

**SHB 1154 - S AMD 937**

By Senator Baumgartner

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

3 "NEW SECTION. **Sec. 1.** (1) This section is the tax preference  
4 performance statement for the tax preferences contained in this act.  
5 The change in tax base created by this act is intended to be  
6 permanent. This performance statement is only intended to be used for  
7 subsequent evaluation of the tax preference. It is not intended to  
8 create a private right of action by any party or be used to determine  
9 eligibility for preferential tax treatment.

10 (2) The legislature categorizes this tax preference as one  
11 intended to create and retain jobs, improve industry competitiveness,  
12 and reduce structural inefficiencies, as indicated in RCW  
13 82.32.808(2) (b) through (d).

14 (3) The legislature finds that manufacturing is a vital part of  
15 Washington's economy, providing family-wage jobs throughout the  
16 state, accompanied by a multiplier effect that often makes these  
17 employers hubs of their local communities. The legislature also finds  
18 that manufacturing jobs in Washington have been in decline, losing  
19 over fifty thousand jobs since the turn of the century. Over forty-  
20 five thousand jobs of the net jobs lost have occurred in nonaerospace  
21 manufacturing, which is generally subject to a tax rate forty percent  
22 higher than the aerospace industry in Washington. Therefore, it is  
23 the legislature's specific public policy to enhance taxpayer equity  
24 by lowering the business and occupation rate ceiling to 0.2904 for  
25 all manufacturers in the state in order to increase the  
26 sustainability of manufacturing in Washington as well as increase  
27 manufacturing's competitiveness around the world, thereby enabling  
28 manufacturing to continue to be a critical and hopefully growing  
29 source of family-wage jobs throughout the state.

30 **Sec. 2.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to read  
31 as follows:

1       (1) Upon every person engaging within this state in business as a  
2 manufacturer, except persons taxable as manufacturers under other  
3 provisions of this chapter; as to such persons the amount of the tax  
4 with respect to such business shall be equal to the value of the  
5 products, including byproducts, manufactured, multiplied by the rate  
6 of (~~0.484 percent~~):

7       (a) 0.484 percent through December 31, 2018;

8       (b) 0.4356 percent from January 1, 2019, through December 31,  
9 2019;

10       (c) 0.3872 percent from January 1, 2020, through December 31,  
11 2020;

12       (d) 0.3388 percent from January 1, 2021, through December 31,  
13 2021; and

14       (e) 0.2904 percent from January 1, 2022, and thereafter.

15       (2) The measure of the tax is the value of the products,  
16 including byproducts, so manufactured regardless of the place of sale  
17 or the fact that deliveries may be made to points outside the state.

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

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

26       (a) 0.484 percent through December 31, 2018;

27       (b) 0.4356 percent from January 1, 2019, through December 31,  
28 2019;

29       (c) 0.3872 percent from January 1, 2020, through December 31,  
30 2020;

31       (d) 0.3388 percent from January 1, 2021, through December 31,  
32 2021; and

33       (e) 0.2904 percent from January 1, 2022, and thereafter.

34       (2)(a) Upon every person engaging within this state in the  
35 business of manufacturing semiconductor materials, as to such persons  
36 the amount of tax with respect to such business is, in the case of  
37 manufacturers, equal to the value of the product manufactured, or, in  
38 the case of processors for hire, equal to the gross income of the  
39 business, multiplied by the rate of 0.275 percent. For the purposes

1 of this subsection "semiconductor materials" means silicon crystals,  
2 silicon ingots, raw polished semiconductor wafers, compound  
3 semiconductors, integrated circuits, and microchips.

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

7 (3) The measure of the tax is the value of the products,  
8 including byproducts, so manufactured regardless of the place of sale  
9 or the fact that deliveries may be made to points outside the state.

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

12 **Sec. 4.** RCW 82.04.280 and 2017 c 323 s 508 are each amended to  
13 read as follows:

14 (1) Upon every person engaging within this state in the business  
15 of: (a) Printing materials other than newspapers, and of publishing  
16 periodicals or magazines; (b) building, repairing or improving any  
17 street, place, road, highway, easement, right-of-way, mass public  
18 transportation terminal or parking facility, bridge, tunnel, or  
19 trestle which is owned by a municipal corporation or political  
20 subdivision of the state or by the United States and which is used or  
21 to be used, primarily for foot or vehicular traffic including mass  
22 transportation vehicles of any kind and including any readjustment,  
23 reconstruction or relocation of the facilities of any public, private  
24 or cooperatively owned utility or railroad in the course of such  
25 building, repairing or improving, the cost of which readjustment,  
26 reconstruction, or relocation, is the responsibility of the public  
27 authority whose street, place, road, highway, easement, right-of-way,  
28 mass public transportation terminal or parking facility, bridge,  
29 tunnel, or trestle is being built, repaired or improved; (c)  
30 extracting for hire (~~(or processing for hire)~~), except persons  
31 taxable as extractors for hire (~~(or processors for hire)~~) under  
32 another section of this chapter; (d) operating a cold storage  
33 warehouse or storage warehouse, but not including the rental of cold  
34 storage lockers; (e) representing and performing services for fire or  
35 casualty insurance companies as an independent resident managing  
36 general agent licensed under the provisions of chapter 48.17 RCW; (f)  
37 radio and television broadcasting, excluding network, national and  
38 regional advertising computed as a standard deduction based on the  
39 national average thereof as annually reported by the federal

1 communications commission, or in lieu thereof by itemization by the  
2 individual broadcasting station, and excluding that portion of  
3 revenue represented by the out-of-state audience computed as a ratio  
4 to the station's total audience as measured by the 100 micro-volt  
5 signal strength and delivery by wire, if any; (g) engaging in  
6 activities which bring a person within the definition of consumer  
7 contained in RCW 82.04.190(6); as to such persons, the amount of tax  
8 on such business is equal to the gross income of the business  
9 multiplied by the rate of 0.484 percent.

10 (2) Upon every person engaging within this state in the business  
11 of processing for hire, except persons taxable as processors for hire  
12 under another section of this chapter; as to such persons, the amount  
13 of tax on such business is equal to the gross income of the business  
14 multiplied by the rate of:

15 (a) 0.484 percent through December 31, 2018;

16 (b) 0.4356 percent from January 1, 2019, through December 31,  
17 2019;

18 (c) 0.3872 percent from January 1, 2020, through December 31,  
19 2020;

20 (d) 0.3388 percent from January 1, 2021, through December 31,  
21 2021; and

22 (e) 0.2904 percent from January 1, 2022, and thereafter.

23 (3) For the purposes of this section, the following definitions  
24 apply unless the context clearly requires otherwise.

25 (a) "Cold storage warehouse" means a storage warehouse used to  
26 store fresh and/or frozen perishable fruits or vegetables, meat,  
27 seafood, dairy products, or fowl, or any combination thereof, at a  
28 desired temperature to maintain the quality of the product for  
29 orderly marketing.

30 (b) "Storage warehouse" means a building or structure, or any  
31 part thereof, in which goods, wares, or merchandise are received for  
32 storage for compensation, except field warehouses, fruit warehouses,  
33 fruit packing plants, warehouses licensed under chapter 22.09 RCW,  
34 public garages storing automobiles, railroad freight sheds, docks and  
35 wharves, and "self-storage" or "mini storage" facilities whereby  
36 customers have direct access to individual storage areas by separate  
37 entrance. "Storage warehouse" does not include a building or  
38 structure, or that part of such building or structure, in which an  
39 activity taxable under RCW 82.04.272 is conducted.

1 (c) "Periodical or magazine" means a printed publication, other  
2 than a newspaper, issued regularly at stated intervals at least once  
3 every three months, including any supplement or special edition of  
4 the publication.

5 **Sec. 5.** RCW 82.32.790 and 2017 3rd sp.s. c 37 s 526 are each  
6 amended to read as follows:

7 (1)(a) Section 3, chapter . . . , Laws of 2018 (section 3 of this  
8 act), sections 510, 512, 514, 516, 518, 520, 522, and 524, chapter  
9 37, Laws of 2017 3rd sp. sess., sections 9, 13, 17, 22, 24, 30, 32,  
10 and 45, chapter 135, Laws of 2017, sections 104, 110, 117, 123, 125,  
11 129, 131, and 150, chapter 114, Laws of 2010, and sections 1, 2, 3,  
12 and 5 through 10, chapter 149, Laws of 2003 are contingent upon the  
13 siting and commercial operation of a significant semiconductor  
14 microchip fabrication facility in the state of Washington by January  
15 1, 2024.

16 (b) For the purposes of this section:

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

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

21 (iii) "Significant" means the combined investment of new  
22 buildings and new machinery and equipment in the buildings, at the  
23 commencement of commercial production, will be at least one billion  
24 dollars.

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

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

34 (b) If, after making a determination that a contract has been  
35 signed and the sections referenced in subsection (1) of this section  
36 are effective, the department discovers that commencement of  
37 commercial production did not take place within three years of the  
38 date the contract was signed, the department must make a  
39 determination that chapter 149, Laws of 2003 is no longer effective,

1 and all taxes that would have been otherwise due are deemed deferred  
2 taxes and are immediately assessed and payable from any person  
3 reporting tax under RCW 82.04.240(2) or claiming an exemption or  
4 credit under RCW 82.04.426, 82.04.448, 82.08.965, 82.12.965,  
5 82.08.970, 82.12.970, or 84.36.645. The department is not authorized  
6 to make a second determination regarding the effective date of the  
7 sections referenced in subsection (1) of this section.

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

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

15 NEW SECTION. **Sec. 6.** This act is exempt from the automatic  
16 expiration date provisions of RCW 82.32.805(1)(a)."

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17 On page 1, line 1 of the title, after "Relating to" strike the  
18 remainder of the title and insert "lowering the ceiling of the  
19 business and occupation manufacturing tax rate to 0.2904 percent;  
20 amending RCW 82.04.240, 82.04.240, 82.04.280, and 82.32.790; creating  
21 new sections; and providing a contingent effective date."

EFFECT: Strikes all underlying language and instead incrementally  
reduces the general manufacturing business and occupation tax rate  
and the processing for hire rate from 0.484 percent to 0.2904 percent  
by January 1, 2022.

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