

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 1296

65th Legislature
2017 Regular Session

Passed by the House February 27, 2017
Yeas 96 Nays 0

Speaker of the House of Representatives

Passed by the Senate April 11, 2017
Yeas 48 Nays 1

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 1296** as passed by House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 1296

Passed Legislature - 2017 Regular Session

State of Washington

65th Legislature

2017 Regular Session

By House Finance (originally sponsored by Representatives Nealey, Springer, Harris, Vick, MacEwen, Stokesbary, Orcutt, Haler, and Condotta)

READ FIRST TIME 02/07/17.

1 AN ACT Relating to consolidating and simplifying the annual
2 report and annual survey used for economic development tax
3 incentives; amending RCW 82.32.534, 82.32.590, 82.32.600, 82.32.605,
4 82.32.607, 82.32.710, 82.32.808, 82.04.240, 82.04.2404, 82.04.2909,
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; repealing RCW 82.32.585;
12 providing an effective date; and providing a contingent effective
13 date.

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

15 **Sec. 1.** RCW 82.32.534 and 2016 c 175 s 1 are each amended to
16 read as follows:

17 (1)(a)(i) Beginning in calendar year 2018, every person claiming
18 a tax preference that requires ((a)) an annual tax performance report
19 under this section must file a complete annual report with the
20 department. The report is due by May 31st of the year following any

1 calendar year in which a person becomes eligible to claim the tax
2 preference that requires a report under this section.

3 (ii) If the tax preference is a deferral of tax, the first annual
4 tax performance report must be filed by May 31st of the calendar year
5 following the calendar year in which the investment project is
6 certified by the department as operationally complete, and an annual
7 tax performance report must be filed by May 31st of each of the seven
8 succeeding calendar years.

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

11 (b) The report must include information detailing employment(~~(7)~~)
12 and wages(~~(7, and employer-provided health and retirement benefits)~~)
13 for employment positions in Washington for the year that the tax
14 preference was claimed. However, persons engaged in manufacturing
15 commercial airplanes or components of such airplanes may report
16 employment, wage, and benefit information per job at the
17 manufacturing site for the year that the tax preference was claimed.
18 The report must not include names of employees. The report must also
19 detail employment by the total number of full-time, part-time, and
20 temporary positions for the year that the tax preference was claimed.
21 In lieu of reporting employment and wage data required under this
22 subsection, taxpayers may instead opt to allow the employment
23 security department to release the same employment and wage
24 information from unemployment insurance records to the department and
25 the joint legislative audit and review committee. This option is
26 intended to reduce the reporting burden for taxpayers, and each
27 taxpayer electing to use this option must affirm that election in
28 accordance with procedures approved by the employment security
29 department.

30 (c) Persons receiving the benefit of the tax preference provided
31 by RCW 82.16.0421 or claiming any of the tax preferences provided by
32 RCW 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, or 82.12.022(5)
33 must indicate on the annual report the quantity of product produced
34 in this state during the time period covered by the report.

35 (d) If a person filing a report under this section did not file a
36 report with the department in the previous calendar year, the report
37 filed under this section must also include employment, wage, and
38 benefit information for the calendar year immediately preceding the
39 calendar year for which a tax preference was claimed.

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

5 **(b) The report must include the amount of the tax preference**
6 **claimed for the calendar year covered by the report. For a person**
7 **that claimed an exemption provided in RCW 82.08.025651 or**
8 **82.12.025651, the report must include the amount of tax exempted**
9 **under those sections in the prior calendar year for each general area**
10 **or category of research and development for which exempt machinery**
11 **and equipment and labor and services were acquired in the prior**
12 **calendar year.**

13 (3) Other than information requested under subsection (2)(a) of
14 this section, the information contained in an annual report filed
15 under this section is not subject to the confidentiality provisions
16 of RCW 82.32.330 and may be disclosed to the public upon request.

17 (4)(a) Except as otherwise provided by law, if a person claims a
18 tax preference that requires an annual report under this section but
19 fails to submit a complete report by the due date or any extension
20 under RCW 82.32.590, the department must declare:

21 (i) Thirty-five percent of the amount of the tax preference
22 claimed for the previous calendar year to be immediately due and
23 payable; (~~and~~)

24 (ii) An additional fifteen percent of the amount of the tax
25 preference claimed for the previous calendar year to be immediately
26 due and payable if the person has previously been assessed under this
27 subsection (4) for failure to submit a report under this section for
28 the same tax preference; and

29 **(iii) If the tax preference is a deferral of tax, the amount**
30 **immediately due under this subsection is twelve and one-half percent**
31 **of the deferred tax. If the economic benefits of the deferral are**
32 **passed to a lessee, the lessee is responsible for payment to the**
33 **extent the lessee has received the economic benefit.**

34 (b) The department may not assess interest or penalties on
35 amounts due under this subsection.

36 (5) The department must use the information from this section to
37 prepare summary descriptive statistics by category. No fewer than
38 three taxpayers may be included in any category. The department must
39 report these statistics to the legislature each year by December
40 31st.

1 (6) For the purposes of this section:

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

4 (b) "Tax preference" has the meaning provided in RCW 43.136.021
5 and includes only the tax preferences requiring a (~~survey~~) report
6 under this section.

7 NEW SECTION. **Sec. 2.** RCW 82.32.585 (Annual survey requirement
8 for tax preferences) and 2016 c 175 s 2, 2014 c 97 s 103, 2011 c 23 s
9 6, & 2010 c 114 s 102 are each repealed.

10 **Sec. 3.** RCW 82.32.590 and 2011 c 174 s 306 are each amended to
11 read as follows:

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

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

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

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

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

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

6 **Sec. 4.** RCW 82.32.600 and 2010 c 114 s 136 are each amended to
7 read as follows:

8 (1) Persons required to file annual (~~surveys or annual reports~~
9 ~~under RCW 82.32.534 or 82.32.585~~) tax performance reports under RCW
10 82.32.534 must electronically file with the department all
11 (~~surveys~~) reports, returns, and any other forms or information the
12 department requires in an electronic format as provided or approved
13 by the department. As used in this section, "returns" has the same
14 meaning as "return" in RCW 82.32.050.

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

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

21 **Sec. 5.** RCW 82.32.605 and 2013 2nd sp.s. c 13 s 1004 are each
22 amended to read as follows:

23 (1) Every taxpayer claiming an exemption under RCW 82.08.956 or
24 82.12.956 must file with the department a complete annual (~~survey as~~
25 ~~required under RCW 82.32.585~~) tax performance report under RCW
26 82.32.534, except that the taxpayer must file a separate (~~survey~~)
27 tax performance report for each facility owned or operated in the
28 state of Washington.

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

30 **Sec. 6.** RCW 82.32.607 and 2013 2nd sp.s. c 13 s 1503 are each
31 amended to read as follows:

32 Every taxpayer claiming an exemption under RCW 82.08.962 or
33 82.12.962 must file with the department a complete annual (~~survey as~~
34 ~~required under RCW 82.32.585~~) tax performance report under RCW
35 82.32.534, except that the taxpayer must file a separate (~~survey~~)
36 tax performance report for each facility owned or operated in the
37 state of Washington developed with machinery, equipment, services, or

1 labor for which the exemption under RCW 43.136.058, 82.08.962, and
2 82.12.962 is claimed.

3 **Sec. 7.** RCW 82.32.710 and 2010 c 114 s 137 are each amended to
4 read as follows:

5 (1) A client under the terms of a professional employer agreement
6 is deemed to be the sole employer of a covered employee for purposes
7 of eligibility for any tax credit, exemption, or other tax incentive,
8 arising as the result of the employment of covered employees,
9 provided in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483,
10 82.08.965, 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or
11 82.70 RCW, or any other provision in this title. A client, and not
12 the professional employer organization, is entitled to the benefit of
13 any tax credit, exemption, or other tax incentive arising as the
14 result of the employment of covered employees of that client.

15 (2) A client under the terms of a professional employer agreement
16 is deemed to be the sole employer of a covered employee for purposes
17 of tax performance reports (~~(or surveys)~~) that require the reporting
18 of employment information relating to covered employees of the
19 client, as provided in RCW 82.32.534 (~~(or 82.32.585)~~). A client, and
20 not the professional employer organization, is required to complete
21 any (~~(survey or)~~) tax performance report that requires the reporting
22 of employment information relating to covered employees of that
23 client.

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

27 **Sec. 8.** RCW 82.32.808 and 2013 2nd sp.s. c 13 s 1702 are each
28 amended to read as follows:

29 (1) As provided in this section, every bill enacting a new tax
30 preference must include a tax preference performance statement,
31 unless the legislation enacting the new tax preference contains an
32 explicit exemption from the requirements of this section.

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

1 (a) Tax preferences intended to induce certain designated
2 behavior by taxpayers;

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

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

5 (d) Tax preferences intended to reduce structural inefficiencies
6 in the tax structure;

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

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

11 (3) In addition to identifying the general legislative purpose of
12 the tax preference under subsection (2) of this section, the tax
13 preference performance statement must provide additional detailed
14 information regarding the legislative purpose of the new tax
15 preference.

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

22 (5) If the tax preference performance statement for a new tax
23 preference indicates a legislative purpose described in subsection
24 (2)(b) or (c) of this section, any taxpayer claiming the new tax
25 preference must file an annual (~~survey~~) tax performance report in
26 accordance with RCW (~~82.32.585~~) 82.32.534.

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

1 to report taxes to the department on a monthly or quarterly basis and
2 the buyer is required to submit an exemption certificate, or similar
3 document, to the seller.

4 (b) This subsection does not apply to:

5 (i) Property tax exemptions;

6 (ii) Tax preferences required by constitutional law;

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

9 (iv) Taxpayers who are annual filers.

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

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

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

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

31 (c) In lieu of the disclosure and waiver requirements under this
32 subsection, the requirements under RCW ((~~82.32.585~~)) 82.32.534 apply
33 to any tax preference that requires a ((~~survey~~)) tax performance
34 report.

35 (8) If a new tax preference does not include the information
36 required under subsections (2) through (4) of this section, the joint
37 legislative audit and review committee is not required to perform a
38 tax preference review under chapter 43.136 RCW, and it is
39 legislatively presumed that it is the intent of the legislature to

1 allow the new tax preference to expire upon its scheduled expiration
2 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. 9.** 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 performance report
24 with the department under RCW 82.32.534.

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

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

30 **Sec. 10.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to
31 read as follows:

32 (1) Upon every person engaging within this state in the business
33 of manufacturing or processing for hire semiconductor materials, as
34 to such persons the amount of tax with respect to such business is,
35 in the case of manufacturers, equal to the value of the product
36 manufactured, or, in the case of processors for hire, equal to the
37 gross income of the business, multiplied by the rate of 0.275
38 percent.

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

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

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

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

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

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

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

30 (c)(i) (~~Beginning July 1, 2025~~) Except as provided otherwise in
31 (c)(iii) of this subsection, from July 1, 2025, until January 1,
32 2036, dairy products; or selling dairy products that the person has
33 manufactured to purchasers who either transport in the ordinary
34 course of business the goods out of state or purchasers who use such
35 dairy products as an ingredient or component in the manufacturing of
36 a dairy product; as to such persons the tax imposed is equal to the
37 value of the products manufactured or the gross proceeds derived from
38 such sales multiplied by the rate of 0.138 percent. Sellers must keep
39 and preserve records for the period required by RCW 82.32.070

1 establishing that the goods were transported by the purchaser in the
2 ordinary course of business out of this state or sold to a
3 manufacturer for use as an ingredient or component in the
4 manufacturing of a dairy product.

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

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

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

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

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

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

35 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or
36 biodiesel feedstock, as those terms are defined in RCW 82.29A.135; as
37 to such persons the amount of tax with respect to the business is
38 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel
39 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 performance report with the
33 department under RCW 82.32.534.

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 performance report with
10 the department under RCW (~~82.32.585~~) 82.32.534.

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

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

21 (b) A person reporting under the tax rate provided in this
22 subsection (14) must file a complete annual tax performance report
23 with the department under RCW 82.32.534.

24 **Sec. 12.** RCW 82.04.2909 and 2015 3rd sp.s. c 6 s 502 are each
25 amended to read as follows:

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

33 (2) Upon every person who is an aluminum smelter engaging within
34 this state in the business of making sales at wholesale of aluminum
35 manufactured by that person, as to such persons the amount of tax
36 with respect to such business is equal to the gross proceeds of sales
37 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 performance report with the
3 department under RCW 82.32.534.

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

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

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

9 (2) For the purposes of this section:

10 (a) "Manufacturing semiconductor microchips" means taking raw
11 polished semiconductor wafers and embedding integrated circuits on
12 the wafers using processes such as masking, etching, and diffusion;
13 and

14 (b) "Integrated circuit" means a set of microminiaturized,
15 electronic circuits.

16 (3) A person reporting under the tax rate provided in this
17 section must file a complete annual tax performance report with the
18 department under RCW 82.32.534.

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

21 **Sec. 14.** RCW 82.04.4277 and 2016 sp.s. c 29 s 532 are each
22 amended to read as follows:

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

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

31 (3) A person claiming a deduction under this section must file a
32 complete annual tax performance report with the department under RCW
33 82.32.534.

34 (4) The definitions in this subsection apply throughout this
35 section unless the context clearly requires otherwise.

36 (a) "Chemical dependency" has the same meaning as provided in RCW
37 70.96A.020.

1 (b) "Health or social welfare organization" has the meaning
2 provided in RCW 82.04.431.

3 (c) "Mental health services" and "behavioral health organization"
4 have the meanings provided in RCW 71.24.025.

5 (5) This section expires January 1, 2020.

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

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

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

17 (b) Before July 1, 2005, any credits earned under this section
18 must be accrued and carried forward and may not be used until July 1,
19 2005. These carryover credits may be used at any time thereafter, and
20 may be carried over until used. Refunds may not be granted in the
21 place of a credit.

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

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

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

1 (5) The definitions in this subsection apply throughout this
2 section.

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

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

20 (c) "Qualified aerospace product development" means aerospace
21 product development performed within this state.

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

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

37 (6) In addition to all other requirements under this title, a
38 person claiming the credit under this section must file a complete
39 annual tax performance report with the department under RCW
40 82.32.534.

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

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

4 **Sec. 16.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each
5 amended to read as follows:

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

9 (2) The credit is equal to:

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

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

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

27 (ii) Property taxes attributable to an increase in assessed value
28 due to the renovation or expansion, after: (A) December 1, 2003, of a
29 building used exclusively in manufacturing commercial airplanes or
30 components of such airplanes; and (B) June 30, 2008, of buildings
31 used exclusively for aerospace product development, manufacturing
32 tooling specifically designed for use in manufacturing commercial
33 airplanes or their components, or in providing aerospace services, by
34 persons not within the scope of (a)(ii)(A) of this subsection (2) and
35 are taxable under RCW 82.04.290(3), 82.04.260(11)(b), or
36 82.04.250(3); and

37 (b) An amount equal to:

1 (i)(A) Property taxes paid, by persons taxable under RCW
2 82.04.260(11)(a), on machinery and equipment exempt under RCW
3 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

4 (B) Property taxes paid, by persons taxable under RCW
5 82.04.260(11)(b), on machinery and equipment exempt under RCW
6 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

7 (C) Property taxes paid, by persons taxable under RCW
8 82.04.250(3) or 82.04.290(3), on computer hardware, computer
9 peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and
10 acquired after June 30, 2008.

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

14 (A) The numerator of the fraction is the total taxable amount
15 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the
16 applicable business activities of manufacturing commercial airplanes,
17 components of such airplanes, or tooling specifically designed for
18 use in the manufacturing of commercial airplanes or components of
19 such airplanes.

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

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

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

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

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

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

3 (b) "Aerospace services" has the same meaning given in RCW
4 82.08.975.

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

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

11 (5) In addition to all other requirements under this title, a
12 person claiming the credit under this section must file a complete
13 annual tax performance report with the department under RCW
14 82.32.534.

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

16 **Sec. 17.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to
17 read as follows:

18 (1) Subject to the limits and provisions of this section, a
19 credit is authorized against the tax otherwise due under RCW
20 82.04.240(2) for persons engaged in the business of manufacturing
21 semiconductor materials. For the purposes of this section
22 "semiconductor materials" has the same meaning as provided in RCW
23 82.04.240(2).

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

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

37 (c) In those situations where a production building in existence
38 on the effective date of this section will be phased out of
39 operation, during which time employment at the new building at the

1 same site is increased, the person is eligible for credit for
2 employment at the existing building and new building, with the
3 limitation that the combined eligible employment not exceed full
4 employment at the new building. "Full employment" has the same
5 meaning as in RCW 82.08.965. The credit may not be earned until the
6 commencement of commercial production, as that term is used in RCW
7 82.08.965.

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

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

21 (5) A person claiming the credit under this section must file a
22 complete annual tax performance report with the department under RCW
23 82.32.534.

24 (6) Credits may be claimed after twelve years after the effective
25 date of this act, for those buildings at which commercial production
26 began before twelve years after the effective date of this act,
27 subject to all of the eligibility criteria and limitations of this
28 section.

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

31 **Sec. 18.** RCW 82.04.4481 and 2015 3rd sp.s. c 6 s 503 are each
32 amended to read as follows:

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

37 (2) A person claiming the credit under this section is subject to
38 all the requirements of chapter 82.32 RCW. A credit earned during one
39 calendar year may be carried over to be credited against taxes

1 incurred in the subsequent calendar year, but may not be carried over
2 a second year. Credits carried over must be applied to tax liability
3 before new credits. No refunds may be granted for credits under this
4 section.

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

7 (4) A person claiming the credit provided in this section must
8 file a complete annual tax performance report with the department
9 under RCW 82.32.534.

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

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

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

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

25 (b) If an activity is conducted both from a rural county and
26 outside of a rural county, the credit is available if at least ninety
27 percent of the qualifying activity is conducted within a rural
28 county. If the qualifying activity is a service taxable activity, the
29 place where the work is performed is the place at which the activity
30 is conducted.

31 (4)(a) The credit under this section (~~shall~~) equals one
32 thousand dollars for each new qualified employment position created
33 after January 1, 2004, in an eligible area. A credit is earned for
34 the calendar year the person is hired to fill the position.
35 Additionally a credit is earned for each year the position is
36 maintained over the subsequent consecutive years, up to four years.
37 The county must meet the definition of a rural county at the time the
38 position is filled. If the county does not have a rural county status

1 the following year or years, the position is still eligible for the
2 remaining years if all other conditions are met.

3 (b) Participants who claimed credit under RCW 82.04.4456 for
4 qualified employment positions created before December 31, 2003, are
5 eligible to earn credit for each year the position is maintained over
6 the subsequent consecutive years, for up to four years, which four
7 years include any years claimed under RCW 82.04.4456. Those persons
8 who did not receive a credit under RCW 82.04.4456 before December 31,
9 2003, are not eligible to earn credit for qualified employment
10 positions created before December 31, 2003.

11 (c) Credit is authorized for new employees hired for new
12 qualified employment positions created on or after January 1, 2004.
13 New qualified employment positions filled by existing employees are
14 eligible for the credit under this section only if the position
15 vacated by the existing employee is filled by a new hire. A business
16 that is a sole proprietorship without any employees is equivalent to
17 one employee position and this type of business is eligible to
18 receive credit for one position.

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

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

29 (6) 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, applies
35 retroactively to the date the tax credit was taken, and accrues until
36 the taxes for which a credit has been used are repaid.

37 (7) The credit under this section may be used against any tax due
38 under this chapter, but in no case may a credit earned during one
39 calendar year be carried over to be credited against taxes incurred
40 in a subsequent calendar year. A person is not eligible to receive a

1 credit under this section if the person is receiving credit for the
2 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking
3 a credit under this chapter for information technology help desk
4 services conducted from a rural county. No refunds may be granted for
5 credits under this section.

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

10 (9) A person claiming a tax credit under this section must file a
11 complete annual ((survey)) tax performance report with the department
12 under RCW ((82.32.585)) 82.32.534.

13 (10) As used in this section:

14 (a) "Computer software" has the meaning as defined in RCW
15 82.04.215 after June 30, 2004, and includes "software" as defined in
16 RCW 82.04.215 before July 1, 2004.

17 (b) "Manufacturing" means the same as "to manufacture" under RCW
18 82.04.120. Manufacturing includes the activities of both
19 manufacturers and processors for hire.

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

24 (d) "Qualifying activity" means manufacturing of computer
25 software or programming.

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

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

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

38 **Sec. 20.** RCW 82.04.449 and 2012 c 46 s 3 are each amended to
39 read as follows:

1 (1) In computing the tax imposed under this chapter, a credit is
2 allowed for participants in the Washington customized employment
3 training program created in RCW 28B.67.020. The credit allowed under
4 this section is equal to fifty percent of the value of a
5 participant's payments to the employment training finance account
6 created in RCW 28B.67.030. If a participant in the program does not
7 meet the requirements of RCW 28B.67.020(2)(b)(ii), the participant
8 must remit to the department the value of any credits taken plus
9 interest. The credit earned by a participant in one calendar year may
10 be carried over to be credited against taxes incurred in a subsequent
11 calendar year. No credit may be allowed for repayment of training
12 allowances received from the Washington customized employment
13 training program on or after July 1, 2021.

14 (2) A person claiming the credit provided in this section must
15 file a complete annual (~~survey~~) tax performance report with the
16 department under RCW (~~82.32.585~~) 82.32.534.

17 **Sec. 21.** RCW 82.08.805 and 2015 3rd sp.s. c 6 s 504 are each
18 amended to read as follows:

19 (1) A person who has paid tax under RCW 82.08.020 for personal
20 property used at an aluminum smelter, tangible personal property that
21 will be incorporated as an ingredient or component of buildings or
22 other structures at an aluminum smelter, or for labor and services
23 rendered with respect to such buildings, structures, or personal
24 property, is eligible for an exemption from the state share of the
25 tax in the form of a credit, as provided in this section. A person
26 claiming an exemption must pay the tax and may then take a credit
27 equal to the state share of retail sales tax paid under RCW
28 82.08.020. The person must submit information, in a form and manner
29 prescribed by the department, specifying the amount of qualifying
30 purchases or acquisitions for which the exemption is claimed and the
31 amount of exempted tax.

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

34 (3) A person claiming the tax preference provided in this section
35 must file a complete annual tax performance report with the
36 department under RCW 82.32.534.

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

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

3 (1) The tax levied by RCW 82.08.020 does not apply to charges
4 made for labor and services rendered in respect to the constructing
5 of new buildings used for the manufacturing of semiconductor
6 materials, to sales of tangible personal property that will be
7 incorporated as an ingredient or component of such buildings during
8 the course of the constructing, or to labor and services rendered in
9 respect to installing, during the course of constructing, building
10 fixtures not otherwise eligible for the exemption under RCW
11 82.08.02565(2)(b). The exemption is available only when the buyer
12 provides the seller with an exemption certificate in a form and
13 manner prescribed by the department. The seller must retain a copy of
14 the certificate for the seller's files.

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

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

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

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

39 (d) No application is necessary for the tax exemption. The person
40 is subject to all the requirements of chapter 82.32 RCW. A person

1 claiming the exemption under this section must file a complete annual
2 tax performance report with the department under RCW 82.32.534.

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

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

12 (5) For the purposes of this section:

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

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

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

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

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

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

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

1 "semiconductor materials" has the meaning provided in RCW 82.04.2404
2 and 82.04.294(3).

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

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

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

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

15 **Sec. 24.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to
16 read as follows:

17 (1) The tax levied by RCW 82.08.020 does not apply to sales of
18 gases and chemicals used by a manufacturer or processor for hire in
19 the manufacturing of semiconductor materials. This exemption is
20 limited to gases and chemicals used in the manufacturing process to
21 grow the product, deposit or grow permanent or sacrificial layers on
22 the product, to etch or remove material from the product, to anneal
23 the product, to immerse the product, to clean the product, and other
24 such uses whereby the gases and chemicals come into direct contact
25 with the product during the manufacturing process, or uses of gases
26 and chemicals to clean the chambers and other like equipment in which
27 such processing takes place. For the purposes of this section,
28 "semiconductor materials" has the same meaning as provided in RCW
29 82.04.240(2).

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

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

36 **Sec. 25.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each
37 amended to read as follows:

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

1 (a) Charges, for labor and services rendered in respect to the
2 constructing of new buildings, made to (i) a manufacturer engaged in
3 the manufacturing of commercial airplanes or the fuselages or wings
4 of commercial airplanes or (ii) a port district, political
5 subdivision, or municipal corporation, to be leased to a manufacturer
6 engaged in the manufacturing of commercial airplanes or the fuselages
7 or wings of commercial airplanes;

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

11 (c) Charges made for labor and services rendered in respect to
12 installing, during the course of constructing such buildings,
13 building fixtures not otherwise eligible for the exemption under RCW
14 82.08.02565(2)(b).

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

19 (3) No application is necessary for the tax exemption in this
20 section. However, in order to qualify under this section before
21 starting construction, the port district, political subdivision, or
22 municipal corporation must have entered into an agreement with the
23 manufacturer to build such a facility. A person claiming the
24 exemption under this section is subject to all the requirements of
25 chapter 82.32 RCW. In addition, the person must file a complete
26 annual tax performance report with the department under RCW
27 82.32.534.

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

32 (a) Commercial airplanes;

33 (b) Fuselages of commercial airplanes; or

34 (c) Wings of commercial airplanes.

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

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

38 **Sec. 26.** RCW 82.08.986 and 2015 3rd sp.s. c 6 s 302 are each
39 amended to read as follows:

1 (1) An exemption from the tax imposed by RCW 82.08.020 is
2 provided for sales to qualifying businesses and to qualifying tenants
3 of eligible server equipment to be installed, without intervening
4 use, in an eligible computer data center, and to charges made for
5 labor and services rendered in respect to installing eligible server
6 equipment. Until January 1, 2026, the exemption also applies to sales
7 to qualifying businesses and to qualifying tenants of eligible power
8 infrastructure, including labor and services rendered in respect to
9 constructing, installing, repairing, altering, or improving eligible
10 power infrastructure.

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

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

25 (c) With respect to computer data centers for which the
26 commencement of construction occurs after July 1, 2015, but before
27 July 1, 2019, the exemption provided in this section is limited to no
28 more than eight computer data centers, with total eligible data
29 centers provided under this section limited to twelve from July 1,
30 2015, through July 1, 2025. Tenants of qualified data centers do not
31 constitute additional data centers under the limit. The exemption is
32 available on a first-in-time basis based on the date the application
33 required under this section is received by the department. Exemption
34 certificates expire two years after the date of issuance, unless
35 construction has been commenced.

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

1 employment at the eligible computer data center has increased by a
2 minimum of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 (4) A qualifying business or a qualifying tenant claiming an
21 exemption under this section or RCW 82.12.986 must complete an annual
22 tax performance report with the department as required under RCW
23 82.32.534.

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

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

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

32 (b) If a person claims an exemption under this section and
33 subsequently receives the benefit of the deferral program under
34 chapter 82.60 RCW on either the construction, renovation, or
35 expansion of a structure or structures used as a computer data center
36 or machinery or equipment used in a computer data center, the person
37 must repay the amount of taxes exempted under this section. Interest
38 as provided in chapter 82.32 RCW applies to amounts due under this
39 section until paid in full.

1 (6) The definitions in this subsection apply throughout this
2 section unless the context clearly requires otherwise.

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

5 (b) "Building" means a fully enclosed structure with a weather
6 resistant exterior wall envelope or concrete or masonry walls
7 designed in accordance with the requirements for structures under
8 chapter 19.27 RCW. This definition of "building" only applies to
9 computer data centers for which commencement of construction occurs
10 on or after July 1, 2015.

11 (c)(i) "Computer data center" means a facility comprised of one
12 or more buildings, which may be comprised of multiple businesses,
13 constructed or refurbished specifically, and used primarily, to house
14 working servers, where the facility has the following
15 characteristics: (A) Uninterruptible power supplies, generator backup
16 power, or both; (B) sophisticated fire suppression and prevention
17 systems; and (C) enhanced physical security, such as: Restricted
18 access to the facility to selected personnel; permanent security
19 guards; video camera surveillance; an electronic system requiring
20 passcodes, keycards, or biometric scans, such as hand scans and
21 retinal or fingerprint recognition; or similar security features.

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

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

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

37 (e)(i) "Eligible computer data center" means a computer data
38 center:

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

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

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

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

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

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

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

18 (iii) With respect to facilities in existence on April 1, 2010,
19 that are expanded, renovated, or otherwise improved after March 31,
20 2010, or facilities in existence on April 1, 2012, that are expanded,
21 renovated, or otherwise improved after March 31, 2012, or facilities
22 in existence on July 1, 2015, that are expanded, renovated, or
23 otherwise improved after June 30, 2015, an eligible computer data
24 center includes only the portion of the computer data center meeting
25 the requirements in (e)(i)(B) of this subsection (6).

26 (f) "Eligible power infrastructure" means all fixtures and
27 equipment owned by a qualifying business or qualifying tenant and
28 necessary for the transformation, distribution, or management of
29 electricity that is required to operate eligible server equipment
30 within an eligible computer data center. The term includes
31 generators; wiring; cogeneration equipment; and associated fixtures
32 and equipment, such as electrical switches, batteries, and
33 distribution, testing, and monitoring equipment. The term does not
34 include substations.

35 (g) "Eligible server equipment" means:

36 (i) For a qualifying business whose computer data center
37 qualifies as an eligible computer data center under (e)(i)(C)(I) of
38 this subsection (6), the original server equipment installed in an
39 eligible computer data center on or after April 1, 2010, and before
40 January 1, 2026, and replacement server equipment. For purposes of

1 this subsection (6)(g)(i), "replacement server equipment" means
2 server equipment that:

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

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

7 (ii) For a qualifying business whose computer data center
8 qualifies as an eligible computer data center under (e)(i)(C)(II) of
9 this subsection (6), "eligible server equipment" means the original
10 server equipment installed in an eligible computer data center on or
11 after April 1, 2012, and before January 1, 2026, and replacement
12 server equipment. For purposes of this subsection (6)(g)(ii),
13 "replacement server equipment" means server equipment that:

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

17 (B) Is installed and put into regular use before April 1, 2024.

18 (iii)(A) For a qualifying business whose computer data center
19 qualifies as an eligible computer data center under (e)(i)(C)(III) of
20 this subsection (6), "eligible server equipment" means the original
21 server equipment installed in a building within an eligible computer
22 data center on or after July 1, 2015, and replacement server
23 equipment. Server equipment installed in movable or fixed stand-
24 alone, prefabricated, or modular units, including intermodal shipping
25 containers, is not "directly installed in a building." For purposes
26 of this subsection (6)(g)(iii)(A), "replacement server equipment"
27 means server equipment that replaces existing server equipment, if
28 the sale or use of the server equipment to be replaced qualified for
29 an exemption under this section or RCW 82.12.986; and

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

32 (iv) For a qualifying tenant who leases space within an eligible
33 computer data center, "eligible server equipment" means the original
34 server equipment installed within the space it leases from an
35 eligible computer data center on or after April 1, 2010, and before
36 January 1, 2026, and replacement server equipment. For purposes of
37 this subsection (6)(g)(iv), "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;

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

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

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

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

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

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

1 (j) "Server equipment" means the computer hardware located in an
2 eligible computer data center and used exclusively to provide
3 electronic data storage and data management services for internal use
4 by the owner or lessee of the computer data center, for clients of
5 the owner or lessee of the computer data center, or both. "Server
6 equipment" also includes computer software necessary to operate the
7 computer hardware. "Server equipment" does not include personal
8 computers, the racks upon which the server equipment is installed,
9 and computer peripherals such as keyboards, monitors, printers, and
10 mice.

11 **Sec. 27.** RCW 82.12.022 and 2015 3rd sp.s. c 6 s 506 are each
12 amended to read as follows:

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

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

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

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

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

35 (b) A person claiming the exemption provided in this subsection
36 (5) must file a complete annual tax performance report with the
37 department under RCW 82.32.534.

38 (6) The tax imposed by this section does not apply to the use of
39 natural gas, compressed natural gas, or liquefied natural gas, if the

1 consumer uses the gas for transportation fuel as defined in RCW
2 82.16.310.

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

5 (a) The person who sold the gas to the consumer when that tax is
6 a gross receipts tax similar to that imposed pursuant to RCW
7 82.16.020 by another state with respect to the gas for which a credit
8 is sought under this subsection; or

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

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

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

20 (10) The department may adopt rules under chapter 34.05 RCW for
21 the administration and enforcement of sections 1 through 6, chapter
22 384, Laws of 1989.

23 **Sec. 28.** RCW 82.12.025651 and 2011 c 23 s 5 are each amended to
24 read as follows:

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

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

31 (3) A public research institution receiving the benefit of the
32 exemption provided in this section must file a complete annual
33 ((survey)) tax performance report with the department under RCW
34 ((82.32.585)) 82.32.534.

35 **Sec. 29.** RCW 82.12.805 and 2015 3rd sp.s. c 6 s 505 are each
36 amended to read as follows:

37 (1) A person who is subject to tax under RCW 82.12.020 for
38 personal property used at an aluminum smelter, or for tangible

1 personal property that will be incorporated as an ingredient or
2 component of buildings or other structures at an aluminum smelter, or
3 for labor and services rendered with respect to such buildings,
4 structures, or personal property, is eligible for an exemption from
5 the state share of the tax in the form of a credit, as provided in
6 this section. The amount of the credit equals the state share of use
7 tax computed to be due under RCW 82.12.020. The person must submit
8 information, in a form and manner prescribed by the department,
9 specifying the amount of qualifying purchases or acquisitions for
10 which the exemption is claimed and the amount of exempted tax.

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

13 (3) A person reporting under the tax rate provided in this
14 section must file a complete annual tax performance report with the
15 department under RCW 82.32.534.

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

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

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

27 (2) The eligibility requirements, conditions, and definitions in
28 RCW 82.08.965 apply to this section, including the filing of a
29 complete annual tax performance report with the department under RCW
30 82.32.534.

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

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

37 **Sec. 31.** RCW 82.12.9651 and 2014 c 97 s 406 are each amended to
38 read as follows:

1 (1) The provisions of this chapter do not apply with respect to
2 the use of gases and chemicals used by a manufacturer or processor
3 for hire in the production of semiconductor materials. This exemption
4 is limited to gases and chemicals used in the production process to
5 grow the product, deposit or grow permanent or sacrificial layers on
6 the product, to etch or remove material from the product, to anneal
7 the product, to immerse the product, to clean the product, and other
8 such uses whereby the gases and chemicals come into direct contact
9 with the product during the production process, or uses of gases and
10 chemicals to clean the chambers and other like equipment in which
11 such processing takes place. For purposes of this section,
12 "semiconductor materials" has the meaning provided in RCW 82.04.2404
13 and 82.04.294(3).

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

17 ~~(b) A person claiming the exemption under this section and who is~~
18 ~~required to file a complete annual report with the department under~~
19 ~~RCW 82.32.534 as a result of claiming the tax preference provided by~~
20 ~~RCW 82.04.2404 is not also required to file a complete annual survey~~
21 ~~under RCW 82.32.585)) tax performance report with the department~~
22 ~~under RCW 82.32.534.~~

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

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

26 **Sec. 32.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to
27 read as follows:

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

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

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

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

9 **Sec. 33.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each
10 amended to read as follows:

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

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

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

23 (2) The eligibility requirements, conditions, and definitions in
24 RCW 82.08.980 apply to this section, including the filing of a
25 complete annual tax performance report with the department under RCW
26 82.32.534.

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

28 **Sec. 34.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended to
29 read as follows:

30 (1) (~~For the purposes of this section:~~) The definitions in this
31 subsection apply throughout this section unless the context clearly
32 requires otherwise.

33 (a) "Chlor-alkali electrolytic processing business" means a
34 person who is engaged in a business that uses more than ten average
35 megawatts of electricity per month in a chlor-alkali electrolytic
36 process to split the electrochemical bonds of sodium chloride and
37 water to make chlorine and sodium hydroxide. A "chlor-alkali
38 electrolytic processing business" does not include direct service

1 industrial customers or their subsidiaries that contract for the
2 purchase of power from the Bonneville power administration as of June
3 10, 2004.

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

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

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

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

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

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

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

1 (5) A person receiving the benefit of the exemption provided in
2 this section must file a complete annual tax performance report with
3 the department under RCW 82.32.534.

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

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

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

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

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

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

20 **Sec. 36.** RCW 82.60.070 and 2010 1st sp.s. c 16 s 9 are each
21 amended to read as follows:

22 (1)(a) Each recipient of a deferral of taxes granted under this
23 chapter must file a complete annual (~~(survey)~~) tax performance report
24 with the department under RCW (~~(82.32.585)~~) 82.32.534. If the
25 economic benefits of the deferral are passed to a lessee as provided
26 in RCW 82.60.025, the lessee must file a complete annual (~~(survey)~~)
27 tax performance report, and the applicant is not required to file a
28 complete annual (~~(survey)~~) tax performance report.

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

1 ~~firms' operations into the state,~~) and such other factors as the
2 department selects.

3 (2) Except as provided in RCW 82.60.063, if, on the basis of a
4 (~~survey under RCW 82.32.585~~) tax performance report under RCW
5 82.32.534 or other information, the department finds that an
6 investment project is not eligible for tax deferral under this
7 chapter, the amount of deferred taxes outstanding for the project,
8 according to the repayment schedule in RCW 82.60.060, is immediately
9 due. For purposes of this subsection (2), the repayment schedule in
10 RCW 82.60.060 is tolled during the period of time that a taxpayer is
11 receiving relief from repayment of deferred taxes under RCW
12 82.60.063.

13 (3) A recipient who must repay deferred taxes under subsection
14 (2) of this section because the department has found that an
15 investment project is not eligible for tax deferral under this
16 chapter is no longer required to file annual (~~surveys under RCW~~
17 ~~82.32.585~~) tax performance reports under RCW 82.32.534 beginning on
18 the date an investment project is used for nonqualifying purposes.

19 (4) Notwithstanding any other provision of this section or RCW
20 (~~82.32.585~~) 82.32.534, deferred taxes on the following need not be
21 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. 37.** RCW 82.63.020 and 2010 c 114 s 140 are each amended to
28 read as follows:

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

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

5 (2) Each recipient of a deferral of taxes under this chapter must
6 file a complete annual ~~((survey))~~ tax performance report with the
7 department under RCW ~~((82.32.585))~~ 82.32.534. If the economic
8 benefits of the deferral are passed to a lessee as provided in RCW
9 82.63.010(7), the lessee must file a complete annual ~~((survey))~~ tax
10 performance report, and the applicant is not required to file the
11 annual ~~((survey))~~ tax performance report.

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

22 ~~((4))~~ A recipient who must repay deferred taxes under RCW
23 82.63.045 because the department has found that an investment project
24 is used for purposes other than research and development performed
25 within this state in the fields of advanced computing, advanced
26 materials, biotechnology, electronic device technology, and
27 environmental technology is no longer required to file annual
28 ~~((surveys under RCW 82.32.585))~~ tax performance reports under RCW
29 82.32.534 beginning on the date an investment project is used for
30 nonqualifying purposes.

31 **Sec. 38.** RCW 82.63.045 and 2010 c 114 s 141 are each amended to
32 read as follows:

33 (1) Except as provided in subsection (2) of this section and RCW
34 ~~((82.32.585))~~ 82.32.534, taxes deferred under this chapter need not
35 be repaid.

36 (2)(a) If, on the basis of the ~~((survey under RCW 82.32.585))~~ tax
37 performance report under RCW 82.32.534 or other information, the
38 department finds that an investment project is used for purposes
39 other than qualified research and development or pilot scale

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

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

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

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

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

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

34 (5) Notwithstanding subsection (2) of this section or RCW
35 (~~82.32.585~~) 82.32.534, deferred taxes on the following need not be
36 repaid:

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

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

6 **Sec. 39.** RCW 82.74.040 and 2010 c 114 s 142 are each amended to
7 read as follows:

8 (1) Each recipient of a deferral of taxes granted under this
9 chapter must file a complete annual (~~(survey)~~) tax performance report
10 with the department under RCW (~~(82.32.585)~~) 82.32.534. If the
11 economic benefits of the deferral are passed to a lessee as provided
12 in RCW 82.74.010(6), the lessee must file a complete annual
13 (~~(survey)~~) tax performance report, and the applicant is not required
14 to file the annual (~~(survey)~~) tax performance report.

15 (2) A recipient who must repay deferred taxes under RCW
16 82.74.050(2) because the department has found that an investment
17 project is used for purposes other than fresh fruit and vegetable
18 processing, dairy product manufacturing, seafood product
19 manufacturing, cold storage warehousing, or research and development
20 is no longer required to file annual (~~(surveys under RCW 82.32.585)~~)
21 tax performance reports under RCW 82.32.534 beginning on the date an
22 investment project is used for nonqualifying purposes.

23 **Sec. 40.** RCW 82.74.050 and 2010 c 114 s 143 are each amended to
24 read as follows:

25 (1) Except as provided in subsection (2) of this section and RCW
26 (~~(82.32.585)~~) 82.32.534, taxes deferred under this chapter need not
27 be repaid.

28 (2)(a) If, on the basis of the (~~(survey under RCW 82.32.585)~~) tax
29 performance report under RCW 82.32.534 or other information, the
30 department finds that an investment project is used for purposes
31 other than fresh fruit and vegetable processing, dairy product
32 manufacturing, seafood product manufacturing, cold storage
33 warehousing, or research and development at any time during the
34 calendar year in which the investment project is certified by the
35 department as having been operationally completed, or at any time
36 during any of the seven succeeding calendar years, a portion of

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

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

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

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

25 (4) Notwithstanding subsection (2) of this section or RCW
26 (~~82.32.585~~) 82.32.534, deferred taxes on the following need not be
27 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. 41.** RCW 82.75.040 and 2010 c 114 s 147 are each amended to
34 read as follows:

1 (1) Except as provided in subsection (2) of this section and RCW
2 (~~82.32.585~~) 82.32.534, taxes deferred under this chapter need not
3 be repaid.

4 (2)(a) If, on the basis of the (~~survey under RCW 82.32.585~~) tax
5 performance report under RCW 82.32.534 or other information, the
6 department finds that an investment project is used for purposes
7 other than qualified biotechnology product manufacturing or medical
8 device manufacturing activities at any time during the calendar year
9 in which the eligible investment project is certified by the
10 department as having been operationally completed, or at any time
11 during any of the seven succeeding calendar years, a portion of
12 deferred taxes is immediately due and payable according to the
13 following schedule:

14	Year in which use occurs	% of deferred taxes due
15	1	100%
16	2	87.5%
17	3	75%
18	4	62.5%
19	5	50%
20	6	37.5%
21	7	25%
22	8	12.5%

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

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

34 (4) Notwithstanding subsection (2) of this section or RCW
35 (~~82.32.585~~) 82.32.534, deferred taxes on the following need not be
36 repaid:

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

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

6 **Sec. 42.** RCW 82.75.070 and 2010 c 114 s 144 are each amended to
7 read as follows:

8 (1) Each recipient of a deferral of taxes granted under this
9 chapter must file a complete annual (~~(survey)~~) tax performance report
10 with the department under RCW (~~(82.32.585)~~) 82.32.534. If the
11 economic benefits of the deferral are passed to a lessee as provided
12 in RCW 82.75.010(5), the lessee must file a complete annual
13 (~~(survey)~~) tax performance report, and the applicant is not required
14 to file the annual (~~(survey)~~) tax performance report.

15 (2) A recipient who must repay deferred taxes under RCW
16 82.75.040(2) because the department has found that an investment
17 project is used for purposes other than qualified biotechnology
18 product manufacturing or medical device manufacturing activities is
19 no longer required to file annual (~~(surveys under RCW 82.32.585)~~) tax
20 performance reports under RCW 82.32.534 beginning on the date an
21 investment project is used for nonqualifying purposes.

22 **Sec. 43.** RCW 82.82.020 and 2010 c 114 s 148 are each amended to
23 read as follows:

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

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

1 (3) Each recipient of a deferral of taxes under this chapter must
2 file a complete annual ~~((survey))~~ tax performance report with the
3 department under RCW ~~((82.32.585))~~ 82.32.534. If the economic
4 benefits of the deferral are passed to a lessee as provided in RCW
5 82.82.010(5), the lessee must file a complete annual ~~((survey))~~ tax
6 performance report, and the applicant is not required to file the
7 annual ~~((survey))~~ tax performance report.

8 (4) A recipient who must repay deferred taxes under RCW 82.82.040
9 because the department has found that an investment project is no
10 longer an eligible investment project is no longer required to file
11 annual ~~((surveys under RCW 82.32.585))~~ tax performance reports under
12 RCW 82.32.534 beginning on the date an investment project is used for
13 nonqualifying purposes.

14 **Sec. 44.** RCW 82.82.040 and 2010 c 114 s 149 are each amended to
15 read as follows:

16 (1) Except as provided in subsection (2) of this section and RCW
17 ~~((82.32.585))~~ 82.32.534, taxes deferred under this chapter need not
18 be repaid.

19 (2)(a) If, on the basis of the ~~((survey under RCW 82.32.585))~~ tax
20 performance report under RCW 82.32.534 or other information, the
21 department finds that an investment project is no longer an "eligible
22 investment project" under RCW 82.82.010 at any time during the
23 calendar year in which the investment project is certified by the
24 department as having been operationally completed, or at any time
25 during any of the seven succeeding calendar years, a portion of
26 deferred taxes are immediately due according to the following
27 schedule:

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

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

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

12 **Sec. 45.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to
13 read as follows:

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

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

22 (3) A person claiming an exemption under this section must file a
23 complete annual tax performance report with the department under RCW
24 82.32.534.

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

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

30 **Sec. 46.** RCW 84.36.655 and 2013 3rd sp.s. c 2 s 14 are each
31 amended to read as follows:

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

1 this section, "superefficient airplane" and "component" have the
2 meanings given in RCW 82.32.550.

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 performance report with the department under RCW
6 82.32.534.

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

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

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

17 **Sec. 47.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401
18 are each reenacted and amended to read as follows:

19 (1)(a) Sections 9, 13, 17, 22, 24, 30, 32, and 45, chapter . . . ,
20 Laws of 2017 (sections 9, 13, 17, 22, 24, 30, 32, and 45 of this act)
21 section 206, chapter 106, Laws of 2010, sections 104, 110, 117, 123,
22 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3, chapter
23 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and section
24 4, chapter 149, Laws of 2003 are contingent upon the siting and
25 commercial operation of a significant semiconductor microchip
26 fabrication facility in the state of Washington.

27 (b) For the purposes of this section:

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

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

32 (iii) "Significant" means the combined investment of new
33 buildings and new machinery and equipment in the buildings, at the
34 commencement of commercial production, will be at least one billion
35 dollars.

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

1 (3)(a) The department of revenue must provide notice of the
2 effective date of sections 9, 13, 17, 22, 24, 30, 32, and 45,
3 chapter . . . , Laws of 2017 (sections 9, 13, 17, 22, 24, 30, 32, and
4 45 of this act), section 206, chapter 106, Laws of 2010, sections
5 104, 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of
6 2010(~~(+,+)~~), section 3, chapter 461, Laws of 2009, section 7, chapter
7 300, Laws of 2006, and section 4, chapter 149, Laws of 2003 to
8 affected taxpayers, the legislature, and others as deemed appropriate
9 by the department.

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

22 NEW SECTION. **Sec. 48.** This act takes effect January 1, 2018.

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