
SENATE BILL 5561

State of Washington

63rd Legislature

2013 Regular Session

By Senators Hatfield, Schoesler, Harper, Honeyford, and Shin

Read first time 02/04/13. Referred to Committee on Agriculture, Water & Rural Economic Development.

1 AN ACT Relating to the business and occupation taxation of dairy
2 products; amending RCW 82.04.260 and 82.04.4268; and providing an
3 effective date.

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

5 **Sec. 1.** RCW 82.04.260 and 2012 2nd sp.s. c 6 s 204 are each
6 amended to read as follows:

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

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

15 (b) Beginning July 1, 2015, seafood products that remain in a raw,
16 raw frozen, or raw salted state at the completion of the manufacturing
17 by that person; or selling manufactured seafood products that remain in
18 a raw, raw frozen, or raw salted state at the completion of the
19 manufacturing, to purchasers who transport in the ordinary course of

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

8 (c)(i) Beginning July 1, 2015, dairy products (~~(that as of~~
9 ~~September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131,~~
10 ~~133, and 135, including by-products from the manufacturing of the dairy~~
11 ~~products such as whey and casein; or selling the same)); or selling
12 dairy products that the person has manufactured to purchasers who
13 either transport in the ordinary course of business the goods out of
14 state or purchasers who use such dairy products as an ingredient or
15 component in the manufacturing of a dairy product; as to such persons
16 the tax imposed is equal to the value of the products manufactured or
17 the gross proceeds derived from such sales multiplied by the rate of
18 0.138 percent. Sellers must keep and preserve records for the period
19 required by RCW 82.32.070 establishing that the goods were transported
20 by the purchaser in the ordinary course of business out of this state
21 or sold to a manufacturer for use as an ingredient or component in the
22 manufacturing of a dairy product.~~

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

25 (A) Products that as of September 20, 2001, are identified in 21
26 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
27 the manufacturing of the dairy products, such as whey and casein; and

28 (B) Products comprised of not less than seventy percent dairy
29 products, measured by weight or volume;

30 (d) Beginning July 1, 2015, fruits or vegetables by canning,
31 preserving, freezing, processing, or dehydrating fresh fruits or
32 vegetables, or selling at wholesale fruits or vegetables manufactured
33 by the seller by canning, preserving, freezing, processing, or
34 dehydrating fresh fruits or vegetables and sold to purchasers who
35 transport in the ordinary course of business the goods out of this
36 state; as to such persons the amount of tax with respect to such
37 business is equal to the value of the products manufactured or the
38 gross proceeds derived from such sales multiplied by the rate of 0.138

1 percent. Sellers must keep and preserve records for the period
2 required by RCW 82.32.070 establishing that the goods were transported
3 by the purchaser in the ordinary course of business out of this state;

4 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
5 feedstock, as those terms are defined in RCW 82.29A.135; as to such
6 persons the amount of tax with respect to the business is equal to the
7 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
8 manufactured, multiplied by the rate of 0.138 percent; and

9 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
10 persons the amount of tax with respect to the business is equal to the
11 value of wood biomass fuel manufactured, multiplied by the rate of
12 0.138 percent.

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

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

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

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

32 (6) Upon every person engaging within this state in business as an
33 international steamship agent, international customs house broker,
34 international freight forwarder, vessel and/or cargo charter broker in
35 foreign commerce, and/or international air cargo agent; as to such
36 persons the amount of the tax with respect to only international
37 activities is equal to the gross income derived from such activities
38 multiplied by the rate of 0.275 percent.

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

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

35 If the gross income of the taxpayer is attributable to activities
36 both within and without this state, the gross income attributable to
37 this state must be determined in accordance with the methods of
38 apportionment required under RCW 82.04.460.

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

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

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

- 23 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and
- 24 (ii) 0.2904 percent beginning July 1, 2007.

25 (b) Beginning July 1, 2008, upon every person who is not eligible
26 to report under the provisions of (a) of this subsection (11) and is
27 engaging within this state in the business of manufacturing tooling
28 specifically designed for use in manufacturing commercial airplanes or
29 components of such airplanes, or making sales, at retail or wholesale,
30 of such tooling manufactured by the seller, as to such persons the
31 amount of tax with respect to such business is, in the case of
32 manufacturers, equal to the value of the product manufactured and the
33 gross proceeds of sales of the product manufactured, or in the case of
34 processors for hire, be equal to the gross income of the business,
35 multiplied by the rate of 0.2904 percent.

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

1 (d) In addition to all other requirements under this title, a
2 person reporting under the tax rate provided in this subsection (11)
3 must file a complete annual report with the department under RCW
4 82.32.534.

5 (e) This subsection (11) does not apply on and after July 1, 2024.

6 (12)(a) Until July 1, 2024, upon every person engaging within this
7 state in the business of extracting timber or extracting for hire
8 timber; as to such persons the amount of tax with respect to the
9 business is, in the case of extractors, equal to the value of products,
10 including by-products, extracted, or in the case of extractors for
11 hire, equal to the gross income of the business, multiplied by the rate
12 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904
13 percent from July 1, 2007, through June 30, 2024.

14 (b) Until July 1, 2024, upon every person engaging within this
15 state in the business of manufacturing or processing for hire: (i)
16 Timber into timber products or wood products; or (ii) timber products
17 into other timber products or wood products; as to such persons the
18 amount of the tax with respect to the business is, in the case of
19 manufacturers, equal to the value of products, including by-products,
20 manufactured, or in the case of processors for hire, equal to the gross
21 income of the business, multiplied by the rate of 0.4235 percent from
22 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
23 2007, through June 30, 2024.

24 (c) Until July 1, 2024, upon every person engaging within this
25 state in the business of selling at wholesale: (i) Timber extracted by
26 that person; (ii) timber products manufactured by that person from
27 timber or other timber products; or (iii) wood products manufactured by
28 that person from timber or timber products; as to such persons the
29 amount of the tax with respect to the business is equal to the gross
30 proceeds of sales of the timber, timber products, or wood products
31 multiplied by the rate of 0.4235 percent from July 1, 2006, through
32 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
33 2024.

34 (d) Until July 1, 2024, upon every person engaging within this
35 state in the business of selling standing timber; as to such persons
36 the amount of the tax with respect to the business is equal to the
37 gross income of the business multiplied by the rate of 0.2904 percent.
38 For purposes of this subsection (12)(d), "selling standing timber"

1 means the sale of timber apart from the land, where the buyer is
2 required to sever the timber within thirty months from the date of the
3 original contract, regardless of the method of payment for the timber
4 and whether title to the timber transfers before, upon, or after
5 severance.

6 (e) For purposes of this subsection, the following definitions
7 apply:

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

11 (ii) "Paper and paper products" means products made of interwoven
12 cellulosic fibers held together largely by hydrogen bonding. "Paper
13 and paper products" includes newsprint; office, printing, fine, and
14 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
15 kraft bag, construction, and other kraft industrial papers; paperboard,
16 liquid packaging containers, containerboard, corrugated, and solid-
17 fiber containers including linerboard and corrugated medium; and
18 related types of cellulosic products containing primarily, by weight or
19 volume, cellulosic materials. "Paper and paper products" does not
20 include books, newspapers, magazines, periodicals, and other printed
21 publications, advertising materials, calendars, and similar types of
22 printed materials.

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

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

32 (v) "Timber products" means:

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

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

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

3 (vi) "Wood products" means paper and paper products; dimensional
4 lumber; engineered wood products such as particleboard, oriented strand
5 board, medium density fiberboard, and plywood; wood doors; wood
6 windows; and biocomposite surface products.

7 (f) Except for small harvesters as defined in RCW 84.33.035, a
8 person reporting under the tax rate provided in this subsection (12)
9 must file a complete annual survey with the department under RCW
10 82.32.585.

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

16 (14)(a) Upon every person engaging within this state in the
17 business of printing a newspaper, publishing a newspaper, or both, the
18 amount of tax on such business is equal to the gross income of the
19 business multiplied by the rate of 0.2904 percent.

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

23 **Sec. 2.** RCW 82.04.4268 and 2012 2nd sp.s. c 6 s 202 are each
24 amended to read as follows:

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

27 (a) Manufacturing dairy products; or

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

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

3 (2) "Dairy products" (~~(means dairy products that as of September~~
4 ~~20, 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and~~
5 ~~135, including byproducts from the manufacturing of the dairy products~~
6 ~~such as whey and casein)) has the same meaning as provided in RCW
7 82.04.260.~~

8 (3) A person claiming the exemption provided in this section must
9 file a complete annual survey with the department under RCW 82.32.585.

10 (4) This section expires July 1, 2015.

11 NEW SECTION. Sec. 3. Section 1 of this act takes effect July 1,
12 2015.

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