

**SUBSTITUTE HOUSE BILL 2201**

**State of Washington**

**63rd Legislature**

**2014 Regular Session**

**By** House Finance (originally sponsored by Representatives Carlyle, Pollet, Jinkins, Tharinger, Ormsby, Walkinshaw, and Hudgins)

READ FIRST TIME 02/11/14.

1 AN ACT Relating to improving fiscal accountability and transparency  
2 standards with respect to state tax preferences; amending RCW  
3 82.32.330, 82.32.090, 82.32.590, 82.32.600, 82.32.605, 82.32.607,  
4 82.32.710, 82.32.808, 82.04.240, 82.04.2404, 82.04.260, 82.04.260,  
5 82.04.260, 82.04.260, 82.04.2909, 82.04.294, 82.04.426, 82.04.4266,  
6 82.04.4268, 82.04.4269, 82.04.4277, 82.04.4452, 82.04.4461, 82.04.4461,  
7 82.04.4463, 82.04.4463, 82.04.448, 82.04.4481, 82.04.4483, 82.04.449,  
8 82.08.805, 82.08.965, 82.08.9651, 82.08.970, 82.08.980, 82.08.980,  
9 82.08.986, 82.12.022, 82.12.025651, 82.12.805, 82.12.965, 82.12.9651,  
10 82.12.970, 82.12.980, 82.12.980, 82.16.0421, 82.29A.137, 82.29A.137,  
11 82.60.070, 82.63.020, 82.63.045, 82.74.040, 82.74.050, 82.75.040,  
12 82.75.070, 82.82.020, 82.82.040, 84.36.645, 84.36.655, and 84.36.655;  
13 adding new sections to chapter 82.32 RCW; creating a new section;  
14 repealing RCW 82.32.534 and 82.32.585; providing an effective date;  
15 providing a contingent effective date; providing expiration dates; and  
16 providing a contingent expiration date.

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

18 NEW SECTION. **Sec. 1.** (1) The legislature finds that Washington  
19 has among the largest number of tax preferences (i.e. credits,

1 exemptions, deductions, and preferential rates) in the nation due in  
2 large part to the unique nature of the state's tax structure. The  
3 legislature finds that measuring and assessing the efficacy of such  
4 preferences is essential to ensure the most effective use of public  
5 resources, and that public access to easily available data is vital to  
6 conduct such evaluations.

7 (2) The legislature finds that comprehensive analysis and  
8 evaluation of the efficacy of tax preferences assists lawmakers and the  
9 public in understanding the benefits of specific tax policy decisions  
10 to taxpayers, local economies, and the state. The legislature further  
11 finds the relevant information critical for such analysis is frequently  
12 not reported to the state department of revenue by taxpayers or is not  
13 publicly available. The legislature further finds the lack of accurate  
14 and ascertainable information has prevented the joint legislative audit  
15 and review committee tax preference performance review process from  
16 achieving the rigor of evaluation necessary to draw firm conclusions.  
17 The legislature further finds that this also limits the ability of  
18 lawmakers to access data of material importance for assessing proposed  
19 tax preference legislation or to fairly and accurately evaluate the  
20 merits of existing tax preferences. The legislature further finds that  
21 Washington state has been a leader among states since passage of the  
22 public disclosure act by initiative in 1972 in public disclosure of  
23 government records, state budget documents, and campaign finance and  
24 spending. The legislature further finds that similar leadership in the  
25 area of the public disclosure of tax preferences would allow the  
26 legislature and the public to assess the true impact of current tax  
27 policy or proposed tax legislation in a manner that is currently  
28 unattainable due to aggregated, anonymous data. The legislature  
29 further finds that streamlining the reporting of tax preference data  
30 collected by the department of revenue and eliminating unnecessary  
31 reporting requirements of little usefulness for evaluation would  
32 simplify and reduce the obligations of taxpayers, saving time and  
33 effort. Therefore, the legislature intends to establish consistent  
34 standards for the collection of data for the purposes of improving  
35 analysis of tax preferences and their benefits and public policy  
36 objective outcomes for taxpayers and relevant industries. The  
37 legislature further intends to make such information subject to public  
38 disclosure wherever possible to enable and improve lawmakers' and the

1 public's understanding of the benefits and costs of tax preferences  
2 while ensuring that the release of such information does not cause  
3 economic harm to taxpayers claiming such preferences.

4 **Part I**

5 **Improving Tax Preference Data Collection**

6 **Sec. 101.** RCW 82.32.090 and 2011 c 24 s 3 are each amended to read  
7 as follows:

8 (1) If payment of any tax due on a return to be filed by a taxpayer  
9 is not received by the department of revenue by the due date, there is  
10 assessed a penalty of five percent of the amount of the tax; and if the  
11 tax is not received on or before the last day of the month following  
12 the due date, there is assessed a total penalty of fifteen percent of  
13 the amount of the tax under this subsection; and if the tax is not  
14 received on or before the last day of the second month following the  
15 due date, there is assessed a total penalty of twenty-five percent of  
16 the amount of the tax under this subsection. No penalty so added may  
17 be less than five dollars.

18 (2) If the department of revenue determines that any tax has been  
19 substantially underpaid, there is assessed a penalty of five percent of  
20 the amount of the tax determined by the department to be due. If  
21 payment of any tax determined by the department to be due is not  
22 received by the department by the due date specified in the notice, or  
23 any extension thereof, there is assessed a total penalty of fifteen  
24 percent of the amount of the tax under this subsection; and if payment  
25 of any tax determined by the department to be due is not received on or  
26 before the thirtieth day following the due date specified in the notice  
27 of tax due, or any extension thereof, there is assessed a total penalty  
28 of twenty-five percent of the amount of the tax under this subsection.  
29 No penalty so added may be less than five dollars. As used in this  
30 section, "substantially underpaid" means that the taxpayer has paid  
31 less than eighty percent of the amount of tax determined by the  
32 department to be due for all of the types of taxes included in, and for  
33 the entire period of time covered by, the department's examination, and  
34 the amount of underpayment is at least one thousand dollars.

35 (3) If a warrant is issued by the department of revenue for the

1 collection of taxes, increases, and penalties, there is added thereto  
2 a penalty of ten percent of the amount of the tax, but not less than  
3 ten dollars.

4 (4) If the department finds that a person has engaged in any  
5 business or performed any act upon which a tax is imposed under this  
6 title and that person has not obtained from the department a  
7 registration certificate as required by RCW 82.32.030, the department  
8 must impose a penalty of five percent of the amount of tax due from  
9 that person for the period that the person was not registered as  
10 required by RCW 82.32.030. The department may not impose the penalty  
11 under this subsection (4) if a person who has engaged in business  
12 taxable under this title without first having registered as required by  
13 RCW 82.32.030, prior to any notification by the department of the need  
14 to register, obtains a registration certificate from the department.

15 (5) If the department finds that a taxpayer has disregarded  
16 specific written instructions as to reporting or tax liabilities, or  
17 willfully disregarded the requirement to file returns or remit payment  
18 electronically, as provided by RCW 82.32.080, the department must add  
19 a penalty of ten percent of the amount of the tax that should have been  
20 reported and/or paid electronically or the additional tax found due if  
21 there is a deficiency because of the failure to follow the  
22 instructions. A taxpayer disregards specific written instructions when  
23 the department has informed the taxpayer in writing of the taxpayer's  
24 tax obligations and the taxpayer fails to act in accordance with those  
25 instructions unless, in the case of a deficiency, the department has  
26 not issued final instructions because the matter is under appeal  
27 pursuant to this chapter or departmental regulations. The department  
28 may not assess the penalty under this section upon any taxpayer who has  
29 made a good faith effort to comply with the specific written  
30 instructions provided by the department to that taxpayer. A taxpayer  
31 will be considered to have made a good faith effort to comply with  
32 specific written instructions to file returns and/or remit taxes  
33 electronically only if the taxpayer can show good cause, as defined in  
34 RCW 82.32.080, for the failure to comply with such instructions. A  
35 taxpayer will be considered to have willfully disregarded the  
36 requirement to file returns or remit payment electronically if the  
37 department has mailed or otherwise delivered the specific written  
38 instructions to the taxpayer on at least two occasions. Specific

1 written instructions may be given as a part of a tax assessment, audit,  
2 determination, closing agreement, or other written communication,  
3 provided that such specific written instructions apply only to the  
4 taxpayer addressed or referenced on such communication. Any specific  
5 written instructions by the department must be clearly identified as  
6 such and must inform the taxpayer that failure to follow the  
7 instructions may subject the taxpayer to the penalties imposed by this  
8 subsection. If the department determines that it is necessary to  
9 provide specific written instructions to a taxpayer that does not  
10 comply with the requirement to file returns or remit payment  
11 electronically as provided in RCW 82.32.080, the specific written  
12 instructions must provide the taxpayer with a minimum of forty-five  
13 days to come into compliance with its electronic filing and/or payment  
14 obligations before the department may impose the penalty authorized in  
15 this subsection.

16 (6) If the department finds that all or any part of a deficiency  
17 resulted from engaging in a disregarded transaction, as described in  
18 RCW 82.32.655(3), the department must assess a penalty of thirty-five  
19 percent of the additional tax found to be due as a result of engaging  
20 in a transaction disregarded by the department under RCW 82.32.655(2).  
21 The penalty provided in this subsection may be assessed together with  
22 any other applicable penalties provided in this section on the same tax  
23 found to be due, except for the evasion penalty provided in subsection  
24 (7) of this section. The department may not assess the penalty under  
25 this subsection if, before the department discovers the taxpayer's use  
26 of a transaction described under RCW 82.32.655(3), the taxpayer  
27 discloses its participation in the transaction to the department.

28 (7) If the department finds that all or any part of the deficiency  
29 resulted from an intent to evade the tax payable hereunder, a further  
30 penalty of fifty percent of the additional tax found to be due must be  
31 added.

32 (8)(a) If the department finds that all or any part of a tax  
33 preference listed under (b) of this subsection has not been reported on  
34 a return, as required under this subsection, a penalty equal to the  
35 lesser of: Twenty-five dollars or one-half of one percent of the  
36 unreported amount must be added. The penalty under this subsection (8)  
37 is separate and additional to any other penalties that may be assessed  
38 under this section.

1 (b) Taxpayers required to electronically report taxes to the  
2 department on a monthly or quarterly basis and claiming a deduction  
3 under chapter 82.04 or 82.16 RCW are subject to the penalty under (a)  
4 of this subsection.

5 (c) The penalty under (a) of this subsection does not apply to:

6 (i) Tax preferences required by constitutional law; or

7 (ii) Unreported business and occupation or public utility  
8 deductions if the gross amount to which the deduction would apply was  
9 reported on the return.

10 (d) The penalty under this subsection (8) applies to unreported  
11 amounts for reporting periods beginning on or after January 1, 2015.

12 (9) The penalties imposed under subsections (1) through (4) of this  
13 section can each be imposed on the same tax found to be due. This  
14 subsection does not prohibit or restrict the application of other  
15 penalties authorized by law.

16 ~~((+9))~~ (10) The department may not impose the evasion penalty in  
17 combination with the penalty for disregarding specific written  
18 instructions or the penalty provided in subsection (6) of this section  
19 on the same tax found to be due.

20 ~~((+10))~~ (11) For the purposes of this section, "return" means any  
21 document a person is required by the state of Washington to file to  
22 satisfy or establish a tax or fee obligation that is administered or  
23 collected by the department, and that has a statutorily defined due  
24 date.

25 NEW SECTION. Sec. 102. A new section is added to chapter 82.32  
26 RCW to read as follows:

27 In determining a taxpayer's taxable amount, a taxpayer must  
28 separately report the amount of any tax deduction on a return required  
29 under this chapter for taxes due under chapter 82.04 or 82.16 RCW.

30 NEW SECTION. Sec. 103. A new section is added to chapter 82.32  
31 RCW to read as follows:

32 (1) The department must establish a reporting code to uniquely  
33 identify:

34 (a) All deductions and credits under chapters 82.04 and 82.16 RCW;

35 (b) Sales and use tax exemptions reported on returns submitted by  
36 sellers; and

1 (c) Preferential business and occupation tax rates.

2 (2) Subsection (1) of this section applies only to returns filed  
3 electronically.

4 (3) The department must establish unique reporting codes described  
5 under subsection (1)(b) and (c) of this section by January 1, 2015.  
6 The department must establish the remaining unique reporting codes in  
7 conjunction with the department's legacy business systems replacement.

8 **Part II**

9 **Incorporating Department of Revenue-Led Workgroup**

10 **Recommendations for Improving DOR Annual Surveys and Reports**

11 NEW SECTION. **Sec. 201.** A new section is added to chapter 82.32  
12 RCW to read as follows:

13 (1)(a) Every person claiming a tax preference that requires an  
14 annual tax preference accountability report under this section must  
15 file a complete report with the department. A tax preference  
16 accountability report is due by April 30th of the year following any  
17 calendar year in which a person claims a tax preference that requires  
18 a report under this section.

19 (b) In addition to the reporting requirements under (a) of this  
20 subsection, if the tax preference is a sales and use tax deferral on  
21 labor and materials used in the construction or expansion of a building  
22 that is part of an investment project, a report must also be filed by  
23 April 30th of each of the seven succeeding calendar years after the  
24 investment project has been certified by the department as being  
25 operationally complete.

26 (c)(i) The department may extend the due date for timely filing of  
27 annual reports under this section as provided in RCW 82.32.590.

28 (ii) A person may amend its tax return under this chapter to claim  
29 a tax preference requiring a report under this section only when a  
30 report is filed for each calendar year for which the taxpayer is  
31 claiming a tax preference on an amended return. All of the tax  
32 preference accountability reports required under this subsection  
33 (1)(c)(ii) must be filed at the same time the amended returns are  
34 submitted to the department.

35 (2)(a) The report must include the amount of tax preference claimed

1 for the calendar year covered by the report if the amount is not  
2 reported to the department directly by the taxpayer as part of the  
3 taxpayer's regular tax reporting obligations under this chapter.

4 (b) Except as provided in (c) of this subsection, the report must  
5 also include the following information for employment positions in  
6 Washington, not to include names of employees, for the year the tax  
7 preference was claimed:

8 (i) The total number of employment positions as of December 31st  
9 for the calendar year covered by the report;

10 (ii) The total wages paid for all employment positions for the  
11 calendar year covered by the report;

12 (iii) An estimate of the percentage of employees, as of December  
13 31st of the calendar year covered by the report, within each of the  
14 following general job categories: Management occupations; computer,  
15 mathematical, architectural, and engineering occupations; production  
16 occupations; office and administrative support occupations; or any  
17 other occupation type not otherwise specified under this subsection  
18 (2)(b)(iii);

19 (iv) The percentage of employment positions for which employer-  
20 provided medical, dental, and retirement benefits are available.

21 (c) The taxpayer is not required to provide the employment and wage  
22 information under (b)(i) and (ii) of this subsection if similar  
23 information is reported to the employment security department by the  
24 taxpayer for the same period. For taxpayers reporting to the  
25 employment security department, the total number of employment  
26 positions under (b)(ii) of this subsection is the number of employees  
27 included on the return provided by the taxpayer to the employment  
28 security department for the fourth calendar quarter for the calendar  
29 year covered by the report. A taxpayer must provide the department  
30 with its employment security department account number or numbers.

31 (d) For persons claiming the credit provided under RCW 82.04.4452,  
32 the report must also include the qualified research and development  
33 expenditures during the calendar year for which the credit was claimed  
34 and whether the tax preference has been assigned, and who assigned the  
35 credit. The definitions in RCW 82.04.4452 apply to this subsection  
36 (2)(d). This subsection (2)(d) only applies to the report due in  
37 calendar year 2014.

1 (e) For persons claiming the tax exemption in RCW 82.08.025651 or  
2 82.12.025651, the report must also include the general areas or  
3 categories of research and development for which machinery and  
4 equipment and labor and services were acquired, exempt from tax under  
5 RCW 82.08.025651 or 82.12.025651, in the prior calendar year.

6 (f) If the person filing a report under this section did not file  
7 a report with the department in the previous calendar year, the report  
8 filed under this section must also include the employment, wage, and  
9 benefit information required under (b)(i) through (iv) of this  
10 subsection for the calendar year immediately preceding the calendar  
11 year for which a tax preference was claimed.

12 (3) As part of the annual report, the department and the joint  
13 legislative audit and review committee may request additional  
14 information necessary to measure the results of, or determine  
15 eligibility for, the tax preference.

16 (4) Other than information requested under subsection (3) of this  
17 section, information required in this section is not subject to the  
18 confidentiality provisions of RCW 82.32.330 and may be disclosed to the  
19 public upon request, except as provided in subsection (5) of this  
20 section. If the amount of the tax preference claimed as reported on  
21 the report is different than the amount actually claimed or otherwise  
22 allowed by the department based on the taxpayer's excise tax returns or  
23 other information known to the department, the amount actually claimed  
24 or allowed may be disclosed.

25 (5) Persons for whom the actual amount of the tax reduced or saved  
26 for a tax preference is less than ten thousand dollars during the  
27 period covered by the report may request the department to treat the  
28 amount of the tax reduction or savings as confidential under RCW  
29 82.32.330.

30 (6)(a) Except as otherwise provided by law, if a person claims a  
31 tax preference that requires an annual report under this section but  
32 fails to submit a complete annual report by the due date of the report  
33 or any extension under RCW 82.32.590, the department must declare the  
34 amount of the tax preference claimed for the previous calendar year to  
35 be immediately due.

36 (b) If the tax preference is a deferral of tax, and the investment  
37 project has not been certified operationally complete, the department  
38 must declare the amount of tax preference claimed for the previous

1 calendar year to be immediately due. If the investment project has  
2 been certified operationally complete, twelve and one-half percent of  
3 the deferred tax is immediately due. If the economic benefits of the  
4 deferral are passed to a lessee, the lessee is responsible for payment  
5 to the extent the lessee has received the economic benefit.

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

14 (d) If the tax preference is a property tax exemption, the tax  
15 preference amount collected by the department under this subsection  
16 must be distributed in the same manner in which current taxes  
17 applicable to the subject land are distributed.

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

22 (8) For the purposes of this section:

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

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

28 NEW SECTION. **Sec. 202.** The following acts or parts of acts are  
29 each repealed:

30 (1) RCW 82.32.534 (Annual report requirement for tax preferences)  
31 and 2010 c 114 s 103; and

32 (2) RCW 82.32.585 (Annual survey requirement for tax preferences)  
33 and 2011 c 23 s 6 & 2010 c 114 s 102.

34 **Sec. 203.** RCW 82.32.590 and 2011 c 174 s 306 are each amended to  
35 read as follows:

36 (1) If the department finds that the failure of a taxpayer to file

1 an annual (~~survey under RCW 82.32.585 or annual report under RCW~~  
2 ~~82.32.534~~) report under section 201 of this act by the due date was  
3 the result of circumstances beyond the control of the taxpayer, the  
4 department must extend the time for filing the (~~survey or~~) report.  
5 The extension is for a period of thirty days from the date the  
6 department issues its written notification to the taxpayer that it  
7 qualifies for an extension under this section. The department may  
8 grant additional extensions as it deems proper.

9 (2) In making a determination whether the failure of a taxpayer to  
10 file an (~~annual survey or~~) annual report by the due date was the  
11 result of circumstances beyond the control of the taxpayer, the  
12 department must be guided by rules adopted by the department for the  
13 waiver or cancellation of penalties when the underpayment or untimely  
14 payment of any tax was due to circumstances beyond the control of the  
15 taxpayer.

16 (3)(a) Subject to the conditions in this subsection (3), a taxpayer  
17 who fails to file an annual report (~~or annual survey~~) required under  
18 subsection (1) of this section by the due date of the report (~~or~~  
19 ~~survey~~) is entitled to an extension of the due date. A request for an  
20 extension under this subsection (3) must be made in writing to the  
21 department.

22 (b) To qualify for an extension under this subsection (3), a  
23 taxpayer must have filed all annual reports (~~and surveys~~), if any,  
24 due in prior years under subsection (1) of this section by their  
25 respective due dates, beginning with annual reports (~~and surveys~~) due  
26 in calendar year 2010.

27 (c) An extension under this subsection (3) is for ninety days from  
28 the original due date of the annual report (~~or survey~~).

29 (d) No taxpayer may be granted more than one ninety-day extension  
30 under this subsection (3).

31 **Sec. 204.** RCW 82.32.600 and 2010 c 114 s 136 are each amended to  
32 read as follows:

33 (1) Persons required to file annual (~~surveys or annual reports~~  
34 ~~under RCW 82.32.534 or 82.32.585~~) reports under section 201 of this  
35 act must electronically file with the department all (~~surveys,~~)  
36 reports, returns, and any other forms or information the department

1 requires in an electronic format as provided or approved by the  
2 department. As used in this section, "returns" has the same meaning as  
3 "return" in RCW 82.32.050.

4 (2) Any (~~survey,~~) report, return, or any other form or  
5 information required to be filed in an electronic format under  
6 subsection (1) of this section is not filed until received by the  
7 department in an electronic format.

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

10 **Sec. 205.** RCW 82.32.605 and 2013 2nd sp.s. c 13 s 1004 are each  
11 amended to read as follows:

12 (1) Every taxpayer claiming an exemption under RCW 82.08.956 or  
13 82.12.956 must file with the department a complete annual (~~survey as~~  
14 ~~required under RCW 82.32.585~~) report under section 201 of this act,  
15 except that the taxpayer must file a separate (~~survey~~) report for  
16 each facility owned or operated in the state of Washington.

17 (2) This section expires June 30, 2024.

18 **Sec. 206.** RCW 82.32.607 and 2013 2nd sp.s. c 13 s 1503 are each  
19 amended to read as follows:

20 Every taxpayer claiming an exemption under RCW 82.08.962 or  
21 82.12.962 must file with the department a complete annual (~~survey as~~  
22 ~~required under RCW 82.32.585~~) report under section 201 of this act,  
23 except that the taxpayer must file a separate (~~survey~~) report for  
24 each facility owned or operated in the state of Washington developed  
25 with machinery, equipment, services, or labor for which the exemption  
26 under RCW 43.136.058, 82.08.962, and 82.12.962 is claimed.

27 **Sec. 207.** RCW 82.32.710 and 2010 c 114 s 137 are each amended to  
28 read as follows:

29 (1) A client under the terms of a professional employer agreement  
30 is deemed to be the sole employer of a covered employee for purposes of  
31 eligibility for any tax credit, exemption, or other tax incentive,  
32 arising as the result of the employment of covered employees, provided  
33 in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483, 82.08.965,  
34 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or 82.70 RCW, or  
35 any other provision in this title. A client, and not the professional

1 employer organization, is entitled to the benefit of any tax credit,  
2 exemption, or other tax incentive arising as the result of the  
3 employment of covered employees of that client.

4 (2) A client under the terms of a professional employer agreement  
5 is deemed to be the sole employer of a covered employee for purposes of  
6 reports (~~(or surveys)~~) that require the reporting of employment  
7 information relating to covered employees of the client, as provided in  
8 (~~(RCW 82.32.534 or 82.32.585)~~) section 201 of this act. A client, and  
9 not the professional employer organization, is required to complete any  
10 (~~(survey or)~~) report that requires the reporting of employment  
11 information relating to covered employees of that client.

12 (3) For the purposes of this section, "client," "covered employee,"  
13 "professional employer agreement," and "professional employer  
14 organization" have the same meanings as in RCW 82.04.540.

15 **Sec. 208.** RCW 82.32.808 and 2013 2nd sp.s. c 13 s 1702 are each  
16 amended to read as follows:

17 (1) As provided in this section, every bill enacting a new tax  
18 preference must include a tax preference performance statement.

19 (2) A tax preference performance statement must state the  
20 legislative purpose for the new tax preference. The tax preference  
21 performance statement must indicate one or more of the following  
22 general categories, by reference to the applicable category specified  
23 in this subsection, as the legislative purpose of the new tax  
24 preference:

25 (a) Tax preferences intended to induce certain designated behavior  
26 by taxpayers;

27 (b) Tax preferences intended to improve industry competitiveness;

28 (c) Tax preferences intended to create or retain jobs;

29 (d) Tax preferences intended to reduce structural inefficiencies in  
30 the tax structure;

31 (e) Tax preferences intended to provide tax relief for certain  
32 businesses or individuals; or

33 (f) A general purpose not identified in (a) through (e) of this  
34 subsection.

35 (3) In addition to identifying the general legislative purpose of  
36 the tax preference under subsection (2) of this section, the tax

1 preference performance statement must provide additional detailed  
2 information regarding the legislative purpose of the new tax  
3 preference.

4 (4) A new tax preference performance statement must specify clear,  
5 relevant, and ascertainable metrics and data requirements that allow  
6 the joint legislative audit and review committee and the legislature to  
7 measure the effectiveness of the new tax preference in achieving the  
8 purpose designated under subsection (2) of this section.

9 (5) If the tax preference performance statement for a new tax  
10 preference indicates a legislative purpose described in subsection  
11 (2)(b) or (c) of this section, any taxpayer claiming the new tax  
12 preference must file an annual (~~survey~~) report in accordance with  
13 (~~RCW 82.32.585~~) section 201 of this act.

14 (6)(a) Taxpayers claiming a new tax preference must report the  
15 amount of the tax preference claimed by the taxpayer to the department  
16 as otherwise required by statute or determined by the department as  
17 part of the taxpayer's regular tax reporting responsibilities. For new  
18 tax preferences allowing certain types of gross income of the business  
19 to be excluded from business and occupation or public utility taxation,  
20 the tax return must explicitly report the amount of the exclusion,  
21 regardless of whether it is structured as an exemption or deduction, if  
22 the taxpayer is otherwise required to report taxes to the department on  
23 a monthly or quarterly basis. For a new sales and use tax exemption,  
24 the total sales or uses subject to the exemption claimed by the buyer  
25 must be reported on an addendum to the buyer's tax return if the buyer  
26 is otherwise required to report taxes to the department on a monthly or  
27 quarterly basis and the buyer is required to submit an exemption  
28 certificate, or similar document, to the seller.

29 (b) This subsection does not apply to:

30 (i) Property tax exemptions;

31 (ii) Tax preferences required by constitutional law;

32 (iii) Tax preferences for which the tax benefit to the taxpayer is  
33 less than one thousand dollars per calendar year; or

34 (iv) Taxpayers who are annual filers.

35 (c) The department may waive the filing requirements of this  
36 subsection for taxpayers who are not required to file electronically  
37 any return(~~(r)~~) or report(~~(r or survey)~~) under this chapter.

1 (7)(a) Except as otherwise provided in this subsection, the amount  
2 claimed by a taxpayer for any new tax preference is subject to public  
3 disclosure and is not considered confidential tax information under RCW  
4 82.32.330, if the reporting periods subject to disclosure ended at  
5 least twenty-four months prior to the date of disclosure and the  
6 taxpayer is required to report the amount of the tax preference claimed  
7 by the taxpayer to the department under subsection (6) of this section.

8 (b)(i) The department may waive the public disclosure requirement  
9 under (a) of this subsection (7) for good cause. Good cause may be  
10 demonstrated by a reasonable showing of economic harm to a taxpayer if  
11 the information specified under this subsection is disclosed. The  
12 waiver under this subsection (7)(b)(i) only applies to the new tax  
13 preferences provided in chapter 13, Laws of 2013 2nd sp. sess.

14 (ii) The amount of the tax preference claimed by a taxpayer during  
15 a calendar year is confidential under RCW 82.32.330 and may not be  
16 disclosed under this subsection if the amount for the calendar year is  
17 less than ten thousand dollars.

18 (c) In lieu of the disclosure and waiver requirements under this  
19 subsection, the requirements under (~~RCW 82.32.585~~) section 201 of  
20 this act apply to any tax preference that requires a (~~survey~~) report.

21 (8) If a new tax preference does not include the information  
22 required under subsections (2) through (4) of this section, the joint  
23 legislative audit and review committee is not required to perform a tax  
24 preference review under chapter 43.136 RCW, and it is legislatively  
25 presumed that it is the intent of the legislature to allow the new tax  
26 preference to expire upon its scheduled expiration date.

27 (9) For the purposes of this section, "tax preference" and "new tax  
28 preference" have the same meaning as provided in RCW 82.32.805.

29 **Sec. 209.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to  
30 read as follows:

31 (1) Upon every person engaging within this state in business as a  
32 manufacturer, except persons taxable as manufacturers under other  
33 provisions of this chapter; as to such persons the amount of the tax  
34 with respect to such business is equal to the value of the products,  
35 including byproducts, manufactured, multiplied by the rate of 0.484  
36 percent.

1 (2)(a) Upon every person engaging within this state in the business  
2 of manufacturing semiconductor materials, as to such persons the amount  
3 of tax with respect to such business is, in the case of manufacturers,  
4 equal to the value of the product manufactured, or, in the case of  
5 processors for hire, equal to the gross income of the business,  
6 multiplied by the rate of 0.275 percent. For the purposes of this  
7 subsection "semiconductor materials" means silicon crystals, silicon  
8 ingots, raw polished semiconductor wafers, compound semiconductors,  
9 integrated circuits, and microchips.

10 (b) A person reporting under the tax rate provided in this  
11 subsection (2) must file a complete annual report with the department  
12 under (~~RCW 82.32.534~~) section 201 of this act.

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

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

18 **Sec. 210.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to  
19 read as follows:

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

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

29 (3) A person reporting under the tax rate provided in this section  
30 must file a complete annual report with the department under (~~RCW  
31 82.32.534~~) section 201 of this act.

32 (4) This section expires December 1, 2018.

33 **Sec. 211.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 202 are each  
34 amended to read as follows:

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

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

7 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
8 raw frozen, or raw salted state at the completion of the manufacturing  
9 by that person; or selling manufactured seafood products that remain in  
10 a raw, raw frozen, or raw salted state at the completion of the  
11 manufacturing, to purchasers who transport in the ordinary course of  
12 business the goods out of this state; as to such persons the amount of  
13 tax with respect to such business is equal to the value of the products  
14 manufactured or the gross proceeds derived from such sales, multiplied  
15 by the rate of 0.138 percent. Sellers must keep and preserve records  
16 for the period required by RCW 82.32.070 establishing that the goods  
17 were transported by the purchaser in the ordinary course of business  
18 out of this state;

19 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
20 products that the person has manufactured to purchasers who either  
21 transport in the ordinary course of business the goods out of state or  
22 purchasers who use such dairy products as an ingredient or component in  
23 the manufacturing of a dairy product; as to such persons the tax  
24 imposed is equal to the value of the products manufactured or the gross  
25 proceeds derived from such sales multiplied by the rate of 0.138  
26 percent. Sellers must keep and preserve records for the period  
27 required by RCW 82.32.070 establishing that the goods were transported  
28 by the purchaser in the ordinary course of business out of this state  
29 or sold to a manufacturer for use as an ingredient or component in the  
30 manufacturing of a dairy product.

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

33 (A) Products that as of September 20, 2001, are identified in 21  
34 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from  
35 the manufacturing of the dairy products, such as whey and casein; and

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

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

6 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
7 preserving, freezing, processing, or dehydrating fresh fruits or  
8 vegetables, or selling at wholesale fruits or vegetables manufactured  
9 by the seller by canning, preserving, freezing, processing, or  
10 dehydrating fresh fruits or vegetables and sold to purchasers who  
11 transport in the ordinary course of business the goods out of this  
12 state; as to such persons the amount of tax with respect to such  
13 business is equal to the value of the products manufactured or the  
14 gross proceeds derived from such sales multiplied by the rate of 0.138  
15 percent. Sellers must keep and preserve records for the period  
16 required by RCW 82.32.070 establishing that the goods were transported  
17 by the purchaser in the ordinary course of business out of this state;

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

23 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
24 persons the amount of tax with respect to the business is equal to the  
25 value of wood biomass fuel manufactured, multiplied by the rate of  
26 0.138 percent.

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

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

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

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

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

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

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

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

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

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

16 (9) Upon every person engaging within this state as an insurance  
17 producer or title insurance agent licensed under chapter 48.17 RCW or  
18 a surplus line broker licensed under chapter 48.15 RCW; as to such  
19 persons, the amount of the tax with respect to such licensed activities  
20 is equal to the gross income of such business multiplied by the rate of  
21 0.484 percent.

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

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

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

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

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

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

15 (d) In addition to all other requirements under this title, a  
16 person reporting under the tax rate provided in this subsection (11)  
17 must file a complete annual report with the department under (~~RCW~~  
18 ~~82.32.534~~) section 201 of this act.

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

20 (12)(a) Until July 1, 2024, upon every person engaging within this  
21 state in the business of extracting timber or extracting for hire  
22 timber; as to such persons the amount of tax with respect to the  
23 business is, in the case of extractors, equal to the value of products,  
24 including by-products, extracted, or in the case of extractors for  
25 hire, equal to the gross income of the business, multiplied by the rate  
26 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
27 percent from July 1, 2007, through June 30, 2024.

28 (b) Until July 1, 2024, upon every person engaging within this  
29 state in the business of manufacturing or processing for hire: (i)  
30 Timber into timber products or wood products; or (ii) timber products  
31 into other timber products or wood products; as to such persons the  
32 amount of the tax with respect to the business is, in the case of  
33 manufacturers, equal to the value of products, including by-products,  
34 manufactured, or in the case of processors for hire, equal to the gross  
35 income of the business, multiplied by the rate of 0.4235 percent from  
36 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
37 2007, through June 30, 2024.

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

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

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

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

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

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

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

10 (v) "Timber products" means:

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

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

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

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

22 (f) Except for small harvesters as defined in RCW 84.33.035, a  
23 person reporting under the tax rate provided in this subsection (12)  
24 must file a complete annual (~~(survey)~~) report with the department under  
25 (~~(RCW 82.32.585)~~) section 201 of this act.

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

31 (14)(a) Upon every person engaging within this state in the  
32 business of printing a newspaper, publishing a newspaper, or both, the  
33 amount of tax on such business is equal to the gross income of the  
34 business multiplied by the rate of 0.365 percent through June 30, 2013,  
35 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

36 (b) A person reporting under the tax rate provided in this  
37 subsection (14) must file a complete annual report with the department  
38 under (~~(RCW 82.32.534)~~) section 201 of this act.

1           **Sec. 212.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 203 are each  
2 amended to read as follows:

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

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

11           (b) Beginning July 1, 2015, seafood products that remain in a raw,  
12 raw frozen, or raw salted state at the completion of the manufacturing  
13 by that person; or selling manufactured seafood products that remain in  
14 a raw, raw frozen, or raw salted state at the completion of the  
15 manufacturing, to purchasers who transport in the ordinary course of  
16 business the goods out of this state; as to such persons the amount of  
17 tax with respect to such business is equal to the value of the products  
18 manufactured or the gross proceeds derived from such sales, multiplied  
19 by the rate of 0.138 percent. Sellers must keep and preserve records  
20 for the period required by RCW 82.32.070 establishing that the goods  
21 were transported by the purchaser in the ordinary course of business  
22 out of this state;

23           (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
24 products that the person has manufactured to purchasers who either  
25 transport in the ordinary course of business the goods out of state or  
26 purchasers who use such dairy products as an ingredient or component in  
27 the manufacturing of a dairy product; as to such persons the tax  
28 imposed is equal to the value of the products manufactured or the gross  
29 proceeds derived from such sales multiplied by the rate of 0.138  
30 percent. Sellers must keep and preserve records for the period  
31 required by RCW 82.32.070 establishing that the goods were transported  
32 by the purchaser in the ordinary course of business out of this state  
33 or sold to a manufacturer for use as an ingredient or component in the  
34 manufacturing of a dairy product.

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

37           (A) Products that as of September 20, 2001, are identified in 21

1 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from  
2 the manufacturing of the dairy products, such as whey and casein; and

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

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

11 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
12 preserving, freezing, processing, or dehydrating fresh fruits or  
13 vegetables, or selling at wholesale fruits or vegetables manufactured  
14 by the seller by canning, preserving, freezing, processing, or  
15 dehydrating fresh fruits or vegetables and sold to purchasers who  
16 transport in the ordinary course of business the goods out of this  
17 state; as to such persons the amount of tax with respect to such  
18 business is equal to the value of the products manufactured or the  
19 gross proceeds derived from such sales multiplied by the rate of 0.138  
20 percent. Sellers must keep and preserve records for the period  
21 required by RCW 82.32.070 establishing that the goods were transported  
22 by the purchaser in the ordinary course of business out of this state;

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

28 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
29 persons the amount of tax with respect to the business is equal to the  
30 value of wood biomass fuel manufactured, multiplied by the rate of  
31 0.138 percent.

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

36 (3) Upon every nonprofit corporation and nonprofit association  
37 engaging within this state in research and development, as to such

1 corporations and associations, the amount of tax with respect to such  
2 activities is equal to the gross income derived from such activities  
3 multiplied by the rate of 0.484 percent.

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

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

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

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

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

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

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

21 (9) Upon every person engaging within this state as an insurance  
22 producer or title insurance agent licensed under chapter 48.17 RCW or  
23 a surplus line broker licensed under chapter 48.15 RCW; as to such  
24 persons, the amount of the tax with respect to such licensed activities  
25 is equal to the gross income of such business multiplied by the rate of  
26 0.484 percent.

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

34 (11)(a) Beginning October 1, 2005, upon every person engaging  
35 within this state in the business of manufacturing commercial  
36 airplanes, or components of such airplanes, or making sales, at retail  
37 or wholesale, of commercial airplanes or components of such airplanes,  
38 manufactured by the seller, as to such persons the amount of tax with

1 respect to such business is, in the case of manufacturers, equal to the  
2 value of the product manufactured and the gross proceeds of sales of  
3 the product manufactured, or in the case of processors for hire, equal  
4 to the gross income of the business, multiplied by the rate of:

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

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

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

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

20 (d) In addition to all other requirements under this title, a  
21 person reporting under the tax rate provided in this subsection (11)  
22 must file a complete annual report with the department under (~~RCW~~  
23 ~~82.32.534~~) section 201 of this act.

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

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

33 (b) Until July 1, 2024, upon every person engaging within this  
34 state in the business of manufacturing or processing for hire: (i)  
35 Timber into timber products or wood products; or (ii) timber products  
36 into other timber products or wood products; as to such persons the  
37 amount of the tax with respect to the business is, in the case of  
38 manufacturers, equal to the value of products, including by-products,

1 manufactured, or in the case of processors for hire, equal to the gross  
2 income of the business, multiplied by the rate of 0.4235 percent from  
3 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
4 2007, through June 30, 2024.

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

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

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

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

30 (ii) "Paper and paper products" means products made of interwoven  
31 cellulosic fibers held together largely by hydrogen bonding. "Paper  
32 and paper products" includes newsprint; office, printing, fine, and  
33 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
34 kraft bag, construction, and other kraft industrial papers; paperboard,  
35 liquid packaging containers, containerboard, corrugated, and solid-  
36 fiber containers including linerboard and corrugated medium; and  
37 related types of cellulosic products containing primarily, by weight or  
38 volume, cellulosic materials. "Paper and paper products" does not

1 include books, newspapers, magazines, periodicals, and other printed  
2 publications, advertising materials, calendars, and similar types of  
3 printed materials.

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

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

13 (v) "Timber products" means:

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

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

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

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

25 (f) Except for small harvesters as defined in RCW 84.33.035, a  
26 person reporting under the tax rate provided in this subsection (12)  
27 must file a complete annual (~~(survey)~~) report with the department under  
28 (~~(RCW 82.32.585)~~) section 201 of this act.

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

34 (14)(a) Upon every person engaging within this state in the  
35 business of printing a newspaper, publishing a newspaper, or both, the  
36 amount of tax on such business is equal to the gross income of the  
37 business multiplied by the rate of 0.2904 percent.

1 (b) A person reporting under the tax rate provided in this  
2 subsection (14) must file a complete annual report with the department  
3 under (~~RCW 82.32.534~~) section 201 of this act.

4 **Sec. 213.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 5 are each  
5 amended to read as follows:

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

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

14 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
15 raw frozen, or raw salted state at the completion of the manufacturing  
16 by that person; or selling manufactured seafood products that remain in  
17 a raw, raw frozen, or raw salted state at the completion of the  
18 manufacturing, to purchasers who transport in the ordinary course of  
19 business the goods out of this state; as to such persons the amount of  
20 tax with respect to such business is equal to the value of the products  
21 manufactured or the gross proceeds derived from such sales, multiplied  
22 by the rate of 0.138 percent. Sellers must keep and preserve records  
23 for the period required by RCW 82.32.070 establishing that the goods  
24 were transported by the purchaser in the ordinary course of business  
25 out of this state;

26 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
27 products that the person has manufactured to purchasers who either  
28 transport in the ordinary course of business the goods out of state or  
29 purchasers who use such dairy products as an ingredient or component in  
30 the manufacturing of a dairy product; as to such persons the tax  
31 imposed is equal to the value of the products manufactured or the gross  
32 proceeds derived from such sales multiplied by the rate of 0.138  
33 percent. Sellers must keep and preserve records for the period  
34 required by RCW 82.32.070 establishing that the goods were transported  
35 by the purchaser in the ordinary course of business out of this state  
36 or sold to a manufacturer for use as an ingredient or component in the  
37 manufacturing of a dairy product.

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

3 (A) Products that as of September 20, 2001, are identified in 21  
4 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from  
5 the manufacturing of the dairy products, such as whey and casein; and

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

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

14 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
15 preserving, freezing, processing, or dehydrating fresh fruits or  
16 vegetables, or selling at wholesale fruits or vegetables manufactured  
17 by the seller by canning, preserving, freezing, processing, or  
18 dehydrating fresh fruits or vegetables and sold to purchasers who  
19 transport in the ordinary course of business the goods out of this  
20 state; as to such persons the amount of tax with respect to such  
21 business is equal to the value of the products manufactured or the  
22 gross proceeds derived from such sales multiplied by the rate of 0.138  
23 percent. Sellers must keep and preserve records for the period  
24 required by RCW 82.32.070 establishing that the goods were transported  
25 by the purchaser in the ordinary course of business out of this state;

26 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
27 feedstock, as those terms are defined in RCW 82.29A.135; as to such  
28 persons the amount of tax with respect to the business is equal to the  
29 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
30 manufactured, multiplied by the rate of 0.138 percent; and

31 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
32 persons the amount of tax with respect to the business is equal to the  
33 value of wood biomass fuel manufactured, multiplied by the rate of  
34 0.138 percent.

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

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

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

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

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

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

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

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

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

23 (9) Upon every person engaging within this state as an insurance  
24 producer or title insurance agent licensed under chapter 48.17 RCW or  
25 a surplus line broker licensed under chapter 48.15 RCW; as to such  
26 persons, the amount of the tax with respect to such licensed activities  
27 is equal to the gross income of such business multiplied by the rate of  
28 0.484 percent.

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

36 (11)(a) Beginning October 1, 2005, upon every person engaging  
37 within this state in the business of manufacturing commercial  
38 airplanes, or components of such airplanes, or making sales, at retail

1 or wholesale, of commercial airplanes or components of such airplanes,  
2 manufactured by the seller, as to such persons the amount of tax with  
3 respect to such business is, in the case of manufacturers, equal to the  
4 value of the product manufactured and the gross proceeds of sales of  
5 the product manufactured, or in the case of processors for hire, equal  
6 to the gross income of the business, multiplied by the rate of:

- 7 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and
- 8 (ii) 0.2904 percent beginning July 1, 2007.

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

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

22 (d) In addition to all other requirements under this title, a  
23 person reporting under the tax rate provided in this subsection (11)  
24 must file a complete annual report with the department under ((RCW  
25 ~~82.32.534~~)) section 201 of this act.

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

28 (ii) With respect to the manufacturing of commercial airplanes or  
29 making sales, at retail or wholesale, of commercial airplanes, this  
30 subsection (11) does not apply on and after July 1st of the year in  
31 which the department makes a determination that any final assembly or  
32 wing assembly of any version or variant of a commercial airplane that  
33 is the basis of a siting of a significant commercial airplane  
34 manufacturing program in the state under RCW 82.32.850 has been sited  
35 outside the state of Washington. This subsection (11)(e)(ii) only  
36 applies to the manufacturing or sale of commercial airplanes that are  
37 the basis of a siting of a significant commercial airplane  
38 manufacturing program in the state under RCW 82.32.850.

1 (12)(a) Until July 1, 2024, upon every person engaging within this  
2 state in the business of extracting timber or extracting for hire  
3 timber; as to such persons the amount of tax with respect to the  
4 business is, in the case of extractors, equal to the value of products,  
5 including by-products, extracted, or in the case of extractors for  
6 hire, equal to the gross income of the business, multiplied by the rate  
7 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
8 percent from July 1, 2007, through June 30, 2024.

9 (b) Until July 1, 2024, upon every person engaging within this  
10 state in the business of manufacturing or processing for hire: (i)  
11 Timber into timber products or wood products; or (ii) timber products  
12 into other timber products or wood products; as to such persons the  
13 amount of the tax with respect to the business is, in the case of  
14 manufacturers, equal to the value of products, including by-products,  
15 manufactured, or in the case of processors for hire, equal to the gross  
16 income of the business, multiplied by the rate of 0.4235 percent from  
17 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
18 2007, through June 30, 2024.

19 (c) Until July 1, 2024, upon every person engaging within this  
20 state in the business of selling at wholesale: (i) Timber extracted by  
21 that person; (ii) timber products manufactured by that person from  
22 timber or other timber products; or (iii) wood products manufactured by  
23 that person from timber or timber products; as to such persons the  
24 amount of the tax with respect to the business is equal to the gross  
25 proceeds of sales of the timber, timber products, or wood products  
26 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
27 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
28 2024.

29 (d) Until July 1, 2024, upon every person engaging within this  
30 state in the business of selling standing timber; as to such persons  
31 the amount of the tax with respect to the business is equal to the  
32 gross income of the business multiplied by the rate of 0.2904 percent.  
33 For purposes of this subsection (12)(d), "selling standing timber"  
34 means the sale of timber apart from the land, where the buyer is  
35 required to sever the timber within thirty months from the date of the  
36 original contract, regardless of the method of payment for the timber  
37 and whether title to the timber transfers before, upon, or after  
38 severance.

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

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

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

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

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

27 (v) "Timber products" means:

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

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

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

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

1 (f) Except for small harvesters as defined in RCW 84.33.035, a  
2 person reporting under the tax rate provided in this subsection (12)  
3 must file a complete annual (~~(survey)~~) report with the department under  
4 (~~(RCW 82.32.585)~~) section 201 of this act.

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

10 (14)(a) Upon every person engaging within this state in the  
11 business of printing a newspaper, publishing a newspaper, or both, the  
12 amount of tax on such business is equal to the gross income of the  
13 business multiplied by the rate of 0.365 percent through June 30, 2013,  
14 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

15 (b) A person reporting under the tax rate provided in this  
16 subsection (14) must file a complete annual report with the department  
17 under (~~(RCW 82.32.534)~~) section 201 of this act.

18 **Sec. 214.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 6 are each  
19 amended to read as follows:

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

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

28 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
29 raw frozen, or raw salted state at the completion of the manufacturing  
30 by that person; or selling manufactured seafood products that remain in  
31 a raw, raw frozen, or raw salted state at the completion of the  
32 manufacturing, to purchasers who transport in the ordinary course of  
33 business the goods out of this state; as to such persons the amount of  
34 tax with respect to such business is equal to the value of the products  
35 manufactured or the gross proceeds derived from such sales, multiplied  
36 by the rate of 0.138 percent. Sellers must keep and preserve records

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

4 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
5 products that the person has manufactured to purchasers who either  
6 transport in the ordinary course of business the goods out of state or  
7 purchasers who use such dairy products as an ingredient or component in  
8 the manufacturing of a dairy product; as to such persons the tax  
9 imposed is equal to the value of the products manufactured or the gross  
10 proceeds derived from such sales multiplied by the rate of 0.138  
11 percent. Sellers must keep and preserve records for the period  
12 required by RCW 82.32.070 establishing that the goods were transported  
13 by the purchaser in the ordinary course of business out of this state  
14 or sold to a manufacturer for use as an ingredient or component in the  
15 manufacturing of a dairy product.

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

18 (A) Products that as of September 20, 2001, are identified in 21  
19 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from  
20 the manufacturing of the dairy products, such as whey and casein; and

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

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

29 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
30 preserving, freezing, processing, or dehydrating fresh fruits or  
31 vegetables, or selling at wholesale fruits or vegetables manufactured  
32 by the seller by canning, preserving, freezing, processing, or  
33 dehydrating fresh fruits or vegetables and sold to purchasers who  
34 transport in the ordinary course of business the goods out of this  
35 state; as to such persons the amount of tax with respect to such  
36 business is equal to the value of the products manufactured or the  
37 gross proceeds derived from such sales multiplied by the rate of 0.138

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

4 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
5 feedstock, as those terms are defined in RCW 82.29A.135; as to such  
6 persons the amount of tax with respect to the business is equal to the  
7 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
8 manufactured, multiplied by the rate of 0.138 percent; and

9 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
10 persons the amount of tax with respect to the business is equal to the  
11 value of wood biomass fuel manufactured, multiplied by the rate of  
12 0.138 percent.

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

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

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

27 (5) Upon every person engaging within this state in the business of  
28 acting as a travel agent or tour operator; as to such persons the  
29 amount of the tax with respect to such activities is equal to the gross  
30 income derived from such activities multiplied by the rate of 0.275  
31 percent.

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

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

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

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

1 (9) Upon every person engaging within this state as an insurance  
2 producer or title insurance agent licensed under chapter 48.17 RCW or  
3 a surplus line broker licensed under chapter 48.15 RCW; as to such  
4 persons, the amount of the tax with respect to such licensed activities  
5 is equal to the gross income of such business multiplied by the rate of  
6 0.484 percent.

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

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

- 23 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and
- 24 (ii) 0.2904 percent beginning July 1, 2007.

25 (b) Beginning July 1, 2008, upon every person who is not eligible  
26 to report under the provisions of (a) of this subsection (11) and is  
27 engaging within this state in the business of manufacturing tooling  
28 specifically designed for use in manufacturing commercial airplanes or  
29 components of such airplanes, or making sales, at retail or wholesale,  
30 of such tooling manufactured by the seller, as to such persons the  
31 amount of tax with respect to such business is, in the case of  
32 manufacturers, equal to the value of the product manufactured and the  
33 gross proceeds of sales of the product manufactured, or in the case of  
34 processors for hire, be equal to the gross income of the business,  
35 multiplied by the rate of 0.2904 percent.

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

1 (d) In addition to all other requirements under this title, a  
2 person reporting under the tax rate provided in this subsection (11)  
3 must file a complete annual report with the department under ((RCW  
4 ~~82.32.534~~) section 201 of this act.

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

7 (ii) With respect to the manufacturing of commercial airplanes or  
8 making sales, at retail or wholesale, of commercial airplanes, this  
9 subsection (11) does not apply on and after July 1st of the year in  
10 which the department makes a determination that any final assembly or  
11 wing assembly of any version or variant of a commercial airplane that  
12 is the basis of a siting of a significant commercial airplane  
13 manufacturing program in the state under RCW 82.32.850 has been sited  
14 outside the state of Washington. This subsection (11)(e)(ii) only  
15 applies to the manufacturing or sale of commercial airplanes that are  
16 the basis of a siting of a significant commercial airplane  
17 manufacturing program in the state under RCW 82.32.850.

18 (12)(a) Until July 1, 2024, upon every person engaging within this  
19 state in the business of extracting timber or extracting for hire  
20 timber; as to such persons the amount of tax with respect to the  
21 business is, in the case of extractors, equal to the value of products,  
22 including by-products, extracted, or in the case of extractors for  
23 hire, equal to the gross income of the business, multiplied by the rate  
24 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
25 percent from July 1, 2007, through June 30, 2024.

26 (b) Until July 1, 2024, upon every person engaging within this  
27 state in the business of manufacturing or processing for hire: (i)  
28 Timber into timber products or wood products; or (ii) timber products  
29 into other timber products or wood products; as to such persons the  
30 amount of the tax with respect to the business is, in the case of  
31 manufacturers, equal to the value of products, including by-products,  
32 manufactured, or in the case of processors for hire, equal to the gross  
33 income of the business, multiplied by the rate of 0.4235 percent from  
34 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
35 2007, through June 30, 2024.

36 (c) Until July 1, 2024, upon every person engaging within this  
37 state in the business of selling at wholesale: (i) Timber extracted by  
38 that person; (ii) timber products manufactured by that person from

1 timber or other timber products; or (iii) wood products manufactured by  
2 that person from timber or timber products; as to such persons the  
3 amount of the tax with respect to the business is equal to the gross  
4 proceeds of sales of the timber, timber products, or wood products  
5 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
6 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
7 2024.

8 (d) Until July 1, 2024, upon every person engaging within this  
9 state in the business of selling standing timber; as to such persons  
10 the amount of the tax with respect to the business is equal to the  
11 gross income of the business multiplied by the rate of 0.2904 percent.  
12 For purposes of this subsection (12)(d), "selling standing timber"  
13 means the sale of timber apart from the land, where the buyer is  
14 required to sever the timber within thirty months from the date of the  
15 original contract, regardless of the method of payment for the timber  
16 and whether title to the timber transfers before, upon, or after  
17 severance.

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

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

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

35 (iii) "Recycled paper" means paper and paper products having fifty  
36 percent or more of their fiber content that comes from postconsumer  
37 waste. For purposes of this subsection (12)(e)(iii), "postconsumer

1 waste" means a finished material that would normally be disposed of as  
2 solid waste, having completed its life cycle as a consumer item.

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

7 (v) "Timber products" means:

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

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

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

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

19 (f) Except for small harvesters as defined in RCW 84.33.035, a  
20 person reporting under the tax rate provided in this subsection (12)  
21 must file a complete annual (~~(survey)~~) report with the department under  
22 (~~(RCW 82.32.585)~~) section 201 of this act.

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

28 (14)(a) Upon every person engaging within this state in the  
29 business of printing a newspaper, publishing a newspaper, or both, the  
30 amount of tax on such business is equal to the gross income of the  
31 business multiplied by the rate of 0.2904 percent.

32 (b) A person reporting under the tax rate provided in this  
33 subsection (14) must file a complete annual report with the department  
34 under (~~(RCW 82.32.534)~~) section 201 of this act.

35 **Sec. 215.** RCW 82.04.2909 and 2011 c 174 s 301 are each amended to  
36 read as follows:

37 (1) Upon every person who is an aluminum smelter engaging within

1 this state in the business of manufacturing aluminum; as to such  
2 persons the amount of tax with respect to such business is, in the case  
3 of manufacturers, equal to the value of the product manufactured, or in  
4 the case of processors for hire, equal to the gross income of the  
5 business, multiplied by the rate of .2904 percent.

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

11 (3) A person reporting under the tax rate provided in this section  
12 must file a complete annual report with the department under ((RCW  
13 ~~82.32.534~~) section 201 of this act.

14 (4) This section expires January 1, 2017.

15 **Sec. 216.** RCW 82.04.294 and 2013 2nd sp.s. c 13 s 902 are each  
16 amended to read as follows:

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

27 (2) Upon every person engaging within this state in the business of  
28 making sales at wholesale of solar energy systems using photovoltaic  
29 modules or stirling converters, or of solar grade silicon, silicon  
30 solar wafers, silicon solar cells, thin film solar devices, or compound  
31 semiconductor solar wafers to be used exclusively in components of such  
32 systems, manufactured by that person; as to such persons the amount of  
33 tax with respect to such business is equal to the gross proceeds of  
34 sales of the solar energy systems using photovoltaic modules or  
35 stirling converters, or of the solar grade silicon to be used  
36 exclusively in components of such systems, multiplied by the rate of  
37 0.275 percent.

1 (3) Silicon solar wafers, silicon solar cells, thin film solar  
2 devices, solar grade silicon, or compound semiconductor solar wafers  
3 are "semiconductor materials" for the purposes of RCW 82.08.9651 and  
4 82.12.9651.

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

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

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

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

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

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

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

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

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

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

31 (5) A person reporting under the tax rate provided in this section  
32 must file a complete annual (~~(survey)~~) report with the department under  
33 (~~(RCW 82.32.585)~~) section 201 of this act.

34 (6) This section expires June 30, 2017.

35 **Sec. 217.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to  
36 read as follows:

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

3 (2) For the purposes of this section:

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

7 (b) "Integrated circuit" means a set of microminiaturized,  
8 electronic circuits.

9 (3) A person reporting under the tax rate provided in this section  
10 must file a complete annual report with the department under ((RCW  
11 82.32.534)) section 201 of this act.

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

14 **Sec. 218.** RCW 82.04.4266 and 2012 2nd sp.s. c 6 s 201 are each  
15 amended to read as follows:

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

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

20 (b) Selling at wholesale fruits or vegetables manufactured by the  
21 seller by canning, preserving, freezing, processing, or dehydrating  
22 fresh fruits or vegetables and sold to purchasers who transport in the  
23 ordinary course of business the goods out of this state. A person  
24 taking an exemption under this subsection (1)(b) must keep and preserve  
25 records for the period required by RCW 82.32.070 establishing that the  
26 goods were transported by the purchaser in the ordinary course of  
27 business out of this state.

28 (2) A person claiming the exemption provided in this section must  
29 file a complete annual ((survey)) report with the department under  
30 ((RCW 82.32.585)) section 201 of this act.

31 (3) This section expires July 1, 2015.

32 **Sec. 219.** RCW 82.04.4268 and 2013 2nd sp.s. c 13 s 204 are each  
33 amended to read as follows:

34 (1) In computing tax there may be deducted from the measure of tax,  
35 the value of products or the gross proceeds of sales derived from:

36 (a) Manufacturing dairy products; or

1 (b) Selling dairy products manufactured by the seller to purchasers  
2 who either transport in the ordinary course of business the goods out  
3 of this state or purchasers who use such dairy products as an  
4 ingredient or component in the manufacturing of a dairy product. A  
5 person taking an exemption under this subsection (1)(b) must keep and  
6 preserve records for the period required by RCW 82.32.070 establishing  
7 that the goods were transported by the purchaser in the ordinary course  
8 of business out of this state or sold to a manufacturer for use as an  
9 ingredient or component in the manufacturing of a dairy product.

10 (2) "Dairy products" has the same meaning as provided in RCW  
11 82.04.260.

12 (3) A person claiming the exemption provided in this section must  
13 file a complete annual ((survey)) report with the department under  
14 ((RCW 82.32.585)) section 201 of this act.

15 (4) This section expires July 1, 2015.

16 **Sec. 220.** RCW 82.04.4269 and 2012 2nd sp.s. c 6 s 203 are each  
17 amended to read as follows:

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

20 (a) Manufacturing seafood products that remain in a raw, raw  
21 frozen, or raw salted state at the completion of the manufacturing by  
22 that person; or

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

30 (2) A person claiming the exemption provided in this section must  
31 file a complete annual ((survey)) report with the department under  
32 ((RCW 82.32.585)) section 201 of this act.

33 (3) This section expires July 1, 2015.

34 **Sec. 221.** RCW 82.04.4277 and 2011 1st sp.s. c 19 s 1 are each  
35 amended to read as follows:

1 (1) A health or social welfare organization may deduct from the  
2 measure of tax amounts received as compensation for providing mental  
3 health services under a government-funded program.

4 (2) A regional support network may deduct from the measure of tax  
5 amounts received from the state of Washington for distribution to a  
6 health or social welfare organization that is eligible to deduct the  
7 distribution under subsection (1) of this section.

8 (3) A person claiming a deduction under this section must file a  
9 complete annual report with the department under (~~RCW 82.32.534~~)  
10 section 201 of this act.

11 (4) The definitions in this subsection apply to this section.

12 (a) "Health or social welfare organization" has the meaning  
13 provided in RCW 82.04.431.

14 (b) "Mental health services" and "regional support network" have  
15 the meanings provided in RCW 71.24.025.

16 (5) This section expires August 1, 2016.

17 **Sec. 222.** RCW 82.04.4452 and 2010 c 114 s 114 are each amended to  
18 read as follows:

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

23 (2) The credit is calculated as follows:

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

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

31 (c) Multiply the amount determined under (b) of this subsection by  
32 the following:

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

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

- 1 (iii) For the calendar year ending December 31, 2008, the greater  
2 of the person's average tax rate for that calendar year or 1.0 percent;  
3 (iv) For the calendar year ending December 31, 2009, the greater of  
4 the person's average tax rate for that calendar year or 1.25 percent;  
5 (v) For the calendar year ending December 31, 2010, and thereafter,  
6 1.50 percent.

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

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

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

27 (5) For any person claiming the credit, including any credit  
28 assigned to a person under subsection (3) of this section, whose  
29 research and development spending during the calendar year in which the  
30 credit is claimed fails to exceed 0.92 percent of the person's taxable  
31 amount during the same calendar year or who is otherwise ineligible,  
32 the department must declare the taxes against which the credit was  
33 claimed to be immediately due and payable. The department must assess  
34 interest, but not penalties, on the taxes against which the credit was  
35 claimed. Interest must be assessed at the rate provided for delinquent  
36 excise taxes under chapter 82.32 RCW, retroactively to the date the  
37 credit was claimed, and accrues until the taxes against which the  
38 credit was claimed are repaid. Any credit assigned to a person under

1 subsection (3) of this section that is disallowed as a result of this  
2 section may be claimed by the person who performed the qualified  
3 research and development subject to the limitations set forth in  
4 subsection (4) of this section.

5 (6) A person claiming the credit provided in this section must file  
6 a complete annual ((survey)) report with the department under ((RCW  
7 82.32.585)) section 201 of this act.

8 (7) For the purpose of this section:

9 (a) "Average tax rate" means a person's total tax liability under  
10 this chapter for the calendar year for which the credit is claimed  
11 divided by the taxpayer's total taxable amount under this chapter for  
12 the calendar year for which the credit is claimed.

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

23 (c) "Qualified research and development" ((shall have)) has the  
24 same meaning as in RCW 82.63.010.

25 (d) "Research and development spending" means qualified research  
26 and development expenditures plus eighty percent of amounts paid to a  
27 person other than a public educational or research institution to  
28 conduct qualified research and development.

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

34 (8) This section expires January 1, 2015.

35 **Sec. 223.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to  
36 read as follows:

37 (1)(a)(i) In computing the tax imposed under this chapter, a credit

1 is allowed for each person for qualified aerospace product development.  
2 For a person who is a manufacturer or processor for hire of commercial  
3 airplanes or components of such airplanes, credit may be earned for  
4 expenditures occurring after December 1, 2003. For all other persons,  
5 credit may be earned only for expenditures occurring after June 30,  
6 2008.

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

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

14 (2) The credit is equal to the amount of qualified aerospace  
15 product development expenditures of a person, multiplied by the rate of  
16 1.5 percent.

17 (3) Except as provided in subsection (1)(b) of this section the  
18 credit must be claimed against taxes due for the same calendar year in  
19 which the qualified aerospace product development expenditures are  
20 incurred. Credit earned on or after July 1, 2005, may not be carried  
21 over. The credit for each calendar year may not exceed the amount of  
22 tax otherwise due under this chapter for the calendar year. Refunds  
23 may not be granted in the place of a credit.

24 (4) Any person claiming the credit must file a form prescribed by  
25 the department that must include the amount of the credit claimed, an  
26 estimate of the anticipated aerospace product development expenditures  
27 during the calendar year for which the credit is claimed, an estimate  
28 of the taxable amount during the calendar year for which the credit is  
29 claimed, and such additional information as the department may  
30 prescribe.

31 (5) The definitions in this subsection apply throughout this  
32 section.

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

34 (b) "Aerospace product development" means research, design, and  
35 engineering activities performed in relation to the development of an  
36 aerospace product or of a product line, model, or model derivative of  
37 an aerospace product, including prototype development, testing, and  
38 certification. The term includes the discovery of technological

1 information, the translating of technological information into new or  
2 improved products, processes, techniques, formulas, or inventions, and  
3 the adaptation of existing products and models into new products or new  
4 models, or derivatives of products or models. The term does not  
5 include manufacturing activities or other production-oriented  
6 activities, however the term does include tool design and engineering  
7 design for the manufacturing process. The term does not include  
8 surveys and studies, social science and humanities research, market  
9 research or testing, quality control, sale promotion and service,  
10 computer software developed for internal use, and research in areas  
11 such as improved style, taste, and seasonal design.

12 (c) "Qualified aerospace product development" means aerospace  
13 product development performed within this state.

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

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

29 (6) In addition to all other requirements under this title, a  
30 person claiming the credit under this section must file a complete  
31 annual report with the department under (~~RCW 82.32.534~~) section 201  
32 of this act.

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

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

36 **Sec. 224.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each  
37 amended to read as follows:

1 (1)(a)(i) In computing the tax imposed under this chapter, a credit  
2 is allowed for each person for qualified aerospace product development.  
3 For a person who is a manufacturer or processor for hire of commercial  
4 airplanes or components of such airplanes, credit may be earned for  
5 expenditures occurring after December 1, 2003. For all other persons,  
6 credit may be earned only for expenditures occurring after June 30,  
7 2008.

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

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

15 (2) The credit is equal to the amount of qualified aerospace  
16 product development expenditures of a person, multiplied by the rate of  
17 1.5 percent.

18 (3) Except as provided in subsection (1)(b) of this section the  
19 credit must be claimed against taxes due for the same calendar year in  
20 which the qualified aerospace product development expenditures are  
21 incurred. Credit earned on or after July 1, 2005, may not be carried  
22 over. The credit for each calendar year may not exceed the amount of  
23 tax otherwise due under this chapter for the calendar year. Refunds  
24 may not be granted in the place of a credit.

25 (4) Any person claiming the credit must file a form prescribed by  
26 the department that must include the amount of the credit claimed, an  
27 estimate of the anticipated aerospace product development expenditures  
28 during the calendar year for which the credit is claimed, an estimate  
29 of the taxable amount during the calendar year for which the credit is  
30 claimed, and such additional information as the department may  
31 prescribe.

32 (5) The definitions in this subsection apply throughout this  
33 section.

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

35 (b) "Aerospace product development" means research, design, and  
36 engineering activities performed in relation to the development of an  
37 aerospace product or of a product line, model, or model derivative of  
38 an aerospace product, including prototype development, testing, and

1 certification. The term includes the discovery of technological  
2 information, the translating of technological information into new or  
3 improved products, processes, techniques, formulas, or inventions, and  
4 the adaptation of existing products and models into new products or new  
5 models, or derivatives of products or models. The term does not  
6 include manufacturing activities or other production-oriented  
7 activities, however the term does include tool design and engineering  
8 design for the manufacturing process. The term does not include  
9 surveys and studies, social science and humanities research, market  
10 research or testing, quality control, sale promotion and service,  
11 computer software developed for internal use, and research in areas  
12 such as improved style, taste, and seasonal design.

13 (c) "Qualified aerospace product development" means aerospace  
14 product development performed within this state.

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

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

30 (6) In addition to all other requirements under this title, a  
31 person claiming the credit under this section must file a complete  
32 annual report with the department under (~~RCW 82.32.534~~) section 201  
33 of this act.

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

36 (8) This section expires July 1, 2040.

1       **Sec. 225.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each  
2 amended to read as follows:

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

6       (2) The credit is equal to:

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

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

15       (C) Property taxes or leasehold excise taxes paid on, or with  
16 respect to, buildings constructed after June 30, 2008, the land upon  
17 which the buildings are located, or both, and used exclusively for  
18 aerospace product development, manufacturing tooling specifically  
19 designed for use in manufacturing commercial airplanes or their  
20 components, or in providing aerospace services, by persons not within  
21 the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable  
22 under RCW 82.04.290(3), 82.04.260(~~(+10+)~~) (11)(b), or 82.04.250(3); or

23       (ii) Property taxes attributable to an increase in assessed value  
24 due to the renovation or expansion, after: (A) December 1, 2003, of a  
25 building used exclusively in manufacturing commercial airplanes or  
26 components of such airplanes; and (B) June 30, 2008, of buildings used  
27 exclusively for aerospace product development, manufacturing tooling  
28 specifically designed for use in manufacturing commercial airplanes or  
29 their components, or in providing aerospace services, by persons not  
30 within the scope of (a)(ii)(A) of this subsection (2) and are taxable  
31 under RCW 82.04.290(3), 82.04.260(~~(+10+)~~) (11)(b), or 82.04.250(3); and

32       (b) An amount equal to:

33       (i)(A) Property taxes paid, by persons taxable under RCW  
34 82.04.260(~~(+10+)~~) (11)(a), on machinery and equipment exempt under RCW  
35 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

36       (B) Property taxes paid, by persons taxable under RCW  
37 82.04.260(~~(+10+)~~) (11)(b), on machinery and equipment exempt under RCW  
38 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

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

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

8 (A) The numerator of the fraction is the total taxable amount  
9 subject to the tax imposed under RCW 82.04.260(~~((+10+))~~) (11) (a) or (b)  
10 on the applicable business activities of manufacturing commercial  
11 airplanes, components of such airplanes, or tooling specifically  
12 designed for use in the manufacturing of commercial airplanes or  
13 components of such airplanes.

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

17 (C) For purposes of both the numerator and denominator of the  
18 fraction, the total taxable amount refers to the total taxable amount  
19 required to be reported on the person's returns for the calendar year  
20 before the calendar year in which the credit under this section is  
21 earned. The department may provide for an alternative method for  
22 calculating the numerator in cases where the tax rate provided in RCW  
23 82.04.260(~~((+10+))~~) (11) for manufacturing was not in effect during the  
24 full calendar year before the calendar year in which the credit under  
25 this section is earned.

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

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

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

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

37 (b) "Aerospace services" has the same meaning given in RCW  
38 82.08.975.

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

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

7 (5) In addition to all other requirements under this title, a  
8 person claiming the credit under this section must file a complete  
9 annual report with the department under (~~RCW 82.32.534~~) section 201  
10 of this act.

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

12 **Sec. 226.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each  
13 amended to read as follows:

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

17 (2) The credit is equal to:

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

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

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

34 (ii) Property taxes attributable to an increase in assessed value  
35 due to the renovation or expansion, after: (A) December 1, 2003, of a  
36 building used exclusively in manufacturing commercial airplanes or  
37 components of such airplanes; and (B) June 30, 2008, of buildings used

1 exclusively for aerospace product development, manufacturing tooling  
2 specifically designed for use in manufacturing commercial airplanes or  
3 their components, or in providing aerospace services, by persons not  
4 within the scope of (a)(ii)(A) of this subsection (2) and are taxable  
5 under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); and

6 (b) An amount equal to:

7 (i)(A) Property taxes paid, by persons taxable under RCW  
8 82.04.260(11)(a), on machinery and equipment exempt under RCW  
9 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

10 (B) Property taxes paid, by persons taxable under RCW  
11 82.04.260(11)(b), on machinery and equipment exempt under RCW  
12 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

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

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

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

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

29 (C) For purposes of both the numerator and denominator of the  
30 fraction, the total taxable amount refers to the total taxable amount  
31 required to be reported on the person's returns for the calendar year  
32 before the calendar year in which the credit under this section is  
33 earned. The department may provide for an alternative method for  
34 calculating the numerator in cases where the tax rate provided in RCW  
35 82.04.260(11) for manufacturing was not in effect during the full  
36 calendar year before the calendar year in which the credit under this  
37 section is earned.

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

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

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

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

12 (b) "Aerospace services" has the same meaning given in RCW  
13 82.08.975.

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

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

20 (5) In addition to all other requirements under this title, a  
21 person claiming the credit under this section must file a complete  
22 annual report with the department under (~~RCW 82.32.534~~) section 201  
23 of this act.

24 (6) This section expires July 1, 2040.

25 **Sec. 227.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to  
26 read as follows:

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

32 (2)(a) The credit under this section equals three thousand dollars  
33 for each employment position used in manufacturing production that  
34 takes place in a new building exempt from sales and use tax under RCW  
35 82.08.965 and 82.12.965. A credit is earned for the calendar year a  
36 person fills a position. Additionally a credit is earned for each year  
37 the position is maintained over the subsequent consecutive years, up to

1 eight years. Those positions that are not filled for the entire year  
2 are eligible for fifty percent of the credit if filled less than six  
3 months, and the entire credit if filled more than six months.

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

7 (c) In those situations where a production building in existence on  
8 the effective date of this section will be phased out of operation,  
9 during which time employment at the new building at the same site is  
10 increased, the person is eligible for credit for employment at the  
11 existing building and new building, with the limitation that the  
12 combined eligible employment not exceed full employment at the new  
13 building. "Full employment" has the same meaning as in RCW 82.08.965.  
14 The credit may not be earned until the commencement of commercial  
15 production, as that term is used in RCW 82.08.965.

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

21 (4) If at any time the department finds that a person is not  
22 eligible for tax credit under this section, the amount of taxes for  
23 which a credit has been claimed is immediately due. The department  
24 must assess interest, but not penalties, on the taxes for which the  
25 person is not eligible. The interest must be assessed at the rate  
26 provided for delinquent excise taxes under chapter 82.32 RCW, is  
27 retroactive to the date the tax credit was taken, and accrues until the  
28 taxes for which a credit has been used are repaid.

29 (5) A person claiming the credit under this section must file a  
30 complete annual report with the department under (~~RCW 82.32.534~~)  
31 section 201 of this act.

32 (6) Credits may be claimed after twelve years after the effective  
33 date of this act, for those buildings at which commercial production  
34 began before twelve years after the effective date of this act, subject  
35 to all of the eligibility criteria and limitations of this section.

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

1           **Sec. 228.** RCW 82.04.4481 and 2011 c 174 s 302 are each amended to  
2 read as follows:

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

7           (2) A person claiming the credit under this section is subject to  
8 all the requirements of chapter 82.32 RCW. A credit earned during one  
9 calendar year may be carried over to be credited against taxes incurred  
10 in the subsequent calendar year, but may not be carried over a second  
11 year. Credits carried over must be applied to tax liability before new  
12 credits. No refunds may be granted for credits under this section.

13           (3) Credits may not be claimed under this section for property  
14 taxes levied for collection in 2017 and thereafter.

15           (4) A person claiming the credit provided in this section must file  
16 a complete annual report with the department under (~~RCW 82.32.534~~)  
17 section 201 of this act.

18           **Sec. 229.** RCW 82.04.4483 and 2010 c 114 s 119 are each amended to  
19 read as follows:

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

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

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

33           (b) If an activity is conducted both from a rural county and  
34 outside of a rural county, the credit is available if at least ninety  
35 percent of the qualifying activity is conducted within a rural county.  
36 If the qualifying activity is a service taxable activity, the place

1 where the work is performed is the place at which the activity is  
2 conducted.

3 (4)(a) The credit under this section (~~shall~~) equals one thousand  
4 dollars for each new qualified employment position created after  
5 January 1, 2004, in an eligible area. A credit is earned for the  
6 calendar year the person is hired to fill the position. Additionally  
7 a credit is earned for each year the position is maintained over the  
8 subsequent consecutive years, up to four years. The county must meet  
9 the definition of a rural county at the time the position is filled.  
10 If the county does not have a rural county status the following year or  
11 years, the position is still eligible for the remaining years if all  
12 other conditions are met.

13 (b) Participants who claimed credit under RCW 82.04.4456 for  
14 qualified employment positions created before December 31, 2003, are  
15 eligible to earn credit for each year the position is maintained over  
16 the subsequent consecutive years, for up to four years, which four  
17 years include any years claimed under RCW 82.04.4456. Those persons  
18 who did not receive a credit under RCW 82.04.4456 before December 31,  
19 2003, are not eligible to earn credit for qualified employment  
20 positions created before December 31, 2003.

21 (c) Credit is authorized for new employees hired for new qualified  
22 employment positions created on or after January 1, 2004. New  
23 qualified employment positions filled by existing employees are  
24 eligible for the credit under this section only if the position vacated  
25 by the existing employee is filled by a new hire. A business that is  
26 a sole proprietorship without any employees is equivalent to one  
27 employee position and this type of business is eligible to receive  
28 credit for one position.

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

33 (5) No application is necessary for the tax credit. The person  
34 must keep records necessary for the department to verify eligibility  
35 under this section. This information includes information relating to  
36 description of qualifying activity conducted in the rural county and  
37 outside the rural county by the person as well as detailed records on  
38 positions and employees.

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

9 (7) The credit under this section may be used against any tax due  
10 under this chapter, but in no case may a credit earned during one  
11 calendar year be carried over to be credited against taxes incurred in  
12 a subsequent calendar year. A person is not eligible to receive a  
13 credit under this section if the person is receiving credit for the  
14 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking  
15 a credit under this chapter for information technology help desk  
16 services conducted from a rural county. No refunds may be granted for  
17 credits under this section.

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

22 (9) A person claiming a tax credit under this section must file a  
23 complete annual ((survey)) report with the department under ((RCW  
24 82.32.585)) section 201 of this act.

25 (10) As used in this section:

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

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

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

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

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

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

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

13 **Sec. 230.** RCW 82.04.449 and 2012 c 46 s 3 are each amended to read  
14 as follows:

15 (1) In computing the tax imposed under this chapter, a credit is  
16 allowed for participants in the Washington customized employment  
17 training program created in RCW 28B.67.020. The credit allowed under  
18 this section is equal to fifty percent of the value of a participant's  
19 payments to the employment training finance account created in RCW  
20 28B.67.030. If a participant in the program does not meet the  
21 requirements of RCW 28B.67.020(2)(b)(ii), the participant must remit to  
22 the department the value of any credits taken plus interest. The  
23 credit earned by a participant in one calendar year may be carried over  
24 to be credited against taxes incurred in a subsequent calendar year.  
25 No credit may be allowed for repayment of training allowances received  
26 from the Washington customized employment training program on or after  
27 July 1, 2021.

28 (2) A person claiming the credit provided in this section must file  
29 a complete annual ((survey)) report with the department under ((RCW  
30 82.32.585)) section 201 of this act.

31 **Sec. 231.** RCW 82.08.805 and 2011 c 174 s 303 are each amended to  
32 read as follows:

33 (1) A person who has paid tax under RCW 82.08.020 for personal  
34 property used at an aluminum smelter, tangible personal property that  
35 will be incorporated as an ingredient or component of buildings or  
36 other structures at an aluminum smelter, or for labor and services

1 rendered with respect to such buildings, structures, or personal  
2 property, is eligible for an exemption from the state share of the tax  
3 in the form of a credit, as provided in this section. A person  
4 claiming an exemption must pay the tax and may then take a credit equal  
5 to the state share of retail sales tax paid under RCW 82.08.020. The  
6 person must submit information, in a form and manner prescribed by the  
7 department, specifying the amount of qualifying purchases or  
8 acquisitions for which the exemption is claimed and the amount of  
9 exempted tax.

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

12 (3) A person claiming the tax preference provided in this section  
13 must file a complete annual report with the department under ((RCW  
14 ~~82.32.534~~) section 201 of this act).

15 (4) Credits may not be claimed under this section for taxable  
16 events occurring on or after January 1, 2017.

17 **Sec. 232.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to  
18 read as follows:

19 (1) The tax levied by RCW 82.08.020 does not apply to charges made  
20 for labor and services rendered in respect to the constructing of new  
21 buildings used for the manufacturing of semiconductor materials, to  
22 sales of tangible personal property that will be incorporated as an  
23 ingredient or component of such buildings during the course of the  
24 constructing, or to labor and services rendered in respect to  
25 installing, during the course of constructing, building fixtures not  
26 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The  
27 exemption is available only when the buyer provides the seller with an  
28 exemption certificate in a form and manner prescribed by the  
29 department. The seller must retain a copy of the certificate for the  
30 seller's files.

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

36 (a) The manufacturer or processor for hire must maintain at least

1 seventy-five percent of full employment at the new building for which  
2 the exemption under this section is claimed.

3 (b) Before commencing commercial production at a new facility the  
4 manufacturer or processor for hire must meet with the department to  
5 review projected employment levels in the new buildings. The  
6 department, using information provided by the taxpayer, must make a  
7 determination of the number of positions that would be filled at full  
8 employment. This number must be used throughout the eight-year period  
9 to determine whether any tax is to be repaid. This information is not  
10 subject to the confidentiality provisions of RCW 82.32.330 and may be  
11 disclosed to the public upon request.

12 (c) In those situations where a production building in existence on  
13 the effective date of this section will be phased out of operation  
14 during which time employment at the new building at the same site is  
15 increased, the manufacturer or processor for hire must maintain  
16 seventy-five percent of full employment at the manufacturing site  
17 overall.

18 (d) No application is necessary for the tax exemption. The person  
19 is subject to all the requirements of chapter 82.32 RCW. A person  
20 claiming the exemption under this section must file a complete annual  
21 report with the department under ((~~RCW 82.32.534~~)) section 201 of this  
22 act.

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

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

31 (5) For the purposes of this section:

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

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

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

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

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

8 **Sec. 233.** RCW 82.08.9651 and 2010 c 114 s 124 are each amended to  
9 read as follows:

10 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
11 gases and chemicals used by a manufacturer or processor for hire in the  
12 production of semiconductor materials. This exemption is limited to  
13 gases and chemicals used in the production process to grow the product,  
14 deposit or grow permanent or sacrificial layers on the product, to etch  
15 or remove material from the product, to anneal the product, to immerse  
16 the product, to clean the product, and other such uses whereby the  
17 gases and chemicals come into direct contact with the product during  
18 the production process, or uses of gases and chemicals to clean the  
19 chambers and other like equipment in which such processing takes place.  
20 For the purposes of this section, "semiconductor materials" has the  
21 meaning provided in RCW 82.04.2404 and 82.04.294(3).

22 (2) A person claiming the exemption under this section must file a  
23 complete annual report with the department under (~~RCW 82.32.534~~)  
24 section 201 of this act. No application is necessary for the tax  
25 exemption. The person is subject to all of the requirements of chapter  
26 82.32 RCW.

27 (3) This section expires December 1, 2018.

28 **Sec. 234.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to  
29 read as follows:

30 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
31 gases and chemicals used by a manufacturer or processor for hire in the  
32 manufacturing of semiconductor materials. This exemption is limited to  
33 gases and chemicals used in the manufacturing process to grow the  
34 product, deposit or grow permanent or sacrificial layers on the  
35 product, to etch or remove material from the product, to anneal the  
36 product, to immerse the product, to clean the product, and other such

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

7 (2) A person claiming the exemption under this section must file a  
8 complete annual report with the department under ((~~RCW 82.32.534~~))  
9 section 201 of this act. No application is necessary for the tax  
10 exemption. The person is subject to all of the requirements of chapter  
11 82.32 RCW.

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

14 **Sec. 235.** RCW 82.08.980 and 2010 c 114 s 126 are each amended to  
15 read as follows:

16 (1) The tax levied by RCW 82.08.020 does not apply to charges made  
17 for labor and services rendered in respect to the constructing of new  
18 buildings by a manufacturer engaged in the manufacturing of  
19 superefficient airplanes or by a port district, to be leased to a  
20 manufacturer engaged in the manufacturing of superefficient airplanes,  
21 to sales of tangible personal property that will be incorporated as an  
22 ingredient or component of such buildings during the course of the  
23 constructing, or to labor and services rendered in respect to  
24 installing, during the course of constructing, building fixtures not  
25 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The  
26 exemption is available only when the buyer provides the seller with an  
27 exemption certificate in a form and manner prescribed by the  
28 department. The seller must retain a copy of the certificate for the  
29 seller's files.

30 (2) No application is necessary for the tax exemption in this  
31 section, however in order to qualify under this section before starting  
32 construction the port district must have entered into an agreement with  
33 the manufacturer to build such a facility. A person claiming the  
34 exemption under this section is subject to all the requirements of  
35 chapter 82.32 RCW. In addition, the person must file a complete annual  
36 report with the department under ((~~RCW 82.32.534~~)) section 201 of this  
37 act.

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

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

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

8 **Sec. 236.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each  
9 amended to read as follows:

10 (1) The tax levied by RCW 82.08.020 does not apply to:

11 (a) Charges, for labor and services rendered in respect to the  
12 constructing of new buildings, made to (i) a manufacturer engaged in  
13 the manufacturing of commercial airplanes or the fuselages or wings of  
14 commercial airplanes or (ii) a port district, political subdivision, or  
15 municipal corporation, to be leased to a manufacturer engaged in the  
16 manufacturing of commercial airplanes or the fuselages or wings of  
17 commercial airplanes;

18 (b) Sales of tangible personal property that will be incorporated  
19 as an ingredient or component of such buildings during the course of  
20 the constructing; or

21 (c) Charges made for labor and services rendered in respect to  
22 installing, during the course of constructing such buildings, building  
23 fixtures not otherwise eligible for the exemption under RCW  
24 82.08.02565(2)(b).

25 (2) The exemption is available only when the buyer provides the  
26 seller with an exemption certificate in a form and manner prescribed by  
27 the department. The seller must retain a copy of the certificate for  
28 the seller's files.

29 (3) No application is necessary for the tax exemption in this  
30 section. However, in order to qualify under this section before  
31 starting construction, the port district, political subdivision, or  
32 municipal corporation must have entered into an agreement with the  
33 manufacturer to build such a facility. A person claiming the exemption  
34 under this section is subject to all the requirements of chapter 82.32  
35 RCW. In addition, the person must file a complete annual report with  
36 the department under (~~RCW 82.32.534~~) section 201 of this act.

1 (4) The exemption in this section applies to buildings or parts of  
2 buildings, including buildings or parts of buildings used for the  
3 storage of raw materials or finished product, that are used primarily  
4 in the manufacturing of any one or more of the following products:

- 5 (a) Commercial airplanes;
- 6 (b) Fuselages of commercial airplanes; or
- 7 (c) Wings of commercial airplanes.

8 (5) For the purposes of this section, "commercial airplane" has the  
9 meaning given in RCW 82.32.550.

10 (6) This section expires July 1, 2040.

11 **Sec. 237.** RCW 82.08.986 and 2012 2nd sp.s. c 6 s 302 are each  
12 amended to read as follows:

13 (1) An exemption from the tax imposed by RCW 82.08.020 is provided  
14 for sales to qualifying businesses and to qualifying tenants of  
15 eligible server equipment to be installed, without intervening use, in  
16 an eligible computer data center, and to charges made for labor and  
17 services rendered in respect to installing eligible server equipment.  
18 The exemption also applies to sales to qualifying businesses and to  
19 qualifying tenants of eligible power infrastructure, including labor  
20 and services rendered in respect to constructing, installing,  
21 repairing, altering, or improving eligible power infrastructure.

22 (2)(a) In order to claim the exemption under this section, a  
23 qualifying business or a qualifying tenant must submit an application  
24 to the department for an exemption certificate. The application must  
25 include the information necessary, as required by the department, to  
26 determine that a business or tenant qualifies for the exemption under  
27 this section. The department must issue exemption certificates to  
28 qualifying businesses and qualifying tenants. The department may  
29 assign a unique identification number to each exemption certificate  
30 issued under this section.

31 (b) A qualifying business or a qualifying tenant claiming the  
32 exemption under this section must present the seller with an exemption  
33 certificate in a form and manner prescribed by the department. The  
34 seller must retain a copy of the certificate for the seller's files.

35 (3)(a) Within six years of the date that the department issued an  
36 exemption certificate under this section to a qualifying business or a  
37 qualifying tenant with respect to an eligible computer data center, the

1 qualifying business or qualifying tenant must establish that net  
2 employment at the eligible computer data center has increased by a  
3 minimum of:

4 (i) Thirty-five family wage employment positions; or

5 (ii) Three family wage employment positions for each twenty  
6 thousand square feet of space or less that is newly dedicated to  
7 housing working servers at the eligible computer data center. For  
8 qualifying tenants, the number of family wage employment positions that  
9 must be increased under this subsection (3)(a)(ii) is based only on the  
10 space occupied by the qualifying tenant in the eligible computer data  
11 center.

12 (b) In calculating the net increase in family wage employment  
13 positions:

14 (i) The owner of an eligible computer data center, in addition to  
15 its own net increase in family wage employment positions, may include:

16 (A) The net increase in family wage employment positions employed  
17 by qualifying tenants; and

18 (B) The net increase in family wage employment positions described  
19 in (c)(ii)(B) of this subsection (3).

20 (ii)(A) Qualifying tenants, in addition to their own net increase  
21 in family wage employment positions, may include:

22 (I) A portion of the net increase in family wage employment  
23 positions employed by the owner; and

24 (II) A portion of the net increase in family wage employment  
25 positions described in (c)(ii)(B) of this subsection (3).

26 (B) The portion of the net increase in family wage employment  
27 positions to be counted under this subsection (3)(b)(ii) by each  
28 qualifying tenant must be in proportion to the amount of space in the  
29 eligible computer data center occupied by the qualifying tenant  
30 compared to the total amount of space in the eligible computer data  
31 center occupied by all qualifying tenants.

32 (c)(i) For purposes of this subsection, family wage employment  
33 positions are new permanent employment positions requiring forty hours  
34 of weekly work, or their equivalent, on a full-time basis at the  
35 eligible computer data center and receiving a wage equivalent to or  
36 greater than one hundred fifty percent of the per capita personal  
37 income of the county in which the qualified project is located. An  
38 employment position may not be counted as a family wage employment

1 position unless the employment position is entitled to health insurance  
2 coverage provided by the employer of the employment position. For  
3 purposes of this subsection (3)(c), "new permanent employment position"  
4 means an employment position that did not exist or that had not  
5 previously been filled as of the date that the department issued an  
6 exemption certificate to the owner or qualifying tenant of an eligible  
7 computer data center, as the case may be.

8 (ii)(A) Family wage employment positions include positions filled  
9 by employees of the owner of the eligible computer data center and by  
10 employees of qualifying tenants.

11 (B) Family wage employment positions also include individuals  
12 performing work at an eligible computer data center as an independent  
13 contractor hired by the owner of the eligible computer data center or  
14 as an employee of an independent contractor hired by the owner of the  
15 eligible computer data center, if the work is necessary for the  
16 operation of the computer data center, such as security and building  
17 maintenance, and provided that all of the requirements in (c)(i) of  
18 this subsection (3) are met.

19 (d) All previously exempted sales and use taxes are immediately due  
20 and payable for a qualifying business or qualifying tenant that does  
21 not meet the requirements of this subsection.

22 (4) A qualifying business or a qualifying tenant claiming an  
23 exemption under this section or RCW 82.12.986 must complete an annual  
24 report with the department as required under (~~RCW 82.32.534~~) section  
25 201 of this act.

26 (5)(a) The exemption provided in this section does not apply to:

27 (i) Any person who has received the benefit of the deferral program  
28 under chapter 82.60 RCW on: (A) The construction, renovation, or  
29 expansion of a structure or structures used as a computer data center;  
30 or (B) machinery or equipment used in a computer data center; and

31 (ii) Any person affiliated with a person within the scope of (a)(i)  
32 of this subsection (5).

33 (b) If a person claims an exemption under this section and  
34 subsequently receives the benefit of the deferral program under chapter  
35 82.60 RCW on either the construction, renovation, or expansion of a  
36 structure or structures used as a computer data center or machinery or  
37 equipment used in a computer data center, the person must repay the

1 amount of taxes exempted under this section. Interest as provided in  
2 chapter 82.32 RCW applies to amounts due under this section until paid  
3 in full.

4 (6) For purposes of this section the following definitions apply  
5 unless the context clearly requires otherwise:

6 (a) "Affiliated" means that one person has a direct or indirect  
7 ownership interest of at least twenty percent in another person.

8 (b)(i) "Computer data center" means a facility comprised of one or  
9 more buildings, which may be comprised of multiple businesses,  
10 constructed or refurbished specifically, and used primarily, to house  
11 working servers, where the facility has the following characteristics:

- 12 (A) Uninterruptible power supplies, generator backup power, or both;
- 13 (B) sophisticated fire suppression and prevention systems; and (C)
- 14 enhanced physical security, such as: Restricted access to the facility
- 15 to selected personnel; permanent security guards; video camera
- 16 surveillance; an electronic system requiring passcodes, keycards, or
- 17 biometric scans, such as hand scans and retinal or fingerprint
- 18 recognition; or similar security features.

19 (ii) For a computer data center comprised of multiple buildings,  
20 each separate building constructed or refurbished specifically, and  
21 used primarily, to house working servers is considered a computer data  
22 center if it has all of the characteristics listed in (b)(i)(A) through  
23 (C) of this subsection (6).

24 (iii) A facility comprised of one building or more than one  
25 building must have a combined square footage of at least one hundred  
26 thousand square feet.

27 (c) "Electronic data storage and data management services" include,  
28 but are not limited to: Providing data storage and backup services,  
29 providing computer processing power, hosting enterprise software  
30 applications, and hosting web sites. The term also includes providing  
31 services such as e-mail, web browsing and searching, media  
32 applications, and other online services, regardless of whether a charge  
33 is made for such services.

34 (d)(i) "Eligible computer data center" means a computer data  
35 center:

- 36 (A) Located in a rural county as defined in RCW 82.14.370;
- 37 (B) Having at least twenty thousand square feet dedicated to

1 housing working servers, where the server space has not previously been  
2 dedicated to housing working servers; and

3 (C) For which the commencement of construction occurs:

4 (I) After March 31, 2010, and before July 1, 2011; or

5 (II) After March 31, 2012, and before July 1, 2015.

6 (ii) For purposes of this section, "commencement of construction"  
7 means the date that a building permit is issued under the building code  
8 adopted under RCW 19.27.031 for construction of the computer data  
9 center. The construction of a computer data center includes the  
10 expansion, renovation, or other improvements made to existing  
11 facilities, including leased or rented space. "Commencement of  
12 construction" does not include soil testing, site clearing and grading,  
13 site preparation, or any other related activities that are initiated  
14 before the issuance of a building permit for the construction of the  
15 foundation of a computer data center.

16 (iii) With respect to facilities in existence on April 1, 2010,  
17 that are expanded, renovated, or otherwise improved after March 31,  
18 2010, or facilities in existence on April 1, 2012, that are expanded,  
19 renovated, or otherwise improved after March 31, 2012, an eligible  
20 computer data center includes only the portion of the computer data  
21 center meeting the requirements in (d)(i)(B) of this subsection (6).

22 (e) "Eligible power infrastructure" means all fixtures and  
23 equipment owned by a qualifying business or qualifying tenant and  
24 necessary for the transformation, distribution, or management of  
25 electricity that is required to operate eligible server equipment  
26 within an eligible computer data center. The term includes generators;  
27 wiring; cogeneration equipment; and associated fixtures and equipment,  
28 such as electrical switches, batteries, and distribution, testing, and  
29 monitoring equipment.

30 (f) "Eligible server equipment" means:

31 (i) For a qualifying business whose computer data center qualifies  
32 as an eligible computer data center under (d)(i)(C)(I) of this  
33 subsection (6), the original server equipment installed in an eligible  
34 computer data center on or after April 1, 2010, and replacement server  
35 equipment. For purposes of this subsection (6)(f)(i), "replacement  
36 server equipment" means server equipment that:

37 (A) Replaces existing server equipment, if the sale or use of the

1 server equipment to be replaced qualified for an exemption under this  
2 section or RCW 82.12.986; and

3 (B) Is installed and put into regular use before April 1, 2018.

4 (ii) For a qualifying business whose computer data center qualifies  
5 as an eligible computer data center under (d)(i)(C)(II) of this  
6 subsection (6), "eligible server equipment" means the original server  
7 equipment installed in an eligible computer data center on or after  
8 April 1, 2012, and replacement server equipment. For purposes of this  
9 subsection (6)(f)(ii), "replacement server equipment" means server  
10 equipment that:

11 (A) Replaces existing server equipment, if the sale or use of the  
12 server equipment to be replaced qualified for an exemption under this  
13 section or RCW 82.12.986; and

14 (B) Is installed and put into regular use before April 1, 2020.

15 (iii) For a qualifying tenant who leases space within an eligible  
16 computer data center, "eligible server equipment" means the original  
17 server equipment installed within the space it leases from an eligible  
18 computer data center on or after April 1, 2010, and replacement server  
19 equipment. For purposes of this subsection (6)(f)(iii), "replacement  
20 server equipment" means server equipment that:

21 (A) Replaces existing server equipment, if the sale or use of the  
22 server equipment to be replaced qualified for an exemption under this  
23 section or RCW 82.12.986; and

24 (B) Is installed and put into regular use before April 1, 2020.

25 (g) "Qualifying business" means a business entity that exists for  
26 the primary purpose of engaging in commercial activity for profit and  
27 that is the owner of an eligible computer data center. The term does  
28 not include the state or federal government or any of their  
29 departments, agencies, and institutions; tribal governments; political  
30 subdivisions of this state; or any municipal, quasi-municipal, public,  
31 or other corporation created by the state or federal government, tribal  
32 government, municipality, or political subdivision of the state.

33 (h) "Qualifying tenant" means a business entity that exists for the  
34 primary purpose of engaging in commercial activity for profit and that  
35 leases space from a qualifying business within an eligible computer  
36 data center. The term does not include the state or federal government  
37 or any of their departments, agencies, and institutions; tribal  
38 governments; political subdivisions of this state; or any municipal,

1 quasi-municipal, public, or other corporation created by the state or  
2 federal government, tribal government, municipality, or political  
3 subdivision of the state. The term also does not include a lessee of  
4 space in an eligible computer data center under (d)(i)(C)(I) of this  
5 subsection (6), if the lessee and lessor are affiliated and:

6 (i) That space will be used by the lessee to house server equipment  
7 that replaces server equipment previously installed and operated in  
8 that eligible computer data center by the lessor or another person  
9 affiliated with the lessee; or

10 (ii) Prior to May 2, 2012, the primary use of the server equipment  
11 installed in that eligible computer data center was to provide  
12 electronic data storage and data management services for the business  
13 purposes of either the lessor, persons affiliated with the lessor, or  
14 both.

15 (i) "Server equipment" means the computer hardware located in an  
16 eligible computer data center and used exclusively to provide  
17 electronic data storage and data management services for internal use  
18 by the owner or lessee of the computer data center, for clients of the  
19 owner or lessee of the computer data center, or both. "Server  
20 equipment" also includes computer software necessary to operate the  
21 computer hardware. "Server equipment" does not include personal  
22 computers, the racks upon which the server equipment is installed, and  
23 computer peripherals such as keyboards, monitors, printers, and mice.

24 (7) This section expires April 1, 2020.

25 **Sec. 238.** RCW 82.12.022 and 2011 c 174 s 304 are each amended to  
26 read as follows:

27 (1) A use tax is levied on every person in this state for the  
28 privilege of using natural gas or manufactured gas within this state as  
29 a consumer.

30 (2) The tax must be levied and collected in an amount equal to the  
31 value of the article used by the taxpayer multiplied by the rate in  
32 effect for the public utility tax on gas distribution businesses under  
33 RCW 82.16.020. The "value of the article used" does not include any  
34 amounts that are paid for the hire or use of a gas distribution  
35 business as defined in RCW 82.16.010(2) in transporting the gas subject  
36 to tax under this subsection if those amounts are subject to tax under  
37 that chapter.

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

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

8 (5)(a) The tax levied in this section does not apply to the use of  
9 natural or manufactured gas by an aluminum smelter as that term is  
10 defined in RCW 82.04.217 before January 1, 2017.

11 (b) A person claiming the exemption provided in this subsection (5)  
12 must file a complete annual report with the department under ((RCW  
13 ~~82.32.534~~) section 201 of this act.

14 (6) There is a credit against the tax levied under this section in  
15 an amount equal to any tax paid by:

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

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

23 (7) The use tax imposed in this section must be paid by the  
24 consumer to the department.

25 (8) There is imposed a reporting requirement on the person who  
26 delivered the gas to the consumer to make a quarterly report to the  
27 department. Such report must contain the volume of gas delivered, name  
28 of the consumer to whom delivered, and such other information as the  
29 department may require by rule.

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

33 **Sec. 239.** RCW 82.12.025651 and 2011 c 23 s 5 are each amended to  
34 read as follows:

35 (1) The provisions of this chapter do not apply in respect to the  
36 use by a public research institution of machinery and equipment used

1 primarily in a research and development operation, or to the use of  
2 labor and services rendered in respect to installing, repairing,  
3 cleaning, altering, or improving the machinery and equipment.

4 (2) The definitions in RCW 82.08.025651 apply to this section.

5 (3) A public research institution receiving the benefit of the  
6 exemption provided in this section must file a complete annual  
7 ((survey)) report with the department under ((RCW 82.32.585)) section  
8 201 of this act.

9 **Sec. 240.** RCW 82.12.805 and 2011 c 174 s 305 are each amended to  
10 read as follows:

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

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

25 (3) A person reporting under the tax rate provided in this section  
26 must file a complete annual report with the department under ((RCW  
27 82.32.534)) section 201 of this act.

28 (4) Credits may not be claimed under this section for taxable  
29 events occurring on or after January 1, 2017.

30 **Sec. 241.** RCW 82.12.965 and 2010 c 114 s 129 are each amended to  
31 read as follows:

32 (1) The provisions of this chapter do not apply with respect to the  
33 use of tangible personal property that will be incorporated as an  
34 ingredient or component of new buildings used for the manufacturing of  
35 semiconductor materials during the course of constructing such

1 buildings or to labor and services rendered in respect to installing,  
2 during the course of constructing, building fixtures not otherwise  
3 eligible for the exemption under RCW 82.08.02565(2)(b).

4 (2) The eligibility requirements, conditions, and definitions in  
5 RCW 82.08.965 apply to this section, including the filing of a complete  
6 annual report with the department under ((~~RCW 82.32.534~~)) section 201  
7 of this act.

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

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

13 **Sec. 242.** RCW 82.12.9651 and 2010 c 114 s 130 are each amended to  
14 read as follows:

15 (1) The provisions of this chapter do not apply with respect to the  
16 use of gases and chemicals used by a manufacturer or processor for hire  
17 in the production of semiconductor materials. This exemption is  
18 limited to gases and chemicals used in the production process to grow  
19 the product, deposit or grow permanent or sacrificial layers on the  
20 product, to etch or remove material from the product, to anneal the  
21 product, to immerse the product, to clean the product, and other such  
22 uses whereby the gases and chemicals come into direct contact with the  
23 product during the production process, or uses of gases and chemicals  
24 to clean the chambers and other like equipment in which such processing  
25 takes place. For purposes of this section, "semiconductor materials"  
26 has the meaning provided in RCW 82.04.2404 and 82.04.294(3).

27 (2) A person claiming the exemption under this section must file a  
28 complete annual report with the department under ((~~RCW 82.32.534~~))  
29 section 201 of this act. No application is necessary for the tax  
30 exemption. The person is subject to all of the requirements of chapter  
31 82.32 RCW.

32 (3) This section expires December 1, 2018.

33 **Sec. 243.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to  
34 read as follows:

35 (1) The provisions of this chapter do not apply with respect to the  
36 use of gases and chemicals used by a manufacturer or processor for hire

1 in the manufacturing of semiconductor materials. This exemption is  
2 limited to gases and chemicals used in the manufacturing process to  
3 grow the product, deposit or grow permanent or sacrificial layers on  
4 the product, to etch or remove material from the product, to anneal the  
5 product, to immerse the product, to clean the product, and other such  
6 uses whereby the gases and chemicals come into direct contact with the  
7 product during the manufacturing process, or uses of gases and  
8 chemicals to clean the chambers and other like equipment in which such  
9 processing takes place. For purposes of this section, "semiconductor  
10 materials" has the same meaning as provided in RCW 82.04.240(2).

11 (2) A person claiming the exemption under this section must file a  
12 complete annual report with the department under (~~RCW 82.32.534~~)  
13 section 201 of this act. No application is necessary for the tax  
14 exemption. The person is subject to all of the requirements of chapter  
15 82.32 RCW.

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

18 **Sec. 244.** RCW 82.12.980 and 2010 c 114 s 132 are each amended to  
19 read as follows:

20 (1) The provisions of this chapter do not apply with respect to the  
21 use of tangible personal property that will be incorporated as an  
22 ingredient or component of new buildings by a manufacturer engaged in  
23 the manufacturing of superefficient airplanes or owned by a port  
24 district and to be leased to a manufacturer engaged in the  
25 manufacturing of superefficient airplanes, during the course of  
26 constructing such buildings, or to labor and services rendered in  
27 respect to installing, during the course of constructing, building  
28 fixtures not otherwise eligible for the exemption under RCW  
29 82.08.02565(2)(b).

30 (2) The eligibility requirements, conditions, and definitions in  
31 RCW 82.08.980 apply to this section, including the filing of a complete  
32 annual report with the department under (~~RCW 82.32.534~~) section 201  
33 of this act.

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

35 **Sec. 245.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each  
36 amended to read as follows:

1 (1) The provisions of this chapter do not apply with respect to the  
2 use of:

3 (a) Tangible personal property that will be incorporated as an  
4 ingredient or component in constructing new buildings for (i) a  
5 manufacturer engaged in the manufacturing of commercial airplanes or  
6 the fuselages or wings of commercial airplanes or (ii) a port district,  
7 political subdivision, or municipal corporation, to be leased to a  
8 manufacturer engaged in the manufacturing of commercial airplanes or  
9 the fuselages or wings of commercial airplanes; or

10 (b) Labor and services rendered in respect to installing, during  
11 the course of constructing such buildings, building fixtures not  
12 otherwise eligible for the exemption under RCW 82.08.02565(2)(b).

13 (2) The eligibility requirements, conditions, and definitions in  
14 RCW 82.08.980 apply to this section, including the filing of a complete  
15 annual report with the department under (~~RCW 82.32.534~~) section 201  
16 of this act.

17 (3) This section expires July 1, 2040.

18 **Sec. 246.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended to  
19 read as follows:

20 (1) For the purposes of this section:

21 (a) "Chlor-alkali electrolytic processing business" means a person  
22 who is engaged in a business that uses more than ten average megawatts  
23 of electricity per month in a chlor-alkali electrolytic process to  
24 split the electrochemical bonds of sodium chloride and water to make  
25 chlorine and sodium hydroxide. A "chlor-alkali electrolytic processing  
26 business" does not include direct service industrial customers or their  
27 subsidiaries that contract for the purchase of power from the  
28 Bonneville power administration as of June 10, 2004.

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

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

7 (a) The electricity to be used in the electrolytic process is  
8 separately metered from the electricity used for general operations of  
9 the business;

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

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

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

20 (4) In order to claim an exemption under this section, the chlor-  
21 alkali electrolytic processing business or the sodium chlorate  
22 electrolytic processing business must provide the light and power  
23 business with an exemption certificate in a form and manner prescribed  
24 by the department.

25 (5) A person receiving the benefit of the exemption provided in  
26 this section must file a complete annual report with the department  
27 under (~~RCW 82.32.534~~) section 201 of this act.

28 (6)(a) This section does not apply to sales of electricity made  
29 after December 31, 2018.

30 (b) This section expires June 30, 2019.

31 **Sec. 247.** RCW 82.29A.137 and 2010 c 114 s 134 are each amended to  
32 read as follows:

33 (1) All leasehold interests in port district facilities exempt from  
34 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged  
35 in the manufacturing of superefficient airplanes, as defined in RCW  
36 82.32.550, are exempt from tax under this chapter. A person claiming

1 the credit under RCW 82.04.4463 is not eligible for the exemption under  
2 this section.

3 (2) In addition to all other requirements under this title, a  
4 person claiming the exemption under this section must file a complete  
5 annual report with the department under ((RCW 82.32.534)) section 201  
6 of this act.

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

8 **Sec. 248.** RCW 82.29A.137 and 2013 3rd sp.s. c 2 s 13 are each  
9 amended to read as follows:

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

16 (2) In addition to all other requirements under this title, a  
17 person claiming the exemption under this section must file a complete  
18 annual report with the department under ((RCW 82.32.534)) section 201  
19 of this act.

20 (3) This section expires July 1, 2040.

21 **Sec. 249.** RCW 82.60.070 and 2010 1st sp.s. c 16 s 9 are each  
22 amended to read as follows:

23 (1)(a) Each recipient of a deferral of taxes granted under this  
24 chapter must file a complete annual ((survey)) report with the  
25 department under ((RCW 82.32.585)) section 201 of this act. If the  
26 economic benefits of the deferral are passed to a lessee as provided in  
27 RCW 82.60.025, the lessee must file a complete annual ((survey))  
28 report, and the applicant is not required to file a complete annual  
29 ((survey)) report.

30 (b) The department must use the information reported on the annual  
31 ((survey)) report required by this section to study the tax deferral  
32 program authorized under this chapter. The department must report to  
33 the legislature by December 1, ((2019)) 2018. The report must measure  
34 the effect of the program on job creation, the number of jobs created  
35 for residents of eligible areas, company growth, ((the introduction of  
36 new products, the diversification of the state's economy, growth in

1 ~~research and development investment, the movement of firms or the~~  
2 ~~consolidation of firms' operations into the state,))~~ and such other  
3 factors as the department selects.

4 (2) Except as provided in RCW 82.60.063, if, on the basis of a  
5 (~~survey under RCW 82.32.585~~) report under section 201 of this act or  
6 other information, the department finds that an investment project is  
7 not eligible for tax deferral under this chapter, the amount of  
8 deferred taxes outstanding for the project, according to the repayment  
9 schedule in RCW 82.60.060, is immediately due. For purposes of this  
10 subsection (2), the repayment schedule in RCW 82.60.060 is tolled  
11 during the period of time that a taxpayer is receiving relief from  
12 repayment of deferred taxes under RCW 82.60.063.

13 (3) A recipient who must repay deferred taxes under subsection (2)  
14 of this section because the department has found that an investment  
15 project is not eligible for tax deferral under this chapter is no  
16 longer required to file annual (~~surveys under RCW 82.32.585~~) reports  
17 under section 201 of this act beginning on the date an investment  
18 project is used for nonqualifying purposes.

19 (4) Notwithstanding any other provision of this section or (~~RCW~~  
20 ~~82.32.585~~) under section 201 of this act, deferred taxes on the  
21 following need not be repaid:

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

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

27 **Sec. 250.** RCW 82.63.020 and 2010 c 114 s 140 are each amended to  
28 read as follows:

29 (1) Application for deferral of taxes under this chapter must be  
30 made before initiation of construction of, or acquisition of equipment  
31 or machinery for the investment project. In the case of an investment  
32 project involving multiple qualified buildings, applications must be  
33 made for, and before the initiation of construction of, each qualified  
34 building. The application must be made to the department in a form and  
35 manner prescribed by the department. The application must contain  
36 information regarding the location of the investment project, the  
37 applicant's average employment in the state for the prior year,

1 estimated or actual new employment related to the project, estimated or  
2 actual wages of employees related to the project, estimated or actual  
3 costs, time schedules for completion and operation, and other  
4 information required by the department. The department must rule on  
5 the application within sixty days.

6 (2) Each recipient of a deferral of taxes under this chapter must  
7 file a complete annual ~~((survey))~~ report with the department under  
8 ~~((RCW 82.32.585))~~ section 201 of this act. If the economic benefits of  
9 the deferral are passed to a lessee as provided in RCW 82.63.010(7),  
10 the lessee must file a complete annual ~~((survey))~~ report, and the  
11 applicant is not required to file the annual ~~((survey))~~ report.

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

22 ~~((4))~~) A recipient who must repay deferred taxes under RCW 82.63.045  
23 because the department has found that an investment project is used for  
24 purposes other than research and development performed within this  
25 state in the fields of advanced computing, advanced materials,  
26 biotechnology, electronic device technology, and environmental  
27 technology is no longer required to file annual ~~((surveys under RCW  
28 82.32.585))~~ reports under section 201 of this act beginning on the date  
29 an investment project is used for nonqualifying purposes.

30 **Sec. 251.** RCW 82.63.045 and 2010 c 114 s 141 are each amended to  
31 read as follows:

32 (1) Except as provided in subsection (2) of this section and ~~((RCW  
33 82.32.585))~~ section 201 of this act, taxes deferred under this chapter  
34 need not be repaid.

35 (2)(a) If, on the basis of the ~~((survey under RCW 82.32.585))~~  
36 report under section 201 of this act or other information, the  
37 department finds that an investment project is used for purposes other

1 than qualified research and development or pilot scale manufacturing at  
2 any time during the calendar year in which the investment project is  
3 certified by the department as having been operationally completed, or  
4 at any time during any of the seven succeeding calendar years, a  
5 portion of deferred taxes is immediately due according to the following  
6 schedule:

7

8	Year in which use occurs	% of deferred taxes due
9	1	100%
10	2	87.5%
11	3	75%
12	4	62.5%
13	5	50%
14	6	37.5%
15	7	25%
16	8	12.5%

17 (b) If the economic benefits of the deferral are passed to a lessee  
18 as provided in RCW 82.63.010(7), the lessee is responsible for payment  
19 to the extent the lessee has received the economic benefit.

20 (3)(a) Notwithstanding subsection (2) of this section, in the case  
21 of an investment project consisting of multiple qualified buildings,  
22 the lessee is solely liable for payment of any deferred tax determined  
23 by the department to be due and payable under this section beginning on  
24 the date the department certifies that the project is operationally  
25 complete.

26 (b) This subsection does not relieve the lessors of its obligation  
27 to the lessee under RCW 82.63.010(7) to pass the economic benefit of  
28 the deferral to the lessee.

29 (4) The department must assess interest at the rate provided for  
30 delinquent taxes, but not penalties, retroactively to the date of  
31 deferral. The debt for deferred taxes will not be extinguished by  
32 insolvency or other failure of the recipient. Transfer of ownership  
33 does not terminate the deferral. The deferral is transferred, subject  
34 to the successor meeting the eligibility requirements of this chapter,  
35 for the remaining periods of the deferral.

1 (5) Notwithstanding subsection (2) of this section or ((RCW  
2 82.32.585)) section 201 of this act, deferred taxes on the following  
3 need not be repaid:

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

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

9 **Sec. 252.** RCW 82.74.040 and 2010 c 114 s 142 are each amended to  
10 read as follows:

11 (1) Each recipient of a deferral of taxes granted under this  
12 chapter must file a complete annual ((survey)) report with the  
13 department under ((RCW 82.32.585)) section 201 of this act. If the  
14 economic benefits of the deferral are passed to a lessee as provided in  
15 RCW 82.74.010(6), the lessee must file a complete annual ((survey))  
16 report, and the applicant is not required to file the annual ((survey))  
17 report.

18 (2) A recipient who must repay deferred taxes under RCW  
19 82.74.050(2) because the department has found that an investment  
20 project is used for purposes other than fresh fruit and vegetable  
21 processing, dairy product manufacturing, seafood product manufacturing,  
22 cold storage warehousing, or research and development is no longer  
23 required to file annual ((surveys under RCW 82.32.585)) reports under  
24 section 201 of this act beginning on the date an investment project is  
25 used for nonqualifying purposes.

26 **Sec. 253.** RCW 82.74.050 and 2010 c 114 s 143 are each amended to  
27 read as follows:

28 (1) Except as provided in subsection (2) of this section and ((RCW  
29 82.32.585)) section 201 of this act, taxes deferred under this chapter  
30 need not be repaid.

31 (2)(a) If, on the basis of the ((survey under RCW 82.32.585))  
32 report under section 201 of this act or other information, the  
33 department finds that an investment project is used for purposes other  
34 than fresh fruit and vegetable processing, dairy product manufacturing,  
35 seafood product manufacturing, cold storage warehousing, or research  
36 and development at any time during the calendar year in which the

1 investment project is certified by the department as having been  
2 operationally completed, or at any time during any of the seven  
3 succeeding calendar years, a portion of deferred taxes is immediately  
4 due according to the following schedule:

5	Year in which nonqualifying use occurs	% of deferred taxes due
6	1	100%
7	2	87.5%
8	3	75%
9	4	62.5%
10	5	50%
11	6	37.5%
12	7	25%
13	8	12.5%

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

17 (3) The department must assess interest, but not penalties, on the  
18 deferred taxes under subsection (2) of this section. The interest must  
19 be assessed at the rate provided for delinquent taxes under chapter  
20 82.32 RCW, retroactively to the date of deferral, and will accrue until  
21 the deferred taxes are repaid. The debt for deferred taxes will not be  
22 extinguished by insolvency or other failure of the recipient. Transfer  
23 of ownership does not terminate the deferral. The deferral is  
24 transferred, subject to the successor meeting the eligibility  
25 requirements of this chapter, for the remaining periods of the  
26 deferral.

27 (4) Notwithstanding subsection (2) of this section or ((RCW  
28 ~~82.32.585~~) section 201 of this act, deferred taxes on the following  
29 need not be repaid:

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

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

1           **Sec. 254.** RCW 82.75.040 and 2010 c 114 s 147 are each amended to  
2 read as follows:

3           (1) Except as provided in subsection (2) of this section and ((RCW  
4 ~~82.32.585~~)) section 201 of this act, taxes deferred under this chapter  
5 need not be repaid.

6           (2)(a) If, on the basis of the ((~~survey under RCW 82.32.585~~))  
7 report under section 201 of this act or other information, the  
8 department finds that an investment project is used for purposes other  
9 than qualified biotechnology product manufacturing or medical device  
10 manufacturing activities at any time during the calendar year in which  
11 the eligible investment project is certified by the department as  
12 having been operationally completed, or at any time during any of the  
13 seven succeeding calendar years, a portion of deferred taxes is  
14 immediately due and payable according to the following schedule:

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

24           (b) If the economic benefits of the deferral are passed to a lessee  
25 as provided in RCW 82.75.010, the lessee is responsible for payment to  
26 the extent the lessee has received the economic benefit.

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

1 (4) Notwithstanding subsection (2) of this section or ((RCW  
2 82.32.585)) section 201 of this act, deferred taxes on the following  
3 need not be repaid:

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

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

9 **Sec. 255.** RCW 82.75.070 and 2010 c 114 s 144 are each amended to  
10 read as follows:

11 (1) Each recipient of a deferral of taxes granted under this  
12 chapter must file a complete annual ((survey)) report with the  
13 department under ((RCW 82.32.585)) section 201 of this act. If the  
14 economic benefits of the deferral are passed to a lessee as provided in  
15 RCW 82.75.010(5), the lessee must file a complete annual ((survey))  
16 report, and the applicant is not required to file the annual ((survey))  
17 report.

18 (2) A recipient who must repay deferred taxes under RCW  
19 82.75.040(2) because the department has found that an investment  
20 project is used for purposes other than qualified biotechnology product  
21 manufacturing or medical device manufacturing activities is no longer  
22 required to file annual ((surveys under RCW 82.32.585)) reports under  
23 section 201 of this act beginning on the date an investment project is  
24 used for nonqualifying purposes.

25 **Sec. 256.** RCW 82.82.020 and 2010 c 114 s 148 are each amended to  
26 read as follows:

27 (1) Application for deferral of taxes under this chapter can be  
28 made at any time prior to completion of construction of a qualified  
29 building or buildings, but tax liability incurred prior to the  
30 department's receipt of an application may not be deferred. The  
31 application must be made to the department in a form and manner  
32 prescribed by the department. The application must contain information  
33 regarding the location of the investment project, the applicant's  
34 average employment in the state for the prior year, estimated or actual  
35 new employment related to the project, estimated or actual wages of  
36 employees related to the project, estimated or actual costs, time

1 schedules for completion and operation, and other information required  
2 by the department. The department must rule on the application within  
3 sixty days.

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

6 (3) Each recipient of a deferral of taxes under this chapter must  
7 file a complete annual ~~((survey))~~ report with the department under  
8 ~~((RCW 82.32.585))~~ section 201 of this act. If the economic benefits of  
9 the deferral are passed to a lessee as provided in RCW 82.82.010(5),  
10 the lessee must file a complete annual ~~((survey))~~ report, and the  
11 applicant is not required to file the annual ~~((survey))~~ report.

12 (4) A recipient who must repay deferred taxes under RCW 82.82.040  
13 because the department has found that an investment project is no  
14 longer an eligible investment project is no longer required to file  
15 annual ~~((surveys under RCW 82.32.585))~~ reports under section 201 of  
16 this act beginning on the date an investment project is used for  
17 nonqualifying purposes.

18 **Sec. 257.** RCW 82.82.040 and 2010 c 114 s 149 are each amended to  
19 read as follows:

20 (1) Except as provided in subsection (2) of this section and ~~((RCW~~  
21 ~~82.32.585))~~ section 201 of this act, taxes deferred under this chapter  
22 need not be repaid.

23 (2)(a) If, on the basis of the ~~((survey under RCW 82.32.585))~~  
24 report under section 201 of this act or other information, the  
25 department finds that an investment project is no longer an "eligible  
26 investment project" under RCW 82.82.010 at any time during the calendar  
27 year in which the investment project is certified by the department as  
28 having been operationally completed, or at any time during any of the  
29 seven succeeding calendar years, a portion of deferred taxes are  
30 immediately due according to the following schedule:

	Year in which use occurs	% of deferred taxes due
32	1	100%
33	2	87.5%
34	3	75%
35	4	62.5%

1	5	50%
2	6	37.5%
3	7	25%
4	8	12.5%

5 (b) If the economic benefits of the deferral are passed to a lessee  
6 as provided in RCW 82.82.010(5), the lessee is responsible for payment  
7 to the extent the lessee has received the economic benefit.

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

16 **Sec. 258.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to  
17 read as follows:

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

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

26 (3) A person claiming an exemption under this section must file a  
27 complete annual report with the department under ((RCW 82.32.534))  
28 section 201 of this act.

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

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

34 **Sec. 259.** RCW 84.36.655 and 2010 c 114 s 151 are each amended to  
35 read as follows:

1 (1) Effective January 1, 2005, all buildings, machinery, equipment,  
2 and other personal property of a lessee of a port district eligible  
3 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing  
4 superefficient airplanes, are exempt from property taxation. A person  
5 taking the credit under RCW 82.04.4463 is not eligible for the  
6 exemption under this section. For the purposes of this section,  
7 "superefficient airplane" and "component" have the meanings given in  
8 RCW 82.32.550.

9 (2) In addition to all other requirements under this title, a  
10 person claiming the exemption under this section must file a complete  
11 annual report with the department under (~~RCW 82.32.534~~) section 201  
12 of this act.

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

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

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

23 **Sec. 260.** RCW 84.36.655 and 2013 3rd sp.s. c 2 s 14 are each  
24 amended to read as follows:

25 (1) Effective January 1, 2005, all buildings, machinery, equipment,  
26 and other personal property of a lessee of a port district eligible  
27 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing  
28 superefficient airplanes, are exempt from property taxation. A person  
29 taking the credit under RCW 82.04.4463 is not eligible for the  
30 exemption under this section. For the purposes of this section,  
31 "superefficient airplane" and "component" have the meanings given in  
32 RCW 82.32.550.

33 (2) In addition to all other requirements under this title, a  
34 person claiming the exemption under this section must file a complete  
35 annual report with the department under (~~RCW 82.32.534~~) section 201  
36 of this act.

1 (3) Claims for exemption authorized by this section must be filed  
2 with the county assessor on forms prescribed by the department and  
3 furnished by the assessor. The assessor must verify and approve claims  
4 as the assessor determines to be justified and in accordance with this  
5 section. No claims may be filed after December 31, 2039. The  
6 department may adopt rules, under the provisions of chapter 34.05 RCW,  
7 as necessary to properly administer this section.

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

10 (5) This section expires July 1, 2040.

### 11 Part III

#### 12 Authorizing Public Disclosure of Certain Firm-Specific Tax Information

13 **Sec. 301.** RCW 82.32.330 and 2011 c 174 s 404 are each amended to  
14 read as follows:

15 (1) For purposes of this section:

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

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

24 (c) "Tax information" means (i) a taxpayer's identity, (ii) the  
25 nature, source, or amount of the taxpayer's income, payments, receipts,  
26 deductions, exemptions, credits, assets, liabilities, net worth, tax  
27 liability deficiencies, overassessments, or tax payments, whether taken  
28 from the taxpayer's books and records or any other source, (iii)  
29 whether the taxpayer's return was, is being, or will be examined or  
30 subject to other investigation or processing, (iv) a part of a written  
31 determination that is not designated as a precedent and disclosed  
32 pursuant to RCW 82.32.410, or a background file document relating to a  
33 written determination, and (v) other data received by, recorded by,  
34 prepared by, furnished to, or collected by the department of revenue  
35 with respect to the determination of the existence, or possible  
36 existence, of liability, or the amount thereof, of a person under the

1 laws of this state for a tax, penalty, interest, fine, forfeiture, or  
2 other imposition, or offense. However, data, material, or documents  
3 that do not disclose information related to a specific or identifiable  
4 taxpayer do not constitute tax information under this section. Except  
5 as provided by RCW 82.32.410, nothing in this chapter requires any  
6 person possessing data, material, or documents made confidential and  
7 privileged by this section to delete information from such data,  
8 material, or documents so as to permit its disclosure;

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

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

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

16 (2) Returns and tax information are confidential and privileged,  
17 and except as authorized by this section, neither the department of  
18 revenue nor any other person may disclose any return or tax  
19 information.

20 (3) This section does not prohibit the department of revenue from:

21 (a) Disclosing such return or tax information in a civil or  
22 criminal judicial proceeding or an administrative proceeding:

23 (i) In respect of any tax imposed under the laws of this state if  
24 the taxpayer or its officer or other person liable under this title or  
25 chapter 83.100 RCW is a party in the proceeding;

26 (ii) In which the taxpayer about whom such return or tax  
27 information is sought and another state agency are adverse parties in  
28 the proceeding; or

29 (iii) Brought by the department under RCW 18.27.040 or 19.28.071;

30 (b) Disclosing, subject to such requirements and conditions as the  
31 director prescribes by rules adopted pursuant to chapter 34.05 RCW,  
32 such return or tax information regarding a taxpayer to such taxpayer or  
33 to such person or persons as that taxpayer may designate in a request  
34 for, or consent to, such disclosure, or to any other person, at the  
35 taxpayer's request, to the extent necessary to comply with a request  
36 for information or assistance made by the taxpayer to such other  
37 person. However, tax information not received from the taxpayer must  
38 not be so disclosed if the director determines that such disclosure

1 would compromise any investigation or litigation by any federal, state,  
2 or local government agency in connection with the civil or criminal  
3 liability of the taxpayer or another person, or that such disclosure  
4 would identify a confidential informant, or that such disclosure is  
5 contrary to any agreement entered into by the department that provides  
6 for the reciprocal exchange of information with other government  
7 agencies which agreement requires confidentiality with respect to such  
8 information unless such information is required to be disclosed to the  
9 taxpayer by the order of any court;

10 (c) Disclosing the name of a taxpayer against whom a warrant under  
11 RCW 82.32.210 has been either issued or filed and remains outstanding  
12 for a period of at least ten working days. The department is not  
13 required to disclose any information under this subsection if a  
14 taxpayer has entered a deferred payment arrangement with the department  
15 for the payment of a warrant that has not been filed and is making  
16 payments upon such deficiency that will fully satisfy the indebtedness  
17 within twelve months;

18 (d) Publishing statistics so classified as to prevent the  
19 identification of particular returns or reports or items thereof;

20 (e) Disclosing such return or tax information, for official  
21 purposes only, to the governor or attorney general, or to any state  
22 agency, or to any committee or subcommittee of the legislature dealing  
23 with matters of taxation, revenue, trade, commerce, the control of  
24 industry or the professions;

25 (f) Permitting the department of revenue's records to be audited  
26 and examined by the proper state officer, his or her agents and  
27 employees;

28 (g) Disclosing any such return or tax information to a peace  
29 officer as defined in RCW 9A.04.110 or county prosecuting attorney, for  
30 official purposes. The disclosure may be made only in response to a  
31 search warrant, subpoena, or other court order, unless the disclosure  
32 is for the purpose of criminal tax enforcement. A peace officer or  
33 county prosecuting attorney who receives the return or tax information  
34 may disclose that return or tax information only for use in the  
35 investigation and a related court proceeding, or in the court  
36 proceeding for which the return or tax information originally was  
37 sought;

1 (h) Disclosing any such return or tax information to the proper  
2 officer of the internal revenue service of the United States, the  
3 Canadian government or provincial governments of Canada, or to the  
4 proper officer of the tax department of any state or city or town or  
5 county, for official purposes, but only if the statutes of the United  
6 States, Canada or its provincial governments, or of such other state or  
7 city or town or county, as the case may be, grants substantially  
8 similar privileges to the proper officers of this state;

9 (i) Disclosing any such return or tax information to the United  
10 States department of justice, including the bureau of alcohol, tobacco,  
11 firearms and explosives, the department of defense, the immigration and  
12 customs enforcement and the customs and border protection agencies of  
13 the United States department of homeland security, the United States  
14 coast guard, the alcohol and tobacco tax and trade bureau of the United  
15 States department of treasury, and the United States department of  
16 transportation, or any authorized representative of these federal  
17 agencies, for official purposes;

18 (j) Publishing or otherwise disclosing the text of a written  
19 determination designated by the director as a precedent pursuant to RCW  
20 82.32.410;

21 (k) Disclosing, in a manner that is not associated with other tax  
22 information, the taxpayer name, entity type, business address, mailing  
23 address, revenue tax registration numbers, reseller permit numbers and  
24 the expiration date and status of such permits, North American industry  
25 classification system or standard industrial classification code of a  
26 taxpayer, and the dates of opening and closing of business. This  
27 subsection may not be construed as giving authority to the department  
28 to give, sell, or provide access to any list of taxpayers for any  
29 commercial purpose;

30 (l) Disclosing such return or tax information that is also  
31 maintained by another Washington state or local governmental agency as  
32 a public record available for inspection and copying under the  
33 provisions of chapter 42.56 RCW or is a document maintained by a court  
34 of record and is not otherwise prohibited from disclosure;

35 (m) Disclosing such return or tax information to the United States  
36 department of agriculture for the limited purpose of investigating food  
37 stamp fraud by retailers;

1 (n) Disclosing to a financial institution, escrow company, or title  
2 company, in connection with specific real property that is the subject  
3 of a real estate transaction, current amounts due the department for a  
4 filed tax warrant, judgment, or lien against the real property;

5 (o) Disclosing to a person against whom the department has asserted  
6 liability as a successor under RCW 82.32.140 return or tax information  
7 pertaining to the specific business of the taxpayer to which the person  
8 has succeeded;

9 (p) Disclosing real estate excise tax affidavit forms filed under  
10 RCW 82.45.150 in the possession of the department, including real  
11 estate excise tax affidavit forms for transactions exempt or otherwise  
12 not subject to tax;

13 (q) Disclosing to local taxing jurisdictions the identity of  
14 sellers granted relief under RCW 82.32.430(5)(b)(i) and the period for  
15 which relief is granted;

16 (r) Disclosing such return or tax information to the court in  
17 respect to the department's application for a subpoena under RCW  
18 82.32.117;

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

22 (t) Disclosing such return or tax information to the streamlined  
23 sales tax governing board, member states of the streamlined sales tax  
24 governing board, or authorized representatives of such board or states,  
25 for the limited purposes of:

26 (i) Conducting on behalf of member states sales and use tax audits  
27 of taxpayers; or

28 (ii) Auditing certified service providers or certified automated  
29 systems providers; or

30 (u) Disclosing the amount of any tax preference claimed by a  
31 taxpayer filing an annual report under section 201 of this act or any  
32 new tax preference, as defined in RCW 82.32.805;

33 (v) Disclosing select tax information of any corporation,  
34 partnership, or limited liability company, if the following criteria  
35 are met, of which verification of (v)(i) of this subsection must be  
36 provided to the department in a form and manner prescribed by the  
37 department:

1       (i) The ownership interests in the taxpayer, regardless of whether  
2 such interests are in the form of stock or any other type of security,  
3 are covered securities under 15 U.S.C. Sec. 77 r(b)(1) or the entity is  
4 controlled, directly or indirectly, by an entity with ownership  
5 interests that are covered securities under 15 U.S.C. Sec. 77 r(b)(1);

6       (ii) The taxpayer electronically files a tax return on a monthly or  
7 quarterly basis;

8       (iii) The taxpayer claims one or more tax preferences and the  
9 amount of any single tax preference claimed by the taxpayer is ten  
10 thousand dollars or more for any calendar year subject to disclosure.  
11 If the amount of any single tax preference claimed by the taxpayer is  
12 ten thousand dollars or more for the calendar year subject to  
13 disclosure, the amount of any other tax preference claimed by the  
14 taxpayer for the calendar year is subject to disclosure regardless of  
15 the amount claimed; and

16       (iv) The tax reporting periods subject to disclosure ended at least  
17 twenty-four months prior to the date of disclosure. For purposes of  
18 this subsection (3)(v), "select tax information" means the taxable  
19 amount and tax due and the tax savings from claiming a preferential tax  
20 rate or tax credit, for taxes due under chapter 82.04 or 82.16 RCW.  
21 "Select tax information" also includes the amount claimed by a taxpayer  
22 under RCW 82.04.4292.

23       (w) Disclosing any such return or tax information when the  
24 disclosure is specifically authorized under any other section of the  
25 Revised Code of Washington.

26       (4)(a) The department may disclose return or taxpayer information  
27 to a person under investigation or during any court or administrative  
28 proceeding against a person under investigation as provided in this  
29 subsection (4). The disclosure must be in connection with the  
30 department's official duties relating to an audit, collection activity,  
31 or a civil or criminal investigation. The disclosure may occur only  
32 when the person under investigation and the person in possession of  
33 data, materials, or documents are parties to the return or tax  
34 information to be disclosed. The department may disclose return or tax  
35 information such as invoices, contracts, bills, statements, resale or  
36 exemption certificates, or checks. However, the department may not  
37 disclose general ledgers, sales or cash receipt journals, check  
38 registers, accounts receivable/payable ledgers, general journals,

1 financial statements, expert's workpapers, income tax returns, state  
2 tax returns, tax return workpapers, or other similar data, materials,  
3 or documents.

4 (b) Before disclosure of any tax return or tax information under  
5 this subsection (4), the department must, through written  
6 correspondence, inform the person in possession of the data, materials,  
7 or documents to be disclosed. The correspondence must clearly identify  
8 the data, materials, or documents to be disclosed. The department may  
9 not disclose any tax return or tax information under this subsection  
10 (4) until the time period allowed in (c) of this subsection has expired  
11 or until the court has ruled on any challenge brought under (c) of this  
12 subsection.

13 (c) The person in possession of the data, materials, or documents  
14 to be disclosed by the department has twenty days from the receipt of  
15 the written request required under (b) of this subsection to petition  
16 the superior court of the county in which the petitioner resides for  
17 injunctive relief. The court must limit or deny the request of the  
18 department if the court determines that:

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

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

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

29 (d) The department must reimburse reasonable expenses for the  
30 production of data, materials, or documents incurred by the person in  
31 possession of the data, materials, or documents to be disclosed.

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

35 (5) Service of a subpoena issued under RCW 82.32.117 does not  
36 constitute a disclosure of return or tax information under this  
37 section. Notwithstanding anything else to the contrary in this

1 section, a person served with a subpoena under RCW 82.32.117 may  
2 disclose the existence or content of the subpoena to that person's  
3 legal counsel.

4 (6) Any person acquiring knowledge of any return or tax information  
5 in the course of his or her employment with the department of revenue  
6 and any person acquiring knowledge of any return or tax information as  
7 provided under subsection (3) (e), (f), (g), (h), (i), or (m) of this  
8 section, who discloses any such return or tax information to another  
9 person not entitled to knowledge of such return or tax information  
10 under the provisions of this section, is guilty of a misdemeanor. If  
11 the person guilty of such violation is an officer or employee of the  
12 state, such person must forfeit such office or employment and is  
13 incapable of holding any public office or employment in this state for  
14 a period of two years thereafter.

15 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.32  
16 RCW to read as follows:

17 The department must provide tax information that is subject to  
18 public disclosure under RCW 82.32.330(3) (u) and (v) on its web site in  
19 the form of a searchable database and any additional format it deems  
20 appropriate.

21 **Part IV**  
22 **Miscellaneous Provisions**

23 NEW SECTION. **Sec. 401.** Section 211 of this act expires July 1,  
24 2015.

25 NEW SECTION. **Sec. 402.** Section 212 of this act takes effect July  
26 1, 2015.

27 NEW SECTION. **Sec. 403.** Section 213 of this act expires July 1,  
28 2015, subject to the contingency stated in section 2, chapter 2, Laws  
29 of 2013 3rd sp. sess.

30 NEW SECTION. **Sec. 404.** Section 214 of this act takes effect July

1 1, 2015, subject to the contingency stated in section 2, chapter 2,  
2 Laws of 2013 3rd sp. sess.

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