

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 2138

57th Legislature
2001 Second Special Legislative Session

Passed by the House June 4, 2001
Yeas 88 Nays 0

Speaker of the House of Representatives

Speaker of the House of Representatives

Passed by the Senate June 14, 2001
Yeas 45 Nays 2

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

We, Timothy A. Martin and Cynthia Zehnder, Co-Chief Clerks of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 2138** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

Chief Clerk

FILED

Secretary of State
State of Washington

ENGROSSED SUBSTITUTE HOUSE BILL 2138

Passed Legislature - 2001st Special Session

State of Washington

57th Legislature

2001 Regular Session

By House Committee on Finance (originally sponsored by Representatives G. Chandler, Linville, Mulliken, Clements, Ericksen, Hatfield, Sump, Doumit, Morell, Grant, Pearson, Schoesler, Barlean, Buck, B. Chandler, Edwards and Jackley)

Read first time 03/08/2001. Referred to Committee on .

1 AN ACT Relating to rural economic development; reenacting and
2 amending RCW 82.04.260; adding new sections to chapter 82.08 RCW;
3 adding new sections to chapter 82.12 RCW; and creating new sections.

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

5 **PART I: Dairy Products B&O Tax Exemption**

6 NEW SECTION. **Sec. 1.** The purpose of sections 2 and 3 of this act
7 is to provide a tax rate for persons who manufacture dairy products
8 that is commensurate to the rate imposed on certain other processors of
9 agricultural commodities. This tax rate applies to persons who
10 manufacture dairy products from raw materials such as fluid milk,
11 dehydrated milk, or byproducts of milk such as cream, buttermilk, whey,
12 butter, or casein. It is not the intent of the legislature to provide
13 this tax rate to persons who use dairy products as an ingredient or
14 component of their manufactured product, such as milk-based soups or
15 pizza. It is the intent that persons who manufacture products such as
16 milk, cheese, yogurt, ice cream, whey, or whey products be subject to
17 this rate.

1 **Sec. 2.** RCW 82.04.260 and 1998 c 312 s 5 and 1998 c 311 s 2 are
2 each reenacted and amended to read as follows:

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

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

11 (b) Seafood products which remain in a raw, raw frozen, or raw
12 salted state at the completion of the manufacturing by that person; as
13 to such persons the amount of tax with respect to such business shall
14 be equal to the value of the products manufactured, multiplied by the
15 rate of 0.138 percent; ((and))

16 (c) By canning, preserving, freezing, processing, or dehydrating
17 fresh fruits and vegetables, or selling at wholesale fresh fruits and
18 vegetables canned, preserved, frozen, processed, or dehydrated by the
19 seller and sold to purchasers who transport in the ordinary course of
20 business the goods out of this state; as to such persons the amount of
21 tax with respect to such business shall be equal to the value of the
22 products canned, preserved, frozen, processed, or dehydrated multiplied
23 by the rate of 0.138 percent. As proof of sale to a person who
24 transports in the ordinary course of business goods out of this state,
25 the seller shall annually provide a statement in a form prescribed by
26 the department and retain the statement as a business record; and

27 (d) Dairy products that as of the effective date of this section
28 are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
29 including byproducts from the manufacturing of the dairy products such
30 as whey and casein; or selling the same to purchasers who transport in
31 the ordinary course of business the goods out of state; as to such
32 persons the tax imposed shall be equal to the value of the products
33 manufactured multiplied by the rate of 0.138 percent. As proof of sale
34 to a person who transports in the ordinary course of business goods out
35 of this state, the seller shall annually provide a statement in a form
36 prescribed by the department and retain the statement as a business
37 record.

38 (2) Upon every person engaging within this state in the business of
39 splitting or processing dried peas; as to such persons the amount of

1 tax with respect to such business shall be equal to the value of the
2 peas split or processed, multiplied by the rate of 0.138 percent.

3 (3) Upon every nonprofit corporation and nonprofit association
4 engaging within this state in research and development, as to such
5 corporations and associations, the amount of tax with respect to such
6 activities shall be equal to the gross income derived from such
7 activities multiplied by the rate of 0.484 percent.

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

13 (5) Upon every person engaging within this state in the business of
14 making sales, at retail or wholesale, of nuclear fuel assemblies
15 manufactured by that person, as to such persons the amount of tax with
16 respect to such business shall be equal to the gross proceeds of sales
17 of the assemblies multiplied by the rate of 0.275 percent.

18 (6) Upon every person engaging within this state in the business of
19 manufacturing nuclear fuel assemblies, as to such persons the amount of
20 tax with respect to such business shall be equal to the value of the
21 products manufactured multiplied by the rate of 0.275 percent.

22 (7) Upon every person engaging within this state in the business of
23 acting as a travel agent or tour operator; as to such persons the
24 amount of the tax with respect to such activities shall be equal to the
25 gross income derived from such activities multiplied by the rate of
26 0.275 percent.

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

34 (9) Upon every person engaging within this state in the business of
35 stevedoring and associated activities pertinent to the movement of
36 goods and commodities in waterborne interstate or foreign commerce; as
37 to such persons the amount of tax with respect to such business shall
38 be equal to the gross proceeds derived from such activities multiplied
39 by the rate of 0.275 percent. Persons subject to taxation under this

1 subsection shall be exempt from payment of taxes imposed by chapter
2 82.16 RCW for that portion of their business subject to taxation under
3 this subsection. Stevedoring and associated activities pertinent to
4 the conduct of goods and commodities in waterborne interstate or
5 foreign commerce are defined as all activities of a labor, service or
6 transportation nature whereby cargo may be loaded or unloaded to or
7 from vessels or barges, passing over, onto or under a wharf, pier, or
8 similar structure; cargo may be moved to a warehouse or similar holding
9 or storage yard or area to await further movement in import or export
10 or may move to a consolidation freight station and be stuffed,
11 unstuffed, containerized, separated or otherwise segregated or
12 aggregated for delivery or loaded on any mode of transportation for
13 delivery to its consignee. Specific activities included in this
14 definition are: Wharfage, handling, loading, unloading, moving of
15 cargo to a convenient place of delivery to the consignee or a
16 convenient place for further movement to export mode; documentation
17 services in connection with the receipt, delivery, checking, care,
18 custody and control of cargo required in the transfer of cargo;
19 imported automobile handling prior to delivery to consignee; terminal
20 stevedoring and incidental vessel services, including but not limited
21 to plugging and unplugging refrigerator service to containers,
22 trailers, and other refrigerated cargo receptacles, and securing ship
23 hatch covers.

24 (10) Upon every person engaging within this state in the business
25 of disposing of low-level waste, as defined in RCW 43.145.010; as to
26 such persons the amount of the tax with respect to such business shall
27 be equal to the gross income of the business, excluding any fees
28 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3
29 percent.

30 If the gross income of the taxpayer is attributable to activities
31 both within and without this state, the gross income attributable to
32 this state shall be determined in accordance with the methods of
33 apportionment required under RCW 82.04.460.

34 (11) Upon every person engaging within this state as an insurance
35 agent, insurance broker, or insurance solicitor licensed under chapter
36 48.17 RCW; as to such persons, the amount of the tax with respect to
37 such licensed activities shall be equal to the gross income of such
38 business multiplied by the rate of 0.484 percent.

1 (12) Upon every person engaging within this state in business as a
2 hospital, as defined in chapter 70.41 RCW, that is operated as a
3 nonprofit corporation or by the state or any of its political
4 subdivisions, as to such persons, the amount of tax with respect to
5 such activities shall be equal to the gross income of the business
6 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
7 percent thereafter. The moneys collected under this subsection shall
8 be deposited in the health services account created under RCW
9 43.72.900.

10 **PART II: Retail Sales Tax Exemption - Poultry Farming**

11 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.08 RCW
12 to read as follows:

13 (1) The tax levied by RCW 82.08.020 does not apply to sales to
14 farmers of propane or natural gas used to heat structures used to house
15 chickens. The propane or natural gas must be used exclusively to heat
16 the structures. The structures must be used exclusively to house
17 chickens that are sold as agricultural products.

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

22 (3) The definitions in this subsection apply to this section and
23 section 4 of this act.

24 (a) "Structures" means barns, sheds, and other similar buildings in
25 which chickens are housed.

26 (b) "Farmer" has the same meaning as provided in RCW 82.04.213.

27 (c) "Agricultural product" has the same meaning as provided in RCW
28 82.04.213.

29 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.12 RCW
30 to read as follows:

31 (1) The provisions of this chapter do not apply with respect to the
32 use by a farmer of propane or natural gas to heat structures used to
33 house chickens. The propane or natural gas must be used exclusively to
34 heat the structures used to house chickens. The structures must be
35 used exclusively to house chickens that are sold as agricultural
36 products.

1 (2) The exemption certificate, recordkeeping requirements, and
2 definitions of section 3 of this act apply to this section.

3 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.08 RCW
4 to read as follows:

5 (1) The tax levied by RCW 82.08.020 does not apply to sales to a
6 farmer of bedding materials used to accumulate and facilitate the
7 removal of chicken manure. The farmer must be raising chickens that
8 are sold as agricultural products.

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

13 (3) The definitions in this subsection apply to this section and
14 section 6 of this act.

15 (a) "Bedding materials" means wood shavings, straw, sawdust,
16 shredded paper, and other similar materials.

17 (b) "Farmer" has the same meaning as provided in RCW 82.04.213.

18 (c) "Agricultural product" has the same meaning as provided in RCW
19 82.04.213.

20 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.12 RCW
21 to read as follows:

22 (1) The provisions of this chapter do not apply with respect to the
23 use by a farmer of bedding materials used to accumulate and facilitate
24 the removal of chicken manure. The farmer must be raising chickens
25 that are sold as agricultural products.

26 (2) The exemption certificate, recordkeeping requirements, and
27 definitions of section 5 of this act apply to this section.

28 NEW SECTION. **Sec. 7.** Part headings used in this act are not any
29 part of the law.

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