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**HOUSE BILL 2186**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Representatives Lytton, Jinkins, and Macri

AN ACT Relating to investing in Washington families by improving the fairness of the state's excise tax system by narrowing or eliminating tax preferences, imposing a business and occupation tax surcharge while eliminating tax liability for small businesses, enacting an excise tax on capital gains, modifying the real estate excise tax, making administrative changes, and implementing marketplace fairness in Washington; amending RCW 82.32.045, 82.08.0293, 82.12.0293, 82.12.0263, 82.04.290, 82.08.0273, 82.45.060, 82.45.010, 82.45.080, 18.27.110, 18.27.200, 82.08.050, 82.12.040, 82.32.145, 82.32.060, 82.04.293, 82.04.440, 82.04.44525, and 82.04.4463; reenacting and amending RCW 82.04.280 and 82.32.790; adding new sections to chapter 82.04 RCW; adding new sections to chapter 82.32 RCW; adding new sections to chapter 82.08 RCW; adding new sections to chapter 82.12 RCW; adding a new section to chapter 43.135 RCW; adding a new section to chapter 39.42 RCW; adding new chapters to Title 82 RCW; creating new sections; repealing RCW 82.04.4451 and 82.04.272; repealing 2010 c 106 s 206, 2009 c 461 s 3, 2006 c 300 s 7, and 2003 c 149 s 4; prescribing penalties; providing effective dates; providing an expiration date; and declaring an emergency.

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

NEW SECTION. **Sec.**  FINDINGS AND INTENT. (1) The legislature finds that Washington is a great place to live, work, and raise a family. The legislature further finds that our tax system is the most upside down and regressive in the nation, allowing those who earn the most to pay the least in taxes. The legislature finds that as a percentage of personal income middle class families pay two to four times in taxes compared to top earners. Moreover, low-income Washingtonians pay seven times more in taxes than our wealthiest residents.

(2) Further, the legislature recognizes that as a result of the state's regressive tax structure, Washington's small businesses are overburdened. Despite low profit margins, the legislature finds that small businesses are taxed at the same rate as our high profit corporations, without benefiting from the special tax preferences that many of our large corporations enjoy.

(3) The legislature finds that this imbalance is not only detrimental for these taxpayers, but that the consequences are damaging for our state budget. The legislature further finds that as a result of this imbalance, the state is losing the ability to fully fund our collective responsibilities, including K-12 education, higher education, economic development, affordable housing, health care, and veteran services. The legislature finds that a healthy and prosperous state requires that these foundational programs be appropriately funded.

(4) The legislature does not believe in becoming a high tax state; however, it finds that building a tax system that works for everyone is imperative. The legislature finds that a tax system that strengthens the middle-class economy, helps families and low-income residents, reduces the tax burden on small businesses, and asks the wealthiest among us and those benefiting from record Wall Street profits to contribute their fair share is essential to help all Washingtonians have the freedom to grow and thrive.

**Part I**

**Capital Gains Tax**

NEW SECTION. **Sec.**  The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Accessory dwelling unit" means a separate habitable living area that is subordinate to the principal single-family dwelling unit, which is either internal to, attached to, or located on the same property tax parcel as, the principal single-family dwelling unit.

(2) "Adjusted capital gain" means federal net long-term capital gain:

(a) Plus any loss from a sale or exchange that is exempt from the tax imposed in this chapter, to the extent such loss was included in calculating federal net long-term capital gain; and

(b) Less any gain from a sale or exchange that is exempt from the tax imposed in this chapter, to the extent such gain was included in calculating federal net long-term capital gain.

(3) "Capital asset" has the same meaning as provided by Title 26 U.S.C. Sec. 1221 of the internal revenue code and also includes any other property if the sale or exchange of the property results in a gain that is treated as a long-term capital gain under Title 26 U.S.C. Sec. 1231 or any other provision of the internal revenue code.

(4) "Federal net long-term capital gain" means the net long-term capital gain reportable for federal income tax purposes.

(5) "Individual" means a natural person.

(6) "Internal revenue code" means the United States internal revenue code of 1986, as amended, as of the effective date of this section, or such subsequent date as the department may provide by rule consistent with the purpose of this chapter.

(7) "Long-term capital asset" means a capital asset that is held for more than one year.

(8)(a) "Resident" means an individual:

(i) Who is domiciled in this state during the taxable year, unless the individual (A) maintained no permanent place of abode in this state during the entire taxable year, (B) maintained a permanent place of abode outside of this state during the entire taxable year, and (C) spent in the aggregate not more than thirty days of the taxable year in this state; or

(ii) Who is not domiciled in this state during the taxable year but maintained a place of abode and was physically present in this state for more than one hundred eighty-three days during the taxable year.

(b) For purposes of this subsection, "day" includes any portion of a day, except that a continuous period of twenty-four hours or less may not constitute more than one day.

(c) An individual who is a resident under (a) of this subsection is a resident for that portion of a taxable year in which the individual was domiciled in this state or maintained a place of abode in this state.

(9) "Taxable year" means the taxpayer's taxable year as determined under the internal revenue code.

(10) "Taxpayer" means an individual subject to tax under this chapter.

(11) "Washington capital gains" means an individual's adjusted capital gains allocated to this state as provided in section 106 of this act, less:

(a) Twenty-five thousand dollars; or

(b) Fifty thousand dollars for individuals filing joint returns under this chapter.

NEW SECTION. **Sec.**  (1) Beginning January 1, 2018, a tax is imposed on all individuals for the privilege of selling or exchanging long-term capital assets, or receiving Washington capital gains. The tax equals seven percent multiplied by the individual's Washington capital gains.

(2) If an individual's Washington capital gains are less than zero for a taxable year, no tax is due under this section. No such losses may be carried back or carried forward to another taxable year.

(3)(a) The tax imposed in this section applies to (i) the sale or exchange of long-term capital assets owned by the taxpayer, whether the taxpayer was the legal or a beneficial owner of such assets at the time of the sale or exchange, or (ii) Washington capital gains otherwise realized by the taxpayer.

(b) For purposes of this chapter, an individual is a beneficial owner of long-term capital assets held by an entity that is a pass-through or disregarded entity for federal tax purposes, such as a partnership, limited liability company, S-corporation, or trust, to the extent of the individual's ownership interest in the entity as reported for federal income tax purposes.

NEW SECTION. **Sec.**  This chapter does not apply to the sale or exchange of:

(1) Any residential dwelling, which means property consisting solely of a single-family residence, a residential condominium unit, a residential cooperative unit, or a floating home as defined in RCW 82.45.032, including any accessory dwelling unit;

(2) Assets held under a retirement savings account under Title 26 U.S.C. Sec. 401(k) of the internal revenue code, a tax-sheltered annuity or a custodial account described in Title 26 U.S.C. Sec. 403(b) of the internal revenue code, a deferred compensation plan under Title 26 U.S.C. Sec. 457(b) of the internal revenue code, an individual retirement account or an individual retirement annuity described in Title 26 U.S.C. Sec. 408 of the internal revenue code, a Roth individual retirement account described in Title 26 U.S.C. Sec. 408A of the internal revenue code, an employee defined contribution program, an employee defined benefit plan, or a similar retirement savings vehicle;

(3) Assets pursuant to or under imminent threat of condemnation proceedings by the United States, the state or any of its political subdivisions, or a municipal corporation;

(4) Cattle, horses, or breeding livestock held for more than twelve months if for the taxable year of the sale or exchange, more than fifty percent of the taxpayer's gross income for the taxable year, including from the sale or exchange of capital assets, is from farming or ranching;

(5) Agricultural or timberland by an individual who has regular, continuous, and substantial involvement in the operation of the agricultural or timberland that meets the criteria for material participation in an activity under Title 26 U.S.C. Sec. 469(h) of the internal revenue code for the ten years prior to the date of the sale or exchange of the agricultural land;

(6) Property used in a trade or business if the property qualifies for an income tax deduction under Title 26 U.S.C. Sec. 167 or 179 of the internal revenue code; and

(7) Timber, or the receipt of Washington capital gains as dividends and distributions from real estate investment trusts derived from gains from the sale or exchange of timber. "Timber" means forest trees, standing or down, on privately or publicly owned land, and includes Christmas trees and short-rotation hardwoods. The sale or exchange of timber includes the cutting or disposal of timber qualifying for capital gains treatment under Title 26 U.S.C. Sec. 631(a) or (b) of the internal revenue code.

NEW SECTION. **Sec.**  The tax imposed under this chapter is in addition to any other taxes imposed by the state or any of its political subdivisions, or a municipal corporation, with respect to the same sale or exchange, including the taxes imposed in or under the authority of chapter 82.04, 82.08, 82.12, 82.14, 82.45, or 82.46 RCW.

NEW SECTION. **Sec.**  In computing tax, there may be deducted from the measure of tax amounts that the state is prohibited from taxing under the Constitution of this state or the Constitution or laws of the United States.

NEW SECTION. **Sec.**  (1) For purposes of the tax imposed under this chapter, adjusted capital gains are allocated as follows:

(a) Adjusted capital gains from the sale or exchange of real property are allocated to this state if the real property is located in this state or a majority of the fair market value of the real property is located in this state.

(b) Adjusted capital gains from the sale or exchange of tangible personal property are allocated to this state if the property was located in this state at the time of the sale or exchange. Adjusted capital gains from the sale or exchange of tangible personal property are also allocated to this state even though the property was not located in this state at the time of the sale or exchange if:

(i) The property was located in the state at any time during the taxable year in which the sale or exchange occurred or the immediately preceding taxable year;

(ii) The taxpayer was a resident at the time the sale or exchange occurred; and

(iii) The taxpayer is not subject to the payment of an income or excise tax legally imposed on the adjusted capital gain by another taxing jurisdiction.

(c) Adjusted capital gains derived from intangible personal property are allocated to this state if the taxpayer was domiciled in this state at the time the sale or exchange occurred.

(2)(a) A credit is allowed against the tax imposed in section 102 of this act equal to the amount of any legally imposed income or excise tax paid by the taxpayer to another taxing jurisdiction on capital gains derived from capital assets within the other taxing jurisdiction to the extent such capital gains are included in the taxpayer's Washington capital gains. The amount of credit under this subsection may not exceed the total amount of tax due under this chapter, and there is no carryback or carryforward of any unused credits.

(b) As used in this section, "taxing jurisdiction" means a state of the United States other than the state of Washington, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any foreign country or political subdivision of a foreign country.

NEW SECTION. **Sec.**  (1) Except as otherwise provided in this section or RCW 82.32.080, taxpayers owing tax under this chapter must file, on forms prescribed by the department, a return with the department on or before the date the taxpayer's federal income tax return for the taxable year is required to be filed.

(2) In addition to the Washington return required to be filed under subsection (1) of this section, taxpayers owing tax under this chapter must file with the department on or before the date the federal return is required to be filed a copy of the federal income tax return along with all schedules and supporting documentation.

(3) Each taxpayer required to file a return under this section must, without assessment, notice, or demand, pay any tax due thereon to the department on or before the date fixed for the filing of the return, regardless of any filing extension. If any tax due under this chapter is not paid by the due date, interest and penalties as provided in chapter 82.32 RCW apply to the deficiency.

(4) The department may by rule require that certain individuals and other persons file, at times and on forms prescribed by the department, informational returns for any period.

(5) If a taxpayer has obtained an extension of time for filing the federal income tax return for the taxable year, the taxpayer is entitled to the same extension of time for filing the return required under this section if the taxpayer provides the department, before the due date provided in subsection (1) of this section, the extension confirmation number or other evidence satisfactory to the department confirming the federal extension. An extension under this subsection for the filing of a return under this chapter is not an extension of time to pay the tax due under this chapter.

(6)(a) If any return due under subsection (1) of this section, along with a copy of the federal income tax return, is not filed with the department by the due date or any extension granted by the department, the department must assess a penalty in the amount of five percent of the tax due for the taxable year covered by the return for each month or portion of a month that the return remains unfiled. The total penalty assessed under this subsection may not exceed twenty-five percent of the tax due for the taxable year covered by the delinquent return. The penalty under this subsection is in addition to any penalties assessed for the late payment of any tax due on the return.

(b) The department must waive or cancel the penalty imposed under this subsection if:

(i) The department is persuaded that the taxpayer's failure to file the return by the due date was due to circumstances beyond the taxpayer's control; or

(ii) The taxpayer has not been delinquent in filing any return due under this section during the preceding five calendar years.

NEW SECTION. **Sec.**  (1) If the federal income tax liabilities of both spouses are determined on a joint federal return for the taxable year, they must file a joint return under this chapter.

(2) Except as otherwise provided in this subsection, if the federal income tax liability of either spouse is determined on a separate federal return for the taxable year, they must file separate returns under this chapter. State registered domestic partners may file a joint return under this chapter even if they filed separate federal returns for the taxable year.

(3) In any case in which a joint return is filed under this section, the liability of each spouse or state registered domestic partner is joint and several, unless:

(a) The spouse is relieved of liability for federal tax purposes as provided under Title 26 U.S.C. Sec. 6015 of the internal revenue code; or

(b) The department determines that the domestic partner qualifies for relief as provided by rule of the department. Such rule, to the extent possible without being inconsistent with this chapter, must follow Title 26 U.S.C. Sec. 6015.

NEW SECTION. **Sec.**  To the extent not inconsistent with the provisions of this chapter, the following statutes apply to the administration of taxes imposed under this chapter: RCW 82.32.050, 82.32.055, 82.32.060, 82.32.070, 82.32.080, 82.32.085, 82.32.090, 82.32.100, 82.32.105, 82.32.110, 82.32.117, 82.32.120, 82.32.130, 82.32.135, 82.32.150, 82.32.160, 82.32.170, 82.32.180, 82.32.190, 82.32.200, 82.32.210, 82.32.212, 82.32.220, 82.32.230, 82.32.235, 82.32.237, 82.32.240, 82.32.245, 82.32.265, 82.32.300, 82.32.310, 82.32.320, 82.32.330, 82.32.340, 82.32.350, 82.32.360, 82.32.410, 82.32.805, 82.32.808, and section 114 of this act.

NEW SECTION. **Sec.**  (1) Any taxpayer who knowingly attempts to evade payment of the tax imposed under this chapter is guilty of a class C felony as provided in chapter 9A.20 RCW.

(2) Any taxpayer who knowingly fails to pay tax, make returns, keep records, or supply information, as required under this title, is guilty of a gross misdemeanor as provided in chapter 9A.20 RCW.

NEW SECTION. **Sec.**  All revenue from taxes collected under this chapter, including penalties and interest on such taxes, must be deposited in the education legacy trust account created in RCW 83.100.230.

NEW SECTION. **Sec.**  Notwithstanding any common law rule of strict construction of statutes imposing taxes, this chapter, being necessary for the welfare of the state and its inhabitants, must be liberally construed in support of application of the tax.

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

A deduction is allowed against a person's gross income of the business to the extent necessary to avoid taxing the same amounts under this chapter and section 102 of this act.

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

(1) The department may enter into reciprocal tax collection agreements with the taxing officials of any other state imposing a specified tax. Agreements authorized under this section must require each state to offset delinquent specified taxes owed by a taxpayer to one party to the agreement, including any associated penalties, interest, or other additions, against refunds of overpaid specified taxes owed to the taxpayer by the other party to the agreement. Such agreements may also include provisions governing the sharing of information relevant to the administration of specified taxes. However, the department may not share return or tax information with other states except as allowed under RCW 82.32.330. Likewise, the department may not share federal tax information with other states without the express written consent of the internal revenue service.

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

(a) "Specified taxes" means generally applicable state and local sales tax and use taxes, broad-based state gross receipts taxes, state income taxes, and stand-alone state taxes on capital gains or interest and dividends. "Specified taxes" include, but are not limited to, the taxes imposed in or under the authority of chapters 82.04, 82.08, 82.12, 82.14, 82.16, and 82.--- RCW (the new chapter created in section 1101 of this act), and similar taxes imposed by another state. For purposes of this subsection (2)(a), "gross receipts tax," "income tax," "sales tax," and "use tax" have the same meanings as provided in RCW 82.56.010.

(b) "State" has the same meaning as provided in RCW 82.56.010.

**Part II**

**B&O Rate Change & Deduction**

NEW SECTION. **Sec.**  RCW 82.04.4451 (Credit against tax due—Maximum credit—Table) and 2010 1st sp.s. c 23 s 1102, 1997 c 238 s 2, & 1994 sp.s. c 2 s 1 are each repealed.

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

(1) In computing the tax imposed under this chapter, each year a person may deduct from the measure of tax an amount up to:

(a) Two hundred fifty thousand dollars if the person meets the eligibility requirements in subsection (6)(a)(i) of this section; or

(b) One hundred thousand dollars if the person meets the eligibility requirements in subsection (6)(a)(ii) of this section.

(2)(a) A person who is eligible to claim the deduction under this section and who is also entitled to claim a multiple activities tax credit under RCW 82.04.440 may, in lieu of claiming the deduction under this section, elect to claim the deduction in the form of credit as provided in this section. The credit for a calendar year is equal to the lesser of the tax otherwise due under this chapter for that calendar year or an amount determined by:

(i) For a person who is eligible for the deduction under subsection (1)(a) of this section, multiplying two hundred fifty thousand dollars by the highest tax rate applicable to any of the activities conducted by the taxpayer that qualify the taxpayer for a multiple activities tax credit under RCW 82.04.440; or

(ii) For a person who is eligible for the deduction under subsection (1)(b) of this section, multiplying one hundred thousand dollars by the highest tax rate applicable to any of the activities conducted by the taxpayer that qualify the taxpayer for a multiple activities tax credit under RCW 82.04.440.

(b) For purposes of this subsection (2), "tax rate" means the base tax rate applicable to a particular business activity, plus the rate of any additional tax imposed on that business activity under another provision of this chapter.

(c) An election under this subsection to claim the deduction in the form of a credit applies for a full calendar year.

(3) No tax under this chapter is due when, in the case of the deduction, the measure of tax for a reporting period is equal to or less than the available deduction, or in the case of the credit, the tax otherwise due for a reporting period is equal to or less than the available credit. Any unused portion of the deduction or credit under this section may be carried forward for tax reporting periods in the same calendar year but otherwise may not be carried forward or backward to tax reporting periods in other calendar years. For taxpayers who report taxes due under this chapter to the department more frequently than annually, the deduction and credit under this section must be used in a prior tax reporting period in the current calendar year before it may be carried forward and used in a subsequent tax reporting period in the current calendar year, unless the taxpayer had no tax liability under this chapter in any prior tax reporting period in the current calendar year. No refunds are allowed for the deduction and credit under this section.

(4) For taxpayers subject to taxes imposed under multiple provisions of this chapter, the deduction under this section must be applied to the measure of tax in order of the business activities taxed at the highest to lowest rates.

(5) The deduction and credit under this section are in addition to any other applicable deductions, exemptions, and credits allowed for the taxes due under this chapter. The deduction and credit in this section must be claimed, in the case of the deduction, after all other deductions are claimed, and in the case of the credit, after all other credits are claimed.

(6)(a)(i) A person is eligible for the deduction under subsection (1)(a) of this section or credit under subsection (2)(a)(i) of this section if the person's taxable amount was less than or equal to two hundred fifty thousand dollars for the calendar year immediately preceding the current calendar year.

(ii) A person is eligible for the deduction under subsection (1)(b) of this section or credit under subsection (2)(a)(ii) of this section if the person's taxable amount exceeded two hundred fifty thousand dollars, but was less than five hundred thousand dollars, for the calendar year immediately preceding the current calendar year.

(b) For purposes of this subsection, if a person is a successor to another person, the successor's taxable amount for the calendar year immediately preceding the successor's first full calendar year of engaging in business within this state, includes the predecessor's taxable amount for the calendar year immediately preceding the successor's first full calendar year of engaging in business within this state.

(c) For purposes of this subsection (6), the following definitions apply:

(i) "Successor" has the same meaning as in RCW 82.04.180(1).

(ii) "Taxable amount" means the taxable amount subject to the tax imposed in this chapter required to be reported on the person's excise tax returns, less any taxable amount for which a multiple activities tax credit is allowed under RCW 82.04.440.

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

(1) Beginning July 1, 2017, upon every person engaging within the state in selected business activities, an additional tax is imposed. The amount of the additional tax imposed on a person under this section is equal to the tax payable by the person under all other applicable provisions of this chapter on selected business activities, multiplied by twenty percent.

(2) The additional tax under this section is due in the form and manner determined by the department.

(3) For purposes of this section, "selected business activities" means business activities subject to tax under RCW 82.04.230; 82.04.240; 82.04.250 (1) or (2); 82.04.255; 82.04.257; 82.04.260 (3), (9), (10), or (13); 82.04.263; 82.04.270; 82.04.280; 82.04.285; 82.04.290(2), including the activities described in RCW 82.04.29001, 82.04.29005, 82.04.297, and 82.04.540; 82.04.2905; 82.04.2906; 82.04.2907; and 82.04.298; and beginning July 1, 2024, the activities taxed under RCW 82.04.260(14).

**Sec.**  RCW 82.32.045 and 2010 1st sp.s. c 23 s 1103 are each amended to read as follows:

(1) Except as otherwise provided in this chapter, payments of the taxes imposed under chapters 82.04, 82.08, 82.12, 82.14, and 82.16 RCW, along with reports and returns on forms prescribed by the department, are due monthly within twenty-five days after the end of the month in which the taxable activities occur.

(2) The department of revenue may relieve any taxpayer or class of taxpayers from the obligation of remitting monthly and may require the return to cover other longer reporting periods, but in no event may returns be filed for a period greater than one year. For these taxpayers, tax payments are due on or before the last day of the month next succeeding the end of the period covered by the return.

(3) The department of revenue may also require verified annual returns from any taxpayer, setting forth such additional information as it may deem necessary to correctly determine tax liability.

(4) Notwithstanding subsections (1) and (2) of this section, the department may relieve any person of the requirement to file returns and pay any taxes otherwise due under chapters 82.04 and 82.16 RCW if the following conditions are met:

(a) The person's value of products, gross proceeds of sales, or gross income of the business, from all business activities taxable under chapter 82.04 RCW, is less than((~~:~~

~~(i) Twenty-eight thousand dollars per year; or~~

~~(ii) Forty-six thousand six hundred sixty-seven dollars per year for persons generating at least fifty percent of their taxable amount from activities taxable under RCW 82.04.255, 82.04.290(2)(a), and 82.04.285~~)) one hundred fifty thousand dollars per year;

(b) The person's gross income of the business from all activities taxable under chapter 82.16 RCW is less than twenty-four thousand dollars per year; and

(c) The person is not required to collect or pay to the department of revenue any other tax or fee which the department is authorized to collect.

**Part III**

**Eliminating or Narrowing Tax Preferences**

**Subpart A**

**Eliminating the Sales and Use Tax Exemption for Bottled Water**

**Sec.**  RCW 82.08.0293 and 2014 c 140 s 22 are each amended to read as follows:

(1) The tax levied by RCW 82.08.020 does not apply to sales of food and food ingredients. "Food and food ingredients" means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food and food ingredients" does not include:

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

(b) "Tobacco," which means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco; and

(c) Marijuana, useable marijuana, or marijuana-infused products.

(2) The exemption of "food and food ingredients" provided for in subsection (1) of this section does not apply to prepared food, soft drinks, bottled water, or dietary supplements. ((~~For purposes of this subsection, the following definitions apply:~~)) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Bottled water" means water that is placed in a safety sealed container or package for human consumption. Bottled water is calorie free and does not contain sweeteners or other additives except that it may contain: (i) Antimicrobial agents; (ii) fluoride; (iii) carbonation; (iv) vitamins, minerals, and electrolytes; (v) oxygen; (vi) preservatives; and (vii) only those flavors, extracts, or essences derived from a spice or fruit. "Bottled water" includes water that is delivered to the buyer in a reusable container that is not sold with the water.

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

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

(A) A vitamin;

(B) A mineral;

(C) An herb or other botanical;

(D) An amino acid;

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

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

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

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

((~~(b)~~)) (c)(i) "Prepared food" means:

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

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

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

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

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

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

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

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

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

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

(3) Notwithstanding anything in this section to the contrary, the exemption of "food and food ingredients" provided in this section applies to food and food ingredients that are furnished, prepared, or served as meals:

(a) Under a state administered nutrition program for the aged as provided for in the older Americans act (P.L. 95-478 Title III) and RCW 74.38.040(6);

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

(c) That are provided to residents, sixty-two years of age or older, of a qualified low-income senior housing facility by the lessor or operator of the facility. The sale of a meal that is billed to both spouses of a marital community or both domestic partners of a domestic partnership meets the age requirement in this subsection (3)(c) if at least one of the spouses or domestic partners is at least sixty-two years of age. For purposes of this subsection, "qualified low-income senior housing facility" means a facility:

(i) That meets the definition of a qualified low-income housing project under 26 U.S.C. Sec. 42 of the federal internal revenue code, as existing on August 1, 2009;

(ii) That has been partially funded under 42 U.S.C. Sec. 1485; and

(iii) For which the lessor or operator has at any time been entitled to claim a federal income tax credit under 26 U.S.C. Sec. 42 of the federal internal revenue code.

(4)(a) Subsection (1) of this section notwithstanding, the retail sale of food and food ingredients is subject to sales tax under RCW 82.08.020 if the food and food ingredients are sold through a vending machine. Except as provided in (b) of this subsection, the selling price of food and food ingredients sold through a vending machine for purposes of RCW 82.08.020 is fifty-seven percent of the gross receipts.

(b) For soft drinks, bottled water, and hot prepared food and food ingredients, other than food and food ingredients which are heated after they have been dispensed from the vending machine, the selling price is the total gross receipts of such sales divided by the sum of one plus the sales tax rate expressed as a decimal.

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

**Sec.**  RCW 82.12.0293 and 2011 c 2 s 303 are each amended to read as follows:

(1) The provisions of this chapter do not apply in respect to the use of food and food ingredients for human consumption. "Food and food ingredients" has the same meaning as in RCW 82.08.0293.

(2) The exemption of "food and food ingredients" provided for in subsection (1) of this section does not apply to prepared food, soft drinks, bottled water, or dietary supplements. "Prepared food," "soft drinks," "bottled water," and "dietary supplements" have the same meanings as in RCW 82.08.0293.

(3) Notwithstanding anything in this section to the contrary, the exemption of "food and food ingredients" provided in this section applies to food and food ingredients which are furnished, prepared, or served as meals:

(a) Under a state administered nutrition program for the aged as provided for in the older Americans act (P.L. 95-478 Title III) and RCW 74.38.040(6);

(b) Which are provided to senior citizens, individuals with disabilities, or low-income persons by a not-for-profit organization organized under chapter 24.03 or 24.12 RCW; or

(c) That are provided to residents, sixty-two years of age or older, of a qualified low-income senior housing facility by the lessor or operator of the facility. The sale of a meal that is billed to both spouses of a marital community or both domestic partners of a domestic partnership meets the age requirement in this subsection (3)(c) if at least one of the spouses or domestic partners is at least sixty-two years of age. For purposes of this subsection, "qualified low-income senior housing facility" has the same meaning as in RCW 82.08.0293.

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

(1) Subject to the conditions in this section, the tax levied by RCW 82.08.020 does not apply to sales of bottled water dispensed or to be dispensed to patients pursuant to a prescription for use in the cure, mitigation, treatment, or prevention of disease or medical condition.

(2) For purposes of this section, "prescription" means an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed practitioner authorized by the laws of this state to prescribe.

(3) Except for sales of bottled water delivered to the buyer in a reusable container that is not sold with the water, sellers must collect tax on sales subject to this exemption. Any buyer that has paid at least twenty-five dollars in state and local sales taxes on purchases of bottled water subject to this exemption may apply for a refund of the taxes directly from the department in a form and manner prescribed by the department. The department must deny any refund application if the amount of the refund requested is less than twenty-five dollars. No refund may be made for taxes paid more than four years after the end of the calendar year in which the tax was paid to the seller.

(4) With respect to sales of bottled water delivered to the buyer in a reusable container that is not sold with the water, buyers claiming the exemption provided in this section must provide the seller with an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

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

(1) The provisions of this chapter do not apply in respect to the use of bottled water dispensed or to be dispensed to patients pursuant to a prescription for use in the cure, mitigation, treatment, or prevention of disease or medical condition.

(2) For the purposes of this section, "prescription" has the same meaning as provided in section 303 of this act.

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

(1)(a) Subject to the conditions in this section, the tax levied by RCW 82.08.020 does not apply to sales of bottled water to persons whose primary source of drinking water is unsafe.

(b) For purposes of this subsection and section 306 of this act, a person's primary source of drinking water is unsafe if:

(i) The public water system providing the drinking water has issued a public notification that the drinking water may pose a health risk, and the notification is still in effect on the date that the bottled water was purchased;

(ii) Test results on the person's drinking water, which are no more than twelve months old, from a laboratory certified to perform drinking water testing show that the person's drinking water does not meet safe drinking water standards applicable to public water systems; or

(iii) The person otherwise establishes, to the department's satisfaction, that the person's drinking water does not meet safe drinking water standards applicable to public water systems.

(2) Except for sales of bottled water delivered to the buyer in a reusable container that is not sold with the water, sellers must collect tax on sales subject to this exemption. Any buyer that has paid at least twenty-five dollars in state and local sales taxes on purchases of bottled water subject to this exemption may apply for a refund of the taxes directly from the department in a form and manner prescribed by the department. The department must deny any refund application if the amount of the refund requested is less than twenty-five dollars. No refund may be made for taxes paid more than four years after the end of the calendar year in which the tax was paid to the seller.

(3)(a) With respect to sales of bottled water delivered to the buyer in a reusable container that is not sold with the water, buyers claiming the exemption provided in this section must provide the seller with an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

(b) The department may waive the requirement for an exemption certificate in the event of disaster or similar circumstance.

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

The provisions of this chapter do not apply in respect to the use of bottled water by persons whose primary source of drinking water is unsafe as provided in section 305 of this act.

**Subpart B**

**Repealing the Preferential Business and Occupation Tax Rate for**

**Warehousing and Reselling Prescription Drugs**

NEW SECTION. **Sec.**  RCW 82.04.272 (Tax on warehousing and reselling prescription drugs) and 2013 c 19 s 127, 2003 c 168 s 401, & 1998 c 343 s 1 are each repealed.

NEW SECTION. **Sec.**  Section 307 of this act applies to taxes due for reporting periods beginning on or after the effective date of section 307 of this act.

**Subpart C**

**Narrowing a Use Tax Exemption for Self-Produced Fuel**

**Sec.**  RCW 82.12.0263 and 1980 c 37 s 62 are each amended to read as follows:

The provisions of this chapter ((~~shall~~)) do not apply in respect to the use of biomass fuel by the extractor or manufacturer thereof when used directly in the operation of the particular extractive operation or manufacturing plant which produced or manufactured the same. For purposes of this section, "biomass fuel" means wood waste and other wood residuals, including forest derived biomass, but does not include firewood or wood pellets. "Biomass fuel" also includes partially organic by-products of pulp, paper, and wood manufacturing processes.

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

(1) The value of the article used with respect to refinery fuel gas under this chapter is the most recent monthly United States natural gas wellhead price, as published by the federal energy information administration.

(2) In lieu of the use tax rate provided in RCW 82.12.020, refinery fuel gas is subject to a rate of 3.852 percent.

NEW SECTION. **Sec.**  Sections 309 and 310, chapter . . ., Laws of 2017 (sections 309 and 310 of this act) apply with respect to fuel, other than biomass fuel, consumed within this state on or after the effective date of sections 309 and 310, chapter . . ., Laws of 2017 (sections 309 and 310 of this act), regardless of whether such fuel was produced or manufactured before the effective date of sections 309 and 310, chapter . . ., Laws of 2017 (sections 309 and 310 of this act). For purposes of this section, "consumed" means the use of fuel resulting in the release of usable energy.

**Subpart D**

**Eliminating the Preferential Business and Occupation Tax Rate for**

**International Investment Management Services**

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

(1) ((~~Upon every person engaging within this state in the business of providing international investment management services, as to such persons, the amount of tax with respect to such business is equal to the gross income or gross proceeds of sales of the business multiplied by a rate of 0.275 percent.~~)) (a) Until July 1, 2040, upon every person engaging within this state in the business of performing aerospace product development for others, as to such persons, the amount of tax with respect to such business is equal to the gross income of the business multiplied by a rate of 0.9 percent.

(b) A person reporting under the tax rate provided in this subsection (1) must file a complete annual report with the department under RCW 82.32.534.

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

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

(b) This subsection (2) includes, among others, and without limiting the scope hereof (whether or not title to materials used in the performance of such business passes to another by accession, confusion or other than by outright sale), persons engaged in the business of rendering any type of service which does not constitute a "sale at retail" or a "sale at wholesale." The value of advertising, demonstration, and promotional supplies and materials furnished to an agent by his or her principal or supplier to be used for informational, educational, and promotional purposes is not considered a part of the agent's remuneration or commission and is not subject to taxation under this section.

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

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

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

NEW SECTION. **Sec.**  Section 312 of this act applies to taxes due for reporting periods beginning on or after the effective date of section 312 of this act.

**Subpart E**

**Nonresident Sales Tax Exemption Remittance**

**Sec.**  RCW 82.08.0273 and 2014 c 140 s 17 are each amended to read as follows:

(1) ((~~The tax levied by RCW 82.08.020 does not apply to~~)) Subject to the conditions and limitations in this section, an exemption from the tax levied by RCW 82.08.020 in the form of a remittance from the department is provided for sales to nonresidents of this state of tangible personal property, digital goods, and digital codes((~~, when~~)). The exemption only applies if:

(a) The property is for use outside this state;

(b) The purchaser is a bona fide resident of a province or territory of Canada or a state, territory, or possession of the United States, other than the state of Washington; and

(i) Such state, possession, territory, or province does not impose, or have imposed on its behalf, a generally applicable retail sales tax, use tax, value added tax, gross receipts tax on retailing activities, or similar generally applicable tax, of three percent or more; or

(ii) If imposing a tax described in (b)(i) of this subsection, provides an exemption for sales to Washington residents by reason of their residence; and

(c) The purchaser agrees, when requested, to grant the department of revenue access to such records and other forms of verification at ((~~his or her~~)) the purchaser's place of residence to assure that such purchases are not first used substantially in the state of Washington.

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

(3)(a) Any person claiming exemption from retail sales tax under the provisions of this section must ((~~display proof of his or her current nonresident status as provided in this section~~)) pay the state and local sales tax to the seller at the time of purchase and then request a remittance from the department in accordance with this subsection and subsection (4) of this section. A request for remittance must include proof of the person's status as a nonresident at the time of the purchase for which a remittance is requested. The request for a remittance must also include any additional information and documentation as required by the department, which may include a description of the item purchased for which a remittance is requested, the sales price of the item, the amount of sales tax paid on the item, the date of the purchase, the name of the seller and the physical address where the sale took place, and copies of sales receipts showing the qualified purchases.

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

((~~(c) In lieu of furnishing proof of a person's nonresident status under (b) of this subsection (3), a person claiming exemption from retail sales tax under the provisions of this section may provide the seller with an exemption certificate in compliance with subsection (4)(b) of this section.~~))

(4)(a) ((~~Nothing in this section requires the vendor to make tax exempt retail sales to nonresidents. A vendor may choose to make sales to nonresidents, collect the sales tax, and remit the amount of sales tax collected to the state as otherwise provided by law. If the vendor chooses to make a sale to a nonresident without collecting the sales tax, the vendor must examine the purchaser's proof of nonresidence, determine whether the proof is acceptable under subsection (3)(b) of this section, and maintain records for each nontaxable sale which must show the type of proof accepted, including any identification numbers where appropriate, and the expiration date, if any.~~

~~(b) In lieu of using the method provided in (a) of this subsection to document an exempt sale to a nonresident, a seller may accept from the purchaser a properly completed uniform exemption certificate approved by the streamlined sales and use tax agreement governing board or any other exemption certificate as may be authorized by the department and properly completed by the purchaser. A nonresident purchaser who uses an exemption certificate authorized in this subsection (4)(b) must include the purchaser's driver's license number or other state-issued identification number and the state of issuance.~~

~~(c) In lieu of using the methods provided in (a) and (b) of this subsection to document an exempt sale to a nonresident, a seller may capture the relevant data elements as allowed under the streamlined sales and use tax agreement.~~

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

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

~~(6)(a) Any vendor who makes sales without collecting the tax and who fails to maintain records of sales to nonresidents as provided in this section is personally liable for the amount of tax due.~~

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

~~(7)~~)) (i) Beginning January 1, 2018, through December 31, 2018, a person may request a remittance from the department for state sales taxes paid by the person on qualified retail purchases made in Washington between July 1, 2017, and December 31, 2017.

(ii) Beginning January 1, 2019, a person may request a remittance from the department during any calendar year for state sales taxes paid by the person on qualified retail purchases made in Washington during the immediately preceding calendar year only. No application may be made with respect to purchases made before the immediately preceding calendar year.

(b) The remittance request, including proof of nonresident status and any other documentation and information required by the department, must be provided in a form and manner as prescribed by the department. Only one remittance request may be made by a person per calendar year.

(c) The total amount of a remittance request must be at least twenty-five dollars. The department must deny any request for a remittance that is less than twenty-five dollars.

(d) The department will examine the applicant's proof of nonresident status and any other documentation and information as required in the application to determine whether the applicant is entitled to a remittance under this section.

(5)(a) Any person making fraudulent statements to the department, which includes the offer of fraudulent or fraudulently procured identification or fraudulent sales receipts, in order to receive a remittance of retail sales tax is guilty of perjury under chapter 9A.72 RCW and is ineligible to receive any further remittances from the department under this section.

(b) Any person obtaining a remittance of retail sales tax from the department by providing proof of identification or sales receipts not the person's own, or counterfeit identification or sales receipts is (i) liable for repayment of the remittance, including interest as provided in chapter 82.32 RCW from the date the remittance was transmitted to the person until repaid in full, (ii) liable for a civil penalty equal to the greater of one hundred dollars or the amount of the remittance obtained in violation of this subsection (5)(b), and (iii) ineligible to receive any further remittances from the department under this section.

(c) Any person assisting another person in obtaining a remittance of retail sales tax in violation of (b) of this subsection is jointly and severally liable for amounts due under (b) of this subsection and is also ineligible to receive any further remittances from the department under this section.

(6) A person who receives a refund of sales tax from the seller for any reason with respect to a purchase made in this state is not entitled to a remittance for the tax paid on the purchase. A person who receives both a remittance under this section and a refund of sales tax from the seller with respect to the same purchase must immediately repay the remittance to the department. Interest as provided in chapter 82.32 RCW applies to amounts due under this section from the date that the department made the remittance until the amount due under this subsection is paid to the department. A person who receives a remittance with respect to a purchase for which the person had, at the time the person submitted the application for a remittance, already received a refund of sales tax from the seller is also liable for a civil penalty equal to the greater of one hundred dollars or the amount of the remittance obtained in violation of this subsection and is ineligible to receive any further remittances from the department under this section.

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

(8) The exemption in this section does not apply to sales of marijuana, useable marijuana, or marijuana-infused products.

**Part IV**

**Real Estate Excise Taxes**

**Subpart A**

**Graduated Real Estate Excise Tax Rates**

**Sec.**  RCW 82.45.060 and 2013 2nd sp.s. c 9 s 6 are each amended to read as follows:

(1) There is imposed an excise tax upon each sale of real property at the ((~~rate of one and twenty-eight one-hundredths percent of the selling price.~~)) following rates multiplied by the selling price:

(a) Three-quarters percent if the selling price is less than two hundred fifty thousand dollars;

(b) One and twenty-eight one-hundredths percent if the selling price is equal to or greater than two hundred fifty thousand dollars but less than one million dollars;

(c) Two percent if the selling price is equal to or greater than one million dollars but less than five million dollars; or

(d) Two and one-half percent if the selling price is equal to or greater than five million dollars.

(2) Beginning July 1, 2013, and ending June 30, 2019, an amount equal to two percent of the proceeds of this tax revenue remaining after the calculations and deposits made pursuant to section 901(2) of this act must be deposited in the public works assistance account created in RCW 43.155.050, and an amount equal to four and one‑tenth percent of this tax revenue remaining after the calculations and deposits made pursuant to section 901(2) of this act must be deposited in the education legacy trust account created in RCW 83.100.230. Thereafter, an amount equal to six and one-tenth percent of the proceeds of this tax revenue remaining after the calculations and deposits made pursuant to section 901(2) of this act to the state treasurer must be deposited in the public works assistance account created in RCW 43.155.050. Except as otherwise provided in this section, an amount equal to one and six-tenths percent of the proceeds of this tax revenue remaining after the calculations and deposits made pursuant to section 901(2) of this act to the state treasurer must be deposited in the city-county assistance account created in RCW 43.08.290.

**Subpart B**

**Real Estate Excise Tax on Foreclosures**

**Sec.**  RCW 82.45.010 and 2014 c 58 s 24 are each amended to read as follows:

(1) As used in this chapter, the term "sale" has its ordinary meaning and includes any conveyance, grant, assignment, quitclaim, or transfer of the ownership of or title to real property, including standing timber, or any estate or interest therein for a valuable consideration, and any contract for such conveyance, grant, assignment, quitclaim, or transfer, and any lease with an option to purchase real property, including standing timber, or any estate or interest therein or other contract under which possession of the property is given to the purchaser, or any other person at the purchaser's direction, and title to the property is retained by the vendor as security for the payment of the purchase price. The term also includes the grant, assignment, quitclaim, sale, or transfer of improvements constructed upon leased land.

(2)(a) The term "sale" also includes the transfer or acquisition within any twelve-month period of a controlling interest in any entity with an interest in real property located in this state for a valuable consideration.

(b) For the sole purpose of determining whether, pursuant to the exercise of an option, a controlling interest was transferred or acquired within a twelve-month period, the date that the option agreement was executed is the date on which the transfer or acquisition of the controlling interest is deemed to occur. For all other purposes under this chapter, the date upon which the option is exercised is the date of the transfer or acquisition of the controlling interest.

(c) For purposes of this subsection, all acquisitions of persons acting in concert must be aggregated for purposes of determining whether a transfer or acquisition of a controlling interest has taken place. The department must adopt standards by rule to determine when persons are acting in concert. In adopting a rule for this purpose, the department must consider the following:

(i) Persons must be treated as acting in concert when they have a relationship with each other such that one person influences or controls the actions of another through common ownership; and

(ii) When persons are not commonly owned or controlled, they must be treated as acting in concert only when the unity with which the purchasers have negotiated and will consummate the transfer of ownership interests supports a finding that they are acting as a single entity. If the acquisitions are completely independent, with each purchaser buying without regard to the identity of the other purchasers, then the acquisitions are considered separate acquisitions.

(3) The term "sale" does not include:

(a) A transfer by gift, devise, or inheritance.

(b) A transfer by transfer on death deed, to the extent that it is not in satisfaction of a contractual obligation of the decedent owed to the recipient of the property.

(c) A transfer of any leasehold interest other than of the type mentioned above.

(d) A cancellation or forfeiture of a vendee's interest in a contract for the sale of real property, whether or not such contract contains a forfeiture clause, or deed in lieu of foreclosure of ((~~a mortgage~~)) either a mortgage or deed of trust, except to the extent of any additional consideration provided to the grantor.

(e) The partition of property by tenants in common by agreement or as the result of a court decree.

(f) The assignment of property or interest in property from one spouse or one domestic partner to the other spouse or other domestic partner in accordance with the terms of a decree of dissolution of marriage or state registered domestic partnership or in fulfillment of a property settlement agreement.

(g) The assignment or other transfer of a vendor's interest in a contract for the sale of real property, even though accompanied by a conveyance of the vendor's interest in the real property involved.

(h) Transfers by appropriation or decree in condemnation proceedings brought by the United States, the state or any political subdivision thereof, or a municipal corporation.

(i) A mortgage, deed of trust, or other transfer of an interest in real property merely to secure a debt, or the assignment, reconveyance, or release thereof.

(j) Any transfer or conveyance made pursuant to a foreclosure of a mortgage or deed of trust or an order of sale by the court in any mortgage, deed of trust, or lien foreclosure proceeding or upon execution of a judgment((~~, or deed in lieu of foreclosure to satisfy a mortgage or deed of trust~~)) pursuant to chapter 6.17 RCW, but only when:

(i) The transfer or conveyance is to other than the mortgagee, beneficiary of the deed of trust, lienholder, or judgment creditor, and the selling price exceeds the amount of the lien, security interest, or judgment that is the subject of the foreclosure or execution; or

(ii) The transfer or conveyance is to the United States, this state, or any political subdivision thereof, or a municipal corporation of this state.

(k) A conveyance to the federal housing administration or veterans administration by an authorized mortgagee made pursuant to a contract of insurance or guaranty with the federal housing administration or veterans administration.

(l) A transfer in compliance with the terms of any lease or contract upon which the tax as imposed by this chapter has been paid or where the lease or contract was entered into prior to the date this tax was first imposed.

(m) The sale of any grave or lot in an established cemetery.

(n) A sale by the United States, this state or any political subdivision thereof, or a municipal corporation of this state.

(o) A sale to a regional transit authority or public corporation under RCW 81.112.320 under a sale/leaseback agreement under RCW 81.112.300.

(p) A transfer of real property, however effected, if it consists of a mere change in identity or form of ownership of an entity where there is no change in the beneficial ownership. These include transfers to a corporation or partnership which is wholly owned by the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner. However, if thereafter such transferee corporation or partnership voluntarily transfers such real property, or such transferor, spouse or domestic partner, or children of the transferor or the transferor's spouse or domestic partner voluntarily transfer stock in the transferee corporation or interest in the transferee partnership capital, as the case may be, to other than (i) the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner, (ii) a trust having the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner as the only beneficiaries at the time of the transfer to the trust, or (iii) a corporation or partnership wholly owned by the original transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner, within three years of the original transfer to which this exemption applies, and the tax on the subsequent transfer has not been paid within sixty days of becoming due, excise taxes become due and payable on the original transfer as otherwise provided by law.

(q)(i) A transfer that for federal income tax purposes does not involve the recognition of gain or loss for entity formation, liquidation or dissolution, and reorganization, including but not limited to nonrecognition of gain or loss because of application of 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731 of the internal revenue code of 1986, as amended.

(ii) However, the transfer described in (q)(i) of this subsection cannot be preceded or followed within a twelve-month period by another transfer or series of transfers, that, when combined with the otherwise exempt transfer or transfers described in (q)(i) of this subsection, results in the transfer of a controlling interest in the entity for valuable consideration, and in which one or more persons previously holding a controlling interest in the entity receive cash or property in exchange for any interest the person or persons acting in concert hold in the entity. This subsection (3) (q)(ii) does not apply to that part of the transfer involving property received that is the real property interest that the person or persons originally contributed to the entity or when one or more persons who did not contribute real property or belong to the entity at a time when real property was purchased receive cash or personal property in exchange for that person or persons' interest in the entity. The real estate excise tax under this subsection (3)(q)(ii) is imposed upon the person or persons who previously held a controlling interest in the entity.

(r) A qualified sale of a manufactured/mobile home community, as defined in RCW 59.20.030, that takes place on or after June 12, 2008, but before December 31, 2018.

**Sec.**  RCW 82.45.080 and 2010 1st sp.s. c 23 s 210 are each amended to read as follows:

(1) Except as otherwise provided in this chapter, the tax levied under this chapter is the obligation of the seller and the department may, at the department's option, enforce the obligation through an action of debt against the seller or the department may proceed in the manner prescribed for the foreclosure of mortgages. The department's use of one course of enforcement is not an election not to pursue the other.

(2) When a transfer or conveyance made pursuant to a judicial or nonjudicial foreclosure of a mortgage, deed of trust, lien, or enforcement of a judgment is subject to tax under this chapter, and notwithstanding any other provisions of law, the tax levied under this chapter is the obligation of the transferee or grantee, and provisions of this chapter applicable to the seller apply to the transferee or grantee. The department may enforce the obligation against the transferee or grantee as provided in subsection (1) of this section.

(3) For purposes of this section and notwithstanding any other provisions of law, the seller is the parent corporation of a wholly owned subsidiary, when such subsidiary is the transferor to a third-party transferee and the subsidiary is dissolved before paying the tax imposed under this chapter.

**Part V**

**Requiring Local Governments that Issue Building Permits to Supply**

**Subcontractor Information to the Department of Revenue**

**Sec.**  RCW 18.27.110 and 1997 c 314 s 11 are each amended to read as follows:

(1)(a) No city, town or county ((~~shall~~)) may issue a construction building permit for work which is to be done by any contractor required to be registered under this chapter without verification ((~~that such contractor is currently registered as required by law. When such verification is made, nothing contained in this section is intended to be, nor shall be construed to create, or form the basis for any liability under this chapter on the part of any city, town or county, or its officers, employees or agents. However, failure to verify the contractor registration number results in liability to the city, town, or county to a penalty to be imposed according to RCW 18.27.100(7)(a)~~)) of the contractor's unified business identifier number and that such contractor is currently registered as required by law. Information regarding the contractor must be obtained at the time the building permit is applied for. The requirement in this subsection (1)(a) to verify a contractor's registration and unified business identifier number does not apply with respect to subcontractors.

(b)(i) When a general contractor, including a property owner acting as a general contractor, requests a final inspection, the city, town, or county that issued the building permit must request from the general contractor the name, unified business identifier number, and contractor registration number of any subcontractors that performed any portion of the work under the building permit. The department of revenue must develop a form for this purpose and make it available, at no cost, to the cities, towns, and counties.

(ii) Cities, towns, and counties may charge general contractors and property owners acting as a general contractor a fee to defray the cost of collecting the information required in this subsection (1)(b) and providing the information to the department of revenue as required in (f) of this subsection (1).

(iii) This subsection (1)(b) only applies with respect to construction on single-family dwellings and multifamily residential buildings as defined in RCW 19.27.015.

(c) A general contractor or building permit applicant must provide a city, town, or county with complete and accurate information about the contractor and any subcontractors as requested by the city, town, or county pursuant to (a) and (b) of this subsection (1).

(d) When the verification is made and the information requested, as required in (a) and (b) of this subsection (1), nothing contained in this section is intended to be, nor may be construed to create, or form the basis for any liability under this chapter on the part of any city, town, or county, or its officers, employees, or agents.

(e) However, failure to comply with the provisions of (a) of this subsection (1) results in liability to the city, town, or county to a penalty to be imposed according to RCW 18.27.100(8)(a). The state auditor must monitor compliance with the provisions of (b) of this subsection (1).

(f) Cities, towns, and counties must furnish the information collected pursuant to (a) and (b) of this subsection (1) to the department of revenue monthly at no charge to the department. The information must be provided in a format requested by the department. The department of revenue must, upon request, share such information with the department of labor and industries and the employment security department.

(2) At the time of issuing the building permit, all cities, towns, or counties are responsible for:

(a) Printing the contractor registration number on the building permit; and

(b) Providing a written notice to the building permit applicant informing them of contractor registration laws and the potential risk and monetary liability to the homeowner for using an unregistered contractor.

(3) If a building permit is obtained by an applicant or contractor who falsifies information to obtain an exemption provided under RCW 18.27.090 or who violates subsection (1)(c) of this section by providing materially incomplete or inaccurate information to a city, town, or county, the building permit ((~~shall~~)) must be forfeited.

**Sec.**  RCW 18.27.200 and 2007 c 436 s 9 are each amended to read as follows:

(1) It is a violation of this chapter and an infraction for any contractor to:

(a) Advertise, offer to do work, submit a bid, or perform any work as a contractor without being registered as required by this chapter;

(b) Advertise, offer to do work, submit a bid, or perform any work as a contractor when the contractor's registration is suspended or revoked;

(c) Transfer a valid registration to an unregistered contractor or allow an unregistered contractor to work under a registration issued to another contractor;

(d) If the contractor is a contractor as defined in RCW 18.106.010, violate RCW 18.106.320; ((~~or~~))

(e) Subcontract to, or use, an unregistered contractor; or

(f) Provide materially incomplete or inaccurate information to a city, town, or county pursuant to a request for information as required by RCW 18.27.110.

(2) Each day that a contractor works without being registered as required by this chapter, works while the contractor's registration is suspended or revoked, or works under a registration issued to another contractor is a separate infraction. Each worksite at which a contractor works without being registered as required by this chapter, works while the contractor's registration is suspended or revoked, or works under a registration issued to another contractor is a separate infraction.

**Part VI**

**Remote Sellers, Referrers, and Marketplace Facilitators**

**Subpart A**

**Findings and Intent**

NEW SECTION. **Sec.**  (1) The legislature finds that states fail to collect more than twenty-three billion dollars annually in sales taxes from remote sales over the internet and through catalogs. The legislature further finds that Washington and its local governments will lose out on an estimated three hundred fifty-three million dollars in sales and use taxes in fiscal year 2018 from remote sales, reducing funds that would otherwise be available for the public education system, health care services, infrastructure, and other vital public services.

(2) The legislature finds that Colorado adopted a law requiring out-of-state retailers that do not collect Colorado's sales tax to report tax-related information to their Colorado customers and the Colorado department of revenue. The legislature further finds that in 2016 the United States court of appeals for the tenth circuit upheld that law.

(3) The legislature intends by this act to address the significant harm and unfairness brought about by the physical presence nexus rule. To achieve this objective, this act adopts a new program. Under the new program, remote sellers meeting a specified threshold of gross receipts from retail sales into this state would have the option to either collect retail sales or use tax on taxable retail sales into this state or comply with certain sales and use tax notice and reporting provisions. This option is also available to other persons such as marketplace facilitators for facilitated sales on behalf of third-party remote sellers. The sales and use tax notice and reporting provisions in this act are similar to the multistate tax commission's draft model sales and use tax notice and reporting statute and Colorado's sales and use tax notice and reporting law.

**Subpart B**

**Sales and Use Tax Collection**

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to be codified between RCW 82.08.052 and 82.08.054 to read as follows:

(1)(a) Beginning January 1, 2018, and for any calendar year thereafter, remote sellers, referrers, and marketplace facilitators meeting the criteria in subsection (2) of this section or that have a physical presence in this state, must elect to either collect and remit retail sales or use tax on all taxable retail sales into this state pursuant to this chapter and chapters 82.12 and 82.32 RCW or comply with section 605 of this act.

(b) For marketplace facilitators, the election provided in (a) of this subsection (1) applies only with respect to:

(i) Retail sales through the marketplace facilitator's marketplace by or on behalf of marketplace sellers who do not have a physical presence in this state; and

(ii) A marketplace facilitator's own retail sales, if the marketplace facilitator does not have a physical presence in this state.

(c) For referrers, the election provided in (a) of this subsection (1) applies only with respect to:

(i) Retail sales directly resulting from a referral of the purchaser to a marketplace seller who does not have a physical presence in this state; and

(ii) A referrer's own retail sales, if the referrer does not have a physical presence in this state.

(d) An election under (a) of this subsection (1) to collect retail sales or use tax is binding on the remote seller, referrer, or marketplace facilitator until January 1st of the calendar year that is at least twelve consecutive months after the remote seller, referrer, or marketplace facilitator began collecting retail sales or use tax under such election. A remote seller, referrer, or marketplace facilitator who has made an election under this subsection to collect retail sales or use tax may change its election and comply with section 605 of this act by providing written notice to the department in a form and manner required by the department. Such an election change may take effect only on the first day of the calendar year that is at least thirty days following the date that the department received written notice from the remote seller, referrer, or marketplace facilitator of its change in election.

(e)(i) Remote sellers, referrers, and marketplace facilitators complying with section 605 of this act may change their election under this subsection (1) at any time by collecting and remitting retail sales or use taxes under this chapter or chapter 82.12 RCW on taxable retail sales sourced to this state. Such an election is binding as provided in (d) of this subsection (1).

(ii) Remote sellers, referrers, and marketplace facilitators electing for the first time to collect retail sales or use tax must begin collecting state and local retail sales or use taxes on taxable retail sales sourced to this state beginning on the first day of the calendar month that is at least thirty days from the date that the remote seller, referrer, or marketplace facilitator met either threshold described in subsection (2) of this section.

(f) If the department discovers that any remote seller, referrer, or marketplace facilitator required to make an election under this subsection (1) is not registered with the department and collecting retail sales or use tax, the remote seller, referrer, or marketplace facilitator is conclusively presumed to have elected to comply with the notice and reporting requirements of section 605 of this act.

(2)(a) A remote seller or marketplace facilitator is subject to subsection (1) of this section if, during the current or immediately preceding calendar year, the gross receipts of the remote seller or marketplace facilitator from retail sales sourced to this state under RCW 82.32.730 are at least ten thousand dollars.

(b) A referrer is subject to subsection (1) of this section if, during the current or immediately preceding calendar year, the gross income of the business received from the referrer's referral services apportioned to Washington under RCW 82.04.462, whether or not subject to tax under chapter 82.04 RCW, and from retail sales sourced to this state under RCW 82.32.730, if any, is at least ten thousand dollars.

(3) This section is subject to the provisions of section 613 of this act.

(4) For the purposes of this section, "marketplace facilitator," "referrer," and "remote seller" have the same meaning as provided in section 604 of this act.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to be codified between section 602 of this act and RCW 82.08.054 to read as follows:

(1) For purposes of this chapter and chapter 82.12 RCW, a marketplace facilitator or referrer is deemed to be an agent of any marketplace seller making retail sales through the marketplace facilitator's physical or electronic marketplace or directly resulting from a referral of the purchaser by the referrer.

(2) A marketplace facilitator or referrer is relieved of liability under this chapter and chapter 82.12 RCW for failure to collect the correct amount of tax to the extent that the marketplace facilitator or referrer can show to the department's satisfaction that the error was due to incorrect information given to the marketplace facilitator or referrer by the marketplace seller, unless the marketplace facilitator, or referrer, and marketplace seller are affiliated persons. Where the marketplace facilitator or referrer is relieved of liability under this subsection (2), the marketplace seller is solely liable for the amount of uncollected tax due.

(3)(a) Subject to the limits in (b) and (c) of this subsection (3), a marketplace facilitator or referrer is relieved of liability under this chapter and chapter 82.12 RCW for the failure to collect tax on taxable retail sales to the extent that the marketplace facilitator or referrer can show to the department's satisfaction that:

(i) The taxable retail sale was made through the marketplace facilitator's marketplace or directly resulting from a referral of the purchaser by the referrer;

(ii) The taxable retail sale was made solely as the agent of a marketplace seller, and the marketplace facilitator, or referrer, and marketplace seller are not affiliated persons; and

(iii) The failure to collect sales tax was not due to an error in sourcing the sale under RCW 82.32.730.

(b) Liability relief for a marketplace facilitator under (a) of this subsection (3) for a calendar year is limited as follows:

(i) For calendar year 2018, the liability relief may not exceed ten percent of the total tax due under this chapter and chapter 82.12 RCW on taxable retail sales by the marketplace facilitator as agent of a marketplace seller and sourced to this state under RCW 82.32.730 during the same calendar year.

(ii) For calendar years 2019, 2020, 2021, 2022, and 2023, the liability relief may not exceed five percent of the total tax due under this chapter and chapter 82.12 RCW on taxable retail sales by the marketplace facilitator as agent of a marketplace seller and sourced to this state under RCW 82.32.730 during the same calendar year.

(iii) Beginning in calendar year 2024, the liability relief may not exceed three percent of the total tax due under this chapter and chapter 82.12 RCW on taxable retail sales by the marketplace facilitator as agent of a marketplace seller and sourced to this state under RCW 82.32.730 during the same calendar year.

(c) Liability relief for a referrer under (a) of this subsection (3) for a calendar year is limited as follows:

(i) For calendar year 2018, the liability relief may not exceed ten percent of the total tax due under this chapter and chapter 82.12 RCW on taxable retail sales directly resulting from a referral of the purchaser to the marketplace seller by the referrer and sourced to this state under RCW 82.32.730 during the same calendar year.

(ii) For calendar years 2019, 2020, 2021, 2022, and 2023, the liability relief may not exceed five percent of the total tax due under this chapter and chapter 82.12 RCW on taxable retail sales directly resulting from a referral of the purchaser to the marketplace seller by the referrer and sourced to this state under RCW 82.32.730 during the same calendar year.

(iii) Beginning in calendar year 2024, the liability relief may not exceed three percent of the total tax due under this chapter and chapter 82.12 RCW on taxable retail sales directly resulting from a referral of the purchaser to the marketplace seller by the referrer and sourced to this state under RCW 82.32.730 during the same calendar year.

(d) Where the marketplace facilitator or referrer is relieved of liability under this subsection (3), the marketplace seller is also relieved of liability for the amount of uncollected tax due, subject to the limitations in subsection (4) of this section.

(4) A marketplace seller is relieved of its obligation to collect the taxes imposed under this chapter and chapter 82.12 RCW on all taxable retail sales through a marketplace operated by a marketplace facilitator or directly resulting from a referral of the purchaser to the marketplace seller by the referrer if the marketplace seller has obtained documentation from the marketplace facilitator or referrer indicating that the marketplace facilitator or referrer is registered with the department and will collect all applicable taxes due under this chapter and chapter 82.12 RCW on all taxable retail sales made on behalf of the marketplace seller through the marketplace operated by the marketplace facilitator or taxable retail sales directly resulting from a referral of the purchaser to the marketplace seller by the referrer. The documentation required by this subsection (4) must be provided in a form and manner prescribed by or acceptable to the department. This subsection (4) does not relieve a marketplace seller from liability for uncollected taxes due under this chapter or chapter 82.12 RCW resulting from a marketplace facilitator's or referrer's failure to collect the proper amount of tax due when the error was due to incorrect information given to the marketplace facilitator or referrer by the marketplace seller.

(5) A marketplace seller that is also a remote seller subject to section 602(1) of this act is relieved of its obligation to collect sales or use taxes imposed under this chapter and chapter 82.12 RCW on all taxable retail sales through a marketplace operated by a marketplace facilitator that provides the marketplace seller with written confirmation that the marketplace facilitator has elected to comply with the notice and reporting requirements of section 605 of this act in lieu of collecting sales and use taxes.

(6) No class action may be brought against a marketplace facilitator or referrer in any court of this state on behalf of purchasers arising from or in any way related to an overpayment of sales or use tax collected by the marketplace facilitator or referrer, regardless of whether that claim is characterized as a tax refund claim. Nothing in this subsection affects a purchaser's right to seek a refund from the department as provided under chapter 82.32 RCW.

(7) Nothing in this section affects the obligation of any purchaser to remit sales or use tax as to any applicable taxable transaction in which the seller or the seller's agent does not collect and remit sales tax.

(8) This section is subject to the provisions of section 613 of this act.

(9) The definitions in section 604 of this act apply to this section.

NEW SECTION. **Sec.**  The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Affiliated person" means a person that, with respect to another person:

(a) Has an ownership interest of more than five percent, whether direct or indirect, in the other person; or

(b) Is related to the other person because a third person, or group of third persons who are affiliated persons with respect to each other, holds an ownership interest of more than five percent, whether direct or indirect, in the related persons.

(2) "Consumer" has the same meaning as provided in chapters 82.04, 82.08, and 82.12 RCW.

(3) "Marketplace facilitator" means a person that contracts with sellers to facilitate for consideration, regardless of whether deducted as fees from the transaction, the sale of the seller's products through a physical or electronic marketplace operated by the person, and engages:

(a) Directly or indirectly, through one or more affiliated persons in any of the following:

(i) Transmitting or otherwise communicating the offer or acceptance between the buyer and seller;

(ii) Owning or operating the infrastructure, electronic or physical, or technology that brings buyers and sellers together;

(iii) Providing a virtual currency that buyers are allowed or required to use to purchase products from the seller; or

(iv) Software development or research and development activities related to any of the activities described in (b) of this subsection (3), if such activities are directly related to a physical or electronic marketplace operated by the person or an affiliated person; and

(b) In any of the following activities with respect to the seller's products:

(i) Payment processing services;

(ii) Fulfillment or storage services;

(iii) Listing products for sale;

(iv) Setting prices;

(v) Branding sales as those of the marketplace facilitator;

(vi) Order taking;

(vii) Advertising or promotion; or

(viii) Providing customer service or accepting or assisting with returns or exchanges.

(4) "Marketplace seller" means a seller that makes retail sales through any physical or electronic marketplaces operated by a marketplace facilitator or directly resulting from a referral by a referrer, regardless of whether the seller is required to be registered with the department as provided in RCW 82.32.030.

(5) "Platform" means an electronic or physical medium, including a web site or catalog, operated by a referrer.

(6) "Product" has the same meaning as provided in RCW 82.32.023.

(7) "Purchaser" means any consumer who purchases or leases a product sourced to this state under RCW 82.32.730.

(8) "Referral" means the transfer by a referrer of a potential customer to a marketplace seller who advertises or lists products for sale on the referrer's platform.

(9) "Referrer" means a person who contracts or otherwise agrees with a seller to list or advertise for sale one or more items in any medium, including a web site or catalog; receives a commission, fee, or other consideration from the seller for the listing or advertisement; transfers, via telephone, internet link, or other means, a purchaser to a seller or an affiliated person to complete the sale; and does not collect receipts from the purchasers for the transaction.

(10) "Remote seller" means any seller, other than a marketplace facilitator or referrer, who does not have a physical presence in this state and makes retail sales to purchasers.

(11) "Retail sale" and "sale" have the same meaning as provided in chapter 82.04 RCW.

(12) "Seller" has the same meaning as in RCW 82.08.010 and includes marketplace facilitators, whether making sales in their own right or on behalf of marketplace sellers, and referrers.

NEW SECTION. **Sec.**  (1) Except as otherwise provided in subsection (5) of this section, a seller that does not collect the tax imposed under chapter 82.08 or 82.12 RCW on a taxable retail sale must comply with the applicable notice and reporting requirements of this section. For taxable retail sales made through a marketplace facilitator, or other agent, the marketplace facilitator, or other agent must comply with the notice and reporting requirements of this section, and the principal is not subject to the notice and reporting requirements of this section with respect to those sales. If the referrer makes an election to comply with the applicable notice and reporting requirements of this section, marketplace sellers to whom a referral is made by the referrer remain subject to the applicable notice and reporting requirements under this section for their sales unless the marketplace sellers collect the tax imposed under chapter 82.08 or 82.12 RCW on taxable retail sales sourced to this state under RCW 82.32.730.

(2)(a) A seller, other than a referrer acting in its capacity as a referrer, subject to the notice and reporting requirements of this section must:

(i) Post a conspicuous notice on its marketplace, platform, web site, catalog, or any other similar medium that informs Washington purchasers that:

(A) Sales or use tax is due on certain purchases;

(B) Washington requires the purchaser to file a use tax return; and

(C) The notice is provided under the requirements of this section; and

(ii) Provide a notice to each consumer at the time of each retail sale. The notice under this subsection (2)(a)(ii) must include the following information:

(A) A statement that neither sales nor use tax is being collected or remitted upon the sale;

(B) A statement that the consumer may be required to remit sales or use tax directly to the department; and

(C) Instructions for obtaining additional information from the department regarding whether and how to remit the sales or use tax to the department.

(b) The notice under (a)(ii) of this subsection (2) must be prominently displayed on all invoices and order forms including, where applicable, electronic and catalog invoices and order forms, and upon each sales receipt or similar document provided to the purchaser, whether in paper or electronic form. No indication may be made that sales or use tax is not imposed upon the transaction, unless:

(i) Such indication is followed immediately with the notice required by (a)(ii) of this subsection (2); or

(ii) The transaction with respect to which the indication is given is exempt from sales and use tax pursuant to law.

(3) A referrer subject to the notice and reporting requirements of this section must:

(a) Post a conspicuous notice on its platform that informs Washington purchasers:

(i) That sales or use tax is due on certain purchases;

(ii) That the seller may or may not collect and remit retail sales tax on a purchase;

(iii) That Washington requires the purchaser to file a use tax return if retail sales tax is not assessed at the time of a taxable sale by the seller;

(iv) That the notice is provided under the requirements of this section;

(v) Of the instructions for obtaining additional information from the department regarding whether and how to remit the sales or use tax to the department; and

(vi) That if the seller to whom the purchaser is referred does not collect retail sales tax on a subsequent purchase by the purchaser, the seller may be required to provide information to the purchaser and the department about the purchaser's potential sales or use tax liability.

(b) The notice under (a) of this subsection (3) must be prominently displayed on the platform and may include pop-up boxes or notification by other means that appear when the referrer transfers a purchaser to a marketplace seller or an affiliated person to complete the sale.

(4)(a) A seller, other than a referrer acting in its capacity as a referrer, subject to the notice and reporting requirements of subsection (2) of this section must, no later than January 31st of each year, provide a report to each consumer for whom the seller was required to provide a notice under subsection (2)(a)(ii) of this section.

(b) The report under this subsection (4) must include:

(i) A statement that the seller did not collect sales or use tax on the consumer's transactions with the seller and that the consumer may be required to remit such tax directly to the department;

(ii) A list, by date, generally indicating the type of product purchased or leased during the immediately preceding calendar year by the consumer from the seller, sourced to this state under RCW 82.32.730, and the price of each product;

(iii) Instructions for obtaining additional information from the department regarding whether and how to remit the sales or use tax to the department;

(iv) A statement that the seller is required to submit a report to the department pursuant to subsection (6) of this section stating the total dollar amount of the consumer's purchases from the seller; and

(v) Any information as the department may reasonably require.

(c)(i) The report required under this subsection (4) must be sent to the consumer's billing address or, if unknown, the consumer's shipping address, by first-class mail, in an envelope marked prominently with words indicating important tax information is enclosed.

(ii) If no billing or shipping address is known, the report must be sent electronically to the consumer's last known email address with a subject heading indicating important tax information is enclosed.

(5)(a) A referrer subject to the notice requirements under subsection (3) of this section must, no later than January 31st of each year, provide notice to each marketplace seller to whom the referrer transferred a potential purchaser located in Washington during the previous calendar year.

(b) The notice under this subsection (5) must include:

(i) A statement that Washington imposes a sales or use tax on retail sales;

(ii) A statement that a seller, meeting the threshold in section 602(2) of this act, is required to either collect and remit retail sales or use tax on all taxable retail sales sourced to this state under RCW 82.32.730 or to comply with this section; and

(iii) Instructions for obtaining additional information from the department.

(c) By January 31st of each year, a referrer required to provide the notice under this subsection must provide the department with:

(i) A list of sellers who received the referrer's notice under this subsection. The information must be provided electronically in a form and manner required by the department.

(ii) An affidavit signed under penalty of perjury from an officer of the referrer affirming that the referrer made reasonable efforts to comply with the applicable sales and use tax notice and reporting requirements of this section.

(6)(a) A seller, other than a referrer acting in its capacity as a referrer, subject to the notice and reporting requirements of this section must, no later than January 31st of each year, file a report with the department.

(b) The report under this subsection (6) must include, with respect to each consumer to whom the seller is required to provide a report under subsection (4) of this section by January 31st of the current calendar year:

(i) The consumer's name;

(ii) The billing address and, if different, the last known mailing address;

(iii) The shipping address for each product sold or leased to such consumer for delivery to a location in this state during the immediately preceding calendar year; and

(iv) The total dollar amount of all such purchases by such consumer.

(c) The report under this subsection (6) must also include an affidavit signed under penalty of perjury from an officer of the seller affirming that the seller made reasonable efforts to comply with the applicable sales and use tax notice and reporting requirements in this section.

(d) Except for the affidavit, the report under this subsection (6) must be filed electronically in a form and manner required by the department.

(7) A seller who is registered with the department to collect and remit retail sales and use tax, and who makes a reasonable effort to comply with the requirements of RCW 82.08.050 and 82.12.040, is not required to provide notice or file reports under this section.

(8) Every seller subject to this chapter must keep and preserve, for a period of five years, suitable records as may be necessary for the department to verify the seller's compliance with this chapter. All of the seller's books, records, and invoices must be open for examination at any reasonable time by the department. The department may require the attendance of any officer of the seller or any employee of the seller having knowledge pertinent to the department's investigation of the seller's compliance with this chapter, at a time and place fixed in a subpoena issued under RCW 82.32.117, and may take the person's testimony under oath.

(9) In exercising discretion in enforcing the provisions of this chapter, the department may take into consideration available resources, whether the anticipated benefits from any potential enforcement activities are likely to exceed the department's expected enforcement costs, and any other factors the department deems appropriate.

NEW SECTION. **Sec.**  (1)(a) The department must assess a penalty against any seller, other than a referrer acting in its capacity as a referrer, that fails to provide notice to consumers pursuant to section 605(2)(a) of this act, in addition to any other applicable penalties, in the amount of twenty thousand dollars. The department may assess the penalty under this subsection only once per calendar year, regardless of the number of notices a seller fails to provide pursuant to section 605(2)(a) of this act during the calendar year. The department may apply this penalty at any time during a calendar year and no more frequently than annually.

(b) The department must assess a penalty against any referrer that fails to provide notice to consumers pursuant to section 605(3) of this act, in addition to any other applicable penalties, in the amount of twenty thousand dollars. The department may apply this penalty at any time during a calendar year and no more frequently than annually.

(2)(a) The department must assess a penalty against a seller who fails to provide a report as required by section 605(4) of this act, in addition to any other applicable penalties, in the amount of eight and one-half percent of gross receipts from sales sourced to this state under RCW 82.32.730 for the calendar year for which the report was required to be made.

(b) The department must assess a penalty against a referrer who fails to provide the notice and list required by section 605(5) of this act, in addition to any other applicable penalties, in the amount of eight and one-half percent of the gross income of the business received from the referrer's referral services apportioned to Washington under RCW 82.04.460, whether or not subject to tax under chapter 82.04 RCW, for the calendar year for which the notice and list was required to be made. The department may assess the penalty under this subsection only once per calendar year, regardless of the number of failures to comply with section 605(5) of this act during the calendar year.

(3) The department must assess a penalty against any seller, other than a referrer acting in its capacity as a referrer, who fails to provide a report to the department as required by section 605(6) of this act, in addition to any other applicable penalties, in the amount of twenty-five dollars multiplied by the number of consumers that should have been included on such report, but not less than twenty thousand dollars for any calendar year.

(4) The penalties imposed under subsections (1) through (3) of this section are cumulative.

(5) No penalty may be imposed by the department under subsections (1) through (4) of this section more than four years after the close of the calendar year in which the notice or report giving rise to the penalty was required to have been provided. This subsection (5) does not apply to penalties reassessed under subsection (9) of this section.

(6) When assessing a penalty under this section, the department may use any reasonable estimation technique where necessary or appropriate to determine the amount of any penalty.

(7) Interest accrues on the amount of the total penalty that has been assessed under this section until the total penalty amount is paid in full. Interest imposed under this section must be computed and assessed as provided in RCW 82.32.050 as if the penalty imposed under this subsection was a tax liability.

(8) The department must notify a seller by mail, or electronically as provided in RCW 82.32.135, of the amount of any penalty and interest due under this section. Amounts due under this section must be paid in full within thirty days from the date of the notice, or within such further time as the department may provide in its sole discretion.

(9)(a)(i) A seller is entitled to a conditional waiver of penalties and interest imposed under this section if the seller enters into a written agreement with the department electing to collect retail sales or use tax or fully comply with all applicable notice and reporting requirements of this chapter, beginning by a date acceptable to the department. An election to collect retail sales or use tax must be for a period of at least twelve consecutive months and is subject to the provisions of section 602(1)(d) of this act.

(ii) The department may grant a waiver of penalties and interest under this subsection (9)(a) for penalties and interest assessed for a seller's failure to comply with the notice and reporting requirements for one or more violations.

(iii) The department may not grant more than one request by a seller for a waiver of penalties and interest under this subsection (9)(a).

(iv) The department must reassess penalties and interest conditionally waived under this subsection (9)(a) if the department finds that, after the date that the seller agreed to fully comply with the applicable notice and reporting requirements of this chapter, the seller failed to:

(A) Provide notice under section 605(2)(a)(ii) of this act to at least ninety-five percent of the consumers entitled to such notice in any given calendar year or portion of the initial calendar year in which the agreement required under this subsection was in effect if the agreement was in effect for less than the entire calendar year;

(B) Timely provide the reports required under section 605(4) of this act to all consumers who received notice from the seller under section 605(2)(a)(ii) of this act during any calendar year, unless the department finds that any such failure was due to circumstances beyond the seller's control;

(C) Timely provide the reports required under section 605(6) of this act during any calendar year, unless the department finds that any such failure was due to circumstances beyond the seller's control; or

(D) With respect to referrers, timely provide the notice required under section 605(3) of this act and the notice and list required under section 605(5) of this act during any calendar year, unless the department finds that any such failure was due to circumstances beyond the referrer's control.

(v) The department must reassess penalties and interest conditionally waived under this subsection (9)(a) if the department finds that, after the date that the seller elected to collect retail sales or use tax, the seller failed to register with the department and make a reasonable effort to comply with the requirements of RCW 82.08.050 and 82.12.040.

(vi) The department may not reassess penalties and interest conditionally waived under this subsection (9)(a) more than four calendar years following the calendar year in which the department granted the conditional waiver under this subsection (9)(a).

(vii) The provisions of subsection (8) of this section apply to penalties and interest reassessed under this subsection (9)(a). The department may add additional interest on penalties reassessed under this subsection (9)(a) only if the total amount of penalties reassessed under this subsection (9)(a) is not paid in full by the date due. Additional interest authorized under this subsection (9)(a)(vii) applies beginning on the day immediately following the day that the reassessed penalties were due and accrues until the total amount of reassessed penalties are paid in full.

(b) The department must waive penalties and interest imposed under this section if the department determines that the failure of the seller to fully comply with the notice or reporting requirements was due to circumstances beyond the seller's control.

(c) A request for a waiver of penalties and interest under this subsection must be received by the department in writing and before the penalties and interest for which a waiver is requested are due pursuant to subsection (8) of this section. The department must deny any request for a waiver of penalties and interest that does not fully comply with the provisions of this subsection (9)(c).

NEW SECTION. **Sec.**  Chapter 82.32 RCW applies to the administration of this chapter.

NEW SECTION. **Sec.**  Nothing in this chapter relieves sellers or consumers who are subject to chapter 82.08 or 82.12 RCW from any responsibilities imposed under those chapters. Nor does anything in this chapter prevent the department from administering and enforcing the taxes imposed under chapter 82.08 or 82.12 RCW with respect to any seller or consumer who is subject to such taxes.

NEW SECTION. **Sec.**  A new section is added to chapter 82.32 RCW to be codified between RCW 82.32.045 and 82.32.050 to read as follows:

(1) Except as otherwise provided in this section, taxes imposed under chapter 82.08 or 82.12 RCW and payable by a consumer directly to the department are due, on returns prescribed by the department, by the earlier of March 1st of the calendar year immediately following the calendar year in which the sale or use occurred or within thirty days of the date of a notice from the department that tax may be due.

(2) This section does not apply to the reporting and payment of taxes imposed under chapters 82.08 and 82.12 RCW:

(a) On the retail sale or use of motor vehicles, vessels, or aircraft; or

(b) By consumers who are engaged in business, unless the department has relieved the consumer of the requirement to file returns pursuant to RCW 82.32.045(4).

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

(1) A remote seller, referrer, or marketplace facilitator that is subject to section 602 of this act and is complying with the requirements of chapters 82.08 and 82.12 RCW may only seek a recovery of retail sales and use taxes, penalties, or interest from the department by following the recovery procedures established under RCW 82.32.060. However, no claim may be granted on the basis that the taxpayer lacked a physical presence in this state and complied with the tax collection provisions of chapters 82.08 and 82.12 RCW voluntarily.

(2) Neither the state nor any seller who elects under section 602 of this act to collect and remit retail sales or use tax is liable to a purchaser who claims that the retail sales or use tax has been over-collected because a provision of chapter . . ., Laws of 2017 (this act) is later deemed unlawful.

(3) Nothing in chapter . . ., Laws of 2017 (this act) affects the obligation of any purchaser from this state to remit retail sales or use tax as to any applicable taxable transaction in which the seller does not collect and remit retail sales or use tax.

**Subpart C**

**Conforming Amendments**

**Sec.**  RCW 82.08.050 and 2010 c 112 s 8 are each amended to read as follows:

(1) The tax imposed in this chapter must be paid by the buyer to the seller. Each seller must collect from the buyer the full amount of the tax payable in respect to each taxable sale in accordance with the schedule of collections adopted by the department under the provisions of RCW 82.08.060.

(2) The tax required by this chapter, to be collected by the seller, is deemed to be held in trust by the seller until paid to the department. Any seller who appropriates or converts the tax collected to the seller's own use or to any use other than the payment of the tax to the extent that the money required to be collected is not available for payment on the due date as prescribed in this chapter is guilty of a gross misdemeanor.

(3) Except as otherwise provided in this section, if any seller fails to collect the tax imposed in this chapter or, having collected the tax, fails to pay it to the department in the manner prescribed by this chapter, whether such failure is the result of the seller's own acts or the result of acts or conditions beyond the seller's control, the seller is, nevertheless, personally liable to the state for the amount of the tax.

(4) Sellers are not relieved from personal liability for the amount of the tax unless they maintain proper records of exempt or nontaxable transactions and provide them to the department when requested.

(5) Sellers are not relieved from personal liability for the amount of tax if they fraudulently fail to collect the tax or if they solicit purchasers to participate in an unlawful claim of exemption.

(6) Sellers are not relieved from personal liability for the amount of tax if they accept an exemption certificate from a purchaser claiming an entity-based exemption if:

(a) The subject of the transaction sought to be covered by the exemption certificate is actually received by the purchaser at a location operated by the seller in Washington; and

(b) Washington provides an exemption certificate that clearly and affirmatively indicates that the claimed exemption is not available in Washington. Graying out exemption reason types on a uniform form and posting it on the department's web site is a clear and affirmative indication that the grayed out exemptions are not available.

(7)(a) Sellers are relieved from personal liability for the amount of tax if they obtain a fully completed exemption certificate or capture the relevant data elements required under the streamlined sales and use tax agreement within ninety days, or a longer period as may be provided by rule by the department, subsequent to the date of sale.

(b) If the seller has not obtained an exemption certificate or all relevant data elements required under the streamlined sales and use tax agreement within the period allowed subsequent to the date of sale, the seller may, within one hundred twenty days, or a longer period as may be provided by rule by the department, subsequent to a request for substantiation by the department, either prove that the transaction was not subject to tax by other means or obtain a fully completed exemption certificate from the purchaser, taken in good faith.

(c) Sellers are relieved from personal liability for the amount of tax if they obtain a blanket exemption certificate for a purchaser with which the seller has a recurring business relationship. The department may not request from a seller renewal of blanket exemption certificates or updates of exemption certificate information or data elements if there is a recurring business relationship between the buyer and seller. For purposes of this subsection (7)(c), a "recurring business relationship" means at least one sale transaction within a period of twelve consecutive months.

(d) Sellers are relieved from personal liability for the amount of tax if they obtain a copy of a direct pay permit issued under RCW 82.32.087.

(8) The amount of tax, until paid by the buyer to the seller or to the department, constitutes a debt from the buyer to the seller. Any seller who fails or refuses to collect the tax as required with intent to violate the provisions of this chapter or to gain some advantage or benefit, either direct or indirect, and any buyer who refuses to pay any tax due under this chapter is guilty of a misdemeanor.

(9) Except as otherwise provided in this subsection, the tax required by this chapter to be collected by the seller must be stated separately from the selling price in any sales invoice or other instrument of sale. On all retail sales through vending machines, the tax need not be stated separately from the selling price or collected separately from the buyer. Except as otherwise provided in this subsection, for purposes of determining the tax due from the buyer to the seller and from the seller to the department it must be conclusively presumed that the selling price quoted in any price list, sales document, contract or other agreement between the parties does not include the tax imposed by this chapter. But if the seller advertises the price as including the tax or that the seller is paying the tax, the advertised price may not be considered the selling price.

(10) Where a buyer has failed to pay to the seller the tax imposed by this chapter and the seller has not paid the amount of the tax to the department, the department may, in its discretion, proceed directly against the buyer for collection of the tax. If the department proceeds directly against the buyer for collection of the tax as authorized in this subsection, the department may add a penalty of ten percent of the unpaid tax to the amount of the tax due for failure of the buyer to pay the tax to the seller, regardless of when the tax may be collected by the department. In addition to the penalty authorized in this subsection, all of the provisions of chapter 82.32 RCW, including those relative to interest and penalties, apply. For the sole purpose of applying the various provisions of chapter 82.32 RCW, the twenty-fifth day of the month following the tax period in which the purchase was made will be considered as the due date of the tax.

(11) ((~~Notwithstanding subsections (1) through (10) of this section, any person making sales is not obligated to collect the tax imposed by this chapter if:~~

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

~~(i) The storage, dissemination, or display of advertising;~~

~~(ii) The taking of orders; or~~

~~(iii) The processing of payments; and~~

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

~~(12) Subsection (11) of this section expires when: (a) The United States congress grants individual states the authority to impose sales and use tax collection duties on remote sellers; or (b) it is determined by a court of competent jurisdiction, in a judgment not subject to review, that a state can impose sales and use tax collection duties on remote sellers.~~

~~(13) For purposes of this section:~~)) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Exemption certificate" means documentation furnished by a buyer to a seller to claim an exemption from sales tax. An exemption certificate includes a reseller permit or other documentation authorized in RCW 82.04.470 furnished by a buyer to a seller to substantiate a wholesale sale((~~; and~~)).

(b) "Seller" includes a certified service provider, as defined in RCW 82.32.020, acting as agent for the seller.

**Sec.**  RCW 82.12.040 and 2015 c 169 s 9 are each amended to read as follows:

(1) Every person who ((~~maintains in this state a place of business or a stock of goods, or engages in business activities within this state~~)) is subject to a collection obligation under chapter 82.08 RCW, except a person making a valid election to comply with the notice and reporting provisions of section 605 of this act, must obtain from the department a certificate of registration, and must, at the time of making sales of tangible personal property, digital goods, digital codes, digital automated services, extended warranties, or sales of any service defined as a retail sale in RCW 82.04.050 (2) (a) or (g) or (6)((~~(b)~~)) (c), or making transfers of either possession or title, or both, of tangible personal property for use in this state, collect from the purchasers or transferees the tax imposed under this chapter. The tax to be collected under this section must be in an amount equal to the purchase price multiplied by the rate in effect for the retail sales tax under RCW 82.08.020. ((~~For the purposes of this chapter, the phrase "maintains in this state a place of business" includes the solicitation of sales and/or taking of orders by sales agents or traveling representatives. For the purposes of this chapter, "engages in business activity within this state" includes every activity which is sufficient under the Constitution of the United States for this state to require collection of tax under this chapter. The department must in rules specify activities which constitute engaging in business activity within this state, and must keep the rules current with future court interpretations of the Constitution of the United States.~~))

(2) Every person who engages in this state in the business of acting as an independent selling agent for persons who do not hold a valid certificate of registration, and who receives compensation by reason of sales of tangible personal property, digital goods, digital codes, digital automated services, extended warranties, or sales of any service defined as a retail sale in RCW 82.04.050 (2) (a) or (g) or (6)((~~(b)~~)) (c), of his or her principals for use in this state, must, at the time such sales are made, collect from the purchasers the tax imposed on the purchase price under this chapter, and for that purpose is deemed a retailer as defined in this chapter.

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

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

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

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

~~(i) The storage, dissemination, or display of advertising;~~

~~(ii) The taking of orders; or~~

~~(iii) The processing of payments; and~~

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

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

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

((~~(8)~~)) (6) Notwithstanding subsections (1) through (4) of this section, any person making sales is not obligated to collect the tax imposed by this chapter if the state is prohibited under the Constitution or laws of the United States from requiring the person to collect the tax imposed by this chapter.

((~~(9)~~)) (7) Notwithstanding subsections (1) through (4) of this section, any licensed dealer facilitating a firearm sale or transfer between two unlicensed persons by conducting background checks under chapter 9.41 RCW is not obligated to collect the tax imposed by this chapter.

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

(1) If the department determines that a change, taking effect after the effective date of this section, in the streamlined sales and use tax agreement or federal law creates a conflict with any provision of section 602 or 603 of this act, such conflicting provision or provisions of section 602 or 603 of this act, including any related provisions that would not function as originally intended, have no further force and effect as of the date the change in the streamlined sales and use tax agreement or federal law becomes effective.

(2) For purposes of this section:

(a) A change in federal law conflicts with section 602 or 603 of this act if the change clearly allows states to impose greater sales and use tax collection obligations on remote sellers, referrers, or marketplace facilitators than provided for, or clearly prevents states from imposing sales and use tax collection obligations on remote sellers, referrers, or marketplace facilitators to the extent provided for, under section 602 or 603 of this act.

(b) A change in the streamlined sales and use tax agreement conflicts with section 602 or 603 of this act if one or more provisions of section 602 or 603 of this act causes this state to be found out of compliance with the streamlined sales and use tax agreement by its governing board.

(3) If the department makes a determination under this section that a change in federal law or the streamlined sales and use tax agreement conflicts with one or more provisions of section 602 or 603 of this act, the department:

(a) May adopt rules in accordance with chapter 34.05 RCW that are consistent with the streamlined sales and use tax agreement and that impose sales and use tax collection obligations on remote sellers, referrers, or marketplace facilitators to the fullest extent allowed under state and federal law; and

(b) Must include information on its web site informing taxpayers and the public (i) of the provision or provisions of section 602 or 603 of this act that will have no further force and effect, (ii) when such change will become effective, and (iii) about how to participate in any rule making conducted by the department in accordance with (a) of this subsection (3).

(4) For purposes of this section, "remote seller," "referrer," and "marketplace facilitator" have the same meaning as provided in section 604 of this act.

**Part VII**

**Expanding Individual Liability for an Entity's Unpaid Tax Obligations**

**Sec.**  RCW 82.32.145 and 2015 c 188 s 121 are each amended to read as follows:

(1) Whenever the department has issued a warrant under RCW 82.32.210 for the collection of unpaid ((~~trust fund~~)) recoverable taxes from a limited liability business entity and that business entity has been terminated, dissolved, or abandoned, or is insolvent, the department may pursue collection of the entity's unpaid ((~~trust fund~~)) recoverable taxes, including penalties and interest on those taxes, against any or all of the responsible individuals. For purposes of this subsection, "insolvent" means the condition that results when the sum of the entity's debts exceeds the fair market value of its assets. The department may presume that an entity is insolvent if the entity refuses to disclose to the department the nature of its assets and liabilities.

(2) Personal liability under this section may be imposed only for state and local ((~~trust fund~~)) recoverable taxes.

(3)(a) For a responsible individual who is the current or a former chief executive or chief financial officer, liability under this section applies regardless of fault or whether the individual was or should have been aware of the unpaid ((~~trust fund~~)) recoverable tax liability of the limited liability business entity. This subsection (3)(a) applies only with respect to recoverable tax liability described in subsection (4)(a)(i) of this section.

(b) For any other responsible individual, liability under this section applies only if he or she willfully fails to pay or to cause to be paid to the department the ((~~trust fund~~)) recoverable taxes due from the limited liability business entity.

(4)(a)(i) Except as provided in (a)(ii) of this subsection (4)((~~(a)~~)), a responsible individual who is the current or a former chief executive or chief financial officer is liable under this section only for ((~~trust fund~~)) recoverable tax liability accrued during the period that he or she was the chief executive or chief financial officer.

(ii) However, if the responsible individual had the responsibility or duty to remit payment of the limited liability business entity's ((~~trust fund~~)) recoverable taxes to the department during any period of time that the person was not the chief executive or chief financial officer, that individual is also liable for ((~~trust fund~~)) recoverable tax liability that became due during the period that he or she had the duty to remit payment of the limited liability business entity's taxes to the department but was not the chief executive or chief financial officer. The provisions of subsection (3)(b) of this section apply to recoverable tax liability imposed under this subsection (4)(a)(ii).

(b) All other responsible individuals are liable under this section only for ((~~trust fund~~)) recoverable tax liability that became due during the period he or she had the responsibility or duty to remit payment of the limited liability business entity's taxes to the department.

(5) Persons described in subsection (3)(b) of this section are exempt from liability under this section in situations where nonpayment of the limited liability business entity's ((~~trust fund~~)) recoverable taxes is due to reasons beyond their control as determined by the department by rule.

(6) Any person having been issued a notice of assessment under this section is entitled to the appeal procedures under RCW 82.32.160, 82.32.170, 82.32.180, 82.32.190, and 82.32.200.

(7) This section does not relieve the limited liability business entity of its ((~~trust fund~~)) recoverable tax liability or otherwise impair other tax collection remedies afforded by law.

(8) Collection authority and procedures prescribed in this chapter apply to collections under this section.

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

(a) "Chief executive" means: The president of a corporation; or for other entities or organizations other than corporations or if the corporation does not have a president as one of its officers, the highest ranking executive manager or administrator in charge of the management of the company or organization.

(b) "Chief financial officer" means: The treasurer of a corporation; or for entities or organizations other than corporations or if a corporation does not have a treasurer as one of its officers, the highest senior manager who is responsible for overseeing the financial activities of the entire company or organization.

(c) "Limited liability business entity" means a type of business entity that generally shields its owners from personal liability for the debts, obligations, and liabilities of the entity, or a business entity that is managed or owned in whole or in part by an entity that generally shields its owners from personal liability for the debts, obligations, and liabilities of the entity. Limited liability business entities include corporations, limited liability companies, limited liability partnerships, trusts, general partnerships and joint ventures in which one or more of the partners or parties are also limited liability business entities, and limited partnerships in which one or more of the general partners are also limited liability business entities.

(d) "Manager" has the same meaning as in RCW 25.15.006.

(e) "Member" has the same meaning as in RCW 25.15.006, except that the term only includes members of member-managed limited liability companies.

(f) "Officer" means any officer or assistant officer of a corporation, including the president, vice president, secretary, and treasurer.

(g) "Recoverable tax" means:

(i) State sales and use taxes imposed under chapters 82.08 and 82.12 RCW, including spirits taxes imposed under RCW 82.08.150, whether collected by a limited liability business entity or imposed on a limited liability business entity as a purchaser or consumer;

(ii) Local sales and use taxes imposed under the authority of chapter 82.14 RCW, RCW 81.104.170, or any other provision of law, and administered by the department, whether collected by a limited liability business entity or imposed on a limited liability business entity as a purchaser or consumer;

(iii) State business and occupation taxes imposed under chapter 82.04 RCW;

(iv) Cigarette taxes imposed under chapter 82.24 RCW; and

(v) Tobacco products taxes imposed under chapter 82.26 RCW.

(h)(i) "Responsible individual" includes any current or former officer, manager, member, partner, or trustee of a limited liability business entity with an unpaid tax warrant issued by the department.

(ii) "Responsible individual" also includes any current or former employee or other individual, but only if the individual had the responsibility or duty to remit payment of the limited liability business entity's unpaid ((~~trust fund~~)) recoverable tax liability reflected in a tax warrant issued by the department.

(iii) Whenever any taxpayer has one or more limited liability business entities as a member, manager, or partner, "responsible individual" also includes any current and former officers, members, or managers of the limited liability business entity or entities or of any other limited liability business entity involved directly in the management of the taxpayer. For purposes of this subsection (9)((~~(g)~~)) (h)(iii), "taxpayer" means a limited liability business entity with an unpaid tax warrant issued against it by the department.

((~~(h) "Trust fund taxes" means taxes collected from purchasers and held in trust under RCW 82.08.050, including taxes imposed under RCW 82.08.020 and 82.08.150.~~))

(i) "Willfully fails to pay or to cause to be paid" means that the failure was the result of an intentional, conscious, and voluntary course of action.

NEW SECTION. **Sec.**  Section 701 of this act applies beginning with assessments issued by the department of revenue under RCW 82.32.145 on or after the effective date of this section, regardless of when the underlying recoverable tax liability of the limited liability entity was incurred.

**Part VIII**

**Reducing Interest on Tax Refunds**

**Sec.**  RCW 82.32.060 and 2009 c 176 s 4 are each amended to read as follows:

(1) If, upon receipt of an application by a taxpayer for a refund or for an audit of the taxpayer's records, or upon an examination of the returns or records of any taxpayer, it is determined by the department that within the statutory period for assessment of taxes, penalties, or interest prescribed by RCW 82.32.050 any amount of tax, penalty, or interest has been paid in excess of that properly due, the excess amount paid within, or attributable to, such period must be credited to the taxpayer's account or must be refunded to the taxpayer, at the taxpayer's option. Except as provided in subsection (2) of this section, no refund or credit may be made for taxes, penalties, or interest paid more than four years prior to the beginning of the calendar year in which the refund application is made or examination of records is completed.

(2)(a) The execution of a written waiver under RCW 82.32.050 or 82.32.100 will extend the time for making a refund or credit of any taxes paid during, or attributable to, the years covered by the waiver if, prior to the expiration of the waiver period, an application for refund of such taxes is made by the taxpayer or the department discovers a refund or credit is due.

(b) A refund or credit must be allowed for an excess payment resulting from the failure to claim a bad debt deduction, credit, or refund under RCW 82.04.4284, 82.08.037, 82.12.037, 82.14B.150, or 82.16.050(5) for debts that became bad debts under 26 U.S.C. Sec. 166, as amended or renumbered as of January 1, 2003, less than four years prior to the beginning of the calendar year in which the refund application is made or examination of records is completed.

(3) Any such refunds must be made by means of vouchers approved by the department and by the issuance of state warrants drawn upon and payable from such funds as the legislature may provide. However, taxpayers who are required to pay taxes by electronic funds transfer under RCW 82.32.080 must have any refunds paid by electronic funds transfer if the department has the necessary account information to facilitate a refund by electronic funds transfer.

(4) Any judgment for which a recovery is granted by any court of competent jurisdiction, not appealed from, for tax, penalties, and interest which were paid by the taxpayer, and costs, in a suit by any taxpayer must be paid in the same manner, as provided in subsection (3) of this section, upon the filing with the department of a certified copy of the order or judgment of the court.

((~~(a) Interest at the rate of three percent per annum must be allowed by the department and by any court on the amount of any refund, credit, or other recovery allowed to a taxpayer for taxes, penalties, or interest paid by the taxpayer before January 1, 1992. This rate of interest applies for all interest allowed through December 31, 1998. Interest allowed after December 31, 1998, must be computed at the rate as computed under RCW 82.32.050(2). The rate so computed must be adjusted on the first day of January of each year for use in computing interest for that calendar year.~~

~~(b) For refunds or credits of amounts paid or other recovery allowed to a taxpayer after December 31, 1991, the rate of interest must be the rate as computed for assessments under RCW 82.32.050(2) less one percent. This rate of interest applies for all interest allowed through December 31, 1998. Interest allowed after December 31, 1998, must be computed at the rate as computed under RCW 82.32.050(2). The rate so computed must be adjusted on the first day of January of each year for use in computing interest for that calendar year.~~))

(5)(a) Interest must be added to the amount of any refund, credit, or other recovery allowed under this section for excess taxes, penalties, or interest paid by the taxpayer at the following rates:

(i) For all interest allowed through December 31, 2017, and for interest allowed after December 31, 2017, except specified interest, the interest rate is the same as provided in RCW 82.32.050(2).

(ii) For specified interest allowed beginning January 1, 2018, the interest rate is the same as provided in RCW 82.32.050(2), reduced by two percentage points.

(b) The rate so computed under (a) of this subsection must be adjusted on the first day of January of each year for use in computing interest for that calendar year.

(c) For purposes of this subsection (5), the following definitions apply:

(i) "Combined excise tax return" means any version of the return used by taxpayers to report taxes imposed under chapters 82.04, 82.08, 82.12, or 82.16 RCW, whether such return is filed electronically or on a paper document; and

(ii) "Specified interest" means interest due on amounts paid in excess of the proper amount due for any tax that is reportable on the department's combined excise tax return, including any penalties and interest added to such tax.

(6) Interest allowed on a credit notice or refund issued after December 31, 2003, must be computed as follows:

(a) If all overpayments for each calendar year and all reporting periods ending with the final month included in a notice or refund were made on or before the due date of the final return for each calendar year or the final reporting period included in the notice or refund:

(i) Interest must be computed from January 31st following each calendar year included in a notice or refund; or

(ii) Interest must be computed from the last day of the month following the final month included in a notice or refund.

(b) If the taxpayer has not made all overpayments for each calendar year and all reporting periods ending with the final month included in a notice or refund on or before the dates specified by RCW 82.32.045 for the final return for each calendar year or the final month included in the notice or refund, interest must be computed from the last day of the month following the date on which payment in full of the liabilities was made for each calendar year included in a notice or refund, and the last day of the month following the date on which payment in full of the liabilities was made if the final month included in a notice or refund is not the end of a calendar year.

(c) Interest included in a credit notice must accrue up to the date the taxpayer could reasonably be expected to use the credit notice, as defined by the department's rules. If a credit notice is converted to a refund, interest must be recomputed to the date the refund is issued, but not to exceed the amount of interest that would have been allowed with the credit notice.

**Part IX**

**Transfers to Education Legacy Trust Account**

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

(1)(a) By the last workday of the second and fourth calendar quarters, the state treasurer must transfer the amount specified in (b) of this subsection from the general fund to the education legacy trust account. The first transfer under this subsection (1) must occur by December 31, 2017.

(b) By December 15th and by June 15th of each fiscal year, the department must estimate the net increase in state general fund revenues from the changes made under parts II, III, and VI of this act for the applicable six-month period of the current fiscal year and the same six-month period of fiscal year 2017 and notify the state treasurer of the increase.

(2)(a) By the last workday of each fiscal year quarter, the state treasurer must transfer the amount specified in (b) of this subsection from the general fund to the education legacy trust account. The first transfer under this subsection (2) must occur by September 30, 2017.

(b) By September 15th, December 15th, April 15th, and June 15th of each fiscal year, the department must estimate the net increase in state revenues from changes made under part IV of this act for the applicable current fiscal year quarter and the same fiscal year quarter of fiscal year 2017 and notify the state treasurer of the increase.

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

RCW 43.135.034(4) does not apply to the transfers under section 901 of this act.

NEW SECTION. **Sec.**  A new section is added to chapter 39.42 RCW to read as follows:

The purpose of parts II through IV and VI of this act is to levy revenues for the support of education-related expenditures from the education legacy trust account. For this reason, general state revenues transferred to the education legacy trust account under section 901 of this act are excluded from the calculation of general state revenues for purposes of Article VIII, section 1 of the state Constitution and RCW 39.42.130 and 39.42.140.

**Part X**

**General Conforming Amendments**

**Sec.**  RCW 82.04.293 and 1997 c 7 s 3 are each amended to read as follows:

For purposes of RCW ((~~82.04.290~~)) 82.08.207 and 82.12.207:

(1) A person is engaged in the business of providing international investment management services, if:

(a) Such person is engaged primarily in the business of providing investment management services; and

(b) At least ten percent of the gross income of such person is derived from providing investment management services to any of the following: (i) Persons or collective investment funds residing outside the United States; or (ii) persons or collective investment funds with at least ten percent of their investments located outside the United States.

(2) "Investment management services" means investment research, investment consulting, portfolio management, fund administration, fund distribution, investment transactions, or related investment services.

(3) "Collective investment fund" includes:

(a) A mutual fund or other regulated investment company, as defined in section 851(a) of the internal revenue code of 1986, as amended;

(b) An "investment company," as that term is used in section 3(a) of the investment company act of 1940, as well as any entity that would be an investment company for this purpose but for the exemptions contained in section 3(c)(1) or (11);

(c) An "employee benefit plan," which includes any plan, trust, commingled employee benefit trust, or custodial arrangement that is subject to the employee retirement income security act of 1974, as amended, 29 U.S.C. Sec. 1001 et seq., or that is described in sections 125, 401, 403, 408, 457, and 501(c)(9) and (17) through (23) of the internal revenue code of 1986, as amended, or a similar plan maintained by a state or local government, or a plan, trust, or custodial arrangement established to self-insure benefits required by federal, state, or local law;

(d) A fund maintained by a tax-exempt organization, as defined in section 501(c)(3) of the internal revenue code of 1986, as amended, for operating, quasi-endowment, or endowment purposes;

(e) Funds that are established for the benefit of such tax-exempt organizations, such as charitable remainder trusts, charitable lead trusts, charitable annuity trusts, or other similar trusts; or

(f) Collective investment funds similar to those described in (a) through (e) of this subsection created under the laws of a foreign jurisdiction.

(4) Investments are located outside the United States if the underlying assets in which the investment constitutes a beneficial interest reside or are created, issued or held outside the United States.

(5) This section expires July 1, 2021.

**Sec.**  RCW 82.04.440 and 2011 c 2 s 205 are each amended to read as follows:

(1) Every person engaged in activities that are subject to tax under two or more provisions of RCW 82.04.230 through 82.04.298, inclusive, is taxable under each provision applicable to those activities.

(2) Persons taxable under RCW 82.04.2909(2), 82.04.250, 82.04.270, 82.04.294(2), or 82.04.260 (1)(b), (c), or (d), (4), (11), or (12) with respect to selling products in this state, including those persons who are also taxable under RCW 82.04.261 or section 203 of this act, with respect to selling products in this state, are allowed a credit against those taxes for any (a) manufacturing taxes paid with respect to the manufacturing of products so sold in this state, and/or (b) extracting taxes paid with respect to the extracting of products so sold in this state or ingredients of products so sold in this state. Extracting taxes taken as credit under subsection (3) of this section may also be taken under this subsection, if otherwise allowable under this subsection. The amount of the credit may not exceed the tax liability arising under this chapter with respect to the sale of those products.

(3) Persons taxable as manufacturers under RCW 82.04.240 or 82.04.260 (1)(b) or (12), including those persons who are also taxable under RCW 82.04.261 or section 203 of this act, with respect to the manufacturing of products in this state, are allowed a credit against those taxes for any extracting taxes paid with respect to extracting the ingredients of the products so manufactured in this state. The amount of the credit may not exceed the tax liability arising under this chapter with respect to the manufacturing of those products.

(4) Persons taxable under RCW 82.04.230, 82.04.240, 82.04.2909(1), 82.04.294(1), 82.04.2404, or 82.04.260 (1), (2), (4), (11), or (12), including those persons who are also taxable under RCW 82.04.261 or section 203 of this act, with respect to extracting or manufacturing products in this state, are allowed a credit against those taxes for any (i) gross receipts taxes paid to another state with respect to the sales of the products so extracted or manufactured in this state, (ii) manufacturing taxes paid with respect to the manufacturing of products using ingredients so extracted in this state, or (iii) manufacturing taxes paid with respect to manufacturing activities completed in another state for products so manufactured in this state. The amount of the credit may not exceed the tax liability arising under this chapter with respect to the extraction or manufacturing of those products.

(5) ((~~For the purpose of this section:~~)) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

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

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

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

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

(c) "Manufacturing tax" means a gross receipts tax imposed on the act or privilege of engaging in business as a manufacturer, and includes:

(i) The taxes imposed in RCW 82.04.240, 82.04.2404, 82.04.2909(1), 82.04.260 (1), (2), (4), (11), and (12), and 82.04.294(1);

(ii) The tax imposed under RCW 82.04.261 and section 203 of this act on persons who are engaged in business as a manufacturer; and

(iii) Similar gross receipts taxes paid to other states.

(d) "Extracting tax" means a gross receipts tax imposed on the act or privilege of engaging in business as an extractor, and includes:

(i) The tax imposed on extractors in RCW 82.04.230 and 82.04.260(12);

(ii) The ((~~tax~~)) taxes imposed under RCW 82.04.261 and section 203 of this act on persons who are engaged in business as an extractor; and

(iii) Similar gross receipts taxes paid to other states.

(e) "Business", "manufacturer", "extractor", and other terms used in this section have the meanings given in RCW 82.04.020 through ((~~82.04.212 [82.04.217]~~)) 82.04.217, notwithstanding the use of those terms in the context of describing taxes imposed by other states.

**Sec.**  RCW 82.04.44525 and 2009 c 535 s 1104 are each amended to read as follows:

(1) Subject to the limits in this section, an eligible person is allowed a credit against the tax due under this chapter. The credit is based on qualified employment positions in eligible areas. The credit is available to persons who are engaged in international services as defined in this section. In order to receive the credit, the international service activities must take place at a business within the eligible area.

(2)(a) The credit ((~~shall~~)) equals three thousand dollars for each qualified employment position created after July 1, 1998, in an eligible area. A credit is earned for the calendar year the person is hired to fill the position, plus the four subsequent consecutive years, if the position is maintained for those four years.

(b) Credit may not be taken for hiring of persons into positions that exist on July 1, 1998. Credit is authorized for new employees hired for new positions created after July 1, 1998. New positions filled by existing employees are eligible for the credit under this section only if the position vacated by the existing employee is filled by a new hire.

(c) When a position is newly created, if it is filled before July 1st, this position is eligible for the full yearly credit. If it is filled after June 30th, this position is eligible for half of the credit.

(d) Credit may be accrued and carried over until it is used. No refunds may be granted for credits under this section.

(3) ((~~For the purposes of this section:~~)) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Eligible area" means: (i) A community empowerment zone under RCW 43.31C.020; or (ii) a contiguous group of census tracts that meets the unemployment and poverty criteria of RCW 43.31C.030 and is designated under subsection (4) of this section;

(b) "Eligible person" means a person, as defined in RCW 82.04.030, who in an eligible area at a specific location is engaged in the business of providing international services;

(c)(i) "International services" means the provision of a service, as defined under (c)((~~(iii)~~)) (ii) of this subsection, that is subject to tax under RCW 82.04.290 (1) or (2) ((~~or (3)~~)), and either:

(A) Is for a person domiciled outside the United States; or

(B) The service itself is for use primarily outside of the United States.

(ii) ((~~"International services" excludes any service taxable under RCW 82.04.290(1).~~

~~(iii)~~)) Eligible services are: Computer; data processing; information; legal; accounting and tax preparation; engineering; architectural; business consulting; business management; public relations and advertising; surveying; geological consulting; real estate appraisal; or financial services. For the purposes of this section these services mean the following:

(A) "Computer services" are services such as computer programming, custom software modification, customization of canned software, custom software installation, custom software maintenance, custom software repair, training in the use of software, computer systems design, and custom software update services;

(B) "Data processing services" are services such as word processing, data entry, data retrieval, data search, information compilation, payroll processing, business accounts processing, data production, and other computerized data and information storage or manipulation. "Data processing services" also includes the use of a computer or computer time for data processing whether the processing is performed by the provider of the computer or by the purchaser or other beneficiary of the service;

(C) "Information services" are services such as electronic data retrieval or research that entails furnishing financial or legal information, data or research, internet access as defined in RCW 82.04.297, general or specialized news, or current information;

(D) "Legal services" are services such as representation by an attorney, or other person when permitted, in an administrative or legal proceeding, legal drafting, paralegal services, legal research services, and court reporting services, arbitration, and mediation services;

(E) "Accounting and tax preparation services" are services such as accounting, auditing, actuarial, bookkeeping, or tax preparation services;

(F) "Engineering services" are services such as civil, electrical, mechanical, petroleum, marine, nuclear, and design engineering, machine designing, machine tool designing, and sewage disposal system designing services;

(G) "Architectural services" are services such as structural or landscape design or architecture, interior design, building design, building program management, and space planning services;

(H) "Business consulting services" are services such as primarily providing operating counsel, advice, or assistance to the management or owner of any business, private, nonprofit, or public organization, including but not limited to those in the following areas: Administrative management consulting; general management consulting; human resource consulting or training; management engineering consulting; management information systems consulting; manufacturing management consulting; marketing consulting; operations research consulting; personnel management consulting; physical distribution consulting; site location consulting; economic consulting; motel, hotel, and resort consulting; restaurant consulting; government affairs consulting; and lobbying;

(I) "Business management services" are services such as administrative management, business management, and office management. "Business management services" does not include property management or property leasing, motel, hotel, and resort management, or automobile parking management;

(J) "Public relations and advertising services" are services such as layout, art direction, graphic design, copy writing, mechanical preparation, opinion research, marketing research, marketing, or production supervision;

(K) "Surveying services" are services such as land surveying;

(L) "Geological consulting services" are services rendered for the oil, gas, and mining industry and other earth resource industries, and other services such as soil testing;

(M) "Real estate appraisal services" are services such as market appraisal and other real estate valuation; and

(N) "Financial services" are services such as banking, loan, security, investment management, investment advisory, mortgage servicing, contract collection, and finance leasing services, engaged in by financial businesses, or businesses similar to or in competition with financial businesses; and

(d) "Qualified employment position" means a permanent full-time position to provide international services. If an employee is either voluntarily or involuntarily separated from employment, the employment position is considered filled on a full-time basis if the employer is either training or actively recruiting a replacement employee.

(4) By ordinance, the legislative authority of a city, or legislative authorities of contiguous cities by ordinance of each city's legislative authority, with population greater than eighty thousand, located in a county containing no community empowerment zones as designated under RCW 43.31C.020, may designate a contiguous group of census tracts within the city or cities as an eligible area under this section. Each of the census tracts must meet the unemployment and poverty criteria of RCW 43.31C.030. Upon making the designation, the city or cities ((~~shall~~)) must transmit to the department of revenue a certification letter and a map, each explicitly describing the boundaries of the census tract. This designation must be made by December 31, 1998.

(5) No application is necessary for the tax credit. The person must keep records necessary for the department to verify eligibility under this section. This information includes:

(a) Employment records for the previous six years;

(b) Information relating to description of international service activity engaged in at the eligible location by the person; and

(c) Information relating to customers of international service activity engaged in at that location by the person.

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

(7) The employment security department ((~~shall~~)) must provide to the department of revenue such information needed by the department of revenue to verify eligibility under this section.

**Sec.**  RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each amended to read as follows:

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

(2) The credit is equal to:

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

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

(C) Property taxes or leasehold excise taxes paid on, or with respect to, buildings constructed after June 30, 2008, the land upon which the buildings are located, or both, and used exclusively for aerospace product development, manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components, or in providing aerospace services, by persons not within the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable under RCW 82.04.290((~~(3)~~)) (1), 82.04.260(11)(b), or 82.04.250(3); or

(ii) Property taxes attributable to an increase in assessed value due to the renovation or expansion, after: (A) December 1, 2003, of a building used exclusively in manufacturing commercial airplanes or components of such airplanes; and (B) June 30, 2008, of buildings used exclusively for aerospace product development, manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components, or in providing aerospace services, by persons not within the scope of (a)(ii)(A) of this subsection (2) and are taxable under RCW 82.04.290((~~(3)~~)) (1), 82.04.260(11)(b), or 82.04.250(3); and

(b) An amount equal to:

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

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

(C) Property taxes paid, by persons taxable under RCW 82.04.250(3) or 82.04.290((~~(3)~~)) (1), on computer hardware, computer peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and acquired after June 30, 2008.

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

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

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

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

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

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

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

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

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

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

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

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

(6) This section expires July 1, 2040.

**Sec.**  RCW 82.04.280 and 2010 c 106 s 205 are each reenacted and amended to read as follows:

(1) Upon every person engaging within this state in the business of: (a) Printing materials other than newspapers, and of publishing periodicals or magazines; (b) building, repairing or improving any street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle which is owned by a municipal corporation or political subdivision of the state or by the United States and which is used or to be used, primarily for foot or vehicular traffic including mass transportation vehicles of any kind and including any readjustment, reconstruction or relocation of the facilities of any public, private or cooperatively owned utility or railroad in the course of such building, repairing or improving, the cost of which readjustment, reconstruction, or relocation, is the responsibility of the public authority whose street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle is being built, repaired or improved; (c) extracting for hire or processing for hire, except persons taxable as extractors for hire or processors for hire under another section of this chapter; (d) operating a cold storage warehouse or storage warehouse, but not including the rental of cold storage lockers; (e) representing and performing services for fire or casualty insurance companies as an independent resident managing general agent licensed under the provisions of chapter 48.17 RCW; (f) radio and television broadcasting, excluding network, national and regional advertising computed as a standard deduction based on the national average thereof as annually reported by the federal communications commission, or in lieu thereof by itemization by the individual broadcasting station, and excluding that portion of revenue represented by the out-of-state audience computed as a ratio to the station's total audience as measured by the 100 micro-volt signal strength and delivery by wire, if any; (g) engaging in activities which bring a person within the definition of consumer contained in RCW 82.04.190(6); as to such persons, the amount of tax on such business is equal to the gross income of the business multiplied by the rate of 0.484 percent.

(2) For the purposes of this section, the following definitions apply unless the context clearly requires otherwise.

(a) "Cold storage warehouse" means a storage warehouse used to store fresh and/or frozen perishable fruits or vegetables, meat, seafood, dairy products, or fowl, or any combination thereof, at a desired temperature to maintain the quality of the product for orderly marketing.

(b) "Storage warehouse" means a building or structure, or any part thereof, in which goods, wares, or merchandise are received for storage for compensation, except field warehouses, fruit warehouses, fruit packing plants, warehouses licensed under chapter 22.09 RCW, public garages storing automobiles, railroad freight sheds, docks and wharves, and "self-storage" or "mini storage" facilities whereby customers have direct access to individual storage areas by separate entrance. ((~~"Storage warehouse" does not include a building or structure, or that part of such building or structure, in which an activity taxable under RCW 82.04.272 is conducted.~~))

(c) "Periodical or magazine" means a printed publication, other than a newspaper, issued regularly at stated intervals at least once every three months, including any supplement or special edition of the publication.

**Sec.**  RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401 are each reenacted and amended to read as follows:

(1)(a) ((~~Section 206, chapter 106, Laws of 2010,~~)) Sections 104, 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, ((~~section 3, chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006,~~)) and sections ((~~4~~)) 1, 2, 3, and 5 through 10, chapter 149, Laws of 2003 are contingent upon the siting and commercial operation of a significant semiconductor microchip fabrication facility in the state of Washington.

(b) For the purposes of this section:

(i) "Commercial operation" means the same as "commencement of commercial production" as used in RCW 82.08.965.

(ii) "Semiconductor microchip fabrication" means "manufacturing semiconductor microchips" as defined in RCW 82.04.426.

(iii) "Significant" means the combined investment of new buildings and new machinery and equipment in the buildings, at the commencement of commercial production, will be at least one billion dollars.

(2) ((~~Chapter 149, Laws of 2003 takes~~)) The sections referenced in subsection (1) of this section take effect the first day of the month in which a contract for the construction of a significant semiconductor fabrication facility is signed, as determined by the director of the department of revenue.

(3)(a) The department of revenue must provide notice of the effective date of ((~~sections 104, 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010[,] section 3, chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and section 4, chapter 149, Laws of 2003~~)) the sections referenced in subsection (1) of this section to affected taxpayers, the legislature, and others as deemed appropriate by the department.

(b) If, after making a determination that a contract has been signed and ((~~chapter 149, Laws of 2003 is~~)) the sections referenced in subsection (1) of this section are effective, the department discovers that commencement of commercial production did not take place within three years of the date the contract was signed, the department must make a determination that chapter 149, Laws of 2003 is no longer effective, and all taxes that would have been otherwise due are deemed deferred taxes and are immediately assessed and payable from any person reporting tax under RCW 82.04.240(2) or claiming an exemption or credit under ((~~section 2 or 5 through 10, chapter 149, Laws of 2003~~)) RCW 82.04.426, 82.04.448, 82.08.965, 82.12.965, 82.08.970, 82.12.970, or 84.36.645. The department is not authorized to make a second determination regarding the effective date of ((~~chapter 149, Laws of 2003~~)) the sections referenced in subsection (1) of this section.

NEW SECTION. **Sec.**  The following acts or parts of acts are each repealed:

(1)2010 c 106 s 206;

(2)2009 c 461 s 3;

(3)2006 c 300 s 7; and

(4)2003 c 149 s 4.

**Part XI**

**Miscellaneous Provisions**

NEW SECTION. **Sec.**  Sections 101 through 112 of this act constitute a new chapter in Title 82 RCW.

NEW SECTION. **Sec.**  Sections 604 through 608 of this act constitute a new chapter in Title 82 RCW.

NEW SECTION. **Sec.**  This act does not affect any existing right acquired or liability or obligation incurred under the sections amended or repealed or under any rule or order adopted under those sections, nor does it affect any proceeding instituted under those sections.

NEW SECTION. **Sec.**  (1) If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

(2) If the department of revenue is prevented from enforcing chapter 82.08 or 82.12 RCW against persons without a physical presence in this state because any provision of this act or its application to any person or circumstance is held invalid, the department of revenue must impose such provisions to the fullest extent allowed under the Constitution and laws of the United States.

NEW SECTION. **Sec.**  The tax collection, reporting, and payment obligations imposed by this act apply prospectively only.

NEW SECTION. **Sec.**  (1) Except as otherwise provided in this section, this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2017.

(2) Section 801 and part VI of this act take effect January 1, 2018.

**--- END ---**