**5126-S2 AMS WAGO S2679.2 - NOT FOR FLOOR USE**

**2SSB 5126** - S AMD **673**

By Senator Wagoner

**WITHDRAWN 04/08/2021**

Strike everything after the enacting clause and insert the following:

**"PART I**

**IMPOSING A CARBON POLLUTION TAX TO MITIGATE CLIMATE RISK AND PROVIDE INDIVIDUAL AND BUSINESS TAX RELIEF**

NEW SECTION. **Sec.**  This act establishes a carbon pollution tax to account for a significant share of the economic and environmental impacts of greenhouse gas emissions and includes substantial funding for forest health and resiliency. The legislature intends to offset the tax burden imposed on Washingtonians from this tax by providing individual and business tax relief as identified in this act, including state property tax relief for homeowners, eliminating the business and occupation tax on manufacturing, and implementing the working families tax credit.

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

(1) "Aircraft fuel" has the same meaning as provided in RCW 82.42.010.

(2) "Carbon calculation" means a calculation made by the department of ecology, in consultation with the department of commerce, for purposes of determining the carbon dioxide emissions from the complete combustion or oxidation of fossil fuels for use in calculating the carbon pollution tax pursuant to section 3 of this act. The carbon calculation also includes the life-cycle analysis of emissions associated with these fuels determined under section 3 of this act.

(3) "Carbon dioxide equivalent" means a metric measure used to compare the emissions from various greenhouse gases based on their global warming potential.

(4) "Carbon pollution tax" means the tax created in section 3 of this act.

(5) "Coal" means a readily combustible rock of carbonaceous material, including anthracite coal, bituminous coal, subbituminous coal, lignite, waste coal, syncopal, and coke of any kind.

(6) "Department" means the department of revenue.

(7) "Direct access gas customer" means a person who purchases natural gas for consumption from any seller other than a seller registered with the department for purposes of paying taxes due under chapter 82.04 or 82.16 RCW.

(8) "Facility" means any physical property, plant, building, structure, source, or stationary equipment located on one or more contiguous or adjacent properties in actual physical contact or separated solely by a public roadway or other public right-of-way and under common ownership or common control, that emits or may emit any greenhouse gas.

(9) "Fossil fuel" means motor vehicle fuel, special fuel, dyed special fuel, aircraft fuel, natural gas, coal, and any form of solid, liquid, or gaseous fuel derived from natural gas, coal, petroleum, or crude oil, including without limitation still gas, propane, and petroleum residuals including bunker fuel.

(10) "Gas distribution business" has the same meaning as provided in RCW 82.16.010.

(11) "Greenhouse gas" means carbon dioxide, methane, nitrogen trifluoride, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons, perfluorocarbons, and other fluorinated greenhouse gases.

(12) "Highly impacted community" has the same meaning as defined in RCW 19.405.020.

(13) "Motor vehicle fuel" has the same meaning as provided in RCW 82.38.020.

(14) "Natural gas" means naturally occurring mixtures of hydrocarbon gases and vapors consisting principally of methane, whether in gaseous or liquid form, including methane clathrate.

(15) "Person" has the same meaning as provided in RCW 82.04.030.

(16) "Sale" has the same meaning as provided in RCW 82.04.040.

(17) "Special fuel" has the same meaning as provided in RCW 82.38.020.

(18) "Taxpayer" means a person subject to the carbon pollution tax created in section 3 of this act.

(19) "Tribal lands" has the same meaning as "Indian country" as provided in 18 U.S.C. Sec. 1151, and also includes sacred sites, traditional cultural properties, burial grounds, and other tribal sites protected by federal or state law.

(20)(a) "Use," "used," "using," or "put to use" means, with respect to any fossil fuel other than natural gas, the consumption in this state of the fossil fuel by the taxpayer or the possession or storage in this state of the fossil fuel by the taxpayer preparatory to subsequent consumption of the fossil fuel within this state by the taxpayer.

(b) "Use," "used," "using," or "put to use" means, with respect to natural gas, the consumption in this state of the fossil fuel by the taxpayer.

(c) For the purposes of this subsection, "possession" means the control of fossil fuel located within this state and includes either actual or constructive possession, or both. "Actual possession" occurs when the person with control has physical possession. "Constructive possession" occurs when the person with control does not have physical possession. "Control" means the power to sell or use a fossil fuel or to authorize the sale or use by another.

(21) "Vulnerable populations" has the same meaning as defined in RCW 19.405.020.

(22) "Year" means the 12-month period commencing January 1st and ending December 31st unless otherwise specified.

NEW SECTION. **Sec.**  (1)(a) Beginning July 1, 2022, a carbon pollution tax is imposed on the sale or use within this state of all fossil fuels, except fossil fuels used to generate electricity in the state.

(b) The measure of the carbon pollution tax is the carbon dioxide equivalent emissions:

(i) Resulting from the complete combustion or oxidation of fossil fuels sold or used by the taxpayer within this state; and

(ii) For the purposes of measuring the tax rate under subsection (2) of this section only, from the entire life cycle of the fossil fuel.

(2) The tax rate as of July 1, 2022, is equal to $15.00 per metric ton of greenhouse gas emissions. The tax rate automatically increases annually each July 1st thereafter by five percent each year and is adjusted for inflation using the consumer price index.

(3) By January 1, 2031, the department of ecology shall make a determination of whether the sources of emissions covered by this tax are predicted to achieve their combined share of the emissions reductions necessary for the state to achieve the emissions limits established in RCW 70A.45.020. By January 1, 2031, the department of ecology must provide the legislature with a report detailing its determination with recommendations, pursuant to the tax and covered sources, for achieving the emissions limits established in RCW 70A.45.020.

(4) For the purposes of this chapter, the carbon pollution tax is imposed:

(a) Only once with respect to the same unit of fossil fuel;

(b) At the time and place of the first event within this state in which the tax is applicable, except as otherwise provided in this section, occurring on or after the effective date of this section, regardless of whether the fossil fuel was previously sold, used, or consumed within this state before the effective date of this section; and

(c) Upon the first person within this state upon which the tax would be applicable, except as otherwise provided in this section. Such a person includes:

(i) A person required to be registered with the department under RCW 82.32.030(1);

(ii) The state, its political subdivisions, and municipal corporations; and

(iii) A person who maintains a place of business in this state but who is not required to be registered with the department under RCW 82.32.030(1).

(5) As provided in this section, the carbon pollution tax on the sale or use of fossil fuels is imposed on the seller or user of the fossil fuel.

(6) The carbon pollution tax on the sale or use of natural gas is imposed as follows:

(a) Natural gas transported through the state that is not produced or delivered in the state is exempt from the carbon pollution tax imposed by this section. Natural gas possessed or stored in this state is exempt from the carbon pollution tax imposed by this section unless the tax is otherwise applicable under (b) or (c) of this subsection;

(b) For natural gas sold by a gas distribution business to a retail customer in the state, the carbon pollution tax is imposed on the gas distribution business upon the sale of such natural gas to the retail customer; and

(c) For natural gas sold to a direct access gas customer in the state, the carbon pollution tax is imposed on the direct access gas customer upon the consumption of such natural gas by the direct access gas customer.

(7) For motor vehicle fuel and special fuel, the carbon pollution tax is imposed on the seller or user of the fuel at the points of taxation specified in RCW 82.38.030(9).

(8)(a) The carbon pollution tax may not be applied to the sale or use of any fossil fuels or consumption of electricity upon which the tax under this chapter has been previously imposed.

(b) A sale of fossil fuel takes place in this state when the fossil fuel is delivered in this state to the purchaser or a person designated by the purchaser, notwithstanding any contract terms designating a location outside of this state as the place of sale.

(c) All sales subject to the tax within this state of a fossil fuel must document the amount of carbon pollution tax paid in accordance with rules adopted by the department.

(9) For purposes of determining the carbon pollution tax due under this chapter:

(a) The department must use the carbon calculation for all fossil fuels sold or used within the state, a calculation of the life-cycle emissions associated with the consumption in the state of transportation fuels;

(b) For fossil fuels, the department of ecology, in consultation with the department of commerce, must adopt by rule criteria for making the carbon calculation;

(c) The department of ecology may require additional information from sources as necessary, in consultation with the department of commerce, for determining the carbon calculation under this chapter.

(10) For taxpayers who are also subject to any of the taxes imposed under chapter 82.04, 82.08, 82.12, or 82.16 RCW, the frequency of reporting and payment of the carbon pollution tax must, to the extent practicable, coincide with a taxpayer's reporting periods for the taxes imposed under chapter 82.04, 82.08, 82.12, or 82.16 RCW.

(11) The department must develop and make available worksheets, tax tables, and guidance documents it deems necessary to calculate the carbon dioxide emissions of fossil fuels.

(12) The first $500,000,000 of carbon pollution tax proceeds collected under this section must be deposited in the forest resiliency account created in RCW 43.79. . . . (section 964, chapter . . . (Engrossed Substitute Senate Bill No. 5092), Laws of 2021) and must be used to implement the department of natural resources' forest health plan, as specified in chapter 95, Laws of 2017. All remaining proceeds from the carbon pollution tax imposed under this section must be deposited in the state general fund.

NEW SECTION. **Sec.**  (1) The carbon pollution tax in section 3 of this act does not apply to:

(a) Fossil fuels brought into this state by means of the primary fuel supply tank of a motor vehicle, vessel, locomotive, or aircraft, actively supplying fuel for combustion upon entry into the state;

(b) Fossil fuels that the state is prohibited from imposing a tax under the state Constitution or the Constitution or laws of the United States;

(c)(i) Fossil fuels exported from this state. Export to Indian country located within the boundaries of this state is not considered export from this state. For purposes of this subsection, "Indian country" has the same meaning as provided in RCW 37.12.160.

(ii) An exporter of fossil fuels upon which another person previously paid the carbon pollution tax is entitled to a credit or refund of the tax paid, if the exporter can establish to the department's satisfaction that the tax under this chapter was previously paid on the exported fossil fuels. The person who paid the carbon pollution tax is not entitled to an exemption under this subsection (1)(c) when any other person is entitled to a refund or credit under this subsection (1)(c)(ii). For purposes of this subsection, "exporter" means a person who exports fossil fuels or electricity from this state;

(d) The sale or use of coal transition power as defined in RCW 80.80.010;

(e) Diesel fuel, biodiesel fuel, or aircraft fuel when these fuels are used solely for agricultural purposes by a farm fuel user, as defined in RCW 82.08.865;

(f) Biogas, which includes renewable liquid natural gas or liquid compressed natural gas made from biogas, landfill gas, biodiesel, renewable diesel, and cellulosic ethanol;

(g) Aircraft fuel as defined in RCW 82.42.010;

(h) The portion of fossil fuels purchased in the state and combusted outside the state by interstate motor carriers and vessels used primarily in interstate or foreign commerce. The department must provide a methodology by rule to apportion fossil fuels consumed inside the state of Washington by interstate motor carriers and vessels used primarily in interstate or foreign commerce;

(i) Activities or property of Indian tribes and individual Indians that are exempt from state imposition of a tax as a matter of federal law or state law, whether by statute, rule, or compact;

(j) Motor vehicle fuel or special fuel that is used exclusively for agricultural purposes by a farm fuel user. This exemption is available only if a buyer of motor vehicle fuel or special fuel provides the seller with an exemption certificate in a form and manner prescribed by the department. For the purposes of this subsection (1)(j), "agricultural purposes" and "farm fuel user" have the same meanings as provided in RCW 82.08.865; the department shall determine a method for expanding this exemption to include fuels used for the purpose of transporting agricultural goods on public highways; the department shall maintain this expanded exemption for a period of five years, in order to provide the agricultural sector with a feasible transition period;

(k)(i) Motor vehicle fuel or special fuel that is used by the following: (A) Log transportation businesses; and (B) persons in the business of extracting timber. This exemption is available only if a buyer of motor vehicle fuel or special fuel provides the seller with an exemption certificate in a form and manner prescribed by the department; the department shall determine a method for expanding this exemption to include fuels used for the purpose of transporting timber on public highways; the department shall maintain this expanded exemption for a period of five years, in order to provide the timber sector with a feasible transition period.

(ii) For the purposes of this subsection (1)(k), the following definitions apply: (A) "Log transportation business" has the same meaning as provided in RCW 82.16.010; and (B) "timber" means forest trees, standing or down, on privately owned or publicly owned land, and does not include Christmas trees that are cultivated by agricultural methods or short-rotation hardwoods as defined in RCW 84.33.035; and

(l) Any fossil fuels consumed by an energy-intensive, trade-exposed business in a sector designated by department rules. By June 30, 2022, the department in consultation with the departments of commerce and ecology shall adopt rules to designate energy-intensive, trade-exposed industry sectors. By July 30, 2026, the department of ecology must provide a report to the appropriate committees of the senate and house of representatives on whether to restrict or eliminate this exemption identified in this subsection (1)(l). In developing the report, the department of ecology must solicit input and data from industry sectors and other interested persons. The report must include recommendations for alternatives that will minimize leakage, allow for growth of Washington industries, recognize and provide credit for early actions to reduce emissions, availability of alternative fuels, and incorporate performance benchmarking of emissions intensity in production processes.

(2)(a) For any fossil fuels subject to the carbon pollution tax imposed by section 3 of this act that are also subject to a comparable carbon pollution tax or charge on carbon content imposed by another jurisdiction, including the federal government or allowances required to be purchased by another jurisdiction, the entity may take a credit against the tax imposed under this chapter by the amount of the comparable pollution tax or charge paid to the other jurisdiction up to the amount of tax owed under this chapter, provided that the person claiming the credit provides evidence acceptable to the department that the equivalent tax has been paid.

(b) For the purposes of this section, a comparable carbon pollution tax or charge means a tax or charge that is not generally imposed on other activities or privileges that is:

(i) Imposed on the sale, use, possession, transfer, or consumption of fossil fuels; and

(ii) Measured in terms of greenhouse gas emissions by the greenhouse gas emissions resulting from the complete combustion or oxidation of such fossil fuels.

NEW SECTION. **Sec.**  The provisions of chapter 82.32 RCW apply to this chapter.

NEW SECTION. **Sec.**  This chapter may be known and cited as the Washington climate and economic relief act.

NEW SECTION. **Sec.**  Sections 1 through 6 of this act constitute a new chapter in Title 82 RCW.

NEW SECTION. **Sec.**  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.

**PART II**

**PROVIDING FINANCIAL RELIEF FOR WORKING FAMILIES**

**Sec.**  RCW 82.08.0206 and 2008 c 325 s 2 are each amended to read as follows:

(1) A working families' tax exemption, in the form of a remittance of tax due under this chapter and chapter 82.12 RCW, is provided to eligible low-income persons for sales taxes paid under this chapter after January 1, ((~~2008~~)) 2022.

(2) For purposes of the exemption in this section, ((~~an eligible low-income person is~~)) the following definitions apply:

(a) ((~~An~~)) "Eligible low-income person" means an individual((~~, or an individual and that individual's spouse if they file a federal joint income tax return;~~

~~(b) [An individual who] Who is~~)) who:

(i) Is eligible for((~~, and is granted,~~)) the credit provided in Title 26 U.S.C. Sec. 32; and

((~~(c) [An individual who] Who properly~~)) (ii) Properly files a federal income tax return as a Washington resident, and has been a resident of the state of Washington more than one hundred eighty days of the year for which the exemption is claimed.

(b) "Income" means earned income as defined by Title 26 U.S.C. Sec. 32.

(c) "Individual" means an individual and that individual's spouse if they file a federal joint income tax return.

(3) ((~~For remittances made in 2009 and 2010, the working families' tax exemption for the prior year is a retail sales tax exemption equal to the greater of five percent of the credit granted as a result of Title 26 U.S.C. Sec. 32 in the most recent year for which data is available or twenty-five dollars. For 2011~~)) (a) For 2023 and thereafter, the working families' tax ((~~exemption~~)) remittance amount for the prior year is equal to the greater of ten percent of the credit granted as a result of Title 26 U.S.C. Sec. 32 in the most recent year for which data is available or fifty dollars.

(b) If the remittance for an eligible person as calculated in this section is greater than one cent, but less than $50, the remittance amount is $50.

(4) ((~~For any fiscal period, the working families' tax exemption authorized under this section shall be approved by the legislature in the state omnibus appropriations act before persons may claim the exemption during the fiscal period.~~

~~(5)~~)) The working families' tax exemption shall be administered as provided in this subsection.

((~~(a) An eligible low-income person claiming an exemption under this section must pay the tax imposed under chapters 82.08, 82.12, and 82.14 RCW in the year for which the exemption is claimed. The eligible low-income person may then apply to the department for the remittance as calculated under subsection (3) of this section.~~

~~(b) Application shall be made to the department in a form and manner determined by the department, but the department must provide alternative filing methods for applicants who do not have access to electronic filing.~~

~~(c) Application for the exemption remittance under this section must be made in the year following the year for which the federal return was filed, but in no case may any remittance be provided for any period before January 1, 2008. The department may use the best available data to process the exemption remittance. The department shall begin accepting applications October 1, 2009.~~

~~(d) The department shall review the application and determine eligibility for the working families' tax exemption based on information provided by the applicant and through audit and other administrative records, including, when it deems it necessary, verification through internal revenue service data.~~

~~(e) The department shall remit the exempted amounts to eligible low-income persons who submitted applications. Remittances may be made by electronic funds transfer or other means.~~

~~(f) The department may, in conjunction with other agencies or organizations, design and implement a public information campaign to inform potentially eligible persons of the existence of and requirements for this exemption.~~

~~(g) The department may contact persons who appear to be eligible low-income persons as a result of information received from the internal revenue service under such conditions and requirements as the internal revenue service may by law require.~~

~~(6) The provisions of chapter 82.32 RCW apply to the exemption in this section.~~

~~(7) The department may adopt rules necessary to implement this section.~~

~~(8) The department shall limit its costs for the exemption program to the initial start-up costs to implement the program. The state omnibus appropriations act shall specify funding to be used for the ongoing administrative costs of the program. These ongoing administrative costs include, but are not limited to, costs for: The processing of internet and mail applications, verification of application claims, compliance and collections, additional full-time employees at the department's call center, processing warrants, updating printed materials and web information, media advertising, and support and maintenance of computer systems.~~))

(a) The remittance paid under this section will be paid to eligible filers who apply pursuant to this subsection.

(i) Application must be made to the department in a form and manner determined by the department. If the application process is initially done electronically, the department must provide a paper application upon request. The application must include any information and documentation as required by the department.

(ii) Application for the remittance under this section must be made in the year following the year for which the federal return was filed, but in no case may any remittance be provided for any period before January 1, 2022. The department must use the eligible person's most recent federal tax filing to process the remittance.

(iii) A person may not claim an exemption on behalf of a deceased individual. No individual may claim an exemption under this section for any year in a disallowance period under Title 26 U.S.C. Sec. 32(k)(1) or for any year for which the individual is ineligible to claim the credit in Title 26 U.S.C. Sec. 32 by reason of Title 26 U.S.C. Sec. 32(k)(2).

(b) The department shall protect the privacy and confidentiality of personal data of remittance recipients in accordance with chapter 82.32 RCW.

(c) The department shall, in conjunction with other agencies or organizations, design and implement a public information campaign to inform potentially eligible persons of the existence of, and requirements for, this section.

(d) The department must work with the internal revenue service to administer the exemption on an automatic basis as soon as practicable.

(5) Receipt of the remittance under this section may not be used in eligibility determinations for any state income support programs or in making public charge determinations.

(6) The department may adopt rules necessary to implement this section. This includes establishing a date by which applications will be accepted, with the aim of accepting applications as soon as possible. The department may gather necessary data through audit and other administrative records, including verification through internal revenue service data.

(7) The department must review the application and determine eligibility for the working families' tax exemption based on information provided by the applicant and through audit and other administrative records, including, when it deems it necessary, verification through internal revenue service data.

(8) If, upon review of internal revenue service data or other information obtained by the department, it appears that an individual received a remittance that the individual was not entitled to, or received a larger remittance than the individual was entitled to, the department may assess against the individual the overpaid amount. The department may also assess such overpaid amount against the individual's spouse if the remittance in question was based on both spouses filing a joint federal income tax return for the year for which the remittance was claimed.

(a) Interest as provided under RCW 82.32.050 applies to assessments authorized under this subsection (8). Except as otherwise provided in this subsection, penalties may not be assessed on amounts due under this subsection.

(b) If an amount due under this subsection is not paid in full by the date due, or the department issues a warrant for the collection of amounts due under this subsection, the department may assess the applicable penalties under RCW 82.32.090.

(c) If the department finds by clear, cogent, and convincing evidence that an individual knowingly submitted, caused to be submitted, or consented to the submission of, a fraudulent claim for remittance under this section, the department must assess a penalty of 50 percent of the overpaid amount. This penalty is in addition to any other applicable penalties assessed in accordance with (b) of this subsection (8).

(9) If, within the period allowed for refunds under RCW 82.32.060, the department finds that an individual received a lesser remittance than the individual was entitled to, the department must remit the additional amount due under this section to the individual.

(10) Interest does not apply to remittances provided under this act.

(11) For any fiscal period, the working families' tax exemption authorized under this section shall be approved by the legislature in the state omnibus appropriations act before persons may claim the exemption during the fiscal period.

NEW SECTION. **Sec.**  The provisions of RCW 82.32.805 and 82.32.808 do not apply to this act.

**PART III**

**PROVIDING TAX RELIEF TO PRESERVE AEROSPACE AND OTHER MANUFACTURING JOBS IN WASHINGTON**

NEW SECTION. **Sec.**  The legislature finds that the manufacturing industry in Washington is an important source of jobs that pay significantly more than the average state wage. The legislature also finds that even prior to the coronavirus pandemic, the manufacturing industry had lost more than 43,000 jobs during the 21st century, while other leading Washington industries have collectively added hundreds of thousands of jobs. The legislature further finds that the coronavirus pandemic has exposed the detriments of limited manufacturing capacity at times when the people need a reliable supply of basic core products and goods.

It is the intent of the legislature to encourage a resurgence of manufacturing capacity in Washington and the creation of family-wage jobs by reducing the tax burden on the manufacturing industry. It is intended that this act will not only enhance the security of the public by promoting self-sufficiency, but also draw new industries to Washington.

**Sec.**  RCW 82.04.240 and 2004 c 24 s 4 are each amended to read as follows:

Upon every person engaging within this state in business as a manufacturer or processor for hire, except persons taxable as manufacturers or processors for hire under other provisions of this chapter; as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including by-products, manufactured or processed, multiplied by the rate of ((~~0.484~~)) 0.00 percent.

The measure of the tax is the value of the products, including by-products, so manufactured regardless of the place of sale or the fact that deliveries may be made to points outside the state.

**Sec.**  RCW 82.04.2404 and 2017 3rd sp.s. c 37 s 503 are each amended to read as follows:

(1) Upon every person engaging within this state in the business of manufacturing or processing for hire semiconductor materials, as to such persons the amount of tax with respect to such business is, in the case of manufacturers, equal to the value of the product manufactured, or, in the case of processors for hire, equal to the gross income of the business, multiplied by the rate of ((~~0.275~~)) 0.00 percent.

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

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

~~(4) Any person who has claimed the preferential tax rate under this section must reimburse the department for fifty percent of the amount of the tax preference under this section, if:~~

~~(a) The number of persons employed by the person claiming the tax preference is less than ninety percent of the person's three-year employment average for the three years immediately preceding the year in which the preferential tax rate is claimed; or~~

~~(b) The person is subject to a review under section 501(4)(a), chapter 37, Laws of 2017 3rd sp. sess. and such person does not meet performance criteria in section 501(4)(a), chapter 37, Laws of 2017 3rd sp. sess.~~

~~(5)~~)) This section expires December 1, 2028.

**Sec.**  RCW 82.04.260 and 2020 c 165 s 3 are each amended to read as follows:

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

(a) Wheat into flour, barley into pearl barley, soybeans into soybean oil, canola into canola oil, canola meal, or canola by-products, or sunflower seeds into sunflower oil; as to such persons the amount of tax with respect to such business is equal to the value of the flour, pearl barley, oil, canola meal, or canola by-product manufactured, multiplied by the rate of ((~~0.138~~)) 0.00 percent;

(b) Beginning July 1, 2025, seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; or selling manufactured seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing, to purchasers who transport in the ordinary course of business the goods out of this state; as to such persons the amount of tax with respect to such business is equal to the value of the products manufactured multiplied by the rate of 0.00 percent or the gross proceeds derived from such sales, multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state;

(c)(i) Except as provided otherwise in (c)(iii) of this subsection, from July 1, 2025, until January 1, 2036, dairy products; or selling dairy products that the person has manufactured to purchasers who either transport in the ordinary course of business the goods out of state or purchasers who use such dairy products as an ingredient or component in the manufacturing of a dairy product; as to such persons the tax imposed is equal to the value of the products manufactured multiplied by the rate of 0.00 percent or the gross proceeds derived from such sales multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state or sold to a manufacturer for use as an ingredient or component in the manufacturing of a dairy product.

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

(A) Products, not including any marijuana-infused product, that as of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from the manufacturing of the dairy products, such as whey and casein; and

(B) Products comprised of not less than ((~~seventy~~)) 70 percent dairy products that qualify under (c)(ii)(A) of this subsection, measured by weight or volume.

(iii) The preferential tax rate provided to taxpayers under this subsection (1)(c) does not apply to sales of dairy products on or after July 1, 2023, where a dairy product is used by the purchaser as an ingredient or component in the manufacturing in Washington of a dairy product;

(d)(i) Beginning July 1, 2025, fruits or vegetables by canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables, or selling at wholesale fruits or vegetables manufactured by the seller by canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables and sold to purchasers who transport in the ordinary course of business the goods out of this state; as to such persons the amount of tax with respect to such business is equal to the value of the products manufactured multiplied by the rate of 0.00 percent or the gross proceeds derived from such sales multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state.

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

(e) Wood biomass fuel; as to such persons the amount of tax with respect to the business is equal to the value of wood biomass fuel manufactured, multiplied by the rate of ((~~0.138~~)) 0.00 percent. For the purposes of this section, "wood biomass fuel" means a liquid or gaseous fuel that is produced from lignocellulosic feedstocks, including wood, forest, or field residue and dedicated energy crops, and that does not include wood treated with chemical preservations such as creosote, pentachlorophenol, or copper-chrome-arsenic.

(2) Upon every person engaging within this state in the business of splitting or processing dried peas; as to such persons the amount of tax with respect to such business is equal to the value of the peas split or processed, multiplied by the rate of ((~~0.138~~)) 0.00 percent.

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

(4) Upon every person engaging within this state in the business of slaughtering, breaking and/or processing perishable meat products and/or selling the same at wholesale only and not at retail; as to such persons the tax imposed is equal to the gross proceeds derived from such sales multiplied by the rate of ((~~0.138~~)) 0.00 percent.

(5)(a) Upon every person engaging within this state in the business of acting as a travel agent or tour operator and whose annual taxable amount for the prior calendar year was ((~~two hundred fifty thousand dollars~~)) $250,000 or less; as to such persons the amount of the tax with respect to such activities is equal to the gross income derived from such activities multiplied by the rate of 0.275 percent.

(b) Upon every person engaging within this state in the business of acting as a travel agent or tour operator and whose annual taxable amount for the calendar year was more than ((~~two hundred fifty thousand dollars~~)) $250,000; as to such persons the amount of the tax with respect to such activities is equal to the gross income derived from such activities multiplied by the rate of 0.275 percent through June 30, 2019, and 0.9 percent beginning July 1, 2019.

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

(7) Upon every person engaging within this state in the business of stevedoring and associated activities pertinent to the movement of goods and commodities in waterborne interstate or foreign commerce; as to such persons the amount of tax with respect to such business is equal to the gross proceeds derived from such activities multiplied by the rate of 0.275 percent. Persons subject to taxation under this subsection are exempt from payment of taxes imposed by chapter 82.16 RCW for that portion of their business subject to taxation under this subsection. Stevedoring and associated activities pertinent to the conduct of goods and commodities in waterborne interstate or foreign commerce are defined as all activities of a labor, service or transportation nature whereby cargo may be loaded or unloaded to or from vessels or barges, passing over, onto or under a wharf, pier, or similar structure; cargo may be moved to a warehouse or similar holding or storage yard or area to await further movement in import or export or may move to a consolidation freight station and be stuffed, unstuffed, containerized, separated or otherwise segregated or aggregated for delivery or loaded on any mode of transportation for delivery to its consignee. Specific activities included in this definition are: Wharfage, handling, loading, unloading, moving of cargo to a convenient place of delivery to the consignee or a convenient place for further movement to export mode; documentation services in connection with the receipt, delivery, checking, care, custody and control of cargo required in the transfer of cargo; imported automobile handling prior to delivery to consignee; terminal stevedoring and incidental vessel services, including but not limited to plugging and unplugging refrigerator service to containers, trailers, and other refrigerated cargo receptacles, and securing ship hatch covers.

(8)(a) Upon every person engaging within this state in the business of disposing of low-level waste, as defined in RCW ((~~43.145.010~~)) 70A.380.010; as to such persons the amount of the tax with respect to such business is equal to the gross income of the business, excluding any fees imposed under chapter ((~~43.200~~)) 70A.384 RCW, multiplied by the rate of 3.3 percent.

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

(9) Upon every person engaging within this state as an insurance producer or title insurance agent licensed under chapter 48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW; as to such persons, the amount of the tax with respect to such licensed activities is equal to the gross income of such business multiplied by the rate of 0.484 percent.

(10) Upon every person engaging within this state in business as a hospital, as defined in chapter 70.41 RCW, that is operated as a nonprofit corporation or by the state or any of its political subdivisions, as to such persons, the amount of tax with respect to such activities is equal to the gross income of the business multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5 percent thereafter.

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

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

(ii) 0.2904 percent beginning July 1, 2007, through March 31, 2020; ((~~and~~))

(iii) Beginning April 1, 2020, 0.484 percent, subject to any reduction required under (e) of this subsection (11). The tax rate in this subsection (11)(a)(iii) applies to ((~~all~~)) retailing and wholesaling business activities described in this subsection (11)(a); and

(iv) Beginning January 1, 2022, 0.00 percent for manufacturing activities described in this subsection (11)(a).

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

(i) 0.2904 percent through March 31, 2020; and

(ii) Beginning April 1, 2020, the following rates, which are subject to any reduction required under (e) of this subsection (11):

(A) The generally applicable rate under ((~~RCW 82.04.250(1)~~)) this chapter on the business of making retail or wholesale sales of tooling specifically designed for use in manufacturing commercial airplanes or components of such airplanes; and

(B) ((~~0.484~~)) 0.00 percent on all other business activities described in this subsection (11)(b) beginning January 1, 2022.

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

(d)(i) In addition to all other requirements under this title, a person reporting ((~~under the tax rate~~)) a preferential tax rate for retailing or wholesaling activities provided in this subsection (11) must file a complete annual tax performance report with the department under RCW 82.32.534. However, this requirement does not apply to persons reporting under the tax rate in (a)(iii) of this subsection (11), so long as that rate remains 0.484 percent, or under any of the tax rates in (b)(ii)(A) and (B) of this subsection (11), so long as those tax rates remain the rate imposed pursuant to RCW 82.04.250(1) and 0.484 percent, respectively.

(ii) Nothing in (d)(i) of this subsection (11) may be construed as affecting the obligation of a person reporting under a tax rate provided in this subsection (11) to file a complete annual tax performance report with the department under RCW 82.32.534: (A) Pursuant to another provision of this title as a result of claiming a tax credit or exemption; or (B) pursuant to (d)(i) of this subsection (11) as a result of claiming the tax rates in (a)(ii) or (b)(i) of this subsection (11) for periods ending before April 1, 2020.

(e)(i) After March 31, 2021, the tax rates under (a)(iii) and (b)(ii)(A) of this subsection (11) must be reduced to 0.357 percent for retailing and wholesaling activities provided the conditions in RCW 82.04.2602 are met. The effective date of the rates authorized under this subsection (11)(e) must occur on the first day of the next calendar quarter that is at least ((~~sixty~~)) 60 days after the department receives the last of the two written notices pursuant to RCW 82.04.2602 (3) and (4).

(ii) Both a significant commercial airplane manufacturer separately and the rest of the aerospace industry as a whole, receiving the rate of 0.357 percent under this subsection (11)(e) are subject to the aerospace apprenticeship utilization rates required under RCW 49.04.220 by April 1, 2026, or five years after the effective date of the 0.357 percent rate authorized under this subsection (11)(e), whichever is later, as determined by the department of labor and industries.

(iii) The provisions of RCW 82.32.805 and 82.32.808 do not apply to this subsection (11)(e).

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

(ii) With respect to ((~~the manufacturing of commercial airplanes or~~)) making sales, at retail or wholesale, of commercial airplanes, this subsection (11) does not apply on and after July 1st of the year in which the department makes a determination that any final assembly or wing assembly of any version or variant of a commercial airplane that is the basis of a siting of a significant commercial airplane manufacturing program in the state under RCW 82.32.850 has been sited outside the state of Washington. This subsection (11)(f)(ii) only applies to the ((~~manufacturing or~~)) sale of commercial airplanes that are the basis of a siting of a significant commercial airplane manufacturing program in the state under RCW 82.32.850. This subsection (11)(f)(ii) continues to apply during the time that a person is subject to the tax rate in (a)(iii) of this subsection (11).

(g) For the purposes of this subsection, "a significant commercial airplane manufacturer" means a manufacturer of commercial airplanes with at least ((~~fifty thousand~~)) 50,000 full-time employees in Washington as of January 1, 2021.

(12)(a) Until July 1, 2045, upon every person engaging within this state in the business of extracting timber or extracting for hire timber; as to such persons the amount of tax with respect to the business is, in the case of extractors, equal to the value of products, including by-products, extracted, or in the case of extractors for hire, equal to the gross income of the business, multiplied by the rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and ((~~0.2904~~)) 0.00 percent from July 1, 2007, through June 30, 2045.

(b) Until July 1, 2045, upon every person engaging within this state in the business of manufacturing or processing for hire: (i) Timber into timber products or wood products; (ii) timber products into other timber products or wood products; or (iii) products defined in RCW 19.27.570(1); as to such persons the amount of the tax with respect to the business is, in the case of manufacturers, equal to the value of products, including by-products, manufactured, or in the case of processors for hire, equal to the gross income of the business, multiplied by the rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and ((~~0.2904~~)) 0.00 percent from July 1, 2007, through June 30, 2045.

(c) Until July 1, 2045, upon every person engaging within this state in the business of selling at wholesale: (i) Timber extracted by that person; (ii) timber products manufactured by that person from timber or other timber products; (iii) wood products manufactured by that person from timber or timber products; or (iv) products defined in RCW 19.27.570(1) manufactured by that person; as to such persons the amount of the tax with respect to the business is equal to the gross proceeds of sales of the timber, timber products, wood products, or products defined in RCW 19.27.570(1) multiplied by the rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and ((~~0.2904~~)) 0.00 percent from July 1, 2007, through June 30, 2045.

(d) Until July 1, 2045, upon every person engaging within this state in the business of selling standing timber; as to such persons the amount of the tax with respect to the business is equal to the gross income of the business multiplied by the rate of 0.2904 percent. For purposes of this subsection (12)(d), "selling standing timber" means the sale of timber apart from the land, where the buyer is required to sever the timber within ((~~thirty~~)) 30 months from the date of the original contract, regardless of the method of payment for the timber and whether title to the timber transfers before, upon, or after severance.

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

(i) "Biocomposite surface products" means surface material products containing, by weight or volume, more than ((~~fifty~~)) 50 percent recycled paper and that also use nonpetroleum‑based phenolic resin as a bonding agent.

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

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

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

(v) "Timber products" means:

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

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

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

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

(f) Except for small harvesters as defined in RCW 84.33.035, a person reporting under the tax rate provided in this subsection (12) must file a complete annual tax performance report with the department under RCW 82.32.534.

(g) Nothing in this subsection (12) may be construed to affect the taxation of any activity defined as a retail sale in RCW 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

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

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

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

**Sec.**  RCW 82.04.2909 and 2017 c 135 s 12 are each amended to read as follows:

(1) Upon every person who is an aluminum smelter engaging within this state in the business of manufacturing aluminum; as to such persons the amount of tax with respect to such business is, in the case of manufacturers, equal to the value of the product manufactured, or in the case of processors for hire, equal to the gross income of the business, multiplied by the rate of ((~~.2904~~)) 0.00 percent.

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

(3) A person reporting under the tax rate provided in subsection (2) of this section must file a complete annual tax performance report with the department under RCW 82.32.534.

(4) This section expires January 1, 2027.

**Sec.**  RCW 82.04.294 and 2017 3rd sp.s. c 37 s 403 are each amended to read as follows:

(1) Upon every person engaging within this state in the business of manufacturing solar energy systems using photovoltaic modules or stirling converters, or of manufacturing solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers to be used exclusively in components of such systems; as to such persons the amount of tax with respect to such business is, in the case of manufacturers, equal to the value of the product manufactured, or in the case of processors for hire, equal to the gross income of the business, multiplied by the rate of ((~~0.275~~)) 0.00 percent.

(2) Upon every person engaging within this state in the business of making sales at wholesale of solar energy systems using photovoltaic modules or stirling converters, or of solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers to be used exclusively in components of such systems, manufactured by that person; as to such persons the amount of tax with respect to such business is equal to the gross proceeds of sales of the solar energy systems using photovoltaic modules or stirling converters, or of the solar grade silicon to be used exclusively in components of such systems, multiplied by the rate of 0.275 percent.

(3) Silicon solar wafers, silicon solar cells, thin film solar devices, solar grade silicon, or compound semiconductor solar wafers are "semiconductor materials" for the purposes of RCW 82.08.9651 and 82.12.9651.

(4) The definitions in this subsection apply throughout this section.

(a) "Compound semiconductor solar wafers" means a semiconductor solar wafer composed of elements from two or more different groups of the periodic table.

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

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

(d) "Silicon solar cells" means a photovoltaic cell manufactured from a silicon solar wafer.

(e) "Silicon solar wafers" means a silicon wafer manufactured for solar conversion purposes.

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

(g) "Solar grade silicon" means high‑purity silicon used exclusively in components of solar energy systems using photovoltaic modules to capture direct sunlight. "Solar grade silicon" does not include silicon used in semiconductors.

(h) "Stirling converter" means a device that produces electricity by converting heat from a solar source utilizing a stirling engine.

(i) "Thin film solar devices" means a nonparticipating substrate on which various semiconducting materials are deposited to produce a photovoltaic cell that is used to generate electricity.

(5) A person reporting under the tax rate provided in subsection (2) of this section must file a complete annual tax performance report with the department under RCW 82.32.534.

(6) This section expires July 1, 2027.

**Sec.**  RCW 82.04.280 and 2019 c 449 s 1 are each 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, but excluding revenues from network, national, and regional advertising computed either: (i) As a standard deduction that the department must publish by rule by September 30, 2020, and by September 30th of every fifth year thereafter, based on the national average thereof as reported by the United States census bureau's economic census; or (ii) 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 broadcasting station's total audience as measured by the .5 millivolt/meter signal strength contour for AM radio, the one millivolt/meter or ((~~sixty~~)) 60 dBu signal strength contour for FM radio, the ((~~twenty-eight~~)) 28 dBu signal strength contour for television channels two through six, the ((~~thirty-six~~)) 36 dBu signal strength contour for television channels seven through ((~~thirteen~~)) 13, and the ((~~forty-one~~)) 41 dBu signal strength contour for television channels ((~~fourteen~~)) 14 through ((~~sixty-nine~~)) 69 with delivery by wire, satellite, or any other means, 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 2019 c 449 s 2 are each amended to read as follows:

(1)(a) Section ((~~2~~)) 1, chapter 449, Laws of 2019, sections 510, 512, 514, 516, ((~~518,~~)) 520, 522, and 524, chapter 37, Laws of 2017 3rd sp. sess., sections ((~~9,~~)) 13, 17, 22, 24, 30, 32, and 45, chapter 135, Laws of 2017, sections ((~~104,~~)) 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, and sections 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 by January 1, 2024.

(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~~)) $1,000,000,000.

(2) 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, if the contract is signed and received by January 1, 2024, as determined by the director of the department of revenue.

(3)(a) The department of revenue must provide notice of the effective date of 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 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 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 the sections referenced in subsection (1) of this section.

(4)(a) This section expires January 1, 2024, if the contingency in subsection (2) of this section does not occur by January 1, 2024, as determined by the department.

(b) The department must provide written notice of the expiration date of this section and the sections referenced in subsection (1) of this section to affected taxpayers, the legislature, and others as deemed appropriate by the department.

NEW SECTION. **Sec.**  2017 3rd sp.s. c 37 s 518, 2017 c 135 s 9, 2010 c 114 s 104, & 2003 c 149 s 3 are each repealed.

NEW SECTION. **Sec.**  Sections 11 through 19 of this act take effect January 1, 2022.

**PART IV**

**PROVIDING PROPERTY TAX RELIEF FOR HOMEOWNERS**

NEW SECTION. **Sec.**  A new section is added to chapter 84.36 RCW to read as follows:

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

(a) "Claimant" means an individual who has applied for or is receiving a homestead exemption.

(b) "Homestead exemption" means an exemption from a portion of state property taxes.

(c) "Manufactured/mobile home," "manufactured housing cooperative," "mobile home park cooperative," and "park model" have the same meanings as provided in RCW 59.20.030.

(d) "Residence" means a single-family dwelling unit whether such unit is separate or part of a multiunit dwelling, including the land on which such dwelling stands. "Residence" includes:

(i) A single-family dwelling situated upon lands the fee of which is vested in or held in trust by the United States or any of its instrumentalities, a federally recognized Indian tribe, the state of Washington or any of its political subdivisions, or a municipal corporation;

(ii) A single-family dwelling consisting of a manufactured/mobile home or park model that has substantially lost its identity as a mobile unit by virtue of its being fixed in location and placed on a foundation with fixed pipe connections with sewer, water, or other utilities; and

(iii) A single-family dwelling consisting of a floating home as defined in RCW 82.45.032.

(2)(a) Subject to the conditions in this section, a portion of the assessed value of a residence is exempt from the total state property tax under RCW 84.52.065 (1) and (2). Beginning with taxes levied for collection in calendar year 2023 and subject to the adjustments and limitations in subsection (3) of this section, the exemption from state property taxes is equal to:

(i) The first $100,000 of valuation of each residential tax parcel consisting of fewer than three residences; and

(ii) The first $100,000 of valuation of each residence within a multiunit residential dwelling wherein each residence is owned and taxed separately or is owned by members of a cooperative housing association, corporation, or partnership.

(b) For taxes levied for collection in calendar year 2024 and each subsequent year thereafter, the amount of homestead exemption must be increased from the prior year's exemption amount by the percentage growth in the state levy for the prior calendar year. The department is responsible for making a determination of any increase in the amount of the homestead exemption and may round the dollar amount of the homestead exemption to the nearest thousand dollars.

(3)(a) The county assessor must multiply the amount of the homestead exemption for a tax year by the combined indicated ratio fixed by the department for the county in which the residence is located and used by the department to determine the equalized state levy rate for that county for that tax year.

(b) The amount of the homestead exemption for a residence may not result in a tax reduction that exceeds the amount of state property taxes that would otherwise be levied on that residence.

(4) The homestead exemption is in addition to the exemption provided in RCW 84.36.379 through 84.36.389.

(5)(a) The homestead exemption must be claimed and renewed on declaration and renewal declaration forms developed by the department or by the county assessor and approved by the department. Each county assessor must make declaration and renewal declaration forms available at the assessor's office, on the assessor's official website, and by mail or email upon request.

(b) The claimant or his or her designated agent or legal guardian must sign the declaration or renewal declaration declaring that the property for which a homestead exemption is sought is the claimant's principal residence within the meaning of subsection (6)(a) and (b) of this section. If the claimant resides in a cooperative housing association, corporation, or partnership, the declaration or renewal declaration must also be signed by the authorized agent of such cooperative. If the claimant holds a life estate in the residence for which a homestead exemption is claimed and the claimant is not shown on the tax rolls as the taxpayer for that residence, the remainderman or other person shown on the tax rolls as the taxpayer must also sign the declaration or renewal declaration. All signatures on a declaration or renewal declaration must be made under penalty of perjury.

(c) Notice of the homestead exemption and where to obtain further information about the exemption must be included on or with property tax statements and revaluation notices for residential property. The department and each county assessor are required to publicize the qualifications and manner of making claims for the homestead exemption, including such paid advertisements or notices as deemed appropriate in the sole discretion of the department and county assessors.

(6) The following conditions apply to homestead exemptions:

(a) The residence must be occupied by the claimant as his or her principal place of residence as of the date of the signed declaration or renewal declaration under subsection (5) of this section. A claimant who sells, transfers, or is displaced from his or her residence may transfer his or her exemption status to a replacement residence, but no claimant may receive a homestead exemption on more than one residence in any calendar year. However, the confinement of the claimant to a hospital, nursing home, assisted living facility, or adult family home will not disqualify the claim of exemption if:

(i) The residence is temporarily unoccupied;

(ii) The residence is occupied by either a spouse, state registered domestic partner, or a person financially dependent on the claimant for support, or both; or

(iii) The residence is rented for the purpose of paying the claimant's costs of a nursing home, hospital, assisted living facility, or adult family home.

(b) At the time of signing the declaration or renewal declaration:

(i) The claimant must have owned, in fee or by contract purchase, or have held a life estate in, the residence for which the homestead exemption is claimed; or

(ii) If the claimant resides in a cooperative housing association, corporation, or partnership, including a mobile home park cooperative or manufactured housing cooperative, the claimant must own a share in the cooperative representing the unit or dwelling in which he or she resides or the lot on which his or her manufactured/mobile home or park model is situated.

(c) For purposes of this subsection, a residence owned by a marital community, state registered domestic partners, or cotenants is deemed to be owned by each spouse, domestic partner, or cotenant, and any lease for life is deemed a life estate.

(d) Except as provided in (e) of this subsection, the declaration form identified in subsection (5) of this section must be signed and returned to the county assessor no later than June 30th for exemption from state taxes payable the following year.

(e) A homestead exemption continues for no more than six consecutive years unless a renewal declaration is filed with the county assessor. At least once every six years the county assessor must, no later than March 1st, notify claimants currently receiving a homestead exemption of the requirement to file a renewal declaration. The county assessor may also require a renewal declaration following any change in state law regarding the qualifications or conditions for the homestead exemption. Each claimant receiving a homestead exemption must file with the county assessor a renewal declaration no later than June 30th of the year the assessor notifies such person of the requirement to file the renewal declaration.

(f)(i) The assessed value of a dwelling owned by a cooperative housing association, corporation, or partnership must be reduced, for purposes of state property taxes levied on the dwelling, by the amount of homestead exemption to which a claimant residing in that dwelling is entitled. The cooperative must pass the full amount of its property tax savings under this section to its members in proportion to each member's homestead exemption. The cooperative may meet its obligation under this subsection (6)(f)(i) by reducing the amount owed by the members to the cooperative or, if no amount be owed, by making payment to the members.

(ii) A mobile home park cooperative or manufactured housing cooperative is entitled to any unused portion of the homestead exemption of its members. A mobile home park cooperative or manufactured housing cooperative receiving the unused portion of the homestead exemption of its members must pass the full amount of its property tax savings to its members in proportion to each member's unused homestead exemption. The cooperative may meet its obligation under this subsection (6)(f)(ii) by reducing the amount owed by the members to the cooperative or, if no amount be owed, by making payment to the members. For purposes of this subsection (6)(f)(ii), "unused portion of the homestead exemption" means the amount by which the maximum allowable homestead exemption exceeds the assessed value of the manufactured/mobile home or park model owned by a member of the mobile home park cooperative or manufactured housing cooperative.

(g) A claimant granted a homestead exemption must immediately inform the county assessor, on forms created or approved by the department, of any change in status affecting the claimant's entitlement to a homestead exemption.

(h) Where a claimant has a life estate in his or her residence and a remainderman or other person would have otherwise paid the state property tax exempted on the residence as a result of the claimant's homestead exemption, such remainderman or other person must reduce the amount owed by the claimant to the remainderman or other person by the amount of the tax savings from the claimant's homestead exemption. If no amount is owed by the claimant to the remainderman or other person, the remainderman or other person must make payment to the claimant in the full amount of the tax savings from the claimant's homestead exemption.

(7)(a)(i) If the assessor finds that the claimant's residence does not meet the qualifications for a homestead exemption, the assessor must deny or cancel the homestead exemption.

(ii) If the assessor receives a declaration or renewal declaration after the deadline in subsection (6)(d) or (e) of this section, the assessor must deny the homestead exemption unless the assessor determines that the claimant qualifies for the homestead exemption and that good cause exists to excuse the late filing. A claimant whose homestead exemption was denied or canceled because the declaration or renewal declaration was filed after the deadline in subsection (6)(d) or (e) of this subsection may seek a refund of state property taxes paid as a result of the denial or cancellation, as provided in RCW 84.69.020. For purposes of this subsection (7)(a)(ii), good cause may be shown by one or more of the following circumstances:

(A) Death or serious illness of the claimant or a member of the claimant's immediate family, as defined in RCW 42.17A.005, within two weeks of the due date of the declaration or renewal declaration;

(B) The declaration or renewal declaration was mailed timely but inadvertently sent to the wrong address;

(C) The claimant received incorrect, ambiguous, or misleading written advice regarding the qualifications or filing requirements for the homestead exemption from the county assessor's staff;

(D) Natural disaster, such as flood or earthquake, occurring within two weeks of the due date of the declaration or renewal declaration;

(E) Delay or loss of the declaration or renewal declaration by the postal service, and documented by the postal service;

(F) The claimant was not sent a notice of the requirement to file a renewal declaration within the six-year period as required by subsection (6)(e) of this section; or

(G) Other circumstances as the department may provide by rule.

(b) A denial or cancellation under this subsection is subject to appeal under the provisions of RCW 84.48.010 and in accordance with the provisions of RCW 84.40.038.

(c) If the assessor determines that the claimant had received a homestead exemption in error in prior years, the county treasurer must collect all state property taxes that would have been paid on the claimant's residence for the prior years had the homestead exemption not been claimed, not to exceed six years. Interest, but not penalties, applies to such taxes and is computed at the same rates and in the same way as interest is computed on delinquent taxes. Taxes and interest imposed under this subsection (7)(c): (i) Must be extended on the tax roll; (ii) are due within 30 days after the date of the treasurer's billing for such taxes and interest; and (iii) constitute a lien on the real property to which the tax and interest applies as provided in chapter 84.60 RCW.

(8) The department may conduct audits of the administration of this section and claims filed for the homestead exemption as the department considers necessary. The powers of the department under chapter 84.08 RCW apply to these audits.

(9) The homestead exemption under this section applies to the total state property tax levied under RCW 84.52.065. The exemption does not apply to any local property taxes.

(10) The department may adopt such rules in accordance with chapter 34.05 RCW, and prescribe such forms, as the department deems necessary and appropriate to implement and administer this section.

NEW SECTION. **Sec.**  A new section is added to chapter 84.52 RCW to read as follows:

Pursuant to the provisions of Article VII, section . . . (Senate Joint Resolution No. . . . (S-0947/21)), the state levy must be reduced as necessary to prevent the value exempted under the homestead exemption in section 21 of this act from resulting in a higher tax rate than would have occurred in the absence of the homestead exemption.

**Sec.**  RCW 84.48.010 and 2017 c 155 s 1 are each amended to read as follows:

(1) Prior to July 15th, the county legislative authority must form a board for the equalization of the assessment of the property of the county. The members of the board must receive a per diem amount as set by the county legislative authority for each day of actual attendance of the meeting of the board of equalization to be paid out of the current expense fund of the county. However, when the county legislative authority constitutes the board they may only receive their compensation as members of the county legislative authority. The board of equalization must meet in open session for this purpose annually on the 15th day of July or within fourteen days of certification of the county assessment rolls, whichever is later, and, having each taken an oath fairly and impartially to perform their duties as members of such board, they must examine and compare the returns of the assessment of the property of the county and proceed to equalize the same, so that each tract or lot of real property and each article or class of personal property must be entered on the assessment list at its true and fair value, according to the measure of value used by the county assessor in such assessment year, which is presumed to be correct under RCW 84.40.0301, and subject to the following rules:

(a) They must raise the valuation of each tract or lot or item of real property which is returned below its true and fair value to such price or sum as to be the true and fair value thereof, after at least five days' notice must have been given in writing to the owner or agent.

(b) They must reduce the valuation of each tract or lot or item which is returned above its true and fair value to such price or sum as to be the true and fair value thereof.

(c) They must raise the valuation of each class of personal property which is returned below its true and fair value to such price or sum as to be the true and fair value thereof, and they must raise the aggregate value of the personal property of each individual whenever the aggregate value is less than the true valuation of the taxable personal property possessed by such individual, to such sum or amount as to be the true value thereof, after at least five days' notice must have been given in writing to the owner or agent thereof.

(d) They must reduce the valuation of each class of personal property enumerated on the detail and assessment list of the current year, which is returned above its true and fair value, to such price or sum as to be the true and fair value thereof; and they must reduce the aggregate valuation of the personal property of such individual who has been assessed at too large a sum to such sum or amount as was the true and fair value of the personal property.

(e) The board may review all claims for either real or personal property tax exemption, or homestead exemptions under section 21 of this act, as determined by the county assessor, and must consider any taxpayer appeals from the decision of the assessor thereon to determine (i) if the taxpayer is entitled to an exemption, and (ii) if so, the amount thereof.

(2) The board must notify the taxpayer and assessor of the board's decision within forty-five days of any hearing on the taxpayer's appeal of the assessor's valuation of real or personal property.

(3) The clerk of the board must keep an accurate journal or record of the proceedings and orders of the board showing the facts and evidence upon which their action is based, and the record must be published the same as other proceedings of county legislative authority, and must make a true record of the changes of the descriptions and assessed values ordered by the county board of equalization. The assessor must correct the real and personal assessment rolls in accordance with the changes made by the county board of equalization.

(4) The county board of equalization must meet on the 15th day of July or within fourteen days of certification of the county assessment rolls, whichever is later, and may continue in session and adjourn from time to time during a period not to exceed four weeks, but must remain in session not less than three days. However, the county board of equalization with the approval of the county legislative authority may convene at any time when petitions filed exceed twenty-five, or ten percent of the number of appeals filed in the preceding year, whichever is greater.

(5) No taxes, except special taxes, may be extended upon the tax rolls until the property valuations are equalized by the department of revenue for the purpose of raising the state revenue.

(6) County legislative authorities as such have at no time any authority to change the valuation of the property of any person or to release or commute in whole or in part the taxes due on the property of any person.

**Sec.**  RCW 84.69.020 and 2017 3rd sp.s. c 13 s 310 are each amended to read as follows:

(1) On the order of the county treasurer, ad valorem taxes paid before or after delinquency must be refunded if they were:

((~~(1)~~)) (a) Paid more than once;

((~~(2)~~)) (b) Paid as a result of manifest error in description;

((~~(3)~~)) (c) Paid as a result of a clerical error in extending the tax rolls;

((~~(4)~~)) (d) Paid as a result of other clerical errors in listing property;

((~~(5)~~)) (e) Paid with respect to improvements which did not exist on assessment date;

((~~(6)~~)) (f) Paid under levies or statutes adjudicated to be illegal or unconstitutional;

((~~(7)~~)) (g) Paid as a result of mistake, inadvertence, or lack of knowledge by any person exempted from paying real property taxes or a portion thereof pursuant to RCW 84.36.381 through 84.36.389, as now or hereafter amended;

((~~(8)~~)) (h) Paid as a result of mistake, inadvertence, or lack of knowledge by either a public official or employee or by any person with respect to real property in which the person paying the same has no legal interest;

((~~(9)~~)) (i) Paid on the basis of an assessed valuation which was appealed to the county board of equalization and ordered reduced by the board;

((~~(10)~~)) (j) Paid on the basis of an assessed valuation which was appealed to the state board of tax appeals and ordered reduced by the board: PROVIDED, That the amount refunded under (i) and (j) of this subsection((~~s (9) and (10) of this section shall~~)) may only be for the difference between the tax paid on the basis of the appealed valuation and the tax payable on the valuation adjusted in accordance with the board's order;

((~~(11)~~)) (k) Paid as a state property tax levied upon property, the assessed value of which has been established by the state board of tax appeals for the year of such levy: PROVIDED, HOWEVER, That the amount refunded ((~~shall~~)) may only be for the difference between the state property tax paid and the amount of state property tax which would, when added to all other property taxes within the one percent limitation of Article VII, section 2 of the state Constitution equal one percent of the assessed value established by the board;

((~~(12)~~)) (l) Paid on the basis of an assessed valuation which was adjudicated to be unlawful or excessive: PROVIDED, That the amount refunded ((~~shall be~~)) is for the difference between the amount of tax which was paid on the basis of the valuation adjudged unlawful or excessive and the amount of tax payable on the basis of the assessed valuation determined as a result of the proceeding;

((~~(13)~~)) (m) Paid on property acquired under RCW 84.60.050, and canceled under RCW 84.60.050(2);

((~~(14)~~)) (n) Paid on the basis of an assessed valuation that was reduced under RCW 84.48.065;

((~~(15)~~)) (o) Paid on the basis of an assessed valuation that was reduced under RCW 84.40.039; or

((~~(16)~~)) (p) Abated under RCW 84.70.010.

(2) No refunds under the provisions of this section ((~~shall~~)) may be made because of any error in determining the valuation of property, except as authorized in subsection((~~s (9), (10), (11), and (12)~~)) (1) (i) through (l) of this section nor may any refunds be made if a bona fide purchaser has acquired rights that would preclude the assessment and collection of the refunded tax from the property that should properly have been charged with the tax. Any refunds made on delinquent taxes must include the proportionate amount of interest and penalties paid. However, no refunds as a result of an incorrect payment authorized under subsection ((~~(8)~~)) (1)(h) of this section made by a third party payee ((~~shall~~)) may be granted. The county treasurer may deduct from moneys collected for the benefit of the state's levies, refunds of the state's levies including interest on the levies as provided by this section and chapter 84.68 RCW.

(3) The county treasurer of each county must make all refunds determined to be authorized by this section, and by the first Monday in February of each year, report to the county legislative authority a list of all refunds made under this section during the previous year. The list is to include the name of the person receiving the refund, the amount of the refund, and the reason for the refund.

NEW SECTION. **Sec.**  Sections 21 through 24 of this act take effect January 1, 2022, if the proposed amendment to Article VII of the state Constitution (Senate Joint Resolution No. . . . (S-0947/21)), providing for a homestead exemption, is validly submitted to and is approved and ratified by the voters at the next general election.

NEW SECTION. **Sec.**  The secretary of state shall submit this act to the people for their adoption and ratification, or rejection, at the next general election to be held in this state, in accordance with Article II, section 1 of the state Constitution and the laws adopted to facilitate its operation."

**2SSB 5126** - S AMD **673**

By Senator Wagoner

**WITHDRAWN 04/08/2021**

On page 1, line 1 of the title, after "Relating to" strike the remainder of the title and insert "a carbon pollution tax to provide tax relief and mitigate climate risk; amending RCW 82.08.0206, 82.04.240, 82.04.2404, 82.04.260, 82.04.2909, 82.04.294, 82.04.280, 82.32.790, 84.48.010, and 84.69.020; adding a new section to chapter 84.36 RCW; adding a new section to chapter 84.52 RCW; adding a new chapter to Title 82 RCW; creating new sections; repealing 2017 3rd sp.s. c 37 s 518, 2017 c 135 s 9, 2010 c 114 s 104, and 2003 c 149 s 3; providing an effective date; providing a contingent effective date; and providing for submission of this act to a vote of the people."

EFFECT: Imposes a carbon pollution tax beginning July 1, 2022, equal to $15 per metric ton of greenhouse gas emissions on the sale or use of all fossil fuel within the state of Washington, except for the sale or use of electricity in Washington generated using fossil fuels.

Increases the tax rate annually by inflation, as measured by the consumer price index, plus 5 percent beginning July 1, 2023.

Implements the working families tax exemption beginning in 2023 equal to the greater of 10 percent of the federal credit or fifty dollars.

Eliminates the B&O tax for all manufacturing and timber extracting activities.

Exempts the first $100,000 of valuation of a person's principal residence from state property tax beginning in calendar year 2023.

Requires the first $500 million of carbon pollution tax proceeds to be deposited in a proposed forest resiliency account for implementation of the department of natural resources' forest health plan and requires all remaining proceeds to be deposited in the state general fund.

Submits the act to the voters for a referendum vote.