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HOUSE BILL 2992

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State of Washington                      65th Legislature                      2018 Regular Session

By Representatives Chapman, Maycumber, and Muri

Read first time 02/16/18. Referred to Committee on Finance.

1            AN ACT Relating to modifying the business and occupation tax  
2 structure for rural manufacturers and timber and wood product  
3 manufacturers, extractors, and wholesalers; amending RCW 82.04.240,  
4 82.04.240, 82.04.440, 82.04.260, 82.04.261, and 82.32.790; creating  
5 new sections; providing an effective date; providing an expiration  
6 date; providing a contingent effective date; and providing contingent  
7 expiration dates.

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

9            NEW SECTION.    **Sec. 1.**    (1) The legislature finds that Washington  
10 has one of the strongest economies in the country. The annual  
11 unemployment rate in the Seattle-Bellevue-Everett metropolitan area,  
12 as defined by the United States bureau of labor statistics, has been  
13 an average of one and twenty-one one hundredths lower than the  
14 national unemployment rate over the past five years.

15            (2) However, the local economies in rural counties continue to  
16 struggle. Over the past five years, the annual unemployment rate in  
17 rural counties, as defined by the office of financial management, has  
18 been an average of two and one-tenth higher than the unemployment  
19 rate in urban counties.

20            (3) The legislature concludes that in the spirit of one  
21 Washington, the economic prosperity of our state must be shared by

1 all of our communities, both urban and rural. Therefore, it is the  
2 intention of the legislature to modify the business and occupation  
3 tax structure of manufacturers located in rural areas to encourage  
4 economic growth and lower unemployment rates in our rural counties.

5 NEW SECTION. **Sec. 2.** (1) This section is the tax preference  
6 performance statement for the tax preferences in chapter . . . , Laws  
7 of 2018 (this act). This performance statement is only intended to be  
8 used for subsequent evaluation of the tax preferences. It is not  
9 intended to create a private right of action by any party or be used  
10 to determine eligibility for preferential tax treatment.

11 (2) The legislature categorizes these tax preferences as ones  
12 intended to increase jobs and lower the unemployment rate in rural  
13 counties, as indicated in RCW 82.32.808(2)(f).

14 (3) It is the legislature's specific public policy objective to  
15 decrease the gap between the unemployment rate in rural counties and  
16 urban counties, without compromising the underlying financial  
17 structure of the forest and fish support account.

18 (4) If a review finds that the aggregate unemployment rate in  
19 rural counties, as defined in RCW 82.14.370, is no more than one and  
20 one-half percent higher than the aggregate unemployment rate in all  
21 Washington counties that are not rural counties, then the legislature  
22 intends for the legislative auditor to recommend extending the  
23 expiration date of these tax preferences.

24 (5) In order to obtain the data necessary to perform the review  
25 in subsection (4) of this section, the joint legislative audit and  
26 review committee may refer to any available data source, and the  
27 employment security department is directed to cooperate with any  
28 requests for data pursuant to facilitating the review authorized in  
29 this section.

30 **Sec. 3.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to read  
31 as follows:

32 (1)(a) Upon every eligible manufacturer engaging within this  
33 state in the business of manufacturing in an eligible area, and every  
34 eligible manufacturer engaging within this state in the business of  
35 making sales, at retail or wholesale, of products manufactured by the  
36 eligible manufacturer in an eligible area, as to such persons the  
37 amount of tax with respect to such business is, in the case of  
38 manufacturers, equal to the value of the product manufactured and the

1 gross proceeds of sales of the product manufactured, or in the case  
2 of processors for hire, equal to the gross income of the business,  
3 multiplied by the rate of:

4 (i) Through December 31, 2018, 0.484 percent for manufacturing  
5 and wholesale sales and 0.471 percent for retail sales;

6 (ii) 0.4517 percent from January 1, 2019, through December 31,  
7 2019;

8 (iii) 0.4195 percent from January 1, 2020, through December 31,  
9 2020;

10 (iv) 0.3872 percent from January 1, 2021, through December 31,  
11 2021;

12 (v) 0.3549 percent from January 1, 2022, through December 31,  
13 2022;

14 (vi) 0.3227 percent from January 1, 2023, through December 31,  
15 2023; and

16 (vii) 0.2904 percent from January 1, 2024, and thereafter.

17 (b) The definitions in this subsection apply throughout this  
18 subsection (1) unless the context clearly requires otherwise.

19 (i) "Eligible area" means a county or a statistically equivalent  
20 entity, as defined by the United States census bureau, located within  
21 or without the state, that:

22 (A) Has a population density of less than one hundred persons per  
23 square mile; or

24 (B) Is smaller than two hundred twenty-five square miles and has  
25 a population not exceeding one hundred thousand.

26 (ii)(A) "Eligible manufacturer" means a manufacturer or processor  
27 for hire, engaged in manufacturing within an eligible area.

28 (B) "Eligible manufacturer" does not include a manufacturer or  
29 processor for hire, engaged in petroleum refining.

30 (iii) "Manufacturing" means the same as "to manufacture" as  
31 defined in RCW 82.04.120.

32 (2) Upon every person engaging within this state in business as a  
33 manufacturer, except persons taxable as manufacturers under other  
34 provisions of this chapter; as to such persons the amount of the tax  
35 with respect to such business (~~shall be~~) is equal to the value of  
36 the products, including byproducts, manufactured, multiplied by the  
37 rate of 0.484 percent.

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

1 (4) This section expires on the earlier of:

2 (a) The date that section 4 of this act expires; or

3 (b) January 1, 2029.

4 **Sec. 4.** RCW 82.04.240 and 2017 3rd sp.s. c 37 s 518 are each  
5 amended to read as follows:

6 (1)(a) Upon every eligible manufacturer engaging within this  
7 state in the business of manufacturing in an eligible area, and every  
8 eligible manufacturer engaging within this state in the business of  
9 making sales, at retail or wholesale, of products manufactured by the  
10 eligible manufacturer in an eligible area, as to such persons the  
11 amount of tax with respect to such business is, in the case of  
12 manufacturers, equal to the value of the product manufactured and the  
13 gross proceeds of sales of the product manufactured, or in the case  
14 of processors for hire, equal to the gross income of the business,  
15 multiplied by the rate of:

16 (i) Through December 31, 2018, 0.484 percent for manufacturing  
17 and wholesale sales and 0.471 percent for retail sales;

18 (ii) 0.4517 percent from January 1, 2019, through December 31,  
19 2019;

20 (iii) 0.4195 percent from January 1, 2020, through December 31,  
21 2020;

22 (iv) 0.3872 percent from January 1, 2021, through December 31,  
23 2021;

24 (v) 0.3549 percent from January 1, 2022, through December 31,  
25 2022;

26 (vi) 0.3227 percent from January 1, 2023, through December 31,  
27 2023; and

28 (vii) 0.2904 percent from January 1, 2024, and thereafter.

29 (b) The definitions in this subsection apply throughout this  
30 subsection (1) unless the context clearly requires otherwise.

31 (i) "Eligible area" means a county or a statistically equivalent  
32 entity, as defined by the United States census bureau, located within  
33 or without the state, that:

34 (A) Has a population density of less than one hundred persons per  
35 square mile; or

36 (B) Is smaller than two hundred twenty-five square miles and has  
37 a population not exceeding one hundred thousand.

38 (ii)(A) "Eligible manufacturer" means a manufacturer or processor  
39 for hire, engaged in manufacturing within an eligible area.

1 (B) "Eligible manufacturer" does not include a manufacturer or  
2 processor for hire, engaged in petroleum refining.

3 (iii) "Manufacturing" means the same as "to manufacture" as  
4 defined in RCW 82.04.120.

5 (2) Upon every person engaging within this state in business as a  
6 manufacturer, except persons taxable as manufacturers under other  
7 provisions of this chapter; as to such persons the amount of the tax  
8 with respect to such business is equal to the value of the products,  
9 including byproducts, manufactured, multiplied by the rate of 0.484  
10 percent.

11 ~~((+2))~~ (3)(a) Upon every person engaging within this state in  
12 the business of manufacturing semiconductor materials, as to such  
13 persons the amount of tax with respect to such business is, in the  
14 case of manufacturers, equal to the value of the product  
15 manufactured, or, in the case of processors for hire, equal to the  
16 gross income of the business, multiplied by the rate of 0.275  
17 percent. For the purposes of this subsection "semiconductor  
18 materials" means silicon crystals, silicon ingots, raw polished  
19 semiconductor wafers, compound semiconductors, integrated circuits,  
20 and microchips.

21 (b) A person reporting under the tax rate provided in this  
22 subsection ~~((+2))~~ (3) must file a complete annual tax performance  
23 report with the department under RCW 82.32.534.

24 ~~((+3))~~ (4) The measure of the tax is the value of the products,  
25 including byproducts, so manufactured regardless of the place of sale  
26 or the fact that deliveries may be made to points outside the state.

27 ~~((+4))~~ (5)(a) This section expires ~~((January))~~ July 1, 2024,  
28 unless the contingency in RCW 82.32.790(2) occurs.

29 (b) If the contingency in RCW 82.32.790(2) occurs, this section  
30 expires January 1, 2029.

31 **Sec. 5.** RCW 82.04.440 and 2011 c 2 s 205 are each amended to  
32 read as follows:

33 (1) Every person engaged in activities that are subject to tax  
34 under two or more provisions of RCW 82.04.230 through 82.04.298,  
35 inclusive, is taxable under each provision applicable to those  
36 activities.

37 (2) Persons taxable under RCW 82.04.240(1), 82.04.2909(2),  
38 82.04.250, 82.04.270, 82.04.294(2), or 82.04.260 (1)(b), (c), or (d),  
39 (4), (11), or (12) with respect to selling products in this state,

1 including those persons who are also taxable under RCW 82.04.261, are  
2 allowed a credit against those taxes for any (a) manufacturing taxes  
3 paid with respect to the manufacturing of products so sold in this  
4 state, and/or (b) extracting taxes paid with respect to the  
5 extracting of products so sold in this state or ingredients of  
6 products so sold in this state. Extracting taxes taken as credit  
7 under subsection (3) of this section may also be taken under this  
8 subsection, if otherwise allowable under this subsection. The amount  
9 of the credit may not exceed the tax liability arising under this  
10 chapter with respect to the sale of those products.

11 (3) Persons taxable as manufacturers under RCW 82.04.240 or  
12 82.04.260 (1)(b) or (12), including those persons who are also  
13 taxable under RCW 82.04.261, are allowed a credit against those taxes  
14 for any extracting taxes paid with respect to extracting the  
15 ingredients of the products so manufactured in this state. The amount  
16 of the credit may not exceed the tax liability arising under this  
17 chapter with respect to the manufacturing of those products.

18 (4) Persons taxable under RCW 82.04.230, 82.04.240,  
19 82.04.2909(1), 82.04.294(1), 82.04.2404, or 82.04.260 (1), (2), (4),  
20 (11), or (12), including those persons who are also taxable under RCW  
21 82.04.261, with respect to extracting or manufacturing products in  
22 this state are allowed a credit against those taxes for any (i) gross  
23 receipts taxes paid to another state with respect to the sales of the  
24 products so extracted or manufactured in this state, (ii)  
25 manufacturing taxes paid with respect to the manufacturing of  
26 products using ingredients so extracted in this state, or (iii)  
27 manufacturing taxes paid with respect to manufacturing activities  
28 completed in another state for products so manufactured in this  
29 state. The amount of the credit may not exceed the tax liability  
30 arising under this chapter with respect to the extraction or  
31 manufacturing of those products.

32 (5) For the purpose of this section:

33 (a) "Gross receipts tax" means a tax:

34 (i) Which is imposed on or measured by the gross volume of  
35 business, in terms of gross receipts or in other terms, and in the  
36 determination of which the deductions allowed would not constitute  
37 the tax an income tax or value added tax; and

38 (ii) Which is also not, pursuant to law or custom, separately  
39 stated from the sales price.

1 (b) "State" means (i) the state of Washington, (ii) a state of  
2 the United States other than Washington, or any political subdivision  
3 of such other state, (iii) the District of Columbia, and (iv) any  
4 foreign country or political subdivision thereof.

5 (c) "Manufacturing tax" means a gross receipts tax imposed on the  
6 act or privilege of engaging in business as a manufacturer, and  
7 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2404,  
8 82.04.2909(1), 82.04.260 (1), (2), (4), (11), and (12), and  
9 82.04.294(1); (ii) the tax imposed under RCW 82.04.261 on persons who  
10 are engaged in business as a manufacturer; and (iii) similar gross  
11 receipts taxes paid to other states.

12 (d) "Extracting tax" means a gross receipts tax imposed on the  
13 act or privilege of engaging in business as an extractor, and  
14 includes (i) the tax imposed on extractors in RCW 82.04.230 and  
15 82.04.260(12); (ii) the tax imposed under RCW 82.04.261 on persons  
16 who are engaged in business as an extractor; and (iii) similar gross  
17 receipts taxes paid to other states.

18 (e) "Business", "manufacturer", "extractor", and other terms used  
19 in this section have the meanings given in RCW 82.04.020 through  
20 (~~82.04.212~~ ~~[82.04.217]~~) 82.04.217, notwithstanding the use of those  
21 terms in the context of describing taxes imposed by other states.

22 **Sec. 6.** RCW 82.04.260 and 2017 c 135 s 11 are each amended to  
23 read as follows:

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

26 (a) Wheat into flour, barley into pearl barley, soybeans into  
27 soybean oil, canola into canola oil, canola meal, or canola by-  
28 products, or sunflower seeds into sunflower oil; as to such persons  
29 the amount of tax with respect to such business is equal to the value  
30 of the flour, pearl barley, oil, canola meal, or canola by-product  
31 manufactured, multiplied by the rate of 0.138 percent;

32 (b) Beginning July 1, 2025, seafood products that remain in a  
33 raw, raw frozen, or raw salted state at the completion of the  
34 manufacturing by that person; or selling manufactured seafood  
35 products that remain in a raw, raw frozen, or raw salted state at the  
36 completion of the manufacturing, to purchasers who transport in the  
37 ordinary course of business the goods out of this state; as to such  
38 persons the amount of tax with respect to such business is equal to  
39 the value of the products manufactured or the gross proceeds derived

1 from such sales, multiplied by the rate of 0.138 percent. Sellers  
2 must keep and preserve records for the period required by RCW  
3 82.32.070 establishing that the goods were transported by the  
4 purchaser in the ordinary course of business out of this state;

5 (c)(i) Except as provided otherwise in (c)(iii) of this  
6 subsection, from July 1, 2025, until January 1, 2036, dairy products;  
7 or selling dairy products that the person has manufactured to  
8 purchasers who either transport in the ordinary course of business  
9 the goods out of state or purchasers who use such dairy products as  
10 an ingredient or component in the manufacturing of a dairy product;  
11 as to such persons the tax imposed is equal to the value of the  
12 products manufactured or the gross proceeds derived from such sales  
13 multiplied by the rate of 0.138 percent. Sellers must keep and  
14 preserve records for the period required by RCW 82.32.070  
15 establishing that the goods were transported by the purchaser in the  
16 ordinary course of business out of this state or sold to a  
17 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, not including any marijuana-infused product, that  
22 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,  
23 parts 131, 133, and 135, including by-products from the manufacturing  
24 of the dairy products, such as whey and casein; and

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

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

33 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,  
34 preserving, freezing, processing, or dehydrating fresh fruits or  
35 vegetables, or selling at wholesale fruits or vegetables manufactured  
36 by the seller by canning, preserving, freezing, processing, or  
37 dehydrating fresh fruits or vegetables and sold to purchasers who  
38 transport in the ordinary course of business the goods out of this  
39 state; as to such persons the amount of tax with respect to such  
40 business is equal to the value of the products manufactured or the



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

6 (ii) For purposes of this subsection (1)(d), "fruits" and  
7 "vegetables" do not include marijuana, useable marijuana, or  
8 marijuana-infused products;

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

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

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

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

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

32 (5) Upon every person engaging within this state in the business  
33 of acting as a travel agent or tour operator; as to such persons the  
34 amount of the tax with respect to such activities is equal to the  
35 gross income derived from such activities multiplied by the rate of  
36 0.275 percent.

37 (6) Upon every person engaging within this state in business as  
38 an international steamship agent, international customs house broker,  
39 international freight forwarder, vessel and/or cargo charter broker  
40 in 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  
5 of stevedoring and associated activities pertinent to the movement of  
6 goods and commodities in waterborne interstate or foreign commerce;  
7 as to such persons the amount of tax with respect to such business is  
8 equal to the gross proceeds derived from such activities multiplied  
9 by 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  
18 holding or storage yard or area to await further movement in import  
19 or export or may move to a consolidation freight station and be  
20 stuffed, unstuffed, containerized, separated or otherwise segregated  
21 or aggregated for delivery or loaded on any mode of transportation  
22 for 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)(a) Upon every person engaging within this state in the  
34 business of disposing of low-level waste, as defined in RCW  
35 43.145.010; as to such persons the amount of the tax with respect to  
36 such business is equal to the gross income of the business, excluding  
37 any fees imposed under chapter 43.200 RCW, multiplied by the rate of  
38 3.3 percent.

39 (b) If the gross income of the taxpayer is attributable to  
40 activities both within and without this state, the gross income

1 attributable to this state must be determined in accordance with the  
2 methods of apportionment required under RCW 82.04.460.

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

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

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

26 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;  
27 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  
33 or components of such airplanes, or making sales, at retail or  
34 wholesale, of such tooling manufactured by the seller, as to such  
35 persons the amount of tax with respect to such business is, in the  
36 case of manufacturers, equal to the value of the product manufactured  
37 and the gross proceeds of sales of the product manufactured, or in  
38 the case of processors for hire, be equal to the gross income of the  
39 business, multiplied by the rate of 0.2904 percent.

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

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

8 (e)(i) Except as provided in (e)(ii) of this subsection (11),  
9 this subsection (11) does not apply on and after July 1, 2040.

10 (ii) With respect to the manufacturing of commercial airplanes or  
11 making sales, at retail or wholesale, of commercial airplanes, this  
12 subsection (11) does not apply on and after July 1st of the year in  
13 which the department makes a determination that any final assembly or  
14 wing assembly of any version or variant of a commercial airplane that  
15 is the basis of a siting of a significant commercial airplane  
16 manufacturing program in the state under RCW 82.32.850 has been sited  
17 outside the state of Washington. This subsection (11)(e)(ii) only  
18 applies to the manufacturing or sale of commercial airplanes that are  
19 the basis of a siting of a significant commercial airplane  
20 manufacturing program in the state under RCW 82.32.850.

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

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

1 from July 1, 2007, through (~~June 30, 2024~~) the date provided in (e)  
2 of this subsection.

3 (c) Until (~~July 1, 2024~~) the date provided in (e) of this  
4 subsection, upon every person engaging within this state in the  
5 business of selling at wholesale: (i) Timber extracted by that  
6 person; (ii) timber products manufactured by that person from timber  
7 or other timber products; or (iii) wood products manufactured by that  
8 person from timber or timber products; as to such persons the amount  
9 of the tax with respect to the business is equal to the gross  
10 proceeds of sales of the timber, timber products, or wood products  
11 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
12 June 30, 2007, and 0.2904 percent from July 1, 2007, through (~~June~~  
13 ~~30, 2024~~) the date provided in (e) of this subsection.

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

25 (e) The rates in this section that reference this subsection  
26 (12)(e) are effective until the earlier of:

27 (i) The date that section 4 of this act expires; or

28 (ii) January 1, 2029.

29 (f) For purposes of this subsection, the following definitions  
30 apply:

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

35 (ii) "Paper and paper products" means products made of interwoven  
36 cellulosic fibers held together largely by hydrogen bonding. "Paper  
37 and paper products" includes newsprint; office, printing, fine, and  
38 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
39 kraft bag, construction, and other kraft industrial papers;  
40 paperboard, liquid packaging containers, containerboard, corrugated,

1 and solid-fiber containers including linerboard and corrugated  
2 medium; and related types of cellulosic products containing  
3 primarily, by weight or volume, cellulosic materials. "Paper and  
4 paper products" does not include books, newspapers, magazines,  
5 periodicals, and other printed publications, advertising materials,  
6 calendars, and similar types of printed materials.

7 (iii) "Recycled paper" means paper and paper products having  
8 fifty percent or more of their fiber content that comes from  
9 postconsumer waste. For purposes of this subsection (12)~~((f))~~ (f)  
10 (iii), "postconsumer waste" means a finished material that would  
11 normally be disposed of as solid waste, having completed its life  
12 cycle as a consumer item.

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

17 (v) "Timber products" means:

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

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

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

25 (vi) "Wood products" means paper and paper products; dimensional  
26 lumber; engineered wood products such as particleboard, oriented  
27 strand board, medium density fiberboard, and plywood; wood doors;  
28 wood windows; and biocomposite surface products.

29 ~~((f))~~ (g) Except for small harvesters as defined in RCW  
30 84.33.035, a person reporting under the tax rate provided in this  
31 subsection (12) must file a complete annual tax performance report  
32 with the department under RCW 82.32.534.

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

38 (14)(a) Upon every person engaging within this state in the  
39 business of printing a newspaper, publishing a newspaper, or both,  
40 the amount of tax on such business is equal to the gross income of

1 the business multiplied by the rate of 0.35 percent until July 1,  
2 2024, and 0.484 percent thereafter.

3 (b) A person reporting under the tax rate provided in this  
4 subsection (14) must file a complete annual tax performance report  
5 with the department under RCW 82.32.534.

6 **Sec. 7.** RCW 82.04.261 and 2017 c 323 s 501 are each amended to  
7 read as follows:

8 (1) In addition to the taxes imposed under RCW 82.04.260(12), a  
9 surcharge is imposed on those persons who are subject to any of the  
10 taxes imposed under RCW 82.04.260(12). Except as otherwise provided  
11 in this section, the surcharge is equal to 0.052 percent. The  
12 surcharge is added to the rates provided in RCW 82.04.260(12) (a),  
13 (b), (c), and (d). ~~((The surcharge and this section expire July 1,  
14 2024.))~~

15 (2) All receipts from the surcharge imposed under this section  
16 must be deposited into the forest and fish support account created in  
17 RCW 76.09.405.

18 (3)(a) The surcharge imposed under this section is suspended  
19 if(~~(+~~

20 ~~(+))~~ receipts from the surcharge total at least eight million  
21 dollars during any fiscal biennium(~~(+or~~

22 ~~(ii) The office of financial management certifies to the  
23 department that the federal government has appropriated at least two  
24 million dollars for participation in forest and fish report-related  
25 activities by federally recognized Indian tribes located within the  
26 geographical boundaries of the state of Washington for any federal  
27 fiscal year)).~~

28 (b)((~~(+))~~) The suspension of the surcharge under (a)((~~(+))~~) of  
29 this subsection (3) takes effect on the first day of the calendar  
30 month that is at least thirty days after the end of the month during  
31 which the department determines that receipts from the surcharge  
32 total at least eight million dollars during the fiscal biennium. The  
33 surcharge is imposed again at the beginning of the following fiscal  
34 biennium.

35 ~~((ii) The suspension of the surcharge under (a)(ii) of this  
36 subsection (3) takes effect on the later of the first day of October  
37 of any federal fiscal year for which the federal government  
38 appropriates at least two million dollars for participation in forest  
39 and fish report-related activities by federally recognized Indian~~

1 ~~tribes located within the geographical boundaries of the state of~~  
2 ~~Washington, or the first day of a calendar month that is at least~~  
3 ~~thirty days following the date that the office of financial~~  
4 ~~management makes a certification to the department under subsection~~  
5 ~~(5) of this section. The surcharge is imposed again on the first day~~  
6 ~~of the following July.~~

7 ~~(4)(a) If, by October 1st of any federal fiscal year, the office~~  
8 ~~of financial management certifies to the department that the federal~~  
9 ~~government has appropriated funds for participation in forest and~~  
10 ~~fish report-related activities by federally recognized Indian tribes~~  
11 ~~located within the geographical boundaries of the state of Washington~~  
12 ~~but the amount of the appropriation is less than two million dollars,~~  
13 ~~the department must adjust the surcharge in accordance with this~~  
14 ~~subsection.~~

15 ~~(b) The department must adjust the surcharge by an amount that~~  
16 ~~the department estimates will cause the amount of funds deposited~~  
17 ~~into the forest and fish support account for the state fiscal year~~  
18 ~~that begins July 1st and that includes the beginning of the federal~~  
19 ~~fiscal year for which the federal appropriation is made, to be~~  
20 ~~reduced by twice the amount of the federal appropriation for~~  
21 ~~participation in forest and fish report-related activities by~~  
22 ~~federally recognized Indian tribes located within the geographical~~  
23 ~~boundaries of the state of Washington.~~

24 ~~(c) Any adjustment in the surcharge takes effect at the beginning~~  
25 ~~of a calendar month that is at least thirty days after the date that~~  
26 ~~the office of financial management makes the certification under~~  
27 ~~subsection (5) of this section.~~

28 ~~(d) The surcharge is imposed again at the rate provided in~~  
29 ~~subsection (1) of this section on the first day of the following~~  
30 ~~state fiscal year unless the surcharge is suspended under subsection~~  
31 ~~(3) of this section or adjusted for that fiscal year under this~~  
32 ~~subsection.~~

33 ~~(e) Adjustments of the amount of the surcharge by the department~~  
34 ~~are final and may not be used to challenge the validity of the~~  
35 ~~surcharge imposed under this section.~~

36 ~~(f) The department must provide timely notice to affected~~  
37 ~~taxpayers of the suspension of the surcharge or an adjustment of the~~  
38 ~~surcharge.~~

39 ~~(5) The office of financial management must make the~~  
40 ~~certification to the department as to the status of federal~~



1 ~~appropriations for tribal participation in forest and fish report-~~  
2 ~~related activities.)) (c) The department must provide timely notice~~  
3 ~~to affected taxpayers of the suspension of the surcharge.~~

4 (4) This section expires on the earlier of:

5 (a) The date that section 3 of this act expires; or

6 (b) January 1, 2029.

7 **Sec. 8.** RCW 82.32.790 and 2017 3rd sp.s. c 37 s 526 are each  
8 amended to read as follows:

9 (1)(a) Section 4, chapter . . ., Laws of 2018 (section 4 of this  
10 act), sections 510, 512, 514, 516, 518, 520, 522, and 524, chapter  
11 37, Laws of 2017 3rd sp. sess., sections 9, 13, 17, 22, 24, 30, 32,  
12 and 45, chapter 135, Laws of 2017, sections 104, 110, 117, 123, 125,  
13 129, 131, and 150, chapter 114, Laws of 2010, and sections 1, 2, 3,  
14 and 5 through 10, chapter 149, Laws of 2003 are contingent upon the  
15 siting and commercial operation of a significant semiconductor  
16 microchip fabrication facility in the state of Washington by January  
17 1, 2024.

18 (b) For the purposes of this section:

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

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

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

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

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

36 (b) If, after making a determination that a contract has been  
37 signed and the sections referenced in subsection (1) of this section  
38 are effective, the department discovers that commencement of  
39 commercial production did not take place within three years of the

1 date the contract was signed, the department must make a  
2 determination that chapter 149, Laws of 2003 is no longer effective,  
3 and all taxes that would have been otherwise due are deemed deferred  
4 taxes and are immediately assessed and payable from any person  
5 reporting tax under RCW 82.04.240(2) or claiming an exemption or  
6 credit under RCW 82.04.426, 82.04.448, 82.08.965, 82.12.965,  
7 82.08.970, 82.12.970, or 84.36.645. The department is not authorized  
8 to make a second determination regarding the effective date of the  
9 sections referenced in subsection (1) of this section.

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

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

17 NEW SECTION. **Sec. 9.** Except for section 4 of this act, this act  
18 takes effect January 1, 2019.

19 NEW SECTION. **Sec. 10.** Except for sections 3, 4, and 7 of this  
20 act, this act expires January 1, 2029.

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