
ENGROSSED SUBSTITUTE SENATE BILL 5882

State of Washington 63rd Legislature 2013 2nd Special Session

By Senate Ways & Means (originally sponsored by Senator Hill)

READ FIRST TIME 06/28/13.

1 AN ACT Relating to creating, expanding, or extending tax
2 preferences; amending RCW 82.04.260, 82.04.4268, 82.04.629, 82.04.630,
3 82.08.0204, 82.12.0204, 82.04.050, 82.04.294, 82.08.956, 82.12.956,
4 47.68.250, 82.48.100, 82.04.324, 82.08.962, 82.12.962, 82.08.963, and
5 82.12.963; reenacting and amending RCW 82.04.260; adding new sections
6 to chapter 82.04 RCW; adding new sections to chapter 82.08 RCW; adding
7 new sections to chapter 82.12 RCW; adding new sections to chapter
8 43.136 RCW; adding new sections to chapter 82.32 RCW; adding a new
9 section to chapter 82.14B RCW; adding a new section to chapter 82.16
10 RCW; adding a new section to chapter 82.18 RCW; adding a new section to
11 chapter 82.19 RCW; adding a new section to chapter 82.21 RCW; adding a
12 new section to chapter 82.23A RCW; adding a new section to chapter
13 82.23B RCW; adding a new section to chapter 82.24 RCW; adding a new
14 section to chapter 82.26 RCW; adding a new section to chapter 82.27
15 RCW; adding a new section to chapter 82.29A RCW; adding a new section
16 to chapter 82.45 RCW; adding a new section to chapter 82.48 RCW; adding
17 a new section to chapter 82.64 RCW; adding a new section to chapter
18 84.52 RCW; adding a new section to chapter 54.28 RCW; creating new
19 sections; repealing 2008 c 314 s 7 (uncodified); repealing 2013 2nd
20 sp.s. c ... s 1202; providing effective dates; providing expiration

1 dates; and declaring an emergency.

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

3 **PART I**

4 **Payroll Services**

5 NEW SECTION. **Sec. 101.** (1) The legislature finds that the supreme
6 court's decision in *William Rogers v. Tacoma*, while clarifying the
7 taxation of temporary staffing agencies, resulted in differing
8 interpretations of regulatory requirements in order to qualify for a
9 pass-through exclusion from Washington B&O taxes for payroll
10 reimbursements made within an affiliated group.

11 (2) The legislature passed Second Engrossed Substitute Senate Bill
12 No. 6143 during the 2010 legislative session that directed the
13 department of revenue to conduct a review and provide a report on the
14 state's tax policies with respect to the taxation of intercompany
15 transactions. The report affirms that centralized payroll reporting
16 systems can result in an additional layer of tax for Washington
17 businesses. Exclusions for payroll reimbursements allow businesses to
18 have efficient administrative costs without incurring an additional tax
19 obligation resulting exclusively from streamlining payroll processes.
20 Further, this treatment of allowing for an exclusion of payroll cost
21 reimbursements within a centralized payroll system is consistent with
22 historical tax practices of the department of revenue prior to the
23 *William Rogers* decision.

24 (3) The department of revenue continues to work with taxpayers to
25 study taxation of transactions within and between affiliated business
26 organizations in order to determine the appropriate policies and to
27 identify areas where statutory and regulatory changes may be necessary.

28 (4) The legislature finds that the tax policy of allowing
29 exclusions for payroll cost reimbursements within a centralized payroll
30 reporting system is appropriate and should be affirmed. The
31 legislature adopts the historical tax policy of allowing exclusions for
32 payroll cost reimbursements within a centralized payroll reporting
33 system of an affiliated group and requires the implementation of such
34 tax policy from the effective date of this section. In affirming this
35 tax policy, the legislature also intends to monitor these transactions

1 to ensure they are being used appropriately and not for tax avoidance
2 purposes and to monitor the potential impact on state revenue
3 collections. The legislature does not intend for part I of this act to
4 retroactively create a right of refund for taxes paid on payroll cost
5 reimbursements prior to the enactment of this statute.

6 NEW SECTION. **Sec. 102.** A new section is added to chapter 82.04
7 RCW to read as follows:

8 (1) In computing tax there may be deducted from the measure of tax,
9 amounts that a qualified employer of record engaged in providing
10 paymaster services receives from an affiliated business to cover
11 employee costs of a qualified employee. However, no exclusion is
12 allowed under this section for any employee costs incurred in
13 connection with a contractual obligation of the taxpayer to provide
14 services, including staffing services as defined in RCW 82.04.540.

15 (2) The definitions in this subsection apply throughout this
16 section unless the context clearly requires otherwise.

17 (a) "Affiliated" has the same meaning as provided in RCW
18 82.32.655(7).

19 (b) "Employee costs" are the actual cost of wages and salaries,
20 benefits, workers' compensation, payroll taxes, withholding, or other
21 assessments paid to or on behalf of an employee.

22 (c) "Functional employment relationship" means having control over
23 the work schedule and activities of the employees and control over all
24 employment decisions such as salary, discipline, hiring, or layoffs.

25 (d) "Paymaster services" means providing payroll and related human
26 resource services.

27 (e) "Qualified employee" means an employee with whom the affiliated
28 business has a functional employment relationship. Neither the
29 employer of record, nor any other affiliate, may have a functional
30 employment relationship with the employee.

31 (f) "Qualified employer of record" is a person who:

32 (i) Has no functional employment relationship with a qualified
33 employee; and

34 (ii) Has no contractual liability with a qualified employee for the
35 employee costs. A qualified employer of record may have statutory or
36 common law liability to the qualified employees or to third parties for
37 employee costs.

1 (3) Section 1701(1) of this act does not apply to the deduction
2 authorized in this section.

3 **PART II**
4 **Dairy Products**

5 NEW SECTION. **Sec. 201.** The intent of part II of this act is to
6 incentivize the creation of additional jobs in Washington in the dairy
7 industry and related industries that manufacture dairy-based products.
8 More specifically, it is the intent of part II of this act to encourage
9 infant formula producers to locate new facilities in Washington or
10 expand existing facilities in Washington through an extension of a
11 preferential business and occupation tax rate for dairy producers. It
12 is the further intent of the legislature to provide this tax incentive
13 in a fiscally responsible manner where the actual revenue impact of the
14 legislation substantially conforms with the fiscal estimate provided in
15 the legislation's fiscal note.

16 **Sec. 202.** RCW 82.04.260 and 2012 2nd sp.s. c 6 s 602 and 2012 2nd
17 sp.s. c 6 s 204 are each reenacted and amended to read as follows:

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

20 (a) Wheat into flour, barley into pearl barley, soybeans into
21 soybean oil, canola into canola oil, canola meal, or canola by-
22 products, or sunflower seeds into sunflower oil; as to such persons the
23 amount of tax with respect to such business is equal to the value of
24 the flour, pearl barley, oil, canola meal, or canola by-product
25 manufactured, multiplied by the rate of 0.138 percent;

26 (b) Beginning July 1, 2015, seafood products that remain in a raw,
27 raw frozen, or raw salted state at the completion of the manufacturing
28 by that person; or selling manufactured seafood products that remain in
29 a raw, raw frozen, or raw salted state at the completion of the
30 manufacturing, to purchasers who transport in the ordinary course of
31 business the goods out of this state; as to such persons the amount of
32 tax with respect to such business is equal to the value of the products
33 manufactured or the gross proceeds derived from such sales, multiplied
34 by the rate of 0.138 percent. Sellers 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 (c)(i) Beginning July 1, 2015, dairy products (~~that as of~~
5 ~~September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131,~~
6 ~~133, and 135, including by products from the manufacturing of the dairy~~
7 ~~products such as whey and casein; or selling the same~~); or selling
8 dairy products that the person has manufactured to purchasers who
9 either transport in the ordinary course of business the goods out of
10 state or purchasers who use such dairy products as an ingredient or
11 component in the manufacturing of a dairy product; as to such persons
12 the tax imposed is equal to the value of the products manufactured or
13 the gross proceeds derived from such sales multiplied by the rate of
14 0.138 percent. Sellers must keep and preserve records for the period
15 required by RCW 82.32.070 establishing that the goods were transported
16 by the purchaser in the ordinary course of business out of this state
17 or sold to a manufacturer for use as an ingredient or component in the
18 manufacturing of a dairy product.

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

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

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

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

32 (d) Beginning July 1, 2015, fruits or vegetables by canning,
33 preserving, freezing, processing, or dehydrating fresh fruits or
34 vegetables, or selling at wholesale fruits or vegetables manufactured
35 by the seller by canning, preserving, freezing, processing, or
36 dehydrating fresh fruits or vegetables and sold to purchasers who
37 transport in the ordinary course of business the goods out of this
38 state; as to such persons the amount of tax with respect to such

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

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

11 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
12 persons the amount of tax with respect to the business is equal to the
13 value of wood biomass fuel manufactured, multiplied by the rate of
14 0.138 percent.

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

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

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

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

34 (6) Upon every person engaging within this state in business as an
35 international steamship agent, international customs house broker,
36 international freight forwarder, vessel and/or cargo charter broker in
37 foreign commerce, and/or international air cargo agent; as to such

1 persons the amount of the tax with respect to only international
2 activities is equal to the gross income derived from such activities
3 multiplied by the rate of 0.275 percent.

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (b) Until July 1, 2024, upon every person engaging within this
19 state in the business of manufacturing or processing for hire: (i)
20 Timber into timber products or wood products; or (ii) timber products
21 into other timber products or wood products; as to such persons the
22 amount of the tax with respect to the business is, in the case of
23 manufacturers, equal to the value of products, including by-products,
24 manufactured, or in the case of processors for hire, equal to the gross
25 income of the business, multiplied by the rate of 0.4235 percent from
26 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
27 2007, through June 30, 2024.

28 (c) Until July 1, 2024, upon every person engaging within this
29 state in the business of selling at wholesale: (i) Timber extracted by
30 that person; (ii) timber products manufactured by that person from
31 timber or other timber products; or (iii) wood products manufactured by
32 that person from timber or timber products; as to such persons the
33 amount of the tax with respect to the business is equal to the gross
34 proceeds of sales of the timber, timber products, or wood products
35 multiplied by the rate of 0.4235 percent from July 1, 2006, through
36 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
37 2024.

1 (d) Until July 1, 2024, upon every person engaging within this
2 state in the business of selling standing timber; as to such persons
3 the amount of the tax with respect to the business is equal to the
4 gross income of the business multiplied by the rate of 0.2904 percent.
5 For purposes of this subsection (12)(d), "selling standing timber"
6 means the sale of timber apart from the land, where the buyer is
7 required to sever the timber within thirty months from the date of the
8 original contract, regardless of the method of payment for the timber
9 and whether title to the timber transfers before, upon, or after
10 severance.

11 (e) For purposes of this subsection, the following definitions
12 apply:

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

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

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

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

37 (v) "Timber products" means:

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

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

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

8 (vi) "Wood products" means paper and paper products; dimensional
9 lumber; engineered wood products such as particleboard, oriented strand
10 board, medium density fiberboard, and plywood; wood doors; wood
11 windows; and biocomposite surface products.

12 (f) Except for small harvesters as defined in RCW 84.33.035, a
13 person reporting under the tax rate provided in this subsection (12)
14 must file a complete annual survey with the department under RCW
15 82.32.585.

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

21 (14)(a) Upon every person engaging within this state in the
22 business of printing a newspaper, publishing a newspaper, or both, the
23 amount of tax on such business is equal to the gross income of the
24 business multiplied by the rate of 0.365 percent through June 30, 2013,
25 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

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

29 **Sec. 203.** RCW 82.04.260 and 2012 2nd sp.s. c 6 s 204 are each
30 amended to read as follows:

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

33 (a) Wheat into flour, barley into pearl barley, soybeans into
34 soybean oil, canola into canola oil, canola meal, or canola by-
35 products, or sunflower seeds into sunflower oil; as to such persons the
36 amount of tax with respect to such business is equal to the value of

1 the flour, pearl barley, oil, canola meal, or canola by-product
2 manufactured, multiplied by the rate of 0.138 percent;

3 (b) Beginning July 1, 2015, seafood products that remain in a raw,
4 raw frozen, or raw salted state at the completion of the manufacturing
5 by that person; or selling manufactured seafood products that remain in
6 a raw, raw frozen, or raw salted state at the completion of the
7 manufacturing, to purchasers who transport in the ordinary course of
8 business the goods out of this state; as to such persons the amount of
9 tax with respect to such business is equal to the value of the products
10 manufactured or the gross proceeds derived from such sales, multiplied
11 by the rate of 0.138 percent. Sellers must keep and preserve records
12 for the period required by RCW 82.32.070 establishing that the goods
13 were transported by the purchaser in the ordinary course of business
14 out of this state;

15 (c)(i) Beginning July 1, 2015, dairy products (~~that as of~~
16 ~~September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131,~~
17 ~~133, and 135, including by products from the manufacturing of the dairy~~
18 ~~products such as whey and casein; or selling the same~~); or selling
19 dairy products that the person has manufactured to purchasers who
20 either transport in the ordinary course of business the goods out of
21 state or purchasers who use such dairy products as an ingredient or
22 component in the manufacturing of a dairy product; as to such persons
23 the tax imposed is equal to the value of the products manufactured or
24 the gross proceeds derived from such sales multiplied by the rate of
25 0.138 percent. Sellers must keep and preserve records for the period
26 required by RCW 82.32.070 establishing that the goods were transported
27 by the purchaser in the ordinary course of business out of this state
28 or sold to a manufacturer for use as an ingredient or component in the
29 manufacturing of a dairy product.

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

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

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

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

6 (d) Beginning July 1, 2015, fruits or vegetables by canning,
7 preserving, freezing, processing, or dehydrating fresh fruits or
8 vegetables, or selling at wholesale fruits or vegetables manufactured
9 by the seller by canning, preserving, freezing, processing, or
10 dehydrating fresh fruits or vegetables and sold to purchasers who
11 transport in the ordinary course of business the goods out of this
12 state; as to such persons the amount of tax with respect to such
13 business is equal to the value of the products manufactured or the
14 gross proceeds derived from such sales multiplied by the rate of 0.138
15 percent. Sellers must keep and preserve records for the period
16 required by RCW 82.32.070 establishing that the goods were transported
17 by the purchaser in the ordinary course of business out of this state;

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

23 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
24 persons the amount of tax with respect to the business is equal to the
25 value of wood biomass fuel manufactured, multiplied by the rate of
26 0.138 percent.

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

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

36 (4) Upon every person engaging within this state in the business of
37 slaughtering, breaking and/or processing perishable meat products

1 and/or selling the same at wholesale only and not at retail; as to such
2 persons the tax imposed is equal to the gross proceeds derived from
3 such sales multiplied by the rate of 0.138 percent.

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

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

16 (7) Upon every person engaging within this state in the business of
17 stevedoring and associated activities pertinent to the movement of
18 goods and commodities in waterborne interstate or foreign commerce; as
19 to such persons the amount of tax with respect to such business is
20 equal to the gross proceeds derived from such activities multiplied by
21 the rate of 0.275 percent. Persons subject to taxation under this
22 subsection are exempt from payment of taxes imposed by chapter 82.16
23 RCW for that portion of their business subject to taxation under this
24 subsection. Stevedoring and associated activities pertinent to the
25 conduct of goods and commodities in waterborne interstate or foreign
26 commerce are defined as all activities of a labor, service or
27 transportation nature whereby cargo may be loaded or unloaded to or
28 from vessels or barges, passing over, onto or under a wharf, pier, or
29 similar structure; cargo may be moved to a warehouse or similar holding
30 or storage yard or area to await further movement in import or export
31 or may move to a consolidation freight station and be stuffed,
32 unstuffed, containerized, separated or otherwise segregated or
33 aggregated for delivery or loaded on any mode of transportation for
34 delivery to its consignee. Specific activities included in this
35 definition are: Wharfage, handling, loading, unloading, moving of
36 cargo to a convenient place of delivery to the consignee or a
37 convenient place for further movement to export mode; documentation
38 services in connection with the receipt, delivery, checking, care,

1 custody and control of cargo required in the transfer of cargo;
2 imported automobile handling prior to delivery to consignee; terminal
3 stevedoring and incidental vessel services, including but not limited
4 to plugging and unplugging refrigerator service to containers,
5 trailers, and other refrigerated cargo receptacles, and securing ship
6 hatch covers.

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

12 If the gross income of the taxpayer is attributable to activities
13 both within and without this state, the gross income attributable to
14 this state must be determined in accordance with the methods of
15 apportionment required under RCW 82.04.460.

16 (9) Upon every person engaging within this state as an insurance
17 producer or title insurance agent licensed under chapter 48.17 RCW or
18 a surplus line broker licensed under chapter 48.15 RCW; as to such
19 persons, the amount of the tax with respect to such licensed activities
20 is equal to the gross income of such business multiplied by the rate of
21 0.484 percent.

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

29 (11)(a) Beginning October 1, 2005, upon every person engaging
30 within this state in the business of manufacturing commercial
31 airplanes, or components of such airplanes, or making sales, at retail
32 or wholesale, of commercial airplanes or components of such airplanes,
33 manufactured by the seller, as to such persons the amount of tax with
34 respect to such business is, in the case of manufacturers, equal to the
35 value of the product manufactured and the gross proceeds of sales of
36 the product manufactured, or in the case of processors for hire, equal
37 to the gross income of the business, multiplied by the rate of:

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

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

2 (b) Beginning July 1, 2008, upon every person who is not eligible
3 to report under the provisions of (a) of this subsection (11) and is
4 engaging within this state in the business of manufacturing tooling
5 specifically designed for use in manufacturing commercial airplanes or
6 components of such airplanes, or making sales, at retail or wholesale,
7 of such tooling manufactured by the seller, as to such persons the
8 amount of tax with respect to such business is, in the case of
9 manufacturers, equal to the value of the product manufactured and the
10 gross proceeds of sales of the product manufactured, or in the case of
11 processors for hire, be equal to the gross income of the business,
12 multiplied by the rate of 0.2904 percent.

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

15 (d) In addition to all other requirements under this title, a
16 person reporting under the tax rate provided in this subsection (11)
17 must file a complete annual report with the department under RCW
18 82.32.534.

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

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

28 (b) Until July 1, 2024, upon every person engaging within this
29 state in the business of manufacturing or processing for hire: (i)
30 Timber into timber products or wood products; or (ii) timber products
31 into other timber products or wood products; as to such persons the
32 amount of the tax with respect to the business is, in the case of
33 manufacturers, equal to the value of products, including by-products,
34 manufactured, or in the case of processors for hire, equal to the gross
35 income of the business, multiplied by the rate of 0.4235 percent from
36 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
37 2007, through June 30, 2024.

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

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

21 (e) For purposes of this subsection, the following definitions
22 apply:

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

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

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

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

10 (v) "Timber products" means:

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

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

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

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

22 (f) Except for small harvesters as defined in RCW 84.33.035, a
23 person reporting under the tax rate provided in this subsection (12)
24 must file a complete annual survey with the department under RCW
25 82.32.585.

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

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

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

1 **Sec. 204.** RCW 82.04.4268 and 2012 2nd sp.s. c 6 s 202 are each
2 amended to read as follows:

3 (1) (~~This chapter does not apply to~~) In computing tax there may
4 be deducted from the measure of tax, the value of products or the gross
5 proceeds of sales derived from:

6 (a) Manufacturing dairy products; or

7 (b) Selling (~~manufactured dairy products to purchasers who~~
8 ~~transport in the ordinary course of business the goods out of this~~
9 ~~state~~) dairy products manufactured by the seller to purchasers who
10 either transport in the ordinary course of business the goods out of
11 this state or purchasers who use such dairy products as an ingredient
12 or component in the manufacturing of a dairy product. A person taking
13 an exemption under this subsection (1)(b) must keep and preserve
14 records for the period required by RCW 82.32.070 establishing that the
15 goods were transported by the purchaser in the ordinary course of
16 business out of this state or sold to a manufacturer for use as an
17 ingredient or component in the manufacturing of a dairy product.

18 (2) "Dairy products" (~~means dairy products that as of September~~
19 ~~20, 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and~~
20 ~~135, including byproducts from the manufacturing of the dairy products~~
21 ~~such as whey and casein~~) has the same meaning as provided in RCW
22 82.04.260.

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

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

26 **PART III**

27 **Honey Beekeepers**

28 NEW SECTION. **Sec. 301.** (1) The legislature finds that in 2008 the
29 legislature passed Second Substitute Senate Bill No. 6468, which
30 provided temporary tax relief for honey beekeepers. The legislature
31 further finds that the 2008 legislation included the following intent
32 language: "The legislature finds that recent occurrences of colony
33 collapse disorder and the resulting loss of bee hives will have an
34 economic impact on the state's agricultural sector. The legislature
35 intends to provide temporary business and occupation tax relief for

1 Washington's apiarists." The legislature further finds that in 2013,
2 colony collapse disorder is still a significant problem for the apiary
3 industry.

4 (2) Because of the continuing problems associated with colony
5 collapse disorder, it is the legislature's intent to extend the tax
6 relief provided in the 2008 legislation, subject to a rigorous and
7 periodic review of the health of honey bee colonies in Washington to
8 determine whether colony collapse disorder is still a significant
9 problem in the apiary industry. It is the legislature's intent that
10 the tax relief provided in part III of this act will not be extended
11 when data indicates that honey bee colony survivorship has improved, as
12 provided in the colony collapse disorder progress report, published
13 annually by the United States department of agriculture, and data
14 provided by the Washington state department of agriculture to the joint
15 legislative audit and review committee.

16 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.08
17 RCW to read as follows:

18 (1) The tax levied by RCW 82.08.020 does not apply to sales of feed
19 to an eligible apiarist for use in the raising of a bee colony used to
20 make honey bee products.

21 (2) This exemption is available only if the buyer provides the
22 seller with an exemption certificate in a form and manner prescribed by
23 the department.

24 (3) The definitions in RCW 82.04.629 apply to this section.

25 (4) This section expires July 1, 2017.

26 NEW SECTION. **Sec. 303.** A new section is added to chapter 82.12
27 RCW to read as follows:

28 (1) The provisions of this chapter do not apply with respect to the
29 use of feed to an eligible apiarist for use in the raising of a bee
30 colony used to make honey bee products.

31 (2) The definitions in RCW 82.04.629 apply to this section.

32 (3) This section expires July 1, 2017.

33 NEW SECTION. **Sec. 304.** A new section is added to chapter 43.136
34 RCW to read as follows:

35 (1) As part of the joint legislative audit and review committee's

1 tax preference review under this chapter for the tax preferences
2 contained within part III of this act, the joint legislative audit and
3 review committee must also evaluate whether Washington state taxes are
4 a disproportionately large percentage of a commercial beekeeper's
5 operational or capital costs, including an analysis of the impact of
6 Washington state taxes on similar sized businesses.

7 (2) This section expires July 1, 2017.

8 NEW SECTION. **Sec. 305.** (1) The department of agriculture must
9 convene a honey bee work group to address challenges facing the honey
10 bee industry and to develop a report outlining solutions that bolster
11 the use of Washington honey bee colonies used to pollinate tree fruits,
12 berries, and seeds. The work group must include the following members:
13 Two members from the Washington state beekeepers association; one
14 apiarist as defined in RCW 15.60.005 with no less than one thousand
15 hives; one apiarist as defined in RCW 15.60.005 with no more than
16 twenty-five hives; one member from the Washington State University
17 apiary lab; one member from the Washington state department of
18 agriculture; one member from the tree fruit industry; and one member
19 from the seed industry.

20 (2) The work group may include or seek input from other agencies,
21 organizations, or stakeholders. By December 31, 2014, and in
22 compliance with RCW 43.01.036, the department must submit the work
23 group's report to the legislature that includes the following: (a)
24 Proposed changes to the industry's tax structure to increase
25 competitiveness with out-of-state beekeepers for pollination contracts;
26 (b) providing analytics and metrics to measure the value of the
27 proposed tax structure changes; (c) proposed additional resources
28 needed to continue applied and basic research to support commercial
29 beekeepers in the state and to recover colony losses; (d) identifying
30 colony levels needed to meet the pollination demands of the Washington
31 agricultural industry; (e) identifying other policy changes that would
32 increase the competitiveness of Washington beekeepers; (f) other
33 industry needs that would increase the market share of pollination
34 contracts awarded to Washington beekeepers; and (g) metrics needed to
35 provide accountability for state resources invested in the honey bee
36 industry.

37 (3) This section expires July 1, 2017.

1 **Sec. 306.** RCW 82.04.629 and 2008 c 314 s 2 are each amended to
2 read as follows:

3 (1) This chapter does not apply to amounts derived from the
4 wholesale sale of honey bee products by an eligible apiarist who owns
5 or keeps bee colonies and who does not qualify for an exemption under
6 RCW 82.04.330 in respect to such sales.

7 (2) The exemption provided in subsection (1) of this section does
8 not apply to any person selling such products at retail or to any
9 person selling manufactured substances or articles.

10 (3) The definitions in this subsection apply (~~to~~) throughout this
11 section unless the context clearly requires otherwise.

12 (a) "Bee colony" means a natural group of honey bees containing
13 seven thousand or more workers and one or more queens, housed in a man-
14 made hive with movable frames, and operated as a beekeeping unit.

15 (b) "Eligible apiarist" means a person who owns or keeps one or
16 more bee colonies and who grows, raises, or produces honey bee products
17 for sale at wholesale and is registered under RCW 15.60.021.

18 (c) "Honey bee products" means queen honey bees, packaged honey
19 bees, honey, pollen, bees wax, propolis, or other substances obtained
20 from honey bees. "Honey bee products" does not include manufactured
21 substances or articles.

22 (4) This section expires July 1, 2017.

23 **Sec. 307.** RCW 82.04.630 and 2008 c 314 s 3 are each amended to
24 read as follows:

25 (1) This chapter does not apply to amounts received by an eligible
26 apiarist, as defined in RCW 82.04.629, for providing bee pollination
27 services to a farmer using a bee colony owned or kept by the person
28 providing the pollination services.

29 (2) The definitions in RCW 82.04.213 apply to this section.

30 (3) This section expires July 1, 2017.

31 **Sec. 308.** RCW 82.08.0204 and 2008 c 314 s 4 are each amended to
32 read as follows:

33 (1) The tax levied by RCW 82.08.020 does not apply to the sale of
34 honey bees to an eligible apiarist, as defined in RCW 82.04.629. This
35 exemption is available only if the buyer provides the seller with an

1 exemption certificate in a form and manner prescribed by the
2 department.

3 (2) This section expires July 1, 2017.

4 **Sec. 309.** RCW 82.12.0204 and 2008 c 314 s 5 are each amended to
5 read as follows:

6 (1) The provisions of this chapter do not apply in respect to the
7 use of honey bees by an eligible apiarist, as defined in RCW 82.04.629.
8 This exemption is available only if the buyer provides the seller with
9 an exemption certificate in a form and manner prescribed by the
10 department.

11 (2) This section expires July 1, 2017.

12 NEW SECTION. **Sec. 310.** 2008 c 314 s 7 (uncodified) is repealed.

13 **PART IV**
14 **Clay Targets**

15 NEW SECTION. **Sec. 401.** The legislature intends for the tax
16 preferences in sections 402 and 403 of this act to be temporary in
17 order for the legislature to assess the actual fiscal impact of the tax
18 preferences to ensure that they reasonably conform with the fiscal
19 estimate provided in the legislation's fiscal note. It is not the
20 legislature's intent to establish a broad policy of providing sales and
21 use tax exemptions for business consumables used by businesses in the
22 provision of services to customers.

23 NEW SECTION. **Sec. 402.** A new section is added to chapter 82.08
24 RCW to read as follows:

25 (1) The tax levied by RCW 82.08.020 does not apply to sales of clay
26 targets purchased by a nonprofit gun club for use in providing the
27 activity of clay target shooting for a fee.

28 (2) The exemption is available only when the buyer provides the
29 seller with an exemption certificate in a form and manner prescribed by
30 the department. The seller must retain a copy of the certificate for
31 the seller's files. For sellers who electronically file their taxes,
32 the department must provide a separate tax reporting line for exemption
33 amounts claimed under this section.

1 (3) This section expires July 1, 2017.

2 NEW SECTION. **Sec. 403.** A new section is added to chapter 82.12
3 RCW to read as follows:

4 (1) The provisions of this chapter do not apply with respect to the
5 use by a nonprofit gun club of clay targets that are provided while
6 conducting the activity of clay target shooting for a fee.

7 (2) This section expires July 1, 2017.

8 **PART V**

9 **Products that Impart Flavor to Food**

10 NEW SECTION. **Sec. 501.** The intent of part V of this act is to
11 provide tax relief to restaurants for business inputs that cannot be
12 reused and are consumed for a specific purpose during the cooking
13 process. More specifically, it is the intent of part V of this act to
14 provide a sales and use tax exemption for specific items used in the
15 cooking process that impart flavor and therefore are similar to an
16 ingredient added to a final product that is sold to the consumer. It
17 is also the intent of the legislature to provide this tax preference in
18 a fiscally responsible manner where the actual revenue impact of the
19 legislation substantially conforms with the fiscal estimate provided in
20 the legislation's fiscal note. Therefore, the legislature intends for
21 this tax preference to be temporary so the legislature can assess the
22 actual fiscal impact of the tax preference and whether the tangible
23 personal property subject to the exemption is being used in a manner
24 consistent with an ingredient or component that becomes part of a
25 product sold to a final consumer.

26 NEW SECTION. **Sec. 502.** A new section is added to chapter 82.08
27 RCW to read as follows:

28 (1) Except as provided in subsection (2) of this section, the tax
29 levied by RCW 82.08.020 does not apply to sales to restaurants of
30 products that impart flavor to food during the cooking process and
31 that:

32 (a) Are completely or substantially consumed by combustion during
33 the cooking process, such as wood chips, charcoal, charcoal briquettes,
34 and grape vines; or

1 (b) Support the food during the cooking process and are comprised
2 entirely of wood, such as cedar grilling planks.

3 (2) The exemption provided by this section does not apply to any
4 type of gas fuel.

5 (3) Sellers making tax-exempt sales under this section must obtain
6 an exemption certificate from the buyer in a form and manner prescribed
7 by the department. The seller must retain a copy of the exemption
8 certificate for the seller's files. In lieu of an exemption
9 certificate, a seller may capture the relevant data elements as allowed
10 under the streamlined sales and use tax agreement. For sellers who
11 electronically file their taxes, the department must provide a separate
12 tax reporting line for exemption amounts claimed under this section.

13 (4) For purposes of this subsection, "restaurant" has the same
14 meaning as provided in RCW 82.08.9995.

15 (5) This section expires July 1, 2017.

16 NEW SECTION. **Sec. 503.** A new section is added to chapter 82.12
17 RCW to read as follows:

18 (1) Except as provided in subsection (2) of this section, the
19 provisions of this chapter do not apply to restaurants with respect to
20 the use of products that impart flavor to food during the cooking
21 process and that:

22 (a) Are completely or substantially consumed by combustion during
23 the cooking process, such as wood chips, charcoal, charcoal briquettes,
24 and grape vines; or

25 (b) Support the food during the cooking process and are comprised
26 entirely of wood, such as cedar grilling planks.

27 (2) The exemption provided by this section does not apply to any
28 type of gas fuel.

29 (3) For purposes of this subsection, "restaurant" has the same
30 meaning as provided in RCW 82.08.9995.

31 (4) This section expires July 1, 2017.

32 **PART VI**

33 **Cooperative Finance Organizations**

34 NEW SECTION. **Sec. 601.** (1) The intent of part VI of this act is
35 to provide tax relief for customers of rural electric cooperatives by

1 providing a business and occupation tax deduction for interest income
2 on loans made by certain finance organizations to rural electric
3 cooperatives. It is the further intent of the legislature to provide
4 this tax deduction in a fiscally responsible manner where the actual
5 revenue impact of the legislation substantially conforms with the
6 fiscal estimate provided in the legislation's fiscal note.

7 (2) To measure the effectiveness of this tax preference in meeting
8 its policy objectives, the joint legislative audit and review committee
9 shall specifically evaluate customer rates charged by rural electric
10 cooperatives that are repaying debt to the national rural utilities
11 cooperative finance organization, or any similar financing
12 organization, and the impact the business and occupation deduction
13 provided under part VI of this act has had on those rates.

14 NEW SECTION. **Sec. 602.** A new section is added to chapter 82.04
15 RCW to read as follows:

16 (1) In computing tax there may be deducted from the measure of tax,
17 amounts received by a cooperative finance organization where the
18 amounts are derived from loans to rural electric cooperatives or other
19 nonprofit or governmental providers of utility services organized under
20 the laws of this state.

21 (2) For the purposes of this section, the following definitions
22 apply:

23 (a) "Cooperative finance organization" means a nonprofit
24 organization with the primary purpose of providing, securing, or
25 otherwise arranging financing for rural electric cooperatives.

26 (b) "Rural electric cooperative" means a nonprofit, customer-owned
27 organization that provides utility services to rural areas.

28 (3) This section expires July 1, 2017.

29 NEW SECTION. **Sec. 603.** Section 602 of this act applies to amounts
30 received on or after October 1, 2013.

31 **PART VII**

32 **Investment Data for Investment Firms**

33 NEW SECTION. **Sec. 701.** (1) The legislature finds that in 2007,
34 Engrossed Substitute House Bill No. 1981 was enacted into law, which

1 provided a sales tax exemption for electronically delivered standard
2 financial information if the sales were to an investment management
3 company or financial institution. The legislature further finds that
4 in 2009 and 2010, Engrossed Substitute House Bill No. 2075 and
5 Substitute House Bill No. 2620 were passed, to address the taxation of
6 electronically delivered products. The legislature further finds that
7 this legislation imposed sales and use tax on most digital services,
8 goods, and prewritten software, but provided a broad business exemption
9 for digital goods. The legislature further finds that the sales tax
10 exemption for standard financial information from the 2007 legislation
11 was eliminated because it was believed that the broader business
12 exemption in Engrossed Substitute House Bill No. 2075 covered these
13 transactions. The legislature further finds that the method of
14 transmission of data by data providers to investment management
15 companies has evolved over time where data providers add search tools
16 to their web-based data, which makes it subject to sales tax.

17 (2) The legislature's intent under part VII of this act is to
18 conform with a previously determined policy objective of exempting
19 certain standard financial information purchased by international
20 investment management companies from sales and use tax on the
21 understanding that the fiscal impact is minimal. Therefore, it is the
22 legislature's further intent to reevaluate the exemption in three years
23 to ensure that actual fiscal impact on state revenues reasonably
24 conforms with the fiscal estimate in the fiscal note for this
25 legislation.

26 NEW SECTION. **Sec. 702.** A new section is added to chapter 82.08
27 RCW to read as follows:

28 (1) The tax imposed by RCW 82.08.020 does not apply to sales of
29 standard financial information to qualifying international investment
30 management companies. The exemption provided in this section applies
31 regardless of whether the standard financial information is provided to
32 the buyer in a tangible format or on a tangible storage medium or as a
33 digital product transferred electronically.

34 (2) Sellers making tax-exempt sales under this section must obtain
35 an exemption certificate from the buyer in a form and manner prescribed
36 by the department. The seller must retain a copy of the exemption
37 certificate for the seller's files. In lieu of an exemption

1 certificate, a seller may capture the relevant data elements as allowed
2 under the streamlined sales and use tax agreement. For sellers who
3 electronically file their taxes, the department must provide a separate
4 tax reporting line for exemption amounts claimed under this section.

5 (3) A buyer may not continue to claim the exemption under this
6 section once the buyer has purchased standard financial information
7 during the current calendar year with an aggregate total selling price
8 in excess of fifteen million dollars and an exemption has been claimed
9 under this section or section 703 of this act for such standard
10 financial information. The fifteen million dollar limitation under
11 this subsection does not apply to any other exemption under this
12 chapter that applies to standard financial information. Sellers are
13 not responsible for ensuring a buyer's compliance with the fifteen
14 million dollar limitation under this subsection. Sellers may not be
15 assessed for uncollected sales tax on a sale to a buyer claiming an
16 exemption under this section after having exceeded the fifteen million
17 dollar limitation under this subsection, except as provided in RCW
18 82.08.050 (4) and (5).

19 (4) The definitions in this subsection apply throughout this
20 section unless the context clearly requires otherwise.

21 (a)(i) "Qualifying international investment management company"
22 means a person:

23 (A) Who is primarily engaged in the business of providing
24 investment management services; and

25 (B) Who has gross income that is at least ten percent derived from
26 providing investment management services to:

27 (I) Persons or collective investment funds residing outside the
28 United States; or

29 (II) Collective investment funds with at least ten percent of their
30 investments located outside the United States.

31 (ii) The definitions in RCW 82.04.293 apply to this subsection
32 (4)(a).

33 (b)(i) "Standard financial information" means financial data,
34 facts, or information, or financial information services, not
35 generated, compiled, or developed only for a single customer. Standard
36 financial information includes, but is not limited to, financial market
37 data, bond ratings, credit ratings, and deposit, loan, or mortgage
38 reports.

1 (ii) For purposes of this subsection (4)(b), "financial market
2 data" means market pricing information, such as for securities,
3 commodities, and derivatives; corporate actions for publicly and
4 privately traded companies, such as dividend schedules and
5 reorganizations; corporate attributes, such as domicile, currencies
6 used, and exchanges where shares are traded; and currency information.

7 (5) This section expires July 1, 2021.

8 NEW SECTION. **Sec. 703.** A new section is added to chapter 82.12
9 RCW to read as follows:

10 (1) The tax imposed by RCW 82.12.020 does not apply to the use of
11 standard financial information by qualifying international investment
12 management companies. The exemption provided in this section applies
13 regardless of whether the standard financial information is in a
14 tangible format or resides on a tangible storage medium or is a digital
15 product transferred electronically to the qualifying international
16 investment management company.

17 (2) The definitions, conditions, and requirements in section 702 of
18 this act apply to this section.

19 (3) This section expires July 1, 2021.

20 **PART VIII**

21 **Dancing**

22 NEW SECTION. **Sec. 801.** It is the intent of part VIII of this act
23 to provide a sales tax exemption for cover charges to patrons at
24 establishments that provide the opportunity to dance. The intent is to
25 provide tax relief to businesses who have been reporting the income for
26 cover charges under the service and other classification, but not
27 intending to avoid their tax obligation of collecting retail sales tax
28 because of department and taxpayer confusion regarding the appropriate
29 tax treatment of this income. To ensure proper tax reporting in the
30 future by businesses who provide the opportunity to dance, the
31 legislature intends to review the tax preference and its actual fiscal
32 impact on state revenues to determine if the fiscal impact to state
33 revenues reasonably conforms with the fiscal estimate in the fiscal
34 note for this legislation.

1 **Sec. 802.** RCW 82.04.050 and 2011 c 174 s 202 are each amended to
2 read as follows:

3 (1)(a) "Sale at retail" or "retail sale" means every sale of
4 tangible personal property (including articles produced, fabricated, or
5 imprinted) to all persons irrespective of the nature of their business
6 and including, among others, without limiting the scope hereof, persons
7 who install, repair, clean, alter, improve, construct, or decorate real
8 or personal property of or for consumers other than a sale to a person
9 who:

10 (i) Purchases for the purpose of resale as tangible personal
11 property in the regular course of business without intervening use by
12 such person, but a purchase for the purpose of resale by a regional
13 transit authority under RCW 81.112.300 is not a sale for resale; or

14 (ii) Installs, repairs, cleans, alters, imprints, improves,
15 constructs, or decorates real or personal property of or for consumers,
16 if such tangible personal property becomes an ingredient or component
17 of such real or personal property without intervening use by such
18 person; or

19 (iii) Purchases for the purpose of consuming the property purchased
20 in producing for sale as a new article of tangible personal property or
21 substance, of which such property becomes an ingredient or component or
22 is a chemical used in processing, when the primary purpose of such
23 chemical is to create a chemical reaction directly through contact with
24 an ingredient of a new article being produced for sale; or

25 (iv) Purchases for the purpose of consuming the property purchased
26 in producing ferrosilicon which is subsequently used in producing
27 magnesium for sale, if the primary purpose of such property is to
28 create a chemical reaction directly through contact with an ingredient
29 of ferrosilicon; or

30 (v) Purchases for the purpose of providing the property to
31 consumers as part of competitive telephone service, as defined in RCW
32 82.04.065; or

33 (vi) Purchases for the purpose of satisfying the person's
34 obligations under an extended warranty as defined in subsection (7) of
35 this section, if such tangible personal property replaces or becomes an
36 ingredient or component of property covered by the extended warranty
37 without intervening use by such person.

1 (b) The term includes every sale of tangible personal property that
2 is used or consumed or to be used or consumed in the performance of any
3 activity defined as a "sale at retail" or "retail sale" even though
4 such property is resold or used as provided in (a)(i) through (vi) of
5 this subsection following such use.

6 (c) The term also means every sale of tangible personal property to
7 persons engaged in any business that is taxable under RCW 82.04.280(1)
8 (a), (b), and (g), 82.04.290, and 82.04.2908.

9 (2) The term "sale at retail" or "retail sale" includes the sale of
10 or charge made for tangible personal property consumed and/or for labor
11 and services rendered in respect to the following:

12 (a) The installing, repairing, cleaning, altering, imprinting, or
13 improving of tangible personal property of or for consumers, including
14 charges made for the mere use of facilities in respect thereto, but
15 excluding charges made for the use of self-service laundry facilities,
16 and also excluding sales of laundry service to nonprofit health care
17 facilities, and excluding services rendered in respect to live animals,
18 birds and insects;

19 (b) The constructing, repairing, decorating, or improving of new or
20 existing buildings or other structures under, upon, or above real
21 property of or for consumers, including the installing or attaching of
22 any article of tangible personal property therein or thereto, whether
23 or not such personal property becomes a part of the realty by virtue of
24 installation, and also includes the sale of services or charges made
25 for the clearing of land and the moving of earth excepting the mere
26 leveling of land used in commercial farming or agriculture;

27 (c) The constructing, repairing, or improving of any structure
28 upon, above, or under any real property owned by an owner who conveys
29 the property by title, possession, or any other means to the person
30 performing such construction, repair, or improvement for the purpose of
31 performing such construction, repair, or improvement and the property
32 is then reconveyed by title, possession, or any other means to the
33 original owner;

34 (d) The cleaning, fumigating, razing, or moving of existing
35 buildings or structures, but does not include the charge made for
36 janitorial services; and for purposes of this section the term
37 "janitorial services" means those cleaning and caretaking services
38 ordinarily performed by commercial janitor service businesses

1 including, but not limited to, wall and window washing, floor cleaning
2 and waxing, and the cleaning in place of rugs, drapes and upholstery.
3 The term "janitorial services" does not include painting, papering,
4 repairing, furnace or septic tank cleaning, snow removal or
5 sandblasting;

6 (e) Automobile towing and similar automotive transportation
7 services, but not in respect to those required to report and pay taxes
8 under chapter 82.16 RCW;

9 (f) The furnishing of lodging and all other services by a hotel,
10 rooming house, tourist court, motel, trailer camp, and the granting of
11 any similar license to use real property, as distinguished from the
12 renting or leasing of real property, and it is presumed that the
13 occupancy of real property for a continuous period of one month or more
14 constitutes a rental or lease of real property and not a mere license
15 to use or enjoy the same. For the purposes of this subsection, it is
16 presumed that the sale of and charge made for the furnishing of lodging
17 for a continuous period of one month or more to a person is a rental or
18 lease of real property and not a mere license to enjoy the same;

19 (g) The installing, repairing, altering, or improving of digital
20 goods for consumers;

21 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g) of
22 this subsection when such sales or charges are for property, labor and
23 services which are used or consumed in whole or in part by such persons
24 in the performance of any activity defined as a "sale at retail" or
25 "retail sale" even though such property, labor and services may be
26 resold after such use or consumption. Nothing contained in this
27 subsection may be construed to modify subsection (1) of this section
28 and nothing contained in subsection (1) of this section may be
29 construed to modify this subsection.

30 (3) The term "sale at retail" or "retail sale" includes the sale of
31 or charge made for personal, business, or professional services
32 including amounts designated as interest, rents, fees, admission, and
33 other service emoluments however designated, received by persons
34 engaging in the following business activities:

35 (a)(i) Amusement and recreation services including but not limited
36 to golf, pool, billiards, skating, bowling, ski lifts and tows, day
37 trips for sightseeing purposes, and others, when provided to consumers.

1 (ii) Until July 1, 2017, amusement and recreation services do not
2 include the opportunity to dance provided by an establishment in
3 exchange for a cover charge.

4 (iii) For purposes of this subsection (3)(a):

5 (A) "Cover charge" means a charge, regardless of its label, to
6 enter an establishment or added to the purchaser's bill by an
7 establishment or otherwise collected after entrance to the
8 establishment, and the purchaser is provided the opportunity to dance
9 in exchange for payment of the charge.

10 (B) "Opportunity to dance" means that an establishment provides a
11 designated physical space, on either a temporary or permanent basis,
12 where customers are allowed to dance and the establishment either
13 advertises or otherwise makes customers aware that it has an area for
14 dancing;

15 (b) Abstract, title insurance, and escrow services;

16 (c) Credit bureau services;

17 (d) Automobile parking and storage garage services;

18 (e) Landscape maintenance and horticultural services but excluding
19 (i) horticultural services provided to farmers and (ii) pruning,
20 trimming, repairing, removing, and clearing of trees and brush near
21 electric transmission or distribution lines or equipment, if performed
22 by or at the direction of an electric utility;

23 (f) Service charges associated with tickets to professional
24 sporting events; and

25 (g) The following personal services: Physical fitness services,
26 tanning salon services, tattoo parlor services, steam bath services,
27 turkish bath services, escort services, and dating services.

28 (4)(a) The term also includes the renting or leasing of tangible
29 personal property to consumers.

30 (b) The term does not include the renting or leasing of tangible
31 personal property where the lease or rental is for the purpose of
32 sublease or subrent.

33 (5) The term also includes the providing of "competitive telephone
34 service," "telecommunications service," or "ancillary services," as
35 those terms are defined in RCW 82.04.065, to consumers.

36 (6)(a) The term also includes the sale of prewritten computer
37 software to a consumer, regardless of the method of delivery to the end
38 user. For purposes of this subsection (6)(a), the sale of prewritten

1 computer software includes the sale of or charge made for a key or an
2 enabling or activation code, where the key or code is required to
3 activate prewritten computer software and put the software into use.
4 There is no separate sale of the key or code from the prewritten
5 computer software, regardless of how the sale may be characterized by
6 the vendor or by the purchaser.

7 The term "retail sale" does not include the sale of or charge made
8 for:

- 9 (i) Custom software; or
- 10 (ii) The customization of prewritten computer software.

11 (b)(i) The term also includes the charge made to consumers for the
12 right to access and use prewritten computer software, where possession
13 of the software is maintained by the seller or a third party,
14 regardless of whether the charge for the service is on a per use, per
15 user, per license, subscription, or some other basis.

16 (ii)(A) The service described in (b)(i) of this subsection (6)
17 includes the right to access and use prewritten computer software to
18 perform data processing.

19 (B) For purposes of this subsection (6)(b)(ii), "data processing"
20 means the systematic performance of operations on data to extract the
21 required information in an appropriate form or to convert the data to
22 usable information. Data processing includes check processing, image
23 processing, form processing, survey processing, payroll processing,
24 claim processing, and similar activities.

25 (7) The term also includes the sale of or charge made for an
26 extended warranty to a consumer. For purposes of this subsection,
27 "extended warranty" means an agreement for a specified duration to
28 perform the replacement or repair of tangible personal property at no
29 additional charge or a reduced charge for tangible personal property,
30 labor, or both, or to provide indemnification for the replacement or
31 repair of tangible personal property, based on the occurrence of
32 specified events. The term "extended warranty" does not include an
33 agreement, otherwise meeting the definition of extended warranty in
34 this subsection, if no separate charge is made for the agreement and
35 the value of the agreement is included in the sales price of the
36 tangible personal property covered by the agreement. For purposes of
37 this subsection, "sales price" has the same meaning as in RCW
38 82.08.010.

1 (8)(a) The term also includes the following sales to consumers of
2 digital goods, digital codes, and digital automated services:

3 (i) Sales in which the seller has granted the purchaser the right
4 of permanent use;

5 (ii) Sales in which the seller has granted the purchaser a right of
6 use that is less than permanent;

7 (iii) Sales in which the purchaser is not obligated to make
8 continued payment as a condition of the sale; and

9 (iv) Sales in which the purchaser is obligated to make continued
10 payment as a condition of the sale.

11 (b) A retail sale of digital goods, digital codes, or digital
12 automated services under this subsection (8) includes any services
13 provided by the seller exclusively in connection with the digital
14 goods, digital codes, or digital automated services, whether or not a
15 separate charge is made for such services.

16 (c) For purposes of this subsection, "permanent" means perpetual or
17 for an indefinite or unspecified length of time. A right of permanent
18 use is presumed to have been granted unless the agreement between the
19 seller and the purchaser specifies or the circumstances surrounding the
20 transaction suggest or indicate that the right to use terminates on the
21 occurrence of a condition subsequent.

22 (9) The term also includes the charge made for providing tangible
23 personal property along with an operator for a fixed or indeterminate
24 period of time. A consideration of this is that the operator is
25 necessary for the tangible personal property to perform as designed.
26 For the purpose of this subsection (9), an operator must do more than
27 maintain, inspect, or set up the tangible personal property.

28 (10) The term does not include the sale of or charge made for labor
29 and services rendered in respect to the building, repairing, or
30 improving of any street, place, road, highway, easement, right-of-way,
31 mass public transportation terminal or parking facility, bridge,
32 tunnel, or trestle which is owned by a municipal corporation or
33 political subdivision of the state or by the United States and which is
34 used or to be used primarily for foot or vehicular traffic including
35 mass transportation vehicles of any kind.

36 (11) The term also does not include sales of chemical sprays or
37 washes to persons for the purpose of postharvest treatment of fruit for
38 the prevention of scald, fungus, mold, or decay, nor does it include

1 sales of feed, seed, seedlings, fertilizer, agents for enhanced
2 pollination including insects such as bees, and spray materials to:
3 (a) Persons who participate in the federal conservation reserve
4 program, the environmental quality incentives program, the wetlands
5 reserve program, and the wildlife habitat incentives program, or their
6 successors administered by the United States department of agriculture;
7 (b) farmers for the purpose of producing for sale any agricultural
8 product; and (c) farmers acting under cooperative habitat development
9 or access contracts with an organization exempt from federal income tax
10 under 26 U.S.C. Sec. 501(c)(3) of the federal internal revenue code or
11 the Washington state department of fish and wildlife to produce or
12 improve wildlife habitat on land that the farmer owns or leases.

13 (12) The term does not include the sale of or charge made for labor
14 and services rendered in respect to the constructing, repairing,
15 decorating, or improving of new or existing buildings or other
16 structures under, upon, or above real property of or for the United
17 States, any instrumentality thereof, or a county or city housing
18 authority created pursuant to chapter 35.82 RCW, including the
19 installing, or attaching of any article of tangible personal property
20 therein or thereto, whether or not such personal property becomes a
21 part of the realty by virtue of installation. Nor does the term
22 include the sale of services or charges made for the clearing of land
23 and the moving of earth of or for the United States, any
24 instrumentality thereof, or a county or city housing authority. Nor
25 does the term include the sale of services or charges made for cleaning
26 up for the United States, or its instrumentalities, radioactive waste
27 and other by-products of weapons production and nuclear research and
28 development.

29 (13) The term does not include the sale of or charge made for
30 labor, services, or tangible personal property pursuant to agreements
31 providing maintenance services for bus, rail, or rail fixed guideway
32 equipment when a regional transit authority is the recipient of the
33 labor, services, or tangible personal property, and a transit agency,
34 as defined in RCW 81.104.015, performs the labor or services.

35 (14) The term does not include the sale for resale of any service
36 described in this section if the sale would otherwise constitute a
37 "sale at retail" and "retail sale" under this section.

PART IX
Solar Extension

NEW SECTION. **Sec. 901.** (1) The legislature finds that to attract and maintain clean energy technology manufacturing businesses, a competitive business climate is crucial. The legislature further finds that specific tax preferences can facilitate a positive business climate in Washington. The legislature further finds that businesses in the solar silicon industry have had to reduce employment due to global conditions. Therefore, the legislature intends to extend a preferential business and occupation tax rate to manufacturers and wholesalers of specific solar energy material and parts to maintain and grow jobs in the solar silicon industry.

(2) The joint legislative audit and review committee, as part of its tax preference review process, must assess the actual fiscal impact of this tax preference in relation to the fiscal estimate for the tax preference and assess changes in employment for firms claiming the preferential tax rate.

Sec. 902. RCW 82.04.294 and 2011 c 179 s 1 are each amended to read as follows:

(1) Upon every person engaging within this state in the business of manufacturing solar energy systems using photovoltaic modules or stirling converters, or of manufacturing solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers to be used exclusively in components of such systems; as to such persons the amount of tax with respect to such business is, in the case of manufacturers, equal to the value of the product manufactured, or in the case of processors for hire, equal to the gross income of the business, multiplied by the rate of 0.275 percent.

(2) Upon every person engaging within this state in the business of making sales at wholesale of solar energy systems using photovoltaic modules or stirling converters, or of solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers to be used exclusively in components of such systems, manufactured by that person; as to such persons the amount of tax with respect to such business is equal to the gross proceeds of sales of the solar energy systems using photovoltaic modules or

1 stirling converters, or of the solar grade silicon to be used
2 exclusively in components of such systems, multiplied by the rate of
3 0.275 percent.

4 (3) Silicon solar wafers, silicon solar cells, thin film solar
5 devices, solar grade silicon, or compound semiconductor solar wafers
6 are "semiconductor materials" for the purposes of RCW 82.08.9651 and
7 82.12.9651.

8 (4) The definitions in this subsection apply throughout this
9 section.

10 (a) "Compound semiconductor solar wafers" means a semiconductor
11 solar wafer composed of elements from two or more different groups of
12 the periodic table.

13 (b) "Module" means the smallest nondivisible self-contained
14 physical structure housing interconnected photovoltaic cells and
15 providing a single direct current electrical output.

16 (c) "Photovoltaic cell" means a device that converts light directly
17 into electricity without moving parts.

18 (d) "Silicon solar cells" means a photovoltaic cell manufactured
19 from a silicon solar wafer.

20 (e) "Silicon solar wafers" means a silicon wafer manufactured for
21 solar conversion purposes.

22 (f) "Solar energy system" means any device or combination of
23 devices or elements that rely upon direct sunlight as an energy source
24 for use in the generation of electricity.

25 (g) "Solar grade silicon" means high-purity silicon used
26 exclusively in components of solar energy systems using photovoltaic
27 modules to capture direct sunlight. "Solar grade silicon" does not
28 include silicon used in semiconductors.

29 (h) "Stirling converter" means a device that produces electricity
30 by converting heat from a solar source utilizing a stirling engine.

31 (i) "Thin film solar devices" means a nonparticipating substrate on
32 which various semiconducting materials are deposited to produce a
33 photovoltaic cell that is used to generate electricity.

34 (5) A person reporting under the tax rate provided in this section
35 must file a complete annual (~~report~~) survey with the department under
36 RCW (~~(82.32.534)~~) 82.32.585.

37 (6) This section expires June 30, (~~(2014)~~) 2017.

PART X
Hog Fuel

1
2
3 NEW SECTION. **Sec. 1001.** It is the intent of the legislature to
4 retain and grow family wage jobs in rural, economically distressed
5 areas; to promote healthy forests; and to utilize Washington's abundant
6 natural resources to promote diversified renewable energy use in the
7 state.

8 **Sec. 1002.** RCW 82.08.956 and 2009 c 469 s 301 are each amended to
9 read as follows:

10 (1) The tax levied by RCW 82.08.020 does not apply to sales of hog
11 fuel used to produce electricity, steam, heat, or biofuel. This
12 exemption is available only if the buyer provides the seller with an
13 exemption certificate in a form and manner prescribed by the
14 department. The seller must retain a copy of the certificate for the
15 seller's files.

16 (2) For the purposes of this section the following definitions
17 apply:

18 (a) "Hog fuel" means wood waste and other wood residuals including
19 forest derived biomass. "Hog fuel" does not include firewood or wood
20 pellets; and

21 (b) "Biofuel" has the same meaning as provided in RCW 43.325.010.

22 (3) If a taxpayer who claimed an exemption under this section
23 closes a facility in Washington for which employment positions were
24 reported under section 1004 of this act, resulting in a loss of jobs
25 located within the state, the department must declare the amount of the
26 tax exemption claimed under this section for the previous two calendar
27 years to be immediately due.

28 (4) This section expires June 30, ((2013)) 2024.

29 **Sec. 1003.** RCW 82.12.956 and 2009 c 469 s 302 are each amended to
30 read as follows:

31 (1) The provisions of this chapter do not apply with respect to the
32 use of hog fuel for production of electricity, steam, heat, or biofuel.

33 (2) For the purposes of this section:

34 (a) "Hog fuel" has the same meaning as provided in RCW 82.08.956;
35 and

36 (b) "Biofuel" has the same meaning as provided in RCW 43.325.010.

1 (3) This section expires June 30, (~~(2013)~~) 2024.

2 NEW SECTION. Sec. 1004. A new section is added to chapter 82.32
3 RCW to read as follows:

4 (1) Every taxpayer claiming an exemption under RCW 82.08.956 or
5 82.12.956 must file with the department a complete annual survey as
6 required under RCW 82.32.585, except that the taxpayer must file a
7 separate survey for each facility owned or operated in the state of
8 Washington.

9 (2) This section expires June 30, 2024.

10 NEW SECTION. Sec. 1005. A new section is added to chapter 43.136
11 RCW to read as follows:

12 (1) The intent of the tax exemption provided in RCW 82.08.956 and
13 82.12.956 is to promote the retention of relatively high wage jobs in
14 the counties where facilities who purchase and use hog fuel are
15 located. Specifically, in a time when there is increasing pressure to
16 close industrial facilities like mills and relocate this economic
17 activity out of state or overseas, rural areas of the state are at risk
18 of losing critical jobs that directly, or indirectly, support entire
19 communities. The legislature, in enacting the hog fuel tax exemption,
20 hopes to retain seventy five percent of the jobs at each facility in
21 the state at which the exemption is claimed, between now and June 30,
22 2024.

23 (2) The joint legislative audit and review committee must review
24 the performance through July 1, 2018, of the tax preferences
25 established in RCW 82.08.956 and 82.12.956, and prepare a report to the
26 legislature by October 31, 2019.

27 (3) The department of revenue must provide the committee with
28 annual survey information and any other tax data necessary to conduct
29 the review required in subsection (2) of this section. The employment
30 security department and other agencies, as requested, must cooperate
31 with the committee by providing information about the average wage of
32 employment in the county where each facility owned or operated by a
33 company claiming the exemption is located. The report is not limited
34 to, but must include, the following information:

35 (a) Identification of the baseline number of jobs existing as of

1 January 1, 2013, in facilities where the preference has been claimed,
2 as well as related wage and benefit information;

3 (b) Identification of how the number of jobs at these facilities
4 has changed during the duration of the credit;

5 (c) Analysis of how the wages provided to employees at affected
6 facilities compare to the average wages in the county in which the
7 facility is located;

8 (d) Analysis of how the benefits, including medical and other
9 health care benefits, provided to employees at affected facilities
10 compare to the average wages in the county in which the facility is
11 located; and

12 (e) Whether and to what extent the goal has been achieved, of
13 retaining seventy-five percent of employment at the facilities at which
14 the exemption has been claimed.

15 (4) This section expires June 30, 2024.

16 **PART XI**

17 **Large Airplanes**

18 NEW SECTION. **Sec. 1101.** (1) The legislature intends to promote
19 the economic development of our state's aerospace cluster and increase
20 the tax revenues collected by the state through promoting a competitive
21 marketplace for storing and modifying unfurnished, noncommercial
22 aircraft. The legislature finds that Washington is currently losing
23 these types of jobs to other states, resulting in the loss of high-wage
24 jobs and new tax revenue. Further, the legislature finds that the
25 current tax statutes are an impediment to encouraging the development
26 of aerospace clusters in our state. Therefore, the legislature intends
27 to modify our state's tax policy to encourage aerospace cluster
28 development within the state and increase tax revenues.

29 (2) The joint legislative audit and review committee, as part of
30 its tax preference review process, must estimate the net impact on
31 state tax revenues by comparing the decrease in state revenues
32 resulting from the changes made in part XI of this act to the
33 additional tax revenues generated from the direct, indirect, and
34 induced economic impacts from those changes. The committee must also,
35 to the extent practicable, estimate job growth in the aerospace cluster
36 resulting from the changes made in part XI of this act. The committee

1 must conduct its tax preference review of part XI of this act during
2 calendar year 2016 and report its findings and recommendations to the
3 legislature by January 1, 2017.

4 **Sec. 1102.** RCW 47.68.250 and 2003 c 375 s 4 are each amended to
5 read as follows:

6 (1) Every aircraft (~~shall~~) must be registered with the department
7 for each calendar year in which the aircraft is operated or is based
8 within this state. A fee of fifteen dollars (~~shall be~~) is charged
9 for each such registration and each annual renewal thereof.

10 (2) Possession of the appropriate effective federal certificate,
11 permit, rating, or license relating to ownership and airworthiness of
12 the aircraft, and payment of the excise tax imposed by Title 82 RCW for
13 the privilege of using the aircraft within this state during the year
14 for which the registration is sought, and payment of the registration
15 fee required by this section (~~shall be~~) are the only requisites for
16 registration of an aircraft under this section.

17 (3) The registration fee imposed by this section (~~shall be~~) is
18 payable to and collected by the secretary. The fee for any calendar
19 year must be paid during the month of January, and (~~shall~~) must be
20 collected by the secretary at the time of the collection by him or her
21 of the (~~said~~) excise tax. If the secretary is satisfied that the
22 requirements for registration of the aircraft have been met, he or she
23 (~~shall thereupon~~) must issue to the owner of the aircraft a
24 certificate of registration therefor. The secretary (~~shall~~) must pay
25 to the state treasurer the registration fees collected under this
26 section, which registration fees (~~shall~~) must be credited to the
27 aeronautics account in the transportation fund.

28 (4) It (~~shall~~) is not (~~be~~) necessary for the registrant to
29 provide the secretary with originals or copies of federal certificates,
30 permits, ratings, or licenses. The secretary (~~shall~~) must issue
31 certificates of registration, or such other evidences of registration
32 or payment of fees as he or she may deem proper; and in connection
33 therewith may prescribe requirements for the possession and exhibition
34 of such certificates or other evidences.

35 (5) The provisions of this section (~~shall~~) do not apply to:
36 (~~(1)~~) (a) An aircraft owned by and used exclusively in the
37 service of any government or any political subdivision thereof,

1 including the government of the United States, any state, territory, or
2 possession of the United States, or the District of Columbia, which is
3 not engaged in carrying persons or property for commercial purposes;

4 ~~((+2))~~ (b) An aircraft registered under the laws of a foreign
5 country;

6 ~~((+3))~~ (c) An aircraft ~~((which))~~ that is owned by a nonresident
7 ~~((and registered in another state: PROVIDED, That if said aircraft
8 shall remain in and/or be based in this state for a period of ninety
9 days or longer it shall not be exempt under this section))~~ if:

10 (i) The aircraft remains in this state or is based in this state,
11 or both, for a period less than ninety days; or

12 (ii) The aircraft is a large private airplane as defined in section
13 1103 of this act and remains in this state for a period of ninety days
14 or longer, but only when:

15 (A) The airplane is in this state exclusively for the purpose of
16 repairs, alterations, or reconstruction, including any flight testing
17 related to the repairs, alterations, or reconstruction, or for the
18 purpose of continual storage of not less than one full calendar year;

19 (B) An employee of the facility providing these services is on
20 board the airplane during any flight testing; and

21 (C) Within ninety days of the date the airplane first arrived in
22 this state during the calendar year, the nonresident files a written
23 statement with the department indicating that the airplane is exempt
24 from registration under this subsection (5)(c)(ii). The written
25 statement must be filed in a form and manner prescribed by the
26 department and must include such information as the department
27 requires. The department may require additional periodic verification
28 that the airplane remains exempt from registration under this
29 subsection (5)(c)(ii) and that written statements conform with the
30 provisions of RCW 9A.72.085;

31 ~~((+4))~~ (d) An aircraft engaged principally in commercial flying
32 constituting an act of interstate or foreign commerce;

33 ~~((+5))~~ (e) An aircraft owned by the commercial manufacturer
34 thereof while being operated for test or experimental purposes, or for
35 the purpose of training crews for purchasers of the aircraft;

36 ~~((+6))~~ (f) An aircraft being held for sale, exchange, delivery,
37 test, or demonstration purposes solely as stock in trade of an aircraft
38 dealer licensed under Title 14 RCW; and

1 (~~(7)~~) (g) An aircraft based within the state that is in an
2 unairworthy condition, is not operated within the registration period,
3 and has obtained a written exemption issued by the secretary.

4 (6) The secretary (~~shall~~) must be notified within thirty days of
5 any change in ownership of a registered aircraft. The notification
6 (~~shall~~) must contain the N, NC, NR, NL, or NX number of the aircraft,
7 the full name and address of the former owner, and the full name and
8 address of the new owner. For failure to so notify the secretary, the
9 registration of that aircraft may be canceled by the secretary, subject
10 to reinstatement upon application and payment of a reinstatement fee of
11 ten dollars by the new owner.

12 (7) A municipality or port district that owns, operates, or leases
13 an airport, as defined in RCW 47.68.020, with the intent to operate,
14 (~~shall~~) must require from an aircraft owner proof of aircraft
15 registration as a condition of leasing or selling tiedown or hanger
16 space for an aircraft. It is the responsibility of the lessee or
17 purchaser to register the aircraft. The airport (~~shall~~) must work
18 with the aviation division to assist in its efforts to register
19 aircraft by providing information about based aircraft on an annual
20 basis as requested by the division.

21 NEW SECTION. **Sec. 1103.** A new section is added to chapter 82.08
22 RCW to read as follows:

23 (1)(a) The tax levied by RCW 82.08.020 does not apply to:

24 (i) Sales of large private airplanes to nonresidents of this state;
25 and

26 (ii) Sales of or charges made for labor and services rendered in
27 respect to repairing, cleaning, altering, or improving large private
28 airplanes owned by nonresidents of this state.

29 (b) The exemption provided by this section applies only when the
30 large private airplane is not required to be registered with the
31 department of transportation, or its successor, under chapter 47.68
32 RCW. The airplane owner or lessee claiming an exemption under this
33 section must provide the department, upon request, a copy of the
34 written statement required under RCW 47.68.250(5)(c)(ii) documenting
35 the airplane's registration exemption and any additional information
36 the department may require.

1 (2) Sellers making tax-exempt sales under this section must obtain
2 an exemption certificate from the buyer in a form and manner prescribed
3 by the department. The seller must retain a copy of the exemption
4 certificate for the seller's files. In lieu of an exemption
5 certificate, a seller may capture the relevant data elements as allowed
6 under the streamlined sales and use tax agreement. For sellers who
7 electronically file their taxes, the department must provide a separate
8 tax reporting line for exemption amounts claimed under this section.

9 (3) Upon request, the department of transportation must provide to
10 the department of revenue information needed by the department of
11 revenue to verify eligibility under this section.

12 (4) For purposes of this section "large private airplane" means an
13 airplane not used in interstate commerce, not owned or leased by a
14 government entity, weighing more than forty-one thousand pounds, and
15 assigned a category A, B, C, or D test flow management system aircraft
16 weight class by the federal aviation administration's office of
17 aviation policy and plans.

18 NEW SECTION. **Sec. 1104.** A new section is added to chapter 82.12
19 RCW to read as follows:

20 (1)(a) The tax levied by RCW 82.12.020 does not apply to the use
21 of:

22 (i) Large private airplanes owned by nonresidents of this state;
23 and

24 (ii) Labor and services rendered in respect to repairing, cleaning,
25 altering, or improving large private airplanes owned by nonresidents of
26 this state.

27 (b) The exemption provided by this section applies only when the
28 large private airplane is not required to be registered with the
29 department of transportation, or its successor, under chapter 47.68
30 RCW. The airplane owner or lessee claiming an exemption under this
31 section must provide the department, upon request, a copy of the
32 written statement required under RCW 47.68.250(5)(c)(ii) documenting
33 the airplane's registration exemption and any additional information
34 the department may require.

35 (2) Upon request, the department of transportation must provide to
36 the department of revenue information needed by the department of
37 revenue to verify eligibility under this section.

1 (3) For purposes of this section, the conditions, limitation, and
2 definitions in section 1103 of this act apply to this section.

3 **Sec. 1105.** RCW 82.48.100 and 2010 1st sp.s. c 12 s 2 are each
4 amended to read as follows:

5 This chapter does not apply to:

6 (1) Aircraft owned by and used exclusively in the service of any
7 government or any political subdivision thereof, including the
8 government of the United States, any state, territory, or possession of
9 the United States, or the District of Columbia, which are not engaged
10 in carrying persons or property for commercial purposes;

11 (2) Aircraft registered under the laws of a foreign country;

12 (3) Aircraft ~~((which))~~ that are owned by a nonresident and
13 registered in another state ~~((. However, if any such aircraft remains
14 in and/or is based in this state for a period of ninety days or longer
15 it is not exempt under this section))~~, if the aircraft remains in this
16 state or is based in this state, or both, for a period less than ninety
17 days;

18 (4)(a) Aircraft engaged principally in commercial flying ~~((which))~~
19 that constitutes interstate or foreign commerce, except as provided in
20 (b) of this subsection.

21 (b) The exemption provided by (a) of this subsection does not apply
22 to aircraft engaged principally in commercial flying that constitutes
23 interstate or foreign commerce when such aircraft will be in this state
24 exclusively for the purpose of continual storage of not less than one
25 full calendar year; ((and))

26 (5) Aircraft owned by the manufacturer thereof while being operated
27 for test or experimental purposes, or for the purpose of training crews
28 for purchasers of the aircraft;

29 ~~((+5))~~ (6) Aircraft being held for sale, exchange, delivery, test,
30 or demonstration purposes solely as stock in trade of an aircraft
31 dealer licensed under Title 14 RCW;

32 ~~((+6))~~ (7) Aircraft owned by a nonresident of this state if the
33 aircraft is kept at an airport in this state and that airport is
34 jointly owned or operated by a municipal corporation or other
35 governmental entity of this state and a municipal corporation or other
36 governmental entity of another state, and the owner or operator of the

1 aircraft provides the department with proof that the owner or operator
2 has paid all taxes, license fees, and registration fees required by the
3 state in which the owner or operator resides; and

4 ~~((7))~~ (8) Aircraft that are: (a) Owned by a nonprofit
5 organization that is exempt from federal income taxation under 26
6 U.S.C. Sec. 501(c)(3) of the federal internal revenue code; and (b)
7 exclusively used to provide emergency medical transportation services.

8 **PART XII**
9 **Blood Banks**

10 NEW SECTION. **Sec. 1201.** Part XII of this act is intended to allow
11 flexibility for nonprofit organizations where qualifying activities
12 will be provided by more than one organization. It is not the
13 legislature's intent to expand the lines of nontaxable activity.
14 Therefore, the legislature further intends to reassess the changes made
15 in part XII of this act to ensure the actual fiscal impact reasonably
16 conforms with the fiscal estimate provided in the fiscal note for the
17 legislation.

18 **Sec. 1202.** RCW 82.04.324 and 2004 c 82 s 1 are each amended to
19 read as follows:

20 (1) Except as otherwise provided in subsection (3) of this section,
21 this chapter does not apply to amounts received by a qualifying blood
22 bank, a qualifying tissue bank, or a qualifying blood and tissue bank
23 to the extent the amounts are exempt from federal income tax.

24 (2) For the purposes of this section:

25 (a) "Qualifying blood bank" means ~~((a blood bank that qualifies~~
26 ~~as))~~ an exempt organization under 26 U.S.C. 501(c)(3) as existing on
27 June 10, 2004, that is registered pursuant to 21 C.F.R., part 607 as
28 existing on June 10, 2004, and whose primary business purpose is the
29 collection, preparation, ~~((and processing of blood))~~ testing or
30 processing of blood, on behalf of itself or other qualifying blood bank
31 or qualifying blood and tissue bank. "Qualifying blood bank" does not
32 include a comprehensive cancer center that is recognized as such by the
33 national cancer institute.

34 (b) "Qualifying tissue bank" means a tissue bank that qualifies as
35 an exempt organization under 26 U.S.C. 501(c)(3) as existing on June

1 10, 2004, is registered pursuant to 21 C.F.R., part 1271 as existing on
2 June 10, 2004, and whose primary business purpose is the recovery,
3 processing, storage, labeling, packaging, or distribution of human bone
4 tissue, ligament tissue and similar musculoskeletal tissues, skin
5 tissue, heart valve tissue, or human eye tissue. "Qualifying tissue
6 bank" does not include a comprehensive cancer center that is recognized
7 as such by the national cancer institute.

8 (c) "Qualifying blood and tissue bank" (~~is a bank that qualifies~~
9 ~~as~~) means an exempt organization under 26 U.S.C. 501(c)(3) as existing
10 on June 10, 2004, that is registered pursuant to 21 C.F.R., part 607
11 and part 1271 as existing on June 10, 2004, and whose primary business
12 purpose is the collection, preparation, (~~and processing of blood~~)
13 testing, or processing of blood, on behalf of itself or other
14 qualifying blood bank or qualifying blood and tissue bank, and the
15 recovery, processing, storage, labeling, packaging, or distribution of
16 human bone tissue, ligament tissue and similar musculoskeletal tissues,
17 skin tissue, and heart valve tissue. "Qualifying blood and tissue
18 bank" does not include a comprehensive cancer center that is recognized
19 as such by the national cancer institute.

20 (3) A person claiming the exemption under this section must report
21 amounts exempt under this section to the department. Except for
22 persons whose primary business purpose is the collection, preparation,
23 and processing of blood, a person may not claim an exemption under this
24 section for more than one hundred fifty thousand dollars in tax per
25 calendar year.

26 PART XIII

27 Mint Growers

28 NEW SECTION. Sec. 1301. The legislature finds that mint growers
29 utilize fuel to generate heat to extract oil from harvested mint and
30 thereby produce a saleable agricultural product. Diesel fuel is often
31 used as the fuel source that generates heat to distill mint. This on-
32 farm diesel fuel is currently exempt from sales and use tax. The
33 legislature further finds that propane and natural gas are alternative
34 sources of cleaner burning fuel. A transition by mint growers to these
35 alternative fuel sources, though costly, provides air quality benefits
36 as compared to the use of diesel. It is the intent of the legislature

1 to provide an incentive to mint growers to make the transition to
2 cleaner fuels by extending the sales and use tax exemptions to propane
3 and natural gas used by farmers who produce mint oil.

4 NEW SECTION. **Sec. 1302.** A new section is added to chapter 82.08
5 RCW to read as follows:

6 (1) The tax levied by RCW 82.08.020 does not apply to sales to
7 farmers of propane or natural gas used exclusively to distill mint on
8 a farm.

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. For sellers who electronically file their taxes,
13 the department must provide a separate line for exemption amounts
14 claimed under this section.

15 (3) For the purposes of this section, "farmer" has the same meaning
16 as provided in RCW 82.04.213.

17 (4) This section expires July 1, 2017.

18 NEW SECTION. **Sec. 1303.** A new section is added to chapter 82.12
19 RCW to read as follows:

20 (1) The provisions of this chapter do not apply with respect to the
21 use of propane or natural gas by a farmer to exclusively distill mint
22 on a farm.

23 (2) For the purposes of this section, "farmer" has the same meaning
24 as provided in RCW 82.04.213.

25 (3) This section expires July 1, 2017.

26 **PART XIV**

27 **Nonprofit Fund-raising Activities**

28 NEW SECTION. **Sec. 1401.** It is the intent of part XIV of this act
29 to provide use tax relief for individuals who support charitable
30 activities by purchasing or winning articles of personal property from
31 a nonprofit organization or library when the personal property is sales
32 tax exempt. It is also the intent of the legislation to provide this
33 tax preference in a fiscally responsible manner by capping the

1 exemption for articles of personal property that are valued at ten
2 thousand dollars or less.

3 NEW SECTION. **Sec. 1402.** A new section is added to chapter 82.12
4 RCW to read as follows:

5 (1) The provisions of this chapter do not apply in respect to the
6 use of any article of personal property, valued at less than ten
7 thousand dollars, purchased or received as a prize in a contest of
8 chance, as defined in RCW 82.04.285, from a nonprofit organization or
9 a library, if the gross income the nonprofit organization or library
10 receives from the sale is exempt under RCW 82.04.3651.

11 (2) This section expires July 1, 2017.

12 **PART XV**

13 **Renewable Energy Extension**

14 NEW SECTION. **Sec. 1501.** It is the intent of the legislature to
15 help promote energy independence in the state of Washington and to
16 better position Washington to attract a vibrant clean energy technology
17 manufacturing sector to the state. The purpose of the tax preference
18 created in part XV of this act is to incentivize electricity generation
19 from renewable energy sources, reducing the costs of transitioning to
20 these sources and technologies by exempting machinery, equipment, and
21 labor and service charges associated with such electricity generation
22 from the retail sales and use tax. This tax preference makes the most
23 of the local renewable resources, protects us from the price volatility
24 of certain fossil fuel sources, and helps the state achieve its
25 greenhouse gas emissions targets. In addition, promoting manufacture
26 and installation of facilities capable of generating power from
27 renewable sources can create economic benefits in both rural and urban
28 counties, creating high-quality jobs and developing a skilled workforce
29 in an industry sector in which significant job growth is anticipated
30 over the coming decades.

31 **Sec. 1502.** RCW 82.08.962 and 2009 c 469 s 101 are each amended to
32 read as follows:

33 (1)(a) Except as provided in RCW 82.08.963, purchasers who have
34 paid the tax imposed by RCW 82.08.020 on machinery and equipment used

1 directly in generating electricity using fuel cells, wind, sun, biomass
2 energy, tidal or wave energy, geothermal resources, anaerobic
3 digestion, technology that converts otherwise lost energy from exhaust,
4 or landfill gas as the principal source of power, or to sales of or
5 charges made for labor and services rendered in respect to installing
6 such machinery and equipment, are eligible for an exemption as provided
7 in this section, but only if the purchaser develops with such
8 machinery, equipment, and labor a facility capable of generating not
9 less than one thousand watts of electricity.

10 (b) Beginning on July 1, 2009, through June 30, 2011, the tax
11 levied by RCW 82.08.020 does not apply to the sale of machinery and
12 equipment described in (a) of this subsection that are used directly in
13 generating electricity or to sales of or charges made for labor and
14 services rendered in respect to installing such machinery and
15 equipment.

16 (c) Beginning on July 1, 2011, through (~~June 30, 2013~~) January 1,
17 2020, the amount of the exemption under this subsection (1) is equal to
18 seventy-five percent of the state and local sales tax paid. The
19 purchaser is eligible for an exemption under this subsection (1)(c) in
20 the form of a remittance.

21 (2) For purposes of this section and RCW 82.12.962, the following
22 definitions apply:

23 (a) "Biomass energy" includes: (i) By-products of pulping and wood
24 manufacturing process; (ii) animal waste; (iii) solid organic fuels
25 from wood; (iv) forest or field residues; (v) wooden demolition or
26 construction debris; (vi) food waste; (vii) liquors derived from algae
27 and other sources; (viii) dedicated energy crops; (ix) biosolids; and
28 (x) yard waste. "Biomass energy" does not include wood pieces that
29 have been treated with chemical preservatives such as creosote,
30 pentachlorophenol, or copper-chrome-arsenic; wood from old growth
31 forests; or municipal solid waste.

32 (b) "Fuel cell" means an electrochemical reaction that generates
33 electricity by combining atoms of hydrogen and oxygen in the presence
34 of a catalyst.

35 (c) "Landfill gas" means biomass fuel, of the type qualified for
36 federal tax credits under Title 26 U.S.C. Sec. 29 of the federal
37 internal revenue code, collected from a "landfill" as defined under RCW
38 70.95.030.

1 (d)(i) "Machinery and equipment" means fixtures, devices, and
2 support facilities that are integral and necessary to the generation of
3 electricity using fuel cells, wind, sun, biomass energy, tidal or wave
4 energy, geothermal resources, anaerobic digestion, technology that
5 converts otherwise lost energy from exhaust, or landfill gas as the
6 principal source of power.

7 (ii) "Machinery and equipment" does not include: (A) Hand-powered
8 tools; (B) property with a useful life of less than one year; (C)
9 repair parts required to restore machinery and equipment to normal
10 working order; (D) replacement parts that do not increase productivity,
11 improve efficiency, or extend the useful life of machinery and
12 equipment; (E) buildings; or (F) building fixtures that are not
13 integral and necessary to the generation of electricity that are
14 permanently affixed to and become a physical part of a building.

15 (3)(a) Machinery and equipment is "used directly" in generating
16 electricity by wind energy, solar energy, biomass energy, tidal or wave
17 energy, geothermal resources, anaerobic digestion, technology that
18 converts otherwise lost energy from exhaust, or landfill gas power if
19 it provides any part of the process that captures the energy of the
20 wind, sun, biomass energy, tidal or wave energy, geothermal resources,
21 anaerobic digestion, technology that converts otherwise lost energy
22 from exhaust, or landfill gas, converts that energy to electricity, and
23 stores, transforms, or transmits that electricity for entry into or
24 operation in parallel with electric transmission and distribution
25 systems.

26 (b) Machinery and equipment is "used directly" in generating
27 electricity by fuel cells if it provides any part of the process that
28 captures the energy of the fuel, converts that energy to electricity,
29 and stores, transforms, or transmits that electricity for entry into or
30 operation in parallel with electric transmission and distribution
31 systems.

32 (4)(a) A purchaser claiming an exemption in the form of a
33 remittance under subsection (1)(c) of this section must pay the tax
34 imposed by RCW 82.08.020 and all applicable local sales taxes imposed
35 under the authority of chapters 82.14 and 81.104 RCW. The purchaser
36 may then apply to the department for remittance in a form and manner
37 prescribed by the department. A purchaser may not apply for a
38 remittance under this section more frequently than once per quarter.

1 The purchaser must specify the amount of exempted tax claimed and the
2 qualifying purchases for which the exemption is claimed. The purchaser
3 must retain, in adequate detail, records to enable the department to
4 determine whether the purchaser is entitled to an exemption under this
5 section, including: Invoices; proof of tax paid; and documents
6 describing the machinery and equipment.

7 (b) The department must determine eligibility under this section
8 based on the information provided by the purchaser, which is subject to
9 audit verification by the department. The department must on a
10 quarterly basis remit exempted amounts to qualifying purchasers who
11 submitted applications during the previous quarter.

12 (5) This section expires (~~July 1, 2013~~) January 1, 2020.

13 NEW SECTION. Sec. 1503. A new section is added to chapter 82.32
14 RCW to read as follows:

15 Every taxpayer claiming an exemption under RCW 82.08.962 or
16 82.12.962 must file with the department a complete annual survey as
17 required under RCW 82.32.585, except that the taxpayer must file a
18 separate survey for each facility owned or operated in the state of
19 Washington developed with machinery, equipment, services, or labor for
20 which the exemption under part XV of this act is claimed.

21 NEW SECTION. Sec. 1504. A new section is added to chapter 43.136
22 RCW to read as follows:

23 (1) The intent of the tax preference provided in RCW 82.08.962 and
24 82.12.962 is to promote electricity generation by facilities with
25 generating capacity of not less than one thousand watts, using
26 renewable energy fuel sources in order to improve energy security and
27 decrease greenhouse gas emissions. Encouraging the development of more
28 facilities that generate power from renewable energy has both immediate
29 and long-term value to the state.

30 (2) As part of the joint legislative audit and review committee's
31 2019 tax preference reviews conducted under this chapter, the joint
32 legislative audit and review committee must assess the performance of
33 the tax preferences established in RCW 82.08.956 and 82.12.956 with
34 reference to the intent and performance milestones established in this
35 section.

1 (3) The department of revenue must provide the joint legislative
2 audit and review committee with annual survey information and any other
3 tax data necessary to conduct the review required in subsection (2) of
4 this section. The Washington State University energy program,
5 department of ecology, and other agencies, as requested, must cooperate
6 with the committee by providing information to assist the committee's
7 analysis.

8 (4) The report is not limited to, but must include, the following
9 information:

10 (a) Identification of the baseline number of facilities, prior to
11 July 1, 2009, with generating capacity of not less than one thousand
12 watts, using fuel cells, wind, sun, biomass energy, tidal or wave
13 energy, geothermal resources, anaerobic digestion, technology that
14 converts otherwise lost energy from exhaust, or landfill gas as the
15 principal source of power.

16 (b) The number of facilities developed each year by purchasers
17 claiming the preference for machinery, equipment, labor, or other
18 services, and the increase in the number of such facilities, as
19 compared to the baseline established in (a) of this subsection.

20 (c) The total generating capacity in megawatts and total power
21 production in kilowatt-hours of the facilities reported in (b) of this
22 subsection.

23 (d) The estimated greenhouse gas emissions avoided as a result of
24 power generation from renewable energy sources by the facilities
25 reported in (b) of this subsection.

26 (e) The number of barrels of oil and tons of coal avoided as a
27 result of power generation from renewable energy sources by the
28 facilities reported in (b) of this subsection, as estimated from the
29 average fuel mix of electricity generated statewide.

30 (f) The number of employees and wages and benefits reported by
31 taxpayers claiming the exemption at the facilities reported in (a) of
32 this subsection.

33 (g) Subject to data availability, analysis of how the wages and
34 benefits reported in (e) of this subsection compare with statewide
35 averages and averages in the county in which the facility is located.

36 (5) This section expires January 1, 2020.

1 **Sec. 1505.** RCW 82.12.962 and 2009 c 469 s 102 are each amended to
2 read as follows:

3 (1)(a) Except as provided in RCW 82.12.963, consumers who have paid
4 the tax imposed by RCW 82.12.020 on machinery and equipment used
5 directly in generating electricity using fuel cells, wind, sun, biomass
6 energy, tidal or wave energy, geothermal resources, anaerobic
7 digestion, technology that converts otherwise lost energy from exhaust,
8 or landfill gas as the principal source of power, or to sales of or
9 charges made for labor and services rendered in respect to installing
10 such machinery and equipment, are eligible for an exemption as provided
11 in this section, but only if the purchaser develops with such
12 machinery, equipment, and labor a facility capable of generating not
13 less than one thousand watts of electricity.

14 (b) Beginning on July 1, 2009, through June 30, 2011, the
15 provisions of this chapter do not apply in respect to the use of
16 machinery and equipment described in (a) of this subsection that are
17 used directly in generating electricity or to sales of or charges made
18 for labor and services rendered in respect to installing such machinery
19 and equipment.

20 (c) Beginning on July 1, 2011, through (~~June 30, 2013~~) January 1,
21 2020, the amount of the exemption under this subsection (1) is equal to
22 seventy-five percent of the state and local sales tax paid. The
23 consumer is eligible for an exemption under this subsection (1)(c) in
24 the form of a remittance.

25 (2)(a) A person claiming an exemption in the form of a remittance
26 under subsection (1)(c) of this section must pay the tax imposed by RCW
27 82.12.020 and all applicable local use taxes imposed under the
28 authority of chapters 82.14 and 81.104 RCW. The consumer may then
29 apply to the department for remittance in a form and manner prescribed
30 by the department. A consumer may not apply for a remittance under
31 this section more frequently than once per quarter. The consumer must
32 specify the amount of exempted tax claimed and the qualifying purchases
33 or acquisitions for which the exemption is claimed. The consumer must
34 retain, in adequate detail, records to enable the department to
35 determine whether the consumer is entitled to an exemption under this
36 section, including: Invoices; proof of tax paid; and documents
37 describing the machinery and equipment.

1 (b) The department must determine eligibility under this section
2 based on the information provided by the consumer, which is subject to
3 audit verification by the department. The department must on a
4 quarterly basis remit exempted amounts to qualifying consumers who
5 submitted applications during the previous quarter.

6 (3) Purchases exempt under RCW 82.08.962 are also exempt from the
7 tax imposed under RCW 82.12.020.

8 (4) The definitions in RCW 82.08.962 apply to this section.

9 (5) This section expires (~~June 30, 2013~~) January 1, 2020.

10 **PART XVI**

11 **Small Solar Extension**

12 NEW SECTION. **Sec. 1601.** It is the intent of the legislature to
13 help promote energy independence in the state of Washington. The
14 purpose of the tax preference created in part XVI of this act is to
15 incentivize electricity generation from solar energy, reducing the
16 costs of transitioning to solar energy by exempting machinery,
17 equipment, and labor and service charges from the retail sales and use
18 tax to increase affordability for Washington residents. It is also the
19 intent of the legislature to provide this tax preference in a fiscally
20 responsible manner where the actual revenue impact of the legislation
21 substantially conforms with the fiscal estimate provided in the
22 legislation's fiscal note. Therefore, the legislature intends for this
23 tax preference to be temporary so the legislature can assess the actual
24 fiscal impact of the tax preference.

25 **Sec. 1602.** RCW 82.08.963 and 2009 c 469 s 103 are each amended to
26 read as follows:

27 (1) The tax levied by RCW 82.08.020 does not apply to sales of
28 machinery and equipment used directly in generating electricity or
29 producing thermal heat using solar energy, or to sales of or charges
30 made for labor and services rendered in respect to installing such
31 machinery and equipment, but only if the purchaser develops with such
32 machinery, equipment, and labor a facility capable of generating not
33 more than ten kilowatts of electricity or producing not more than three
34 million British thermal units per day and provides the seller with an
35 exemption certificate in a form and manner prescribed by the

1 department. The seller must retain a copy of the certificate for the
2 seller's files. For sellers who electronically file their taxes, the
3 department must provide a separate tax reporting line for exemption
4 amounts claimed by a buyer under this section.

5 (2) For purposes of this section and RCW 82.12.963:

6 (a) "Machinery and equipment" means industrial fixtures, devices,
7 and support facilities that are integral and necessary to the
8 generation of electricity or production and use of thermal heat using
9 solar energy;

10 (b) "Machinery and equipment" does not include: (i) Hand-powered
11 tools; (ii) property with a useful life of less than one year; (iii)
12 repair parts required to restore machinery and equipment to normal
13 working order; (iv) replacement parts that do not increase
14 productivity, improve efficiency, or extend the useful life of
15 machinery and equipment; (v) buildings; or (vi) building fixtures that
16 are not integral and necessary to the generation of electricity that
17 are permanently affixed to and become a physical part of a building;
18 ((and))

19 (c) Machinery and equipment is "used directly" in generating
20 electricity with solar energy if it provides any part of the process
21 that captures the energy of the sun, converts that energy to
22 electricity, and stores, transforms, or transmits that electricity for
23 entry into or operation in parallel with electric transmission and
24 distribution systems; and

25 (d) Machinery and equipment is "used directly" in producing thermal
26 heat with solar energy if it uses a solar collector or a solar hot
27 water system that (i) meets the certification standards for solar
28 collectors and solar hot water systems developed by the solar rating
29 and certification corporation; or (ii) is determined by the Washington
30 State University extension whether a solar collector or solar hot water
31 system is an equivalent collector or system.

32 (3) This section expires June 30, ((2013)) 2018.

33 **Sec. 1603.** RCW 82.12.963 and 2009 c 469 s 104 are each amended to
34 read as follows:

35 (1) The provisions of this chapter do not apply with respect to
36 machinery and equipment used directly in generating not more than ten
37 kilowatts of electricity or producing not more than three million

1 British thermal units per day using solar energy, or to the use of
2 labor and services rendered in respect to installing such machinery and
3 equipment.

4 (2) The definitions in RCW 82.08.963 apply to this section.

5 (3) This section expires June 30, (~~(2013)~~) 2018.

6 **PART XVII**

7 **Tax Preference Transparency and Accountability**

8 NEW SECTION. **Sec. 1701.** A new section is added to chapter 82.32
9 RCW to read as follows:

10 (1)(a) Except as otherwise provided in this section, every new tax
11 preference expires on the first day of the calendar year that is
12 subsequent to the calendar year that is ten years from the effective
13 date of the tax preference. With respect to any new property tax
14 exemption, the exemption does not apply to taxes levied for collection
15 beginning in the calendar year that is subsequent to the calendar year
16 that is ten years from the effective date of the tax preference.

17 (b) A future amendment that expands a tax preference does not
18 extend the tax preference beyond the period provided in this subsection
19 unless an extension is expressly and unambiguously stated in the
20 amendment.

21 (2) Subsection (1) of this section does not apply if legislation
22 creating a new tax preference includes an expiration date for the new
23 tax preference.

24 (3) Subsection (1) of this section does not apply to any existing
25 tax preference that is amended to clarify an ambiguity or correct a
26 technical inconsistency. Future enacted legislation intended to make
27 such clarifications or corrections must explicitly indicate this
28 intent.

29 (4) For the purposes of this section, the following definitions
30 apply:

31 (a) "New tax preference" means a tax preference that initially
32 takes effect after August 1, 2013, or a tax preference in effect as of
33 August 1, 2013, that is expanded or extended after August 1, 2013, even
34 if the expanding or extending amendment includes any other change to
35 the tax preference.

1 (b) "Tax preference" has the same meaning as in RCW 43.136.021 with
2 respect to any state tax administered by the department, except does
3 not include the Washington estate and transfer tax in chapter 83.100
4 RCW.

5 (5) The department must provide written notice to the office of the
6 code reviser of a ten-year expiration date required under this section
7 for a new tax preference.

8 NEW SECTION. **Sec. 1702.** A new section is added to chapter 82.32
9 RCW to read as follows:

10 (1) As provided in this section, every bill enacting a new tax
11 preference must include a tax preference performance statement.

12 (2) A tax preference performance statement must state the
13 legislative purpose for the new tax preference. The tax preference
14 performance statement must indicate one or more of the following
15 general categories, by reference to the applicable category specified
16 in this subsection, as the legislative purpose of the new tax
17 preference:

18 (a) Tax preferences intended to induce certain designated behavior
19 by taxpayers;

20 (b) Tax preferences intended to improve industry competitiveness;

21 (c) Tax preferences intended to create or retain jobs;

22 (d) Tax preferences intended to reduce structural inefficiencies in
23 the tax structure;

24 (e) Tax preferences intended to provide tax relief for certain
25 businesses or individuals; or

26 (f) A general purpose not identified in (a) through (e) of this
27 subsection.

28 (3) In addition to identifying the general legislative purpose of
29 the tax preference under subsection (2) of this section, the tax
30 preference performance statement must provide additional detailed
31 information regarding the legislative purpose of the new tax
32 preference.

33 (4) A new tax preference performance statement must specify clear,
34 relevant, and ascertainable metrics and data requirements that allow
35 the joint legislative audit and review committee and the legislature to
36 measure the effectiveness of the new tax preference in achieving the
37 purpose designated under subsection (2) of this section.

1 (5) If the tax preference performance statement for a new tax
2 preference indicates a legislative purpose described in subsection
3 (2)(b) or (c) of this section, any taxpayer claiming the new tax
4 preference must file an annual survey in accordance with RCW 82.32.585.

5 (6)(a) Taxpayers claiming a new tax preference must report the
6 amount of the tax preference claimed by the taxpayer to the department
7 as otherwise required by statute or determined by the department as
8 part of the taxpayer's regular tax reporting responsibilities. For new
9 tax preferences allowing certain types of gross income of the business
10 to be excluded from business and occupation or public utility taxation,
11 the tax return must explicitly report the amount of the exclusion,
12 regardless of whether it is structured as an exemption or deduction, if
13 the taxpayer is otherwise required to report taxes to the department on
14 a monthly or quarterly basis. For a new sales and use tax exemption,
15 the total sales or uses subject to the exemption claimed by the buyer
16 must be reported on an addendum to the buyer's tax return if the buyer
17 is otherwise required to report taxes to the department on a monthly or
18 quarterly basis and the buyer is required to submit an exemption
19 certificate, or similar document, to the seller.

20 (b) This subsection does not apply to:

21 (i) Property tax exemptions;

22 (ii) Tax preferences required by constitutional law;

23 (iii) Tax preferences for which the tax benefit to the taxpayer is
24 less than one thousand dollars per calendar year; or

25 (iv) Taxpayers who are annual filers.

26 (c) The department may waive the filing requirements of this
27 subsection for taxpayers who are not required to file electronically
28 any return, report, or survey under this chapter.

29 (7)(a) Except as otherwise provided in this subsection, the amount
30 claimed by a taxpayer for any new tax preference is subject to public
31 disclosure and is not considered confidential tax information under RCW
32 82.32.330, if the reporting periods subject to disclosure ended at
33 least twenty-four months prior to the date of disclosure and the
34 taxpayer is required to report the amount of the tax preference claimed
35 by the taxpayer to the department under subsection (6) of this section.

36 (b)(i) The department may waive the public disclosure requirement
37 under (a) of this subsection (7) for good cause. Good cause may be
38 demonstrated by a reasonable showing of economic harm to a taxpayer if

1 the information specified under this subsection is disclosed. The
2 waiver under this subsection (7)(b)(i) only applies to the new tax
3 preferences provided in this act.

4 (ii) The amount of the tax preference claimed by a taxpayer during
5 a calendar year is confidential under RCW 82.32.330 and may not be
6 disclosed under this subsection if the amount for the calendar year is
7 less than ten thousand dollars.

8 (c) In lieu of the disclosure and waiver requirements under this
9 subsection, the requirements under RCW 82.32.585 apply to any tax
10 preference that requires a survey.

11 (8) If a new tax preference does not include the information
12 required under subsections (2) through (4) of this section, the joint
13 legislative audit and review committee is not required to perform a tax
14 preference review under chapter 43.136 RCW, and it is legislatively
15 presumed that it is the intent of the legislature to allow the new tax
16 preference to expire upon its scheduled expiration date.

17 (9) For the purposes of this section, "tax preference" and "new tax
18 preference" have the same meaning as provided in section 1701 of this
19 act.

20 NEW SECTION. **Sec. 1703.** A new section is added to chapter 43.136
21 RCW to read as follows:

22 (1) The legislative auditor, with the assistance of a task force,
23 must make recommendations on the appropriate data and metrics that
24 should be included in tax preference performance statements to evaluate
25 new tax preferences, as provided under section 1702 of this act.

26 (2)(a) The task force is comprised of five members: (i) One person
27 from the department of revenue; (ii) one person from an association
28 representing Washington businesses; (iii) one person from the office of
29 financial management; (iv) the legislative auditor or a designee of the
30 legislative auditor; and (v) an economist with substantial experience
31 in state taxes.

32 (b) The task force must choose its chair from among its membership.

33 (3) By January 1, 2014, and in compliance with RCW 43.01.036, the
34 legislative auditor must submit a report to the appropriate fiscal
35 committees of the legislature the findings and recommendations of the
36 task force.

1 NEW SECTION. **Sec. 1704.** A new section is added to chapter 82.04
2 RCW to read as follows:
3 See section 1701 of this act for the expiration date of new tax
4 preferences for the tax imposed under this chapter.

5 NEW SECTION. **Sec. 1705.** A new section is added to chapter 82.08
6 RCW to read as follows:
7 See section 1701 of this act for the expiration date of new tax
8 preferences for the tax imposed under this chapter.

9 NEW SECTION. **Sec. 1706.** A new section is added to chapter 82.12
10 RCW to read as follows:
11 See section 1701 of this act for the expiration date of new tax
12 preferences for the tax imposed under this chapter.

13 NEW SECTION. **Sec. 1707.** A new section is added to chapter 82.14B
14 RCW to read as follows:
15 See section 1701 of this act for the expiration date of new tax
16 preferences for the tax imposed under this chapter.

17 NEW SECTION. **Sec. 1708.** A new section is added to chapter 82.16
18 RCW to read as follows:
19 See section 1701 of this act for the expiration date of new tax
20 preferences for the tax imposed under this chapter.

21 NEW SECTION. **Sec. 1709.** A new section is added to chapter 82.18
22 RCW to read as follows:
23 See section 1701 of this act for the expiration date of new tax
24 preferences for the tax imposed under this chapter.

25 NEW SECTION. **Sec. 1710.** A new section is added to chapter 82.19
26 RCW to read as follows:
27 See section 1701 of this act for the expiration date of new tax
28 preferences for the tax imposed under this chapter.

29 NEW SECTION. **Sec. 1711.** A new section is added to chapter 82.21
30 RCW to read as follows:

1 See section 1701 of this act for the expiration date of new tax
2 preferences for the tax imposed under this chapter.

3 NEW SECTION. **Sec. 1712.** A new section is added to chapter 82.23A
4 RCW to read as follows:

5 See section 1701 of this act for the expiration date of new tax
6 preferences for the tax imposed under this chapter.

7 NEW SECTION. **Sec. 1713.** A new section is added to chapter 82.23B
8 RCW to read as follows:

9 See section 1701 of this act for the expiration date of new tax
10 preferences for the tax imposed under this chapter.

11 NEW SECTION. **Sec. 1714.** A new section is added to chapter 82.24
12 RCW to read as follows:

13 See section 1701 of this act for the expiration date of new tax
14 preferences for the tax imposed under this chapter.

15 NEW SECTION. **Sec. 1715.** A new section is added to chapter 82.26
16 RCW to read as follows:

17 See section 1701 of this act for the expiration date of new tax
18 preferences for the tax imposed under this chapter.

19 NEW SECTION. **Sec. 1716.** A new section is added to chapter 82.27
20 RCW to read as follows:

21 See section 1701 of this act for the expiration date of new tax
22 preferences for the tax imposed under this chapter.

23 NEW SECTION. **Sec. 1717.** A new section is added to chapter 82.29A
24 RCW to read as follows:

25 See section 1701 of this act for the expiration date of new tax
26 preferences for the tax imposed under this chapter.

27 NEW SECTION. **Sec. 1718.** A new section is added to chapter 82.45
28 RCW to read as follows:

29 See section 1701 of this act for the expiration date of new tax
30 preferences for the tax imposed under this chapter.

1 NEW SECTION. **Sec. 1719.** A new section is added to chapter 82.48
2 RCW to read as follows:
3 See section 1701 of this act for the expiration date of new tax
4 preferences for the tax imposed under this chapter.

5 NEW SECTION. **Sec. 1720.** A new section is added to chapter 82.64
6 RCW to read as follows:
7 See section 1701 of this act for the expiration date of new tax
8 preferences for the tax imposed under this chapter.

9 NEW SECTION. **Sec. 1721.** A new section is added to chapter 84.52
10 RCW to read as follows:

11 (1) See section 1701 of this act for the expiration date of new tax
12 preferences for the tax imposed under RCW 84.52.065.

13 (2) See section 1702 of this act for reporting requirements for any
14 new tax preference for the tax imposed under RCW 84.52.065.

15 NEW SECTION. **Sec. 1722.** A new section is added to chapter 54.28
16 RCW to read as follows:

17 (1) See section 1701 of this act for the expiration date of new tax
18 preferences for the tax imposed under this chapter.

19 (2) See section 1702 of this act for reporting requirements for any
20 new tax preference for the tax imposed under this chapter.

21 **PART XVIII**
22 **Recommendations to Update and Improve Annual Surveys and Reports**

23 NEW SECTION. **Sec. 1801.** By December 1, 2013, the department of
24 revenue, in consultation with the joint legislative audit and review
25 committee, must make recommendations to the appropriate fiscal
26 committees of the legislature on ways to update and improve the annual
27 report and annual survey. The recommendations must include suggested
28 revisions to the report and survey that would make the data more
29 relevant and reduce the administrative burden on the taxpayer.

30 **PART XIX**
31 **Miscellaneous Provisions**

1 NEW SECTION. **Sec. 1901.** Section 202 of this act expires July 1,
2 2015.

3 NEW SECTION. **Sec. 1902.** Section 203 of this act takes effect July
4 1, 2015.

5 NEW SECTION. **Sec. 1903.** Parts III, X, XV, and XVI of this act are
6 necessary for the immediate preservation of the public peace, health,
7 or safety, or support of the state government and its existing public
8 institutions, and take effect July 1, 2013.

9 NEW SECTION. **Sec. 1904.** Except as otherwise provided in this act,
10 this act takes effect October 1, 2013.

11 NEW SECTION. **Sec. 1905.** Part XI of this act takes effect January
12 1, 2014.

13 NEW SECTION. **Sec. 1906.** Part XI of this act expires July 1, 2021.

14 NEW SECTION. **Sec. 1907.** 2013 2nd sp. sess. c . . . s 1202
15 (section 1202 of this act), as now existing, is repealed, effective
16 July 1, 2016.

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