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HOUSE BILL 2201

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State of Washington                      63rd Legislature                      2014 Regular Session

By Representatives Carlyle, Pollet, Jinkins, Tharinger, Ormsby,  
Walkinshaw, and Hudgins

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Finance.

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, 82.04.250, 82.04.250, 82.04.2404,  
5 82.04.260, 82.04.260, 82.04.260, 82.04.260, 82.04.290, 82.04.290,  
6 82.04.2909, 82.04.294, 82.04.426, 82.04.4266, 82.04.4268, 82.04.4269,  
7 82.04.4277, 82.04.4452, 82.04.4461, 82.04.4461, 82.04.4463, 82.04.4463,  
8 82.04.448, 82.04.4481, 82.04.4483, 82.04.449, 82.08.805, 82.08.965,  
9 82.08.9651, 82.08.970, 82.08.980, 82.08.980, 82.08.986, 82.12.022,  
10 82.12.025651, 82.12.805, 82.12.965, 82.12.9651, 82.12.970, 82.12.980,  
11 82.12.980, 82.16.0421, 82.29A.137, 82.29A.137, 82.60.070, 82.63.020,  
12 82.63.045, 82.74.040, 82.74.050, 82.75.040, 82.75.070, 82.82.020,  
13 82.82.040, 84.36.645, 84.36.655, and 84.36.655; adding new sections to  
14 chapter 82.32 RCW; creating a new section; repealing RCW 82.32.534 and  
15 82.32.585; providing an effective date; providing a contingent  
16 effective date; providing expiration dates; and providing a contingent  
17 expiration date.

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

1        NEW SECTION.    **Sec. 1.**    (1) The legislature finds that Washington  
2 has among the largest number of tax preferences (i.e. credits,  
3 exemptions, deductions, and preferential rates) in the nation due in  
4 large part to the unique nature of the state's tax structure. The  
5 legislature finds that measuring and assessing the efficacy of such  
6 preferences is essential to ensure the most effective use of public  
7 resources, and that public access to easily available data is vital to  
8 conduct such evaluations.

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

1 legislature further intends to make such information subject to public  
2 disclosure wherever possible to enable and improve lawmakers' and the  
3 public's understanding of the benefits and costs of tax preferences  
4 while ensuring that the release of such information does not cause  
5 economic harm to taxpayers claiming such preferences.

6 **Part I**

7 **Improving Tax Preference Data Collection**

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

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

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

1 (3) If a warrant is issued by the department of revenue for the  
2 collection of taxes, increases, and penalties, there is added thereto  
3 a penalty of ten percent of the amount of the tax, but not less than  
4 ten dollars.

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

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

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

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

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

33 (8)(a) If the department finds that all or any part of a tax  
34 preference listed under (b) of this subsection has not been reported on  
35 a return or addendum, as required under this subsection, a penalty  
36 equal to the lesser of: Fifty dollars or one-half of one percent of  
37 the unreported amount must be added. The penalty under this subsection

1 (8) is separate and additional to any other penalties that may be  
2 assessed under this section.

3 (b) The following tax preferences are subject to the penalty under  
4 (a) of this subsection:

5 (i) Deductions claimed by taxpayers under chapter 82.04 or 82.16  
6 RCW for taxpayers required to electronically report taxes to the  
7 department on a monthly or quarterly basis; and

8 (ii) Sales and use tax exemptions claimed by buyers who are  
9 required to electronically report taxes to the department on a monthly  
10 or quarterly basis and who are required to submit an exemption  
11 certificate, or similar document, to the seller to establish  
12 eligibility for the sales or use tax exemption.

13 (c) The penalty under (a) of this subsection does not apply to tax  
14 preferences required by constitutional law.

15 (d) The penalty under (a) of this subsection does not apply to an  
16 unreported business and occupation or public utility deduction if the  
17 gross amount to which the deduction would apply was reported on the  
18 return.

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

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

25 ~~((+9))~~ (10) The department may not impose the evasion penalty in  
26 combination with the penalty for disregarding specific written  
27 instructions or the penalty provided in subsection (6) of this section  
28 on the same tax found to be due.

29 ~~((+10))~~ (11) For the purposes of this section, "return" means any  
30 document a person is required by the state of Washington to file to  
31 satisfy or establish a tax or fee obligation that is administered or  
32 collected by the department, and that has a statutorily defined due  
33 date.

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

36 (1) In determining a taxpayer's taxable amount, a taxpayer must

1 separately report the amount of any tax deduction on a return required  
2 under this chapter for taxes due under chapter 82.04 or 82.16 RCW.

3 (2) For sales and use tax exemptions described under RCW 82.32.090  
4 (8)(b)(ii), the total sales or uses subject to the exemption claimed by  
5 the buyer must be reported on an addendum to the taxpayer's tax return  
6 in a form and manner required by the department.

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

9 (1) For tax reporting periods beginning on or after January 1,  
10 2015, the department must establish a reporting code to uniquely  
11 identify:

- 12 (a) All deductions and credits under chapters 82.04 and 82.16 RCW;
- 13 (b) Sales and use tax exemptions reported on returns submitted by  
14 sellers; and
- 15 (c) Sales and use tax exemptions reported on addendums submitted by  
16 buyers under RCW 82.32.090(8).

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

19 **Part II**

20 **Incorporating Department of Revenue-Led Workgroup**  
21 **Recommendations for Improving DOR Annual Surveys and Reports**

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

24 (1)(a) Every person claiming a tax preference that requires an  
25 annual tax preference report under this section must file a complete  
26 report with the department. A tax preference report is due by April  
27 30th of the year following any calendar year in which a person claims  
28 a tax preference that requires a report under this section.

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

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

3 (ii) A person may amend its tax return under this chapter to claim  
4 a tax preference requiring a report under this section only when a  
5 report is filed for each calendar year for which the taxpayer is  
6 claiming a tax preference on an amended return. All of the tax  
7 preference reports required under this subsection (1)(c)(ii) must be  
8 filed at the same time the amended returns are submitted to the  
9 department.

10 (2)(a) The report must include the amount of tax preference claimed  
11 for the calendar year covered by the report.

12 (b) The report must also include the following information for  
13 employment positions in Washington, not to include names of employees,  
14 for the year the tax preference was claimed:

15 (i) The total number of employment positions;

16 (ii) The total wages paid for all employment positions;

17 (iii) Full-time, part-time, and seasonal employment positions as a  
18 percent of total employment;

19 (iv) The number of full-time and part-time employment positions  
20 according to the following general job categories: Management  
21 occupations; computer, mathematical, architectural, and engineering  
22 occupations; production occupations; office and administrative support  
23 occupations; or any other occupation type not otherwise specified under  
24 this subsection (2)(b)(iv);

25 (v) The number of full-time and part-time employment positions that  
26 have employer-provided medical, dental, and retirement benefits, by  
27 each of the general job categories in (b)(iv) of this subsection; and

28 (vi) The average wage for each general job category in (b)(iv) of  
29 this subsection. The average wage must be reported for full-time  
30 employment positions and part-time employment positions for each job  
31 category.

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

1 (d) 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 (e) 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 (vi) 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 may request  
13 additional information necessary to measure the results of, or  
14 determine eligibility for, the tax preference.

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

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

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

35 (b) If the tax preference is a deferral of tax, and the investment  
36 project has not been certified operationally complete, the department  
37 must declare the amount of tax preference claimed for the previous  
38 calendar year to be immediately due. If the investment project has

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

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

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

17 (8) For the purposes of this section:

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

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

23 (c) "Full-time employment position" means an employment position  
24 where an employee works thirty-five hours a week or more on average.

25 (d) "Part-time employment position" means an employment position  
26 where an employee works less than thirty-five hours a week on average.

27 (e) "Seasonal employment position" means an employment position  
28 where an employee has continuous employment of less than twelve  
29 consecutive months.

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

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

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

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

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

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

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

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

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

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

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

36           (1) Persons required to file annual (~~(surveys or annual reports~~  
37 ~~under RCW 82.32.534 or 82.32.585)) reports under section 201 of this~~

1 act must electronically file with the department all (~~surveys,~~)  
2 reports, returns, and any other forms or information the department  
3 requires in an electronic format as provided or approved by the  
4 department. As used in this section, "returns" has the same meaning as  
5 "return" in RCW 82.32.050.

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

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

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

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

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

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

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

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

31 (1) A client under the terms of a professional employer agreement  
32 is deemed to be the sole employer of a covered employee for purposes of  
33 eligibility for any tax credit, exemption, or other tax incentive,  
34 arising as the result of the employment of covered employees, provided  
35 in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483, 82.08.965,

1 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or 82.70 RCW, or  
2 any other provision in this title. A client, and not the professional  
3 employer organization, is entitled to the benefit of any tax credit,  
4 exemption, or other tax incentive arising as the result of the  
5 employment of covered employees of that client.

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

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

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

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

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

27 (a) Tax preferences intended to induce certain designated behavior  
28 by taxpayers;

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

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

31 (d) Tax preferences intended to reduce structural inefficiencies in  
32 the tax structure;

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

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

1 (3) In addition to identifying the general legislative purpose of  
2 the tax preference under subsection (2) of this section, the tax  
3 preference performance statement must provide additional detailed  
4 information regarding the legislative purpose of the new tax  
5 preference.

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

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

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

31 (b) This subsection does not apply to:

32 (i) Property tax exemptions;

33 (ii) Tax preferences required by constitutional law;

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

36 (iv) Taxpayers who are annual filers.

37 (c) The department may waive the filing requirements of this

1 subsection for taxpayers who are not required to file electronically  
2 any return(~~(7)~~) or report(~~(7, or survey)~~) under this chapter.

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

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

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

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

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

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

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

33 (1) Upon every person engaging within this state in business as a  
34 manufacturer, except persons taxable as manufacturers under other  
35 provisions of this chapter; as to such persons the amount of the tax  
36 with respect to such business is equal to the value of the products,

1 including byproducts, manufactured, multiplied by the rate of 0.484  
2 percent.

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

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

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

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

20 **Sec. 210.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 are each  
21 amended to read as follows:

22 (1) Upon every person engaging within this state in the business of  
23 making sales at retail, except persons taxable as retailers under other  
24 provisions of this chapter, as to such persons, the amount of tax with  
25 respect to such business is equal to the gross proceeds of sales of the  
26 business, multiplied by the rate of 0.471 percent.

27 (2) Upon every person engaging within this state in the business of  
28 making sales at retail that are exempt from the tax imposed under  
29 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
30 82.08.0263, except persons taxable under RCW 82.04.260(~~(+10)~~) (11) or  
31 subsection (3) of this section, as to such persons, the amount of tax  
32 with respect to such business is equal to the gross proceeds of sales  
33 of the business, multiplied by the rate of 0.484 percent.

34 (3) Until July 1, 2024, upon every person classified by the federal  
35 aviation administration as a federal aviation regulation part 145  
36 certificated repair station and that is engaging within this state in  
37 the business of making sales at retail that are exempt from the tax

1 imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,  
2 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with  
3 respect to such business is equal to the gross proceeds of sales of the  
4 business, multiplied by the rate of .2904 percent.

5 (4) A person reporting under the tax rate provided in subsection  
6 (3) of this section must file a complete annual report with the  
7 department under section 201 of this act.

8 **Sec. 211.** RCW 82.04.250 and 2013 3rd sp.s. c 2 s 7 are each  
9 amended to read as follows:

10 (1) Upon every person engaging within this state in the business of  
11 making sales at retail, except persons taxable as retailers under other  
12 provisions of this chapter, as to such persons, the amount of tax with  
13 respect to such business is equal to the gross proceeds of sales of the  
14 business, multiplied by the rate of 0.471 percent.

15 (2) Upon every person engaging within this state in the business of  
16 making sales at retail that are exempt from the tax imposed under  
17 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
18 82.08.0263, except persons taxable under RCW 82.04.260(11) or  
19 subsection (3) of this section, as to such persons, the amount of tax  
20 with respect to such business is equal to the gross proceeds of sales  
21 of the business, multiplied by the rate of 0.484 percent.

22 (3) Until July 1, 2040, upon every person classified by the federal  
23 aviation administration as a federal aviation regulation part 145  
24 certificated repair station and that is engaging within this state in  
25 the business of making sales at retail that are exempt from the tax  
26 imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,  
27 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with  
28 respect to such business is equal to the gross proceeds of sales of the  
29 business, multiplied by the rate of .2904 percent.

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

33 **Sec. 212.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to  
34 read as follows:

35 (1) Upon every person engaging within this state in the business of  
36 manufacturing or processing for hire semiconductor materials, as to

1 such persons the amount of tax with respect to such business is, in the  
2 case of manufacturers, equal to the value of the product manufactured,  
3 or, in the case of processors for hire, equal to the gross income of  
4 the business, multiplied by the rate of 0.275 percent.

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

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

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

12 **Sec. 213.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 202 are each  
13 amended to read as follows:

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

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

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

34 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
35 products that the person has manufactured to purchasers who either  
36 transport in the ordinary course of business the goods out of state or  
37 purchasers who use such dairy products as an ingredient or component in

1 the manufacturing of a dairy product; as to such persons the tax  
2 imposed is equal to the value of the products manufactured or the gross  
3 proceeds derived from such sales multiplied by the rate of 0.138  
4 percent. Sellers must keep and preserve records for the period  
5 required by RCW 82.32.070 establishing that the goods were transported  
6 by the purchaser in the ordinary course of business out of this state  
7 or sold to a manufacturer for use as an ingredient or component in the  
8 manufacturing of a dairy product.

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

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

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

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

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

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

1 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
2 persons the amount of tax with respect to the business is equal to the  
3 value of wood biomass fuel manufactured, multiplied by the rate of  
4 0.138 percent.

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

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

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

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

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

31 (7) Upon every person engaging within this state in the business of  
32 stevedoring and associated activities pertinent to the movement of  
33 goods and commodities in waterborne interstate or foreign commerce; as  
34 to such persons the amount of tax with respect to such business is  
35 equal to the gross proceeds derived from such activities multiplied by  
36 the rate of 0.275 percent. Persons subject to taxation under this  
37 subsection are exempt from payment of taxes imposed by chapter 82.16  
38 RCW for that portion of their business subject to taxation under this

1 subsection. Stevedoring and associated activities pertinent to the  
2 conduct of goods and commodities in waterborne interstate or foreign  
3 commerce are defined as all activities of a labor, service or  
4 transportation nature whereby cargo may be loaded or unloaded to or  
5 from vessels or barges, passing over, onto or under a wharf, pier, or  
6 similar structure; cargo may be moved to a warehouse or similar holding  
7 or storage yard or area to await further movement in import or export  
8 or may move to a consolidation freight station and be stuffed,  
9 unstuffed, containerized, separated or otherwise segregated or  
10 aggregated for delivery or loaded on any mode of transportation for  
11 delivery to its consignee. Specific activities included in this  
12 definition are: Wharfage, handling, loading, unloading, moving of  
13 cargo to a convenient place of delivery to the consignee or a  
14 convenient place for further movement to export mode; documentation  
15 services in connection with the receipt, delivery, checking, care,  
16 custody and control of cargo required in the transfer of cargo;  
17 imported automobile handling prior to delivery to consignee; terminal  
18 stevedoring and incidental vessel services, including but not limited  
19 to plugging and unplugging refrigerator service to containers,  
20 trailers, and other refrigerated cargo receptacles, and securing ship  
21 hatch covers.

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

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

31 (9) Upon every person engaging within this state as an insurance  
32 producer or title insurance agent licensed under chapter 48.17 RCW or  
33 a surplus line broker licensed under chapter 48.15 RCW; as to such  
34 persons, the amount of the tax with respect to such licensed activities  
35 is equal to the gross income of such business multiplied by the rate of  
36 0.484 percent.

37 (10) Upon every person engaging within this state in business as a  
38 hospital, as defined in chapter 70.41 RCW, that is operated as a

1 nonprofit corporation or by the state or any of its political  
2 subdivisions, as to such persons, the amount of tax with respect to  
3 such activities is equal to the gross income of the business multiplied  
4 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent  
5 thereafter.

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

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

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

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

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

30 (d) In addition to all other requirements under this title, a  
31 person reporting under the tax rate provided in this subsection (11)  
32 must file a complete annual report with the department under (~~RCW~~  
33 ~~82.32.534~~) section 201 of this act.

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

35 (12)(a) Until July 1, 2024, upon every person engaging within this  
36 state in the business of extracting timber or extracting for hire  
37 timber; as to such persons the amount of tax with respect to the  
38 business is, in the case of extractors, equal to the value of products,

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

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

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

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

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

37 (i) "Biocomposite surface products" means surface material products

1 containing, by weight or volume, more than fifty percent recycled paper  
2 and that also use nonpetroleum-based phenolic resin as a bonding agent.

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

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

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

24 (v) "Timber products" means:

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

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

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

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

36 (f) Except for small harvesters as defined in RCW 84.33.035, a  
37 person reporting under the tax rate provided in this subsection (12)

1 must file a complete annual (~~(survey)~~) report with the department under  
2 (~~(RCW 82.32.585)~~) section 201 of this act.

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

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

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

16 **Sec. 214.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 203 are each  
17 amended to read as follows:

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

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

26 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
27 raw frozen, or raw salted state at the completion of the manufacturing  
28 by that person; or selling manufactured seafood products that remain in  
29 a raw, raw frozen, or raw salted state at the completion of the  
30 manufacturing, to purchasers who transport in the ordinary course of  
31 business the goods out of this state; as to such persons the amount of  
32 tax with respect to such business is equal to the value of the products  
33 manufactured or the gross proceeds derived from such sales, multiplied  
34 by the rate of 0.138 percent. Sellers must keep and preserve records  
35 for the period required by RCW 82.32.070 establishing that the goods  
36 were transported by the purchaser in the ordinary course of business  
37 out of this state;

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

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

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

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

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

26 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
27 preserving, freezing, processing, or dehydrating fresh fruits or  
28 vegetables, or selling at wholesale fruits or vegetables manufactured  
29 by the seller by canning, preserving, freezing, processing, or  
30 dehydrating fresh fruits or vegetables and sold to purchasers who  
31 transport in the ordinary course of business the goods out of this  
32 state; as to such persons the amount of tax with respect to such  
33 business is equal to the value of the products manufactured or the  
34 gross proceeds derived from such sales multiplied by the rate of 0.138  
35 percent. Sellers must keep and preserve records for the period  
36 required by RCW 82.32.070 establishing that the goods were transported  
37 by the purchaser in the ordinary course of business out of this state;

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

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

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

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

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

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

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

36 (7) Upon every person engaging within this state in the business of  
37 stevedoring and associated activities pertinent to the movement of  
38 goods and commodities in waterborne interstate or foreign commerce; as

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

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

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

36 (9) Upon every person engaging within this state as an insurance  
37 producer or title insurance agent licensed under chapter 48.17 RCW or  
38 a surplus line broker licensed under chapter 48.15 RCW; as to such

1 persons, the amount of the tax with respect to such licensed activities  
2 is equal to the gross income of such business multiplied by the rate of  
3 0.484 percent.

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

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

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

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

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

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

35 (d) In addition to all other requirements under this title, a  
36 person reporting under the tax rate provided in this subsection (11)  
37 must file a complete annual report with the department under (~~RCW~~  
38 ~~82.32.534~~) section 201 of this act.

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

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

10 (b) Until July 1, 2024, upon every person engaging within this  
11 state in the business of manufacturing or processing for hire: (i)  
12 Timber into timber products or wood products; or (ii) timber products  
13 into other timber products or wood products; as to such persons the  
14 amount of the tax with respect to the business is, in the case of  
15 manufacturers, equal to the value of products, including by-products,  
16 manufactured, or in the case of processors for hire, equal to the gross  
17 income of the business, multiplied by the rate of 0.4235 percent from  
18 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
19 2007, through June 30, 2024.

20 (c) Until July 1, 2024, upon every person engaging within this  
21 state in the business of selling at wholesale: (i) Timber extracted by  
22 that person; (ii) timber products manufactured by that person from  
23 timber or other timber products; or (iii) wood products manufactured by  
24 that person from timber or timber products; as to such persons the  
25 amount of the tax with respect to the business is equal to the gross  
26 proceeds of sales of the timber, timber products, or wood products  
27 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
28 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
29 2024.

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

1 and whether title to the timber transfers before, upon, or after  
2 severance.

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

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

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

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

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

29 (v) "Timber products" means:

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

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

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

37 (vi) "Wood products" means paper and paper products; dimensional

1 lumber; engineered wood products such as particleboard, oriented strand  
2 board, medium density fiberboard, and plywood; wood doors; wood  
3 windows; and biocomposite surface products.

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

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

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

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

20 **Sec. 215.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 5 are each  
21 amended to read as follows:

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

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

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

1 by the rate of 0.138 percent. Sellers must keep and preserve records  
2 for the period required by RCW 82.32.070 establishing that the goods  
3 were transported by the purchaser in the ordinary course of business  
4 out of this state;

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

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

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

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

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

30 (d) Beginning July 1, 2015, fruits or vegetables by canning,  
31 preserving, freezing, processing, or dehydrating fresh fruits or  
32 vegetables, or selling at wholesale fruits or vegetables manufactured  
33 by the seller by canning, preserving, freezing, processing, or  
34 dehydrating fresh fruits or vegetables and sold to purchasers who  
35 transport in the ordinary course of business the goods out of this  
36 state; as to such persons the amount of tax with respect to such  
37 business is equal to the value of the products manufactured or the  
38 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 0.365 percent through June 30, 2013,  
32 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

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

36 **Sec. 216.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 6 are each  
37 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 convenient place for further movement to export mode; documentation  
2 services in connection with the receipt, delivery, checking, care,  
3 custody and control of cargo required in the transfer of cargo;  
4 imported automobile handling prior to delivery to consignee; terminal  
5 stevedoring and incidental vessel services, including but not limited  
6 to plugging and unplugging refrigerator service to containers,  
7 trailers, and other refrigerated cargo receptacles, and securing ship  
8 hatch covers.

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

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

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

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

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

1 the product manufactured, or in the case of processors for hire, equal  
2 to the gross income of the business, multiplied by the rate of:

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

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

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

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

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

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

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

35 (12)(a) Until July 1, 2024, upon every person engaging within this  
36 state in the business of extracting timber or extracting for hire  
37 timber; as to such persons the amount of tax with respect to the  
38 business is, in the case of extractors, equal to the value of products,

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

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

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

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

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

37 (i) "Biocomposite surface products" means surface material products

1 containing, by weight or volume, more than fifty percent recycled paper  
2 and that also use nonpetroleum-based phenolic resin as a bonding agent.

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

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

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

24 (v) "Timber products" means:

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

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

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

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

36 (f) Except for small harvesters as defined in RCW 84.33.035, a  
37 person reporting under the tax rate provided in this subsection (12)

1 must file a complete annual (~~(survey)~~) report with the department under  
2 (~~(RCW 82.32.585)~~) section 201 of this act.

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

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

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

15 **Sec. 217.** RCW 82.04.290 and 2013 c 23 s 314 are each amended to  
16 read as follows:

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

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

28 (b) This subsection (2) includes, among others, and without  
29 limiting the scope hereof (whether or not title to materials used in  
30 the performance of such business passes to another by accession,  
31 confusion or other than by outright sale), persons engaged in the  
32 business of rendering any type of service which does not constitute a  
33 "sale at retail" or a "sale at wholesale." The value of advertising,  
34 demonstration, and promotional supplies and materials furnished to an  
35 agent by his or her principal or supplier to be used for informational,  
36 educational, and promotional purposes shall not be considered a part of

1 the agent's remuneration or commission and shall not be subject to  
2 taxation under this section.

3 (3)(a) Until July 1, 2024, upon every person engaging within this  
4 state in the business of performing aerospace product development for  
5 others, as to such persons, the amount of tax with respect to such  
6 business shall be equal to the gross income of the business multiplied  
7 by a rate of 0.9 percent.

8 (b) "Aerospace product development" has the meaning as provided in  
9 RCW 82.04.4461.

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

13 **Sec. 218.** RCW 82.04.290 and 2013 3rd sp.s. c 2 s 8 are each  
14 amended to read as follows:

15 (1) Upon every person engaging within this state in the business of  
16 providing international investment management services, as to such  
17 persons, the amount of tax with respect to such business is equal to  
18 the gross income or gross proceeds of sales of the business multiplied  
19 by a rate of 0.275 percent.

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

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

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

6 (b) "Aerospace product development" has the meaning as provided in  
7 RCW 82.04.4461.

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

11 **Sec. 219.** RCW 82.04.2909 and 2011 c 174 s 301 are each amended to  
12 read as follows:

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

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

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

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

28 **Sec. 220.** RCW 82.04.294 and 2013 2nd sp.s. c 13 s 902 are each  
29 amended to read as follows:

30 (1) Upon every person engaging within this state in the business of  
31 manufacturing solar energy systems using photovoltaic modules or  
32 stirling converters, or of manufacturing solar grade silicon, silicon  
33 solar wafers, silicon solar cells, thin film solar devices, or compound  
34 semiconductor solar wafers to be used exclusively in components of such  
35 systems; as to such persons the amount of tax with respect to such  
36 business is, in the case of manufacturers, equal to the value of the

1 product manufactured, or in the case of processors for hire, equal to  
2 the gross income of the business, multiplied by the rate of 0.275  
3 percent.

4 (2) Upon every person engaging within this state in the business of  
5 making sales at wholesale of solar energy systems using photovoltaic  
6 modules or stirling converters, or of solar grade silicon, silicon  
7 solar wafers, silicon solar cells, thin film solar devices, or compound  
8 semiconductor solar wafers to be used exclusively in components of such  
9 systems, manufactured by that person; as to such persons the amount of  
10 tax with respect to such business is equal to the gross proceeds of  
11 sales of the solar energy systems using photovoltaic modules or  
12 stirling converters, or of the solar grade silicon to be used  
13 exclusively in components of such systems, multiplied by the rate of  
14 0.275 percent.

15 (3) Silicon solar wafers, silicon solar cells, thin film solar  
16 devices, solar grade silicon, or compound semiconductor solar wafers  
17 are "semiconductor materials" for the purposes of RCW 82.08.9651 and  
18 82.12.9651.

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

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

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

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

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

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

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

36 (g) "Solar grade silicon" means high-purity silicon used  
37 exclusively in components of solar energy systems using photovoltaic

1 modules to capture direct sunlight. "Solar grade silicon" does not  
2 include silicon used in semiconductors.

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

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

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

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

12 **Sec. 221.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to  
13 read as follows:

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

16 (2) For the purposes of this section:

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

20 (b) "Integrated circuit" means a set of microminiaturized,  
21 electronic circuits.

22 (3) A person reporting under the tax rate provided in this section  
23 must file a complete annual report with the department under (~~(RCW~~  
24 ~~82.32.534)~~) section 201 of this act.

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

27 **Sec. 222.** RCW 82.04.4266 and 2012 2nd sp.s. c 6 s 201 are each  
28 amended to read as follows:

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

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

33 (b) Selling at wholesale fruits or vegetables manufactured by the  
34 seller by canning, preserving, freezing, processing, or dehydrating  
35 fresh fruits or vegetables and sold to purchasers who transport in the  
36 ordinary course of business the goods out of this state. A person

1 taking an exemption under this subsection (1)(b) must keep and preserve  
2 records for the period required by RCW 82.32.070 establishing that the  
3 goods were transported by the purchaser in the ordinary course of  
4 business out of this state.

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

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

9 **Sec. 223.** RCW 82.04.4268 and 2013 2nd sp.s. c 13 s 204 are each  
10 amended to read as follows:

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

- 13 (a) Manufacturing dairy products; or
- 14 (b) Selling dairy products manufactured by the seller to purchasers  
15 who either transport in the ordinary course of business the goods out  
16 of this state or purchasers who use such dairy products as an  
17 ingredient or component in the manufacturing of a dairy product. A  
18 person taking an exemption under this subsection (1)(b) must keep and  
19 preserve records for the period required by RCW 82.32.070 establishing  
20 that the goods were transported by the purchaser in the ordinary course  
21 of business out of this state or sold to a manufacturer for use as an  
22 ingredient or component in the manufacturing of a dairy product.

23 (2) "Dairy products" has the same meaning as provided in RCW  
24 82.04.260.

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

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

29 **Sec. 224.** RCW 82.04.4269 and 2012 2nd sp.s. c 6 s 203 are each  
30 amended to read as follows:

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

- 33 (a) Manufacturing seafood products that remain in a raw, raw  
34 frozen, or raw salted state at the completion of the manufacturing by  
35 that person; or

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

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

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

12 **Sec. 225.** RCW 82.04.4277 and 2011 1st sp.s. c 19 s 1 are each  
13 amended to read as follows:

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

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

21 (3) A person claiming a deduction under this section must file a  
22 complete annual report with the department under ((RCW 82.32.534))  
23 section 201 of this act.

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

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

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

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

30 **Sec. 226.** RCW 82.04.4452 and 2010 c 114 s 114 are each amended to  
31 read as follows:

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

36 (2) The credit is calculated as follows:

1 (a) Determine the greater of the amount of qualified research and  
2 development expenditures of a person or eighty percent of amounts  
3 received by a person other than a public educational or research  
4 institution in compensation for the conduct of qualified research and  
5 development;

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

8 (c) Multiply the amount determined under (b) of this subsection by  
9 the following:

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

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

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

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

19 (v) For the calendar year ending December 31, 2010, and thereafter,  
20 1.50 percent.

21 For purposes of calculating the credit, if a person's reporting  
22 period is less than annual, the person may use an estimated average tax  
23 rate for the calendar year for which the credit is claimed by using the  
24 person's average tax rate for each reporting period. A person who uses  
25 an estimated average tax rate must make an adjustment to the total  
26 credit claimed for the calendar year using the person's actual average  
27 tax rate for the calendar year when the person files its last return  
28 for the calendar year for which the credit is claimed.

29 (3) Any person entitled to the credit provided in subsection (2) of  
30 this section as a result of qualified research and development  
31 conducted under contract may assign all or any portion of the credit to  
32 the person contracting for the performance of the qualified research  
33 and development.

34 (4) The credit, including any credit assigned to a person under  
35 subsection (3) of this section, must be claimed against taxes due for  
36 the same calendar year in which the qualified research and development  
37 expenditures are incurred. The credit, including any credit assigned

1 to a person under subsection (3) of this section, for each calendar  
2 year may not exceed the lesser of two million dollars or the amount of  
3 tax otherwise due under this chapter for the calendar year.

4 (5) For any person claiming the credit, including any credit  
5 assigned to a person under subsection (3) of this section, whose  
6 research and development spending during the calendar year in which the  
7 credit is claimed fails to exceed 0.92 percent of the person's taxable  
8 amount during the same calendar year or who is otherwise ineligible,  
9 the department must declare the taxes against which the credit was  
10 claimed to be immediately due and payable. The department must assess  
11 interest, but not penalties, on the taxes against which the credit was  
12 claimed. Interest must be assessed at the rate provided for delinquent  
13 excise taxes under chapter 82.32 RCW, retroactively to the date the  
14 credit was claimed, and accrues until the taxes against which the  
15 credit was claimed are repaid. Any credit assigned to a person under  
16 subsection (3) of this section that is disallowed as a result of this  
17 section may be claimed by the person who performed the qualified  
18 research and development subject to the limitations set forth in  
19 subsection (4) of this section.

20 (6) A person claiming the credit provided in this section must file  
21 a complete annual ((survey)) report with the department under ((RCW  
22 82.32.585)) section 201 of this act.

23 (7) For the purpose of this section:

24 (a) "Average tax rate" means a person's total tax liability under  
25 this chapter for the calendar year for which the credit is claimed  
26 divided by the taxpayer's total taxable amount under this chapter for  
27 the calendar year for which the credit is claimed.

28 (b) "Qualified research and development expenditures" means  
29 operating expenses, including wages, compensation of a proprietor or a  
30 partner in a partnership as determined under rules adopted by the  
31 department, benefits, supplies, and computer expenses, directly  
32 incurred in qualified research and development by a person claiming the  
33 credit provided in this section. The term does not include amounts  
34 paid to a person other than a public educational or research  
35 institution to conduct qualified research and development. Nor does  
36 the term include capital costs and overhead, such as expenses for land,  
37 structures, or depreciable property.

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

3 (d) "Research and development spending" means qualified research  
4 and development expenditures plus eighty percent of amounts paid to a  
5 person other than a public educational or research institution to  
6 conduct qualified research and development.

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

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

13 **Sec. 227.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to  
14 read as follows:

15 (1)(a)(i) In computing the tax imposed under this chapter, a credit  
16 is allowed for each person for qualified aerospace product development.  
17 For a person who is a manufacturer or processor for hire of commercial  
18 airplanes or components of such airplanes, credit may be earned for  
19 expenditures occurring after December 1, 2003. For all other persons,  
20 credit may be earned only for expenditures occurring after June 30,  
21 2008.

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

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

29 (2) The credit is equal to the amount of qualified aerospace  
30 product development expenditures of a person, multiplied by the rate of  
31 1.5 percent.

32 (3) Except as provided in subsection (1)(b) of this section the  
33 credit must be claimed against taxes due for the same calendar year in  
34 which the qualified aerospace product development expenditures are  
35 incurred. Credit earned on or after July 1, 2005, may not be carried  
36 over. The credit for each calendar year may not exceed the amount of

1 tax otherwise due under this chapter for the calendar year. Refunds  
2 may not be granted in the place of a credit.

3 (4) Any person claiming the credit must file a form prescribed by  
4 the department that must include the amount of the credit claimed, an  
5 estimate of the anticipated aerospace product development expenditures  
6 during the calendar year for which the credit is claimed, an estimate  
7 of the taxable amount during the calendar year for which the credit is  
8 claimed, and such additional information as the department may  
9 prescribe.

10 (5) The definitions in this subsection apply throughout this  
11 section.

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

13 (b) "Aerospace product development" means research, design, and  
14 engineering activities performed in relation to the development of an  
15 aerospace product or of a product line, model, or model derivative of  
16 an aerospace product, including prototype development, testing, and  
17 certification. The term includes the discovery of technological  
18 information, the translating of technological information into new or  
19 improved products, processes, techniques, formulas, or inventions, and  
20 the adaptation of existing products and models into new products or new  
21 models, or derivatives of products or models. The term does not  
22 include manufacturing activities or other production-oriented  
23 activities, however the term does include tool design and engineering  
24 design for the manufacturing process. The term does not include  
25 surveys and studies, social science and humanities research, market  
26 research or testing, quality control, sale promotion and service,  
27 computer software developed for internal use, and research in areas  
28 such as improved style, taste, and seasonal design.

29 (c) "Qualified aerospace product development" means aerospace  
30 product development performed within this state.

31 (d) "Qualified aerospace product development expenditures" means  
32 operating expenses, including wages, compensation of a proprietor or a  
33 partner in a partnership as determined by the department, benefits,  
34 supplies, and computer expenses, directly incurred in qualified  
35 aerospace product development by a person claiming the credit provided  
36 in this section. The term does not include amounts paid to a person or  
37 to the state and any of its departments and institutions, other than a  
38 public educational or research institution to conduct qualified

1 aerospace product development. The term does not include capital costs  
2 and overhead, such as expenses for land, structures, or depreciable  
3 property.

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

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

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

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

15 **Sec. 228.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each  
16 amended to read as follows:

17 (1)(a)(i) In computing the tax imposed under this chapter, a credit  
18 is allowed for each person for qualified aerospace product development.  
19 For a person who is a manufacturer or processor for hire of commercial  
20 airplanes or components of such airplanes, credit may be earned for  
21 expenditures occurring after December 1, 2003. For all other persons,  
22 credit may be earned only for expenditures occurring after June 30,  
23 2008.

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

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

31 (2) The credit is equal to the amount of qualified aerospace  
32 product development expenditures of a person, multiplied by the rate of  
33 1.5 percent.

34 (3) Except as provided in subsection (1)(b) of this section the  
35 credit must be claimed against taxes due for the same calendar year in  
36 which the qualified aerospace product development expenditures are  
37 incurred. Credit earned on or after July 1, 2005, may not be carried

1 over. The credit for each calendar year may not exceed the amount of  
2 tax otherwise due under this chapter for the calendar year. Refunds  
3 may not be granted in the place of a credit.

4 (4) Any person claiming the credit must file a form prescribed by  
5 the department that must include the amount of the credit claimed, an  
6 estimate of the anticipated aerospace product development expenditures  
7 during the calendar year for which the credit is claimed, an estimate  
8 of the taxable amount during the calendar year for which the credit is  
9 claimed, and such additional information as the department may  
10 prescribe.

11 (5) The definitions in this subsection apply throughout this  
12 section.

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

14 (b) "Aerospace product development" means research, design, and  
15 engineering activities performed in relation to the development of an  
16 aerospace product or of a product line, model, or model derivative of  
17 an aerospace product, including prototype development, testing, and  
18 certification. The term includes the discovery of technological  
19 information, the translating of technological information into new or  
20 improved products, processes, techniques, formulas, or inventions, and  
21 the adaptation of existing products and models into new products or new  
22 models, or derivatives of products or models. The term does not  
23 include manufacturing activities or other production-oriented  
24 activities, however the term does include tool design and engineering  
25 design for the manufacturing process. The term does not include  
26 surveys and studies, social science and humanities research, market  
27 research or testing, quality control, sale promotion and service,  
28 computer software developed for internal use, and research in areas  
29 such as improved style, taste, and seasonal design.

30 (c) "Qualified aerospace product development" means aerospace  
31 product development performed within this state.

32 (d) "Qualified aerospace product development expenditures" means  
33 operating expenses, including wages, compensation of a proprietor or a  
34 partner in a partnership as determined by the department, benefits,  
35 supplies, and computer expenses, directly incurred in qualified  
36 aerospace product development by a person claiming the credit provided  
37 in this section. The term does not include amounts paid to a person or  
38 to the state and any of its departments and institutions, other than a

1 public educational or research institution to conduct qualified  
2 aerospace product development. The term does not include capital costs  
3 and overhead, such as expenses for land, structures, or depreciable  
4 property.

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

9 (6) In addition to all other requirements under this title, a  
10 person claiming the credit 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 (7) Credit may not be claimed for expenditures for which a credit  
14 is claimed under RCW 82.04.4452.

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

16 **Sec. 229.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each  
17 amended to read as follows:

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

21 (2) The credit is equal to:

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

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

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

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

10 (b) An amount equal to:

11 (i)(A) Property taxes paid, by persons taxable under RCW  
12 82.04.260(~~(+10+)~~) (11)(a), on machinery and equipment exempt under RCW  
13 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

14 (B) Property taxes paid, by persons taxable under RCW  
15 82.04.260(~~(+10+)~~) (11)(b), on machinery and equipment exempt under RCW  
16 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

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

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

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

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

33 (C) For purposes of both the numerator and denominator of the  
34 fraction, the total taxable amount refers to the total taxable amount  
35 required to be reported on the person's returns for the calendar year  
36 before the calendar year in which the credit under this section is  
37 earned. The department may provide for an alternative method for  
38 calculating the numerator in cases where the tax rate provided in RCW

1 82.04.260(~~(+10)~~) (11) for manufacturing was not in effect during the  
2 full calendar year before the calendar year in which the credit under  
3 this section is earned.

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

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

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

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

15 (b) "Aerospace services" has the same meaning given in RCW  
16 82.08.975.

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

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

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

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

28 **Sec. 230.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each  
29 amended to read as follows:

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

33 (2) The credit is equal to:

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

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

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

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

22 (b) An amount equal to:

23 (i)(A) Property taxes paid, by persons taxable under RCW  
24 82.04.260(11)(a), on machinery and equipment exempt under RCW  
25 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

26 (B) Property taxes paid, by persons taxable under RCW  
27 82.04.260(11)(b), on machinery and equipment exempt under RCW  
28 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

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

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

36 (A) The numerator of the fraction is the total taxable amount  
37 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the  
38 applicable business activities of manufacturing commercial airplanes,

1 components of such airplanes, or tooling specifically designed for use  
2 in the manufacturing of commercial airplanes or components of such  
3 airplanes.

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

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

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

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

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

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

27 (b) "Aerospace services" has the same meaning given in RCW  
28 82.08.975.

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

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

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

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

2 **Sec. 231.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to  
3 read as follows:

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

9 (2)(a) The credit under this section equals three thousand dollars  
10 for each employment position used in manufacturing production that  
11 takes place in a new building exempt from sales and use tax under RCW  
12 82.08.965 and 82.12.965. A credit is earned for the calendar year a  
13 person fills a position. Additionally a credit is earned for each year  
14 the position is maintained over the subsequent consecutive years, up to  
15 eight years. Those positions that are not filled for the entire year  
16 are eligible for fifty percent of the credit if filled less than six  
17 months, and the entire credit if filled more than six months.

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

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

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

35 (4) If at any time the department finds that a person is not  
36 eligible for tax credit under this section, the amount of taxes for  
37 which a credit has been claimed is immediately due. The department

1 must assess interest, but not penalties, on the taxes for which the  
2 person is not eligible. The interest must be assessed at the rate  
3 provided for delinquent excise taxes under chapter 82.32 RCW, is  
4 retroactive to the date the tax credit was taken, and accrues until the  
5 taxes for which a credit has been used are repaid.

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

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

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

15 **Sec. 232.** RCW 82.04.4481 and 2011 c 174 s 302 are each amended to  
16 read as follows:

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

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

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

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

32 **Sec. 233.** RCW 82.04.4483 and 2010 c 114 s 119 are each amended to  
33 read as follows:

34 (1) Subject to the limits and provisions of this section, a credit  
35 is authorized against the tax otherwise due under this chapter for

1 persons engaged in a rural county in the business of manufacturing  
2 computer software or programming, as those terms are defined in this  
3 section.

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

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

12 (b) If an activity is conducted both from a rural county and  
13 outside of a rural county, the credit is available if at least ninety  
14 percent of the qualifying activity is conducted within a rural county.  
15 If the qualifying activity is a service taxable activity, the place  
16 where the work is performed is the place at which the activity is  
17 conducted.

18 (4)(a) The credit under this section (~~shall~~) equals one thousand  
19 dollars for each new qualified employment position created after  
20 January 1, 2004, in an eligible area. A credit is earned for the  
21 calendar year the person is hired to fill the position. Additionally  
22 a credit is earned for each year the position is maintained over the  
23 subsequent consecutive years, up to four years. The county must meet  
24 the definition of a rural county at the time the position is filled.  
25 If the county does not have a rural county status the following year or  
26 years, the position is still eligible for the remaining years if all  
27 other conditions are met.

28 (b) Participants who claimed credit under RCW 82.04.4456 for  
29 qualified employment positions created before December 31, 2003, are  
30 eligible to earn credit for each year the position is maintained over  
31 the subsequent consecutive years, for up to four years, which four  
32 years include any years claimed under RCW 82.04.4456. Those persons  
33 who did not receive a credit under RCW 82.04.4456 before December 31,  
34 2003, are not eligible to earn credit for qualified employment  
35 positions created before December 31, 2003.

36 (c) Credit is authorized for new employees hired for new qualified  
37 employment positions created on or after January 1, 2004. New  
38 qualified employment positions filled by existing employees are

1 eligible for the credit under this section only if the position vacated  
2 by the existing employee is filled by a new hire. A business that is  
3 a sole proprietorship without any employees is equivalent to one  
4 employee position and this type of business is eligible to receive  
5 credit for one position.

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

10 (5) No application is necessary for the tax credit. The person  
11 must keep records necessary for the department to verify eligibility  
12 under this section. This information includes information relating to  
13 description of qualifying activity conducted in the rural county and  
14 outside the rural county by the person as well as detailed records on  
15 positions and employees.

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

24 (7) The credit under this section may be used against any tax due  
25 under this chapter, but in no case may a credit earned during one  
26 calendar year be carried over to be credited against taxes incurred in  
27 a subsequent calendar year. A person is not eligible to receive a  
28 credit under this section if the person is receiving credit for the  
29 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking  
30 a credit under this chapter for information technology help desk  
31 services conducted from a rural county. No refunds may be granted for  
32 credits under this section.

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

37 (9) A person claiming a tax credit under this section must file a

1 complete annual ((survey)) report with the department under ((RCW  
2 ~~82.32.585~~) section 201 of this act.

3 (10) As used in this section:

4 (a) "Computer software" has the meaning as defined in RCW 82.04.215  
5 after June 30, 2004, and includes "software" as defined in RCW  
6 82.04.215 before July 1, 2004.

7 (b) "Manufacturing" means the same as "to manufacture" under RCW  
8 82.04.120. Manufacturing includes the activities of both manufacturers  
9 and processors for hire.

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

14 (d) "Qualifying activity" means manufacturing of computer software  
15 or programming.

16 (e) "Qualified employment position" means a permanent full-time  
17 position doing programming of computer software or manufacturing of  
18 computer software. This excludes administrative, professional,  
19 service, executive, and other similar positions. If an employee is  
20 either voluntarily or involuntarily separated from employment, the  
21 employment position is considered filled on a full-time basis if the  
22 employer is either training or actively recruiting a replacement  
23 employee. Full-time means a position for at least thirty-five hours a  
24 week.

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

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

28 **Sec. 234.** RCW 82.04.449 and 2012 c 46 s 3 are each amended to read  
29 as follows:

30 (1) In computing the tax imposed under this chapter, a credit is  
31 allowed for participants in the Washington customized employment  
32 training program created in RCW 28B.67.020. The credit allowed under  
33 this section is equal to fifty percent of the value of a participant's  
34 payments to the employment training finance account created in RCW  
35 28B.67.030. If a participant in the program does not meet the  
36 requirements of RCW 28B.67.020(2)(b)(ii), the participant must remit to  
37 the department the value of any credits taken plus interest. The

1 credit earned by a participant in one calendar year may be carried over  
2 to be credited against taxes incurred in a subsequent calendar year.  
3 No credit may be allowed for repayment of training allowances received  
4 from the Washington customized employment training program on or after  
5 July 1, 2021.

6 (2) A person claiming the credit provided in this section must file  
7 a complete annual ((survey)) report with the department under ((RCW  
8 ~~82.32.585~~) section 201 of this act).

9 **Sec. 235.** RCW 82.08.805 and 2011 c 174 s 303 are each amended to  
10 read as follows:

11 (1) A person who has paid tax under RCW 82.08.020 for personal  
12 property used at an aluminum smelter, tangible personal property that  
13 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. A person  
18 claiming an exemption must pay the tax and may then take a credit equal  
19 to the state share of retail sales tax paid under RCW 82.08.020. The  
20 person must submit information, in a form and manner prescribed by the  
21 department, specifying the amount of qualifying purchases or  
22 acquisitions for which the exemption is claimed and the amount of  
23 exempted tax.

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

26 (3) A person claiming the tax preference provided in this section  
27 must file a complete annual report with the department under ((RCW  
28 ~~82.32.534~~) section 201 of this act).

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

31 **Sec. 236.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to  
32 read as follows:

33 (1) The tax levied by RCW 82.08.020 does not apply to charges made  
34 for labor and services rendered in respect to the constructing of new  
35 buildings used for the manufacturing of semiconductor materials, to  
36 sales of tangible personal property that will be incorporated as an

1 ingredient or component of such buildings during the course of the  
2 constructing, or to labor and services rendered in respect to  
3 installing, during the course of constructing, building fixtures not  
4 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The  
5 exemption is available only when the buyer provides the seller with an  
6 exemption certificate in a form and manner prescribed by the  
7 department. The seller must retain a copy of the certificate for the  
8 seller's files.

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

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

17 (b) Before commencing commercial production at a new facility the  
18 manufacturer or processor for hire must meet with the department to  
19 review projected employment levels in the new buildings. The  
20 department, using information provided by the taxpayer, must make a  
21 determination of the number of positions that would be filled at full  
22 employment. This number must be used throughout the eight-year period  
23 to determine whether any tax is to be repaid. This information is not  
24 subject to the confidentiality provisions of RCW 82.32.330 and may be  
25 disclosed to the public upon request.

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

32 (d) No application is necessary for the tax exemption. The person  
33 is subject to all the requirements of chapter 82.32 RCW. A person  
34 claiming the exemption under this section must file a complete annual  
35 report with the department under ((RCW 82.32.534)) section 201 of this  
36 act.

37 (3) If the employment requirement is not met for any one calendar  
38 year, one-eighth of the exempt sales and use taxes will be due and

1 payable by April 1st of the following year. The department must assess  
2 interest to the date the tax was imposed, but not penalties, on the  
3 taxes for which the person is not eligible.

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

7 (5) For the purposes of this section:

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

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

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

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

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

21 **Sec. 237.** RCW 82.08.9651 and 2010 c 114 s 124 are each amended to  
22 read as follows:

23 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
24 gases and chemicals used by a manufacturer or processor for hire in the  
25 production of semiconductor materials. This exemption is limited to  
26 gases and chemicals used in the production process to grow the product,  
27 deposit or grow permanent or sacrificial layers on the product, to etch  
28 or remove material from the product, to anneal the product, to immerse  
29 the product, to clean the product, and other such uses whereby the  
30 gases and chemicals come into direct contact with the product during  
31 the production process, or uses of gases and chemicals to clean the  
32 chambers and other like equipment in which such processing takes place.  
33 For the purposes of this section, "semiconductor materials" has the  
34 meaning provided in RCW 82.04.2404 and 82.04.294(3).

35 (2) A person claiming the exemption under this section must file a  
36 complete annual report with the department under (~~RCW 82.32.534~~)

1 section 201 of this act. No application is necessary for the tax  
2 exemption. The person is subject to all of the requirements of chapter  
3 82.32 RCW.

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

5 **Sec. 238.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to  
6 read as follows:

7 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
8 gases and chemicals used by a manufacturer or processor for hire in the  
9 manufacturing of semiconductor materials. This exemption is limited to  
10 gases and chemicals used in the manufacturing process to grow the  
11 product, deposit or grow permanent or sacrificial layers on the  
12 product, to etch or remove material from the product, to anneal the  
13 product, to immerse the product, to clean the product, and other such  
14 uses whereby the gases and chemicals come into direct contact with the  
15 product during the manufacturing process, or uses of gases and  
16 chemicals to clean the chambers and other like equipment in which such  
17 processing takes place. For the purposes of this section,  
18 "semiconductor materials" has the same meaning as provided in RCW  
19 82.04.240(2).

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

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

27 **Sec. 239.** RCW 82.08.980 and 2010 c 114 s 126 are each amended to  
28 read as follows:

29 (1) The tax levied by RCW 82.08.020 does not apply to charges made  
30 for labor and services rendered in respect to the constructing of new  
31 buildings by a manufacturer engaged in the manufacturing of  
32 superefficient airplanes or by a port district, to be leased to a  
33 manufacturer engaged in the manufacturing of superefficient airplanes,  
34 to sales of tangible personal property that will be incorporated as an  
35 ingredient or component of such buildings during the course of the  
36 constructing, or to labor and services rendered in respect to

1 installing, during the course of constructing, building fixtures not  
2 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The  
3 exemption is available only when the buyer provides the seller with an  
4 exemption certificate in a form and manner prescribed by the  
5 department. The seller must retain a copy of the certificate for the  
6 seller's files.

7 (2) No application is necessary for the tax exemption in this  
8 section, however in order to qualify under this section before starting  
9 construction the port district must have entered into an agreement with  
10 the manufacturer to build such a facility. A person claiming the  
11 exemption under this section is subject to all the requirements of  
12 chapter 82.32 RCW. In addition, the person must file a complete annual  
13 report with the department under ((RCW 82.32.534)) section 201 of this  
14 act.

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

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

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

22 **Sec. 240.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each  
23 amended to read as follows:

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

25 (a) Charges, for labor and services rendered in respect to the  
26 constructing of new buildings, made to (i) a manufacturer engaged in  
27 the manufacturing of commercial airplanes or the fuselages or wings of  
28 commercial airplanes or (ii) a port district, political subdivision, or  
29 municipal corporation, to be leased to a manufacturer engaged in the  
30 manufacturing of commercial airplanes or the fuselages or wings of  
31 commercial airplanes;

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

35 (c) Charges made for labor and services rendered in respect to  
36 installing, during the course of constructing such buildings, building

1 fixtures not otherwise eligible for the exemption under RCW  
2 82.08.02565(2)(b).

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

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

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

- 19 (a) Commercial airplanes;
- 20 (b) Fuselages of commercial airplanes; or
- 21 (c) Wings of commercial airplanes.

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

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

25 **Sec. 241.** RCW 82.08.986 and 2012 2nd sp.s. c 6 s 302 are each  
26 amended to read as follows:

27 (1) An exemption from the tax imposed by RCW 82.08.020 is provided  
28 for sales to qualifying businesses and to qualifying tenants of  
29 eligible server equipment to be installed, without intervening use, in  
30 an eligible computer data center, and to charges made for labor and  
31 services rendered in respect to installing eligible server equipment.  
32 The exemption also applies to sales to qualifying businesses and to  
33 qualifying tenants of eligible power infrastructure, including labor  
34 and services rendered in respect to constructing, installing,  
35 repairing, altering, or improving eligible power infrastructure.

36 (2)(a) In order to claim the exemption under this section, a  
37 qualifying business or a qualifying tenant must submit an application

1 to the department for an exemption certificate. The application must  
2 include the information necessary, as required by the department, to  
3 determine that a business or tenant qualifies for the exemption under  
4 this section. The department must issue exemption certificates to  
5 qualifying businesses and qualifying tenants. The department may  
6 assign a unique identification number to each exemption certificate  
7 issued under this section.

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

12 (3)(a) Within six years of the date that the department issued an  
13 exemption certificate under this section to a qualifying business or a  
14 qualifying tenant with respect to an eligible computer data center, the  
15 qualifying business or qualifying tenant must establish that net  
16 employment at the eligible computer data center has increased by a  
17 minimum of:

- 18 (i) Thirty-five family wage employment positions; or
- 19 (ii) Three family wage employment positions for each twenty  
20 thousand square feet of space or less that is newly dedicated to  
21 housing working servers at the eligible computer data center. For  
22 qualifying tenants, the number of family wage employment positions that  
23 must be increased under this subsection (3)(a)(ii) is based only on the  
24 space occupied by the qualifying tenant in the eligible computer data  
25 center.

26 (b) In calculating the net increase in family wage employment  
27 positions:

- 28 (i) The owner of an eligible computer data center, in addition to  
29 its own net increase in family wage employment positions, may include:
  - 30 (A) The net increase in family wage employment positions employed  
31 by qualifying tenants; and
  - 32 (B) The net increase in family wage employment positions described  
33 in (c)(ii)(B) of this subsection (3).
- 34 (ii)(A) Qualifying tenants, in addition to their own net increase  
35 in family wage employment positions, may include:
  - 36 (I) A portion of the net increase in family wage employment  
37 positions employed by the owner; and

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

3 (B) The portion of the net increase in family wage employment  
4 positions to be counted under this subsection (3)(b)(ii) by each  
5 qualifying tenant must be in proportion to the amount of space in the  
6 eligible computer data center occupied by the qualifying tenant  
7 compared to the total amount of space in the eligible computer data  
8 center occupied by all qualifying tenants.

9 (c)(i) For purposes of this subsection, family wage employment  
10 positions are new permanent employment positions requiring forty hours  
11 of weekly work, or their equivalent, on a full-time basis at the  
12 eligible computer data center and receiving a wage equivalent to or  
13 greater than one hundred fifty percent of the per capita personal  
14 income of the county in which the qualified project is located. An  
15 employment position may not be counted as a family wage employment  
16 position unless the employment position is entitled to health insurance  
17 coverage provided by the employer of the employment position. For  
18 purposes of this subsection (3)(c), "new permanent employment position"  
19 means an employment position that did not exist or that had not  
20 previously been filled as of the date that the department issued an  
21 exemption certificate to the owner or qualifying tenant of an eligible  
22 computer data center, as the case may be.

23 (ii)(A) Family wage employment positions include positions filled  
24 by employees of the owner of the eligible computer data center and by  
25 employees of qualifying tenants.

26 (B) Family wage employment positions also include individuals  
27 performing work at an eligible computer data center as an independent  
28 contractor hired by the owner of the eligible computer data center or  
29 as an employee of an independent contractor hired by the owner of the  
30 eligible computer data center, if the work is necessary for the  
31 operation of the computer data center, such as security and building  
32 maintenance, and provided that all of the requirements in (c)(i) of  
33 this subsection (3) are met.

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

37 (4) A qualifying business or a qualifying tenant claiming an

1 exemption under this section or RCW 82.12.986 must complete an annual  
2 report with the department as required under (~~RCW 82.32.534~~) section  
3 201 of this act.

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

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

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

11 (b) If a person claims an exemption under this section and  
12 subsequently receives the benefit of the deferral program under chapter  
13 82.60 RCW on either the construction, renovation, or expansion of a  
14 structure or structures used as a computer data center or machinery or  
15 equipment used in a computer data center, the person must repay the  
16 amount of taxes exempted under this section. Interest as provided in  
17 chapter 82.32 RCW applies to amounts due under this section until paid  
18 in full.

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

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

23 (b)(i) "Computer data center" means a facility comprised of one or  
24 more buildings, which may be comprised of multiple businesses,  
25 constructed or refurbished specifically, and used primarily, to house  
26 working servers, where the facility has the following characteristics:  
27 (A) Uninterruptible power supplies, generator backup power, or both;  
28 (B) sophisticated fire suppression and prevention systems; and (C)  
29 enhanced physical security, such as: Restricted access to the facility  
30 to selected personnel; permanent security guards; video camera  
31 surveillance; an electronic system requiring passcodes, keycards, or  
32 biometric scans, such as hand scans and retinal or fingerprint  
33 recognition; or similar security features.

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

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

4 (c) "Electronic data storage and data management services" include,  
5 but are not limited to: Providing data storage and backup services,  
6 providing computer processing power, hosting enterprise software  
7 applications, and hosting web sites. The term also includes providing  
8 services such as e-mail, web browsing and searching, media  
9 applications, and other online services, regardless of whether a charge  
10 is made for such services.

11 (d)(i) "Eligible computer data center" means a computer data  
12 center:

13 (A) Located in a rural county as defined in RCW 82.14.370;

14 (B) Having at least twenty thousand square feet dedicated to  
15 housing working servers, where the server space has not previously been  
16 dedicated to housing working servers; and

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

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

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

20 (ii) For purposes of this section, "commencement of construction"  
21 means the date that a building permit is issued under the building code  
22 adopted under RCW 19.27.031 for construction of the computer data  
23 center. The construction of a computer data center includes the  
24 expansion, renovation, or other improvements made to existing  
25 facilities, including leased or rented space. "Commencement of  
26 construction" does not include soil testing, site clearing and grading,  
27 site preparation, or any other related activities that are initiated  
28 before the issuance of a building permit for the construction of the  
29 foundation of a computer data center.

30 (iii) With respect to facilities in existence on April 1, 2010,  
31 that are expanded, renovated, or otherwise improved after March 31,  
32 2010, or facilities in existence on April 1, 2012, that are expanded,  
33 renovated, or otherwise improved after March 31, 2012, an eligible  
34 computer data center includes only the portion of the computer data  
35 center meeting the requirements in (d)(i)(B) of this subsection (6).

36 (e) "Eligible power infrastructure" means all fixtures and  
37 equipment owned by a qualifying business or qualifying tenant and  
38 necessary for the transformation, distribution, or management of

1 electricity that is required to operate eligible server equipment  
2 within an eligible computer data center. The term includes generators;  
3 wiring; cogeneration equipment; and associated fixtures and equipment,  
4 such as electrical switches, batteries, and distribution, testing, and  
5 monitoring equipment.

6 (f) "Eligible server equipment" means:

7 (i) For a qualifying business whose computer data center qualifies  
8 as an eligible computer data center under (d)(i)(C)(I) of this  
9 subsection (6), the original server equipment installed in an eligible  
10 computer data center on or after April 1, 2010, and replacement server  
11 equipment. For purposes of this subsection (6)(f)(i), "replacement  
12 server equipment" means server equipment that:

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

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

17 (ii) For a qualifying business whose computer data center qualifies  
18 as an eligible computer data center under (d)(i)(C)(II) of this  
19 subsection (6), "eligible server equipment" means the original server  
20 equipment installed in an eligible computer data center on or after  
21 April 1, 2012, and replacement server equipment. For purposes of this  
22 subsection (6)(f)(ii), "replacement server equipment" means server  
23 equipment that:

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

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

28 (iii) For a qualifying tenant who leases space within an eligible  
29 computer data center, "eligible server equipment" means the original  
30 server equipment installed within the space it leases from an eligible  
31 computer data center on or after April 1, 2010, and replacement server  
32 equipment. For purposes of this subsection (6)(f)(iii), "replacement  
33 server equipment" means server equipment that:

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

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

1 (g) "Qualifying business" means a business entity that exists for  
2 the primary purpose of engaging in commercial activity for profit and  
3 that is the owner of an eligible computer data center. The term does  
4 not include the state or federal government or any of their  
5 departments, agencies, and institutions; tribal governments; political  
6 subdivisions of this state; or any municipal, quasi-municipal, public,  
7 or other corporation created by the state or federal government, tribal  
8 government, municipality, or political subdivision of the state.

9 (h) "Qualifying tenant" means a business entity that exists for the  
10 primary purpose of engaging in commercial activity for profit and that  
11 leases space from a qualifying business within an eligible computer  
12 data center. The term does not include the state or federal government  
13 or any of their departments, agencies, and institutions; tribal  
14 governments; political subdivisions of this state; or any municipal,  
15 quasi-municipal, public, or other corporation created by the state or  
16 federal government, tribal government, municipality, or political  
17 subdivision of the state. The term also does not include a lessee of  
18 space in an eligible computer data center under (d)(i)(C)(I) of this  
19 subsection (6), if the lessee and lessor are affiliated and:

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

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

29 (i) "Server equipment" means the computer hardware located in an  
30 eligible computer data center and used exclusively to provide  
31 electronic data storage and data management services for internal use  
32 by the owner or lessee of the computer data center, for clients of the  
33 owner or lessee of the computer data center, or both. "Server  
34 equipment" also includes computer software necessary to operate the  
35 computer hardware. "Server equipment" does not include personal  
36 computers, the racks upon which the server equipment is installed, and  
37 computer peripherals such as keyboards, monitors, printers, and mice.

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

1       **Sec. 242.** RCW 82.12.022 and 2011 c 174 s 304 are each amended to  
2 read as follows:

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

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

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

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

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

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

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

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

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

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

1 (8) There is imposed a reporting requirement on the person who  
2 delivered the gas to the consumer to make a quarterly report to the  
3 department. Such report must contain the volume of gas delivered, name  
4 of the consumer to whom delivered, and such other information as the  
5 department may require by rule.

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

9 **Sec. 243.** RCW 82.12.025651 and 2011 c 23 s 5 are each amended to  
10 read as follows:

11 (1) The provisions of this chapter do not apply in respect to the  
12 use by a public research institution of machinery and equipment used  
13 primarily in a research and development operation, or to the use of  
14 labor and services rendered in respect to installing, repairing,  
15 cleaning, altering, or improving the machinery and equipment.

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

17 (3) A public research institution receiving the benefit of the  
18 exemption provided in this section must file a complete annual  
19 ((survey)) report with the department under ((RCW 82.32.585)) section  
20 201 of this act.

21 **Sec. 244.** RCW 82.12.805 and 2011 c 174 s 305 are each amended to  
22 read as follows:

23 (1) A person who is subject to tax under RCW 82.12.020 for personal  
24 property used at an aluminum smelter, or for tangible personal property  
25 that will be incorporated as an ingredient or component of buildings or  
26 other structures at an aluminum smelter, or for labor and services  
27 rendered with respect to such buildings, structures, or personal  
28 property, is eligible for an exemption from the state share of the tax  
29 in the form of a credit, as provided in this section. The amount of  
30 the credit equals the state share of use tax computed to be due under  
31 RCW 82.12.020. The person must submit information, in a form and  
32 manner prescribed by the department, specifying the amount of  
33 qualifying purchases or acquisitions for which the exemption is claimed  
34 and the amount of exempted tax.

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

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

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

6 **Sec. 245.** RCW 82.12.965 and 2010 c 114 s 129 are each amended to  
7 read as follows:

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

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

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

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

24 **Sec. 246.** RCW 82.12.9651 and 2010 c 114 s 130 are each amended to  
25 read as follows:

26 (1) The provisions of this chapter do not apply with respect to the  
27 use of gases and chemicals used by a manufacturer or processor for hire  
28 in the production of semiconductor materials. This exemption is  
29 limited to gases and chemicals used in the production process to grow  
30 the product, deposit or grow permanent or sacrificial layers on the  
31 product, to etch or remove material from the product, to anneal the  
32 product, to immerse the product, to clean the product, and other such  
33 uses whereby the gases and chemicals come into direct contact with the  
34 product during the production process, or uses of gases and chemicals  
35 to clean the chambers and other like equipment in which such processing

1 takes place. For purposes of this section, "semiconductor materials"  
2 has the meaning provided in RCW 82.04.2404 and 82.04.294(3).

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

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

9 **Sec. 247.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to  
10 read as follows:

11 (1) The provisions of this chapter do not apply with respect to the  
12 use of gases and chemicals used by a manufacturer or processor for hire  
13 in the manufacturing of semiconductor materials. This exemption is  
14 limited to gases and chemicals used in the manufacturing process to  
15 grow the product, deposit or grow permanent or sacrificial layers on  
16 the product, to etch or remove material from the product, to anneal the  
17 product, to immerse the product, to clean the product, and other such  
18 uses whereby the gases and chemicals come into direct contact with the  
19 product during the manufacturing process, or uses of gases and  
20 chemicals to clean the chambers and other like equipment in which such  
21 processing takes place. For purposes of this section, "semiconductor  
22 materials" has the same meaning as provided in RCW 82.04.240(2).

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

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

30 **Sec. 248.** RCW 82.12.980 and 2010 c 114 s 132 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 by a manufacturer engaged in  
35 the manufacturing of superefficient airplanes or owned by a port  
36 district and to be leased to a manufacturer engaged in the

1 manufacturing of superefficient airplanes, during the course of  
2 constructing such buildings, or to labor and services rendered in  
3 respect to installing, during the course of constructing, building  
4 fixtures not otherwise eligible for the exemption under RCW  
5 82.08.02565(2)(b).

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

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

11 **Sec. 249.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each  
12 amended to read as follows:

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

15 (a) Tangible personal property that will be incorporated as an  
16 ingredient or component in constructing new buildings for (i) a  
17 manufacturer engaged in the manufacturing of commercial airplanes or  
18 the fuselages or wings of commercial airplanes or (ii) a port district,  
19 political subdivision, or municipal corporation, to be leased to a  
20 manufacturer engaged in the manufacturing of commercial airplanes or  
21 the fuselages or wings of commercial airplanes; or

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

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

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

30 **Sec. 250.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended to  
31 read as follows:

32 (1) For the purposes of this section:

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

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

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

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

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

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

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

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

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

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

1 this section must file a complete annual report with the department  
2 under ((~~RCW 82.32.534~~)) section 201 of this act.

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

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

6 **Sec. 251.** RCW 82.29A.137 and 2010 c 114 s 134 are each amended to  
7 read as follows:

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

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

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

19 **Sec. 252.** RCW 82.29A.137 and 2013 3rd sp.s. c 2 s 13 are each  
20 amended to read as follows:

21 (1) All leasehold interests in port district facilities exempt from  
22 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged  
23 in the manufacturing of superefficient airplanes, as defined in RCW  
24 82.32.550, are exempt from tax under this chapter. A person claiming  
25 the credit under RCW 82.04.4463 is not eligible for the exemption under  
26 this section.

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

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

32 **Sec. 253.** RCW 82.60.070 and 2010 1st sp.s. c 16 s 9 are each  
33 amended to read as follows:

34 (1)(a) Each recipient of a deferral of taxes granted under this  
35 chapter must file a complete annual ((~~survey~~)) report with the

1 department under (~~RCW 82.32.585~~) section 201 of this act. If the  
2 economic benefits of the deferral are passed to a lessee as provided in  
3 RCW 82.60.025, the lessee must file a complete annual (~~survey~~)  
4 report, and the applicant is not required to file a complete annual  
5 (~~survey~~) report.

6 (b) The department must use the information reported on the annual  
7 (~~survey~~) report required by this section to study the tax deferral  
8 program authorized under this chapter. The department must report to  
9 the legislature by December 1, 2019. The report must measure the  
10 effect of the program on job creation, the number of jobs created for  
11 residents of eligible areas, company growth, the introduction of new  
12 products, the diversification of the state's economy, growth in  
13 research and development investment, the movement of firms or the  
14 consolidation of firms' operations into the state, and such other  
15 factors as the department selects.

16 (2) Except as provided in RCW 82.60.063, if, on the basis of a  
17 (~~survey under RCW 82.32.585~~) report under section 201 of this act or  
18 other information, the department finds that an investment project is  
19 not eligible for tax deferral under this chapter, the amount of  
20 deferred taxes outstanding for the project, according to the repayment  
21 schedule in RCW 82.60.060, is immediately due. For purposes of this  
22 subsection (2), the repayment schedule in RCW 82.60.060 is tolled  
23 during the period of time that a taxpayer is receiving relief from  
24 repayment of deferred taxes under RCW 82.60.063.

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

31 (4) Notwithstanding any other provision of this section or (~~RCW~~  
32 ~~82.32.585~~) under section 201 of this act, deferred taxes on the  
33 following need not be repaid:

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

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

1       **Sec. 254.** RCW 82.63.020 and 2010 c 114 s 140 are each amended to  
2 read as follows:

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

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

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

33       ~~(4))~~ A recipient who must repay deferred taxes under RCW 82.63.045  
34 because the department has found that an investment project is used for  
35 purposes other than research and development performed within this  
36 state in the fields of advanced computing, advanced materials,  
37 biotechnology, electronic device technology, and environmental

1 technology is no longer required to file annual (~~surveys under RCW~~  
2 ~~82.32.585~~) reports under section 201 of this act beginning on the date  
3 an investment project is used for nonqualifying purposes.

4 **Sec. 255.** RCW 82.63.045 and 2010 c 114 s 141 are each amended to  
5 read as follows:

6 (1) Except as provided in subsection (2) of this section and (~~RCW~~  
7 ~~82.32.585~~) section 201 of this act, taxes deferred under this chapter  
8 need not be repaid.

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

18

19	Year in which use occurs	% of deferred taxes due
20	1	100%
21	2	87.5%
22	3	75%
23	4	62.5%
24	5	50%
25	6	37.5%
26	7	25%
27	8	12.5%

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

31 (3)(a) Notwithstanding subsection (2) of this section, in the case  
32 of an investment project consisting of multiple qualified buildings,  
33 the lessee is solely liable for payment of any deferred tax determined

1 by the department to be due and payable under this section beginning on  
2 the date the department certifies that the project is operationally  
3 complete.

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

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

14 (5) Notwithstanding subsection (2) of this section or ((RCW  
15 ~~82.32.585~~)) section 201 of this act, deferred taxes on the following  
16 need not be repaid:

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

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

22 **Sec. 256.** RCW 82.74.040 and 2010 c 114 s 142 are each amended to  
23 read as follows:

24 (1) Each recipient of a deferral of taxes granted under this  
25 chapter must file a complete annual ((survey)) report with the  
26 department under ((RCW 82.32.585)) section 201 of this act. If the  
27 economic benefits of the deferral are passed to a lessee as provided in  
28 RCW 82.74.010(6), the lessee must file a complete annual ((survey))  
29 report, and the applicant is not required to file the annual ((survey))  
30 report.

31 (2) A recipient who must repay deferred taxes under RCW  
32 82.74.050(2) because the department has found that an investment  
33 project is used for purposes other than fresh fruit and vegetable  
34 processing, dairy product manufacturing, seafood product manufacturing,  
35 cold storage warehousing, or research and development is no longer  
36 required to file annual ((surveys under RCW 82.32.585)) reports under

1 section 201 of this act beginning on the date an investment project is  
2 used for nonqualifying purposes.

3 **Sec. 257.** RCW 82.74.050 and 2010 c 114 s 143 are each amended to  
4 read as follows:

5 (1) Except as provided in subsection (2) of this section and ((RCW  
6 ~~82.32.585~~)) section 201 of this act, taxes deferred under this chapter  
7 need not be repaid.

8 (2)(a) If, on the basis of the ((~~survey under RCW 82.32.585~~))  
9 report under section 201 of this act or other information, the  
10 department finds that an investment project is used for purposes other  
11 than fresh fruit and vegetable processing, dairy product manufacturing,  
12 seafood product manufacturing, cold storage warehousing, or research  
13 and development at any time during the calendar year in which the  
14 investment project is certified by the department as having been  
15 operationally completed, or at any time during any of the seven  
16 succeeding calendar years, a portion of deferred taxes is immediately  
17 due according to the following schedule:

18	Year in which nonqualifying use occurs	% of deferred taxes due
19	1	100%
20	2	87.5%
21	3	75%
22	4	62.5%
23	5	50%
24	6	37.5%
25	7	25%
26	8	12.5%

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

30 (3) The department must assess interest, but not penalties, on the  
31 deferred taxes under subsection (2) of this section. The interest must  
32 be assessed at the rate provided for delinquent taxes under chapter  
33 82.32 RCW, retroactively to the date of deferral, and will accrue until  
34 the deferred taxes are repaid. The debt for deferred taxes will not be

1 extinguished by insolvency or other failure of the recipient. Transfer  
2 of ownership does not terminate the deferral. The deferral is  
3 transferred, subject to the successor meeting the eligibility  
4 requirements of this chapter, for the remaining periods of the  
5 deferral.

6 (4) Notwithstanding subsection (2) of this section or ((RCW  
7 ~~82.32.585~~)) section 201 of this act, deferred taxes on the following  
8 need not be repaid:

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

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

14 **Sec. 258.** RCW 82.75.040 and 2010 c 114 s 147 are each amended to  
15 read as follows:

16 (1) Except as provided in subsection (2) of this section and ((RCW  
17 ~~82.32.585~~)) section 201 of this act, taxes deferred under this chapter  
18 need not be repaid.

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

28	Year in which use occurs	% of deferred taxes due
29	1	100%
30	2	87.5%
31	3	75%
32	4	62.5%
33	5	50%
34	6	37.5%
35	7	25%

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

5 (3) For a violation of subsection (2)(a) of this section, the  
6 department must assess interest at the rate provided for delinquent  
7 taxes, but not penalties, retroactively to the date of deferral. The  
8 debt for deferred taxes will not be extinguished by insolvency or other  
9 failure of the recipient. Transfer of ownership does not terminate the  
10 deferral. The deferral is transferred, subject to the successor  
11 meeting the eligibility requirements of this chapter, for the remaining  
12 periods of the deferral.

13 (4) Notwithstanding subsection (2) of this section or ((RCW  
14 ~~82.32.585~~)) section 201 of this act, deferred taxes on the following  
15 need not be repaid:

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

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

21 **Sec. 259.** RCW 82.75.070 and 2010 c 114 s 144 are each amended to  
22 read as follows:

23 (1) 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 82.75.010(5), the lessee must file a complete annual ((survey))  
28 report, and the applicant is not required to file the annual ((survey))  
29 report.

30 (2) A recipient who must repay deferred taxes under RCW  
31 82.75.040(2) because the department has found that an investment  
32 project is used for purposes other than qualified biotechnology product  
33 manufacturing or medical device manufacturing activities is no longer  
34 required to file annual ((surveys under RCW 82.32.585)) reports under  
35 section 201 of this act beginning on the date an investment project is  
36 used for nonqualifying purposes.

1           **Sec. 260.** RCW 82.82.020 and 2010 c 114 s 148 are each amended to  
2 read as follows:

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

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

18           (3) Each recipient of a deferral of taxes under this chapter must  
19 file a complete annual ((~~survey~~)) report with the department under  
20 ((~~RCW 82.32.585~~)) section 201 of this act. If the economic benefits of  
21 the deferral are passed to a lessee as provided in RCW 82.82.010(5),  
22 the lessee must file a complete annual ((~~survey~~)) report, and the  
23 applicant is not required to file the annual ((~~survey~~)) report.

24           (4) A recipient who must repay deferred taxes under RCW 82.82.040  
25 because the department has found that an investment project is no  
26 longer an eligible investment project is no longer required to file  
27 annual ((~~surveys under RCW 82.32.585~~)) reports under section 201 of  
28 this act beginning on the date an investment project is used for  
29 nonqualifying purposes.

30           **Sec. 261.** RCW 82.82.040 and 2010 c 114 s 149 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 no longer an "eligible

1 investment project" under RCW 82.82.010 at any time during the calendar  
2 year in which the investment project is certified by the department as  
3 having been operationally completed, or at any time during any of the  
4 seven succeeding calendar years, a portion of deferred taxes are  
5 immediately due according to the following schedule:

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

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

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

26 **Sec. 262.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to  
27 read as follows:

28 (1) Machinery and equipment exempt under RCW 82.08.02565 or  
29 82.12.02565 used in manufacturing semiconductor materials at a building  
30 exempt from sales and use tax and in compliance with the employment  
31 requirement under RCW 82.08.965 and 82.12.965 are exempt from property  
32 taxation. "Semiconductor materials" has the same meaning as provided  
33 in RCW 82.04.240(2).

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

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

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

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

11 **Sec. 263.** RCW 84.36.655 and 2010 c 114 s 151 are each amended to  
12 read as follows:

13 (1) Effective January 1, 2005, all buildings, machinery, equipment,  
14 and other personal property of a lessee of a port district eligible  
15 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing  
16 superefficient airplanes, are exempt from property taxation. A person  
17 taking the credit under RCW 82.04.4463 is not eligible for the  
18 exemption under this section. For the purposes of this section,  
19 "superefficient airplane" and "component" have the meanings given in  
20 RCW 82.32.550.

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

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

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

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

35 **Sec. 264.** RCW 84.36.655 and 2013 3rd sp.s. c 2 s 14 are each  
36 amended to 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, 2039. 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, 2040.

### 23 Part III

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

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

27 (1) For purposes of this section:

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

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

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

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

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

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

29 (2) Returns and tax information are confidential and privileged,  
30 and except as authorized by this section, neither the department of  
31 revenue nor any other person may disclose any return or tax  
32 information.

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

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

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

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

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

5 (b) Disclosing, subject to such requirements and conditions as the  
6 director prescribes by rules adopted pursuant to chapter 34.05 RCW,  
7 such return or tax information regarding a taxpayer to such taxpayer or  
8 to such person or persons as that taxpayer may designate in a request  
9 for, or consent to, such disclosure, or to any other person, at the  
10 taxpayer's request, to the extent necessary to comply with a request  
11 for information or assistance made by the taxpayer to such other  
12 person. However, tax information not received from the taxpayer must  
13 not be so disclosed if the director determines that such disclosure  
14 would compromise any investigation or litigation by any federal, state,  
15 or local government agency in connection with the civil or criminal  
16 liability of the taxpayer or another person, or that such disclosure  
17 would identify a confidential informant, or that such disclosure is  
18 contrary to any agreement entered into by the department that provides  
19 for the reciprocal exchange of information with other government  
20 agencies which agreement requires confidentiality with respect to such  
21 information unless such information is required to be disclosed to the  
22 taxpayer by the order of any court;

23 (c) Disclosing the name of a taxpayer against whom a warrant under  
24 RCW 82.32.210 has been either issued or filed and remains outstanding  
25 for a period of at least ten working days. The department is not  
26 required to disclose any information under this subsection if a  
27 taxpayer has entered a deferred payment arrangement with the department  
28 for the payment of a warrant that has not been filed and is making  
29 payments upon such deficiency that will fully satisfy the indebtedness  
30 within twelve months;

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

33 (e) Disclosing such return or tax information, for official  
34 purposes only, to the governor or attorney general, or to any state  
35 agency, or to any committee or subcommittee of the legislature dealing  
36 with matters of taxation, revenue, trade, commerce, the control of  
37 industry or the professions;

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

4 (g) Disclosing any such return or tax information to a peace  
5 officer as defined in RCW 9A.04.110 or county prosecuting attorney, for  
6 official purposes. The disclosure may be made only in response to a  
7 search warrant, subpoena, or other court order, unless the disclosure  
8 is for the purpose of criminal tax enforcement. A peace officer or  
9 county prosecuting attorney who receives the return or tax information  
10 may disclose that return or tax information only for use in the  
11 investigation and a related court proceeding, or in the court  
12 proceeding for which the return or tax information originally was  
13 sought;

14 (h) Disclosing any such return or tax information to the proper  
15 officer of the internal revenue service of the United States, the  
16 Canadian government or provincial governments of Canada, or to the  
17 proper officer of the tax department of any state or city or town or  
18 county, for official purposes, but only if the statutes of the United  
19 States, Canada or its provincial governments, or of such other state or  
20 city or town or county, as the case may be, grants substantially  
21 similar privileges to the proper officers of this state;

22 (i) Disclosing any such return or tax information to the United  
23 States department of justice, including the bureau of alcohol, tobacco,  
24 firearms and explosives, the department of defense, the immigration and  
25 customs enforcement and the customs and border protection agencies of  
26 the United States department of homeland security, the United States  
27 coast guard, the alcohol and tobacco tax and trade bureau of the United  
28 States department of treasury, and the United States department of  
29 transportation, or any authorized representative of these federal  
30 agencies, for official purposes;

31 (j) Publishing or otherwise disclosing the text of a written  
32 determination designated by the director as a precedent pursuant to RCW  
33 82.32.410;

34 (k) Disclosing, in a manner that is not associated with other tax  
35 information, the taxpayer name, entity type, business address, mailing  
36 address, revenue tax registration numbers, reseller permit numbers and  
37 the expiration date and status of such permits, North American industry  
38 classification system or standard industrial classification code of a

1 taxpayer, and the dates of opening and closing of business. This  
2 subsection may not be construed as giving authority to the department  
3 to give, sell, or provide access to any list of taxpayers for any  
4 commercial purpose;

5 (l) Disclosing such return or tax information that is also  
6 maintained by another Washington state or local governmental agency as  
7 a public record available for inspection and copying under the  
8 provisions of chapter 42.56 RCW or is a document maintained by a court  
9 of record and is not otherwise prohibited from disclosure;

10 (m) Disclosing such return or tax information to the United States  
11 department of agriculture for the limited purpose of investigating food  
12 stamp fraud by retailers;

13 (n) Disclosing to a financial institution, escrow company, or title  
14 company, in connection with specific real property that is the subject  
15 of a real estate transaction, current amounts due the department for a  
16 filed tax warrant, judgment, or lien against the real property;

17 (o) Disclosing to a person against whom the department has asserted  
18 liability as a successor under RCW 82.32.140 return or tax information  
19 pertaining to the specific business of the taxpayer to which the person  
20 has succeeded;

21 (p) Disclosing real estate excise tax affidavit forms filed under  
22 RCW 82.45.150 in the possession of the department, including real  
23 estate excise tax affidavit forms for transactions exempt or otherwise  
24 not subject to tax;

25 (q) Disclosing to local taxing jurisdictions the identity of  
26 sellers granted relief under RCW 82.32.430(5)(b)(i) and the period for  
27 which relief is granted;

28 (r) Disclosing such return or tax information to the court in  
29 respect to the department's application for a subpoena under RCW  
30 82.32.117;

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

34 (t) Disclosing such return or tax information to the streamlined  
35 sales tax governing board, member states of the streamlined sales tax  
36 governing board, or authorized representatives of such board or states,  
37 for the limited purposes of:

1 (i) Conducting on behalf of member states sales and use tax audits  
2 of taxpayers; or

3 (ii) Auditing certified service providers or certified automated  
4 systems providers; or

5 (u) Disclosing the amount of any tax preference claimed by a  
6 taxpayer filing an annual report under section 201 of this act or any  
7 new tax preference, as defined in RCW 82.32.805;

8 (v) Disclosing the gross income, tax due under chapters 82.04 and  
9 82.16 RCW, and the amount of any tax preference claimed, by any  
10 corporation, partnership, or limited liability company, if the  
11 following criteria are met, of which verification of (v)(i) of this  
12 subsection must be provided to the department in a form and manner  
13 prescribed by the department:

14 (i) The ownership interests in the taxpayer, regardless of whether  
15 such interests are in the form of stock or any other type of security,  
16 are covered securities under 15 U.S.C. Sec. 77 r(b)(1) or the entity is  
17 controlled, directly or indirectly, by an entity with ownership  
18 interests that are covered securities under 15 U.S.C. Sec. 77 r(b)(1);

19 (ii) The taxpayer electronically files a tax return on a monthly or  
20 quarterly basis;

21 (iii) The taxpayer claims one or more tax preferences and the  
22 amount of any single tax preference claimed by the taxpayer is ten  
23 thousand dollars or more for any calendar year subject to disclosure.  
24 If the amount of any single tax preference claimed by the taxpayer is  
25 ten thousand dollars or more for the calendar year subject to  
26 disclosure, the amount of any other tax preference claimed by the  
27 taxpayer for the calendar year is subject to disclosure regardless of  
28 the amount claimed; and

29 (iv) The tax reporting periods subject to disclosure ended at least  
30 twenty-four months prior to the date of disclosure. For purposes of  
31 this subsection (3)(v), "tax preference" means a tax preference, as  
32 defined under RCW 43.136.021, for which the department has firm-  
33 specific data on the amount of tax preference claimed by taxpayers.

34 (w) Disclosing any such return or tax information when the  
35 disclosure is specifically authorized under any other section of the  
36 Revised Code of Washington.

37 (4)(a) The department may disclose return or taxpayer information  
38 to a person under investigation or during any court or administrative

1 proceeding against a person under investigation as provided in this  
2 subsection (4). The disclosure must be in connection with the  
3 department's official duties relating to an audit, collection activity,  
4 or a civil or criminal investigation. The disclosure may occur only  
5 when the person under investigation and the person in possession of  
6 data, materials, or documents are parties to the return or tax  
7 information to be disclosed. The department may disclose return or tax  
8 information such as invoices, contracts, bills, statements, resale or  
9 exemption certificates, or checks. However, the department may not  
10 disclose general ledgers, sales or cash receipt journals, check  
11 registers, accounts receivable/payable ledgers, general journals,  
12 financial statements, expert's workpapers, income tax returns, state  
13 tax returns, tax return workpapers, or other similar data, materials,  
14 or documents.

15 (b) Before disclosure of any tax return or tax information under  
16 this subsection (4), the department must, through written  
17 correspondence, inform the person in possession of the data, materials,  
18 or documents to be disclosed. The correspondence must clearly identify  
19 the data, materials, or documents to be disclosed. The department may  
20 not disclose any tax return or tax information under this subsection  
21 (4) until the time period allowed in (c) of this subsection has expired  
22 or until the court has ruled on any challenge brought under (c) of this  
23 subsection.

24 (c) The person in possession of the data, materials, or documents  
25 to be disclosed by the department has twenty days from the receipt of  
26 the written request required under (b) of this subsection to petition  
27 the superior court of the county in which the petitioner resides for  
28 injunctive relief. The court must limit or deny the request of the  
29 department if the court determines that:

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

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

37 (iii) The data, materials, or documents sought for disclosure

1 contain trade secret information that, if disclosed, could harm the  
2 petitioner.

3 (d) The department must reimburse reasonable expenses for the  
4 production of data, materials, or documents incurred by the person in  
5 possession of the data, materials, or documents to be disclosed.

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

9 (5) Service of a subpoena issued under RCW 82.32.117 does not  
10 constitute a disclosure of return or tax information under this  
11 section. Notwithstanding anything else to the contrary in this  
12 section, a person served with a subpoena under RCW 82.32.117 may  
13 disclose the existence or content of the subpoena to that person's  
14 legal counsel.

15 (6) Any person acquiring knowledge of any return or tax information  
16 in the course of his or her employment with the department of revenue  
17 and any person acquiring knowledge of any return or tax information as  
18 provided under subsection (3) (e), (f), (g), (h), (i), or (m) of this  
19 section, who discloses any such return or tax information to another  
20 person not entitled to knowledge of such return or tax information  
21 under the provisions of this section, is guilty of a misdemeanor. If  
22 the person guilty of such violation is an officer or employee of the  
23 state, such person must forfeit such office or employment and is  
24 incapable of holding any public office or employment in this state for  
25 a period of two years thereafter.

26 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.32  
27 RCW to read as follows:

28 The department must provide tax information that is subject to  
29 public disclosure under RCW 82.32.330(3) (u) and (v) on its web site in  
30 the form of a searchable database and any additional format it deems  
31 appropriate.

32 **Part IV**  
33 **Miscellaneous Provisions**

34 NEW SECTION. **Sec. 401.** Section 213 of this act expires July 1,  
35 2015.

1        NEW SECTION.   **Sec. 402.**   Section 214 of this act takes effect July  
2   1, 2015.

3        NEW SECTION.   **Sec. 403.**   Section 215 of this act expires July 1,  
4   2015, subject to the contingency stated in section 2, chapter 2, Laws  
5   of 2013 3rd sp. sess.

6        NEW SECTION.   **Sec. 404.**   Section 216 of this act takes effect July  
7   1, 2015, subject to the contingency stated in section 2, chapter 2,  
8   Laws of 2013 3rd sp. sess.

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