
HOUSE BILL 2134

State of Washington**64th Legislature****2015 Regular Session****By** Representatives Carlyle, Manweller, Pollet, Ryu, Reykdal, Ormsby, and Tharinger

Read first time 02/16/15. Referred to Committee on Finance.

1 AN ACT Relating to the creation, extension, expansion,
2 accountability, and transparency of state tax preferences; amending
3 RCW 82.32.090, 82.32.590, 82.32.600, 82.32.605, 82.32.607, 82.32.710,
4 82.32.808, 82.04.240, 82.04.2404, 82.04.2909, 82.04.294, 82.04.426,
5 82.04.4277, 82.04.4277, 82.04.4461, 82.04.4463, 82.04.448,
6 82.04.4481, 82.04.4483, 82.04.449, 82.08.805, 82.08.965, 82.08.9651,
7 82.08.970, 82.08.980, 82.08.980, 82.08.986, 82.12.022, 82.12.025651,
8 82.12.805, 82.12.965, 82.12.9651, 82.12.970, 82.12.980, 82.16.0421,
9 82.29A.137, 82.60.070, 82.63.020, 82.63.045, 82.74.040, 82.74.050,
10 82.75.040, 82.75.070, 82.82.020, 82.82.040, 84.36.645, 84.36.655,
11 82.32.330, 82.04.390, and 43.06.400; reenacting and amending RCW
12 82.04.260 and 82.32.790; adding new sections to chapter 82.32 RCW;
13 creating new sections; repealing RCW 82.32.534 and 82.32.585;
14 providing effective dates; providing a contingent effective date;
15 providing an expiration date; and declaring an emergency.

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

17 NEW SECTION. **Sec. 1.** (1) The legislature finds that Washington
18 has among the largest number of tax preferences (i.e. credits,
19 exemptions, deductions, and preferential rates) in the nation due in
20 large part to the unique nature of the state's tax structure. The
21 legislature finds that measuring and assessing the efficacy of such

1 preferences is essential to ensure the most effective use of public
2 resources, and that public access to easily available data is vital
3 to conduct such evaluations.

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

1 **Part I**

2 **Improving Tax Preference Data Collection**

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

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

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

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

37 (4) If the department finds that a person has engaged in any
38 business or performed any act upon which a tax is imposed under this
39 title and that person has not obtained from the department a

1 registration certificate as required by RCW 82.32.030, the department
2 must impose a penalty of five percent of the amount of tax due from
3 that person for the period that the person was not registered as
4 required by RCW 82.32.030. The department may not impose the penalty
5 under this subsection (4) if a person who has engaged in business
6 taxable under this title without first having registered as required
7 by RCW 82.32.030, prior to any notification by the department of the
8 need to register, obtains a registration certificate from the
9 department.

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

1 taxpayer to the penalties imposed by this subsection. If the
2 department determines that it is necessary to provide specific
3 written instructions to a taxpayer that does not comply with the
4 requirement to file returns or remit payment electronically as
5 provided in RCW 82.32.080, the specific written instructions must
6 provide the taxpayer with a minimum of forty-five days to come into
7 compliance with its electronic filing and/or payment obligations
8 before the department may impose the penalty authorized in this
9 subsection.

10 (6) If the department finds that all or any part of a deficiency
11 resulted from engaging in a disregarded transaction, as described in
12 RCW 82.32.655(3), the department must assess a penalty of thirty-five
13 percent of the additional tax found to be due as a result of engaging
14 in a transaction disregarded by the department under RCW
15 82.32.655(2). The penalty provided in this subsection may be assessed
16 together with any other applicable penalties provided in this section
17 on the same tax found to be due, except for the evasion penalty
18 provided in subsection (7) of this section. The department may not
19 assess the penalty under this subsection if, before the department
20 discovers the taxpayer's use of a transaction described under RCW
21 82.32.655(3), the taxpayer discloses its participation in the
22 transaction to the department.

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

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

34 (b) The penalty under (a) of this subsection applies to taxpayers
35 required to electronically report taxes to the department on a
36 monthly or quarterly basis who incorrectly report a deduction under
37 RCW 82.04.4292, 82.04.4281, or 82.04.390.

38 (c) The penalty under (a) of this subsection does not apply to
39 unreported business and occupation or public utility deductions if

1 the gross amount to which the deduction would apply was reported on
2 the return.

3 (d) The penalty under this subsection (8) applies to unreported
4 amounts for reporting periods beginning on or after January 1, 2016.

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

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

13 ~~((10))~~ (11) For the purposes of this section, "return" means
14 any document a person is required by the state of Washington to file
15 to satisfy or establish a tax or fee obligation that is administered
16 or collected by the department, and that has a statutorily defined
17 due date.

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

20 In determining a taxpayer's taxable amount, a taxpayer must
21 separately report the amount of any tax deduction on a return
22 required under this chapter for taxes due under chapter 82.04 or
23 82.16 RCW.

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

26 (1) The department must establish a reporting code to uniquely
27 identify:

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

30 (b) Sales and use tax exemptions reported on returns submitted by
31 sellers; and

32 (c) Preferential business and occupation tax rates.

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

35 (3) The department must establish unique reporting codes
36 described under subsection (1)(b) and (c) of this section by January
37 1, 2016. The department must establish the remaining unique reporting

1 codes in conjunction with the department's legacy business systems
2 replacement.

3 **Part II**

4 **Incorporating Department of Revenue-Led Work Group**

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

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

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

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

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

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

30 (2)(a) The report must include the amount of tax preference
31 claimed for the calendar year covered by the report if the amount is
32 not reported to the department directly by the taxpayer as part of
33 the taxpayer's regular tax reporting obligations under this chapter.

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

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

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

5 (iii) An estimate of the percentage of employees, as of December
6 31st of the calendar year covered by the report, within each of the
7 following general job categories: Management occupations; computer,
8 mathematical, architectural, and engineering occupations; production
9 occupations; office and administrative support occupations; or any
10 other occupation type not otherwise specified under this subsection
11 (2)(b)(iii);

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

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

24 (d) For persons claiming the credit provided under RCW
25 82.04.4452, the report must also include the qualified research and
26 development expenditures during the calendar year for which the
27 credit was claimed and whether the tax preference has been assigned,
28 and who assigned the credit. The definitions in RCW 82.04.4452 apply
29 to this subsection (2)(d). This subsection (2)(d) only applies to the
30 report due in calendar year 2015.

31 (e) For persons claiming the tax exemption in RCW 82.08.025651 or
32 82.12.025651, the report must also include the general areas or
33 categories of research and development for which machinery and
34 equipment and labor and services were acquired, exempt from tax under
35 RCW 82.08.025651 or 82.12.025651, in the prior calendar year.

36 (f) If the person filing a report under this section did not file
37 a report with the department in the previous calendar year, the
38 report filed under this section must also include the employment,
39 wage, and benefit information required under (b)(i) through (iv) of

1 this subsection for the calendar year immediately preceding the
2 calendar year for which a tax preference was claimed.

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

7 (4) Other than information requested under subsection (3) of this
8 section, information required in this section is not subject to the
9 confidentiality provisions of RCW 82.32.330 and may be disclosed to
10 the public upon request, except as provided in subsection (5) of this
11 section. If the amount of the tax preference claimed as reported on
12 the report is different than the amount actually claimed or otherwise
13 allowed by the department based on the taxpayer's excise tax returns
14 or other information known to the department, the amount actually
15 claimed or allowed may be disclosed.

16 (5) Persons for whom the actual amount of the tax reduced or
17 saved for a tax preference is less than ten thousand dollars during
18 the period covered by the report may request the department to treat
19 the amount of the tax reduction or savings as confidential under RCW
20 82.32.330.

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

27 (b) If the tax preference is a deferral of tax, and the
28 investment project has not been certified operationally complete, the
29 department must declare the amount of tax preference claimed for the
30 previous calendar year to be immediately due. If the investment
31 project has been certified operationally complete, twelve and one-
32 half percent of the deferred tax is immediately due. If the economic
33 benefits of the deferral are passed to a lessee, the lessee is
34 responsible for payment to the extent the lessee has received the
35 economic benefit.

36 (c) The department must assess interest, but not penalties, on
37 the amounts due under this subsection. The interest must be assessed
38 at the rate provided for delinquent taxes under this chapter,
39 retroactively to the date the tax preference was claimed, and accrues
40 until the taxes for which the tax preference was claimed are repaid.

1 Amounts due under this subsection are not subject to the
2 confidentiality provisions of RCW 82.32.330 and may be disclosed to
3 the public upon request.

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

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

12 (8) For the purposes of this section:

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

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

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

20 (1) RCW 82.32.534 (Annual report requirement for tax preferences)
21 and 2014 c 97 s 102 & 2010 c 114 s 103; and

22 (2) RCW 82.32.585 (Annual survey requirement for tax preferences)
23 and 2014 c 97 s 103, 2011 c 23 s 6, & 2010 c 114 s 102.

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

26 (1) If the department finds that the failure of a taxpayer to
27 file an annual (~~survey under RCW 82.32.585 or annual report under~~
28 ~~RCW 82.32.534~~) report under section 201 of this act by the due date
29 was the result of circumstances beyond the control of the taxpayer,
30 the department must extend the time for filing the (~~survey or~~)
31 report. The extension is for a period of thirty days from the date
32 the department issues its written notification to the taxpayer that
33 it qualifies for an extension under this section. The department may
34 grant additional extensions as it deems proper.

35 (2) In making a determination whether the failure of a taxpayer
36 to file an (~~annual survey or~~) annual report by the due date was the
37 result of circumstances beyond the control of the taxpayer, the
38 department must be guided by rules adopted by the department for the

1 waiver or cancellation of penalties when the underpayment or untimely
2 payment of any tax was due to circumstances beyond the control of the
3 taxpayer.

4 (3)(a) Subject to the conditions in this subsection (3), a
5 taxpayer who fails to file an annual report (~~((or annual survey))~~)
6 required under subsection (1) of this section by the due date of the
7 report (~~((or survey))~~) is entitled to an extension of the due date. A
8 request for an extension under this subsection (3) must be made in
9 writing to the department.

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

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

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

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

21 (1) Persons required to file annual (~~((surveys or annual reports~~
22 ~~under RCW 82.32.534 or 82.32.585))~~ reports under section 201 of this
23 act must electronically file with the department all (~~((surveys,))~~)
24 reports, returns, and any other forms or information the department
25 requires in an electronic format as provided or approved by the
26 department. As used in this section, "returns" has the same meaning
27 as "return" in RCW 82.32.050.

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

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

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

36 (1) Every taxpayer claiming an exemption under RCW 82.08.956 or
37 82.12.956 must file with the department a complete annual (~~((survey as~~
38 ~~required under RCW 82.32.585))~~ report under section 201 of this act,

1 except that the taxpayer must file a separate ((survey)) report for
2 each facility owned or operated in the state of Washington.

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

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

6 Every taxpayer claiming an exemption under RCW 82.08.962 or
7 82.12.962 must file with the department a complete annual ((survey as
8 required under RCW 82.32.585)) report under section 201 of this act,
9 except that the taxpayer must file a separate ((survey)) report for
10 each facility owned or operated in the state of Washington developed
11 with machinery, equipment, services, or labor for which the exemption
12 under RCW 43.136.058, 82.08.962, and 82.12.962 is claimed.

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

15 (1) A client under the terms of a professional employer agreement
16 is deemed to be the sole employer of a covered employee for purposes
17 of eligibility for any tax credit, exemption, or other tax incentive,
18 arising as the result of the employment of covered employees,
19 provided in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483,
20 82.08.965, 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or
21 82.70 RCW, or any other provision in this title. A client, and not
22 the professional employer organization, is entitled to the benefit of
23 any tax credit, exemption, or other tax incentive arising as the
24 result of the employment of covered employees of that client.

25 (2) A client under the terms of a professional employer agreement
26 is deemed to be the sole employer of a covered employee for purposes
27 of reports ((or surveys)) that require the reporting of employment
28 information relating to covered employees of the client, as provided
29 in ((RCW 82.32.534 or 82.32.585)) section 201 of this act. A client,
30 and not the professional employer organization, is required to
31 complete any ((survey or)) report that requires the reporting of
32 employment information relating to covered employees of that client.

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

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

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

3 (2) A tax preference performance statement must state the
4 legislative purpose for the new tax preference. The tax preference
5 performance statement must indicate one or more of the following
6 general categories, by reference to the applicable category specified
7 in this subsection, as the legislative purpose of the new tax
8 preference:

9 (a) Tax preferences intended to induce certain designated
10 behavior by taxpayers;

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

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

13 (d) Tax preferences intended to reduce structural inefficiencies
14 in the tax structure;

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

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

19 (3) In addition to identifying the general legislative purpose of
20 the tax preference under subsection (2) of this section, the tax
21 preference performance statement must provide additional detailed
22 information regarding the legislative purpose of the new tax
23 preference.

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

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

35 (6)(a) Taxpayers claiming a new tax preference must report the
36 amount of the tax preference claimed by the taxpayer to the
37 department as otherwise required by statute or determined by the
38 department as part of the taxpayer's regular tax reporting
39 responsibilities. For new tax preferences allowing certain types of
40 gross income of the business to be excluded from business and

1 occupation or public utility taxation, the tax return must explicitly
2 report the amount of the exclusion, regardless of whether it is
3 structured as an exemption or deduction, if the taxpayer is otherwise
4 required to report taxes to the department on a monthly or quarterly
5 basis. For a new sales and use tax exemption, the total sales or uses
6 subject to the exemption claimed by the buyer must be reported on an
7 addendum to the buyer's tax return if the buyer is otherwise required
8 to report taxes to the department on a monthly or quarterly basis and
9 the buyer is required to submit an exemption certificate, or similar
10 document, to the seller.

11 (b) This subsection does not apply to:

12 (i) Property tax exemptions;

13 (ii) Tax preferences required by constitutional law;

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

16 (iv) Taxpayers who are annual filers.

17 (c) The department may waive the filing requirements of this
18 subsection for taxpayers who are not required to file electronically
19 any return((~~7~~)) or report((~~7~~ ~~or~~ ~~survey~~)) under this chapter.

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

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

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

38 (c) In lieu of the disclosure and waiver requirements under this
39 subsection, the requirements under ((~~RCW 82.32.585~~)) section 201 of

1 this act apply to any tax preference that requires a ((survey))
2 report.

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

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

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

14 (1) Upon every person engaging within this state in business as a
15 manufacturer, except persons taxable as manufacturers under other
16 provisions of this chapter; as to such persons the amount of the tax
17 with respect to such business is equal to the value of the products,
18 including byproducts, manufactured, multiplied by the rate of 0.484
19 percent.

20 (2)(a) Upon every person engaging within this state in the
21 business of manufacturing semiconductor materials, as to such persons
22 the amount of tax with respect to such business is, in the case of
23 manufacturers, equal to the value of the product manufactured, or, in
24 the case of processors for hire, equal to the gross income of the
25 business, multiplied by the rate of 0.275 percent. For the purposes
26 of this subsection "semiconductor materials" means silicon crystals,
27 silicon ingots, raw polished semiconductor wafers, compound
28 semiconductors, integrated circuits, and microchips.

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

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

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

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

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

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

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

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

15 **Sec. 211.** RCW 82.04.260 and 2014 c 140 s 6 and 2014 c 140 s 4
16 are each reenacted and amended to read as follows:

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

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

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

37 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
38 products that the person has manufactured to purchasers who either
39 transport in the ordinary course of business the goods out of state

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

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

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

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

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

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

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

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

10 (2) Upon every person engaging within this state in the business
11 of splitting or processing dried peas; as to such persons the amount
12 of tax with respect to such business is equal to the value of the
13 peas 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
20 of slaughtering, breaking and/or processing perishable meat products
21 and/or selling the same at wholesale only and not at retail; as to
22 such persons the tax imposed is equal to the gross proceeds derived
23 from such sales multiplied by the rate of 0.138 percent.

24 (5) Upon every person engaging within this state in the business
25 of 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
27 gross income derived from such activities multiplied by the rate of
28 0.275 percent.

29 (6) Upon every person engaging within this state in business as
30 an international steamship agent, international customs house broker,
31 international freight forwarder, vessel and/or cargo charter broker
32 in 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
37 of stevedoring and associated activities pertinent to the movement of
38 goods and commodities in waterborne interstate or foreign commerce;
39 as to such persons the amount of tax with respect to such business is
40 equal to the gross proceeds derived from such activities multiplied

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (c) Until July 1, 2024, upon every person engaging within this
32 state in the business of selling at wholesale: (i) Timber extracted
33 by that person; (ii) timber products manufactured by that person from
34 timber or other timber products; or (iii) wood products manufactured
35 by that person from timber or timber products; as to such persons the
36 amount of the tax with respect to the business is equal to the gross
37 proceeds of sales of the timber, timber products, or wood products
38 multiplied by the rate of 0.4235 percent from July 1, 2006, through
39 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
40 2024.

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

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

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

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

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

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

39 (v) "Timber products" means:

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

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

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

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

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

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

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

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

28 **Sec. 212.** RCW 82.04.2909 and 2011 c 174 s 301 are each amended
29 to read as follows:

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

37 (2) Upon every person who is an aluminum smelter engaging within
38 this state in the business of making sales at wholesale of aluminum
39 manufactured by that person, as to such persons the amount of tax

1 with respect to such business is equal to the gross proceeds of sales
2 of the aluminum multiplied by the rate of .2904 percent.

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

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

7 **Sec. 213.** RCW 82.04.294 and 2013 2nd sp.s. c 13 s 902 are each
8 amended to read as follows:

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

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

30 (3) Silicon solar wafers, silicon solar cells, thin film solar
31 devices, solar grade silicon, or compound semiconductor solar wafers
32 are "semiconductor materials" for the purposes of RCW 82.08.9651 and
33 82.12.9651.

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

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

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

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

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

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

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

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

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

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

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

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

26 **Sec. 214.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to
27 read as follows:

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

30 (2) For the purposes of this section:

31 (a) "Manufacturing semiconductor microchips" means taking raw
32 polished semiconductor wafers and embedding integrated circuits on
33 the wafers using processes such as masking, etching, and diffusion;
34 and

35 (b) "Integrated circuit" means a set of microminiaturized,
36 electronic circuits.

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

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

3 **Sec. 215.** RCW 82.04.4277 and 2011 1st sp.s. c 19 s 1 are each
4 amended to read as follows:

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

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

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

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

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

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

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

21 **Sec. 216.** RCW 82.04.4277 and 2014 c 225 s 104 are each amended
22 to read as follows:

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

26 (2) A behavioral health organization may deduct from the measure
27 of tax amounts received from the state of Washington for distribution
28 to a health or social welfare organization that is eligible to deduct
29 the distribution under subsection (1) of this section.

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

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

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

36 (b) "Mental health services" and "behavioral health organization"
37 have the meanings provided in RCW 71.24.025.

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

1 **Sec. 217.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each
2 amended to read as follows:

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

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

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

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

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

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

34 (5) The definitions in this subsection apply throughout this
35 section.

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

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

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

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

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

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

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

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

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

37 **Sec. 218.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each
38 amended to read as follows:

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

4 (2) The credit is equal to:

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

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

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

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

32 (b) An amount equal to:

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

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

39 (C) Property taxes paid, by persons taxable under RCW
40 82.04.250(3) or 82.04.290(3), on computer hardware, computer

1 peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and
2 acquired after June 30, 2008.

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

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

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

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

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

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

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

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

35 (b) "Aerospace services" has the same meaning given in RCW
36 82.08.975.

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

39 (4) A credit earned during one calendar year may be carried over
40 to be credited against taxes incurred in a subsequent calendar year,

1 but may not be carried over a second year. No refunds may be granted
2 for credits under this section.

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

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

8 **Sec. 219.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to
9 read as follows:

10 (1) Subject to the limits and provisions of this section, a
11 credit is authorized against the tax otherwise due under RCW
12 82.04.240(2) for persons engaged in the business of manufacturing
13 semiconductor materials. For the purposes of this section
14 "semiconductor materials" has the same meaning as provided in RCW
15 82.04.240(2).

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

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

29 (c) In those situations where a production building in existence
30 on the effective date of this section will be phased out of
31 operation, during which time employment at the new building at the
32 same site is increased, the person is eligible for credit for
33 employment at the existing building and new building, with the
34 limitation that the combined eligible employment not exceed full
35 employment at the new building. "Full employment" has the same
36 meaning as in RCW 82.08.965. The credit may not be earned until the
37 commencement of commercial production, as that term is used in RCW
38 82.08.965.

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

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

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

17 (6) Credits may be claimed after twelve years after the effective
18 date of this act, for those buildings at which commercial production
19 began before twelve years after the effective date of this act,
20 subject to all of the eligibility criteria and limitations of this
21 section.

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

24 **Sec. 220.** RCW 82.04.4481 and 2011 c 174 s 302 are each amended
25 to read as follows:

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

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

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

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

4 **Sec. 221.** RCW 82.04.4483 and 2010 c 114 s 119 are each amended
5 to read as follows:

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

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

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

19 (b) If an activity is conducted both from a rural county and
20 outside of a rural county, the credit is available if at least ninety
21 percent of the qualifying activity is conducted within a rural
22 county. If the qualifying activity is a service taxable activity, the
23 place where the work is performed is the place at which the activity
24 is conducted.

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

35 (b) Participants who claimed credit under RCW 82.04.4456 for
36 qualified employment positions created before December 31, 2003, are
37 eligible to earn credit for each year the position is maintained over
38 the subsequent consecutive years, for up to four years, which four
39 years include any years claimed under RCW 82.04.4456. Those persons

1 who did not receive a credit under RCW 82.04.4456 before December 31,
2 2003, are not eligible to earn credit for qualified employment
3 positions created before December 31, 2003.

4 (c) Credit is authorized for new employees hired for new
5 qualified employment positions created on or after January 1, 2004.
6 New qualified employment positions filled by existing employees are
7 eligible for the credit under this section only if the position
8 vacated by the existing employee is filled by a new hire. A business
9 that is a sole proprietorship without any employees is equivalent to
10 one employee position and this type of business is eligible to
11 receive credit for one position.

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

16 (5) No application is necessary for the tax credit. The person
17 must keep records necessary for the department to verify eligibility
18 under this section. This information includes information relating to
19 description of qualifying activity conducted in the rural county and
20 outside the rural county by the person as well as detailed records on
21 positions and employees.

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

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

39 (8) Transfer of ownership does not affect credit eligibility.
40 However, the successive credits are available to the successor for

1 remaining periods in the five years only if the eligibility
2 conditions of this section are met.

3 (9) A person claiming a tax credit under this section must file a
4 complete annual ((survey)) report with the department under ((RCW
5 ~~82.32.585~~) section 201 of this act.

6 (10) As used in this section:

7 (a) "Computer software" has the meaning as defined in RCW
8 82.04.215 after June 30, 2004, and includes "software" as defined in
9 RCW 82.04.215 before July 1, 2004.

10 (b) "Manufacturing" means the same as "to manufacture" under RCW
11 82.04.120. Manufacturing includes the activities of both
12 manufacturers and processors for hire.

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

17 (d) "Qualifying activity" means manufacturing of computer
18 software or programming.

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

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

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

31 **Sec. 222.** RCW 82.04.449 and 2012 c 46 s 3 are each amended to
32 read as follows:

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

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

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

10 **Sec. 223.** RCW 82.08.805 and 2011 c 174 s 303 are each amended to
11 read as follows:

12 (1) A person who has paid tax under RCW 82.08.020 for personal
13 property used at an aluminum smelter, tangible personal property that
14 will be incorporated as an ingredient or component of buildings or
15 other structures at an aluminum smelter, or for labor and services
16 rendered with respect to such buildings, structures, or personal
17 property, is eligible for an exemption from the state share of the
18 tax in the form of a credit, as provided in this section. A person
19 claiming an exemption must pay the tax and may then take a credit
20 equal to the state share of retail sales tax paid under RCW
21 82.08.020. The person must submit information, in a form and manner
22 prescribed by the department, specifying the amount of qualifying
23 purchases or acquisitions for which the exemption is claimed and the
24 amount of exempted tax.

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

27 (3) A person claiming the tax preference provided in this section
28 must file a complete annual report with the department under ~~((RCW
29 82.32.534))~~ section 201 of this act.

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

32 **Sec. 224.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to
33 read as follows:

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

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

8 (2) To be eligible under this section the manufacturer or
9 processor for hire must meet the following requirements for an eight-
10 year period, such period beginning the day the new building commences
11 commercial production, or a portion of tax otherwise due will be
12 immediately due and payable pursuant to subsection (3) of this
13 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
27 on 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
36 this 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
39 payable by April 1st of the following year. The department must

1 assess interest to the date the tax was imposed, but not penalties,
2 on the taxes for which the person is not eligible.

3 (4) The exemption applies to new buildings, or parts of
4 buildings, that are used exclusively in the manufacturing of
5 semiconductor materials, including the storage of raw materials and
6 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
12 full capacity production at the new building, for positions such as
13 line 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
18 and limitations are applicable to any exemptions claimed before that
19 date.

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

22 **Sec. 225.** RCW 82.08.9651 and 2014 c 97 s 405 are each amended to
23 read as follows:

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

37 ~~(2)((a) Except as provided under (b) of this subsection (2), a~~
38 ~~person claiming the exemption under this section must file a complete~~
39 ~~annual survey with the department under RCW 82.32.585.~~

1 ~~(b))~~) A person claiming the exemption under this section and who
2 is required to file a complete annual report with the department
3 under (~~RCW 82.32.534~~) section 201 of this act as a result of
4 claiming the tax preference provided by RCW 82.04.2404 is not also
5 required to file a complete annual (~~survey~~) report under (~~RCW~~
6 ~~82.32.585~~) section 201 of this act.

7 (3) No application is necessary for the tax exemption. The person
8 is subject to all of the requirements of chapter 82.32 RCW.

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

10 **Sec. 226.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to
11 read as follows:

12 (1) The tax levied by RCW 82.08.020 does not apply to sales of
13 gases and chemicals used by a manufacturer or processor for hire in
14 the manufacturing of semiconductor materials. This exemption is
15 limited to gases and chemicals used in the manufacturing process to
16 grow the product, deposit or grow permanent or sacrificial layers on
17 the product, to etch or remove material from the product, to anneal
18 the product, to immerse the product, to clean the product, and other
19 such uses whereby the gases and chemicals come into direct contact
20 with the product during the manufacturing process, or uses of gases
21 and chemicals to clean the chambers and other like equipment in which
22 such processing takes place. For the purposes of this section,
23 "semiconductor materials" has the same meaning as provided in RCW
24 82.04.240(2).

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

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

32 **Sec. 227.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each
33 amended to read as follows:

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

35 (a) Charges, for labor and services rendered in respect to the
36 constructing of new buildings, made to (i) a manufacturer engaged in
37 the manufacturing of commercial airplanes or the fuselages or wings
38 of commercial airplanes or (ii) a port district, political

1 subdivision, or municipal corporation, to be leased to a manufacturer
2 engaged in the manufacturing of commercial airplanes or the fuselages
3 or wings of commercial airplanes;

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

7 (c) Charges made for labor and services rendered in respect to
8 installing, during the course of constructing such buildings,
9 building fixtures not otherwise eligible for the exemption under RCW
10 82.08.02565(2)(b).

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

15 (3) No application is necessary for the tax exemption in this
16 section. However, in order to qualify under this section before
17 starting construction, the port district, political subdivision, or
18 municipal corporation must have entered into an agreement with the
19 manufacturer to build such a facility. A person claiming the
20 exemption under this section is subject to all the requirements of
21 chapter 82.32 RCW. In addition, the person must file a complete
22 annual report with the department under (~~RCW 82.32.534~~) section 201
23 of this act.

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

28 (a) Commercial airplanes;

29 (b) Fuselages of commercial airplanes; or

30 (c) Wings of commercial airplanes.

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

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

34 **Sec. 228.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each
35 amended to read as follows:

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

37 (a) Charges, for labor and services rendered in respect to the
38 constructing of new buildings, made to (i) a manufacturer engaged in
39 the manufacturing of commercial airplanes or the fuselages or wings

1 of commercial airplanes or (ii) a port district, political
2 subdivision, or municipal corporation, to be leased to a manufacturer
3 engaged in the manufacturing of commercial airplanes or the fuselages
4 or wings of commercial airplanes;

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

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

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

16 (3) No application is necessary for the tax exemption in this
17 section. However, in order to qualify under this section before
18 starting construction, the port district, political subdivision, or
19 municipal corporation must have entered into an agreement with the
20 manufacturer to build such a facility. A person claiming the
21 exemption under this section is subject to all the requirements of
22 chapter 82.32 RCW. In addition, the person must file a complete
23 annual report with the department under (~~RCW 82.32.534~~) section 201
24 of this act.

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

29 (a) Commercial airplanes;

30 (b) Fuselages of commercial airplanes; or

31 (c) Wings of commercial airplanes.

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

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

35 **Sec. 229.** RCW 82.08.986 and 2012 2nd sp.s. c 6 s 302 are each
36 amended to read as follows:

37 (1) An exemption from the tax imposed by RCW 82.08.020 is
38 provided for sales to qualifying businesses and to qualifying tenants
39 of eligible server equipment to be installed, without intervening

1 use, in an eligible computer data center, and to charges made for
2 labor and services rendered in respect to installing eligible server
3 equipment. The exemption also applies to sales to qualifying
4 businesses and to qualifying tenants of eligible power
5 infrastructure, including labor and services rendered in respect to
6 constructing, installing, repairing, altering, or improving eligible
7 power infrastructure.

8 (2)(a) In order to claim the exemption under this section, a
9 qualifying business or a qualifying tenant must submit an application
10 to the department for an exemption certificate. The application must
11 include the information necessary, as required by the department, to
12 determine that a business or tenant qualifies for the exemption under
13 this section. The department must issue exemption certificates to
14 qualifying businesses and qualifying tenants. The department may
15 assign a unique identification number to each exemption certificate
16 issued under this section.

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

22 (3)(a) Within six years of the date that the department issued an
23 exemption certificate under this section to a qualifying business or
24 a qualifying tenant with respect to an eligible computer data center,
25 the qualifying business or qualifying tenant must establish that net
26 employment at the eligible computer data center has increased by a
27 minimum of:

- 28 (i) Thirty-five family wage employment positions; or
29 (ii) Three family wage employment positions for each twenty
30 thousand square feet of space or less that is newly dedicated to
31 housing working servers at the eligible computer data center. For
32 qualifying tenants, the number of family wage employment positions
33 that must be increased under this subsection (3)(a)(ii) is based only
34 on the space occupied by the qualifying tenant in the eligible
35 computer data center.

36 (b) In calculating the net increase in family wage employment
37 positions:

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

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

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

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

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

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

11 (B) The portion of the net increase in family wage employment
12 positions to be counted under this subsection (3)(b)(ii) by each
13 qualifying tenant must be in proportion to the amount of space in the
14 eligible computer data center occupied by the qualifying tenant
15 compared to the total amount of space in the eligible computer data
16 center occupied by all qualifying tenants.

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

31 (ii)(A) Family wage employment positions include positions filled
32 by employees of the owner of the eligible computer data center and by
33 employees of qualifying tenants.

34 (B) Family wage employment positions also include individuals
35 performing work at an eligible computer data center as an independent
36 contractor hired by the owner of the eligible computer data center or
37 as an employee of an independent contractor hired by the owner of the
38 eligible computer data center, if the work is necessary for the
39 operation of the computer data center, such as security and building

1 maintenance, and provided that all of the requirements in (c)(i) of
2 this subsection (3) are met.

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

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

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

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

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

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

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

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

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

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

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

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

16 (d)(i) "Eligible computer data center" means a computer data
17 center:

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

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

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

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

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

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

35 (iii) With respect to facilities in existence on April 1, 2010,
36 that are expanded, renovated, or otherwise improved after March 31,
37 2010, or facilities in existence on April 1, 2012, that are expanded,
38 renovated, or otherwise improved after March 31, 2012, an eligible
39 computer data center includes only the portion of the computer data
40 center meeting the requirements in (d)(i)(B) of this subsection (6).

1 (e) "Eligible power infrastructure" means all fixtures and
2 equipment owned by a qualifying business or qualifying tenant and
3 necessary for the transformation, distribution, or management of
4 electricity that is required to operate eligible server equipment
5 within an eligible computer data center. The term includes
6 generators; wiring; cogeneration equipment; and associated fixtures
7 and equipment, such as electrical switches, batteries, and
8 distribution, testing, and monitoring equipment.

9 (f) "Eligible server equipment" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

35 (i) "Server equipment" means the computer hardware located in an
36 eligible computer data center and used exclusively to provide
37 electronic data storage and data management services for internal use
38 by the owner or lessee of the computer data center, for clients of
39 the owner or lessee of the computer data center, or both. "Server
40 equipment" also includes computer software necessary to operate the

1 computer hardware. "Server equipment" does not include personal
2 computers, the racks upon which the server equipment is installed,
3 and computer peripherals such as keyboards, monitors, printers, and
4 mice.

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

6 **Sec. 230.** RCW 82.12.022 and 2014 c 216 s 304 are each amended to
7 read as follows:

8 (1) A use tax is levied on every person in this state for the
9 privilege of using natural gas or manufactured gas, including
10 compressed natural gas and liquefied natural gas, within this state
11 as a consumer.

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

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

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

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

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

33 (6) The tax imposed by this section does not apply to the use of
34 natural gas, compressed natural gas, or liquefied natural gas, if the
35 consumer uses the gas for transportation fuel as defined in RCW
36 82.16.310.

37 (7) There is a credit against the tax levied under this section
38 in an amount equal to any tax paid by:

1 (a) The person who sold the gas to the consumer when that tax is
2 a gross receipts tax similar to that imposed pursuant to RCW
3 82.16.020 by another state with respect to the gas for which a credit
4 is sought under this subsection; or

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

9 (8) The use tax imposed in this section must be paid by the
10 consumer to the department.

11 (9) There is imposed a reporting requirement on the person who
12 delivered the gas to the consumer to make a quarterly report to the
13 department. Such report must contain the volume of gas delivered,
14 name of the consumer to whom delivered, and such other information as
15 the department may require by rule.

16 (10) The department may adopt rules under chapter 34.05 RCW for
17 the administration and enforcement of sections 1 through 6, chapter
18 384, Laws of 1989.

19 **Sec. 231.** RCW 82.12.025651 and 2011 c 23 s 5 are each amended to
20 read as follows:

21 (1) The provisions of this chapter do not apply in respect to the
22 use by a public research institution of machinery and equipment used
23 primarily in a research and development operation, or to the use of
24 labor and services rendered in respect to installing, repairing,
25 cleaning, altering, or improving the machinery and equipment.

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

27 (3) A public research institution receiving the benefit of the
28 exemption provided in this section must file a complete annual
29 ((survey)) report with the department under ((RCW 82.32.585)) section
30 201 of this act.

31 **Sec. 232.** RCW 82.12.805 and 2011 c 174 s 305 are each amended to
32 read as follows:

33 (1) A person who is subject to tax under RCW 82.12.020 for
34 personal property used at an aluminum smelter, or for tangible
35 personal property that will be incorporated as an ingredient or
36 component of buildings or other structures at an aluminum smelter, or
37 for labor and services rendered with respect to such buildings,
38 structures, or personal property, is eligible for an exemption from

1 the state share of the tax in the form of a credit, as provided in
2 this section. The amount of the credit equals the state share of use
3 tax computed to be due under RCW 82.12.020. The person must submit
4 information, in a form and manner prescribed by the department,
5 specifying the amount of qualifying purchases or acquisitions for
6 which the exemption is claimed and the amount of exempted tax.

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

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

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

14 **Sec. 233.** RCW 82.12.965 and 2010 c 114 s 129 are each amended to
15 read as follows:

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

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

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

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

33 **Sec. 234.** RCW 82.12.9651 and 2014 c 97 s 406 are each amended to
34 read as follows:

35 (1) The provisions of this chapter do not apply with respect to
36 the use of gases and chemicals used by a manufacturer or processor
37 for hire in the production of semiconductor materials. This exemption
38 is limited to gases and chemicals used in the production process to

1 grow the product, deposit or grow permanent or sacrificial layers on
2 the product, to etch or remove material from the product, to anneal
3 the product, to immerse the product, to clean the product, and other
4 such uses whereby the gases and chemicals come into direct contact
5 with the product during the production process, or uses of gases and
6 chemicals to clean the chambers and other like equipment in which
7 such processing takes place. For purposes of this section,
8 "semiconductor materials" has the meaning provided in RCW 82.04.2404
9 and 82.04.294(3).

10 ~~(2)((a) Except as provided under (b) of this subsection (2), a~~
11 ~~person claiming the exemption under this section must file a complete~~
12 ~~annual survey with the department under RCW 82.32.585.~~

13 ~~(b))~~ A person claiming the exemption under this section and who
14 is required to file a complete annual report with the department
15 under ~~((RCW 82.32.534))~~ section 201 of this act as a result of
16 claiming the tax preference provided by RCW 82.04.2404 is not also
17 required to file a complete annual ~~((survey))~~ report under ~~((RCW~~
18 ~~82.32.585))~~ section 201 of this act.

19 (3) No application is necessary for the tax exemption. The person
20 is subject to all of the requirements of chapter 82.32 RCW.

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

22 **Sec. 235.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to
23 read as follows:

24 (1) The provisions of this chapter do not apply with respect to
25 the use of gases and chemicals used by a manufacturer or processor
26 for hire in the manufacturing of semiconductor materials. This
27 exemption is limited to gases and chemicals used in the manufacturing
28 process to grow the product, deposit or grow permanent or sacrificial
29 layers on the product, to etch or remove material from the product,
30 to anneal the product, to immerse the product, to clean the product,
31 and other such uses whereby the gases and chemicals come into direct
32 contact with the product during the manufacturing process, or uses of
33 gases and chemicals to clean the chambers and other like equipment in
34 which such processing takes place. For purposes of this section,
35 "semiconductor materials" has the same meaning as provided in RCW
36 82.04.240(2).

37 (2) A person claiming the exemption under this section must file
38 a complete annual report with the department under ~~((RCW 82.32.534))~~
39 section 201 of this act. No application is necessary for the tax

1 exemption. The person is subject to all of the requirements of
2 chapter 82.32 RCW.

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

5 **Sec. 236.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each
6 amended to read as follows:

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

9 (a) Tangible personal property that will be incorporated as an
10 ingredient or component in constructing new buildings for (i) a
11 manufacturer engaged in the manufacturing of commercial airplanes or
12 the fuselages or wings of commercial airplanes or (ii) a port
13 district, political subdivision, or municipal corporation, to be
14 leased to a manufacturer engaged in the manufacturing of commercial
15 airplanes or the fuselages or wings of commercial airplanes; or

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

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

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

24 **Sec. 237.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended
25 to read as follows:

26 (1) For the purposes of this section:

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

36 (b) "Sodium chlorate electrolytic processing business" means a
37 person who is engaged in a business that uses more than ten average
38 megawatts of electricity per month in a sodium chlorate electrolytic

1 process to split the electrochemical bonds of sodium chloride and
2 water to make sodium chlorate and hydrogen. A "sodium chlorate
3 electrolytic processing business" does not include direct service
4 industrial customers or their subsidiaries that contract for the
5 purchase of power from the Bonneville power administration as of June
6 10, 2004.

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

13 (a) The electricity to be used in the electrolytic process is
14 separately metered from the electricity used for general operations
15 of the business;

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

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

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

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

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

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

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

1 **Sec. 238.** RCW 82.29A.137 and 2013 3rd sp.s. c 2 s 13 are each
2 amended to read as follows:

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

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) This section expires July 1, 2040.

14 **Sec. 239.** RCW 82.60.070 and 2010 1st sp.s. c 16 s 9 are each
15 amended to read as follows:

16 (1)(a) Each recipient of a deferral of taxes granted under this
17 chapter must file a complete annual ~~((survey))~~ report with the
18 department under ~~((RCW 82.32.585))~~ section 201 of this act. If the
19 economic benefits of the deferral are passed to a lessee as provided
20 in RCW 82.60.025, the lessee must file a complete annual ~~((survey))~~
21 report, and the applicant is not required to file a complete annual
22 ~~((survey))~~ report.

23 (b) The department must use the information reported on the
24 annual ~~((survey))~~ report required by this section to study the tax
25 deferral program authorized under this chapter. The department must
26 report to the legislature by December 1, ~~((2019))~~ 2018. The report
27 must measure the effect of the program on job creation, the number of
28 jobs created for residents of eligible areas, company growth, ~~((the~~
29 ~~introduction of new products, the diversification of the state's~~
30 ~~economy, growth in research and development investment, the movement~~
31 ~~of firms or the consolidation of firms' operations into the state,))~~
32 and such other factors as the department selects.

33 (2) Except as provided in RCW 82.60.063, if, on the basis of a
34 ~~((survey under RCW 82.32.585))~~ report under section 201 of this act
35 or other information, the department finds that an investment project
36 is not eligible for tax deferral under this chapter, the amount of
37 deferred taxes outstanding for the project, according to the
38 repayment schedule in RCW 82.60.060, is immediately due. For purposes
39 of this subsection (2), the repayment schedule in RCW 82.60.060 is

1 tolled during the period of time that a taxpayer is receiving relief
2 from repayment of deferred taxes under RCW 82.60.063.

3 (3) A recipient who must repay deferred taxes under subsection
4 (2) of this section because the department has found that an
5 investment project is not eligible for tax deferral under this
6 chapter is no longer required to file annual ~~((surveys under RCW
7 82.32.585))~~ reports under section 201 of this act beginning on the
8 date an investment project is used for nonqualifying purposes.

9 (4) Notwithstanding any other provision of this section or ~~((RCW
10 82.32.585))~~ under section 201 of this act, deferred taxes on the
11 following need not be repaid:

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

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

17 **Sec. 240.** RCW 82.63.020 and 2010 c 114 s 140 are each amended to
18 read as follows:

19 (1) Application for deferral of taxes under this chapter must be
20 made before initiation of construction of, or acquisition of
21 equipment or machinery for the investment project. In the case of an
22 investment project involving multiple qualified buildings,
23 applications must be made for, and before the initiation of
24 construction of, each qualified building. The application must be
25 made to the department in a form and manner prescribed by the
26 department. The application must contain information regarding the
27 location of the investment project, the applicant's average
28 employment in the state for the prior year, estimated or actual new
29 employment related to the project, estimated or actual wages of
30 employees related to the project, estimated or actual costs, time
31 schedules for completion and operation, and other information
32 required by the department. The department must rule on the
33 application within sixty days.

34 (2) Each recipient of a deferral of taxes under this chapter must
35 file a complete annual ~~((survey))~~ report with the department under
36 ~~((RCW 82.32.585))~~ section 201 of this act. If the economic benefits
37 of the deferral are passed to a lessee as provided in RCW
38 82.63.010(7), the lessee must file a complete annual ~~((survey))~~

1 report, and the applicant is not required to file the annual
2 ((survey)) report.

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

13 (4)) A recipient who must repay deferred taxes under RCW
14 82.63.045 because the department has found that an investment project
15 is used for purposes other than research and development performed
16 within this state in the fields of advanced computing, advanced
17 materials, biotechnology, electronic device technology, and
18 environmental technology is no longer required to file annual
19 ((surveys under RCW 82.32.585)) reports under section 201 of this act
20 beginning on the date an investment project is used for nonqualifying
21 purposes.

22 **Sec. 241.** RCW 82.63.045 and 2010 c 114 s 141 are each amended to
23 read as follows:

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

27 (2)(a) If, on the basis of the ((survey under RCW 82.32.585))
28 report under section 201 of this act or other information, the
29 department finds that an investment project is used for purposes
30 other than qualified research and development or pilot scale
31 manufacturing at any time during the calendar year in which the
32 investment project is certified by the department as having been
33 operationally completed, or at any time during any of the seven
34 succeeding calendar years, a portion of deferred taxes is immediately
35 due according to the following schedule:

36	Year in which use occurs	% of deferred taxes due
37	1	100%

1	2	87.5%
2	3	75%
3	4	62.5%
4	5	50%
5	6	37.5%
6	7	25%
7	8	12.5%

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

11 (3)(a) Notwithstanding subsection (2) of this section, in the
12 case of an investment project consisting of multiple qualified
13 buildings, the lessee is solely liable for payment of any deferred
14 tax determined by the department to be due and payable under this
15 section beginning on the date the department certifies that the
16 project is operationally complete.

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

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

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

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

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

35 **Sec. 242.** RCW 82.74.040 and 2010 c 114 s 142 are each amended to
36 read as follows:

1 (1) Each recipient of a deferral of taxes granted under this
2 chapter must file a complete annual ~~((survey))~~ report with the
3 department under ~~((RCW 82.32.585))~~ section 201 of this act. If the
4 economic benefits of the deferral are passed to a lessee as provided
5 in RCW 82.74.010(6), the lessee must file a complete annual
6 ~~((survey))~~ report, and the applicant is not required to file the
7 annual ~~((survey))~~ report.

8 (2) A recipient who must repay deferred taxes under RCW
9 82.74.050(2) because the department has found that an investment
10 project is used for purposes other than fresh fruit and vegetable
11 processing, dairy product manufacturing, seafood product
12 manufacturing, cold storage warehousing, or research and development
13 is no longer required to file annual ~~((surveys under RCW 82.32.585))~~
14 reports under section 201 of this act beginning on the date an
15 investment project is used for nonqualifying purposes.

16 **Sec. 243.** RCW 82.74.050 and 2010 c 114 s 143 are each amended to
17 read as follows:

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

21 (2)(a) If, on the basis of the ~~((survey under RCW 82.32.585))~~
22 report under section 201 of this act or other information, the
23 department finds that an investment project is used for purposes
24 other than fresh fruit and vegetable processing, dairy product
25 manufacturing, seafood product manufacturing, cold storage
26 warehousing, or research and development at any time during the
27 calendar year in which the investment project is certified by the
28 department as having been operationally completed, or at any time
29 during any of the seven succeeding calendar years, a portion of
30 deferred taxes is immediately due according to the following
31 schedule:

Year in which nonqualifying use occurs	% of deferred taxes due
1	100%
2	87.5%
3	75%
4	62.5%
5	50%

1	6	37.5%
2	7	25%
3	8	12.5%

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

7 (3) The department must assess interest, but not penalties, on
8 the deferred taxes under subsection (2) of this section. The interest
9 must be assessed at the rate provided for delinquent taxes under
10 chapter 82.32 RCW, retroactively to the date of deferral, and will
11 accrue until the deferred taxes are repaid. The debt for deferred
12 taxes will not be extinguished by insolvency or other failure of the
13 recipient. Transfer of ownership does not terminate the deferral. The
14 deferral is transferred, subject to the successor meeting the
15 eligibility requirements of this chapter, for the remaining periods
16 of the deferral.

17 (4) Notwithstanding subsection (2) of this section or ((RCW
18 ~~82.32.585~~)) section 201 of this act, deferred taxes on the following
19 need not be repaid:

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

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

25 **Sec. 244.** RCW 82.75.040 and 2010 c 114 s 147 are each amended to
26 read as follows:

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

30 (2)(a) If, on the basis of the ((~~survey under RCW 82.32.585~~))
31 report under section 201 of this act or other information, the
32 department finds that an investment project is used for purposes
33 other than qualified biotechnology product manufacturing or medical
34 device manufacturing activities at any time during the calendar year
35 in which the eligible investment project is certified by the
36 department as having been operationally completed, or at any time
37 during any of the seven succeeding calendar years, a portion of

1 deferred taxes is immediately due and payable according to the
2 following schedule:

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

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

15 (3) For a violation of subsection (2)(a) of this section, the
16 department must assess interest at the rate provided for delinquent
17 taxes, but not penalties, retroactively to the date of deferral. The
18 debt for deferred taxes will not be extinguished by insolvency or
19 other failure of the recipient. Transfer of ownership does not
20 terminate the deferral. The deferral is transferred, subject to the
21 successor meeting the eligibility requirements of this chapter, for
22 the remaining periods of the deferral.

23 (4) Notwithstanding subsection (2) of this section or ((RCW
24 ~~82.32.585~~)) section 201 of this act, deferred taxes on the following
25 need not be repaid:

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

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

31 **Sec. 245.** RCW 82.75.070 and 2010 c 114 s 144 are each amended to
32 read as follows:

33 (1) Each recipient of a deferral of taxes granted under this
34 chapter must file a complete annual ((survey)) report with the
35 department under ((RCW ~~82.32.585~~)) section 201 of this act. If the

1 economic benefits of the deferral are passed to a lessee as provided
2 in RCW 82.75.010(5), the lessee must file a complete annual
3 ((survey)) report, and the applicant is not required to file the
4 annual ((survey)) report.

5 (2) A recipient who must repay deferred taxes under RCW
6 82.75.040(2) because the department has found that an investment
7 project is used for purposes other than qualified biotechnology
8 product manufacturing or medical device manufacturing activities is
9 no longer required to file annual ((surveys under RCW 82.32.585))
10 reports under section 201 of this act beginning on the date an
11 investment project is used for nonqualifying purposes.

12 **Sec. 246.** RCW 82.82.020 and 2010 c 114 s 148 are each amended to
13 read as follows:

14 (1) Application for deferral of taxes under this chapter can be
15 made at any time prior to completion of construction of a qualified
16 building or buildings, but tax liability incurred prior to the
17 department's receipt of an application may not be deferred. The
18 application must be made to the department in a form and manner
19 prescribed by the department. The application must contain
20 information regarding the location of the investment project, the
21 applicant's average employment in the state for the prior year,
22 estimated or actual new employment related to the project, estimated
23 or actual wages of employees related to the project, estimated or
24 actual costs, time schedules for completion and operation, and other
25 information required by the department. The department must rule on
26 the application within sixty days.

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

29 (3) Each recipient of a deferral of taxes under this chapter must
30 file a complete annual ((survey)) report with the department under
31 ((RCW 82.32.585)) section 201 of this act. If the economic benefits
32 of the deferral are passed to a lessee as provided in RCW
33 82.82.010(5), the lessee must file a complete annual ((survey))
34 report, and the applicant is not required to file the annual
35 ((survey)) report.

36 (4) A recipient who must repay deferred taxes under RCW 82.82.040
37 because the department has found that an investment project is no
38 longer an eligible investment project is no longer required to file
39 annual ((surveys under RCW 82.32.585)) reports under section 201 of

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

3 **Sec. 247.** RCW 82.82.040 and 2010 c 114 s 149 are each amended to
4 read as follows:

5 (1) Except as provided in subsection (2) of this section and
6 (~~RCW 82.32.585~~) section 201 of this act, taxes deferred under this
7 chapter 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 no longer an "eligible
11 investment project" under RCW 82.82.010 at any time during the
12 calendar year in which the investment project is certified by the
13 department as having been operationally completed, or at any time
14 during any of the seven succeeding calendar years, a portion of
15 deferred taxes are immediately due according to the following
16 schedule:

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

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

29 (3) The department must assess interest at the rate provided for
30 delinquent taxes under chapter 82.32 RCW, but not penalties,
31 retroactively to the date of deferral. The debt for deferred taxes
32 will not be extinguished by insolvency or other failure of the
33 recipient. Transfer of ownership does not terminate the deferral. The
34 deferral is transferred, subject to the successor meeting the

1 eligibility requirements of this chapter, for the remaining periods
2 of the deferral.

3 **Sec. 248.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to
4 read as follows:

5 (1) Machinery and equipment exempt under RCW 82.08.02565 or
6 82.12.02565 used in manufacturing semiconductor materials at a
7 building exempt from sales and use tax and in compliance with the
8 employment requirement under RCW 82.08.965 and 82.12.965 are exempt
9 from property taxation. "Semiconductor materials" has the same
10 meaning as provided in RCW 82.04.240(2).

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

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

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

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

21 **Sec. 249.** RCW 84.36.655 and 2013 3rd sp.s. c 2 s 14 are each
22 amended to read as follows:

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

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

35 (3) Claims for exemption authorized by this section must be filed
36 with the county assessor on forms prescribed by the department and
37 furnished by the assessor. The assessor must verify and approve
38 claims as the assessor determines to be justified and in accordance

1 with this section. No claims may be filed after December 31, 2039.
2 The department may adopt rules, under the provisions of chapter 34.05
3 RCW, as necessary to properly administer this section.

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

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

7 **Part III**

8 **Authorizing Public Disclosure of Firm-Specific Tax Savings from**
9 **Business Tax Incentives**

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

12 (1) For purposes of this section:

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

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

21 (c) "Tax information" means (i) a taxpayer's identity, (ii) the
22 nature, source, or amount of the taxpayer's income, payments,
23 receipts, deductions, exemptions, credits, assets, liabilities, net
24 worth, tax liability deficiencies, overassessments, or tax payments,
25 whether taken from the taxpayer's books and records or any other
26 source, (iii) whether the taxpayer's return was, is being, or will be
27 examined or subject to other investigation or processing, (iv) a part
28 of a written determination that is not designated as a precedent and
29 disclosed pursuant to RCW 82.32.410, or a background file document
30 relating to a written determination, and (v) other data received by,
31 recorded by, prepared by, furnished to, or collected by the
32 department of revenue with respect to the determination of the
33 existence, or possible existence, of liability, or the amount
34 thereof, of a person under the laws of this state for a tax, penalty,
35 interest, fine, forfeiture, or other imposition, or offense. However,
36 data, material, or documents that do not disclose information related
37 to a specific or identifiable taxpayer do not constitute tax
38 information under this section. Except as provided by RCW 82.32.410,

1 nothing in this chapter requires any person possessing data,
2 material, or documents made confidential and privileged by this
3 section to delete information from such data, material, or documents
4 so as to permit its disclosure;

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

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

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

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

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

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

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

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

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

28 (b) Disclosing, subject to such requirements and conditions as
29 the director prescribes by rules adopted pursuant to chapter 34.05
30 RCW, such return or tax information regarding a taxpayer to such
31 taxpayer or to such person or persons as that taxpayer may designate
32 in a request for, or consent to, such disclosure, or to any other
33 person, at the taxpayer's request, to the extent necessary to comply
34 with a request for information or assistance made by the taxpayer to
35 such other person. However, tax information not received from the
36 taxpayer must not be so disclosed if the director determines that
37 such disclosure would compromise any investigation or litigation by
38 any federal, state, or local government agency in connection with the
39 civil or criminal liability of the taxpayer or another person, or
40 that such disclosure would identify a confidential informant, or that

1 such disclosure is contrary to any agreement entered into by the
2 department that provides for the reciprocal exchange of information
3 with other government agencies which agreement requires
4 confidentiality with respect to such information unless such
5 information is required to be disclosed to the taxpayer by the order
6 of any court;

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

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

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

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

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

35 (h) Disclosing any such return or tax information to the proper
36 officer of the internal revenue service of the United States, the
37 Canadian government or provincial governments of Canada, or to the
38 proper officer of the tax department of any state or city or town or
39 county, for official purposes, but only if the statutes of the United
40 States, Canada or its provincial governments, or of such other state

1 or city or town or county, as the case may be, grants substantially
2 similar privileges to the proper officers of this state;

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

12 (j) Publishing or otherwise disclosing the text of a written
13 determination designated by the director as a precedent pursuant to
14 RCW 82.32.410;

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

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

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

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

37 (o) Disclosing to a person against whom the department has
38 asserted liability as a successor under RCW 82.32.140 return or tax
39 information pertaining to the specific business of the taxpayer to
40 which the person has succeeded;

1 (p) Disclosing real estate excise tax affidavit forms filed under
2 RCW 82.45.150 in the possession of the department, including real
3 estate excise tax affidavit forms for transactions exempt or
4 otherwise not subject to tax;

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

8 (r) Disclosing such return or tax information to the court in
9 respect to the department's application for a subpoena under RCW
10 82.32.117;

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

15 (t) Disclosing such return or tax information to the streamlined
16 sales tax governing board, member states of the streamlined sales tax
17 governing board, or authorized representatives of such board or
18 states, for the limited purposes of:

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

21 (ii) Auditing certified service providers or certified automated
22 systems providers; or

23 (u) Disclosing the amount of any tax preference claimed by a
24 taxpayer filing an annual report under section 201 of this act or any
25 new tax preference as provided in RCW 82.32.808(7);

26 (v) Disclosing business incentive tax preference amounts not
27 otherwise subject to disclosure under (u) of this subsection (3), if
28 the following criteria are met:

29 (i) The taxpayer electronically files a tax return on a monthly
30 or quarterly basis;

31 (ii) The taxpayer claims one or more business incentive tax
32 preferences and the amount of any single business incentive tax
33 preference claimed by the taxpayer is ten thousand dollars or more
34 for any calendar year subject to disclosure. If the amount of any
35 single business incentive tax preference claimed by the taxpayer is
36 ten thousand dollars or more for the calendar year subject to
37 disclosure, the amount of any other business incentive tax preference
38 claimed by the taxpayer for the calendar year is subject to
39 disclosure regardless of the amount claimed;

1 (iii) The tax reporting periods subject to disclosure ended at
2 least twenty-four months prior to the date of disclosure; and

3 (w) Disclosing any such return or tax information when the
4 disclosure is specifically authorized under any other section of the
5 Revised Code of Washington.

6 (4)(a) The department may disclose return or taxpayer information
7 to a person under investigation or during any court or administrative
8 proceeding against a person under investigation as provided in this
9 subsection (4). The disclosure must be in connection with the
10 department's official duties relating to an audit, collection
11 activity, or a civil or criminal investigation. The disclosure may
12 occur only when the person under investigation and the person in
13 possession of data, materials, or documents are parties to the return
14 or tax information to be disclosed. The department may disclose
15 return or tax information such as invoices, contracts, bills,
16 statements, resale or exemption certificates, or checks. However, the
17 department may not disclose general ledgers, sales or cash receipt
18 journals, check registers, accounts receivable/payable ledgers,
19 general journals, financial statements, expert's workpapers, income
20 tax returns, state tax returns, tax return workpapers, or other
21 similar data, materials, or documents.

22 (b) Before disclosure of any tax return or tax information under
23 this subsection (4), the department must, through written
24 correspondence, inform the person in possession of the data,
25 materials, or documents to be disclosed. The correspondence must
26 clearly identify the data, materials, or documents to be disclosed.
27 The department may not disclose any tax return or tax information
28 under this subsection (4) until the time period allowed in (c) of
29 this subsection has expired or until the court has ruled on any
30 challenge brought under (c) of this subsection.

31 (c) The person in possession of the data, materials, or documents
32 to be disclosed by the department has twenty days from the receipt of
33 the written request required under (b) of this subsection to petition
34 the superior court of the county in which the petitioner resides for
35 injunctive relief. The court must limit or deny the request of the
36 department if the court determines that:

37 (i) The data, materials, or documents sought for disclosure are
38 cumulative or duplicative, or are obtainable from some other source
39 that is more convenient, less burdensome, or less expensive;

1 (ii) The production of the data, materials, or documents sought
2 would be unduly burdensome or expensive, taking into account the
3 needs of the department, the amount in controversy, limitations on
4 the petitioner's resources, and the importance of the issues at
5 stake; or

6 (iii) The data, materials, or documents sought for disclosure
7 contain trade secret information that, if disclosed, could harm the
8 petitioner.

9 (d) The department must reimburse reasonable expenses for the
10 production of data, materials, or documents incurred by the person in
11 possession of the data, materials, or documents to be disclosed.

12 (e) Requesting information under (b) of this subsection that may
13 indicate that a taxpayer is under investigation does not constitute a
14 disclosure of tax return or tax information under this section.

15 (5) Service of a subpoena issued under RCW 82.32.117 does not
16 constitute a disclosure of return or tax information under this
17 section. Notwithstanding anything else to the contrary in this
18 section, a person served with a subpoena under RCW 82.32.117 may
19 disclose the existence or content of the subpoena to that person's
20 legal counsel.

21 (6) Any person acquiring knowledge of any return or tax
22 information in the course of his or her employment with the
23 department of revenue and any person acquiring knowledge of any
24 return or tax information as provided under subsection (3) (e), (f),
25 (g), (h), (i), or (m) of this section, who discloses any such return
26 or tax information to another person not entitled to knowledge of
27 such return or tax information under the provisions of this section,
28 is guilty of a misdemeanor. If the person guilty of such violation is
29 an officer or employee of the state, such person must forfeit such
30 office or employment and is incapable of holding any public office or
31 employment in this state for a period of two years thereafter.

32 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.32
33 RCW to read as follows:

34 The department must provide tax information that is subject to
35 public disclosure under RCW 82.32.330(3) (u) and (v) on its web site
36 in the form of a searchable database and any additional format it
37 deems appropriate.

1 (b) Business and occupation tax exemptions, deductions, and
2 credits under chapter 82.04 RCW;

3 (c) Retail sales and use tax exemptions under chapters 82.08,
4 82.12, and 82.14 RCW;

5 (d) Public utility tax exemptions and deductions under chapter
6 82.16 RCW;

7 (e) Food fish and shellfish tax exemptions under chapter 82.27
8 RCW;

9 (f) Leasehold excise tax exemptions under chapter 82.29A RCW;

10 (g) Motor vehicle and special fuel tax exemptions and refunds
11 under chapter 82.38 RCW;

12 (h) Aircraft fuel tax exemptions under chapter 82.42 RCW;

13 (i) Motor vehicle excise tax exclusions under chapter 82.44 RCW;
14 and

15 (j) Insurance premiums tax exemptions under chapter 48.14 RCW.

16 (2) The department of revenue must prepare the listing required
17 by this section with the assistance of any other agencies or
18 departments as may be required.

19 (3) The department of revenue must present the listing to the
20 ways and means committees of each house in public hearings.

21 (4) Beginning in January 1984, and every four years thereafter
22 the governor is requested to review the report from the department of
23 revenue and may submit recommendations to the legislature with
24 respect to the repeal or modification of any tax exemption. The ways
25 and means committees of each house and the appropriate standing
26 committee of each house must hold public hearings and take
27 appropriate action on the recommendations submitted by the governor.

28 (5) ~~((As used in this section, "tax exemption" means an
29 exemption, exclusion, or deduction from the base of a tax; a credit
30 against a tax; a deferral of a tax; or a preferential tax rate.~~

31 ~~(6))~~ For purposes of the listing due in January 2012, the
32 department of revenue does not have to prepare or update the listing
33 with respect to any tax exemption that would not be likely to
34 increase state revenue if the exemption was repealed or otherwise
35 eliminated.

36 (6) The listing due in January 2016 is delayed and due July 2016.
37 The July 2016 listing and every subsequent listing must include the
38 following additional sections:

39 (a) A section with the estimated effective tax rate for each
40 industry. In addition, an estimate for each industry of employment

1 levels, major taxes paid per employee within each industry, and the
2 industry's average wage;

3 (b) A section that shows state general fund collections as a
4 percentage of state gross domestic product and state personal income;

5 (c) A section that provides the present value fiscal impact of
6 tax preferences by decade of enactment.

7 (d) A section that provides the history and analysis of the
8 property tax revenue limit in chapter 84.55 RCW, including the
9 estimated foregone property tax revenues attributed to the revenue
10 limit over time;

11 (e) A section that provides analysis on the fiscal impact of the
12 sales tax revenue loss attributable to remote sales;

13 (f) A section that provides a summary of the transparency and
14 accountability requirements under RCW 82.32.805 and 82.32.808;

15 (g) The joint legislative audit and review committee's
16 recommendation for the tax preference, along with the citizen's
17 commission recommendation, for the most recent analysis of the tax
18 preference, if a review has been completed.

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

21 (a) "Effective tax rate" means the sum of Washington's major
22 taxes paid within each industry divided by the reported taxable
23 income for each industry.

24 (b) "Industry" means the North American industry classification
25 system code identified at the three-digit level.

26 (c) "Large fiscal impact" means any tax preference with an
27 estimated or reported impact of ten million dollars or more to state
28 revenues during the most recent biennium.

29 (d) "Major taxes" means business and occupation taxes, property
30 taxes, estimated sales taxes, public utility taxes, unemployment
31 insurance, and workers' compensation.

32 (e) "Remote sales" means a sale that is conducted by mail,
33 telephone, computer, internet, or any means other than at a physical
34 storefront.

35 (f) "Taxable income" means the amount of taxable income reported
36 for business and occupation taxes under chapter 82.04 RCW and public
37 utility taxes under chapter 82.16 RCW.

38 (g) "Tax exemption" means an exemption, exclusion, or deduction
39 from the base of a tax, a credit against a tax, a deferral of a tax,
40 or a preferential tax rate.

1 **Part V**

2 **Miscellaneous Provisions**

3 **Sec. 501.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s
4 401 are each reenacted and amended to read as follows:

5 (1)(a) Sections 209, 214, 219, 224, 226, 233, 235, and 248,
6 chapter, Laws of 2015 (sections 209, 214, 219, 224, 226, 233,
7 235, and 248 of this act), section 206, chapter 106, Laws of 2010,
8 sections 104, 110, 117, 123, 125, 129, 131, and 150, chapter 114,
9 Laws of 2010, section 3, chapter 461, Laws of 2009, section 7,
10 chapter 300, Laws of 2006, and section 4, chapter 149, Laws of 2003
11 are contingent upon the siting and commercial operation of a
12 significant semiconductor microchip fabrication facility in the state
13 of Washington.

14 (b) For the purposes of this section:

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

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

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

23 (2) Chapter 149, Laws of 2003 takes effect the first day of the
24 month in which a contract for the construction of a significant
25 semiconductor fabrication facility is signed, as determined by the
26 director of the department of revenue.

27 (3)(a) The department of revenue must provide notice of the
28 effective date of sections 209, 214, 219, 224, 226, 233, 235, and
29 248, chapter, Laws of 2015 (sections 209, 214, 219, 224, 226,
30 233, 235, and 248 of this act), sections 104, 110, 117, 123, 125,
31 129, 131, and 150, chapter 114, Laws of 2010(~~{,}~~), section 3,
32 chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and
33 section 4, chapter 149, Laws of 2003 to affected taxpayers, the
34 legislature, and others as deemed appropriate by the department.

35 (b) If, after making a determination that a contract has been
36 signed and chapter 149, Laws of 2003 is effective, the department
37 discovers that commencement of commercial production did not take
38 place within three years of the date the contract was signed, the
39 department must make a determination that chapter 149, Laws of 2003

1 is no longer effective, and all taxes that would have been otherwise
2 due are deemed deferred taxes and are immediately assessed and
3 payable from any person reporting tax under RCW 82.04.240(2) or
4 claiming an exemption or credit under section 2 or 5 through 10,
5 chapter 149, Laws of 2003. The department is not authorized to make a
6 second determination regarding the effective date of chapter 149,
7 Laws of 2003.

8 NEW SECTION. **Sec. 502.** Sections 211 and 230 of this act are
9 necessary for the immediate preservation of the public peace, health,
10 or safety, or support of the state government and its existing public
11 institutions, and take effect July 1, 2015.

12 NEW SECTION. **Sec. 503.** Section 215 of this act expires April 1,
13 2016.

14 NEW SECTION. **Sec. 504.** Section 216 of this act takes effect
15 April 1, 2016.

16 NEW SECTION. **Sec. 505.** Part IV of this act is necessary for the
17 immediate preservation of the public peace, health, or safety, or
18 support of the state government and its existing public institutions,
19 and takes effect July 1, 2015.

20 NEW SECTION. **Sec. 506.** The provisions of RCW 82.32.805,
21 relating to an automatic ten-year expiration date, do not apply to
22 the changes made to RCW 82.04.260 in this act (section 211 of this
23 act).

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