

EHB 3159 - S AMD
By Senator Prentice

ADOPTED AS AMENDED 03/07/2006

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW
4 to read as follows:

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

7 (a) Manufacturing dairy products; or

8 (b) Selling manufactured dairy products to purchasers who transport
9 in the ordinary course of business the goods out of this state. A
10 person taking an exemption under this subsection (1)(b) must keep and
11 preserve records for the period required by RCW 82.32.070 establishing
12 that the goods were transported by the purchaser in the ordinary course
13 of business out of this state.

14 (2) "Dairy products" means dairy products that as of September 20,
15 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
16 including byproducts from the manufacturing of the dairy products such
17 as whey and casein.

18 (3) This section expires July 1, 2012.

19 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW
20 to read as follows:

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

23 (a) Manufacturing seafood products that remain in a raw, raw
24 frozen, or raw salted state at the completion of the manufacturing by
25 that person; or

26 (b) Selling manufactured seafood products that remain in a raw, raw
27 frozen, or raw salted state to purchasers who transport in the ordinary
28 course of business the goods out of this state. A person taking an
29 exemption under this subsection (1)(b) must keep and preserve records

1 for the period required by RCW 82.32.070 establishing that the goods
2 were transported by the purchaser in the ordinary course of business
3 out of this state.

4 (2) This section expires July 1, 2012.

5 **Sec. 3.** RCW 82.04.4266 and 2005 c 513 s 1 are each amended to read
6 as follows:

7 (1) This chapter shall not apply to ~~((amounts received from))~~ the
8 value of products or the gross proceeds of sales derived from:

9 ~~((1))~~ (a) Manufacturing fruits or vegetables by canning,
10 preserving, freezing, processing, or dehydrating fresh fruits ~~((and))~~
11 or vegetables; or

12 ~~((2))~~ (b) Selling at wholesale ~~((fresh))~~ fruits ~~((and))~~ or
13 vegetables ~~((canned, preserved, frozen, processed, or dehydrated))~~
14 manufactured by the seller by canning, preserving, freezing,
15 processing, or dehydrating fresh fruits or vegetables and sold to
16 purchasers who transport in the ordinary course of business the goods
17 out of this state. ~~((As proof of sale to a person who transports in~~
18 ~~the ordinary course of business goods out of this state, the seller~~
19 ~~shall annually provide a statement in a form prescribed by the~~
20 ~~department and retain the statement as a business record.))~~ A person
21 taking an exemption under this subsection (1)(b) must keep and preserve
22 records for the period required by RCW 82.32.070 establishing that the
23 goods were transported by the purchaser in the ordinary course of
24 business out of this state.

25 (2) This section expires July 1, 2012.

26 **Sec. 4.** RCW 82.04.260 and 2005 c 513 s 2 and 2005 c 443 s 4 are
27 each reenacted and amended to read as follows:

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

30 (a) Wheat into flour, barley into pearl barley, soybeans into
31 soybean oil, canola into canola oil, canola meal, or canola byproducts,
32 or sunflower seeds into sunflower oil; as to such persons the amount of
33 tax with respect to such business shall be equal to the value of the
34 flour, pearl barley, oil, canola meal, or canola byproduct
35 manufactured, multiplied by the rate of 0.138 percent;

1 (b) Beginning July 1, 2012, seafood products which remain in a raw,
2 raw frozen, or raw salted state at the completion of the manufacturing
3 by that person; as to such persons the amount of tax with respect to
4 such business shall be equal to the value of the products manufactured
5 or the gross proceeds derived from such sales, multiplied by the rate
6 of 0.138 percent;

7 (c) Beginning July 1, 2012, dairy products that as of September 20,
8 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
9 including byproducts from the manufacturing of the dairy products such
10 as whey and casein; or selling the same to purchasers who transport in
11 the ordinary course of business the goods out of state; as to such
12 persons the tax imposed shall be equal to the value of the products
13 manufactured or the gross proceeds derived from such sales multiplied
14 by the rate of 0.138 percent. ((As proof of sale to a person who
15 transports in the ordinary course of business goods out of this state,
16 the seller shall annually provide a statement in a form prescribed by
17 the department and retain the statement as a business record)) Sellers
18 must keep and preserve records for the period required by RCW 82.32.070
19 establishing that the goods were transported by the purchaser in the
20 ordinary course of business out of this state;

21 (d) Beginning July 1, 2012, fruits or vegetables by canning,
22 preserving, freezing, processing, or dehydrating fresh fruits or
23 vegetables, or selling at wholesale fruits or vegetables manufactured
24 by the seller by canning, preserving, freezing, processing, or
25 dehydrating fresh fruits or vegetables and sold to purchasers who
26 transport in the ordinary course of business the goods out of this
27 state; as to such persons the amount of tax with respect to such
28 business shall be equal to the value of the products manufactured or
29 the gross proceeds derived from such sales multiplied by the rate of
30 0.138 percent. Sellers must keep and preserve records for the period
31 required by RCW 82.32.070 establishing that the goods were transported
32 by the purchaser in the ordinary course of business out of this state;

33 ((+d)) (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or
34 biodiesel feedstock, as those terms are defined in RCW 82.29A.135; as
35 to such persons the amount of tax with respect to the business shall be
36 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel
37 feedstock manufactured, multiplied by the rate of 0.138 percent; and

1 (~~(e)~~) (f) Alcohol fuel or wood biomass fuel, as those terms are
2 defined in RCW 82.29A.135; as to such persons the amount of tax with
3 respect to the business shall be equal to the value of alcohol fuel or
4 wood biomass fuel manufactured, multiplied by the rate of 0.138
5 percent.

6 (2) Upon every person engaging within this state in the business of
7 splitting or processing dried peas; as to such persons the amount of
8 tax with respect to such business shall be equal to the value of the
9 peas split or processed, multiplied by the rate of 0.138 percent.

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

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

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

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

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

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

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

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

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

37 (10) Upon every person engaging within this state in business as a
38 hospital, as defined in chapter 70.41 RCW, that is operated as a

1 nonprofit corporation or by the state or any of its political
2 subdivisions, as to such persons, the amount of tax with respect to
3 such activities shall be equal to the gross income of the business
4 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
5 percent thereafter. The moneys collected under this subsection shall
6 be deposited in the health services account created under RCW
7 43.72.900.

8 (11)(a) Beginning October 1, 2005, upon every person engaging
9 within this state in the business of manufacturing commercial
10 airplanes, or components of such airplanes, as to such persons the
11 amount of tax with respect to such business shall, in the case of
12 manufacturers, be equal to the value of the product manufactured, or in
13 the case of processors for hire, be equal to the gross income of the
14 business, multiplied by the rate of:

15 (i) 0.4235 percent from October 1, 2005, through the later of June
16 30, 2007, or the day preceding the date final assembly of a
17 superefficient airplane begins in Washington state, as determined under
18 RCW 82.32.550; and

19 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
20 date final assembly of a superefficient airplane begins in Washington
21 state, as determined under RCW 82.32.550.

22 (b) Beginning October 1, 2005, upon every person engaging within
23 this state in the business of making sales, at retail or wholesale, of
24 commercial airplanes, or components of such airplanes, manufactured by
25 that person, as to such persons the amount of tax with respect to such
26 business shall be equal to the gross proceeds of sales of the airplanes
27 or components multiplied by the rate of:

28 (i) 0.4235 percent from October 1, 2005, through the later of June
29 30, 2007, or the day preceding the date final assembly of a
30 superefficient airplane begins in Washington state, as determined under
31 RCW 82.32.550; and

32 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
33 date final assembly of a superefficient airplane begins in Washington
34 state, as determined under RCW 82.32.550.

35 (c) For the purposes of this subsection (11), "commercial
36 airplane," "component," and "final assembly of a superefficient
37 airplane" have the meanings given in RCW 82.32.550.

1 (d) In addition to all other requirements under this title, a
2 person eligible for the tax rate under this subsection (11) must report
3 as required under RCW 82.32.545.

4 (e) This subsection (11) does not apply after the earlier of: July
5 1, 2024; or December 31, 2007, if assembly of a superefficient airplane
6 does not begin by December 31, 2007, as determined under RCW 82.32.550.

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

12 **Sec. 5.** RCW 82.32.610 and 2005 c 513 s 3 are each amended to read
13 as follows:

14 (1) The legislature finds that accountability and effectiveness are
15 important aspects of setting tax policy. In order to make policy
16 choices regarding the best use of limited state resources the
17 legislature needs information on how a tax incentive is used.

18 (2) Each person claiming a tax exemption under RCW 82.04.4266,
19 section 1 of this act, or section 2 of this act shall report
20 information to the department by filing a complete annual survey. The
21 survey is due by March 31st of the year following any calendar year in
22 which a tax exemption under RCW 82.04.4266, section 1 of this act, or
23 section 2 of this act is taken. The department may extend the due date
24 for timely filing of annual surveys under this section as provided in
25 RCW 82.32.590. The survey shall include the amount of tax exemption
26 taken. The survey shall also include the following information for
27 employment positions in Washington:

28 (a) The number of total employment positions;

29 (b) Full-time, part-time, and temporary employment positions as a
30 percent of total employment;

31 (c) The number of employment positions according to the following
32 wage bands: Less than thirty thousand dollars; thirty thousand dollars
33 or greater, but less than sixty thousand dollars; and sixty thousand
34 dollars or greater. A wage band containing fewer than three
35 individuals may be combined with another wage band; and

36 (d) The number of employment positions that have employer-provided
37 medical, dental, and retirement benefits, by each of the wage bands.

1 The first survey filed under this subsection shall also include
2 information for the twelve-month period immediately before first use of
3 a tax incentive.

4 (3) The department may request additional information necessary to
5 measure the results of the exemption program, to be submitted at the
6 same time as the survey.

7 (4) All information collected under this section, except the amount
8 of the tax exemption taken, is deemed taxpayer information under RCW
9 82.32.330. Information on the amount of tax exemption taken is not
10 subject to the confidentiality provisions of RCW 82.32.330.

11 (5) If a person fails to submit an annual survey under subsection
12 (2) of this section by the due date of the (~~report~~) survey or any
13 extension under RCW 82.32.590, the department shall declare the amount
14 of taxes exempted for the previous calendar year to be immediately due
15 and payable. The department shall assess interest, but not penalties,
16 on the amounts due under this section. The amount due shall be
17 calculated using a rate of 0.138 percent. The interest shall be
18 assessed at the rate provided for delinquent taxes under this chapter,
19 retroactively to the date the exemption was claimed, and shall accrue
20 until the taxes for which the exemption was claimed are repaid. This
21 information is not subject to the confidentiality provisions of RCW
22 82.32.330.

23 (6) The department shall use the information from this section to
24 prepare summary descriptive statistics by category. No fewer than
25 three taxpayers shall be included in any category. The department
26 shall report these statistics to the legislature each year by September
27 1st.

28 (7) The department shall study the tax exemption authorized in RCW
29 82.04.4266, section 1 of this act, and section 2 of this act. The
30 department shall submit a report to the finance committee of the house
31 of representatives and the ways and means committee of the senate by
32 December 1, 2011. The report shall measure the effect of the exemption
33 on job creation, job retention, company growth, the movement of firms
34 or the consolidation of firms' operations into the state, and such
35 other factors as the department selects.

36 **Sec. 6.** RCW 82.74.010 and 2005 c 513 s 4 are each amended to read
37 as follows:

1 Unless the context clearly requires otherwise, the definitions in
2 this section apply throughout this chapter.

3 (1) "Applicant" means a person applying for a tax deferral under
4 this chapter.

5 (2) "Cold storage warehouse" means a storage warehouse (~~(used)~~)
6 owned or operated by a wholesaler or third-party warehouser as those
7 terms are defined in RCW 82.08.820 to store fresh and/or frozen
8 perishable fruits or vegetables, dairy products, seafood products, or
9 any combination thereof, at a desired temperature to maintain the
10 quality of the product for orderly marketing.

11 (3) "Dairy product" means dairy products that as of September 20,
12 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
13 including byproducts from the manufacturing of the dairy products such
14 as whey and casein.

15 (4) "Dairy product manufacturing" means manufacturing, as defined
16 in RCW 82.04.120, of dairy products.

17 (5) "Department" means the department of revenue.

18 (~~(4)~~) (6) "Eligible investment project" means an investment in
19 qualified buildings or qualified machinery and equipment, including
20 labor and services rendered in the planning, installation, and
21 construction of the project. The lessor or owner of a qualified
22 building is not eligible for a deferral unless (a) the underlying
23 ownership of the buildings, machinery, and equipment vests exclusively
24 in the same person; or (b)(i) the lessor by written contract agrees to
25 pass the economic benefit of the deferral to the lessee in the form of
26 reduced rent payments, and (ii) the lessee that receives the economic
27 benefit of the deferral agrees in writing with the department to
28 complete the annual survey under RCW 82.74.040. The economic benefit
29 of the deferral to the lessee may be evidenced by any type of payment,
30 credit, or any other financial arrangement between the lessor or owner
31 of the qualified building and the lessee.

32 (~~(5)~~) (7) "Fresh fruit and vegetable processing" means
33 manufacturing as defined in RCW 82.04.120 which consists of the
34 canning, preserving, freezing, processing, or dehydrating fresh fruits
35 and/or vegetables.

36 (~~(6)~~) (8)(a) "Initiation of construction" means the date that a
37 building permit is issued under the building code adopted under RCW
38 19.27.031 for:

1 (i) Construction of the qualified building, if the underlying
2 ownership of the building vests exclusively with the person receiving
3 the economic benefit of the deferral;

4 (ii) Construction of the qualified building, if the economic
5 benefits of the deferral are passed to a lessee as provided in
6 subsection ~~((4))~~ (6) of this section; or

7 (iii) Tenant improvements for a qualified building, if the economic
8 benefits of the deferral are passed to a lessee as provided in
9 subsection ~~((4))~~ (6) of this section.

10 (b) "Initiation of construction" does not include soil testing,
11 site clearing and grading, site preparation, or any other related
12 activities that are initiated before the issuance of a building permit
13 for the construction of the foundation of the building.

14 (c) If the investment project is a phased project, "initiation of
15 construction" applies separately to each phase.

16 ~~((7))~~ (9) "Person" has the meaning given in RCW 82.04.030.

17 ~~((8))~~ (10) "Qualified buildings" means construction of new
18 structures, and expansion or renovation of existing structures for the
19 purpose of increasing floor space or production capacity used for fresh
20 fruit and vegetable processing, dairy product manufacturing, seafood
21 product manufacturing, cold storage ~~((warehouse))~~ warehousing, and
22 research and development activities, including plant offices and
23 warehouses or other facilities for the storage of raw material or
24 finished goods if such facilities are an essential or an integral part
25 of a factory, plant, or laboratory used for fresh fruit and vegetable
26 processing, dairy product manufacturing, seafood product manufacturing,
27 cold storage warehousing, or research and development. If a building
28 is used partly for fresh fruit and vegetable processing, dairy product
29 manufacturing, seafood product manufacturing, cold storage warehousing,
30 or research and development and partly for other purposes, the
31 applicable tax deferral shall be determined by apportionment of the
32 costs of construction under rules adopted by the department.

33 ~~((9))~~ (11) "Qualified machinery and equipment" means all
34 industrial and research fixtures, equipment, and support facilities
35 that are an integral and necessary part of a fresh fruit and vegetable
36 processing, dairy product manufacturing, seafood product manufacturing,
37 cold storage warehouse, or research and development operation.
38 "Qualified machinery and equipment" includes: Computers; software;

1 data processing equipment; laboratory equipment; manufacturing
2 components such as belts, pulleys, shafts, and moving parts; molds,
3 tools, and dies; operating structures; and all equipment used to
4 control or operate the machinery.

5 ~~((10))~~ (12) "Recipient" means a person receiving a tax deferral
6 under this chapter.

7 ~~((11))~~ (13) "Research and development" means the development,
8 refinement, testing, marketing, and commercialization of a product,
9 service, or process related to fresh fruit and vegetable processing,
10 dairy product manufacturing, seafood product manufacturing, or cold
11 storage warehousing before commercial sales have begun. As used in
12 this subsection, "commercial sales" excludes sales of prototypes or
13 sales for market testing if the total gross receipts from such sales of
14 the product, service, or process do not exceed one million dollars.

15 (14) "Seafood product" means any edible marine fish and shellfish
16 that remains in a raw, raw frozen, or raw salted state.

17 (15) "Seafood product manufacturing" means the manufacturing, as
18 defined in RCW 82.04.120, of seafood products.

19 **Sec. 7.** RCW 82.74.030 and 2005 c 513 s 6 are each amended to read
20 as follows:

21 (1) The department shall issue a sales and use tax deferral
22 certificate for state and local sales and use taxes ~~((due))~~ imposed or
23 authorized under chapters 82.08, 82.12, and 82.14 RCW on each eligible
24 investment project if the investment project is undertaken for the
25 purpose of fresh fruit and vegetable processing, dairy product
26 manufacturing, seafood product manufacturing, cold storage warehousing,
27 or research and development.

28 (2) This section expires July 1, 2012.

29 **Sec. 8.** RCW 82.74.040 and 2005 c 513 s 7 are each amended to read
30 as follows:

31 (1)(a) The legislature finds that accountability and effectiveness
32 are important aspects of setting tax policy. In order to make policy
33 choices regarding the best use of limited state resources the
34 legislature needs information on how a tax incentive is used.

35 (b) Each recipient of a deferral granted under this chapter shall
36 complete an annual survey. If the economic benefits of the deferral

1 are passed to a lessee as provided in RCW 82.74.010(~~((+4))~~) (6), the
2 lessee shall complete the annual survey and the applicant is not
3 required to complete the annual survey. The survey is due by March
4 31st of the year following the calendar year in which the investment
5 project is certified by the department as having been operationally
6 complete and each of the seven succeeding calendar years. The
7 department may extend the due date for timely filing of annual surveys
8 under this section as provided in RCW 82.32.590. The survey shall
9 include the amount of tax deferred. The survey shall also include the
10 following information for employment positions in Washington:

11 (i) The number of total employment positions;

12 (ii) Full-time, part-time, and temporary employment positions as a
13 percent of total employment;

14 (iii) The number of employment positions according to the following
15 wage bands: Less than thirty thousand dollars; thirty thousand dollars
16 or greater, but less than sixty thousand dollars; and sixty thousand
17 dollars or greater. A wage band containing fewer than three
18 individuals may be combined with another wage band; and

19 (iv) The number of employment positions that have employer-provided
20 medical, dental, and retirement benefits, by each of the wage bands.

21 (c) The department may request additional information necessary to
22 measure the results of the deferral program, to be submitted at the
23 same time as the survey.

24 (d) All information collected under this subsection, except the
25 amount of the tax deferral taken, is deemed taxpayer information under
26 RCW 82.32.330. Information on the amount of tax deferral taken is not
27 subject to the confidentiality provisions of RCW 82.32.330 and may be
28 disclosed to the public upon request.

29 (e) The department shall use the information from this section to
30 prepare summary descriptive statistics by category. No fewer than
31 three taxpayers shall be included in any category. The department
32 shall report these statistics to the legislature each year by September
33 1st.

34 (f) The department shall also use the information to study the tax
35 deferral program authorized under this chapter. The department shall
36 report to the legislature by December 1, 2011. The report shall
37 measure the effect of the program on job creation, (~~the number of jobs~~
38 ~~created for residents of eligible areas,~~) company growth, the

1 introduction of new products, the diversification of the state's
2 economy, growth in research and development investment, the movement of
3 firms or the consolidation of firms' operations into the state, and
4 such other factors as the department selects.

5 (2)(a) If a recipient of the deferral fails to complete the annual
6 survey required under subsection (1) of this section by the date due or
7 any extension under RCW 82.32.590, twelve and one-half percent of the
8 deferred tax shall be immediately due. If the economic benefits of the
9 deferral are passed to a lessee as provided in RCW 82.74.010(~~(+4)~~)
10 (6), the lessee shall be responsible for payment to the extent the
11 lessee has received the economic benefit. The department shall assess
12 interest, but not penalties, on the amounts due under this section.
13 The interest shall be assessed at the rate provided for delinquent
14 taxes under chapter 82.32 RCW, and shall accrue until the amounts due
15 are repaid.

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

23 **Sec. 9.** RCW 82.74.050 and 2005 c 513 s 8 are each amended to read
24 as follows:

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

27 (2) If, on the basis of survey under RCW 82.74.040 or other
28 information, the department finds that an investment project is used
29 for purposes other than fresh fruit and vegetable processing, dairy
30 product manufacturing, seafood product manufacturing, cold storage
31 warehousing, or research and development at any time during the
32 calendar year in which the investment project is certified by the
33 department as having been operationally completed, or at any time
34 during any of the seven succeeding calendar years, a portion of
35 deferred taxes shall be immediately due according to the following
36 schedule:

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

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

(4) Notwithstanding subsection (2) of this section, deferred taxes on the following need not be repaid:

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

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

Sec. 10. RCW 82.08.820 and 1997 c 450 s 2 are each amended to read as follows:

(1) Wholesalers or third-party warehouseers who own or operate warehouses or grain elevators and retailers who own or operate distribution centers, and who have paid the tax levied by RCW 82.08.020 on:

(a) Material-handling and racking equipment, and labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment; or

1 (b) Construction of a warehouse or grain elevator, including
2 materials, and including service and labor costs,
3 are eligible for an exemption in the form of a remittance. The amount
4 of the remittance is computed under subsection (3) of this section and
5 is based on the state share of sales tax.

6 (2) For purposes of this section and RCW 82.12.820:

7 (a) "Agricultural products" has the meaning given in RCW 82.04.213;

8 (b) "Construction" means the actual construction of a warehouse or
9 grain elevator that did not exist before the construction began.
10 "Construction" includes expansion if the expansion adds at least two
11 hundred thousand square feet of additional space to an existing
12 warehouse or additional storage capacity of at least one million
13 bushels to an existing grain elevator. "Construction" does not include
14 renovation, remodeling, or repair;

15 (c) "Department" means the department of revenue;

16 (d) "Distribution center" means a warehouse that is used
17 exclusively by a retailer solely for the storage and distribution of
18 finished goods to retail outlets of the retailer. "Distribution
19 center" does not include a warehouse at which retail sales occur;

20 (e) "Finished goods" means tangible personal property intended for
21 sale by a retailer or wholesaler. "Finished goods" does not include
22 agricultural products stored by wholesalers, third-party warehouses, or
23 retailers if the storage takes place on the land of the person who
24 produced the agricultural product. "Finished goods" does not include
25 logs, minerals, petroleum, gas, or other extracted products stored as
26 raw materials or in bulk;

27 (f) "Grain elevator" means a structure used for storage and
28 handling of grain in bulk;

29 (g) "Material-handling equipment and racking equipment" means
30 equipment in a warehouse or grain elevator that is primarily used to
31 handle, store, organize, convey, package, or repackage finished goods.
32 The term includes tangible personal property with a useful life of one
33 year or more that becomes an ingredient or component of the equipment,
34 including repair and replacement parts. The term does not include
35 equipment in offices, lunchrooms, restrooms, and other like space,
36 within a warehouse or grain elevator, or equipment used for
37 nonwarehousing purposes. "Material-handling equipment" includes but is
38 not limited to: Conveyers, carousels, lifts, positioners, pick-up-and-

1 place units, cranes, hoists, mechanical arms, and robots; mechanized
2 systems, including containers that are an integral part of the system,
3 whose purpose is to lift or move tangible personal property; and
4 automated handling, storage, and retrieval systems, including computers
5 that control them, whose purpose is to lift or move tangible personal
6 property; and forklifts and other off-the-road vehicles that are used
7 to lift or move tangible personal property and that cannot be operated
8 legally on roads and streets. "Racking equipment" includes, but is not
9 limited to, conveying systems, chutes, shelves, racks, bins, drawers,
10 pallets, and other containers and storage devices that form a necessary
11 part of the storage system;

12 (h) "Person" has the meaning given in RCW 82.04.030;

13 (i) "Retailer" means a person who makes "sales at retail" as
14 defined in chapter 82.04 RCW of tangible personal property;

15 (j) "Square footage" means the product of the two horizontal
16 dimensions of each floor of a specific warehouse. The entire footprint
17 of the warehouse shall be measured in calculating the square footage,
18 including space that juts out from the building profile such as loading
19 docks. "Square footage" does not mean the aggregate of the square
20 footage of more than one warehouse at a location or the aggregate of
21 the square footage of warehouses at more than one location;

22 (k) "Third-party warehouser" means a person taxable under RCW
23 82.04.280(4);

24 (l) "Warehouse" means an enclosed building or structure in which
25 finished goods are stored. A warehouse building or structure may have
26 more than one storage room and more than one floor. Office space,
27 lunchrooms, restrooms, and other space within the warehouse and
28 necessary for the operation of the warehouse are considered part of the
29 warehouse as are loading docks and other such space attached to the
30 building and used for handling of finished goods. Landscaping and
31 parking lots are not considered part of the warehouse. A storage yard
32 is not a warehouse, nor is a building in which manufacturing takes
33 place; and

34 (m) "Wholesaler" means a person who makes "sales at wholesale" as
35 defined in chapter 82.04 RCW of tangible personal property, but
36 "wholesaler" does not include a person who makes sales exempt under RCW
37 82.04.330.

1 (3)(a) A person claiming an exemption from state tax in the form of
2 a remittance under this section must pay the tax imposed by RCW
3 82.08.020. The buyer may then apply to the department for remittance
4 of all or part of the tax paid under RCW 82.08.020. For grain
5 elevators with bushel capacity of one million but less than two
6 million, the remittance is equal to fifty percent of the amount of tax
7 paid. For warehouses with square footage of two hundred thousand or
8 more and for grain elevators with bushel capacity of two million or
9 more, the remittance is equal to one hundred percent of the amount of
10 tax paid for qualifying construction, materials, service, and labor,
11 and fifty percent of the amount of tax paid for qualifying material-
12 handling equipment and racking equipment, and labor and services
13 rendered in respect to installing, repairing, cleaning, altering, or
14 improving the equipment.

15 (b) The department shall determine eligibility under this section
16 based on information provided by the buyer and through audit and other
17 administrative records. The buyer shall on a quarterly basis submit an
18 information sheet, in a form and manner as required by the department
19 by rule, specifying the amount of exempted tax claimed and the
20 qualifying purchases or acquisitions for which the exemption is
21 claimed. The buyer shall retain, in adequate detail to enable the
22 department to determine whether the equipment or construction meets the
23 criteria under this section: Invoices; proof of tax paid; documents
24 describing the material-handling equipment and racking equipment;
25 location and size of warehouses and grain elevators; and construction
26 invoices and documents.

27 (c) The department shall on a quarterly basis remit exempted
28 amounts to qualifying persons who submitted applications during the
29 previous quarter.

30 (4) Warehouses, grain elevators, and material-handling equipment
31 and racking equipment for which an exemption, credit, or deferral has
32 been or is being received under chapter 82.60, (~~(82.617)~~) 82.62, or
33 82.63 RCW or RCW 82.08.02565 or 82.12.02565 are not eligible for any
34 remittance under this section. Warehouses and grain elevators upon
35 which construction was initiated before May 20, 1997, are not eligible
36 for a remittance under this section.

37 (5) The lessor or owner of a warehouse or grain elevator is not
38 eligible for a remittance under this section unless the underlying

1 ownership of the warehouse or grain elevator and the material-handling
2 equipment and racking equipment vests exclusively in the same person,
3 or unless the lessor by written contract agrees to pass the economic
4 benefit of the remittance to the lessee in the form of reduced rent
5 payments.

6 **Sec. 11.** RCW 82.08.820 and 2005 c 513 s 11 are each amended to
7 read as follows:

8 (1) Wholesalers or third-party warehouseers who own or operate
9 warehouses or grain elevators and retailers who own or operate
10 distribution centers, and who have paid the tax levied by RCW 82.08.020
11 on:

12 (a) Material-handling and racking equipment, and labor and services
13 rendered in respect to installing, repairing, cleaning, altering, or
14 improving the equipment; or

15 (b) Construction of a warehouse or grain elevator, including
16 materials, and including service and labor costs,
17 are eligible for an exemption in the form of a remittance. The amount
18 of the remittance is computed under subsection (3) of this section and
19 is based on the state share of sales tax.

20 (2) For purposes of this section and RCW 82.12.820:

21 (a) "Agricultural products" has the meaning given in RCW 82.04.213;

22 (b) "Cold storage warehouse" (~~means a storage warehouse used to~~
23 ~~store fresh and/or frozen perishable fruits or vegetables, or any~~
24 ~~combination thereof, at a desired temperature to maintain the quality~~
25 ~~of the product for orderly marketing~~)) has the meaning provided in RCW
26 82.74.010;

27 (c) "Construction" means the actual construction of a warehouse or
28 grain elevator that did not exist before the construction began.
29 "Construction" includes expansion if the expansion adds at least
30 twenty-five thousand square feet of additional space to an existing
31 cold storage warehouse, at least two hundred thousand square feet of
32 additional space to an existing warehouse other than a cold storage
33 warehouse, or additional storage capacity of at least one million
34 bushels to an existing grain elevator. "Construction" does not include
35 renovation, remodeling, or repair;

36 (d) "Department" means the department of revenue;

1 (e) "Distribution center" means a warehouse that is used
2 exclusively by a retailer solely for the storage and distribution of
3 finished goods to retail outlets of the retailer. "Distribution
4 center" does not include a warehouse at which retail sales occur;

5 (f) "Finished goods" means tangible personal property intended for
6 sale by a retailer or wholesaler. "Finished goods" does not include
7 agricultural products stored by wholesalers, third-party warehouses, or
8 retailers if the storage takes place on the land of the person who
9 produced the agricultural product. "Finished goods" does not include
10 logs, minerals, petroleum, gas, or other extracted products stored as
11 raw materials or in bulk;

12 (g) "Grain elevator" means a structure used for storage and
13 handling of grain in bulk;

14 (h) "Material-handling equipment and racking equipment" means
15 equipment in a warehouse or grain elevator that is primarily used to
16 handle, store, organize, convey, package, or repackage finished goods.
17 The term includes tangible personal property with a useful life of one
18 year or more that becomes an ingredient or component of the equipment,
19 including repair and replacement parts. The term does not include
20 equipment in offices, lunchrooms, restrooms, and other like space,
21 within a warehouse or grain elevator, or equipment used for
22 nonwarehousing purposes. "Material-handling equipment" includes but is
23 not limited to: Conveyers, carousels, lifts, positioners, pick-up-and-
24 place units, cranes, hoists, mechanical arms, and robots; mechanized
25 systems, including containers that are an integral part of the system,
26 whose purpose is to lift or move tangible personal property; and
27 automated handling, storage, and retrieval systems, including computers
28 that control them, whose purpose is to lift or move tangible personal
29 property; and forklifts and other off-the-road vehicles that are used
30 to lift or move tangible personal property and that cannot be operated
31 legally on roads and streets. "Racking equipment" includes, but is not
32 limited to, conveying systems, chutes, shelves, racks, bins, drawers,
33 pallets, and other containers and storage devices that form a necessary
34 part of the storage system;

35 (i) "Person" has the meaning given in RCW 82.04.030;

36 (j) "Retailer" means a person who makes "sales at retail" as
37 defined in chapter 82.04 RCW of tangible personal property;

1 (k) "Square footage" means the product of the two horizontal
2 dimensions of each floor of a specific warehouse. The entire footprint
3 of the warehouse shall be measured in calculating the square footage,
4 including space that juts out from the building profile such as loading
5 docks. "Square footage" does not mean the aggregate of the square
6 footage of more than one warehouse at a location or the aggregate of
7 the square footage of warehouses at more than one location;

8 (l) "Third-party warehouser" means a person taxable under RCW
9 82.04.280(4);

10 (m) "Warehouse" means an enclosed building or structure in which
11 finished goods are stored. A warehouse building or structure may have
12 more than one storage room and more than one floor. Office space,
13 lunchrooms, restrooms, and other space within the warehouse and
14 necessary for the operation of the warehouse are considered part of the
15 warehouse as are loading docks and other such space attached to the
16 building and used for handling of finished goods. Landscaping and
17 parking lots are not considered part of the warehouse. A storage yard
18 is not a warehouse, nor is a building in which manufacturing takes
19 place; and

20 (n) "Wholesaler" means a person who makes "sales at wholesale" as
21 defined in chapter 82.04 RCW of tangible personal property, but
22 "wholesaler" does not include a person who makes sales exempt under RCW
23 82.04.330.

24 (3)(a) A person claiming an exemption from state tax in the form of
25 a remittance under this section must pay the tax imposed by RCW
26 82.08.020. The buyer may then apply to the department for remittance
27 of all or part of the tax paid under RCW 82.08.020. For grain
28 elevators with bushel capacity of one million but less than two
29 million, the remittance is equal to fifty percent of the amount of tax
30 paid. For warehouses with square footage of two hundred thousand or
31 more, other than cold storage warehouses, and for grain elevators with
32 bushel capacity of two million or more, the remittance is equal to one
33 hundred percent of the amount of tax paid for qualifying construction,
34 materials, service, and labor, and fifty percent of the amount of tax
35 paid for qualifying material-handling equipment and racking equipment,
36 and labor and services rendered in respect to installing, repairing,
37 cleaning, altering, or improving the equipment. For cold storage
38 warehouses with square footage of twenty-five thousand or more, the

1 remittance is equal to one hundred percent of the amount of tax paid
2 for qualifying construction, materials, service, and labor, and one
3 hundred percent of the amount of tax paid for qualifying material-
4 handling equipment and racking equipment, and labor and services
5 rendered in respect to installing, repairing, cleaning, altering, or
6 improving the equipment.

7 (b) The department shall determine eligibility under this section
8 based on information provided by the buyer and through audit and other
9 administrative records. The buyer shall on a quarterly basis submit an
10 information sheet, in a form and manner as required by the department
11 by rule, specifying the amount of exempted tax claimed and the
12 qualifying purchases or acquisitions for which the exemption is
13 claimed. The buyer shall retain, in adequate detail to enable the
14 department to determine whether the equipment or construction meets the
15 criteria under this section: Invoices; proof of tax paid; documents
16 describing the material-handling equipment and racking equipment;
17 location and size of warehouses and grain elevators; and construction
18 invoices and documents.

19 (c) The department shall on a quarterly basis remit exempted
20 amounts to qualifying persons who submitted applications during the
21 previous quarter.

22 (4) Warehouses, grain elevators, and material-handling equipment
23 and racking equipment for which an exemption, credit, or deferral has
24 been or is being received under chapter 82.60, (~~(82.617)~~) 82.62, or
25 82.63 RCW or RCW 82.08.02565 or 82.12.02565 are not eligible for any
26 remittance under this section. Warehouses and grain elevators upon
27 which construction was initiated before May 20, 1997, are not eligible
28 for a remittance under this section.

29 (5) The lessor or owner of a warehouse or grain elevator is not
30 eligible for a remittance under this section unless the underlying
31 ownership of the warehouse or grain elevator and the material-handling
32 equipment and racking equipment vests exclusively in the same person,
33 or unless the lessor by written contract agrees to pass the economic
34 benefit of the remittance to the lessee in the form of reduced rent
35 payments.

36 **Sec. 12.** RCW 82.08.820 and 2005 c 513 s 11 are each amended to
37 read as follows:

1 (1) Wholesalers or third-party warehouse owners who own or operate
2 warehouses or grain elevators and retailers who own or operate
3 distribution centers, and who have paid the tax levied by RCW 82.08.020
4 on:

5 (a) Material-handling and racking equipment, and labor and services
6 rendered in respect to installing, repairing, cleaning, altering, or
7 improving the equipment; or

8 (b) Construction of a warehouse or grain elevator, including
9 materials, and including service and labor costs,
10 are eligible for an exemption in the form of a remittance. The amount
11 of the remittance is computed under subsection (3) of this section and
12 is based on the state share of sales tax.

13 (2) For purposes of this section and RCW 82.12.820:

14 (a) "Agricultural products" has the meaning given in RCW 82.04.213;

15 (b) (~~"Cold storage warehouse" means a storage warehouse used to~~
16 ~~store fresh and/or frozen perishable fruits or vegetables, or any~~
17 ~~combination thereof, at a desired temperature to maintain the quality~~
18 ~~of the product for orderly marketing;~~

19 ~~(c)~~) "Construction" means the actual construction of a warehouse
20 or grain elevator that did not exist before the construction began.
21 "Construction" includes expansion if the expansion adds (~~at least~~
22 ~~twenty five thousand square feet of additional space to an existing~~
23 ~~cold storage warehouse,~~) at least two hundred thousand square feet of
24 additional space to an existing warehouse (~~other than a cold storage~~
25 ~~warehouse,~~) or additional storage capacity of at least one million
26 bushels to an existing grain elevator. "Construction" does not include
27 renovation, remodeling, or repair;

28 (~~(d)~~) (c) "Department" means the department of revenue;

29 (~~(e)~~) (d) "Distribution center" means a warehouse that is used
30 exclusively by a retailer solely for the storage and distribution of
31 finished goods to retail outlets of the retailer. "Distribution
32 center" does not include a warehouse at which retail sales occur;

33 (~~(f)~~) (e) "Finished goods" means tangible personal property
34 intended for sale by a retailer or wholesaler. "Finished goods" does
35 not include agricultural products stored by wholesalers, third-party
36 warehouses, or retailers if the storage takes place on the land of the
37 person who produced the agricultural product. "Finished goods" does

1 not include logs, minerals, petroleum, gas, or other extracted products
2 stored as raw materials or in bulk;

3 ~~((g))~~ (f) "Grain elevator" means a structure used for storage and
4 handling of grain in bulk;

5 ~~((h))~~ (g) "Material-handling equipment and racking equipment"
6 means equipment in a warehouse or grain elevator that is primarily used
7 to handle, store, organize, convey, package, or repackage finished
8 goods. The term includes tangible personal property with a useful life
9 of one year or more that becomes an ingredient or component of the
10 equipment, including repair and replacement parts. The term does not
11 include equipment in offices, lunchrooms, restrooms, and other like
12 space, within a warehouse or grain elevator, or equipment used for
13 nonwarehousing purposes. "Material-handling equipment" includes but is
14 not limited to: Conveyers, carousels, lifts, positioners, pick-up-and-
15 place units, cranes, hoists, mechanical arms, and robots; mechanized
16 systems, including containers that are an integral part of the system,
17 whose purpose is to lift or move tangible personal property; and
18 automated handling, storage, and retrieval systems, including computers
19 that control them, whose purpose is to lift or move tangible personal
20 property; and forklifts and other off-the-road vehicles that are used
21 to lift or move tangible personal property and that cannot be operated
22 legally on roads and streets. "Racking equipment" includes, but is not
23 limited to, conveying systems, chutes, shelves, racks, bins, drawers,
24 pallets, and other containers and storage devices that form a necessary
25 part of the storage system;

26 ~~((i))~~ (h) "Person" has the meaning given in RCW 82.04.030;

27 ~~((j))~~ (i) "Retailer" means a person who makes "sales at retail"
28 as defined in chapter 82.04 RCW of tangible personal property;

29 ~~((k))~~ (j) "Square footage" means the product of the two
30 horizontal dimensions of each floor of a specific warehouse. The
31 entire footprint of the warehouse shall be measured in calculating the
32 square footage, including space that juts out from the building profile
33 such as loading docks. "Square footage" does not mean the aggregate of
34 the square footage of more than one warehouse at a location or the
35 aggregate of the square footage of warehouses at more than one
36 location;

37 ~~((l))~~ (k) "Third-party warehouse" means a person taxable under
38 RCW 82.04.280(4);

1 ~~((n))~~ (1) "Warehouse" means an enclosed building or structure in
2 which finished goods are stored. A warehouse building or structure may
3 have more than one storage room and more than one floor. Office space,
4 lunchrooms, restrooms, and other space within the warehouse and
5 necessary for the operation of the warehouse are considered part of the
6 warehouse as are loading docks and other such space attached to the
7 building and used for handling of finished goods. Landscaping and
8 parking lots are not considered part of the warehouse. A storage yard
9 is not a warehouse, nor is a building in which manufacturing takes
10 place; and

11 ~~((n))~~ (m) "Wholesaler" means a person who makes "sales at
12 wholesale" as defined in chapter 82.04 RCW of tangible personal
13 property, but "wholesaler" does not include a person who makes sales
14 exempt under RCW 82.04.330.

15 (3)(a) A person claiming an exemption from state tax in the form of
16 a remittance under this section must pay the tax imposed by RCW
17 82.08.020. The buyer may then apply to the department for remittance
18 of all or part of the tax paid under RCW 82.08.020. For grain
19 elevators with bushel capacity of one million but less than two
20 million, the remittance is equal to fifty percent of the amount of tax
21 paid. For warehouses with square footage of two hundred thousand or
22 more(~~, other than cold storage warehouses,~~) and for grain elevators
23 with bushel capacity of two million or more, the remittance is equal to
24 one hundred percent of the amount of tax paid for qualifying
25 construction, materials, service, and labor, and fifty percent of the
26 amount of tax paid for qualifying material-handling equipment and
27 racking equipment, and labor and services rendered in respect to
28 installing, repairing, cleaning, altering, or improving the equipment.
29 (~~For cold storage warehouses with square footage of twenty five
30 thousand or more, the remittance is equal to one hundred percent of the
31 amount of tax paid for qualifying construction, materials, service, and
32 labor, and one hundred percent of the amount of tax paid for qualifying
33 material handling equipment and racking equipment, and labor and
34 services rendered in respect to installing, repairing, cleaning,
35 altering, or improving the equipment.~~)

36 (b) The department shall determine eligibility under this section
37 based on information provided by the buyer and through audit and other
38 administrative records. The buyer shall on a quarterly basis submit an

1 information sheet, in a form and manner as required by the department
2 by rule, specifying the amount of exempted tax claimed and the
3 qualifying purchases or acquisitions for which the exemption is
4 claimed. The buyer shall retain, in adequate detail to enable the
5 department to determine whether the equipment or construction meets the
6 criteria under this section: Invoices; proof of tax paid; documents
7 describing the material-handling equipment and racking equipment;
8 location and size of warehouses and grain elevators; and construction
9 invoices and documents.

10 (c) The department shall on a quarterly basis remit exempted
11 amounts to qualifying persons who submitted applications during the
12 previous quarter.

13 (4) Warehouses, grain elevators, and material-handling equipment
14 and racking equipment for which an exemption, credit, or deferral has
15 been or is being received under chapter 82.60, (~~(82.61,)~~) 82.62, or
16 82.63 RCW or RCW 82.08.02565 or 82.12.02565 are not eligible for any
17 remittance under this section. Warehouses and grain elevators upon
18 which construction was initiated before May 20, 1997, are not eligible
19 for a remittance under this section.

20 (5) The lessor or owner of a warehouse or grain elevator is not
21 eligible for a remittance under this section unless the underlying
22 ownership of the warehouse or grain elevator and the material-handling
23 equipment and racking equipment vests exclusively in the same person,
24 or unless the lessor by written contract agrees to pass the economic
25 benefit of the remittance to the lessee in the form of reduced rent
26 payments.

27 **Sec. 13.** RCW 82.12.820 and 2005 c 513 s 12 are each amended to
28 read as follows:

29 (1) Wholesalers or third-party warehouse owners who own or operate
30 warehouses or grain elevators, and retailers who own or operate
31 distribution centers, and who have paid the tax levied under RCW
32 82.12.020 on:

33 (a) Material-handling equipment and racking equipment and labor and
34 services rendered in respect to installing, repairing, cleaning,
35 altering, or improving the equipment; or

36 (b) Materials incorporated in the construction of a warehouse or
37 grain elevator, are eligible for an exemption on tax paid in the form

1 of a remittance or credit against tax owed. The amount of the
2 remittance or credit is computed under subsection (2) of this section
3 and is based on the state share of use tax.

4 (2)(a) A person claiming an exemption from state tax in the form of
5 a remittance under this section must pay the tax imposed by RCW
6 82.12.020 to the department. The person may then apply to the
7 department for remittance of all or part of the tax paid under RCW
8 82.12.020. For grain elevators with bushel capacity of one million but
9 less than two million, the remittance is equal to fifty percent of the
10 amount of tax paid. For warehouses with square footage of two hundred
11 thousand or more(~~(, other than cold storage warehouses,)~~) and for grain
12 elevators with bushel capacity of two million or more, the remittance
13 is equal to one hundred percent of the amount of tax paid for
14 qualifying construction materials, and fifty percent of the amount of
15 tax paid for qualifying material-handling equipment and racking
16 equipment. (~~(For cold storage warehouses with square footage of
17 twenty five thousand or more, the remittance is equal to one hundred
18 percent of the amount of tax paid for qualifying construction,
19 materials, service, and labor, and one hundred percent of the amount of
20 tax paid for qualifying material handling equipment and racking
21 equipment, and labor and services rendered in respect to installing,
22 repairing, cleaning, altering, or improving the equipment.)~~)

23 (b) The department shall determine eligibility under this section
24 based on information provided by the buyer and through audit and other
25 administrative records. The buyer shall on a quarterly basis submit an
26 information sheet, in a form and manner as required by the department
27 by rule, specifying the amount of exempted tax claimed and the
28 qualifying purchases or acquisitions for which the exemption is
29 claimed. The buyer shall retain, in adequate detail to enable the
30 department to determine whether the equipment or construction meets the
31 criteria under this section: Invoices; proof of tax paid; documents
32 describing the material-handling equipment and racking equipment;
33 location and size of warehouses, if applicable; and construction
34 invoices and documents.

35 (c) The department shall on a quarterly basis remit or credit
36 exempted amounts to qualifying persons who submitted applications
37 during the previous quarter.

1 (3) Warehouse, grain elevators, and material-handling equipment and
2 racking equipment for which an exemption, credit, or deferral has been
3 or is being received under chapter 82.60, (~~(82.61,)~~) 82.62, or 82.63
4 RCW or RCW 82.08.02565 or 82.12.02565 are not eligible for any
5 remittance under this section. Materials incorporated in warehouses
6 and grain elevators upon which construction was initiated prior to May
7 20, 1997, are not eligible for a remittance under this section.

8 (4) The lessor or owner of the warehouse or grain elevator is not
9 eligible for a remittance or credit under this section unless the
10 underlying ownership of the warehouse or grain elevator and material-
11 handling equipment and racking equipment vests exclusively in the same
12 person, or unless the lessor by written contract agrees to pass the
13 economic benefit of the exemption to the lessee in the form of reduced
14 rent payments.

15 (5) The definitions in RCW 82.08.820 apply to this section.

16 NEW SECTION. **Sec. 14.** A new section is added to chapter 82.08 RCW
17 to read as follows:

18 (1) The tax levied by RCW 82.08.020 does not apply to sales to
19 persons who are subject to tax under RCW 82.04.260(12) of: (a)
20 Materials used to package canned salmon including, but not limited to,
21 clear wrap, boxes, tape, and box labels; and (b) glue, ink, or similar
22 tangible personal property, that: (i) Affixes the label to the labeled
23 product; or (ii) becomes a component of the label.

24 (2) The exemption is available only if the buyer provides the
25 seller with an exemption certificate in a form and manner prescribed by
26 the department. The seller must retain a copy of the certificate for
27 the seller's files.

28 NEW SECTION. **Sec. 15.** A new section is added to chapter 82.12 RCW
29 to read as follows:

30 The provisions of this chapter do not apply with respect to the use
31 by persons who are subject to tax under RCW 82.04.260(12) of: (1)
32 Materials used to package canned salmon including, but not limited to,
33 clear wrap, boxes, tape, and box labels; and (2) glue, ink, or similar
34 tangible personal property, that: (a) Affixes the label to the labeled
35 product; or (b) becomes a component of the label.

1 **Sec. 16.** RCW 82.32.600 and 2005 c 514 s 1002 are each amended to
2 read as follows:

3 (1) Persons required to file surveys under RCW 82.04.4452,
4 82.32.610, or 82.74.040 must electronically file with the department
5 all surveys, returns, and any other forms or information the department
6 requires in an electronic format as provided or approved by the
7 department(~~(, unless the department grants relief under subsection (2)~~
8 ~~of this section)~~). As used in this section, "returns" has the same
9 meaning as "return" in RCW 82.32.050.

10 (2) (~~Upon request, the department may relieve a person of the~~
11 ~~obligations in subsection (1) of this section if the person's taxes~~
12 ~~have been reduced a cumulative total of less than one thousand dollars~~
13 ~~from all of the credits, exemptions, or preferential business and~~
14 ~~occupation tax rates, for which a person is required to file an annual~~
15 ~~survey under RCW 82.04.4452, 82.32.535, 82.32.545, 82.32.570,~~
16 ~~82.32.560, 82.60.070, or 82.63.020.~~

17 (3) ~~Persons who no longer qualify for relief under subsection (2)~~
18 ~~of this section will be notified in writing by the department and must~~
19 ~~comply with subsection (1) of this section by the date provided in the~~
20 ~~notice.~~

21 (4)) Any survey, return, or any other form or information required
22 to be filed in an electronic format under subsection (1) of this
23 section is not filed until received by the department in an electronic
24 format.

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

27 **Sec. 17.** RCW 82.32.590 and 2005 c 514 s 1001 are each amended to
28 read as follows:

29 (1) If the department finds that the failure of a taxpayer to file
30 an annual survey under RCW 82.04.4452, 82.32.610, or 82.74.040 by the
31 due date was the result of circumstances beyond the control of the
32 taxpayer, the department shall extend the time for filing the survey.
33 Such extension shall be for a period of thirty days from the date the
34 department issues its written notification to the taxpayer that it
35 qualifies for an extension under this section. The department may
36 grant additional extensions as it deems proper.

1 (2) In making a determination whether the failure of a taxpayer to
2 file an annual survey by the due date was the result of circumstances
3 beyond the control of the taxpayer, the department shall be guided by
4 rules adopted by the department for the waiver or cancellation of
5 penalties when the underpayment or untimely payment of any tax was due
6 to circumstances beyond the control of the taxpayer.

7 NEW SECTION. **Sec. 18.** (1) Except as otherwise provided in this
8 section, this act takes effect July 1, 2006.

9 (2) Sections 6 through 9 and 11 of this act take effect July 1,
10 2007.

11 (3) Sections 12 and 13 of this act take effect July 1, 2012.

12 NEW SECTION. **Sec. 19.** Section 10 of this act expires July 1,
13 2007.

14 NEW SECTION. **Sec. 20.** Section 11 of this act expires July 1,
15 2012."

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By Senator Prentice

ADOPTED AS AMENDED 03/07/2006

16 On page 1, line 1 of the title, after "products;" strike the
17 remainder of the title and insert "amending RCW 82.04.4266, 82.32.610,
18 82.74.010, 82.74.030, 82.74.040, 82.74.050, 82.08.820, 82.08.820,
19 82.08.820, 82.12.820, 82.32.600, and 82.32.590; reenacting and amending
20 RCW 82.04.260; adding new sections to chapter 82.04 RCW; adding a new
21 section to chapter 82.08 RCW; adding a new section to chapter 82.12
22 RCW; providing effective dates; and providing expiration dates."

--- END ---