
SENATE BILL 5888

State of Washington 65th Legislature 2017 Regular Session

By Senators Baumgartner, Hobbs, Takko, Sheldon, and Padden

Read first time 03/15/17. Referred to Committee on Ways & Means.

1 AN ACT Relating to lowering the ceiling of the business and
2 occupation manufacturing tax rate to 0.2904 percent; amending RCW
3 82.04.240, 82.04.240, and 82.04.280; reenacting and amending RCW
4 82.32.790; creating new sections; repealing 2010 c 106 s 206, 2009 c
5 461 s 3, 2006 c 300 s 7, and 2003 c 149 s 4; providing an effective
6 date; providing a contingent effective date; and providing a
7 contingent expiration date.

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

9 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
10 performance statement for the tax preferences contained in this act.
11 The change in tax base created by this act is intended to be
12 permanent. This performance statement is only intended to be used for
13 subsequent evaluation of the tax preference. It is not intended to
14 create a private right of action by any party or be used to determine
15 eligibility for preferential tax treatment.

16 (2) The legislature categorizes this tax preference as one
17 intended to create and retain jobs and reduce structural
18 inefficiencies as indicated in RCW 82.32.808(2) (c) and (d).

19 (3) It is the legislature's specific public policy objective to
20 create greater equity in the taxation of manufacturers and encourage
21 creation of sustainable, well-paying manufacturing jobs across the

1 state. It is the legislature's intent to lower the manufacturing rate
2 for those manufacturing industries still taxed at the highest rate,
3 thereby creating greater equity in taxation of manufacturers,
4 reducing the tax burden on manufacturers, and encouraging creation of
5 well-paying manufacturing jobs.

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

8 (1) Upon every person engaging within this state in business as a
9 manufacturer, except persons taxable as manufacturers under other
10 provisions of this chapter; as to such persons the amount of the tax
11 with respect to such business (~~((shall be))~~) is equal to the value of
12 the products, including byproducts, manufactured, multiplied by the
13 rate of (~~((0.484))~~) 0.2904 percent.

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

17 **Sec. 3.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to
18 read as follows:

19 (1) Upon every person engaging within this state in business as a
20 manufacturer, except persons taxable as manufacturers under other
21 provisions of this chapter; as to such persons the amount of the tax
22 with respect to such business is equal to the value of the products,
23 including byproducts, manufactured, multiplied by the rate of
24 (~~((0.484))~~) 0.2904 percent.

25 (2)(a) Upon every person engaging within this state in the
26 business of manufacturing semiconductor materials, as to such persons
27 the amount of tax with respect to such business is, in the case of
28 manufacturers, equal to the value of the product manufactured, or, in
29 the case of processors for hire, equal to the gross income of the
30 business, multiplied by the rate of 0.275 percent. For the purposes
31 of this subsection "semiconductor materials" means silicon crystals,
32 silicon ingots, raw polished semiconductor wafers, compound
33 semiconductors, integrated circuits, and microchips.

34 (b) A person reporting under the tax rate provided in this
35 subsection (2) must file a complete annual report with the department
36 under RCW 82.32.534.

37 (c) This subsection (2) expires twelve years after the effective
38 date of this act.

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

4 **Sec. 4.** RCW 82.04.280 and 2010 c 106 s 205 are each amended to
5 read as follows:

6 (1) Upon every person engaging within this state in the business
7 of: (a) Printing materials other than newspapers, and of publishing
8 periodicals or magazines; (b) building, repairing or improving any
9 street, place, road, highway, easement, right-of-way, mass public
10 transportation terminal or parking facility, bridge, tunnel, or
11 trestle which is owned by a municipal corporation or political
12 subdivision of the state or by the United States and which is used or
13 to be used, primarily for foot or vehicular traffic including mass
14 transportation vehicles of any kind and including any readjustment,
15 reconstruction or relocation of the facilities of any public, private
16 or cooperatively owned utility or railroad in the course of such
17 building, repairing or improving, the cost of which readjustment,
18 reconstruction, or relocation, is the responsibility of the public
19 authority whose street, place, road, highway, easement, right-of-way,
20 mass public transportation terminal or parking facility, bridge,
21 tunnel, or trestle is being built, repaired or improved; (c)
22 extracting for hire (~~(or processing for hire)~~), except persons
23 taxable as extractors for hire (~~(or processors for hire)~~) under
24 another section of this chapter; (d) operating a cold storage
25 warehouse or storage warehouse, but not including the rental of cold
26 storage lockers; (e) representing and performing services for fire or
27 casualty insurance companies as an independent resident managing
28 general agent licensed under the provisions of chapter 48.17 RCW; (f)
29 radio and television broadcasting, excluding network, national and
30 regional advertising computed as a standard deduction based on the
31 national average thereof as annually reported by the federal
32 communications commission, or in lieu thereof by itemization by the
33 individual broadcasting station, and excluding that portion of
34 revenue represented by the out-of-state audience computed as a ratio
35 to the station's total audience as measured by the 100 micro-volt
36 signal strength and delivery by wire, if any; (g) engaging in
37 activities which bring a person within the definition of consumer
38 contained in RCW 82.04.190(6); as to such persons, the amount of tax

1 on such business is equal to the gross income of the business
2 multiplied by the rate of 0.484 percent.

3 (2) Upon every person engaging within this state in the business
4 of processing for hire, except persons taxable as processors for hire
5 under another section of this chapter; as to such persons, the amount
6 of tax on such business is equal to the gross income of the business
7 multiplied by the rate of 0.2904 percent.

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

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

15 (b) "Storage warehouse" means a building or structure, or any
16 part thereof, in which goods, wares, or merchandise are received for
17 storage for compensation, except field warehouses, fruit warehouses,
18 fruit packing plants, warehouses licensed under chapter 22.09 RCW,
19 public garages storing automobiles, railroad freight sheds, docks and
20 wharves, and "self-storage" or "mini storage" facilities whereby
21 customers have direct access to individual storage areas by separate
22 entrance. "Storage warehouse" does not include a building or
23 structure, or that part of such building or structure, in which an
24 activity taxable under RCW 82.04.272 is conducted.

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

29 **Sec. 5.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401
30 are each reenacted and amended to read as follows:

31 (1)(a) (~~(Section 206, chapter 106, Laws of 2010,)~~) Section 3,
32 chapter . . ., Laws of 2017 (section 3 of this act), sections 104,
33 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010,
34 (~~(section 3, chapter 461, Laws of 2009, section 7, chapter 300, Laws~~
35 ~~of 2006,)~~) and sections ((4)) 1, 2, 3, and 5 through 10, chapter 149,
36 Laws of 2003 are contingent upon the siting and commercial operation
37 of a significant semiconductor microchip fabrication facility in the
38 state of Washington.

39 (b) For the purposes of this section:

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

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

5 (iii) "Significant" means the combined investment of new
6 buildings and new machinery and equipment in the buildings, at the
7 commencement of commercial production, will be at least one billion
8 dollars.

9 (2) (~~Chapter 149, Laws of 2003 takes~~) The sections referenced
10 in subsection (1) of this section take effect the first day of the
11 month in which a contract for the construction of a significant
12 semiconductor fabrication facility is signed, as determined by the
13 director of the department of revenue.

14 (3)(a) The department of revenue must provide notice of the
15 effective date of (~~sections 104, 110, 117, 123, 125, 129, 131, and~~
16 ~~150, chapter 114, Laws of 2010[,], section 3, chapter 461, Laws of~~
17 ~~2009, section 7, chapter 300, Laws of 2006, and section 4, chapter~~
18 ~~149, Laws of 2003~~) the sections referenced in subsection (1) of this
19 section to affected taxpayers, the legislature, and others as deemed
20 appropriate by the department.

21 (b) If, after making a determination that a contract has been
22 signed and (~~chapter 149, Laws of 2003 is~~) the sections referenced
23 in subsection (1) of this section are effective, the department
24 discovers that commencement of commercial production did not take
25 place within three years of the date the contract was signed, the
26 department must make a determination that chapter 149, Laws of 2003
27 is no longer effective, and all taxes that would have been otherwise
28 due are deemed deferred taxes and are immediately assessed and
29 payable from any person reporting tax under RCW 82.04.240(2) or
30 claiming an exemption or credit under (~~section 2 or 5 through 10,~~
31 ~~chapter 149, Laws of 2003~~) RCW 82.04.426, 82.04.448, 82.08.965,
32 82.12.965, 82.08.970, 82.12.970, or 84.36.645. The department is not
33 authorized to make a second determination regarding the effective
34 date of (~~chapter 149, Laws of 2003~~) the sections referenced in
35 subsection (1) of this section.

36 NEW SECTION. Sec. 6. The following acts or parts of acts are
37 each repealed:

38 (1) 2010 c 106 s 206;

39 (2) 2009 c 461 s 3;

1 (3) 2006 c 300 s 7; and

2 (4) 2003 c 149 s 4.

3 NEW SECTION. **Sec. 7.** This act is exempt from the automatic
4 expiration date provisions of RCW 82.32.805(1)(a).

5 NEW SECTION. **Sec. 8.** Section 2 of this act expires on the date
6 that section 3 of this act takes effect.

7 NEW SECTION. **Sec. 9.** Except for section 3 of this act, this act
8 takes effect January 1, 2018.

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