
SENATE BILL 5467

State of Washington

66th Legislature

2019 Regular Session

By Senators Lias, Short, Takko, Padden, Sheldon, Hobbs, Warnick, Wellman, and Van De Wege

1 AN ACT Relating to extending the tax preferences in RCW
2 82.04.260(12); amending RCW 82.04.260; creating a new section; and
3 providing an effective date.

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

5 **Sec. 1.** RCW 82.04.260 and 2018 c 164 s 3 are each amended to
6 read as follows:

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

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

15 (b) Beginning July 1, 2025, seafood products that remain in a
16 raw, raw frozen, or raw salted state at the completion of the
17 manufacturing by that person; or selling manufactured seafood
18 products that remain in a raw, raw frozen, or raw salted state at the
19 completion of the manufacturing, to purchasers who transport in the
20 ordinary course of business the goods out of this state; as to such
21 persons the amount of tax with respect to such business is equal to

1 the value of the products manufactured or the gross proceeds derived
2 from such sales, multiplied by the rate of 0.138 percent. Sellers
3 must keep and preserve records for the period required by RCW
4 82.32.070 establishing that the goods were transported by the
5 purchaser in the ordinary course of business out of this state;

6 (c)(i) Except as provided otherwise in (c)(iii) of this
7 subsection, from July 1, 2025, until January 1, 2036, dairy products;
8 or selling dairy products that the person has manufactured to
9 purchasers who either transport in the ordinary course of business
10 the goods out of state or purchasers who use such dairy products as
11 an ingredient or component in the manufacturing of a dairy product;
12 as to such persons the tax imposed is equal to the value of the
13 products manufactured or the gross proceeds derived from such sales
14 multiplied by the rate of 0.138 percent. Sellers must keep and
15 preserve records for the period required by RCW 82.32.070
16 establishing that the goods were transported by the purchaser in the
17 ordinary course of business out of this state or sold to a
18 manufacturer for use as an ingredient or component in the
19 manufacturing of a dairy product.

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

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

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

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

34 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,
35 preserving, freezing, processing, or dehydrating fresh fruits or
36 vegetables, or selling at wholesale fruits or vegetables manufactured
37 by the seller by canning, preserving, freezing, processing, or
38 dehydrating fresh fruits or vegetables and sold to purchasers who
39 transport in the ordinary course of business the goods out of this
40 state; as to such persons the amount of tax with respect to such

1 business is equal to the value of the products manufactured or the
2 gross proceeds derived from such sales multiplied by the rate of
3 0.138 percent. Sellers must keep and preserve records for the period
4 required by RCW 82.32.070 establishing that the goods were
5 transported by the purchaser in the ordinary course of business out
6 of this state.

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

10 (e) Wood biomass fuel; as to such persons the amount of tax with
11 respect to the business is equal to the value of wood biomass fuel
12 manufactured, multiplied by the rate of 0.138 percent. For the
13 purposes of this section, "wood biomass fuel" means a liquid or
14 gaseous fuel that is produced from lignocellulosic feedstocks,
15 including wood, forest, ~~((~~for~~))~~ or field residue(~~(~~r~~))~~ and dedicated
16 energy crops, and that does not include wood treated with chemical
17 preservations such as creosote, pentachlorophenol, or copper-chrome-
18 arsenic.

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

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

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

33 (5) Upon every person engaging within this state in the business
34 of acting as a travel agent or tour operator; as to such persons the
35 amount of the tax with respect to such activities is equal to the
36 gross income derived from such activities multiplied by the rate of
37 0.275 percent.

38 (6) Upon every person engaging within this state in business as
39 an international steamship agent, international customs house broker,
40 international freight forwarder, vessel and/or cargo charter broker

1 in foreign commerce, and/or international air cargo agent; as to such
2 persons the amount of the tax with respect to only international
3 activities is equal to the gross income derived from such activities
4 multiplied by the rate of 0.275 percent.

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

34 (8) (a) Upon every person engaging within this state in the
35 business of disposing of low-level waste, as defined in RCW
36 43.145.010; as to such persons the amount of the tax with respect to
37 such business is equal to the gross income of the business, excluding
38 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
39 3.3 percent.

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

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

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

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

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

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

31 (b) Beginning July 1, 2008, upon every person who is not eligible
32 to report under the provisions of (a) of this subsection (11) and is
33 engaging within this state in the business of manufacturing tooling
34 specifically designed for use in manufacturing commercial airplanes
35 or components of such airplanes, or making sales, at retail or
36 wholesale, of such tooling manufactured by the seller, as to such
37 persons the amount of tax with respect to such business is, in the
38 case of manufacturers, equal to the value of the product manufactured
39 and the gross proceeds of sales of the product manufactured, or in

1 the case of processors for hire, be equal to the gross income of the
2 business, multiplied by the rate of 0.2904 percent.

3 (c) For the purposes of this subsection (11), "commercial
4 airplane" and "component" have the same meanings as provided in RCW
5 82.32.550.

6 (d) In addition to all other requirements under this title, a
7 person reporting under the tax rate provided in this subsection (11)
8 must file a complete annual tax performance report with the
9 department under RCW 82.32.534.

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

12 (ii) With respect to the manufacturing of commercial airplanes or
13 making sales, at retail or wholesale, of commercial airplanes, this
14 subsection (11) does not apply on and after July 1st of the year in
15 which the department makes a determination that any final assembly or
16 wing assembly of any version or variant of a commercial airplane that
17 is the basis of a siting of a significant commercial airplane
18 manufacturing program in the state under RCW 82.32.850 has been sited
19 outside the state of Washington. This subsection (11)(e)(ii) only
20 applies to the manufacturing or sale of commercial airplanes that are
21 the basis of a siting of a significant commercial airplane
22 manufacturing program in the state under RCW 82.32.850.

23 (12)(a) Until July 1, 2024, upon every person engaging within
24 this state in the business of extracting timber or extracting for
25 hire timber; as to such persons the amount of tax with respect to the
26 business is, in the case of extractors, equal to the value of
27 products, including by-products, extracted, or in the case of
28 extractors for hire, equal to the gross income of the business,
29 multiplied by the rate of 0.4235 percent from July 1, 2006, through
30 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
31 2024.

32 (b) Until July 1, 2024, upon every person engaging within this
33 state in the business of manufacturing or processing for hire: (i)
34 Timber into timber products or wood products; (~~(e)~~) (ii) timber
35 products into other timber products or wood products; or (iii)
36 products defined in RCW 19.27.570(1); as to such persons the amount
37 of the tax with respect to the business is, in the case of
38 manufacturers, equal to the value of products, including by-products,
39 manufactured, or in the case of processors for hire, equal to the
40 gross income of the business, multiplied by the rate of 0.4235

1 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent
2 from July 1, 2007, through June 30, 2024.

3 (c) Until July 1, 2024, upon every person engaging within this
4 state in the business of selling at wholesale: (i) Timber extracted
5 by that person; (ii) timber products manufactured by that person from
6 timber or other timber products; ~~((\oplus))~~ (iii) wood products
7 manufactured by that person from timber or timber products; or (iv)
8 products defined in RCW 19.27.570(1) manufactured by that person as
9 to such persons the amount of the tax with respect to the business is
10 equal to the gross proceeds of sales of the timber, timber products,
11 ~~((\oplus))~~ wood products, or products defined in RCW 19.27.570(1)
12 multiplied by the rate of 0.4235 percent from July 1, 2006, through
13 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
14 2024.

15 (d) Until July 1, 2024, upon every person engaging within this
16 state in the business of selling standing timber; as to such persons
17 the amount of the tax with respect to the business is equal to the
18 gross income of the business multiplied by the rate of 0.2904
19 percent. For purposes of this subsection (12)(d), "selling standing
20 timber" means the sale of timber apart from the land, where the buyer
21 is required to sever the timber within thirty months from the date of
22 the original contract, regardless of the method of payment for the
23 timber and whether title to the timber transfers before, upon, or
24 after severance.

25 (e) For purposes of this subsection, the following definitions
26 apply:

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

31 (ii) "Paper and paper products" means products made of interwoven
32 cellulosic fibers held together largely by hydrogen bonding. "Paper
33 and paper products" includes newsprint; office, printing, fine, and
34 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
35 kraft bag, construction, and other kraft industrial papers;
36 paperboard, liquid packaging containers, containerboard, corrugated,
37 and solid-fiber containers including linerboard and corrugated
38 medium; and related types of cellulosic products containing
39 primarily, by weight or volume, cellulosic materials. "Paper and
40 paper products" does not include books, newspapers, magazines,

1 periodicals, and other printed publications, advertising materials,
2 calendars, and similar types of printed materials.

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

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

13 (v) "Timber products" means:

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

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

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

21 (vi) "Wood products" means paper and paper products; dimensional
22 lumber; engineered wood products such as particleboard, oriented
23 strand board, medium density fiberboard, and plywood; wood doors;
24 wood windows; and biocomposite surface products.

25 (f) Except for small harvesters as defined in RCW 84.33.035, a
26 person reporting under the tax rate provided in this subsection (12)
27 must file a complete annual tax performance report with the
28 department under RCW 82.32.534.

29 (g) Nothing in this subsection (12) may be construed to affect
30 the taxation of any activity defined as a retail sale in RCW
31 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW
32 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

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

38 (14)(a) Upon every person engaging within this state in the
39 business of printing a newspaper, publishing a newspaper, or both,
40 the amount of tax on such business is equal to the gross income of

1 the business multiplied by the rate of 0.35 percent until July 1,
2 2024, and 0.484 percent thereafter.

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

6 NEW SECTION. **Sec. 2.** This act is exempt from RCW 82.32.805 and
7 82.32.808.

8 NEW SECTION. **Sec. 3.** This act takes effect October 1, 2019.

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