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HOUSE BILL 2879

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State of Washington                      64th Legislature                      2016 Regular Session

By Representatives Nealey, Springer, and Magendanz

Read first time 01/25/16. Referred to Committee on Finance.

1            AN ACT Relating to consolidating and simplifying the annual  
2 report and annual survey used for economic development tax  
3 incentives; amending RCW 82.32.590, 82.32.600, 82.32.605, 82.32.607,  
4 82.32.710, 82.32.808, 82.04.240, 82.04.2404, 82.04.2909, 82.04.294,  
5 82.04.426, 82.04.4277, 82.04.4461, 82.04.4463, 82.04.448, 82.04.4481,  
6 82.04.4483, 82.04.449, 82.08.805, 82.08.965, 82.08.9651, 82.08.970,  
7 82.08.980, 82.08.986, 82.12.022, 82.12.025651, 82.12.805, 82.12.965,  
8 82.12.9651, 82.12.970, 82.12.980, 82.16.0421, 82.29A.137, 82.60.070,  
9 82.63.020, 82.63.045, 82.74.040, 82.74.050, 82.75.040, 82.75.070,  
10 82.82.020, 82.82.040, 84.36.645, and 84.36.655; reenacting and  
11 amending RCW 82.04.260 and 82.32.790; adding a new section to chapter  
12 82.32 RCW; adding new sections to chapter 50.13 RCW; repealing RCW  
13 82.32.534 and 82.32.585; providing an effective date; and providing a  
14 contingent effective date.

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

16            NEW SECTION.    **Sec. 1.** A new section is added to chapter 82.32  
17 RCW to read as follows:

18            (1)(a) Beginning in calendar year 2017, every person claiming a  
19 tax preference that requires an annual tax preference accountability  
20 report under this section must file a complete report with the  
21 department. A tax preference accountability report is due by April

1 30th of the year following any calendar year in which a person claims  
2 a tax preference that requires a report under this section.

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

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

12 (ii) A person may amend its tax return under this chapter to  
13 claim a tax preference requiring a report under this section only  
14 when a report is filed for each calendar year for which the taxpayer  
15 is claiming a tax preference on an amended return. All of the tax  
16 preference accountability reports required under this subsection  
17 (1)(c)(ii) must be filed at the same time the amended returns are  
18 submitted to the department.

19 (d) For the purposes of determining the identity of taxpayers  
20 required to file an annual report as a result of claiming a property  
21 tax preference, the assessor of the county in which the property  
22 receiving the benefit of the tax preference is located must provide  
23 written notice to the department that the tax preference has been  
24 claimed. Such notice must include the claimant's name, contact  
25 information if available, and the address, tax parcel number, or  
26 description of the property receiving the benefit of the tax  
27 preference. The assessor need not provide the notice required under  
28 this subsection (1)(d), if the taxpayer is required to file an  
29 application with the department to claim the tax preference.

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:

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

1 (ii) The total wages paid for all employment positions for the  
2 calendar year covered by the report.

3 (c) The taxpayer is not required to provide the employment and  
4 wage information under (b)(i) and (ii) of this subsection if similar  
5 information is reported to the employment security department by the  
6 taxpayer for the same period. For taxpayers reporting to the  
7 employment security department, the total number of employment  
8 positions under (b)(ii) of this subsection is the number of employees  
9 included on the return provided by the taxpayer to the employment  
10 security department for the fourth calendar quarter for the calendar  
11 year covered by the report. A taxpayer must provide the department  
12 with its employment security department account number or numbers.

13 (d) For persons claiming the tax exemption in RCW 82.08.025651 or  
14 82.12.025651, the report must also include the general areas or  
15 categories of research and development for which machinery and  
16 equipment and labor and services were acquired, exempt from tax under  
17 RCW 82.08.025651 or 82.12.025651, in the prior calendar year.

18 (e) If the person filing a report under this section did not file  
19 a report with the department in the previous calendar year, the  
20 report filed under this section must also include the tax savings  
21 information and employment and wage information required under (a)  
22 and (b)(i) and (ii) of this subsection for the calendar year  
23 immediately preceding the calendar year for which a tax preference  
24 was claimed.

25 (f) Persons claiming the exemption under RCW 82.08.986 or  
26 82.12.986 must include the following additional information on the  
27 report filed under this section:

28 (i) The parcel number for the eligible computer data center and  
29 any related personal property parcel numbers;

30 (ii) The unemployment insurance account number associated with  
31 the computer data center; and

32 (iii) The total amount expended for electrical power for the  
33 calendar year. The cost per kilowatt hour must also be provided.

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

38 (4) Other than information requested under subsection (3) of this  
39 section, information required in this section is not subject to the  
40 confidentiality provisions of RCW 82.32.330 or chapter 50.13 RCW and

1 may be disclosed to the public upon request, except as provided in  
2 subsection (5) of this section. If the amount of the tax preference  
3 claimed as reported on the report is different than the amount  
4 actually claimed or otherwise allowed by the department based on the  
5 taxpayer's excise tax returns or other information known to the  
6 department, the amount actually claimed or allowed may be disclosed.

7 (5) Persons for whom the actual amount of the tax reduced or  
8 saved for a tax preference is less than ten thousand dollars during  
9 the period covered by the report may request the department to treat  
10 the amount of the tax reduction or savings as confidential under RCW  
11 82.32.330.

12 (6)(a) Except as otherwise provided by law, if a person claims a  
13 tax preference that requires an annual report under this section but  
14 fails to submit a complete annual report by the due date of the  
15 report or any extension under RCW 82.32.590, the department must  
16 declare ten percent of the amount of the tax preference claimed for  
17 the previous calendar year to be immediately due.

18 (b) If the tax preference is a deferral of tax, and the  
19 investment project has not been certified operationally complete, the  
20 department must declare the amount of tax preference claimed for the  
21 previous calendar year to be immediately due. If the investment  
22 project has been certified operationally complete, twelve and one-  
23 half percent of the deferred tax is immediately due. If the economic  
24 benefits of the deferral are passed to a lessee, the lessee is  
25 responsible for payment to the extent the lessee has received the  
26 economic benefit.

27 (c) The department must assess interest, but not penalties, on  
28 the amounts due under this subsection. The interest must be assessed  
29 at the rate provided for delinquent taxes under this chapter,  
30 retroactively to the date the tax preference was claimed, and accrues  
31 until the taxes for which the tax preference was claimed are repaid.  
32 Amounts due under this subsection are not subject to the  
33 confidentiality provisions of RCW 82.32.330 and may be disclosed to  
34 the public upon request.

35 (d) If the tax preference is a property tax preference, the  
36 taxpayer is not required to repay the amount of the tax preference  
37 claimed for failing to timely submit an annual report under this  
38 section. However, the taxpayer is ineligible to claim the tax  
39 preference for taxes levied for collection in the calendar year  
40 immediately following the calendar year in which the report was due.

1 The department must provide notice to the appropriate county assessor  
2 when a taxpayer is ineligible to claim a property tax preference  
3 pursuant to this subsection.

4 (7) The department must use the information from this section to  
5 prepare summary descriptive statistics by category. No fewer than  
6 three taxpayers may be included in any category if the statistics for  
7 the category include any information that is not disclosable under  
8 the provisions of subsections (4) and (5) of this section. The  
9 department must report these statistics to the legislature each year  
10 by December 1st.

11 (8) The expiration of a tax preference statute does not relieve  
12 taxpayers of the requirement to file a complete annual report under  
13 this section as otherwise provided in the tax preference statute as  
14 existing on the date that the taxpayer claimed the tax preference,  
15 even though the due date of the report is after the expiration date  
16 of the tax preference statute.

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

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

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

24 NEW SECTION. **Sec. 2.** A new section is added to chapter 50.13  
25 RCW to read as follows:

26 Nothing in this chapter prevents the disclosure of the employment  
27 and wage information included in the annual tax preference  
28 accountability report required under section 1 of this act.

29 NEW SECTION. **Sec. 3.** The following acts or parts of acts are  
30 each repealed:

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

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

35 NEW SECTION. **Sec. 4.** A new section is added to chapter 50.13  
36 RCW to read as follows:

1 Wage and employment information of taxpayers claiming a tax  
2 preference requiring the annual tax preference accountability report  
3 under section 1 of this act is not confidential under this chapter  
4 and may be disclosed.

5 **Sec. 5.** RCW 82.32.590 and 2011 c 174 s 306 are each amended to  
6 read as follows:

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

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

24 (3)(a) Subject to the conditions in this subsection (3), a  
25 taxpayer who fails to file an annual tax preference accountability  
26 report (~~or annual survey~~) required under subsection (1) of this  
27 section by the due date of the report (~~or survey~~) is entitled to an  
28 extension of the due date. A request for an extension under this  
29 subsection (3) must be made in writing to the department.

30 (b) To qualify for an extension under this subsection (3), a  
31 taxpayer must have filed all annual tax preference accountability  
32 reports (~~and surveys~~), if any, due in prior years under subsection  
33 (1) of this section by their respective due dates, beginning with  
34 annual reports (~~and surveys~~) due in calendar year 2010.

35 (c) An extension under this subsection (3) is for ninety days  
36 from the original due date of the annual tax preference  
37 accountability report (~~or survey~~).

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

1       **Sec. 6.** RCW 82.32.600 and 2010 c 114 s 136 are each amended to  
2 read as follows:

3       (1) Persons required to file annual (~~surveys or annual reports~~  
4 ~~under RCW 82.32.534 or 82.32.585~~) tax preference accountability  
5 reports under section 1 of this act must electronically file with the  
6 department all (~~surveys,~~) reports, returns, and any other forms or  
7 information the department requires in an electronic format as  
8 provided or approved by the department. As used in this section,  
9 "returns" has the same meaning as "return" in RCW 82.32.050.

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

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

16       **Sec. 7.** RCW 82.32.605 and 2013 2nd sp.s. c 13 s 1004 are each  
17 amended to read as follows:

18       (1) Every taxpayer claiming an exemption under RCW 82.08.956 or  
19 82.12.956 must file with the department a complete annual (~~survey as~~  
20 ~~required under RCW 82.32.585~~) tax preference accountability report  
21 under section 1 of this act, except that the taxpayer must file a  
22 separate (~~survey~~) tax preference accountability report for each  
23 facility owned or operated in the state of Washington.

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

25       **Sec. 8.** RCW 82.32.607 and 2013 2nd sp.s. c 13 s 1503 are each  
26 amended to read as follows:

27       Every taxpayer claiming an exemption under RCW 82.08.962 or  
28 82.12.962 must file with the department a complete annual (~~survey as~~  
29 ~~required under RCW 82.32.585~~) tax preference accountability report  
30 under section 1 of this act, except that the taxpayer must file a  
31 separate (~~survey~~) tax preference accountability report for each  
32 facility owned or operated in the state of Washington developed with  
33 machinery, equipment, services, or labor for which the exemption  
34 under RCW 43.136.058, 82.08.962, and 82.12.962 is claimed.

35       **Sec. 9.** RCW 82.32.710 and 2010 c 114 s 137 are each amended to  
36 read as follows:

1 (1) A client under the terms of a professional employer agreement  
2 is deemed to be the sole employer of a covered employee for purposes  
3 of eligibility for any tax credit, exemption, or other tax incentive,  
4 arising as the result of the employment of covered employees,  
5 provided in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483,  
6 82.08.965, 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or  
7 82.70 RCW, or any other provision in this title. A client, and not  
8 the professional employer organization, is entitled to the benefit of  
9 any tax credit, exemption, or other tax incentive arising as the  
10 result of the employment of covered employees of that client.

11 (2) A client under the terms of a professional employer agreement  
12 is deemed to be the sole employer of a covered employee for purposes  
13 of tax preference accountability reports (~~((or surveys))~~) that require  
14 the reporting of employment information relating to covered employees  
15 of the client, as provided in (~~((RCW 82.32.534 or 82.32.585))~~) section  
16 1 of this act. A client, and not the professional employer  
17 organization, is required to complete any (~~((survey or))~~) tax  
18 preference accountability report that requires the reporting of  
19 employment information relating to covered employees of that client.

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

23 **Sec. 10.** RCW 82.32.808 and 2013 2nd sp.s. c 13 s 1702 are each  
24 amended to read as follows:

25 (1) As provided in this section, every bill enacting a new tax  
26 preference must include a tax preference performance statement,  
27 unless the legislation enacting the new tax preference contains an  
28 explicit exemption from the requirements of this section.

29 (2) A tax preference performance statement must state the  
30 legislative purpose for the new tax preference. The tax preference  
31 performance statement must indicate one or more of the following  
32 general categories, by reference to the applicable category specified  
33 in this subsection, as the legislative purpose of the new tax  
34 preference:

35 (a) Tax preferences intended to induce certain designated  
36 behavior by taxpayers;

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

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

1 (d) Tax preferences intended to reduce structural inefficiencies  
2 in the tax structure;

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

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

7 (3) In addition to identifying the general legislative purpose of  
8 the tax preference under subsection (2) of this section, the tax  
9 preference performance statement must provide additional detailed  
10 information regarding the legislative purpose of the new tax  
11 preference.

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

18 (5) If the tax preference performance statement for a new tax  
19 preference indicates a legislative purpose described in subsection  
20 (2)(b) or (c) of this section, any taxpayer claiming the new tax  
21 preference must file an annual ((survey)) tax preference  
22 accountability report in accordance with ((RCW 82.32.585)) section 1  
23 of this act.

24 (6)(a) Taxpayers claiming a new tax preference must report the  
25 amount of the tax preference claimed by the taxpayer to the  
26 department as otherwise required by statute or determined by the  
27 department as part of the taxpayer's regular tax reporting  
28 responsibilities. For new tax preferences allowing certain types of  
29 gross income of the business to be excluded from business and  
30 occupation or public utility taxation, the tax return must explicitly  
31 report the amount of the exclusion, regardless of whether it is  
32 structured as an exemption or deduction, if the taxpayer is otherwise  
33 required to report taxes to the department on a monthly or quarterly  
34 basis. For a new sales and use tax exemption, the total ((sales or  
35 uses)) purchase price or value of the exempt product or service  
36 subject to the exemption claimed by the buyer must be reported on an  
37 addendum to the buyer's tax return if the buyer is otherwise required  
38 to report taxes to the department on a monthly or quarterly basis and  
39 the buyer is required to submit an exemption certificate, or similar  
40 document, to the seller.

1 (b) This subsection does not apply to:

2 (i) Property tax exemptions;

3 (ii) Tax preferences required by constitutional law;

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

6 (iv) Taxpayers who are annual filers.

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

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

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

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

28 (c) In lieu of the disclosure and waiver requirements under this  
29 subsection, the requirements under ((~~RCW 82.32.585~~)) section 1 of  
30 this act apply to any tax preference that requires a ((~~survey~~)) tax  
31 preference accountability report.

32 (8) If a new tax preference does not include the information  
33 required under subsections (2) through (4) of this section((~~τ~~)):

34 (a) RCW 82.08.805, this subsection, and subsections (6) and (7)  
35 of this section apply, except to the extent that the legislation  
36 enacting the new preference contains an explicit exemption from these  
37 requirements; and

38 (b) The joint legislative audit and review committee is not  
39 required to perform a tax preference review under chapter 43.136 RCW,  
40 and it is legislatively presumed that it is the intent of the

1 legislature to allow the new tax preference to expire upon its  
2 scheduled expiration date.

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

5 **Sec. 11.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to  
6 read as follows:

7 (1) Upon every person engaging within this state in business as a  
8 manufacturer, except persons taxable as manufacturers under other  
9 provisions of this chapter; as to such persons the amount of the tax  
10 with respect to such business is equal to the value of the products,  
11 including byproducts, manufactured, multiplied by the rate of 0.484  
12 percent.

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

22 (b) A person reporting under the tax rate provided in this  
23 subsection (2) must file a complete annual tax preference  
24 accountability report with the department under ((RCW 82.32.534))  
25 section 1 of this act.

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

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

31 **Sec. 12.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to  
32 read as follows:

33 (1) Upon every person engaging within this state in the business  
34 of manufacturing or processing for hire semiconductor materials, as  
35 to such persons the amount of tax with respect to such business is,  
36 in the case of manufacturers, equal to the value of the product  
37 manufactured, or, in the case of processors for hire, equal to the

1 gross income of the business, multiplied by the rate of 0.275  
2 percent.

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

6 (3) A person reporting under the tax rate provided in this  
7 section must file a complete annual tax preference accountability  
8 report with the department under (~~RCW 82.32.534~~) section 1 of this  
9 act.

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

11 **Sec. 13.** RCW 82.04.260 and 2015 3rd sp.s. c 6 s 602 and 2015 3rd  
12 sp.s. c 6 s 205 are each reenacted and amended to read as follows:

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

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

21 (b) Beginning July 1, 2025, seafood products that remain in a  
22 raw, raw frozen, or raw salted state at the completion of the  
23 manufacturing by that person; or selling manufactured seafood  
24 products that remain in a raw, raw frozen, or raw salted state at the  
25 completion of the manufacturing, to purchasers who transport in the  
26 ordinary course of business the goods out of this state; as to such  
27 persons the amount of tax with respect to such business is equal to  
28 the value of the products manufactured or the gross proceeds derived  
29 from such sales, multiplied by the rate of 0.138 percent. Sellers  
30 must keep and preserve records for the period required by RCW  
31 82.32.070 establishing that the goods were transported by the  
32 purchaser in the ordinary course of business out of this state;

33 (c)(i) Beginning July 1, 2025, dairy products; or selling dairy  
34 products that the person has manufactured to purchasers who either  
35 transport in the ordinary course of business the goods out of state  
36 or purchasers who use such dairy products as an ingredient or  
37 component in the manufacturing of a dairy product; as to such persons  
38 the tax imposed is equal to the value of the products manufactured or  
39 the gross proceeds derived from such sales multiplied by the rate of

1 0.138 percent. Sellers must keep and preserve records for the period  
2 required by RCW 82.32.070 establishing that the goods were  
3 transported by the purchaser in the ordinary course of business out  
4 of this state or sold to a manufacturer for use as an ingredient or  
5 component in the manufacturing of a dairy product.

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

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

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

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

20 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,  
21 preserving, freezing, processing, or dehydrating fresh fruits or  
22 vegetables, or selling at wholesale fruits or vegetables manufactured  
23 by the seller by canning, preserving, freezing, processing, or  
24 dehydrating fresh fruits or vegetables and sold to purchasers who  
25 transport in the ordinary course of business the goods out of this  
26 state; as to such persons the amount of tax with respect to such  
27 business is equal to the value of the products manufactured or the  
28 gross proceeds derived from such sales multiplied by the rate of  
29 0.138 percent. Sellers must keep and preserve records for the period  
30 required by RCW 82.32.070 establishing that the goods were  
31 transported by the purchaser in the ordinary course of business out  
32 of this state.

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

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

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

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

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

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

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

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

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

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

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

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

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

36 (10) Upon every person engaging within this state in business as  
37 a hospital, as defined in chapter 70.41 RCW, that is operated as a  
38 nonprofit corporation or by the state or any of its political  
39 subdivisions, as to such persons, the amount of tax with respect to  
40 such activities is equal to the gross income of the business

1 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5  
2 percent thereafter.

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

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

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

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

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

30 (d) In addition to all other requirements under this title, a  
31 person reporting under the tax rate provided in this subsection (11)  
32 must file a complete annual tax preference accountability report with  
33 the department under (~~RCW 82.32.534~~) section 1 of this act.

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

36 (ii) With respect to the manufacturing of commercial airplanes or  
37 making sales, at retail or wholesale, of commercial airplanes, this  
38 subsection (11) does not apply on and after July 1st of the year in  
39 which the department makes a determination that any final assembly or  
40 wing assembly of any version or variant of a commercial airplane that

1 is the basis of a siting of a significant commercial airplane  
2 manufacturing program in the state under RCW 82.32.850 has been sited  
3 outside the state of Washington. This subsection (11)(e)(ii) only  
4 applies to the manufacturing or sale of commercial airplanes that are  
5 the basis of a siting of a significant commercial airplane  
6 manufacturing program in the state under RCW 82.32.850.

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

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

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

36 (d) Until July 1, 2024, upon every person engaging within this  
37 state in the business of selling standing timber; as to such persons  
38 the amount of the tax with respect to the business is equal to the  
39 gross income of the business multiplied by the rate of 0.2904  
40 percent. For purposes of this subsection (12)(d), "selling standing

1 timber" means the sale of timber apart from the land, where the buyer  
2 is required to sever the timber within thirty months from the date of  
3 the original contract, regardless of the method of payment for the  
4 timber and whether title to the timber transfers before, upon, or  
5 after severance.

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

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

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

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

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

34 (v) "Timber products" means:

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

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

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

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

7 (f) Except for small harvesters as defined in RCW 84.33.035, a  
8 person reporting under the tax rate provided in this subsection (12)  
9 must file a complete annual (~~survey~~) tax preference accountability  
10 report with the department under (~~RCW 82.32.585~~) section 1 of this  
11 act.

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

17 (14)(a) Upon every person engaging within this state in the  
18 business of printing a newspaper, publishing a newspaper, or both,  
19 the amount of tax on such business is equal to the gross income of  
20 the business multiplied by the rate of 0.35 percent until July 1,  
21 2024, and 0.484 percent thereafter.

22 (b) A person reporting under the tax rate provided in this  
23 subsection (14) must file a complete annual tax preference  
24 accountability report with the department under (~~RCW 82.32.534~~)  
25 section 1 of this act.

26 **Sec. 14.** RCW 82.04.2909 and 2015 3rd sp.s. c 6 s 502 are each  
27 amended to read as follows:

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

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

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

5 (4) This section expires January 1, 2027.

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

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

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

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

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

35 (a) "Compound semiconductor solar wafers" means a semiconductor  
36 solar wafer composed of elements from two or more different groups of  
37 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))~~ tax preference  
24 accountability report with the department under ~~((RCW 82.32.585))~~  
25 section 1 of this act.

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

27 **Sec. 16.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to  
28 read as follows:

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

31 (2) For the purposes of this section:

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

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

38 (3) A person reporting under the tax rate provided in this  
39 section must file a complete annual tax preference accountability

1 report with the department under ((~~RCW 82.32.534~~)) section 1 of this  
2 act.

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

5 **Sec. 17.** RCW 82.04.4277 and 2014 c 225 s 104 are each amended to  
6 read as follows:

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

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

14 (3) A person claiming a deduction under this section must file a  
15 complete annual tax preference accountability report with the  
16 department under ((~~RCW 82.32.534~~)) section 1 of this act.

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

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

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

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

23 **Sec. 18.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each  
24 amended to read as follows:

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

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

34 (b) Before July 1, 2005, any credits earned under this section  
35 must be accrued and carried forward and may not be used until July 1,  
36 2005. These carryover credits may be used at any time thereafter, and  
37 may be carried over until used. Refunds may not be granted in the  
38 place of a credit.

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

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

11 (4) Any person claiming the credit must file a form prescribed by  
12 the department that must include the amount of the credit claimed, an  
13 estimate of the anticipated aerospace product development  
14 expenditures during the calendar year for which the credit is  
15 claimed, an estimate of the taxable amount during the calendar year  
16 for which the credit is claimed, and such additional information as  
17 the department may prescribe.

18 (5) The definitions in this subsection apply throughout this  
19 section.

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

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

37 (c) "Qualified aerospace product development" means aerospace  
38 product development performed within this state.

39 (d) "Qualified aerospace product development expenditures" means  
40 operating expenses, including wages, compensation of a proprietor or

1 a partner in a partnership as determined by the department, benefits,  
2 supplies, and computer expenses, directly incurred in qualified  
3 aerospace product development by a person claiming the credit  
4 provided in this section. The term does not include amounts paid to a  
5 person or to the state and any of its departments and institutions,  
6 other than a public educational or research institution to conduct  
7 qualified aerospace product development. The term does not include  
8 capital costs and overhead, such as expenses for land, structures, or  
9 depreciable property.

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

14 (6) In addition to all other requirements under this title, a  
15 person claiming the credit under this section must file a complete  
16 annual tax preference accountability report with the department under  
17 (~~RCW 82.32.534~~) section 1 of this act.

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

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

21 **Sec. 19.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each  
22 amended to read as follows:

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

26 (2) The credit is equal to:

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

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

36 (C) Property taxes or leasehold excise taxes paid on, or with  
37 respect to, buildings constructed after June 30, 2008, the land upon  
38 which the buildings are located, or both, and used exclusively for  
39 aerospace product development, manufacturing tooling specifically

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

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

15 (b) An amount equal to:

16 (i)(A) Property taxes paid, by persons taxable under RCW  
17 82.04.260(11)(a), on machinery and equipment exempt under RCW  
18 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

19 (B) Property taxes paid, by persons taxable under RCW  
20 82.04.260(11)(b), on machinery and equipment exempt under RCW  
21 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

22 (C) Property taxes paid, by persons taxable under RCW  
23 82.04.250(3) or 82.04.290(3), on computer hardware, computer  
24 peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and  
25 acquired after June 30, 2008.

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

29 (A) The numerator of the fraction is the total taxable amount  
30 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the  
31 applicable business activities of manufacturing commercial airplanes,  
32 components of such airplanes, or tooling specifically designed for  
33 use in the manufacturing of commercial airplanes or components of  
34 such airplanes.

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

38 (C) For purposes of both the numerator and denominator of the  
39 fraction, the total taxable amount refers to the total taxable amount  
40 required to be reported on the person's returns for the calendar year

1 before the calendar year in which the credit under this section is  
2 earned. The department may provide for an alternative method for  
3 calculating the numerator in cases where the tax rate provided in RCW  
4 82.04.260(11) for manufacturing was not in effect during the full  
5 calendar year before the calendar year in which the credit under this  
6 section is earned.

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

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

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

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

18 (b) "Aerospace services" has the same meaning given in RCW  
19 82.08.975.

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

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

26 (5) In addition to all other requirements under this title, a  
27 person claiming the credit under this section must file a complete  
28 annual tax preference accountability report with the department under  
29 (~~RCW 82.32.534~~) section 1 of this act.

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

31 **Sec. 20.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to  
32 read as follows:

33 (1) Subject to the limits and provisions of this section, a  
34 credit is authorized against the tax otherwise due under RCW  
35 82.04.240(2) for persons engaged in the business of manufacturing  
36 semiconductor materials. For the purposes of this section  
37 "semiconductor materials" has the same meaning as provided in RCW  
38 82.04.240(2).

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

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

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

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

29           (4) If at any time the department finds that a person is not  
30 eligible for tax credit under this section, the amount of taxes for  
31 which a credit has been claimed is immediately due. The department  
32 must assess interest, but not penalties, on the taxes for which the  
33 person is not eligible. The interest must be assessed at the rate  
34 provided for delinquent excise taxes under chapter 82.32 RCW, is  
35 retroactive to the date the tax credit was taken, and accrues until  
36 the taxes for which a credit has been used are repaid.

37           (5) A person claiming the credit under this section must file a  
38 complete annual tax preference accountability report with the  
39 department under (~~RCW 82.32.534~~) section 1 of this act.

1 (6) Credits may be claimed after twelve years after the effective  
2 date of this act, for those buildings at which commercial production  
3 began before twelve years after the effective date of this act,  
4 subject to all of the eligibility criteria and limitations of this  
5 section.

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

8 **Sec. 21.** RCW 82.04.4481 and 2015 3rd sp.s. c 6 s 503 are each  
9 amended to read as follows:

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

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

21 (3) Credits may not be claimed under this section for property  
22 taxes levied for collection in 2027 and thereafter.

23 (4) A person claiming the credit provided in this section must  
24 file a complete annual tax preference accountability report with the  
25 department under (~~RCW 82.32.534~~) section 1 of this act.

26 **Sec. 22.** RCW 82.04.4483 and 2010 c 114 s 119 are each amended to  
27 read as follows:

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

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

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

4 (b) If an activity is conducted both from a rural county and  
5 outside of a rural county, the credit is available if at least ninety  
6 percent of the qualifying activity is conducted within a rural  
7 county. If the qualifying activity is a service taxable activity, the  
8 place where the work is performed is the place at which the activity  
9 is conducted.

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

20 (b) Participants who claimed credit under RCW 82.04.4456 for  
21 qualified employment positions created before December 31, 2003, are  
22 eligible to earn credit for each year the position is maintained over  
23 the subsequent consecutive years, for up to four years, which four  
24 years include any years claimed under RCW 82.04.4456. Those persons  
25 who did not receive a credit under RCW 82.04.4456 before December 31,  
26 2003, are not eligible to earn credit for qualified employment  
27 positions created before December 31, 2003.

28 (c) Credit is authorized for new employees hired for new  
29 qualified employment positions created on or after January 1, 2004.  
30 New qualified employment positions filled by existing employees are  
31 eligible for the credit under this section only if the position  
32 vacated by the existing employee is filled by a new hire. A business  
33 that is a sole proprietorship without any employees is equivalent to  
34 one employee position and this type of business is eligible to  
35 receive credit for one position.

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

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

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

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

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

28 (9) A person claiming a tax credit under this section must file a  
29 complete annual ((survey)) tax preference accountability report with  
30 the department under ((RCW 82.32.585)) section 1 of this act.

31 (10) As used in this section:

32 (a) "Computer software" has the meaning as defined in RCW  
33 82.04.215 after June 30, 2004, and includes "software" as defined in  
34 RCW 82.04.215 before July 1, 2004.

35 (b) "Manufacturing" means the same as "to manufacture" under RCW  
36 82.04.120. Manufacturing includes the activities of both  
37 manufacturers and processors for hire.

38 (c) "Programming" means the activities that involve the creation  
39 or modification of computer software, as that term is defined in this

1 chapter, and that are taxable as a service under RCW 82.04.290(2) or  
2 as a retail sale under RCW 82.04.050.

3 (d) "Qualifying activity" means manufacturing of computer  
4 software or programming.

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

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

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

17 **Sec. 23.** RCW 82.04.449 and 2012 c 46 s 3 are each amended to  
18 read as follows:

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

32 (2) A person claiming the credit provided in this section must  
33 file a complete annual (~~survey~~) tax preference accountability  
34 report with the department under (~~RCW 82.32.585~~) section 1 of this  
35 act.

36 **Sec. 24.** RCW 82.08.805 and 2015 3rd sp.s. c 6 s 504 are each  
37 amended to read as follows:

1 (1) A person who has paid tax under RCW 82.08.020 for personal  
2 property used at an aluminum smelter, tangible personal property that  
3 will be incorporated as an ingredient or component of buildings or  
4 other structures at an aluminum smelter, or for labor and services  
5 rendered with respect to such buildings, structures, or personal  
6 property, is eligible for an exemption from the state share of the  
7 tax in the form of a credit, as provided in this section. A person  
8 claiming an exemption must pay the tax and may then take a credit  
9 equal to the state share of retail sales tax paid under RCW  
10 82.08.020. The person must submit information, in a form and manner  
11 prescribed by the department, specifying the amount of qualifying  
12 purchases or acquisitions for which the exemption is claimed and the  
13 amount of exempted tax.

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

16 (3) A person claiming the tax preference provided in this section  
17 must file a complete annual tax preference accountability report with  
18 the department under (~~RCW 82.32.534~~) section 1 of this act.

19 (4) Credits may not be claimed under this section for taxable  
20 events occurring on or after January 1, 2027.

21 **Sec. 25.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to  
22 read as follows:

23 (1) The tax levied by RCW 82.08.020 does not apply to charges  
24 made for labor and services rendered in respect to the constructing  
25 of new buildings used for the manufacturing of semiconductor  
26 materials, to sales of tangible personal property that will be  
27 incorporated as an ingredient or component of such buildings during  
28 the course of the constructing, or to labor and services rendered in  
29 respect to installing, during the course of constructing, building  
30 fixtures not otherwise eligible for the exemption under RCW  
31 82.08.02565(2)(b). The exemption is available only when the buyer  
32 provides the seller with an exemption certificate in a form and  
33 manner prescribed by the department. The seller must retain a copy of  
34 the certificate for the seller's files.

35 (2) To be eligible under this section the manufacturer or  
36 processor for hire must meet the following requirements for an eight-  
37 year period, such period beginning the day the new building commences  
38 commercial production, or a portion of tax otherwise due will be

1 immediately due and payable pursuant to subsection (3) of this  
2 section:

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

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

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

21 (d) No application is necessary for the tax exemption. The person  
22 is subject to all the requirements of chapter 82.32 RCW. A person  
23 claiming the exemption under this section must file a complete annual  
24 tax preference accountability report with the department under ((RCW  
25 ~~82.32.534~~) section 1 of this act.

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

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

35 (5) For the purposes of this section:

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

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

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

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

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

12 **Sec. 26.** RCW 82.08.9651 and 2014 c 97 s 405 are each amended to  
13 read as follows:

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

27 ~~(2)((a) Except as provided under (b) of this subsection (2),)~~ A  
28 person claiming the exemption under this section must file a complete  
29 annual ~~((survey with the department under RCW 82.32.585-~~

30 ~~(b) A person claiming the exemption under this section and who is~~  
31 ~~required to file a complete annual report with the department under~~  
32 ~~RCW 82.32.534 as a result of claiming the tax preference provided by~~  
33 ~~RCW 82.04.2404 is not also required to file a complete annual survey~~  
34 ~~under RCW 82.32.585)) tax preference accountability report with the~~  
35 ~~department under section 1 of this act.~~

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

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

1       **Sec. 27.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to  
2 read as follows:

3       (1) The tax levied by RCW 82.08.020 does not apply to sales of  
4 gases and chemicals used by a manufacturer or processor for hire in  
5 the manufacturing of semiconductor materials. This exemption is  
6 limited to gases and chemicals used in the manufacturing process to  
7 grow the product, deposit or grow permanent or sacrificial layers on  
8 the product, to etch or remove material from the product, to anneal  
9 the product, to immerse the product, to clean the product, and other  
10 such uses whereby the gases and chemicals come into direct contact  
11 with the product during the manufacturing process, or uses of gases  
12 and chemicals to clean the chambers and other like equipment in which  
13 such processing takes place. 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 person claiming the exemption under this section must file  
17 a complete annual tax preference accountability report with the  
18 department under (~~RCW 82.32.534~~) section 1 of this act. No  
19 application is necessary for the tax exemption. The person is subject  
20 to all of the requirements of chapter 82.32 RCW.

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

23       **Sec. 28.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each  
24 amended to read as follows:

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

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

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

36       (c) Charges made for labor and services rendered in respect to  
37 installing, during the course of constructing such buildings,  
38 building fixtures not otherwise eligible for the exemption under RCW  
39 82.08.02565(2)(b).

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

5 (3) No application is necessary for the tax exemption in this  
6 section. However, in order to qualify under this section before  
7 starting construction, the port district, political subdivision, or  
8 municipal corporation must have entered into an agreement with the  
9 manufacturer to build such a facility. A person claiming the  
10 exemption under this section is subject to all the requirements of  
11 chapter 82.32 RCW. In addition, the person must file a complete  
12 annual tax preference accountability report with the department under  
13 (~~RCW 82.32.534~~) section 1 of this act.

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

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

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

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

24 **Sec. 29.** RCW 82.08.986 and 2015 3rd sp.s. c 6 s 302 are each  
25 amended to read as follows:

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

36 (2)(a) In order to claim the exemption under this section, a  
37 qualifying business or a qualifying tenant must submit an application  
38 to the department for an exemption certificate. The application must  
39 include the information necessary, as required by the department, to

1 determine that a business or tenant qualifies for the exemption under  
2 this section. The department must issue exemption certificates to  
3 qualifying businesses and qualifying tenants. The department may  
4 assign a unique identification number to each exemption certificate  
5 issued under this section.

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

11 (c) With respect to computer data centers for which the  
12 commencement of construction occurs after July 1, 2015, but before  
13 July 1, 2019, the exemption provided in this section is limited to no  
14 more than eight computer data centers, with total eligible data  
15 centers provided under this section limited to twelve from July 1,  
16 2015, through July 1, 2025. Tenants of qualified data centers do not  
17 constitute additional data centers under the limit. The exemption is  
18 available on a first-in-time basis based on the date the application  
19 required under this section is received by the department. Exemption  
20 certificates expire two years after the date of issuance, unless  
21 construction has been commenced.

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 tax preference accountability report with the department as required  
9 under (~~RCW 82.32.534~~) section 1 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) The definitions in this subsection apply throughout this  
27 section 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) "Building" means a fully enclosed structure with a weather  
31 resistant exterior wall envelope or concrete or masonry walls  
32 designed in accordance with the requirements for structures under  
33 chapter 19.27 RCW. This definition of "building" only applies to  
34 computer data centers for which commencement of construction occurs  
35 on or after July 1, 2015.

36 (c)(i) "Computer data center" means a facility comprised of one  
37 or more buildings, which may be comprised of multiple businesses,  
38 constructed or refurbished specifically, and used primarily, to house  
39 working servers, where the facility has the following  
40 characteristics: (A) Uninterruptible power supplies, generator backup

1 power, or both; (B) sophisticated fire suppression and prevention  
2 systems; and (C) enhanced physical security, such as: Restricted  
3 access to the facility to selected personnel; permanent security  
4 guards; video camera surveillance; an electronic system requiring  
5 passcodes, keycards, or biometric scans, such as hand scans and  
6 retinal or fingerprint recognition; or similar security features.

7 (ii) For a computer data center comprised of multiple buildings,  
8 each separate building constructed or refurbished specifically, and  
9 used primarily, to house working servers is considered a computer  
10 data center if it has all of the characteristics listed in (c)(i)(A)  
11 through (C) of this subsection (6).

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

15 (d) "Electronic data storage and data management services"  
16 include, but are not limited to: Providing data storage and backup  
17 services, providing computer processing power, hosting enterprise  
18 software applications, and hosting web sites. The term also includes  
19 providing services such as email, web browsing and searching, media  
20 applications, and other online services, regardless of whether a  
21 charge is made for such services.

22 (e)(i) "Eligible computer data center" means a computer data  
23 center:

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

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

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

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

30 (II) After March 31, 2012, and before July 1, 2015; or

31 (III) After June 30, 2015, and before July 1, 2025.

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

1 initiated before the issuance of a building permit for the  
2 construction of the foundation of a computer data center.

3 (iii) With respect to facilities in existence on April 1, 2010,  
4 that are expanded, renovated, or otherwise improved after March 31,  
5 2010, or facilities in existence on April 1, 2012, that are expanded,  
6 renovated, or otherwise improved after March 31, 2012, or facilities  
7 in existence on July 1, 2015, that are expanded, renovated, or  
8 otherwise improved after June 30, 2015, an eligible computer data  
9 center includes only the portion of the computer data center meeting  
10 the requirements in (e)(i)(B) of this subsection (6).

11 (f) "Eligible power infrastructure" means all fixtures and  
12 equipment owned by a qualifying business or qualifying tenant and  
13 necessary for the transformation, distribution, or management of  
14 electricity that is required to operate eligible server equipment  
15 within an eligible computer data center. The term includes  
16 generators; wiring; cogeneration equipment; and associated fixtures  
17 and equipment, such as electrical switches, batteries, and  
18 distribution, testing, and monitoring equipment. The term does not  
19 include substations.

20 (g) "Eligible server equipment" means:

21 (i) For a qualifying business whose computer data center  
22 qualifies as an eligible computer data center under (e)(i)(C)(I) of  
23 this subsection (6), the original server equipment installed in an  
24 eligible computer data center on or after April 1, 2010, and  
25 replacement server equipment. For purposes of this subsection  
26 (6)(g)(i), "replacement server equipment" means server equipment  
27 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, 2018.

32 (ii) For a qualifying business whose computer data center  
33 qualifies as an eligible computer data center under (e)(i)(C)(II) of  
34 this subsection (6), "eligible server equipment" means the original  
35 server equipment installed in an eligible computer data center on or  
36 after April 1, 2012, and replacement server equipment. For purposes  
37 of this subsection (6)(g)(ii), "replacement server equipment" means  
38 server equipment 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, 2024.

5 (iii)(A) For a qualifying business whose computer data center  
6 qualifies as an eligible computer data center under (e)(i)(C)(III) of  
7 this subsection (6), "eligible server equipment" means the original  
8 server equipment installed in a building within an eligible computer  
9 data center on or after July 1, 2015, and replacement server  
10 equipment. Server equipment installed in movable or fixed stand-  
11 alone, prefabricated, or modular units, including intermodal shipping  
12 containers, is not "directly installed in a building." For purposes  
13 of this subsection (6)(g)(iii)(A), "replacement server equipment"  
14 means server equipment that replaces existing server equipment, if  
15 the sale or use of the server equipment to be replaced qualified for  
16 an exemption under this section or RCW 82.12.986; and

17 (B) Is installed and put into regular use no later than twelve  
18 years after the date of the certificate of occupancy.

19 (iv) For a qualifying tenant who leases space within an eligible  
20 computer data center, "eligible server equipment" means the original  
21 server equipment installed within the space it leases from an  
22 eligible computer data center on or after April 1, 2010, and  
23 replacement server equipment. For purposes of this subsection  
24 (6)(g)(iv), "replacement server equipment" means server equipment  
25 that:

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

29 (B) Is installed and put into regular use before April 1, 2024;  
30 and

31 (C) For tenants leasing space in an eligible computer data center  
32 built after July 1, 2015, is installed and put into regular use no  
33 later than twelve years after the date of the certificate of  
34 occupancy.

35 (h) "Qualifying business" means a business entity that exists for  
36 the primary purpose of engaging in commercial activity for profit and  
37 that is the owner of an eligible computer data center. The term does  
38 not include the state or federal government or any of their  
39 departments, agencies, and institutions; tribal governments;  
40 political subdivisions of this state; or any municipal, quasi-

1 municipal, public, or other corporation created by the state or  
2 federal government, tribal government, municipality, or political  
3 subdivision of the state.

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

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

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

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

35 **Sec. 30.** RCW 82.12.022 and 2015 3rd sp.s. c 6 s 506 are each  
36 amended to read as follows:

37 (1) A use tax is levied on every person in this state for the  
38 privilege of using natural gas or manufactured gas, including

1 compressed natural gas and liquefied natural gas, within this state  
2 as a consumer.

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

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

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

18 (5)(a) The tax levied in this section does not apply to the use  
19 of natural or manufactured gas by an aluminum smelter as that term is  
20 defined in RCW 82.04.217 before January 1, 2027.

21 (b) A person claiming the exemption provided in this subsection  
22 (5) must file a complete annual tax preference accountability report  
23 with the department under (~~RCW 82.32.534~~) section 1 of this act.

24 (6) The tax imposed by this section does not apply to the use of  
25 natural gas, compressed natural gas, or liquefied natural gas, if the  
26 consumer uses the gas for transportation fuel as defined in RCW  
27 82.16.310.

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

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

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

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

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

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

9 **Sec. 31.** RCW 82.12.025651 and 2011 c 23 s 5 are each amended to  
10 read as follows:

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

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

17 (3) A public research institution receiving the benefit of the  
18 exemption provided in this section must file a complete annual  
19 ((survey)) tax preference accountability report with the department  
20 under ((RCW 82.32.585)) section 1 of this act.

21 **Sec. 32.** RCW 82.12.805 and 2015 3rd sp.s. c 6 s 505 are each  
22 amended to read as follows:

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

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

37 (3) A person reporting under the tax rate provided in this  
38 section must file a complete annual tax preference accountability

1 report with the department under ((~~RCW 82.32.534~~)) section 1 of this  
2 act.

3 (4) Credits may not be claimed under this section for taxable  
4 events occurring on or after January 1, 2027.

5 **Sec. 33.** RCW 82.12.965 and 2010 c 114 s 129 are each amended to  
6 read as follows:

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

14 (2) The eligibility requirements, conditions, and definitions in  
15 RCW 82.08.965 apply to this section, including the filing of a  
16 complete annual tax preference accountability report with the  
17 department under ((~~RCW 82.32.534~~)) section 1 of this act.

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

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

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

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

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

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

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

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

13           **Sec. 35.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to  
14 read as follows:

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

28           (2) A person claiming the exemption under this section must file  
29 a complete annual tax preference accountability report with the  
30 department under (~~RCW 82.32.534~~) section 1 of this act. No  
31 application is necessary for the tax exemption. The person is subject  
32 to all of the requirements of chapter 82.32 RCW.

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

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

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

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

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

11 (2) The eligibility requirements, conditions, and definitions in  
12 RCW 82.08.980 apply to this section, including the filing of a  
13 complete annual tax preference accountability report with the  
14 department under (~~RCW 82.32.534~~) section 1 of this act.

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

16 **Sec. 37.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended to  
17 read as follows:

18 (1) (~~For the purposes of this section:~~) The definitions in this  
19 subsection apply throughout this section unless the context clearly  
20 requires otherwise.

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

30 (b) "Sodium chlorate electrolytic processing business" means a  
31 person who is engaged in a business that uses more than ten average  
32 megawatts of electricity per month in a sodium chlorate electrolytic  
33 process to split the electrochemical bonds of sodium chloride and  
34 water to make sodium chlorate and hydrogen. A "sodium chlorate  
35 electrolytic processing business" does not include direct service  
36 industrial customers or their subsidiaries that contract for the  
37 purchase of power from the Bonneville power administration as of June  
38 10, 2004.

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

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

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

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

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

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

27 (5) A person receiving the benefit of the exemption provided in  
28 this section must file a complete annual tax preference  
29 accountability report with the department under ((RCW 82.32.534))  
30 section 1 of this act.

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

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

34 **Sec. 38.** RCW 82.29A.137 and 2013 3rd sp.s. c 2 s 13 are each  
35 amended to read as follows:

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

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

3 (2) In addition to all other requirements under this title, a  
4 person claiming the exemption under this section must file a complete  
5 annual tax preference accountability report with the department under  
6 ((RCW 82.32.534)) section 1 of this act.

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

8 **Sec. 39.** RCW 82.60.070 and 2010 1st sp.s. c 16 s 9 are each  
9 amended to read as follows:

10 (1)(a) Each recipient of a deferral of taxes granted under this  
11 chapter must file a complete annual ((survey)) tax preference  
12 accountability report with the department under ((RCW 82.32.585))  
13 section 1 of this act. If the economic benefits of the deferral are  
14 passed to a lessee as provided in RCW 82.60.025, the lessee must file  
15 a complete annual ((survey)) tax preference accountability report,  
16 and the applicant is not required to file a complete annual  
17 ((survey)) tax preference accountability report.

18 (b) The department must use the information reported on the  
19 annual ((survey)) tax preference accountability report required by  
20 this section to study the tax deferral program authorized under this  
21 chapter. The department must report to the legislature by December 1,  
22 ((2019)) 2018. The report must measure the effect of the program on  
23 job creation, the number of jobs created for residents of eligible  
24 areas, company growth, ((the introduction of new products, the  
25 diversification of the state's economy, growth in research and  
26 development investment, the movement of firms or the consolidation of  
27 firms' operations into the state,)) and such other factors as the  
28 department selects.

29 (2) Except as provided in RCW 82.60.063, if, on the basis of a  
30 ((survey under RCW 82.32.585)) tax preference accountability report  
31 under section 1 of this act or other information, the department  
32 finds that an investment project is not eligible for tax deferral  
33 under this chapter, the amount of deferred taxes outstanding for the  
34 project, according to the repayment schedule in RCW 82.60.060, is  
35 immediately due. For purposes of this subsection (2), the repayment  
36 schedule in RCW 82.60.060 is tolled during the period of time that a  
37 taxpayer is receiving relief from repayment of deferred taxes under  
38 RCW 82.60.063.

1 (3) A recipient who must repay deferred taxes under subsection  
2 (2) of this section because the department has found that an  
3 investment project is not eligible for tax deferral under this  
4 chapter is no longer required to file annual ~~((surveys under RCW  
5 82.32.585))~~ tax preference accountability reports under section 1 of  
6 this act beginning on the date an investment project is used for  
7 nonqualifying purposes.

8 (4) Notwithstanding any other provision of this section or ~~((RCW  
9 82.32.585))~~ under section 1 of this act, deferred taxes on the  
10 following need not be repaid:

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

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

16 **Sec. 40.** RCW 82.63.020 and 2010 c 114 s 140 are each amended to  
17 read as follows:

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

33 (2) Each recipient of a deferral of taxes under this chapter must  
34 file a complete annual ~~((survey))~~ tax preference accountability  
35 report with the department under ~~((RCW 82.32.585))~~ section 1 of this  
36 act. If the economic benefits of the deferral are passed to a lessee  
37 as provided in RCW 82.63.010(7), the lessee must file a complete  
38 annual ~~((survey))~~ tax preference accountability report, and the

1 applicant is not required to file the annual ((survey)) tax  
2 preference accountability 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)) tax preference accountability reports  
20 under section 1 of this act beginning on the date an investment  
21 project is used for nonqualifying purposes.

22 **Sec. 41.** 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 1 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)) tax  
28 preference accountability report under section 1 of this act or other  
29 information, the department finds that an investment project is used  
30 for purposes other than qualified research and development or pilot  
31 scale 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 1 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. 42.** 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))~~ tax preference  
3 accountability report with the department under ~~((RCW 82.32.585))~~  
4 section 1 of this act. If the economic benefits of the deferral are  
5 passed to a lessee as provided in RCW 82.74.010(6), the lessee must  
6 file a complete annual ~~((survey))~~ tax preference accountability  
7 report, and the applicant is not required to file the annual  
8 ~~((survey))~~ tax preference accountability report.

9 (2) A recipient who must repay deferred taxes under RCW  
10 82.74.050(2) because the department has found that an investment  
11 project is used for purposes other than fresh fruit and vegetable  
12 processing, dairy product manufacturing, seafood product  
13 manufacturing, cold storage warehousing, or research and development  
14 is no longer required to file annual ~~((surveys under RCW 82.32.585))~~  
15 tax preference accountability reports under section 1 of this act  
16 beginning on the date an investment project is used for nonqualifying  
17 purposes.

18 **Sec. 43.** RCW 82.74.050 and 2010 c 114 s 143 are each amended to  
19 read as follows:

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

23 (2)(a) If, on the basis of the ~~((survey under RCW 82.32.585))~~ tax  
24 preference accountability report under section 1 of this act or other  
25 information, the department finds that an investment project is used  
26 for purposes other than fresh fruit and vegetable processing, dairy  
27 product manufacturing, seafood product manufacturing, cold storage  
28 warehousing, or research and development at any time during the  
29 calendar year in which the investment project is certified by the  
30 department as having been operationally completed, or at any time  
31 during any of the seven succeeding calendar years, a portion of  
32 deferred taxes is immediately due according to the following  
33 schedule:

34	Year in which nonqualifying use occurs	% of deferred taxes due
35	1	100%
36	2	87.5%
37	3	75%

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

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

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

19 (4) Notwithstanding subsection (2) of this section or ((RCW  
20 ~~82.32.585~~)) section 1 of this act, deferred taxes on the following  
21 need not be repaid:

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

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

27 **Sec. 44.** RCW 82.75.040 and 2010 c 114 s 147 are each amended to  
28 read as follows:

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

32 (2)(a) If, on the basis of the ((~~survey under RCW 82.32.585~~)) tax  
33 preference accountability report under section 1 of this act or other  
34 information, the department finds that an investment project is used  
35 for purposes other than qualified biotechnology product manufacturing  
36 or medical device manufacturing activities at any time during the  
37 calendar year in which the eligible investment project is certified

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

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

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

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

25 (4) Notwithstanding subsection (2) of this section or ((RCW  
26 ~~82.32.585~~) section 1 of this act), deferred taxes on the following  
27 need not be repaid:

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

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

33 **Sec. 45.** RCW 82.75.070 and 2010 c 114 s 144 are each amended to  
34 read as follows:

1 (1) Each recipient of a deferral of taxes granted under this  
2 chapter must file a complete annual ~~((survey))~~ tax preference  
3 accountability report with the department under ~~((RCW 82.32.585))~~  
4 section 1 of this act. If the economic benefits of the deferral are  
5 passed to a lessee as provided in RCW 82.75.010(5), the lessee must  
6 file a complete annual ~~((survey))~~ tax preference accountability  
7 report, and the applicant is not required to file the annual  
8 ~~((survey))~~ tax preference accountability report.

9 (2) A recipient who must repay deferred taxes under RCW  
10 82.75.040(2) because the department has found that an investment  
11 project is used for purposes other than qualified biotechnology  
12 product manufacturing or medical device manufacturing activities is  
13 no longer required to file annual ~~((surveys under RCW 82.32.585))~~ tax  
14 preference accountability reports under section 1 of this act  
15 beginning on the date an investment project is used for nonqualifying  
16 purposes.

17 **Sec. 46.** RCW 82.82.020 and 2010 c 114 s 148 are each amended to  
18 read as follows:

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

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

34 (3) Each recipient of a deferral of taxes under this chapter must  
35 file a complete annual ~~((survey))~~ tax preference accountability  
36 report with the department under ~~((RCW 82.32.585))~~ section 1 of this  
37 act. If the economic benefits of the deferral are passed to a lessee  
38 as provided in RCW 82.82.010(5), the lessee must file a complete  
39 annual ~~((survey))~~ tax preference accountability report, and the

1 applicant is not required to file the annual ((survey)) tax  
2 preference accountability report.

3 (4) A recipient who must repay deferred taxes under RCW 82.82.040  
4 because the department has found that an investment project is no  
5 longer an eligible investment project is no longer required to file  
6 annual ((surveys under RCW 82.32.585)) tax preference accountability  
7 reports under section 1 of this act beginning on the date an  
8 investment project is used for nonqualifying purposes.

9 **Sec. 47.** RCW 82.82.040 and 2010 c 114 s 149 are each amended to  
10 read as follows:

11 (1) Except as provided in subsection (2) of this section and  
12 ((RCW 82.32.585)) section 1 of this act, taxes deferred under this  
13 chapter need not be repaid.

14 (2)(a) If, on the basis of the ((survey under RCW 82.32.585)) tax  
15 preference accountability report under section 1 of this act or other  
16 information, the department finds that an investment project is no  
17 longer an "eligible investment project" under RCW 82.82.010 at any  
18 time during the calendar year in which the investment project is  
19 certified by the department as having been operationally completed,  
20 or at any time during any of the seven succeeding calendar years, a  
21 portion of deferred taxes are immediately due according to the  
22 following schedule:

23	Year in which use occurs	% of deferred taxes due
24	1	100%
25	2	87.5%
26	3	75%
27	4	62.5%
28	5	50%
29	6	37.5%
30	7	25%
31	8	12.5%

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

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

9 **Sec. 48.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to  
10 read as follows:

11 (1) Machinery and equipment exempt under RCW 82.08.02565 or  
12 82.12.02565 used in manufacturing semiconductor materials at a  
13 building exempt from sales and use tax and in compliance with the  
14 employment requirement under RCW 82.08.965 and 82.12.965 are exempt  
15 from property taxation. "Semiconductor materials" has the same  
16 meaning as provided in RCW 82.04.240(2).

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

19 (3) A person claiming an exemption under this section must file a  
20 complete annual tax preference accountability report with the  
21 department under (~~RCW 82.32.534~~) section 1 of this act.

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

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

27 **Sec. 49.** RCW 84.36.655 and 2013 3rd sp.s. c 2 s 14 are each  
28 amended to read as follows:

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

37 (2) In addition to all other requirements under this title, a  
38 person claiming the exemption under this section must file a complete

1 annual tax preference accountability report with the department under  
2 ((~~RCW 82.32.534~~)) section 1 of this act.

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

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

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

13 **Sec. 50.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401  
14 are each reenacted and amended to read as follows:

15 (1)(a) Sections 11, 16, 20, 25, 27, 34, 36, and 49, chapter ...,  
16 Laws of 2016 (sections 11, 16, 20, 25, 27, 34, 36, and 49 of this  
17 act), section 206, chapter 106, Laws of 2010, sections 104, 110, 117,  
18 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3,  
19 chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and  
20 section 4, chapter 149, Laws of 2003 are contingent upon the siting  
21 and commercial operation of a significant semiconductor microchip  
22 fabrication facility in the state of Washington.

23 (b) For the purposes of this section:

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

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

28 (iii) "Significant" means the combined investment of new  
29 buildings and new machinery and equipment in the buildings, at the  
30 commencement of commercial production, will be at least one billion  
31 dollars.

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

36 (3)(a) The department of revenue must provide notice of the  
37 effective date of sections 11, 16, 20, 25, 27, 34, 36, and 49,  
38 chapter ..., Laws of 2016 (sections 11, 16, 20, 25, 27, 34, 36, and  
39 49 of this act), sections 104, 110, 117, 123, 125, 129, 131, and 150,

1 chapter 114, Laws of 2010(~~{,}~~), section 3, chapter 461, Laws of  
2 2009, section 7, chapter 300, Laws of 2006, and section 4, chapter  
3 149, Laws of 2003 to affected taxpayers, the legislature, and others  
4 as deemed appropriate by the department.

5 (b) If, after making a determination that a contract has been  
6 signed and chapter 149, Laws of 2003 is effective, the department  
7 discovers that commencement of commercial production did not take  
8 place within three years of the date the contract was signed, the  
9 department must make a determination that chapter 149, Laws of 2003  
10 is no longer effective, and all taxes that would have been otherwise  
11 due are deemed deferred taxes and are immediately assessed and  
12 payable from any person reporting tax under RCW 82.04.240(2) or  
13 claiming an exemption or credit under section 2 or 5 through 10,  
14 chapter 149, Laws of 2003. The department is not authorized to make a  
15 second determination regarding the effective date of chapter 149,  
16 Laws of 2003.

17 NEW SECTION. **Sec. 51.** Sections 13, 17, and 31 of this act take  
18 effect July 1, 2016.

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