

CERTIFICATION OF ENROLLMENT

ENGROSSED HOUSE BILL 2260

57th Legislature
2001 First Special Legislative Session

Passed by the House May 21, 2001
Yeas 92 Nays 0

Speaker of the House of Representatives

Speaker of the House of Representatives

Passed by the Senate May 23, 2001
Yeas 40 Nays 0

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

We, Timothy A. Martin and Cynthia Zehnder, Co-Chief Clerks of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 2260** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

Chief Clerk

FILED

**Secretary of State
State of Washington**

ENGROSSED HOUSE BILL 2260

Passed Legislature - 2001 First Special Regular Session

State of Washington

57th Legislature 2001 First Special Session

By Representatives Cairnes, Morris, Kessler, Linville, McMorris, Doumit, Anderson, Hatfield, Poulsen, Crouse, Veloria, Benson, DeBolt, Reardon, Ericksen, Armstrong, Dunshee, Mastin and Delvin

Read first time . Referred to Committee on .

1 AN ACT Relating to the taxation of grocery distribution
2 cooperatives; amending RCW 82.04.270, 82.04.270, 82.19.050, and
3 82.19.050; reenacting and amending RCW 82.04.290, 82.04.290, and
4 82.04.290; adding a new section to chapter 82.04 RCW; providing
5 effective dates; providing expiration dates; and declaring an
6 emergency.

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

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW
9 to read as follows:

10 (1) The amount of tax with respect to a qualified grocery
11 distribution cooperative's sales of groceries or related goods for
12 resale, excluding items subject to tax under RCW 82.04.260(4), to
13 customer-owners of the grocery distribution cooperative is equal to the
14 gross proceeds of sales of the grocery distribution cooperative
15 multiplied by the rate of one and one-half percent.

16 (2) A qualified grocery distribution cooperative is allowed a
17 deduction from the gross proceeds of sales of groceries or related
18 goods for resale, excluding items subject to tax under RCW
19 82.04.260(4), to customer-owners of the grocery distribution

1 cooperative that is equal to the portion of the gross proceeds of sales
2 for resale that represents the actual cost of the merchandise sold by
3 the grocery distribution cooperative to customer-owners.

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

6 (a) "Grocery distribution cooperative" means an entity that sells
7 groceries and related items to customer-owners of the grocery
8 distribution cooperative and has customer-owners, in the aggregate, who
9 own a majority of the outstanding ownership interests of the grocery
10 distribution cooperative or of the entity controlling the grocery
11 distribution cooperative. "Grocery distribution cooperative" includes
12 an entity that controls a grocery distribution cooperative.

13 (b) "Qualified grocery distribution cooperative" means a grocery
14 distribution cooperative that has been determined by a court of record
15 of the state of Washington to be not engaged in wholesaling or making
16 sales at wholesale, within the meaning of RCW 82.04.270 or any similar
17 provision of a municipal ordinance that imposes a tax on gross
18 receipts, gross proceeds of sales, or gross income, with respect to
19 purchases made by customer-owners, and subsequently changes its form of
20 doing business to make sales at wholesale of groceries or related items
21 to its customer-owners.

22 (c) "Customer-owner" means a person who has an ownership interest
23 in a grocery distribution cooperative and purchases groceries and
24 related items at wholesale from that grocery distribution cooperative.

25 (d) "Controlling" means holding fifty percent or more of the voting
26 interests of an entity and having at least equal power to direct or
27 cause the direction of the management and policies of the entity,
28 whether through the ownership of voting securities, by contract, or
29 otherwise.

30 **Sec. 2.** RCW 82.04.270 and 1999 c 358 s 1 are each amended to read
31 as follows:

32 Upon every person except persons taxable under RCW 82.04.260(5) or
33 section 1 of this act engaging within this state in the business of
34 making sales at wholesale; as to such persons the amount of tax with
35 respect to such business shall be equal to the gross proceeds of sales
36 of such business multiplied by the rate of 0.484 percent.

1 **Sec. 3.** RCW 82.04.270 and 1999 c 358 s 2 are each amended to read
2 as follows:

3 Upon every person except persons taxable under RCW 82.04.260(5),
4 section 1 of this act, or 82.04.272 engaging within this state in the
5 business of making sales at wholesale; as to such persons the amount of
6 tax with respect to such business shall be equal to the gross proceeds
7 of sales of such business multiplied by the rate of 0.484 percent.

8 **Sec. 4.** RCW 82.04.290 and 1998 c 331 s 2, 1998 c 312 s 8, and 1998
9 c 308 s 4 are each reenacted and amended to read as follows:

10 (1) Upon every person engaging within this state in the business of
11 providing international investment management services, as to such
12 persons, the amount of tax with respect to such business shall be equal
13 to the gross income or gross proceeds of sales of the business
14 multiplied by a rate of 0.275 percent.

15 (2) Upon every person engaging within this state in any business
16 activity other than or in addition to those enumerated in RCW
17 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
18 section 1 of this act, 82.04.2905, 82.04.280, 82.04.2635, and
19 82.04.2907, and subsection (1) of this section; as to such persons the
20 amount of tax on account of such activities shall be equal to the gross
21 income of the business multiplied by the rate of 1.5 percent.

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

33 **Sec. 5.** RCW 82.04.290 and 1998 c 343 s 4, 1998 c 331 s 2, 1998 c
34 312 s 8, and 1998 c 308 s 4 are each reenacted and amended to read as
35 follows:

36 (1) Upon every person engaging within this state in the business of
37 providing international investment management services, as to such

1 persons, the amount of tax with respect to such business shall be equal
2 to the gross income or gross proceeds of sales of the business
3 multiplied by a rate of 0.275 percent.

4 (2) Upon every person engaging within this state in any business
5 activity other than or in addition to those enumerated in RCW
6 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
7 section 1 of this act, 82.04.2905, 82.04.280, 82.04.2635, 82.04.2907,
8 and 82.04.272, and subsection (1) of this section; as to such persons
9 the amount of tax on account of such activities shall be equal to the
10 gross income of the business multiplied by the rate of 1.5 percent.

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

22 **Sec. 6.** RCW 82.04.290 and 1998 c 343 s 4, 1998 c 331 s 2, 1998 c
23 312 s 8, and 1998 c 308 s 5 are each reenacted and amended to read as
24 follows:

25 (1) Upon every person engaging within this state in the business of
26 providing international investment management services, as to such
27 persons, the amount of tax with respect to such business shall be equal
28 to the gross income or gross proceeds of sales of the business
29 multiplied by a rate of 0.275 percent.

30 (2) Upon every person engaging within this state in any business
31 activity other than or in addition to those enumerated in RCW
32 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
33 section 1 of this act, 82.04.2905, 82.04.280, 82.04.2907, and
34 82.04.272, and subsection (1) of this section; as to such persons the
35 amount of tax on account of such activities shall be equal to the gross
36 income of the business multiplied by the rate of 1.5 percent.

37 This section includes, among others, and without limiting the scope
38 hereof (whether or not title to materials used in the performance of

1 such business passes to another by accession, confusion or other than
2 by outright sale), persons engaged in the business of rendering any
3 type of service which does not constitute a "sale at retail" or a "sale
4 at wholesale." The value of advertising, demonstration, and
5 promotional supplies and materials furnished to an agent by his
6 principal or supplier to be used for informational, educational and
7 promotional purposes shall not be considered a part of the agent's
8 remuneration or commission and shall not be subject to taxation under
9 this section.

10 **Sec. 7.** RCW 82.19.050 and 2001 c 118 s 7 are each amended to read
11 as follows:

12 The litter tax imposed in this chapter does not apply to:

13 (1) The manufacture or sale of products for use and consumption
14 outside the state; (~~or~~)

15 (2) The value of products or gross proceeds of the sales exempt
16 from tax under RCW 82.04.330; or

17 (3) The sale of products for resale by a qualified grocery
18 distribution cooperative to customer-owners of the grocery distribution
19 cooperative. For the purposes of this section, "qualified grocery
20 distribution cooperative" and "customer-owner" have the meanings given
21 in section 1 of this act.

22 **Sec. 8.** RCW 82.19.050 and 1992 c 175 s 7 are each amended to read
23 as follows:

24 The litter tax imposed in this chapter does not apply to:

25 (1) The manufacture or sale of products for use and consumption
26 outside the state; (~~or~~)

27 (2) The value of products or gross proceeds of the sales of any
28 animal, bird, or insect or the milk, eggs, wool, fur, meat, honey, or
29 other substance obtained therefrom, if the person performs only the
30 growing or raising function of such animal, bird, or insect; or

31 (3) The sale of products for resale by a qualified grocery
32 distribution cooperative to customer-owners of the grocery distribution
33 cooperative. For the purposes of this section, "qualified grocery
34 distribution cooperative" and "customer-owner" have the meanings given
35 in section 1 of this act.

1 NEW SECTION. **Sec. 9.** (1) Sections 1, 2, 4, and 8 of this act are
2 necessary for the immediate preservation of the public peace, health,
3 or safety, or support of the state government and its existing public
4 institutions, and take effect immediately.

5 (2) Sections 3 and 5 of this act are necessary for the immediate
6 preservation of the public peace, health, or safety, or support of the
7 state government and its existing public institutions, and take effect
8 July 1, 2001.

9 (3) Section 6 of this act takes effect July 1, 2003.

10 (4) Section 7 is necessary for the immediate preservation of the
11 public peace, health, or safety, or support of the state government and
12 its existing public institutions, and takes effect July 22, 2001.

13 NEW SECTION. **Sec. 10.** (1) Sections 2 and 4 of this act expire
14 July 1, 2001.

15 (2) Section 5 of this act expires July 1, 2003.

16 (3) Section 8 of this act expires July 22, 2001.