
SUBSTITUTE HOUSE BILL 1154

State of Washington

65th Legislature

2018 Regular Session

By House Finance (originally sponsored by Representatives Tarleton, Smith, and Santos)

READ FIRST TIME 02/01/18.

1 AN ACT Relating to ensuring the competitiveness of Washington
2 state's fishing and seafood processing industries by supporting the
3 recapitalization of fishing fleets through certain tax preferences;
4 amending RCW 82.04.440; adding a new section to chapter 82.04 RCW;
5 creating new sections; and providing an effective date.

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

7 NEW SECTION. **Sec. 1.** It is the intent of the legislature to
8 ensure the continued competitiveness of Washington state's maritime,
9 fishing, and seafood processing industries, which, according to 2013
10 economic impact studies are contributing an estimated thirty billion
11 dollars annually to the state's gross domestic product. The
12 legislature notes that recently adopted federal policy encourages
13 modernization of the nation's fishing fleet and therefore is
14 expanding federal funding to finance fishing fleet recapitalization
15 during the coming decade. This legislation intends to support the
16 recapitalization of Washington's North Pacific fishing fleet by
17 enabling our state's shipyards and maritime industries to compete for
18 federal funding dedicated to the fishing fleet recapitalization
19 program. Due to the fact that our state is home to the North Pacific
20 fishing fleet, the largest fleet in the United States producing a
21 majority of the fish harvested and consumed domestically and

1 globally, the legislature finds a compelling need to support efforts
2 to accelerate fleet recapitalization in order to maximize the
3 economic benefits to our state from the national recapitalization
4 program. Therefore, a tax preference is established to support the
5 continued competitiveness of Washington's fishing and seafood
6 processing industries.

7 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04
8 RCW to be codified between RCW 82.04.230 and 82.04.298 to read as
9 follows:

10 (1) Until July 1, 2027, upon every person engaging within this
11 state in the business of manufacturing qualified vessels or
12 components of qualified vessels, or making sales, at retail or
13 wholesale, of qualified vessels or components of qualified vessels,
14 manufactured by the seller, as to such persons the amount of tax with
15 respect to such businesses is, in the case of manufacturers, equal to
16 the value of the product manufactured and the gross proceeds of sales
17 of the product manufactured, or in the case of processors for hire,
18 equal to the gross income of the business, multiplied by the rate of
19 0.2904 percent.

20 (2) Persons reporting under the tax rate provided in subsection
21 (1) of this section must obtain documentation from the buyer
22 establishing, to the department's satisfaction, that the vessel meets
23 the definition of qualified vessel or that the component is to be
24 installed in a qualified vessel. Such documentation must be preserved
25 by the person for five years.

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

28 (a) "Qualified vessel" means a vessel that is limited to
29 participation in rationalized federal fisheries, under the
30 jurisdiction of the Pacific or North Pacific fishery management
31 council, or state-managed limited entry fisheries. Questions as to a
32 fishery's status as a rationalized fishery will be determined by the
33 Washington department of fish and wildlife.

34 (b) "Rationalized fishery" means a federally managed fishery in
35 which all participants are allocated a proportion of the harvest
36 either through an individual share or through participation in a
37 cooperative, and therefore are not competing for harvest. State-
38 managed limited entry fisheries are fisheries managed by Alaska,

1 Oregon, or Washington, occurring in either federal or state waters,
2 in which a fixed number of participants are authorized to harvest.

3 **Sec. 3.** RCW 82.04.440 and 2011 c 2 s 205 are each amended to
4 read as follows:

5 (1) Every person engaged in activities that are subject to tax
6 under two or more provisions of RCW 82.04.230 through 82.04.298,
7 inclusive, is taxable under each provision applicable to those
8 activities.

9 (2) Persons taxable under RCW 82.04.2909(2), 82.04.250,
10 82.04.270, 82.04.294(2), ~~((e))~~ 82.04.260 (1)(b), (c), or (d), (4),
11 (11), or (12), or section 2 of this act with respect to selling
12 products in this state, including those persons who are also taxable
13 under RCW 82.04.261, are allowed a credit against those taxes for any
14 (a) manufacturing taxes paid with respect to the manufacturing of
15 products so sold in this state, and/or (b) extracting taxes paid with
16 respect to the extracting of products so sold in this state or
17 ingredients of products so sold in this state. Extracting taxes taken
18 as credit under subsection (3) of this section may also be taken
19 under this subsection, if otherwise allowable under this subsection.
20 The amount of the credit may not exceed the tax liability arising
21 under this chapter with respect to the sale of those products.

22 (3) Persons taxable as manufacturers under RCW 82.04.240 or
23 82.04.260 (1)(b) or (12), including those persons who are also
24 taxable under RCW 82.04.261, are allowed a credit against those taxes
25 for any extracting taxes paid with respect to extracting the
26 ingredients of the products so manufactured in this state. The amount
27 of the credit may not exceed the tax liability arising under this
28 chapter with respect to the manufacturing of those products.

29 (4) Persons taxable under RCW 82.04.230, 82.04.240,
30 82.04.2909(1), 82.04.294(1), 82.04.2404, ~~((e))~~ 82.04.260 (1), (2),
31 (4), (11), or (12), or section 2 of this act, including those persons
32 who are also taxable under RCW 82.04.261, with respect to extracting
33 or manufacturing products in this state are allowed a credit against
34 those taxes for any ~~((i))~~ (a) gross receipts taxes paid to another
35 state with respect to the sales of the products so extracted or
36 manufactured in this state, ~~((ii))~~ (b) manufacturing taxes paid
37 with respect to the manufacturing of products using ingredients so
38 extracted in this state, or ~~((iii))~~ (c) manufacturing taxes paid
39 with respect to manufacturing activities completed in another state

1 for products so manufactured in this state. The amount of the credit
2 may not exceed the tax liability arising under this chapter with
3 respect to the extraction or manufacturing of those products.

4 (5) (~~For the purpose of this section:~~) The definitions in this
5 subsection apply throughout this section unless the context clearly
6 requires otherwise.

7 (a) "Gross receipts tax" means a tax:

8 (i) Which is imposed on or measured by the gross volume of
9 business, in terms of gross receipts or in other terms, and in the
10 determination of which the deductions allowed would not constitute
11 the tax an income tax or value added tax; and

12 (ii) Which is also not, pursuant to law or custom, separately
13 stated from the sales price.

14 (b) "State" means (i) the state of Washington, (ii) a state of
15 the United States other than Washington, or any political subdivision
16 of such other state, (iii) the District of Columbia, and (iv) any
17 foreign country or political subdivision thereof.

18 (c) "Manufacturing tax" means a gross receipts tax imposed on the
19 act or privilege of engaging in business as a manufacturer, and
20 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2404,
21 82.04.2909(1), 82.04.260 (1), (2), (4), (11), and (12), and
22 82.04.294(1); (ii) the tax imposed under RCW 82.04.261 on persons who
23 are engaged in business as a manufacturer; and (iii) similar gross
24 receipts taxes paid to other states.

25 (d) "Extracting tax" means a gross receipts tax imposed on the
26 act or privilege of engaging in business as an extractor, and
27 includes (i) the tax imposed on extractors in RCW 82.04.230 and
28 82.04.260(12); (ii) the tax imposed under RCW 82.04.261 on persons
29 who are engaged in business as an extractor; and (iii) similar gross
30 receipts taxes paid to other states.

31 (e) "Business", "manufacturer", "extractor", and other terms used
32 in this section have the meanings given in RCW 82.04.020 through
33 (~~82.04.212~~ [~~82.04.217~~]) 82.04.217, notwithstanding the use of those
34 terms in the context of describing taxes imposed by other states.

35 NEW SECTION. **Sec. 4.** (1) This section is the tax preference
36 performance statement for the tax preference established in section
37 2, chapter . . ., Laws of 2018 (section 2 of this act). The
38 performance statement is only intended to be used for subsequent
39 evaluation of the tax preference. It is not intended to create a

1 private right of action by any party or be used to determine
2 eligibility for preferential tax treatment.

3 (2) The legislature categorizes this tax preference as one
4 intended to improve industry competitiveness, as indicated in RCW
5 82.32.808(2)(b).

6 (3) It is the legislature's specific public policy objective to
7 increase long-term industry competitiveness and economic activity,
8 and maintain jobs related to the maritime industry by providing a tax
9 preference for recapitalizing the commercial fishing fleet.

10 (4) To measure the effectiveness of the tax preference
11 established in section 2, chapter . . ., Laws of 2018 (section 2 of
12 this act) in achieving the specific public policy objective described
13 in subsection (3) of this section, the joint legislative audit and
14 review committee must evaluate whether the number of qualified
15 vessels manufactured in this state has increased since enactment of
16 the tax preference. In addition, the evaluation must assess economic
17 growth by comparing gross revenues, provided by the department of
18 revenue, of vessel manufacturers prior to and after enactment of the
19 preference to determine if there is an increase in vessel
20 manufacturing gross revenues. If the review finds that the number of
21 qualified vessels manufactured in this state has increased, along
22 with gross revenues of vessel manufacturers, then the legislature
23 intends for the legislative auditor to recommend extending the
24 expiration date of the tax preference.

25 (5) In order to obtain the data necessary to perform the review
26 in subsection (4) of this section, the joint legislative audit and
27 review committee may refer to data available from the department of
28 commerce and any other data it deems necessary.

29 NEW SECTION. **Sec. 5.** The credit authorized in section 3 of this
30 act is not subject to the provisions of RCW 82.32.805 and 82.32.808.

31 NEW SECTION. **Sec. 6.** This act takes effect July 1, 2019.

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