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**HOUSE BILL 1858**

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**State of Washington**

**67th Legislature**

**2022 Regular Session**

**By** Representatives Stokesbary, Dufault, Jacobsen, Shewmake, Graham, and Young

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1 AN ACT Relating to alleviating consumer inflation by leveraging  
2 the state's significant budget surplus to reduce taxes on producers  
3 of certain consumer staple goods; amending RCW 82.04.240, 82.04.240,  
4 82.04.2404, 82.04.260, 82.16.020, 82.04.4266, 82.04.4268, 82.04.4269,  
5 82.32.790, 49.04.220, 82.04.250, 82.04.2602, 82.04.261, 82.04.290,  
6 82.04.298, 82.04.334, 82.04.440, 82.04.4463, 82.04.460, 82.08.806,  
7 and 82.45.195; adding a new section to chapter 82.04 RCW; creating  
8 new sections; and providing an effective date.

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

10 **PART I**

11 NEW SECTION. **Sec. 101.** The legislature recognizes that  
12 Washington has a historic budget surplus due to rising revenue  
13 forecasts, federal spending on pandemic-related relief, and lower  
14 enrollments and caseloads. The legislature finds that it can provide  
15 tax relief without jeopardizing important government services, and  
16 that the current inflationary environment justifies doing so at this  
17 time. According to the United States bureau of labor statistics,  
18 Washington state inflation exceeded the national average over the  
19 last year at 6.5 percent, relative to 6.2 percent nationally. Food  
20 prices were up 7.9 percent, including a 22 percent increase in the

1 price of meat, poultry, fish, and eggs. Energy prices and gas prices  
2 are up, impacting both consumers and producers. In November of 2021,  
3 inflation rose at the fastest pace since 1982. Economist Milton  
4 Friedman is reported to have said "inflation is taxation without  
5 legislation." Inflation is also a tax that is highly regressive,  
6 falling harder on the poor than the wealthy, because low-income  
7 people are more likely to rent their homes and therefore less likely  
8 to benefit from price gains in hard assets that occur in an  
9 inflationary environment. The legislature finds that state tax policy  
10 should respond to this mix of historic budget surplus and historic  
11 levels of inflation that is eroding the purchasing power of working  
12 families. Therefore, the legislature intends to cut taxes on the  
13 producers of consumer goods and key supply chain industries so they  
14 can pass along cost savings to consumers and make capital investments  
15 to increase their output, which will reduce prices through increased  
16 supply.

17 **Sec. 102.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to  
18 read as follows:

19 Upon every person engaging within this state in business as a  
20 manufacturer, except persons taxable as manufacturers under other  
21 provisions of this chapter; as to such persons the amount of the tax  
22 with respect to such business shall be equal to the value of the  
23 products, including by-products, manufactured, multiplied by the rate  
24 of (~~0.484~~) 0.2904 percent.

25 The measure of the tax is the value of the products, including  
26 by-products, so manufactured regardless of the place of sale or the  
27 fact that deliveries may be made to points outside the state.

28 **Sec. 103.** RCW 82.04.240 and 2017 3rd sp.s. c 37 s 518 are each  
29 amended to read as follows:

30 (1) Upon every person engaging within this state in business as a  
31 manufacturer, except persons taxable as manufacturers under other  
32 provisions of this chapter; as to such persons the amount of the tax  
33 with respect to such business is equal to the value of the products,  
34 including by-products, manufactured, multiplied by the rate of  
35 (~~0.484~~) 0.2904 percent.

36 (2) (a) Upon every person engaging within this state in the  
37 business of manufacturing semiconductor materials, as to such persons  
38 the amount of tax with respect to such business is, in the case of

1 manufacturers, equal to the value of the product manufactured, or, in  
2 the case of processors for hire, equal to the gross income of the  
3 business, multiplied by the rate of (~~0.275~~) 0.165 percent. For the  
4 purposes of this subsection "semiconductor materials" means silicon  
5 crystals, silicon ingots, raw polished semiconductor wafers, compound  
6 semiconductors, integrated circuits, and microchips.

7 (b) A person reporting under the tax rate provided in this  
8 subsection (2) must file a complete annual tax performance report  
9 with the department under RCW 82.32.534.

10 (3) The measure of the tax is the value of the products,  
11 including by-products, so manufactured regardless of the place of  
12 sale or the fact that deliveries may be made to points outside the  
13 state.

14 (4) This section expires January 1, 2024, unless the contingency  
15 in RCW 82.32.790(2) occurs.

16 **Sec. 104.** RCW 82.04.2404 and 2021 c 145 s 6 are each amended to  
17 read as follows:

18 (1) Upon every person engaging within this state in the business  
19 of manufacturing or processing for hire semiconductor materials, as  
20 to such persons the amount of tax with respect to such business is,  
21 in the case of manufacturers, equal to the value of the product  
22 manufactured, or, in the case of processors for hire, equal to the  
23 gross income of the business, multiplied by the rate of (~~0.275~~)  
24 0.165 percent.

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

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

31 (4) Any person who has claimed the preferential tax rate under  
32 this section must reimburse the department for fifty percent of the  
33 amount of the tax preference under this section, if the number of  
34 persons employed by the person claiming the tax preference is less  
35 than ninety percent of the person's three-year employment average for  
36 the three years immediately preceding the year in which the  
37 preferential tax rate is claimed.

38 (5) This section expires December 1, 2028.

1       **Sec. 105.** RCW 82.04.260 and 2021 c 145 s 7 are each amended to  
2 read as follows:

3       (1) Upon every person engaging within this state in the business  
4 of manufacturing (~~(~~

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

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

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

37       ~~(ii) For the purposes of this subsection (1) (c), "dairy products"~~  
38 ~~means:~~

39       ~~(A) Products, not including any marijuana-infused product, that~~  
40 ~~as of September 20, 2001, are identified in 21 C.F.R., chapter 1,~~

1 parts 131, 133, and 135, including by-products from the manufacturing  
2 of the dairy products, such as whey and casein; and

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

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

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

24 ~~(ii) For purposes of this subsection (1) (d), "fruits" and~~  
25 ~~"vegetables" do not include marijuana, useable marijuana, or~~  
26 ~~marijuana-infused products; and~~

27 ~~(e) Wood) wood biomass fuel; as to such persons the amount of~~  
28 ~~tax with respect to the business is equal to the value of wood~~  
29 ~~biomass fuel manufactured, multiplied by the rate of 0.138 percent.~~  
30 ~~For the purposes of this section, "wood biomass fuel" means a liquid~~  
31 ~~or gaseous fuel that is produced from lignocellulosic feedstocks,~~  
32 ~~including wood, forest, or field residue and dedicated energy crops,~~  
33 ~~and that does not include wood treated with chemical preservations~~  
34 ~~such as creosote, pentachlorophenol, or copper-chrome-arsenic.~~

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

39 (3) Upon every nonprofit corporation and nonprofit association  
40 engaging within this state in research and development, as to such

1 corporations and associations, the amount of tax with respect to such  
2 activities is equal to the gross income derived from such activities  
3 multiplied by the rate of 0.484 percent.

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

9 ~~(5))~~ (a) Upon every person engaging within this state in the  
10 business of acting as a travel agent or tour operator and whose  
11 annual taxable amount for the prior calendar year from such business  
12 was two hundred fifty thousand dollars or less; as to such persons  
13 the amount of the tax with respect to such activities is equal to the  
14 gross income derived from such activities multiplied by the rate of  
15 0.275 percent.

16 (b) Upon every person engaging within this state in the business  
17 of acting as a travel agent or tour operator and whose annual taxable  
18 amount for the prior calendar year from such business was more than  
19 two hundred fifty thousand dollars; as to such persons the amount of  
20 the tax with respect to such activities is equal to the gross income  
21 derived from such activities multiplied by the rate of 0.275 percent  
22 through June 30, 2019, and 0.9 percent beginning July 1, 2019.

23 ~~((+6))~~ (5) Upon every person engaging within this state in  
24 business as an international steamship agent, international customs  
25 house broker, international freight forwarder, vessel and/or cargo  
26 charter broker in foreign commerce, and/or international air cargo  
27 agent; as to such persons the amount of the tax with respect to only  
28 international activities is equal to the gross income derived from  
29 such activities multiplied by the rate of 0.275 percent.

30 ~~((+7))~~ (6) Upon every person engaging within this state in the  
31 business of stevedoring and associated activities pertinent to the  
32 movement of goods and commodities in waterborne interstate or foreign  
33 commerce; as to such persons the amount of tax with respect to such  
34 business is equal to the gross proceeds derived from such activities  
35 multiplied by the rate of 0.275 percent. Persons subject to taxation  
36 under this subsection are exempt from payment of taxes imposed by  
37 chapter 82.16 RCW for that portion of their business subject to  
38 taxation under this subsection. Stevedoring and associated activities  
39 pertinent to the conduct of goods and commodities in waterborne  
40 interstate or foreign commerce are defined as all activities of a

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

19 ~~((+8))~~ (7) (a) Upon every person engaging within this state in  
20 the business of disposing of low-level waste, as defined in RCW  
21 70A.380.010; as to such persons the amount of the tax with respect to  
22 such business is equal to the gross income of the business, excluding  
23 any fees imposed under chapter 70A.384 RCW, multiplied by the rate of  
24 3.3 percent.

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

29 ~~((+9))~~ (8) Upon every person engaging within this state as an  
30 insurance producer or title insurance agent licensed under chapter  
31 48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW;  
32 as to such persons, the amount of the tax with respect to such  
33 licensed activities is equal to the gross income of such business  
34 multiplied by the rate of 0.484 percent.

35 ~~((+10))~~ (9) Upon every person engaging within this state in  
36 business as a hospital, as defined in chapter 70.41 RCW, that is  
37 operated as a nonprofit corporation or by the state or any of its  
38 political subdivisions, as to such persons, the amount of tax with  
39 respect to such activities is equal to the gross income of the

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

3 ~~((11))~~ (10)(a) Beginning October 1, 2005, upon every person  
4 engaging within this state in the business of manufacturing  
5 commercial airplanes, or components of such airplanes, or making  
6 sales, at retail or wholesale, of commercial airplanes or components  
7 of such airplanes, manufactured by the seller, as to such persons the  
8 amount 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 (ii) 0.2904 percent beginning July 1, 2007, through March 31,  
15 2020; and

16 (iii) Beginning April 1, 2020, 0.484 percent, subject to any  
17 reduction required under (e) of this subsection ~~((11))~~ (10). The  
18 tax rate in this subsection ~~((11))~~ (10)(a)(iii) applies to all  
19 business activities described in this subsection ~~((11))~~ (10)(a).

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

31 (i) 0.2904 percent through March 31, 2020; and

32 (ii) Beginning April 1, 2020, the following rates, which are  
33 subject to any reduction required under (e) of this subsection  
34 ~~((11))~~ (10):

35 (A) The rate under RCW 82.04.250(1) on the business of making  
36 retail sales of tooling specifically designed for use in  
37 manufacturing commercial airplanes or components of such airplanes;  
38 and

39 (B) 0.484 percent on all other business activities described in  
40 this subsection ~~((11))~~ (10)(b).

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

4 (d)(i) In addition to all other requirements under this title, a  
5 person reporting under the tax rate provided in this subsection  
6 (~~((11))~~) (10) must file a complete annual tax performance report with  
7 the department under RCW 82.32.534. However, this requirement does  
8 not apply to persons reporting under the tax rate in (a)(iii) of this  
9 subsection (~~((11))~~) (10), so long as that rate remains 0.484 percent,  
10 or under any of the tax rates in (b)(ii)(A) and (B) of this  
11 subsection (~~((11))~~) (10), so long as those tax rates remain the rate  
12 imposed pursuant to RCW 82.04.250(1) and 0.484 percent, respectively.

13 (ii) Nothing in (d)(i) of this subsection (~~((11))~~) (10) may be  
14 construed as affecting the obligation of a person reporting under a  
15 tax rate provided in this subsection (~~((11))~~) (10) to file a complete  
16 annual tax performance report with the department under RCW  
17 82.32.534: (A) Pursuant to another provision of this title as a  
18 result of claiming a tax credit or exemption; or (B) pursuant to  
19 (d)(i) of this subsection (~~((11))~~) (10) as a result of claiming the  
20 tax rates in (a)(ii) or (b)(i) of this subsection (~~((11))~~) (10) for  
21 periods ending before April 1, 2020.

22 (e)(i) After March 31, 2021, the tax rates under (a)(iii) and  
23 (b)(ii) of this subsection (~~((11))~~) (10) must be reduced to 0.357  
24 percent provided the conditions in RCW 82.04.2602 are met. The  
25 effective date of the rates authorized under this subsection (~~((11))~~)  
26 (10)(e) must occur on the first day of the next calendar quarter that  
27 is at least sixty days after the department receives the last of the  
28 two written notices pursuant to RCW 82.04.2602 (3) and (4).

29 (ii) Both a significant commercial airplane manufacturer  
30 separately and the rest of the aerospace industry as a whole,  
31 receiving the rate of 0.357 percent under this subsection (~~((11))~~)  
32 (10)(e) are subject to the aerospace apprenticeship utilization rates  
33 required under RCW 49.04.220 by April 1, 2026, or five years after  
34 the effective date of the 0.357 percent rate authorized under this  
35 subsection (~~((11))~~) (10)(e), whichever is later, as determined by the  
36 department of labor and industries.

37 (iii) The provisions of RCW 82.32.805 and 82.32.808 do not apply  
38 to this subsection (~~((11))~~) (10)(e).

1 (f)(i) Except as provided in (f)(ii) of this subsection (~~((11))~~)  
2 (10), this subsection (~~((11))~~) (10) does not apply on and after July  
3 1, 2040.

4 (ii) With respect to the manufacturing of commercial airplanes or  
5 making sales, at retail or wholesale, of commercial airplanes, this  
6 subsection (~~((11))~~) (10) does not apply on and after July 1st of the  
7 year in which the department makes a determination that any final  
8 assembly or wing assembly of any version or variant of a commercial  
9 airplane that is the basis of a siting of a significant commercial  
10 airplane manufacturing program in the state under RCW 82.32.850 has  
11 been sited outside the state of Washington. This subsection (~~((11))~~)  
12 (10)(f)(ii) only applies to the manufacturing or sale of commercial  
13 airplanes that are the basis of a siting of a significant commercial  
14 airplane manufacturing program in the state under RCW 82.32.850. This  
15 subsection (~~((11))~~) (10)(f)(ii) continues to apply during the time  
16 that a person is subject to the tax rate in (a)(iii) of this  
17 subsection (~~((11))~~) (10).

18 (g) For the purposes of this subsection, "a significant  
19 commercial airplane manufacturer" means a manufacturer of commercial  
20 airplanes with at least fifty thousand full-time employees in  
21 Washington as of January 1, 2021.

22 (~~((12))~~) (11)(a) Until July 1, 2045, upon every person engaging  
23 within this state in the business of extracting timber or extracting  
24 for hire timber; as to such persons the amount of tax with respect to  
25 the business is, in the case of extractors, equal to the value of  
26 products, including by-products, extracted, or in the case of  
27 extractors for hire, equal to the gross income of the business,  
28 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
29 June 30, 2007, and (~~((0.2904))~~) 0.2384 percent from July 1, 2007,  
30 through June 30, 2045.

31 (b) Until July 1, 2045, upon every person engaging within this  
32 state in the business of manufacturing or processing for hire: (i)  
33 Timber into timber products or wood products; (ii) timber products  
34 into other timber products or wood products; or (iii) products  
35 defined in RCW 19.27.570(1); as to such persons the amount of the tax  
36 with respect to the business is, in the case of manufacturers, equal  
37 to the value of products, including by-products, manufactured, or in  
38 the case of processors for hire, equal to the gross income of the  
39 business, multiplied by the rate of 0.4235 percent from July 1, 2006,

1 through June 30, 2007, and (~~0.2904~~) 0.2384 percent from July 1,  
2 2007, through June 30, 2045.

3 (c) Until July 1, 2045, 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; (iii) wood products manufactured by  
7 that person from timber or timber products; or (iv) products defined  
8 in RCW 19.27.570(1) manufactured by that person; as to such persons  
9 the amount of the tax with respect to the business is equal to the  
10 gross proceeds of sales of the timber, timber products, wood  
11 products, or products defined in RCW 19.27.570(1) multiplied by the  
12 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and  
13 (~~0.2904~~) 0.2384 percent from July 1, 2007, through June 30, 2045.

14 (d) Until July 1, 2045, upon every person engaging within this  
15 state in the business of selling standing timber; as to such persons  
16 the amount of the tax with respect to the business is equal to the  
17 gross income of the business multiplied by the rate of (~~0.2904~~)  
18 0.2384 percent. For purposes of this subsection (~~(12)~~) (11)(d),  
19 "selling standing timber" means the sale of timber apart from the  
20 land, where the buyer is required to sever the timber within thirty  
21 months from the date of the original contract, regardless of the  
22 method of payment for the timber and whether title to the timber  
23 transfers before, upon, or after severance.

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

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

30 (ii) "Paper and paper products" means products made of interwoven  
31 cellulosic fibers held together largely by hydrogen bonding. "Paper  
32 and paper products" includes newsprint; office, printing, fine, and  
33 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
34 kraft bag, construction, and other kraft industrial papers;  
35 paperboard, liquid packaging containers, containerboard, corrugated,  
36 and solid-fiber containers including linerboard and corrugated  
37 medium; and related types of cellulosic products containing  
38 primarily, by weight or volume, cellulosic materials. "Paper and  
39 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))~~) (11)  
6 (e)(iii), "postconsumer waste" means a finished material that would  
7 normally be disposed of as solid waste, having completed its life  
8 cycle as a 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  
27 (~~((12))~~) (11) must file a complete annual tax performance report with  
28 the department under RCW 82.32.534.

29 (g) Nothing in this subsection (~~((12))~~) (11) may be construed to  
30 affect 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))~~) (12) Upon every person engaging within this state in  
34 inspecting, testing, labeling, and storing canned salmon owned by  
35 another person, as to such persons, the amount of tax with respect to  
36 such activities is equal to the gross income derived from such  
37 activities multiplied by the rate of 0.484 percent.

38 (~~((14))~~) (13)(a) Upon every person engaging within this state in  
39 the business of printing a newspaper, publishing a newspaper, or  
40 both, the amount of tax on such business is equal to the gross income

1 of 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))~~) (13) must file a complete annual tax performance  
5 report with the department under RCW 82.32.534.

6 **Sec. 106.** RCW 82.16.020 and 2017 3rd sp.s. c 10 s 14 are each  
7 amended to read as follows:

8 (1) There is levied and collected from every person a tax for the  
9 act or privilege of engaging within this state in any one or more of  
10 the businesses herein mentioned. The tax is equal to the gross income  
11 of the business, multiplied by the rate set out after the business,  
12 as follows:

13 (a) Express, sewerage collection, and telegraph businesses: Three  
14 and six-tenths percent;

15 (b) Light and power business: Three and sixty-two one-hundredths  
16 percent;

17 (c) Gas distribution business: Three and six-tenths percent;

18 (d) Urban transportation business: (~~((Six-tenths of one))~~) 0.24  
19 percent;

20 (e) Vessels under sixty-five feet in length, except tugboats,  
21 operating upon the waters within the state: Six-tenths of one  
22 percent;

23 (f) Motor transportation, railroad, railroad car, and tugboat  
24 businesses, and all public service businesses other than ones  
25 mentioned above: (~~((One and eight-tenths of one))~~) 0.72 percent;

26 (g) Water distribution business: Four and seven-tenths percent;

27 (h) Log transportation business: (~~((One and twenty-eight one-  
28 hundredths))~~) 0.512 percent. The reduced rate established in this  
29 subsection (1)(h) is not subject to the ten-year expiration provision  
30 in RCW 82.32.805(1)(a).

31 (2) An additional tax is imposed equal to the rate specified in  
32 RCW 82.02.030 multiplied by the tax payable under subsection (1) of  
33 this section.

34 (3) Twenty percent of the moneys collected under subsection (1)  
35 of this section on water distribution businesses and sixty percent of  
36 the moneys collected under subsection (1) of this section on sewerage  
37 collection businesses must be deposited in the education legacy trust  
38 account created in RCW 83.100.230 from July 1, 2013, through June 30,

1 2023, and thereafter in the public works assistance account created  
2 in RCW 43.155.050.

3 **Sec. 107.** RCW 82.04.4266 and 2020 c 139 s 5 are each amended to  
4 read as follows:

5 (1) This chapter does not apply to the value of products or the  
6 gross proceeds of sales derived from:

7 (a) Manufacturing fruits or vegetables by canning, preserving,  
8 freezing, processing, or dehydrating fresh fruits or vegetables; or

9 (b) Selling at wholesale fruits or vegetables manufactured by the  
10 seller by canning, preserving, freezing, processing, or dehydrating  
11 fresh fruits or vegetables and sold to purchasers who transport in  
12 the ordinary course of business the goods out of this state. A person  
13 taking an exemption under this subsection (1)(b) must keep and  
14 preserve records for the period required by RCW 82.32.070  
15 establishing that the goods were transported by the purchaser in the  
16 ordinary course of business out of this state.

17 (2) For purposes of this section, "fruits" and "vegetables" do  
18 not include marijuana, useable marijuana, or marijuana-infused  
19 products.

20 (3) A person claiming the exemption provided in this section must  
21 file a complete annual tax performance report with the department  
22 under RCW 82.32.534.

23 (~~(4) This section expires July 1, 2025.~~)

24 **Sec. 108.** RCW 82.04.4268 and 2020 c 139 s 6 are each amended to  
25 read as follows:

26 (1) In computing tax there may be deducted from the measure of  
27 tax, the value of products or the gross proceeds of sales derived  
28 from:

29 (a) Manufacturing dairy products; or

30 (b) Selling dairy products manufactured by the seller to  
31 purchasers who either transport in the ordinary course of business  
32 the goods out of this state or purchasers who use such dairy products  
33 as an ingredient or component in the manufacturing of a dairy  
34 product. A person taking an exemption under this subsection (1)(b)  
35 must keep and preserve records for the period required by RCW  
36 82.32.070 establishing that the goods were transported by the  
37 purchaser in the ordinary course of business out of this state or

1 sold to a manufacturer for use as an ingredient or component in the  
2 manufacturing of a dairy product.

3 ~~(("Dairy products" has the same meaning as provided in RCW~~  
4 ~~82.04.260))~~ For purposes of this section, "dairy products" means:

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

9 (b) Products comprised of not less than 70 percent dairy products  
10 that qualify under (a) of this subsection, measured by weight or  
11 volume.

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

15 ~~((4) This section expires July 1, 2025.))~~

16 **Sec. 109.** RCW 82.04.4269 and 2020 c 139 s 7 are each amended to  
17 read as follows:

18 (1) This chapter does not apply to the value of products or the  
19 gross proceeds of sales derived from:

20 (a) Manufacturing seafood products that remain in a raw, raw  
21 frozen, or raw salted state at the completion of the manufacturing by  
22 that person; or

23 (b) Selling manufactured seafood products that remain in a raw,  
24 raw frozen, or raw salted state to purchasers who transport in the  
25 ordinary course of business the goods out of this state. A person  
26 taking an exemption under this subsection (1)(b) must keep and  
27 preserve records for the period required by RCW 82.32.070  
28 establishing that the goods were transported by the purchaser in the  
29 ordinary course of business out of this state.

30 (2) A person claiming the exemption provided in this section must  
31 file a complete annual tax performance report with the department  
32 under RCW 82.32.534.

33 ~~((3) This section expires July 1, 2025.))~~

34 NEW SECTION. **Sec. 110.** A new section is added to chapter 82.04  
35 RCW to read as follows:

36 (1) This chapter does not apply to the value of products or the  
37 gross proceeds of sales derived from:

1 (a) The business of slaughtering, breaking, or processing  
2 perishable meat products or selling perishable meat products at  
3 wholesale only and not at retail;

4 (b) The business of manufacturing wheat into flour, barley into  
5 pearl barley, soybeans into soybean oil, canola into canola oil,  
6 canola meal, or canola by-products, or sunflower seeds into sunflower  
7 oil.

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

11 **PART II**

12 **Sec. 201.** RCW 82.32.790 and 2019 c 449 s 2 are each amended to  
13 read as follows:

14 CONFORMING AMENDMENT. (1)(a) Section ((2)) 103, chapter . . . ,  
15 Laws of 2022 (section 103 of this act), section 1, chapter 449, Laws  
16 of 2019, sections 510, 512, 514, 516, 518, 520, 522, and 524, chapter  
17 37, Laws of 2017 3rd sp. sess., sections 9, 13, 17, 22, 24, 30, 32,  
18 and 45, chapter 135, Laws of 2017, sections 104, 110, 117, 123, 125,  
19 129, 131, and 150, chapter 114, Laws of 2010, and sections 1, 2, 3,  
20 and 5 through 10, chapter 149, Laws of 2003 are contingent upon the  
21 siting and commercial operation of a significant semiconductor  
22 microchip fabrication facility in the state of Washington by January  
23 1, 2024.

24 (b) For the purposes of this section:

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

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

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

33 (2) The sections referenced in subsection (1) of this section  
34 take effect the first day of the month in which a contract for the  
35 construction of a significant semiconductor fabrication facility is  
36 signed, if the contract is signed and received by January 1, 2024, as  
37 determined by the director of the department of revenue.

1 (3) (a) The department of revenue must provide notice of the  
2 effective date of the sections referenced in subsection (1) of this  
3 section to affected taxpayers, the legislature, and others as deemed  
4 appropriate by the department.

5 (b) If, after making a determination that a contract has been  
6 signed and the sections referenced in subsection (1) of this section  
7 are effective, the department discovers that commencement of  
8 commercial production did not take place within three years of the  
9 date the contract was signed, the department must make a  
10 determination that chapter 149, Laws of 2003 is no longer effective,  
11 and all taxes that would have been otherwise due are deemed deferred  
12 taxes and are immediately assessed and payable from any person  
13 reporting tax under RCW 82.04.240(2) or claiming an exemption or  
14 credit under RCW 82.04.426, 82.04.448, 82.08.965, 82.12.965,  
15 82.08.970, 82.12.970, or 84.36.645. The department is not authorized  
16 to make a second determination regarding the effective date of the  
17 sections referenced in subsection (1) of this section.

18 (4) (a) This section expires January 1, 2024, if the contingency  
19 in subsection (2) of this section does not occur by January 1, 2024,  
20 as determined by the department.

21 (b) The department must provide written notice of the expiration  
22 date of this section and the sections referenced in subsection (1) of  
23 this section to affected taxpayers, the legislature, and others as  
24 deemed appropriate by the department.

25 **Sec. 202.** RCW 49.04.220 and 2020 c 165 s 4 are each amended to  
26 read as follows:

27 CONFORMING AMENDMENT. (1) A significant commercial airplane  
28 manufacturer receiving the rate of 0.357 percent under RCW  
29 82.04.260(~~((+11))~~) (10)(e) is subject to an aerospace apprenticeship  
30 utilization rate of one and five-tenths percent of its qualified  
31 apprenticeable workforce in Washington by July 1, 2026, or five years  
32 after the effective date of the 0.357 percent rate authorized under  
33 RCW 82.04.260(~~((+11))~~) (10)(e), whichever is later, as determined by  
34 the department of labor and industries.

35 (2) The aerospace industry in Washington, excluding a significant  
36 commercial airplane manufacturer, is subject to an aerospace  
37 apprenticeship utilization rate of one and five-tenths percent of its  
38 qualified apprenticeable workforce in Washington by July 1, 2026, or  
39 five years after the effective date of the 0.357 percent rate

1 authorized under RCW 82.04.260(~~((11))~~) (10)(e), whichever is later,  
2 as determined by the department of labor and industries.

3 (3) Aerospace employers must report relevant occupation data  
4 related to the qualified apprenticeable workforce to the department  
5 of labor and industries.

6 (4) The department of labor and industries shall report the  
7 aerospace apprenticeship utilization rate to the department (~~((of~~  
8 ~~revenue))~~) of revenue and the appropriate committees of the  
9 legislature annually beginning October 1, 2024.

10 (5) The department of labor and industries shall determine  
11 aerospace apprenticeship utilization rates under this section based  
12 on the framework developed under RCW 49.04.210 and using occupational  
13 data reported to the department of labor and industries and/or the  
14 employment security department. For data reported to the department  
15 of labor and industries, the department of labor and industries shall  
16 determine the form and manner in which occupational data is reported,  
17 consistent with the framework developed under RCW 49.04.210, and may  
18 adopt rules to ensure full participation within the industry  
19 necessary to implement the requirements of this section. The  
20 department of labor and industries, consulting with the department of  
21 revenue, may also require additional information on the annual tax  
22 performance report under RCW 82.32.534. The department of labor and  
23 industries may adopt rules to ensure full participation within the  
24 industry and necessary to implement the requirements of this section.

25 (6) For the purposes of this section, the following definitions  
26 apply.

27 (a) "Aerospace employer" means any person that qualifies for the  
28 rate under RCW 82.04.260(~~((11))~~) (10)(e) with twenty-five or more  
29 employees in positions determined to be qualified occupations by the  
30 Washington state apprenticeship and training council according to  
31 this chapter (~~((49.04-RCW))~~) directly applicable to the production of  
32 commercial aircraft.

33 (b) "Qualified apprenticeable workforce" means all occupations  
34 approved by the Washington state apprenticeship and training council  
35 according to this chapter (~~((49.04-RCW))~~) directly applicable to the  
36 production of commercial aircraft.

37 (c) "Significant commercial airplane manufacturer" means a  
38 manufacturer of commercial airplanes with at least fifty thousand  
39 full-time employees in Washington as of January 1, 2021.

1       **Sec. 203.** RCW 82.04.250 and 2014 c 97 s 402 are each amended to  
2 read as follows:

3       CONFORMING AMENDMENT. (1) Upon every person engaging within this  
4 state in the business of making sales at retail, except persons  
5 taxable as retailers under other provisions of this chapter, as to  
6 such persons, the amount of tax with respect to such business is  
7 equal to the gross proceeds of sales of the business, multiplied by  
8 the rate of 0.471 percent.

9       (2) Upon every person engaging within this state in the business  
10 of making sales at retail that are exempt from the tax imposed under  
11 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
12 82.08.0263, except persons taxable under RCW 82.04.260(~~((11))~~) (10)  
13 or subsection (3) of this section, as to such persons, the amount of  
14 tax with respect to such business is equal to the gross proceeds of  
15 sales of the business, multiplied by the rate of 0.484 percent.

16       (3)(a) Until July 1, 2040, upon every person classified by the  
17 federal aviation administration as a federal aviation regulation part  
18 145 certificated repair station and that is engaging within this  
19 state in the business of making sales at retail that are exempt from  
20 the tax imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,  
21 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with  
22 respect to such business is equal to the gross proceeds of sales of  
23 the business, multiplied by the rate of .2904 percent.

24       (b) A person reporting under the tax rate provided in this  
25 subsection (3) must file a complete annual report with the department  
26 under RCW 82.32.534.

27       **Sec. 204.** RCW 82.04.2602 and 2020 c 165 s 2 are each amended to  
28 read as follows:

29       CONFORMING AMENDMENT. The rate of 0.357 percent authorized  
30 pursuant to RCW 82.04.260(~~((11))~~) (10)(e) may be imposed only if the  
31 following conditions are met:

32       (1) The department of commerce verifies with the United States  
33 trade representative that the United States and the European Union  
34 have entered into a written agreement that resolves any world trade  
35 organization disputes involving large civil aircraft.

36       (2) Such agreement expressly allows a business and occupation tax  
37 rate reduction for commercial airplane manufacturers to 0.357 percent  
38 or less.

1 (3) The department of commerce notifies the department in writing  
2 that the conditions of subsections (1) and (2) of this section are  
3 met and provides a copy of the agreement between the United States  
4 and the European Union or other document providing for the business  
5 and occupation tax rate reduction to the department.

6 (4) The department of labor and industries notifies the  
7 department in writing that a significant commercial airplane  
8 manufacturer has at least a three-tenths of one percent aerospace  
9 apprenticeship utilization rate of its qualified apprenticeable  
10 workforce in Washington, as defined in RCW 49.04.220.

11 (5) Within thirty days of receiving the last of the written  
12 notices described in subsections (3) and (4) of this section, the  
13 department must provide written notice to the chief clerk of the  
14 house of representatives, the secretary of the senate, the office of  
15 the code reviser, and others as deemed appropriate by the department,  
16 that the tax rates in RCW 82.04.260(~~((11))~~) (10)(e) are reduced to  
17 0.357 percent and the effective date of the rate reduction.

18 (6) Any rate reduction to 0.357 percent pursuant to this section  
19 and RCW 82.04.260(~~((11))~~) (10)(e) must occur on the first day of the  
20 next calendar quarter that is at least sixty days after the  
21 department receives the last of the written notices described in  
22 subsections (3) and (4) of this section.

23 (7) For the purpose of this section, "world trade organization  
24 disputes involving large civil airplanes" means any disputes filed by  
25 the United States or the European Union prior to March 25, 2020, that  
26 involve either allegations of subsidies to large civil airplanes, or  
27 allegations of taxes imposed by Washington on commercial airplanes,  
28 or both.

29 **Sec. 205.** RCW 82.04.261 and 2021 c 145 s 8 are each amended to  
30 read as follows:

31 CONFORMING AMENDMENT. (1) In addition to the taxes imposed under  
32 RCW 82.04.260(~~((12))~~) (11), a surcharge is imposed on those persons  
33 who are subject to any of the taxes imposed under RCW  
34 82.04.260(~~((12))~~) (11). Except as otherwise provided in this section,  
35 the surcharge is equal to 0.052 percent. The surcharge is added to  
36 the rates provided in RCW 82.04.260(~~((12))~~) (11) (a), (b), (c), and  
37 (d).

38 (2) All receipts from the surcharge imposed under this section  
39 must be deposited into the forest and fish support account created in

1 RCW 76.09.405, with any receipts above eight million dollars per  
2 biennium specifically used as additional funding for tribal  
3 participation grants.

4 (3) (a) The surcharge imposed under this section is suspended if:

5 (i) Before July 1, 2024, receipts from the surcharge total at  
6 least eight million five hundred thousand dollars during any fiscal  
7 biennium;

8 (ii) Between July 1, 2024, through June 30, 2029, receipts from  
9 the surcharge total at least nine million dollars during any fiscal  
10 biennium; and

11 (iii) After June 30, 2029, the receipts from the surcharge total  
12 at least nine million five hundred thousand dollars during any fiscal  
13 biennium.

14 (b) The suspension of the surcharge under this subsection (3)  
15 takes effect on the first day of the calendar month that is at least  
16 thirty days after the end of the month during which the department  
17 determines that receipts from the surcharge total the values  
18 specified in this subsection (3) during the fiscal biennium. The  
19 surcharge is imposed again at the beginning of the following fiscal  
20 biennium.

21 (4) This section expires July 1, 2045.

22 **Sec. 206.** RCW 82.04.290 and 2020 c 2 s 3 are each amended to  
23 read as follows:

24 CONFORMING AMENDMENT. (1) Upon every person engaging within this  
25 state in the business of providing qualifying international  
26 investment management services, as to such persons, the amount of tax  
27 with respect to such business is equal to the gross income or gross  
28 proceeds of sales of the business multiplied by a rate of 0.275  
29 percent.

30 (2) (a) Upon every person engaging within this state in any  
31 business activity other than or in addition to an activity taxed  
32 explicitly under another section in this chapter or subsection (1) or  
33 (3) of this section; as to such persons the amount of tax on account  
34 of such activities is equal to the gross income of the business  
35 multiplied by the rate of:

36 (i) 1.75 percent; or

37 (ii) 1.5 percent for:

38 (A) Any person subject to the surcharge imposed under RCW  
39 82.04.299;

1 (B) Any person whose gross income of the business subject to the  
2 tax imposed under this subsection (2), for the immediately preceding  
3 calendar year, was less than one million dollars, unless (I) the  
4 person is affiliated with one or more other persons, and (II) the  
5 aggregate gross income of the business subject to the tax imposed  
6 under this subsection (2) for all affiliated persons was greater than  
7 or equal to one million dollars for the immediately preceding  
8 calendar year; and

9 (C) Hospitals as defined in RCW 70.41.020, including any hospital  
10 that comes within the scope of chapter 71.12 RCW if the hospital is  
11 also licensed under chapter 70.41 RCW. This subsection (2)(a)(ii)(C)  
12 must not be construed as modifying RCW 82.04.260(~~(+10)~~) (9).

13 (b) This subsection (2) includes, among others, and without  
14 limiting the scope hereof (whether or not title to materials used in  
15 the performance of such business passes to another by accession,  
16 confusion or other than by outright sale), persons engaged in the  
17 business of rendering any type of service which does not constitute a  
18 "sale at retail" or a "sale at wholesale." The value of advertising,  
19 demonstration, and promotional supplies and materials furnished to an  
20 agent by his or her principal or supplier to be used for  
21 informational, educational, and promotional purposes is not  
22 considered a part of the agent's remuneration or commission and is  
23 not subject to taxation under this section.

24 (c) 14.3 percent of the revenues collected under (a)(i) of this  
25 subsection (2) must be deposited into the workforce education  
26 investment account created in RCW 43.79.195.

27 (d)(i) To aid in the effective administration of this subsection  
28 (2), the department may require a person claiming to be subject to  
29 the 1.5 percent tax rate under (a)(ii)(B) of this subsection (2) to  
30 identify all of the person's affiliates, including their department  
31 tax registration number or unified business identifier number, as may  
32 be applicable, or to certify that the person is not affiliated with  
33 any other person. Requests under this subsection (2)(d)(i) must be in  
34 writing and may be made electronically.

35 (ii) If the department establishes, by clear, cogent, and  
36 convincing evidence, that a person, with intent to evade the  
37 additional taxes due under the 1.75 percent tax rate in (a)(i) of  
38 this subsection (2), failed to provide the department with complete  
39 and accurate information in response to a written request under  
40 (d)(i) of this subsection (2) within thirty days of such request, the

1 person is ineligible for the 1.5 percent tax rate in (a)(ii) of this  
2 subsection (2) for the entire current calendar year and the following  
3 four calendar years. However, the department must waive the  
4 provisions of this subsection (2)(d)(ii) for any tax reporting period  
5 that the person is otherwise eligible for the 1.5 percent tax rate in  
6 (a)(ii) of this subsection (2) if (A) the department has not  
7 previously determined that the person failed to fully comply with  
8 (d)(i) of this subsection (2), and (B) within thirty days of the  
9 notice of additional tax due as a result of the person's failure to  
10 fully comply with (d)(i) of this subsection (2) the department  
11 determines that the person has come into full compliance with (d)(i)  
12 of this subsection (2). This subsection (2)(d) applies only with  
13 respect to persons claiming entitlement to the 1.5 percent tax rate  
14 solely by reason of (a)(ii)(B) of this subsection (2).

15 (e) For the purposes of (a)(ii)(B) of this subsection (2), if a  
16 taxpayer is subject to the reconciliation provisions of RCW  
17 82.04.462(4), and calculates gross income of the business subject to  
18 the tax imposed under this subsection (2) for the immediately  
19 preceding calendar year, or aggregate gross income of the business  
20 subject to the tax imposed under this subsection (2) for the  
21 immediately preceding calendar year for all affiliated persons, based  
22 on incomplete information, the taxpayer must correct the reporting  
23 for the current calendar year when complete information for the  
24 immediately preceding calendar year is available.

25 (f) For purposes of this subsection (2), the definitions in this  
26 subsection (2)(f) apply:

27 (i) "Affiliate" means a person that directly or indirectly,  
28 through one or more intermediaries, controls, is controlled by, or is  
29 under common control with another person; and

30 (ii) "Control" means the possession, directly or indirectly, of  
31 more than eighty percent of the power to direct or cause the  
32 direction of the management and policies of a person, whether through  
33 the ownership of voting shares, by contract, or otherwise.

34 (3)(a) Until July 1, 2040, upon every person engaging within this  
35 state in the business of performing aerospace product development for  
36 others, as to such persons, the amount of tax with respect to such  
37 business is equal to the gross income of the business multiplied by a  
38 rate of 0.9 percent.

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

4 (c) "Aerospace product development" has the meaning as provided  
5 in RCW 82.04.4461.

6 **Sec. 207.** RCW 82.04.298 and 2011 c 2 s 204 are each amended to  
7 read as follows:

8 CONFORMING AMENDMENT. (1) The amount of tax with respect to a  
9 qualified grocery distribution cooperative's sales of groceries or  
10 related goods for resale(~~(, excluding items subject to tax under RCW~~  
11 ~~82.04.260(4),)~~) to customer-owners of the grocery distribution  
12 cooperative is equal to the gross proceeds of sales of the grocery  
13 distribution cooperative multiplied by the rate of one and one-half  
14 percent.

15 (2) A qualified grocery distribution cooperative is allowed a  
16 deduction from the gross proceeds of sales of groceries or related  
17 goods for resale(~~(, excluding items subject to tax under RCW~~  
18 ~~82.04.260(4),)~~) to customer-owners of the grocery distribution  
19 cooperative that is equal to the portion of the gross proceeds of  
20 sales for resale that represents the actual cost of the merchandise  
21 sold by the grocery distribution cooperative to customer-owners.

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

24 (a) "Grocery distribution cooperative" means an entity that sells  
25 groceries and related items to customer-owners of the grocery  
26 distribution cooperative and has customer-owners, in the aggregate,  
27 who own a majority of the outstanding ownership interests of the  
28 grocery distribution cooperative or of the entity controlling the  
29 grocery distribution cooperative. "Grocery distribution cooperative"  
30 includes an entity that controls a grocery distribution cooperative.

31 (b) "Qualified grocery distribution cooperative" means:

32 (i) A grocery distribution cooperative that has been determined  
33 by a court of record of the state of Washington to be not engaged in  
34 wholesaling or making sales at wholesale, within the meaning of RCW  
35 82.04.270 or any similar provision of a municipal ordinance that  
36 imposes a tax on gross receipts, gross proceeds of sales, or gross  
37 income, with respect to purchases made by customer-owners, and  
38 subsequently changes its form of doing business to make sales at  
39 wholesale of groceries or related items to its customer-owners; or

1 (ii) A grocery distribution cooperative that has acquired  
2 substantially all of the assets of a grocery distribution cooperative  
3 described in (b) (i) of this subsection.

4 (c) "Customer-owner" means a person who has an ownership interest  
5 in a grocery distribution cooperative and purchases groceries and  
6 related items at wholesale from that grocery distribution  
7 cooperative.

8 (d) "Controlling" means holding fifty percent or more of the  
9 voting interests of an entity and having at least equal power to  
10 direct or cause the direction of the management and policies of the  
11 entity, whether through the ownership of voting securities, by  
12 contract, or otherwise.

13 **Sec. 208.** RCW 82.04.334 and 2017 c 323 s 502 are each amended to  
14 read as follows:

15 CONFORMING AMENDMENT. This chapter does not apply to any sale of  
16 standing timber excluded from the definition of "sale" in RCW  
17 82.45.010(3). The definitions in RCW 82.04.260(~~((12))~~) (11) apply to  
18 this section.

19 **Sec. 209.** RCW 82.04.440 and 2011 c 2 s 205 are each amended to  
20 read as follows:

21 CONFORMING AMENDMENT. (1) Every person engaged in activities that  
22 are subject to tax under two or more provisions of RCW 82.04.230  
23 through 82.04.298, inclusive, is taxable under each provision  
24 applicable to those activities.

25 (2) Persons taxable under RCW 82.04.2909(2), 82.04.250,  
26 82.04.270, 82.04.294(2), or 82.04.260 (~~((1)(b), (c), or (d), (4),~~  
27 ~~(11)~~)) (10) or (~~((12))~~) (11) with respect to selling products in  
28 this state, including those persons who are also taxable under RCW  
29 82.04.261, are allowed a credit against those taxes for any (a)  
30 manufacturing taxes paid with respect to the manufacturing of  
31 products so sold in this state, and/or (b) extracting taxes paid with  
32 respect to the extracting of products so sold in this state or  
33 ingredients of products so sold in this state. Extracting taxes taken  
34 as credit under subsection (3) of this section may also be taken  
35 under this subsection, if otherwise allowable under this subsection.  
36 The amount of the credit may not exceed the tax liability arising  
37 under this chapter with respect to the sale of those products.

1 (3) Persons taxable as manufacturers under RCW 82.04.240 or  
2 82.04.260 (~~((1)(b) or (12))~~) (11), including those persons who are  
3 also taxable under RCW 82.04.261, are allowed a credit against those  
4 taxes for any extracting taxes paid with respect to extracting the  
5 ingredients of the products so manufactured in this state. The amount  
6 of the credit may not exceed the tax liability arising under this  
7 chapter with respect to the manufacturing of those products.

8 (4) Persons taxable under RCW 82.04.230, 82.04.240,  
9 82.04.2909(1), 82.04.294(1), 82.04.2404, or 82.04.260 (~~((1),)~~) (2),  
10 (~~((4), (11))~~) (10), or (~~((12))~~) (11), including those persons who are  
11 also taxable under RCW 82.04.261, with respect to extracting or  
12 manufacturing products in this state are allowed a credit against  
13 those taxes for any (i) gross receipts taxes paid to another state  
14 with respect to the sales of the products so extracted or  
15 manufactured in this state, (ii) manufacturing taxes paid with  
16 respect to the manufacturing of products using ingredients so  
17 extracted in this state, or (iii) manufacturing taxes paid with  
18 respect to manufacturing activities completed in another state for  
19 products so manufactured in this state. The amount of the credit may  
20 not exceed the tax liability arising under this chapter with respect  
21 to the extraction or manufacturing of those products.

22 (5) For the purpose of this section:

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

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

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

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

34 (c) "Manufacturing tax" means a gross receipts tax imposed on the  
35 act or privilege of engaging in business as a manufacturer, and  
36 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2404,  
37 82.04.2909(1), 82.04.260 (~~((1),)~~) (2), (~~((4), (11))~~) (10), and  
38 (~~((12))~~) (11), and 82.04.294(1); (ii) the tax imposed under RCW  
39 82.04.261 on persons who are engaged in business as a manufacturer;  
40 and (iii) similar gross receipts taxes paid to other states.

1 (d) "Extracting tax" means a gross receipts tax imposed on the  
2 act or privilege of engaging in business as an extractor, and  
3 includes (i) the tax imposed on extractors in RCW 82.04.230 and  
4 82.04.260(~~((+12+))~~) (11); (ii) the tax imposed under RCW 82.04.261 on  
5 persons who are engaged in business as an extractor; and (iii)  
6 similar gross receipts taxes paid to other states.

7 (e) "Business," "manufacturer," "extractor," and other terms used  
8 in this section have the meanings given in RCW 82.04.020 through  
9 (~~((82.04.212-[82.04.217]))~~) 82.04.217, notwithstanding the use of those  
10 terms in the context of describing taxes imposed by other states.

11 **Sec. 210.** RCW 82.04.4463 and 2017 c 135 s 16 are each amended to  
12 read as follows:

13 CONFORMING AMENDMENT. (1) In computing the tax imposed under this  
14 chapter, a credit is allowed for property taxes and leasehold excise  
15 taxes paid during the calendar year.

16 (2) The credit is equal to:

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

21 (B) Leasehold excise taxes paid with respect to buildings  
22 constructed after January 1, 2006, the land upon which the buildings  
23 are located, or both, if the buildings are used exclusively in  
24 manufacturing commercial airplanes or components of such airplanes;  
25 and

26 (C) Property taxes or leasehold excise taxes paid on, or with  
27 respect to, buildings constructed after June 30, 2008, the land upon  
28 which the buildings are located, or both, and used exclusively for  
29 aerospace product development, manufacturing tooling specifically  
30 designed for use in manufacturing commercial airplanes or their  
31 components, or in providing aerospace services, by persons not within  
32 the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable  
33 under RCW 82.04.290(3), 82.04.260(~~((+11+))~~) (10)(b), or 82.04.250(3);  
34 or

35 (ii) Property taxes attributable to an increase in assessed value  
36 due to the renovation or expansion, after: (A) December 1, 2003, of a  
37 building used exclusively in manufacturing commercial airplanes or  
38 components of such airplanes; and (B) June 30, 2008, of buildings  
39 used exclusively for aerospace product development, manufacturing

1 tooling specifically designed for use in manufacturing commercial  
2 airplanes or their components, or in providing aerospace services, by  
3 persons not within the scope of (a)(ii)(A) of this subsection (2) and  
4 are taxable under RCW 82.04.290(3), 82.04.260(~~((11))~~) (10)(b), or  
5 82.04.250(3); and

6 (b) An amount equal to:

7 (i)(A) Property taxes paid, by persons taxable under RCW  
8 82.04.260(~~((11))~~) (10)(a), on machinery and equipment exempt under  
9 RCW 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

10 (B) Property taxes paid, by persons taxable under RCW  
11 82.04.260(~~((11))~~) (10)(b), on machinery and equipment exempt under  
12 RCW 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

13 (C) Property taxes paid, by persons taxable under RCW  
14 82.04.250(3) or 82.04.290(3), on computer hardware, computer  
15 peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and  
16 acquired after June 30, 2008.

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

20 (A) The numerator of the fraction is the total taxable amount  
21 subject to the tax imposed under RCW 82.04.260(~~((11))~~) (10) (a) or  
22 (b) on the applicable business activities of manufacturing commercial  
23 airplanes, components of such airplanes, or tooling specifically  
24 designed for use in the manufacturing of commercial airplanes or  
25 components of such airplanes.

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

29 (C) For purposes of both the numerator and denominator of the  
30 fraction, the total taxable amount refers to the total taxable amount  
31 required to be reported on the person's returns for the calendar year  
32 before the calendar year in which the credit under this section is  
33 earned. The department may provide for an alternative method for  
34 calculating the numerator in cases where the tax rate provided in RCW  
35 82.04.260(~~((11))~~) (10) for manufacturing was not in effect during the  
36 full calendar year before the calendar year in which the credit under  
37 this section is earned.

38 (D) No credit is available under (b)(i)(A) or (B) of this  
39 subsection (2) if either the numerator or the denominator of the

1 fraction is zero. If the fraction is greater than or equal to nine-  
2 tenths, then the fraction is rounded to one.

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

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

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

10 (b) "Aerospace services" has the same meaning given in RCW  
11 82.08.975.

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

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

18 (5) In addition to all other requirements under this title, a  
19 person claiming the credit under this section must file a complete  
20 annual tax performance report with the department under RCW  
21 82.32.534.

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

23 **Sec. 211.** RCW 82.04.460 and 2014 c 97 s 304 are each amended to  
24 read as follows:

25 CONFORMING AMENDMENT. (1) Except as otherwise provided in this  
26 section, any person earning apportionable income taxable under this  
27 chapter and also taxable in another state must, for the purpose of  
28 computing tax liability under this chapter, apportion to this state,  
29 in accordance with RCW 82.04.462, that portion of the person's  
30 apportionable income derived from business activities performed  
31 within this state.

32 (2) The department must by rule provide a method of apportioning  
33 the apportionable income of financial institutions, where such  
34 apportionable income is taxable under RCW 82.04.290. The rule adopted  
35 by the department must, to the extent feasible, be consistent with  
36 the multistate tax commission's recommended formula for the  
37 apportionment and allocation of net income of financial institutions  
38 as existing on June 1, 2010, or such subsequent date as may be

1 provided by the department by rule, consistent with the purposes of  
2 this section, except that:

3 (a) The department's rule must provide for a single factor  
4 apportionment method based on the receipts factor; and

5 (b) The definition of "financial institution" contained in  
6 appendix A to the multistate tax commission's recommended formula for  
7 the apportionment and allocation of net income of financial  
8 institutions is advisory only.

9 (3) The department may by rule provide a method or methods of  
10 apportioning or allocating gross income derived from sales of  
11 telecommunications service and competitive telephone service taxed  
12 under this chapter, if the gross proceeds of sales subject to tax  
13 under this chapter do not fairly represent the extent of the  
14 taxpayer's income attributable to this state. The rule must provide  
15 for an equitable and constitutionally permissible division of the tax  
16 base.

17 (4) For purposes of this section, the following definitions apply  
18 unless the context clearly requires otherwise:

19 (a) "Apportionable income" means gross income of the business  
20 generated from engaging in apportionable activities, including income  
21 received from apportionable activities performed outside this state  
22 if the income would be taxable under this chapter if received from  
23 activities in this state, less the exemptions and deductions  
24 allowable under this chapter. For purposes of this subsection,  
25 "apportionable activities" means only those activities taxed under:

26 (i) RCW 82.04.255;

27 (ii) RCW 82.04.260 (3), (~~((5), (6), (7), (8), (9), (10), and~~  
28 ~~(13))~~) (4), (5), (6), (7), (8), (9), and (12);

29 (iii) RCW 82.04.280(1)(e);

30 (iv) RCW 82.04.285;

31 (v) RCW 82.04.286;

32 (vi) RCW 82.04.290;

33 (vii) RCW 82.04.2907;

34 (viii) RCW 82.04.2908;

35 (ix) RCW 82.04.263, but only to the extent of any activity that  
36 would be taxable under any of the provisions enumerated under (a)(i)  
37 through (viii) of this subsection (4) if the tax classification in  
38 RCW 82.04.263 did not exist; and

39 (x) RCW 82.04.260(~~((14))~~) (13) and 82.04.280(1)(a), but only with  
40 respect to advertising.

1 (b) (i) "Taxable in another state" means that the taxpayer is  
2 subject to a business activities tax by another state on its income  
3 received from engaging in apportionable activities; or the taxpayer  
4 is not subject to a business activities tax by another state on its  
5 income received from engaging in apportionable activities, but any  
6 other state has jurisdiction to subject the taxpayer to a business  
7 activities tax on such income under the substantial nexus standards  
8 in RCW 82.04.067(1).

9 (ii) For purposes of this subsection (4) (b), "business activities  
10 tax" and "state" have the same meaning as in RCW 82.04.462.

11 **Sec. 212.** RCW 82.08.806 and 2020 c 139 s 16 are each amended to  
12 read as follows:

13 CONFORMING AMENDMENT. (1) The tax levied by RCW 82.08.020 does  
14 not apply to sales, to a printer or publisher, of computer equipment,  
15 including repair parts and replacement parts for such equipment, when  
16 the computer equipment is used primarily in the printing or  
17 publishing of any printed material, or to sales of or charges made  
18 for labor and services rendered in respect to installing, repairing,  
19 cleaning, altering, or improving the computer equipment. This  
20 exemption applies only to computer equipment not otherwise exempt  
21 under RCW 82.08.02565.

22 (2) A person taking the exemption under this section must keep  
23 records necessary for the department to verify eligibility under this  
24 section. This exemption is available only when the purchaser provides  
25 the seller with an exemption certificate in a form and manner  
26 prescribed by the department. The seller must retain a copy of the  
27 certificate for the seller's files.

28 (3) The definitions in this subsection (3) apply throughout this  
29 section, unless the context clearly requires otherwise.

30 (a) "Computer" has the same meaning as in RCW 82.04.215.

31 (b) "Computer equipment" means a computer and the associated  
32 physical components that constitute a computer system, including  
33 monitors, keyboards, printers, modems, scanners, pointing devices,  
34 and other computer peripheral equipment, cables, servers, and  
35 routers. "Computer equipment" also includes digital cameras and  
36 computer software.

37 (c) "Computer software" has the same meaning as in RCW 82.04.215.

38 (d) "Primarily" means greater than fifty percent as measured by  
39 time.

1 (e) "Printer or publisher" means a person, as defined in RCW  
2 82.04.030, who is subject to tax under RCW 82.04.260(~~((14))~~) (13) or  
3 82.04.280(1)(a).

4 (4) "Computer equipment" does not include computer equipment that  
5 is used primarily for administrative purposes including but not  
6 limited to payroll processing, accounting, customer service,  
7 telemarketing, and collection. If computer equipment is used  
8 simultaneously for administrative and nonadministrative purposes, the  
9 administrative use must be disregarded during the period of  
10 simultaneous use for purposes of determining whether the computer  
11 equipment is used primarily for administrative purposes.

12 **Sec. 213.** RCW 82.45.195 and 2014 c 97 s 308 are each amended to  
13 read as follows:

14 CONFORMING AMENDMENT. A sale of standing timber is exempt from  
15 tax under this chapter if the gross income from such sale is taxable  
16 under RCW 82.04.260(~~((12))~~) (11)(d).

17 **PART III**

18 NEW SECTION. **Sec. 301.** This act is exempt from the requirements  
19 of RCW 82.32.808.

20 NEW SECTION. **Sec. 302.** This act takes effect July 1, 2022.

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