial sweeteners. Soft drinks do not include beverages that~~

1 contain: ~~Milk or milk products; soy, rice, or similar milk~~
2 ~~substitutes; or greater than fifty percent of vegetable or fruit juice~~
3 ~~by volume.~~

4 ~~(d) "Dietary supplement" means any product, other than tobacco,~~
5 ~~intended to supplement the diet that:~~

6 ~~(i) Contains one or more of the following dietary ingredients:~~

7 ~~(A) A vitamin;~~

8 ~~(B) A mineral;~~

9 ~~(C) An herb or other botanical;~~

10 ~~(D) An amino acid;~~

11 ~~(E) A dietary substance for use by humans to supplement the diet by~~
12 ~~increasing the total dietary intake; or~~

13 ~~(F) A concentrate, metabolite, constituent, extract, or combination~~
14 ~~of any ingredient described in this subsection;~~

15 ~~(ii) Is intended for ingestion in tablet, capsule, powder, softgel,~~
16 ~~gelcap, or liquid form, or if not intended for ingestion in such form,~~
17 ~~is not represented as conventional food and is not represented for use~~
18 ~~as a sole item of a meal or of the diet; and~~

19 ~~(iii) Is required to be labeled as a dietary supplement,~~
20 ~~identifiable by the "supplement facts" box found on the label as~~
21 ~~required pursuant to 21 C.F.R. Sec. 101.36, as amended or renumbered as~~
22 ~~of January 1, 2003.~~

23 ~~(3))~~ (2) Notwithstanding anything in this section to the contrary,
24 the exemption of "food and food ingredients" provided in this section
25 ~~((shall apply))~~ applies to the sale of food and food ingredients that
26 are furnished, prepared, or served as meals:

27 (a) Under a state administered nutrition program for the aged as
28 provided for in the Older Americans Act (P.L. 95-478 Title III) and RCW
29 74.38.040(6); or

30 (b) That are provided to senior citizens, ~~((disabled persons))~~
31 individuals with disabilities, or low-income persons by a not-for-
32 profit organization organized under chapter 24.03 or 24.12 RCW.

33 ~~((+4))~~ (3)(a) Subsection (1) of this section notwithstanding, the
34 retail sale of food and food ingredients is subject to sales tax under
35 RCW 82.08.020 if the food and food ingredients are sold through a
36 vending machine, and in this case the selling price for purposes of RCW
37 82.08.020 is fifty-seven percent of the gross receipts.

1 (b) This subsection (~~(4)~~) (3) does not apply to (~~hot~~) sales of
2 the following items through a vending machine: (i) Soft drinks; (ii)
3 dietary supplements; and (iii) prepared food (and food ingredients,
4 other than)). The exclusion for prepared food in this subsection
5 (3)(b)(iii) does not apply to food and food ingredients (which) not
6 meeting the definition of prepared food and that are heated after they
7 have been dispensed from the vending machine.

8 (c) For tax collected under this subsection (~~(4)~~) (3), the
9 requirements that the tax be collected from the buyer and that the
10 amount of tax be stated as a separate item are waived.

11 (4) For purposes of this section, the following definitions apply:

12 (a) "Dietary supplement" means any product, other than tobacco,
13 intended to supplement the diet that:

14 (i) Contains one or more of the following dietary ingredients:

15 (A) A vitamin;

16 (B) A mineral;

17 (C) An herb or other botanical;

18 (D) An amino acid;

19 (E) A dietary substance for use by humans to supplement the diet by
20 increasing the total dietary intake; or

21 (F) A concentrate, metabolite, constituent, extract, or combination
22 of any ingredient described in this subsection;

23 (ii) Is intended for ingestion in tablet, capsule, powder, softgel,
24 gelcap, or liquid form, or if not intended for ingestion in such form,
25 is not represented as conventional food and is not represented for use
26 as a sole item of a meal or of the diet; and

27 (iii) Is required to be labeled as a dietary supplement,
28 identifiable by the "supplement facts" box found on the label as
29 required pursuant to 21 C.F.R. Sec. 101.36, as amended or renumbered as
30 of January 1, 2003.

31 (b) "Food and food ingredients" means substances, whether in liquid,
32 concentrated, solid, frozen, dried, or dehydrated form, that are sold
33 for ingestion or chewing by humans and are consumed for their taste or
34 nutritional value. "Food and food ingredients" does not include:

35 (i) "Alcoholic beverages," which means beverages that are suitable
36 for human consumption and contain one-half of one percent or more of
37 alcohol by volume; and

1 (ii) "Tobacco," which means cigarettes, cigars, chewing or pipe
2 tobacco, or any other item that contains tobacco.

3 (c)(i) "Prepared food" means:

4 (A) Food sold in a heated state or heated by the seller;

5 (B) Food sold with eating utensils provided by the seller,
6 including plates, knives, forks, spoons, glasses, cups, napkins, or
7 straws. A plate does not include a container or packaging used to
8 transport the food; or

9 (C) Two or more food ingredients mixed or combined by the seller
10 for sale as a single item, except:

11 (I) Food that is only cut, repackaged, or pasteurized by the
12 seller; or

13 (II) Raw eggs, fish, meat, poultry, and foods containing these raw
14 animal foods requiring cooking by the consumer as recommended by the
15 federal food and drug administration in chapter 3, part 401.11 of The
16 Food Code, published by the food and drug administration, as amended or
17 renumbered as of January 1, 2003, so as to prevent foodborne illness.

18 (ii) "Prepared food" does not include the following food or food
19 ingredients, if the food or food ingredients are sold without eating
20 utensils provided by the seller:

21 (A) Food sold by a seller whose proper primary North American
22 industry classification system (NAICS) classification is manufacturing
23 in sector 311, except subsector 3118 (bakeries), as provided in the
24 "North American industry classification system -- United States, 2002";

25 (B) Food sold in an unheated state by weight or volume as a single
26 item; or

27 (C) Bakery items. The term "bakery items" includes bread, rolls,
28 buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes,
29 tortes, pies, tarts, muffins, bars, cookies, or tortillas.

30 (d) "Soft drinks" means nonalcoholic beverages that contain natural
31 or artificial sweeteners. Soft drinks do not include beverages that
32 contain: Milk or milk products; soy, rice, or similar milk
33 substitutes; or greater than fifty percent of vegetable or fruit juice
34 by volume.

35 **Sec. 309.** RCW 82.08.865 and 2007 c 443 s 1 are each amended to
36 read as follows:

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

1 diesel fuel, biodiesel fuel, or aircraft fuel, to a farm fuel user for
2 ~~((nonhighway use))~~ agricultural purposes. This exemption applies to a
3 fuel blend if all of the component fuels of the blend would otherwise
4 be exempt under this subsection if the component fuels were sold as
5 separate products. This exemption is available only if the buyer
6 provides the seller with an exemption certificate in a form and manner
7 prescribed by the department. ~~((Fuel used for space or water heating
8 for human habitation is not exempt under this section.))~~

9 (2) The definitions in RCW 82.04.213 and this subsection apply to
10 this section.

11 (a)(i) "Agricultural purposes" means the performance of activities
12 directly related to the growing, raising, or producing of agricultural
13 products.

14 (ii) "Agricultural purposes" does not include: (A) Heating space for
15 human habitation or water for human consumption; or (B) Transporting on
16 public roads individuals, agricultural products, farm machinery or
17 equipment, or other tangible personal property, except when the
18 transportation is incidental to transportation on private property and
19 the fuel used for such transportation is not subject to tax under
20 chapter 82.38 RCW.

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

22 ~~((+b+))~~ (c) "Biodiesel fuel" is defined as provided in RCW
23 19.112.010.

24 ~~((+e+))~~ (d) "Diesel fuel" is defined as provided in 26 U.S.C. 4083,
25 as amended or renumbered as of January 1, 2006.

26 ~~((+d+))~~ (e) "Farm fuel user" means: (i) A farmer; or (ii) a person
27 who provides horticultural services for farmers, such as soil
28 preparation services, crop cultivation services, and crop harvesting
29 services.

30 **Sec. 310.** RCW 82.12.035 and 2007 c 6 s 1203 are each amended to
31 read as follows:

32 A credit ~~((shall be))~~ is allowed against the taxes imposed by this
33 chapter upon the use of tangible personal property, extended warranty,
34 or services taxable under RCW 82.04.050 (2)(a) or (3)(a), in the state
35 of Washington in the amount that the present user thereof or his or her
36 bailor or donor has paid a legally imposed retail sales or use tax with
37 respect to such property, extended warranty, or service to any other

1 state, possession, territory, or commonwealth of the United States, any
2 political subdivision thereof, the District of Columbia, and any
3 foreign country or political subdivision thereof (~~(, prior to the use of~~
4 ~~such property, extended warranty, or service in Washington)~~).

5 **Sec. 311.** RCW 82.12.040 and 2005 c 514 s 109 are each amended to
6 read as follows:

7 (1) Every person who maintains in this state a place of business or
8 a stock of goods, or engages in business activities within this state,
9 (~~shall~~) must obtain from the department a certificate of
10 registration, and (~~shall~~) must, at the time of making sales of
11 tangible personal property, extended warranties, or sales of any
12 service defined as a retail sale in RCW 82.04.050 (2)(a) or (3)(a), or
13 making transfers of either possession or title, or both, of tangible
14 personal property for use in this state, collect from the purchasers or
15 transferees the tax imposed under this chapter. The tax to be
16 collected under this section (~~shall~~) must be in an amount equal to
17 the purchase price multiplied by the rate in effect for the retail
18 sales tax under RCW 82.08.020. For the purposes of this chapter, the
19 phrase "maintains in this state a place of business" (~~shall~~) includes
20 the solicitation of sales and/or taking of orders by sales agents or
21 traveling representatives. For the purposes of this chapter, "engages
22 in business activity within this state" includes every activity which
23 is sufficient under the Constitution of the United States for this
24 state to require collection of tax under this chapter. The department
25 (~~shall~~) must in rules specify activities which constitute engaging in
26 business activity within this state, and (~~shall~~) must keep the rules
27 current with future court interpretations of the Constitution of the
28 United States.

29 (2) Every person who engages in this state in the business of
30 acting as an independent selling agent for persons who do not hold a
31 valid certificate of registration, and who receives compensation by
32 reason of sales of tangible personal property, extended warranties, or
33 sales of any service defined as a retail sale in RCW 82.04.050 (2)(a)
34 or (3)(a), of his or her principals for use in this state, (~~shall~~)
35 must, at the time such sales are made, collect from the purchasers the
36 tax imposed on the purchase price under this chapter, and for that
37 purpose (~~shall be~~) is deemed a retailer as defined in this chapter.

1 (3) The tax required to be collected by this chapter (~~shall be~~)
2 is deemed to be held in trust by the retailer until paid to the
3 department and any retailer who appropriates or converts the tax
4 collected to the retailer's own use or to any use other than the
5 payment of the tax provided herein to the extent that the money
6 required to be collected is not available for payment on the due date
7 as prescribed (~~shall be~~) is guilty of a misdemeanor. In case any
8 seller fails to collect the tax herein imposed or having collected the
9 tax, fails to pay the same to the department in the manner prescribed,
10 whether such failure is the result of the seller's own acts or the
11 result of acts or conditions beyond the seller's control, the seller
12 (~~shall~~) is nevertheless, (~~be~~) personally liable to the state for
13 the amount of such tax, unless the seller has taken from the buyer in
14 good faith a copy of a direct pay permit issued under RCW 82.32.087.

15 (4) Any retailer who refunds, remits, or rebates to a purchaser, or
16 transferee, either directly or indirectly, and by whatever means, all
17 or any part of the tax levied by this chapter (~~shall be~~) is guilty of
18 a misdemeanor.

19 (5) Notwithstanding subsections (1) through (4) of this section,
20 any person making sales is not obligated to collect the tax imposed by
21 this chapter if:

22 (a) The person's activities in this state, whether conducted
23 directly or through another person, are limited to:

- 24 (i) The storage, dissemination, or display of advertising;
- 25 (ii) The taking of orders; or
- 26 (iii) The processing of payments; and

27 (b) The activities are conducted electronically via a web site on
28 a server or other computer equipment located in Washington that is not
29 owned or operated by the person making sales into this state nor owned
30 or operated by an affiliated person. "Affiliated persons" has the same
31 meaning as provided in RCW 82.04.424.

32 (6) Subsection (5) of this section expires when: (a) The United
33 States congress grants individual states the authority to impose sales
34 and use tax collection duties on remote sellers; or (b) it is
35 determined by a court of competent jurisdiction, in a judgment not
36 subject to review, that a state can impose sales and use tax collection
37 duties on remote sellers.

1 (7) Notwithstanding subsections (1) through (4) of this section,
2 any person making sales is not obligated to collect the tax imposed by
3 this chapter if the person would have been obligated to collect retail
4 sales tax on the sale absent a specific exemption provided in chapter
5 82.08 RCW, and there is no corresponding use tax exemption in this
6 chapter. Nothing in this section may be construed as relieving
7 purchasers from liability for reporting and remitting the tax due under
8 this chapter directly to the department.

9 **Sec. 312.** RCW 82.12.865 and 2007 c 443 s 2 are each amended to
10 read as follows:

11 (1) The provisions of this chapter do not apply with respect to the
12 ~~((nonhighway))~~ use of diesel fuel, biodiesel fuel, or aircraft fuel, by
13 a farm fuel user for agricultural purposes. This exemption applies to
14 a fuel blend if all of the component fuels of the blend would otherwise
15 be exempt under this subsection if the component fuels were acquired as
16 separate products. ~~((Fuel used for space or water heating for human~~
17 ~~habitation is not exempt under this section.))~~

18 (2) The definitions in RCW 82.08.865 apply to this section.

19 **Sec. 313.** RCW 82.80.120 and 2006 c 311 s 18 are each amended to
20 read as follows:

21 (1) For purposes of this section:

22 (a) "Distributor" means every person who imports, refines,
23 manufactures, produces, or compounds motor vehicle fuel and special
24 fuel as defined in RCW 82.36.010 and 82.38.020, respectively, and sells
25 or distributes the fuel into a county;

26 (b) "Person" has the same meaning as in RCW 82.04.030;

27 (c) "District" means a regional transportation investment district
28 under chapter 36.120 RCW.

29 (2) A regional transportation investment district under chapter
30 36.120 RCW, subject to the conditions of this section, may levy
31 additional excise taxes equal to ten percent of the statewide motor
32 vehicle fuel tax rate under RCW 82.36.025 on each gallon of motor
33 vehicle fuel as defined in RCW 82.36.010 and on each gallon of special
34 fuel as defined in RCW 82.38.020 sold within the boundaries of the
35 district. The additional excise tax is subject to the approval of a
36 majority of the voters within the district boundaries. Vehicles paying

1 an annual license fee under RCW 82.38.075 are exempt from the
2 district's fuel excise tax. The additional excise taxes are subject to
3 the same exceptions and rights of refund as applicable to other motor
4 vehicle fuel and special fuel excise taxes levied under chapters 82.36
5 and 82.38 RCW. The proposed tax may not be levied less than one month
6 from the date the election results are certified. The commencement
7 date for the levy of any tax under this section will be the first day
8 of January, April, July, or October.

9 (3) The local option motor vehicle fuel tax on each gallon of motor
10 vehicle fuel and on each gallon of special fuel is imposed upon the
11 distributor of the fuel.

12 (4) A taxable event for the purposes of this section occurs upon
13 the first distribution of the fuel within the boundaries of the
14 district to a retail outlet, bulk fuel user, or ultimate user of the
15 fuel.

16 (5) All administrative provisions in chapters 82.01, 82.03, and
17 82.32 RCW, insofar as they are applicable, apply to local option fuel
18 taxes imposed under this section.

19 (6) Before the effective date of the imposition of the fuel taxes
20 under this section, a district (~~shall~~) must contract with the
21 department of (~~licensing~~) revenue for the administration and
22 collection of the taxes. The contract must provide that a percentage
23 amount, not to exceed one percent of the taxes imposed under this
24 section, will be deposited into the local tax administration account
25 created in the custody of the state treasurer. The department of
26 (~~licensing~~) revenue may spend money from this account, upon
27 appropriation, for the administration of the local taxes imposed under
28 this section.

29 (7) The state treasurer (~~shall~~) must distribute monthly to the
30 district levying the tax as part of the regional transportation
31 investment district plan, after the deductions for payments and
32 expenditures as provided in RCW 46.68.090(1) (a) and (b).

33 (8) The proceeds of the additional taxes levied by a district in
34 this section, to be used as a part of a regional transportation
35 investment district plan, must be used in accordance with chapter
36 36.120 RCW, but only for those areas that are considered "highway
37 purposes" as that term is construed in Article II, section 40 of the
38 state Constitution.

1 (9) A district may only levy the tax under this section if the
 2 district is comprised of boundaries identical to the boundaries of a
 3 county or counties. A district may not levy the tax in this section if
 4 a member county is levying the tax in RCW 82.80.010 or 82.80.110.

5 **Sec. 314.** RCW 83.100.040 and 2005 c 516 s 3 are each amended to
 6 read as follows:

7 (1) A tax in an amount computed as provided in this section is
 8 imposed on every transfer of property located in Washington. For the
 9 purposes of this section, any intangible property owned by a resident
 10 is located in Washington.

11 (2)(a) Except as provided in (b) of this subsection, the amount of
 12 tax is the amount provided in the following table:

If Washington Taxable		The amount of Tax Equals		Of Washington
Estate is at least	But Less Than	Initial Tax Amount	Plus Tax Rate %	Taxable Estate Value
\$0	\$1,000,000	\$0	10.00%	\$0
\$1,000,000	\$2,000,000	\$100,000	14.00%	\$1,000,000
\$2,000,000	\$3,000,000	\$240,000	15.00%	\$2,000,000
\$3,000,000	\$4,000,000	\$390,000	16.00%	\$3,000,000
\$4,000,000	\$6,000,000	\$550,000	17.00%	\$4,000,000
\$6,000,000	\$7,000,000	\$890,000	18.00%	\$6,000,000
\$7,000,000	\$9,000,000	\$1,070,000	18.50%	\$7,000,000
((Above))		\$1,440,000	19.00%	((Above))
\$9,000,000				\$9,000,000

26 (b) If any property in the decedent's estate is located outside of
 27 Washington, the amount of tax is the amount determined in (a) of this
 28 subsection multiplied by a fraction. The numerator of the fraction is
 29 the value of the property located in Washington. The denominator of
 30 the fraction is the value of the decedent's gross estate. Property
 31 qualifying for a deduction under RCW 83.100.046 (~~shall~~) must be
 32 excluded from the numerator and denominator of the fraction.

33 (3) The tax imposed under this section is a stand-alone estate tax
 34 that incorporates only those provisions of the internal revenue code as
 35 amended or renumbered as of January 1, 2005, that do not conflict with

1 the provisions of this chapter. The tax imposed under this chapter is
2 independent of any federal estate tax obligation and is not affected by
3 termination of the federal estate tax.

4 **Sec. 315.** RCW 83.100.046 and 2005 c 514 s 1201 are each amended to
5 read as follows:

6 (1) For the purposes of determining the Washington taxable estate,
7 a deduction is allowed from the federal taxable estate for:

8 (a) The value of qualified real property reduced by any amounts
9 allowable as a deduction in respect of the qualified real property
10 (~~((and tangible personal property))~~) under section 2053(a)(4) of the
11 internal revenue code, if the decedent was at the time of his or her
12 death a citizen or resident of the United States.

13 (b) The value of any tangible personal property used by the
14 decedent or a member of the decedent's family for a qualified use on
15 the date of the decedent's death, reduced by any amounts allowable as
16 a deduction in respect of the tangible personal property under section
17 2053(a)(4) of the internal revenue code, if all of the requirements of
18 subsection (10)(f)(i)(A) of this section are met and the decedent was
19 at the time of his or her death a citizen or resident of the United
20 States.

21 (c) The value of real property that is not deductible under (a) of
22 this subsection solely by reason of subsection (10)(f)(i)(B) of this
23 section, reduced by any amounts allowable as a deduction in respect of
24 the (~~((qualified))~~) real property (~~((and tangible personal property))~~)
25 under section 2053(a)(4) of the internal revenue code, if the
26 requirements of subsection (10)(f)(i)(C) of this section are met with
27 respect to the property and the decedent was at the time of his or her
28 death a citizen or resident of the United States.

29 (2) Property (~~((shall))~~) will be considered to have been acquired
30 from or to have passed from the decedent if:

31 (a) The property is so considered under section 1014(b) of the
32 internal revenue code;

33 (b) The property is acquired by any person from the estate; or

34 (c) The property is acquired by any person from a trust, to the
35 extent the property is includible in the gross estate of the decedent.

36 (3) If the decedent and the decedent's surviving spouse at any time
37 held qualified real property as community property, the interest of the

1 surviving spouse in the property (~~shall~~) must be taken into account
2 under this section to the extent necessary to provide a result under
3 this section with respect to the property which is consistent with the
4 result which would have obtained under this section if the property had
5 not been community property.

6 (4) In the case of any qualified woodland, the value of trees
7 growing on the woodland may be deducted if otherwise qualified under
8 this section.

9 (5) If property is qualified real property with respect to a
10 decedent, hereinafter in this subsection referred to as the "first
11 decedent," and the property was acquired from or passed from the first
12 decedent to the surviving spouse of the first decedent, active
13 management of the farm by the surviving spouse (~~shall~~) must be
14 treated as material participation by the surviving spouse in the
15 operation of the farm.

16 (6) Property owned indirectly by the decedent may qualify for a
17 deduction under this section if owned through an interest in a
18 corporation, partnership, or trust as the terms corporation,
19 partnership, or trust are used in section 2032A(g) of the internal
20 revenue code. In order to qualify for a deduction under this
21 subsection, the interest, in addition to meeting the other tests for
22 qualification under this section, must qualify under section 6166(b)(1)
23 of the internal revenue code as an interest in a closely held business
24 on the date of the decedent's death and for sufficient other time,
25 combined with periods of direct ownership, to equal at least five years
26 of the eight-year period preceding the death.

27 (7)(a) If, on the date of the decedent's death, the requirements of
28 subsection (10)(f)(i)(C)(II) of this section with respect to the
29 decedent for any property are not met, and the decedent (i) was
30 receiving old age benefits under Title II of the social security act
31 for a continuous period ending on such date, or (ii) was disabled for
32 a continuous period ending on this date, then subsection
33 (10)(f)(i)(C)(II) of this section (~~shall~~) must be applied with
34 respect to the property by substituting "the date on which the longer
35 of such continuous periods began" for "the date of the decedent's
36 death" in subsection (10)(f)(i)(C) of this section.

37 (b) For the purposes of (a) of this subsection, an individual

1 ((~~shall be~~)) is disabled if the individual has a mental or physical
2 impairment which renders that individual unable to materially
3 participate in the operation of the farm.

4 (8) Property may be deducted under this section whether or not
5 special valuation is elected under section 2032A of the internal
6 revenue code on the federal return. For the purposes of determining
7 the deduction under this section, the value of property is its value as
8 used to determine the value of the gross estate.

9 (9)(a) In the case of any qualified replacement property, any
10 period during which there was ownership, qualified use, or material
11 participation with respect to the replaced property by the decedent or
12 any member of the decedent's family ((~~shall~~)) must be treated as a
13 period during which there was ownership, use, or material
14 participation, as the case may be, with respect to the qualified
15 replacement property.

16 (b) Subsection (9)(a) of this section ((~~shall~~)) does not apply to
17 the extent that the fair market value of the qualified replacement
18 property, as of the date of its acquisition, exceeds the fair market
19 value of the replaced property, as of the date of its disposition.

20 (c) For the purposes of this subsection (9), the following
21 definitions apply:

22 (i) "Qualified replacement property" means any real property:

23 (A) Which is acquired in an exchange which qualifies under section
24 1031 of the internal revenue code; or

25 (B) The acquisition of which results in the nonrecognition of gain
26 under section 1033 of the internal revenue code.

27 The term "qualified replacement property" only includes property
28 which is used for the same qualified use as the replaced property was
29 being used before the exchange.

30 (ii) "Replaced property" means the property was:

31 (A) Transferred in the exchange which qualifies under section 1031
32 of the internal revenue code; or

33 (B) Compulsorily or involuntarily converted within the meaning of
34 section 1033 of the internal revenue code.

35 (10) For the purposes of this section, the following definitions
36 apply:

37 (a) "Active management" means the making of the management
38 decisions of a farm, other than the daily operating decisions.

1 (b) "Farm" includes stock, dairy, poultry, fruit, furbearing
2 animal, and truck farms; plantations; ranches; nurseries; ranges;
3 greenhouses or other similar structures used primarily for the raising
4 of agricultural or horticultural commodities; and orchards and
5 woodlands.

6 (c) "Farming purposes" means:

7 (i) Cultivating the soil or raising or harvesting any agricultural
8 or horticultural commodity, including the raising, shearing, feeding,
9 caring for, training, and management of animals on a farm;

10 (ii) Handling, drying, packing, grading, or storing on a farm any
11 agricultural or horticultural commodity in its unmanufactured state,
12 but only if the owner, tenant, or operator of the farm regularly
13 produces more than one-half of the commodity so treated; and

14 (iii)(A) The planting, cultivating, caring for, or cutting of
15 trees; or

16 (B) The preparation, other than milling, of trees for market.

17 (d) "Member of the family" means, with respect to any individual,
18 only:

19 (i) An ancestor of the individual;

20 (ii) The spouse of the individual;

21 (iii) A lineal descendant of the individual, of the individual's
22 spouse, or of a parent of the individual; or

23 (iv) The spouse of any lineal descendant described in (d)(iii) of
24 this subsection.

25 For the purposes of this subsection (10)(d), a legally adopted
26 child of an individual (~~shall~~) must be treated as the child of such
27 individual by blood.

28 (e) "Qualified heir" means, with respect to any property, a member
29 of the decedent's family who acquired property, or to whom property
30 passed, from the decedent.

31 (f)(i) "Qualified real property" means real property which was
32 acquired from or passed from the decedent to a qualified heir of the
33 decedent and which, on the date of the decedent's death, was being used
34 for a qualified use by the decedent or a member of the decedent's
35 family, but only if:

36 (A) Fifty percent or more of the adjusted value of the gross estate
37 consists of the adjusted value of real or personal property which:

1 (I) On the date of the decedent's death, was being used for a
2 qualified use by the decedent or a member of the decedent's family; and

3 (II) Was acquired from or passed from the decedent to a qualified
4 heir of the decedent;

5 (B) Twenty-five percent or more of the adjusted value of the gross
6 estate consists of the adjusted value of real property which meets the
7 requirements of (f)(i)(A)(II) and (f)(i)(C) of this subsection; and

8 (C) During the eight-year period ending on the date of the
9 decedent's death there have been periods aggregating five years or more
10 during which:

11 (I) The real property was owned by the decedent or a member of the
12 decedent's family and used for a qualified use by the decedent or a
13 member of the decedent's family; and

14 (II) There was material participation by the decedent or a member
15 of the decedent's family in the operation of the farm. For the
16 purposes of this subsection (f)(i)(C)(II), material participation
17 (~~shall~~) must be determined in a manner similar to the manner used for
18 purposes of section 1402(a)(1) of the internal revenue code.

19 (ii) For the purposes of this subsection, the term "adjusted value"
20 means:

21 (A) In the case of the gross estate, the value of the gross estate,
22 determined without regard to any special valuation under section 2032A
23 of the internal revenue code, reduced by any amounts allowable as a
24 deduction under section 2053(a)(4) of the internal revenue code; or

25 (B) In the case of any real or personal property, the value of the
26 property for purposes of chapter 11 of the internal revenue code,
27 determined without regard to any special valuation under section 2032A
28 of the internal revenue code, reduced by any amounts allowable as a
29 deduction in respect of such property under section 2053(a)(4) of the
30 internal revenue code.

31 (g) "Qualified use" means the property is used as a farm for
32 farming purposes. In the case of real property which meets the
33 requirements of (f)(i)(C) of this subsection, residential buildings and
34 related improvements on the real property occupied on a regular basis
35 by the owner or lessee of the real property or by persons employed by
36 the owner or lessee for the purpose of operating or maintaining the
37 real property, and roads, buildings, and other structures and
38 improvements functionally related to the qualified use (~~shall~~) must

1 be treated as real property devoted to the qualified use. For tangible
2 personal property eligible for a deduction under subsection (1)(b) of
3 this section, "qualified use" means the property is used primarily for
4 farming purposes on a farm.

5 (h) "Qualified woodland" means any real property which:

6 (i) Is used in timber operations; and

7 (ii) Is an identifiable area of land such as an acre or other area
8 for which records are normally maintained in conducting timber
9 operations.

10 (i) "Timber operations" means:

11 (i) The planting, cultivating, caring for, or cutting of trees; or

12 (ii) The preparation, other than milling, of trees for market.

13 **Sec. 316.** RCW 82.04.280 and 2006 c 300 s 6 are each amended to
14 read as follows:

15 Upon every person engaging within this state in the business of:

16 (1) Printing, and of publishing newspapers, periodicals, or magazines;

17 (2) building, repairing or improving any street, place, road, highway,

18 easement, right-of-way, mass public transportation terminal or parking

19 facility, bridge, tunnel, or trestle which is owned by a municipal

20 corporation or political subdivision of the state or by the United

21 States and which is used or to be used, primarily for foot or vehicular

22 traffic including mass transportation vehicles of any kind and

23 including any readjustment, reconstruction or relocation of the

24 facilities of any public, private or cooperatively owned utility or

25 railroad in the course of such building, repairing or improving, the

26 cost of which readjustment, reconstruction, or relocation, is the

27 responsibility of the public authority whose street, place, road,

28 highway, easement, right-of-way, mass public transportation terminal or

29 parking facility, bridge, tunnel, or trestle is being built, repaired

30 or improved; (3) extracting for hire or processing for hire, except

31 persons taxable as extractors for hire or processors for hire under

32 another section of this chapter; (4) operating a cold storage warehouse

33 or storage warehouse, but not including the rental of cold storage

34 lockers; (5) representing and performing services for fire or casualty

35 insurance companies as an independent resident managing general agent

36 licensed under the provisions of chapter 48.17 RCW (~~48.05.310~~); (6)

37 radio and television broadcasting, excluding network, national and

1 regional advertising computed as a standard deduction based on the
2 national average thereof as annually reported by the Federal
3 Communications Commission, or in lieu thereof by itemization by the
4 individual broadcasting station, and excluding that portion of revenue
5 represented by the out-of-state audience computed as a ratio to the
6 station's total audience as measured by the 100 micro-volt signal
7 strength and delivery by wire, if any; (7) engaging in activities which
8 bring a person within the definition of consumer contained in RCW
9 82.04.190(6); as to such persons, the amount of tax on such business
10 shall be equal to the gross income of the business multiplied by the
11 rate of 0.484 percent.

12 As used in this section, "cold storage warehouse" means a storage
13 warehouse used to store fresh and/or frozen perishable fruits or
14 vegetables, meat, seafood, dairy products, or fowl, or any combination
15 thereof, at a desired temperature to maintain the quality of the
16 product for orderly marketing.

17 As used in this section, "storage warehouse" means a building or
18 structure, or any part thereof, in which goods, wares, or merchandise
19 are received for storage for compensation, except field warehouses,
20 fruit warehouses, fruit packing plants, warehouses licensed under
21 chapter 22.09 RCW, public garages storing automobiles, railroad freight
22 sheds, docks and wharves, and "self-storage" or "mini storage"
23 facilities whereby customers have direct access to individual storage
24 areas by separate entrance. "Storage warehouse" does not include a
25 building or structure, or that part of such building or structure, in
26 which an activity taxable under RCW 82.04.272 is conducted.

27 As used in this section, "periodical or magazine" means a printed
28 publication, other than a newspaper, issued regularly at stated
29 intervals at least once every three months, including any supplement or
30 special edition of the publication.

31 **Sec. 317.** RCW 82.04.280 and 2006 c 300 s 7 are each amended to
32 read as follows:

33 Upon every person engaging within this state in the business of:
34 (1) Printing, and of publishing newspapers, periodicals, or magazines;
35 (2) building, repairing or improving any street, place, road, highway,
36 easement, right-of-way, mass public transportation terminal or parking
37 facility, bridge, tunnel, or trestle which is owned by a municipal

1 corporation or political subdivision of the state or by the United
2 States and which is used or to be used, primarily for foot or vehicular
3 traffic including mass transportation vehicles of any kind and
4 including any readjustment, reconstruction or relocation of the
5 facilities of any public, private or cooperatively owned utility or
6 railroad in the course of such building, repairing or improving, the
7 cost of which readjustment, reconstruction, or relocation, is the
8 responsibility of the public authority whose street, place, road,
9 highway, easement, right-of-way, mass public transportation terminal or
10 parking facility, bridge, tunnel, or trestle is being built, repaired
11 or improved; (3) extracting for hire or processing for hire, except
12 persons taxable as extractors for hire or processors for hire under
13 another section of this chapter; (4) operating a cold storage warehouse
14 or storage warehouse, but not including the rental of cold storage
15 lockers; (5) representing and performing services for fire or casualty
16 insurance companies as an independent resident managing general agent
17 licensed under the provisions of chapter 48.17 RCW (~~((48.05.310))~~); (6)
18 radio and television broadcasting, excluding network, national and
19 regional advertising computed as a standard deduction based on the
20 national average thereof as annually reported by the Federal
21 Communications Commission, or in lieu thereof by itemization by the
22 individual broadcasting station, and excluding that portion of revenue
23 represented by the out-of-state audience computed as a ratio to the
24 station's total audience as measured by the 100 micro-volt signal
25 strength and delivery by wire, if any; (7) engaging in activities which
26 bring a person within the definition of consumer contained in RCW
27 82.04.190(6); as to such persons, the amount of tax on such business
28 shall be equal to the gross income of the business multiplied by the
29 rate of 0.484 percent.

30 As used in this section, "cold storage warehouse" means a storage
31 warehouse used to store fresh and/or frozen perishable fruits or
32 vegetables, meat, seafood, dairy products, or fowl, or any combination
33 thereof, at a desired temperature to maintain the quality of the
34 product for orderly marketing.

35 As used in this section, "storage warehouse" means a building or
36 structure, or any part thereof, in which goods, wares, or merchandise
37 are received for storage for compensation, except field warehouses,
38 fruit warehouses, fruit packing plants, warehouses licensed under

1 chapter 22.09 RCW, public garages storing automobiles, railroad freight
2 sheds, docks and wharves, and "self-storage" or "mini storage"
3 facilities whereby customers have direct access to individual storage
4 areas by separate entrance. "Storage warehouse" does not include a
5 building or structure, or that part of such building or structure, in
6 which an activity taxable under RCW 82.04.272 is conducted.

7 As used in this section, "periodical or magazine" means a printed
8 publication, other than a newspaper, issued regularly at stated
9 intervals at least once every three months, including any supplement or
10 special edition of the publication.

11 **PART IV**
12 **PROPERTY TAX**

13 **Sec. 401.** RCW 29A.36.210 and 2004 c 80 s 2 are each amended to
14 read as follows:

15 (1) The ballot proposition authorizing a taxing district to impose
16 the regular property tax levies authorized in RCW 36.68.525, 36.69.145,
17 67.38.130, 84.52.069, or 84.52.135 (~~(shall)~~) must contain in substance
18 the following:

19 "~~(shall)~~ Will the (insert the name of the taxing
20 district) be authorized to impose regular property tax levies of
21 (insert the maximum rate) or less per thousand dollars of
22 assessed valuation for each of (insert the maximum number
23 of years allowable) consecutive years?

- 24 Yes
25 No

26 Each voter (~~(shall)~~) may indicate either "Yes" or "No" on his or
27 her ballot in accordance with the procedures established under this
28 title.

29 (2) The ballot proposition authorizing a taxing district to impose
30 a permanent regular tax levy under RCW 84.52.069 (~~(shall)~~) must contain
31 in substance the following:

32 "~~(shall)~~ Will the (insert the name of the taxing
33 district) be authorized to impose a PERMANENT regular property levy of
34 (insert the maximum rate) or less per thousand dollars of
35 assessed valuation?

- 1 Yes
- 2 No

3 **Sec. 402.** RCW 36.68.525 and 1994 c 156 s 5 are each amended to
4 read as follows:

5 A park and recreation service area may impose regular property tax
6 levies in an amount equal to sixty cents or less per thousand dollars
7 of assessed value of property in the service area in each year for six
8 consecutive years when specifically authorized so to do by a majority
9 of at least three-fifths of the voters thereof approving a proposition
10 authorizing the levies submitted not more than twelve months prior to
11 the date on which the proposed initial levy is to be made and not
12 oftener than twice in such twelve month period, either at a special
13 election or at the regular election of the service area, at which
14 election the number of voters voting "yes" on the proposition (~~shall~~)
15 must constitute three-fifths of a number equal to forty percent of the
16 number of voters voting in the service area at the last preceding
17 general election when the number of voters voting on the proposition
18 does not exceed forty percent of the number of voters voting in such
19 taxing district in the last preceding general election; or by a
20 majority of at least three-fifths of the voters thereof voting on the
21 proposition if the number of voters voting on the proposition exceeds
22 forty per centum of the number of voters voting in such taxing district
23 in the last preceding general election. A proposition authorizing such
24 tax levies (~~shall~~) may not be submitted by a park and recreation
25 service area more than twice in any twelve-month period. Ballot
26 propositions (~~shall~~) must conform with RCW (~~29.30.111~~) 29A.36.210.
27 If a park and recreation service area is levying property taxes, which
28 in combination with property taxes levied by other taxing districts
29 result in taxes in excess of the (~~nine-dollar-and-fifteen-cents-per~~
30 ~~thousand-dollars-of-assessed-valuation~~) limitation provided for in RCW
31 84.52.043(2), the park and recreation service area property tax levy
32 (~~shall~~) must be reduced or eliminated (~~before-the-property-tax~~
33 ~~levies-of-other-taxing-districts-are-reduced~~) as provided in RCW
34 84.52.010.

35 **Sec. 403.** RCW 36.69.145 and 1994 c 156 s 3 are each amended to
36 read as follows:

1 (1) A park and recreation district may impose regular property tax
2 levies in an amount equal to sixty cents or less per thousand dollars
3 of assessed value of property in the district in each year for six
4 consecutive years when specifically authorized so to do by a majority
5 of at least three-fifths of the voters thereof approving a proposition
6 authorizing the levies submitted at a special election or at the
7 regular election of the district, at which election the number of
8 voters voting "yes" on the proposition (~~(shall)~~) must constitute three-
9 fifths of a number equal to forty per centum of the number of voters
10 voting in such district at the last preceding general election when the
11 number of voters voting on the proposition does not exceed forty per
12 centum of the number of voters voting in such taxing district in the
13 last preceding general election; or by a majority of at least three-
14 fifths of the voters thereof voting on the proposition if the number of
15 voters voting on the proposition exceeds forty per centum of the number
16 of voters voting in such taxing district in the last preceding general
17 election. A proposition authorizing the tax levies (~~(shall)~~) may not
18 be submitted by a park and recreation district more than twice in any
19 twelve-month period. Ballot propositions (~~(shall)~~) must conform with
20 RCW (~~(29.30.111)~~) 29A.36.210. In the event a park and recreation
21 district is levying property taxes, which in combination with property
22 taxes levied by other taxing districts subject to the one percent
23 limitation provided for in Article 7, section 2, of our state
24 Constitution result in taxes in excess of the limitation provided for
25 in RCW 84.52.043(2), the park and recreation district property tax levy
26 (~~(shall)~~) must be reduced or eliminated (~~(before the property tax~~
27 ~~levies of other taxing districts are reduced)~~) as provided in RCW
28 84.52.010.

29 (2) The limitation in RCW 84.55.010 (~~(shall)~~) does not apply to the
30 first levy imposed under this section following the approval of the
31 levies by the voters under subsection (1) of this section.

32 **Sec. 404.** RCW 82.03.140 and 2000 c 103 s 1 are each amended to
33 read as follows:

34 (1) In all appeals over which the board has jurisdiction under RCW
35 82.03.130, a party (~~(taking)~~) filing an appeal may elect either a
36 formal or an informal hearing(~~(, such election to be made)~~). The

1 election must be made according to rules of practice and procedure to
2 be promulgated by the board(~~(+PROVIDED, That)~~).

3 (2)(a) Nothing (~~shall~~) in subsection (1) of this section prevents
4 the county assessor or taxpayer, as a party to an appeal (~~pursuant~~
5 ~~to~~) under RCW 84.08.130(~~(, within twenty days from the date of the~~
6 ~~receipt of the notice of appeal)~~), from filing with the clerk of the
7 board notice of intention that the hearing be a formal one(~~(+PROVIDED, HOWEVER, That nothing herein shall be construed to modify the~~
8 ~~provisions of RCW 82.03.190: AND PROVIDED FURTHER, That upon an)~~).
9 The notice under this subsection must be filed within twenty days from
10 the date that the party received the notice of appeal.

11
12 (b) For appeals under RCW 82.03.130(1)(~~(+e)~~) in which the
13 department of revenue is a party, other than appeals governed by RCW
14 82.03.190, the (~~director~~) department of revenue may, within (~~ten~~)
15 twenty days from the date of its receipt of the notice of appeal, file
16 with the clerk of the board notice of its intention that the hearing be
17 held pursuant to chapter 34.05 RCW.

18 (3) In the event that appeals (~~are taken from~~) of the same
19 decision, order, or determination, as the case may be, are filed by
20 different parties and only one of (~~such~~) the parties elects a formal
21 hearing, the board must grant a formal hearing (~~shall be granted~~).

22 (4) Nothing in this section may be construed as modifying the
23 provisions of RCW 82.03.190.

24 **Sec. 405.** RCW 84.34.020 and 2005 c 57 s 1 are each amended to read
25 as follows:

26 As used in this chapter, unless a different meaning is required by
27 the context:

28 (1) "Open space land" means (a) any land area so designated by an
29 official comprehensive land use plan adopted by any city or county and
30 zoned accordingly, or (b) any land area, the preservation of which in
31 its present use would (i) conserve and enhance natural or scenic
32 resources, or (ii) protect streams or water supply, or (iii) promote
33 conservation of soils, wetlands, beaches or tidal marshes, or (iv)
34 enhance the value to the public of abutting or neighboring parks,
35 forests, wildlife preserves, nature reservations or sanctuaries or
36 other open space, or (v) enhance recreation opportunities, or (vi)
37 preserve historic sites, or (vii) preserve visual quality along

1 highway, road, and street corridors or scenic vistas, or (viii) retain
2 in its natural state tracts of land not less than one acre situated in
3 an urban area and open to public use on such conditions as may be
4 reasonably required by the legislative body granting the open space
5 classification, or (c) any land meeting the definition of farm and
6 agricultural conservation land under subsection (8) of this section.
7 As a condition of granting open space classification, the legislative
8 body may not require public access on land classified under (b)(iii) of
9 this subsection for the purpose of promoting conservation of wetlands.

10 (2) "Farm and agricultural land" means:

11 (a) Any parcel of land that is twenty or more acres or multiple
12 parcels of land that are contiguous and total twenty or more acres:

13 (i) Devoted primarily to the production of livestock or
14 agricultural commodities for commercial purposes;

15 (ii) Enrolled in the federal conservation reserve program or its
16 successor administered by the United States department of agriculture;
17 or

18 (iii) Other similar commercial activities as may be established by
19 rule;

20 (b)(i) Any parcel of land that is five acres or more but less than
21 twenty acres devoted primarily to agricultural uses, which has produced
22 a gross income from agricultural uses equivalent to, as of January 1,
23 1993:

24 (A) One hundred dollars or more per acre per year for three of the
25 five calendar years preceding the date of application for
26 classification under this chapter for all parcels of land that are
27 classified under this subsection or all parcels of land for which an
28 application for classification under this subsection is made with the
29 granting authority prior to January 1, 1993; and

30 (B) On or after January 1, 1993, two hundred dollars or more per
31 acre per year for three of the five calendar years preceding the date
32 of application for classification under this chapter;

33 (ii) For the purposes of (b)(i) of this subsection, "gross income
34 from agricultural uses" includes, but is not limited to, the wholesale
35 value of agricultural products donated to nonprofit food banks or
36 feeding programs;

37 (c) Any parcel of land of less than five acres devoted primarily to

1 agricultural uses which has produced a gross income as of January 1,
2 1993, of:

3 (i) One thousand dollars or more per year for three of the five
4 calendar years preceding the date of application for classification
5 under this chapter for all parcels of land that are classified under
6 this subsection or all parcels of land for which an application for
7 classification under this subsection is made with the granting
8 authority prior to January 1, 1993; and

9 (ii) On or after January 1, 1993, fifteen hundred dollars or more
10 per year for three of the five calendar years preceding the date of
11 application for classification under this chapter.

12 Parcels of land described in (b)(i)(A) and (c)(i) of this subsection
13 (~~shall~~) will, upon any transfer of the property excluding a transfer
14 to a surviving spouse or surviving domestic partner, be subject to the
15 limits of (b)(i)(B) and (c)(ii) of this subsection;

16 (d) Any lands including incidental uses as are compatible with
17 agricultural purposes, including wetlands preservation, provided such
18 incidental use does not exceed twenty percent of the classified land
19 and the land on which appurtenances necessary to the production,
20 preparation, or sale of the agricultural products exist in conjunction
21 with the lands producing such products. Agricultural lands (~~shall~~)
22 also include any parcel of land of one to five acres, which is not
23 contiguous, but which otherwise constitutes an integral part of farming
24 operations being conducted on land qualifying under this section as
25 "farm and agricultural lands"; or

26 (e) The land on which housing for employees and the principal place
27 of residence of the farm operator or owner of land classified pursuant
28 to (a) of this subsection is sited if: The housing or residence is on
29 or contiguous to the classified parcel; and the use of the housing or
30 the residence is integral to the use of the classified land for
31 agricultural purposes.

32 (3) "Timber land" means any parcel of land that is five or more
33 acres or multiple parcels of land that are contiguous and total five or
34 more acres which is or are devoted primarily to the growth and harvest
35 of timber for commercial purposes. Timber land means the land only and
36 does not include a residential homesite. The term includes land used
37 for incidental uses that are compatible with the growing and harvesting
38 of timber but no more than ten percent of the land may be used for such

1 incidental uses. It also includes the land on which appurtenances
2 necessary for the production, preparation, or sale of the timber
3 products exist in conjunction with land producing these products.

4 (4) "Current" or "currently" means as of the date on which property
5 is to be listed and valued by the assessor.

6 (5) "Owner" means the party or parties having the fee interest in
7 land, except that where land is subject to real estate contract "owner"
8 (~~shall mean~~) means the contract vendee.

9 (6) "Contiguous" means land adjoining and touching other property
10 held by the same ownership. Land divided by a public road, but
11 otherwise an integral part of a farming operation, (~~shall be~~) is
12 considered contiguous.

13 (7) "Granting authority" means the appropriate agency or official
14 who acts on an application for classification of land pursuant to this
15 chapter.

16 (8) "Farm and agricultural conservation land" means either:

17 (a) Land that was previously classified under subsection (2) of
18 this section, that no longer meets the criteria of subsection (2) of
19 this section, and that is reclassified under subsection (1) of this
20 section; or

21 (b) Land that is traditional farmland that is not classified under
22 chapter 84.33 or 84.34 RCW, that has not been irrevocably devoted to a
23 use inconsistent with agricultural uses, and that has a high potential
24 for returning to commercial agriculture.

25 **Sec. 406.** RCW 84.36.040 and 2001 c 126 s 1 are each amended to
26 read as follows:

27 (1) The real and personal property used by (~~nonprofit~~), and for
28 the purposes of, the following nonprofit organizations is exempt from
29 property taxation:

30 (a) Child day care centers as defined (~~pursuant to RCW 74.15.020~~)
31 in subsection (4) of this section;

32 (b) Free public libraries;

33 (c) Orphanages and orphan asylums;

34 (d) Homes for the sick or infirm;

35 (e) Hospitals for the sick; and

36 (f) Outpatient dialysis facilities(~~, which are used for the~~

1 ~~purposes of such organizations shall be exempt from taxation:~~
2 ~~PROVIDED, That the benefit of the exemption inures to the user)).~~

3 (2) The real and personal property leased to and used by a
4 hospital(~~(7)~~) for hospital purposes is exempt from property taxation if
5 the hospital is established under chapter 36.62 RCW or is owned and
6 operated by a public hospital district established under chapter 70.44
7 RCW(~~(7, for hospital purposes is exempt from taxation. The benefit of~~
8 the exemption must inure to the user)).

9 (3) To be exempt under this section, the property must be used
10 exclusively for the purposes for which exemption is granted, except as
11 provided in RCW 84.36.805, and the benefit of the exemption must inure
12 to the user.

13 (4) For purposes of subsection (1) of this section, "child day care
14 center" means a nonprofit organization that regularly provides child
15 day care and early learning services for a group of children for
16 periods of less than twenty-four hours.

17 **Sec. 407.** RCW 84.36.381 and 2008 c 6 s 706 are each amended to
18 read as follows:

19 A person (~~shall be~~) is exempt from any legal obligation to pay
20 all or a portion of the amount of excess and regular real property
21 taxes due and payable in the year following the year in which a claim
22 is filed, and thereafter, in accordance with the following:

23 (1) The property taxes must have been imposed upon a residence
24 which was occupied by the person claiming the exemption as a principal
25 place of residence as of the time of filing: PROVIDED, That any person
26 who sells, transfers, or is displaced from his or her residence may
27 transfer his or her exemption status to a replacement residence, but no
28 claimant (~~shall~~) may receive an exemption on more than one residence
29 in any year: PROVIDED FURTHER, That confinement of the person to a
30 hospital, nursing home, boarding home, or adult family home (~~shall~~)
31 does not disqualify the claim of exemption if:

- 32 (a) The residence is temporarily unoccupied;
- 33 (b) The residence is occupied by a spouse or a domestic partner
34 and/or a person financially dependent on the claimant for support; or
- 35 (c) The residence is rented for the purpose of paying nursing home,
36 hospital, boarding home, or adult family home costs;

1 (2) The person claiming the exemption must have owned, at the time
2 of filing, in fee, as a life estate, or by contract purchase, the
3 residence on which the property taxes have been imposed or if the
4 person claiming the exemption lives in a cooperative housing
5 association, corporation, or partnership, such person must own a share
6 therein representing the unit or portion of the structure in which he
7 or she resides. For purposes of this subsection, a residence owned by
8 a marital community or state registered domestic partnership or owned
9 by cotenants (~~(shall be)~~) is deemed to be owned by each spouse or each
10 domestic partner or each cotenant, and any lease for life (~~(shall be)~~)
11 is deemed a life estate;

12 (3) The person claiming the exemption must be (a) sixty-one years
13 of age or older on December 31st of the year in which the exemption
14 claim is filed, or must have been, at the time of filing, retired from
15 regular gainful employment by reason of disability, or (b) a veteran of
16 the armed forces of the United States with one hundred percent service-
17 connected disability as provided in 42 U.S.C. Sec. 423 (d)(1)(A) as
18 amended prior to January 1, 2005, or such subsequent date as the
19 department may provide by rule consistent with the purpose of this
20 section. However, any surviving spouse or surviving domestic partner
21 of a person who was receiving an exemption at the time of the person's
22 death (~~(shall)~~) will qualify if the surviving spouse or surviving
23 domestic partner is fifty-seven years of age or older and otherwise
24 meets the requirements of this section;

25 (4) The amount that the person (~~(shall be)~~) is exempt from an
26 obligation to pay (~~(shall be)~~) is calculated on the basis of combined
27 disposable income, as defined in RCW 84.36.383. If the person claiming
28 the exemption was retired for two months or more of the assessment
29 year, the combined disposable income of such person (~~(shall)~~) must be
30 calculated by multiplying the average monthly combined disposable
31 income of such person during the months such person was retired by
32 twelve. If the income of the person claiming exemption is reduced for
33 two or more months of the assessment year by reason of the death of the
34 person's spouse or the person's domestic partner, or when other
35 substantial changes occur in disposable income that are likely to
36 continue for an indefinite period of time, the combined disposable
37 income of such person (~~(shall)~~) must be calculated by multiplying the
38 average monthly combined disposable income of such person after such

1 occurrences by twelve. If it is necessary to estimate income to comply
2 with this subsection, the assessor may require confirming documentation
3 of such income prior to May 31 of the year following application;

4 (5)(a) A person who otherwise qualifies under this section and has
5 a combined disposable income of thirty-five thousand dollars or less
6 (~~shall be~~) is exempt from all excess property taxes; and

7 (b)(i) A person who otherwise qualifies under this section and has
8 a combined disposable income of thirty thousand dollars or less but
9 greater than twenty-five thousand dollars (~~shall be~~) is exempt from
10 all regular property taxes on the greater of fifty thousand dollars or
11 thirty-five percent of the valuation of his or her residence, but not
12 to exceed seventy thousand dollars of the valuation of his or her
13 residence; or

14 (ii) A person who otherwise qualifies under this section and has a
15 combined disposable income of twenty-five thousand dollars or less
16 (~~shall be~~) is exempt from all regular property taxes on the greater
17 of sixty thousand dollars or sixty percent of the valuation of his or
18 her residence;

19 (6) For a person who otherwise qualifies under this section and has
20 a combined disposable income of thirty-five thousand dollars or less,
21 the valuation of the residence (~~shall be~~) is the assessed value of
22 the residence on the later of January 1, 1995, or January 1st of the
23 assessment year the person first qualifies under this section. If the
24 person subsequently fails to qualify under this section only for one
25 year because of high income, this same valuation (~~shall~~) must be used
26 upon requalification. If the person fails to qualify for more than one
27 year in succession because of high income or fails to qualify for any
28 other reason, the valuation upon requalification (~~shall be~~) is the
29 assessed value on January 1st of the assessment year in which the
30 person requalifies. If the person transfers the exemption under this
31 section to a different residence, the valuation of the different
32 residence (~~shall be~~) is the assessed value of the different residence
33 on January 1st of the assessment year in which the person transfers the
34 exemption.

35 In no event may the valuation under this subsection be greater than
36 the true and fair value of the residence on January 1st of the
37 assessment year.

1 This subsection does not apply to subsequent improvements to the
2 property in the year in which the improvements are made. Subsequent
3 improvements to the property (~~shall~~) must be added to the value
4 otherwise determined under this subsection at their true and fair value
5 in the year in which they are made.

6 **Sec. 408.** RCW 84.36.383 and 2008 c 182 s 1 and 2008 c 6 s 709 are
7 each reenacted and amended to read as follows:

8 As used in RCW 84.36.381 through 84.36.389, except where the
9 context clearly indicates a different meaning:

10 (1) The term "residence" means a single family dwelling unit
11 whether such unit be separate or part of a multiunit dwelling,
12 including the land on which such dwelling stands not to exceed one
13 acre, except that a residence includes any additional property up to a
14 total of five acres that comprises the residential parcel if this
15 larger parcel size is required under land use regulations. The term
16 (~~shall~~) also includes a share ownership in a cooperative housing
17 association, corporation, or partnership if the person claiming
18 exemption can establish that his or her share represents the specific
19 unit or portion of such structure in which he or she resides. The term
20 (~~shall~~) also includes a single family dwelling situated upon lands
21 the fee of which is vested in the United States or any instrumentality
22 thereof including an Indian tribe or in the state of Washington, and
23 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a
24 residence (~~shall be~~) is deemed real property.

25 (2) The term "real property" (~~shall~~) also includes a mobile home
26 which has substantially lost its identity as a mobile unit by virtue of
27 its being fixed in location upon land owned or leased by the owner of
28 the mobile home and placed on a foundation (posts or blocks) with fixed
29 pipe, connections with sewer, water, or other utilities. A mobile home
30 located on land leased by the owner of the mobile home is subject, for
31 tax billing, payment, and collection purposes, only to the personal
32 property provisions of chapter 84.56 RCW and RCW 84.60.040.

33 (3) "Department" means the state department of revenue.

34 (4) "Combined disposable income" means the disposable income of the
35 person claiming the exemption, plus the disposable income of his or her
36 spouse or domestic partner, and the disposable income of each cotenant

1 occupying the residence for the assessment year, less amounts paid by
2 the person claiming the exemption or his or her spouse or domestic
3 partner during the assessment year for:

4 (a) Drugs supplied by prescription of a medical practitioner
5 authorized by the laws of this state or another jurisdiction to issue
6 prescriptions;

7 (b) The treatment or care of either person received in the home or
8 in a nursing home, boarding home, or adult family home; and

9 (c) Health care insurance premiums for medicare under Title XVIII
10 of the social security act.

11 (5) "Disposable income" means adjusted gross income as defined in
12 the federal internal revenue code, as amended prior to January 1, 1989,
13 or such subsequent date as the director may provide by rule consistent
14 with the purpose of this section, plus all of the following items to
15 the extent they are not included in or have been deducted from adjusted
16 gross income:

17 (a) Capital gains, other than gain excluded from income under
18 section 121 of the federal internal revenue code to the extent it is
19 reinvested in a new principal residence;

20 (b) Amounts deducted for loss;

21 (c) Amounts deducted for depreciation;

22 (d) Pension and annuity receipts;

23 (e) Military pay and benefits other than attendant-care and
24 medical-aid payments;

25 (f) Veterans benefits, other than:

26 (i) Attendant-care payments;

27 (ii) Medical-aid payments;

28 (iii) Disability compensation, as defined in Title 38, part 3,
29 section 3.4 of the code of federal regulations, as of January 1, 2008;
30 and

31 (iv) Dependency and indemnity compensation, as defined in Title 38,
32 part 3, section 3.5 of the code of federal regulations, as of January
33 1, 2008;

34 (g) Federal social security act and railroad retirement benefits;

35 (h) Dividend receipts; and

36 (i) Interest received on state and municipal bonds.

37 (6) "Cotenant" means a person who resides with the person claiming
38 the exemption and who has an ownership interest in the residence.

1 (7) "Disability" has the same meaning as provided in 42 U.S.C. Sec.
2 423(d)(1)(A) as amended prior to January 1, ((2004)) 2005, or such
3 subsequent date as the ((director)) department may provide by rule
4 consistent with the purpose of this section.

5 **Sec. 409.** RCW 84.37.030 and 2007 sp.s. c 2 s 2 are each amended to
6 read as follows:

7 A claimant may defer payment of fifty percent of special
8 assessments or real property taxes, or both, listed on the annual tax
9 statement in any year in which all of the following conditions are met:

10 (1) The special assessments or property taxes must be imposed upon
11 a residence that was occupied by the claimant as a principal place of
12 residence as of January 1st of the year in which the assessments and
13 taxes are due, subject to the exceptions allowed under RCW
14 84.36.381(1);

15 (2) The claimant must have combined disposable income, as defined
16 in RCW 84.36.383, of fifty-seven thousand dollars or less in the
17 calendar year preceding the filing of the declaration;

18 (3) The claimant must have paid one-half of the total amount of
19 special assessments and property taxes listed on the annual tax
20 statement for the year in which the deferral claim is made;

21 (4) A deferral is not allowed for special assessments ((or))
22 property taxes, or both, levied for collection in the first five
23 calendar years in which the person owns the residence;

24 (5) The claimant who defers payment of special assessments or real
25 property taxes, or both, listed on the annual tax statement under this
26 section must also meet the conditions of RCW 84.38.030 (4) and (5);

27 (6) The total amount deferred by a claimant under this chapter must
28 not exceed forty percent of the amount of the claimant's equity value
29 in the claimant's residence; and

30 (7) The claimant may not defer taxes under both this chapter and
31 chapter 84.38 RCW((; and

32 ~~(8) In the case of deferred special assessments, the claimant must~~
33 ~~have opted for payment of the assessments on the installment method if~~
34 ~~this method was available)) in the same tax year.~~

35 **Sec. 410.** RCW 84.37.902 and 2007 sp.s. c 2 s 13 are each amended
36 to read as follows:

1 ~~(1) ((During calendar year 2011, the joint legislative audit and~~
2 ~~review committee shall review the property tax deferral program under~~
3 ~~chapter 84.37 RCW.)) Pursuant to chapter 43.136 RCW, the citizen~~
4 ~~commission for performance measurement of tax preferences must schedule~~
5 ~~the property tax deferral program under this chapter for a tax~~
6 ~~preference review by the joint legislative audit and review committee~~
7 ~~in 2011.~~ The department of revenue and county assessors shall provide
8 the committee with any data within its purview that the committee
9 considers necessary to conduct the review. ~~((By December 1, 2011, the~~
10 ~~joint legislative audit and review committee shall report to the~~
11 ~~legislature the results of its review.))~~

12 ~~(2) ((As part of its review under subsection (1) of this section))~~
13 ~~In addition to the factors in RCW 43.136.055(1), the committee shall~~
14 ~~also study and report on:~~

15 (a) The effectiveness of the property tax deferral program in
16 assisting families in economic distress in remaining in their homes;

17 (b) The effectiveness of the property tax deferral program in
18 decreasing the default rate on residential mortgages for the statewide
19 population within the income threshold of the program;

20 (c) The number of potential participants per thousand population by
21 geographic region;

22 (d) The ratio of actual deferral program participants to potential
23 deferral program participants by geographic region;

24 (e) The ratio of average annual household property taxes for
25 deferral program participants and average annual income of deferral
26 program participants by geographic region;

27 (f) Economic conditions in the housing and lending markets for the
28 prior three years and the forecasted economic conditions for the
29 current biennium and the next succeeding biennium;

30 (g) Annual costs specific to the administration of the deferral
31 program; and

32 (h) Total annual costs of the deferral program(~~(+~~

33 ~~-i) Recommended changes to the deferral program that would increase~~
34 ~~program participation;~~

35 ~~(j) Any other recommendations the committee may have to improve the~~
36 ~~deferral program; and~~

37 ~~(k) Any other factors that the committee considers necessary to~~
38 ~~properly evaluate the deferral program)).~~

1 (3) This section expires January 1, 2012.

2 **Sec. 411.** RCW 84.40.042 and 2008 c 17 s 1 are each amended to read
3 as follows:

4 (1) When real property is divided in accordance with chapter 58.17
5 RCW, the assessor (~~shall~~) must carefully investigate and ascertain
6 the true and fair value of each lot and assess each lot on that same
7 basis, unless specifically provided otherwise by law. For purposes of
8 this section, "lot" has the same definition as in RCW 58.17.020.

9 (a) For each lot on which an advance tax deposit has been paid in
10 accordance with RCW 58.08.040, the assessor (~~shall~~) must establish
11 the true and fair value by October (~~30th~~) 31st of the year following
12 the recording of the plat, replat, or altered plat. The value
13 established (~~shall~~) must be the value of the lot as of January 1st of
14 the year the original parcel of real property was last revalued.
15 (~~An~~) No additional property tax (~~shall not be~~) is due on the land
16 until the calendar year following the year for which the advance tax
17 deposit was paid if the deposit was sufficient to pay the full amount
18 of the taxes due on the property.

19 (b) For each lot on which an advance tax deposit has not been paid,
20 the assessor (~~shall~~) must establish the true and fair value not later
21 than the calendar year following the recording of the plat, map,
22 subdivision, or replat. For purposes of this section, "subdivision"
23 means a division of land into two or more lots.

24 (c) For each subdivision, all current year and delinquent taxes and
25 assessments on the entire tract must be paid in full in accordance with
26 RCW 58.17.160 and 58.08.030 except when property is being acquired by
27 a government for public use. For purposes of this section, "current
28 year taxes" means taxes that are collectible under RCW 84.56.010
29 subsequent to (~~February 14th~~) completing the tax roll for current
30 year collection.

31 (2) When the assessor is required by law to segregate any part or
32 parts of real property, assessed before or after July 27, 1997, as one
33 parcel or when the assessor is required by law to combine parcels of
34 real property assessed before or after July 27, 1997, as two or more
35 parcels, the assessor (~~shall~~) must carefully investigate and
36 ascertain the true and fair value of each part or parts of the real

1 property and each combined parcel and assess each part or parts or each
2 combined parcel on that same basis.

3 **Sec. 412.** RCW 84.48.050 and 1995 c 134 s 15 are each amended to
4 read as follows:

5 (1) The county assessor (~~((shall))~~) must, on or before the fifteenth
6 day of January in each year, (~~((make out and transmit to the state
7 auditor, in such form as may be prescribed,))~~) prepare a complete
8 abstract of the tax rolls of the county, showing the number of acres
9 that have been assessed and the total value of the real property,
10 including the structures on the real property; the total value of all
11 taxable personal property in the county; the aggregate amount of all
12 taxable property in the county; the total amount as equalized and the
13 total amount of taxes levied in the county for state, county, city, and
14 other taxing district purposes, for that year. (~~((Should the))~~)

15 (2) If an assessor of any county fails to transmit to the
16 department of revenue the abstract provided for in RCW 84.48.010, and
17 if(~~((, by reason of such failure to transmit such abstract, any))~~) a
18 county (~~((shall))~~) fails to collect and pay to the state its due
19 proportion of the state tax for any year because of that failure, the
20 department of revenue (~~((shall))~~) must ascertain what amount of state tax
21 (~~((said))~~) the county (~~((has))~~) failed to collect(~~((, and))~~). The department
22 must certify (~~((the same))~~) to the (~~((state))~~) county auditor(~~((, who shall~~
23 ~~charge the amount to the proper county and notify the auditor of said~~
24 ~~county of the amount of said charge; said))~~) the amount of state tax the
25 county failed to collect. This sum (~~((shall be))~~) is due and payable
26 immediately by warrant in favor of the state on the current expense
27 fund of (~~((said))~~) the county.

28 **Sec. 413.** RCW 84.52.030 and 1994 c 124 s 38 are each amended to
29 read as follows:

30 For the purpose of raising revenue for state, county, and other
31 taxing district purposes, the county legislative authority of each
32 county (~~((at its October session))~~), and all other officials or boards
33 authorized by law to levy taxes for taxing district purposes, (~~((shall))~~)
34 must levy taxes on all the taxable property in the county or district,
35 as the case may be, sufficient for such purposes, and within the
36 limitations permitted by law.

1 **Sec. 414.** RCW 84.52.070 and 1994 c 81 s 86 are each amended to
2 read as follows:

3 (1) It (~~shall be~~) is the duty of the county legislative authority
4 of each county, on or before the thirtieth day of November in each
5 year, to certify to the county assessor (~~of the county~~) the amount of
6 taxes levied upon the property in the county for county purposes, and
7 the respective amounts of taxes levied by the board for each taxing
8 district, within or coextensive with the county, for district
9 purposes(~~, and~~).

10 (2) It (~~shall be~~) is the duty of the council of each city having
11 a population of three hundred thousand or more, and of the council of
12 each town, and of all officials or boards of taxing districts within or
13 coextensive with the county, authorized by law to levy taxes directly
14 and not through the county legislative authority, on or before the
15 thirtieth day of November in each year, to certify to the county
16 assessor (~~of the county~~) the amount of taxes levied upon the property
17 within the city, town, or district for city, town, or district
18 purposes.

19 (3) If a levy amount is (~~not~~) certified to the county assessor
20 (~~by~~) after the thirtieth day of November, the county assessor
21 (~~shall~~) may use no more than the certified levy amount for the
22 previous year for the taxing district(~~(+ PROVIDED, That)~~). This
23 (~~shall~~) subsection (3) does not apply to the state levy or when the
24 assessor has not certified assessed values as required by RCW 84.48.130
25 at least twelve working days (~~prior to~~) before November 30th.

26 **Sec. 415.** RCW 84.52.080 and 1989 c 378 s 16 are each amended to
27 read as follows:

28 (1) The county assessor (~~shall~~) must extend the taxes upon the
29 tax rolls in the form (~~herein~~) prescribed in this section. The rate
30 percent necessary to raise the amounts of taxes levied for state and
31 county purposes, and for purposes of taxing districts coextensive with
32 the county, (~~shall~~) must be computed upon the assessed value of the
33 property of the county(~~(+)~~). The rate percent necessary to raise the
34 amount of taxes levied for any taxing district within the county
35 (~~shall~~) must be computed upon the assessed value of the property of
36 the district(~~(+)~~). All taxes assessed against any property (~~shall~~)
37 must be added together and extended on the rolls in a column headed

1 consolidated or total tax. In extending any tax, whenever ~~((it))~~ the
2 tax amounts to a fractional part of a cent greater than ~~((five mills))~~
3 one-half of a cent it ~~((shall))~~ must be ~~((made))~~ rounded up to one
4 cent, and whenever it amounts to ~~((five mills))~~ one-half of a cent or
5 less ~~((than five mills))~~ it ~~((shall))~~ must be dropped. The amount of
6 all taxes ~~((shall))~~ must be entered in the proper columns, as shown by
7 entering the rate percent necessary to raise the consolidated or total
8 tax and the total tax assessed against the property.

9 (2) For the purpose of computing the rate necessary to raise the
10 amount of any excess levy in a taxing district ~~((which has classified~~
11 ~~or designated forest land under chapter 84.33 RCW))~~ entitled to a
12 distribution under RCW 84.33.081, other than the state, the county
13 assessor ~~((shall))~~ must add the district's timber assessed value, as
14 defined in RCW 84.33.035, to the assessed value of the property~~((÷~~
15 ~~PROVIDED, That))~~. However, for school districts maintenance and
16 operations levies, only one-half of the district's timber assessed
17 value or eighty percent of the timber roll of ~~((such))~~ the district in
18 calendar year 1983 as determined under chapter 84.33 RCW, whichever is
19 greater, ~~((shall))~~ must be added to the assessed value of the property.

20 (3) Upon the completion of such tax extension, it ~~((shall be))~~ is
21 the duty of the county assessor to make in each assessment book, tax
22 roll or list a certificate in the following form:

23 I,....., assessor of..... county, state of
24 Washington, do hereby certify that the foregoing is a
25 correct list of taxes levied on the real and personal property
26 in the county of..... for the year ~~((one))~~ two thousand
27 ~~((nine hundred and))~~.....
28 Witness my hand this.... day of....., ~~((19))~~ 20...

....., County Assessor

30 (4) The county assessor ~~((shall))~~ must deliver ~~((said))~~ the tax
31 rolls to the county treasurer, on or before the fifteenth day of
32 January, taking a receipt ~~((therefor, and))~~ from the treasurer. At the
33 same time, the county assessor ~~((shall))~~ must provide the county
34 auditor with an abstract of the tax rolls showing the total amount of
35 taxes collectible in each of the taxing districts.

1 NEW SECTION. **Sec. 416.** RCW 84.55.080 (Adjustment to tax
2 limitation) and 2006 c 184 s 5 & 1982 1st ex.s. c 42 s 12 are each
3 repealed.

4 **Sec. 417.** RCW 84.56.070 and 2007 c 295 s 5 are each amended to
5 read as follows:

6 (~~On the fifteenth day of February succeeding the levy of~~
7 ~~taxes,~~) (1) The county treasurer ((shall)) must proceed to collect all
8 personal property taxes after first completing the tax roll for the
9 current year's collection. The treasurer ((shall)) must give notice by
10 mail to all persons charged with personal property taxes (~~, and if~~
11 ~~such~~)).

12 (2) If the taxes are not paid before they become delinquent, the
13 treasurer ((shall forthwith)) must immediately proceed to collect the
14 ((same)) delinquent taxes. In the event that he or she is unable to
15 collect the ((same)) taxes when due, the treasurer ((shall)) may
16 prepare papers in distraint, which ((shall)) must contain a description
17 of the personal property, the amount of taxes, the amount of the
18 accrued interest at the rate provided by law from the date of
19 delinquency, and the name of the owner or reputed owner. The treasurer
20 ((shall)) may without demand or notice distraint sufficient goods and
21 chattels belonging to the person charged with (~~such taxes to pay the~~
22 ~~same~~) paying the taxes, with interest at the rate provided by law from
23 the date of delinquency, together with all accruing costs (~~, and~~
24 ~~shall~~)). Following the distraint, the treasurer must proceed to
25 advertise the ((same)) sale of the distrained property by posting
26 written notices ((in three)) at the county courthouse and two other
27 public places in the county in which ((such)) the property ((has been))
28 was distrained (~~, one of which places shall be at the county court~~
29 ~~house, such~~)). The notice ((to)) must state the time when and place
30 where ((such)) the property will be sold. The county treasurer, or the
31 treasurer's deputy, (~~shall tax~~) must assess the same fees for making
32 the distraint and sale of goods and chattels for the payment of taxes
33 as are allowed by law to sheriffs for making levy and sale of property
34 on execution; traveling fees to be computed from the county seat of the
35 county to the place of making distraint.

36 (3) If the taxes for which ((such)) the property is distrained, and
37 the interest and costs accruing thereon, are not paid before the date

1 appointed for ~~((such))~~ the sale, which ~~((shall))~~ may be not less than
2 ten days after the taking of ~~((such))~~ the property, ~~((such))~~ the
3 treasurer or treasurer's designee ~~((shall))~~ must proceed to sell
4 ~~((such))~~ the property at public auction, or so much ~~((thereof))~~ of the
5 property as ~~((shall))~~ will be sufficient to pay ~~((such))~~ the taxes,
6 with interest and costs~~((, and))~~. If there ~~((be))~~ is any excess of
7 money arising from the sale of any personal property, the treasurer
8 ~~((shall))~~ must pay ~~((such))~~ the excess less any cost of the auction to
9 the owner of the property so sold or to his or her legal
10 representative~~((: PROVIDED, That whenever it shall))~~.

11 (4) If it becomes necessary to distraint any standing timber owned
12 separately from the ownership of the land upon which the ~~((same))~~
13 timber may stand, or any fish trap, pound net, reef net, set net or
14 drag seine fishing location, or any other personal property as the
15 treasurer ~~((shall))~~ determines to be incapable or reasonably
16 impracticable of manual delivery, it ~~((shall))~~ will be deemed to have
17 been distrained and taken into possession when the treasurer ~~((shall~~
18 have)) has, at least thirty days before the date fixed for the sale
19 ~~((thereof))~~ of the property, filed with the auditor of the county
20 ~~((wherein such))~~ where the property is located a notice in writing
21 reciting that the treasurer has distrained ~~((such))~~ the property~~((,~~
22 describing it, giving)). The notice must include a description of the
23 property, the name of the owner or reputed owner, the amount of the tax
24 due, with interest, and the time and place of sale~~((:))~~. A copy of the
25 notice ~~((shall))~~ must also be sent to the owner or reputed owner at his
26 or her last known address, by ~~((registered letter))~~ certified mail,
27 return receipt requested, at least thirty days ~~((prior to))~~ before the
28 date of the sale~~((: AND PROVIDED FURTHER, That))~~.

29 (5) If the county treasurer has reasonable grounds to believe that
30 any personal property, including mobile homes, manufactured homes, or
31 park model trailers, upon which taxes have been levied, but not paid,
32 is about to be removed from the county where the ~~((same has been))~~
33 property was assessed, or is about to be destroyed, sold or disposed
34 of, the county treasurer may demand ~~((such))~~ payment of the taxes,
35 without the notice provided for in this section, and if necessary may
36 ~~((forthwith))~~ immediately distraint sufficient goods and chattels to pay
37 the ~~((same))~~ taxes.

1 **Sec. 418.** RCW 84.60.050 and 1994 c 301 s 54 are each amended to
2 read as follows:

3 (1) When real property is acquired by purchase or condemnation by
4 the state of Washington, any county or municipal corporation or is
5 placed under a recorded agreement for immediate possession and use or
6 an order of immediate possession and use (~~((pursuant to))~~) under RCW
7 8.04.090, (~~((such))~~) the property (~~((shall))~~) will continue to be subject
8 to the tax lien for the years prior to the year in which the property
9 is so acquired or placed under (~~((such))~~) the agreement or order, of any
10 tax levied by the state, county, municipal corporation, or other tax
11 levying public body, except as is otherwise provided in RCW 84.60.070.

12 (2) The lien for taxes applicable to the real property being
13 acquired or placed under immediate possession and use for the year in
14 which (~~((such))~~) the real property is so acquired or placed under
15 immediate possession and use (~~((shall))~~) will be for only the pro rata
16 portion of taxes allocable to that portion of the year (~~((prior to))~~)
17 before the date of execution of the instrument vesting title, date of
18 recording (~~((such))~~) the agreement of immediate possession and use, date
19 of (~~((such))~~) the order of immediate possession and use, or date of
20 judgment. No taxes levied or tax lien on (~~((such))~~) the property
21 allocable to a period (~~((subsequent to))~~) following the dates identified
22 in this subsection (~~((shall))~~) will be valid and any (~~((such))~~) taxes
23 levied (~~((shall))~~) must be canceled as provided in RCW 84.48.065. In the
24 event the owner has paid taxes allocable to that portion of the year
25 (~~((subsequent to))~~) following the dates identified in this subsection
26 (~~((he or she shall be))~~) that person is entitled to a pro rata refund of
27 the amount paid on the property so acquired or placed under a recorded
28 agreement or an order of immediate possession and use. If the dates
29 identified in this subsection precede (~~((February 15th of the year in~~
30 ~~which such taxes become payable))~~) the completion of the property tax
31 rolls for the current year's collection, no lien for (~~((such))~~) the taxes
32 (~~((shall))~~) will be valid and any (~~((such))~~) taxes levied but not payable
33 (~~((shall))~~) must be canceled as provided in RCW 84.48.065.

34 **Sec. 419.** RCW 86.09.490 and 1937 c 72 s 164 are each amended to
35 read as follows:

36 The assessment upon real property (~~((shall be))~~) is a lien against
37 the property assessed, from and after the first day of January in the

1 year in which the assessment becomes due and payable, but as between
2 grantor and grantee (~~((such))~~) the lien (~~((shall))~~) does not attach until
3 the (~~((fifteenth day of February of such year, which))~~) county treasurer
4 has completed the property tax roll for the current year's collection
5 and provided the notification required by RCW 84.56.020 in the year in
6 which the assessment is payable. The lien (~~((shall be))~~) is paramount
7 and superior to any other lien (~~((theretofore or thereafter))~~) created
8 before or after the lien provided in this section, whether by mortgage
9 or otherwise, except a lien for undelinquent flood control district
10 assessments, diking or drainage district assessments, or diking or
11 drainage improvement(~~((,))~~) district assessments, and for unpaid and
12 outstanding general ad valorem taxes(~~((, and such))~~). The lien (~~((shall))~~)
13 will not be removed until the assessments are paid or the property sold
14 for the payment (~~((thereof))~~) of the delinquent assessments as provided
15 by law.

16 **Sec. 420.** RCW 87.03.265 and 1939 c 171 s 2 are each amended to
17 read as follows:

18 (1) The assessment upon real property (~~((shall be))~~) is a lien
19 against the property assessed, from and after the first day of January
20 in the year in which it is levied, but as between grantor and grantee
21 (~~((such))~~) the lien (~~((shall))~~) does not attach until the (~~((fifteenth day~~
22 ~~of February of))~~) county treasurer has completed the property tax roll
23 for the current year's collection and provided the notification
24 required by RCW 84.56.020 in the year in which the assessment is
25 payable(~~((, which))~~). The lien (~~((shall be))~~) is paramount and superior to
26 any other lien (~~((theretofore or thereafter))~~) created before or after
27 the lien provided in this section, whether by mortgage or otherwise,
28 except for a lien for prior assessments(~~((, and such))~~). The lien
29 (~~((shall))~~) will not be removed until the assessments are paid or the
30 property sold for the payment (~~((thereof))~~) of the delinquent assessment
31 as provided by law. (~~((And))~~)

32 (2) The lien for the bonds of any issue (~~((shall be))~~) is a preferred
33 lien to that of any subsequent issue. Also, the lien for all payments
34 due or to become due under any contract with the United States, or the
35 state of Washington, accompanying which bonds of the district have not
36 been deposited with the United States or the state of Washington, as in

1 RCW 87.03.140 provided, (~~shall be~~) is a preferred lien to any issue
2 of bonds (~~subsequent to~~) after the date of (~~such~~) the contract.

3 **Sec. 421.** RCW 87.03.270 and 1988 c 134 s 13 are each amended to
4 read as follows:

5 (1) The assessment roll, before its equalization and adoption,
6 (~~shall~~) must be checked and compared as to descriptions and
7 ownerships, with the county treasurer's land rolls. On or before the
8 fifteenth day of January in each year the secretary must deliver the
9 assessment roll or the respective segregation (~~thereof~~) of the
10 assessment roll to the county treasurer of each respective county in
11 which the lands (~~therein~~) described in the assessment roll are
12 located(~~, and said~~). The assessments (~~shall become~~) reflected in
13 the assessment roll are due and payable (~~on the fifteenth day of~~
14 February following) after the county treasurer has subsequently
15 completed the property tax roll for the current year's collection and
16 provided the notification required by RCW 84.56.020.

17 (2) All assessments on (~~said~~) the assessment roll (~~shall~~) will
18 become delinquent on the first day of May following the filing of the
19 roll unless the assessments are paid (~~on or~~) before (~~the thirtieth~~
20 ~~day of April of said year: PROVIDED,~~) that date. If an assessment is
21 ten dollars or more for (~~said~~) the current year and if one-half of
22 the assessment is paid on or before the thirtieth day of April, the
23 remainder (~~shall be~~) is due and payable on or before the thirty-first
24 day of the following October (~~following~~) and (~~shall be~~) is
25 delinquent after that date. All delinquent assessments (~~shall~~) bear
26 interest at the rate of twelve percent per annum, computed on a monthly
27 basis and without compounding, from the date of delinquency until paid.

28 (3) Upon receiving the assessment roll the county treasurer
29 (~~shall~~) must prepare (~~therefrom~~) an assessment book (~~in which~~
30 ~~shall be~~). The assessment book must contain a written (~~the~~)
31 description of the land as it appears in the assessment roll, the name
32 of the owner or owners where known, and if assessed to the unknown
33 owners, then the word "unknown", and the total assessment levied
34 against each tract of land. Proper space (~~shall~~) must be left in
35 (~~said~~) the assessment book for the entry (~~therein~~) of all
36 subsequent proceedings relating to the payment and collection of
37 (~~said~~) the assessments.

1 **Sec. 501.** 2006 c 300 s 12 (uncodified) is amended to read as
2 follows:

3 (1)(a) (~~This act and~~) Chapter 149, Laws of 2003; section 7,
4 chapter 300, Laws of 2006; and sections 104, 110, 117, 123, 125, 129,
5 131, 149, and 317, chapter ..., Laws of 2009 (sections 104, 110, 117,
6 123, 125, 129, 131, 149, and 317 of this act) are contingent upon the
7 siting and commercial operation of a significant semiconductor
8 microchip fabrication facility in the state of Washington.

9 (b) For the purposes of this section:

10 (i) "Commercial operation" means the same as "commencement of
11 commercial production" as used in RCW 82.08.965.

12 (ii) "Semiconductor microchip fabrication" means "manufacturing
13 semiconductor microchips" as defined in RCW 82.04.426.

14 (iii) "Significant" means the combined investment of new buildings
15 and new machinery and equipment in the buildings, at the commencement
16 of commercial production, will be at least one billion dollars.

17 (2) This act takes effect the first day of the month in which a
18 contract for the construction of a significant semiconductor
19 fabrication facility is signed, as determined by the director of the
20 department of revenue.

21 (3)(a) The department of revenue (~~shall~~) must provide notice of
22 the effective date of (~~this act~~) chapter 149, Laws of 2003 to
23 affected taxpayers, the legislature, and others as deemed appropriate
24 by the department.

25 (b) If, after making a determination that a contract has been
26 signed and this act is effective, the department discovers that
27 commencement of commercial production did not take place within three
28 years of the date the contract was signed, the department (~~shall~~)
29 must make a determination that this act is no longer effective, and all
30 taxes that would have been otherwise due (~~shall be~~) are deemed
31 deferred taxes and are immediately assessed and payable from any person
32 reporting tax under RCW 82.04.240(2) or claiming an exemption or credit
33 under section 2 or 5 through 10 (~~of this act~~), chapter 149, Laws of
34 2003. The department is not authorized to make a second determination
35 regarding the effective date of (~~this act~~) chapter 149, laws of 2003.

36 NEW SECTION. **Sec. 502.** If any provision of this act or its

1 application to any person or circumstance is held invalid, the
2 remainder of the act or the application of the provision to other
3 persons or circumstances is not affected.

4 NEW SECTION. **Sec. 503.** Those provisions of sections 101 through
5 103, 105 through 109, 111 through 116, 118 through 122, 124, 126
6 through 128, 130, 132 through 148, and 150 through 152 of this act that
7 relate to annual surveys and annual reports apply beginning with annual
8 surveys and annual reports due in 2010 and thereafter.

9 NEW SECTION. **Sec. 504.** Section 106 of this act expires July 1,
10 2011.

11 NEW SECTION. **Sec. 505.** Sections 204(3) (a)(i) and (r) and 211 of
12 this act apply to return or tax information in respect to the tax
13 imposed under chapter 83.100 RCW in the possession of the department of
14 revenue on or after the effective date of this section.

15 NEW SECTION. **Sec. 506.** Sections 314 and 315 of this act apply
16 both retroactively and prospectively to estates of decedents dying on
17 or after May 17, 2005.

18 NEW SECTION. **Sec. 507.** Section 406 of this act applies both
19 prospectively and retroactively beginning with taxes levied for
20 collection in 2002 and thereafter.

21 NEW SECTION. **Sec. 508.** 2009 c . . . s 501 (section 501 of this
22 act), 2006 c 300 s 12, and 2003 c 149 s 12 (uncodified) are codified as
23 a section within chapter 82.32 RCW.

24 NEW SECTION. **Sec. 509.** Part headings used in this act are not any
25 part of the law.

--- END ---