

**3SHB 1324 - H AMD 235**

By Representative Springer

**ADOPTED 03/07/2019**

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

3  
4 "NEW SECTION. **Sec. 1.** The legislature finds that while many  
5 parts of the state are thriving economically, some rural and  
6 distressed communities have struggled to keep pace. These  
7 communities represent significant opportunity for economic growth  
8 and innovation. However, businesses and entrepreneurs often find it  
9 difficult to obtain the capital they need to expand and grow in  
10 these areas. Therefore, it is the intent of the legislature to  
11 incentivize private investments and job creation in rural and  
12 distressed communities while ensuring no loss of revenue to the state.  
13

14 NEW SECTION. **Sec. 2.** TAX PREFERENCE PERFORMANCE STATEMENT.  
15 (1) This section is the tax preference performance statement for the  
16 tax preferences created in sections 7 and 13, chapter . . . , Laws of  
17 2019 (sections 7 and 13 of this act). This performance statement is  
18 only intended to be used for subsequent evaluation of the tax  
19 preference.

20 (2) The legislature categorizes these tax preferences as ones  
21 intended to create or retain jobs, as indicated in RCW 82.32.808(2)  
22 (c).

23 (3) It is the legislature's specific public policy objective to  
24 create and retain jobs in rural development and distressed  
25 opportunity zone areas of Washington. It is the legislature's intent  
26 to provide a vested tax credit that may be used to offset certain  
27 business and occupation taxes under chapter 82.04 RCW, and insurance

1 premium taxes under chapter 48.14 RCW owed by Washington taxpayers,  
2 in order to induce such taxpayers to invest in rural development and  
3 distressed opportunity zone funds whose management teams:

4 (a) Have experience investing in companies located in rural  
5 development and distressed opportunity zone areas;

6 (b) Have been vetted by the United States small business  
7 administration or the United States department of agriculture; and

8 (c) Have submitted a business plan that:

9 (i) Projects the number of jobs that will be created or retained  
10 as a result of such investment fund's investments in rural companies  
11 and includes the assumptions used to determine the projection; and

12 (ii) Includes a revenue impact assessment that demonstrates that  
13 the business plan will result in a positive economic impact on  
14 Washington state over a ten-year period that exceeds the cumulative  
15 amount of tax credits that would be issued to the investment fund's  
16 investors, thereby:

17 (A) Enabling the capitalization of rural development and  
18 distressed opportunity zone funds;

19 (B) Incentivizing and requiring rural development and distressed  
20 opportunity zone funds to invest in companies located in rural areas  
21 of Washington; and

22 (C) Enabling the creation or retention of jobs in rural  
23 development and distressed opportunity zone areas of Washington.

24 (4) If the joint legislative audit and review committee finds  
25 that the aggregate number of jobs created or retained matches or  
26 exceeds the aggregate number of jobs set forth in the business plans  
27 of approved rural development and distressed opportunity zone funds,  
28 in the six years following enactment of these tax preferences, then  
29 the legislature intends to continue the tax preferences created in  
30 sections 7 and 13, chapter . . ., Laws of 2019 (sections 7 and 13 of  
31 this act).

32 (5) In order to obtain the data necessary to perform the review  
33 in subsection (4) of this section, the joint legislative audit and  
34 review committee may refer to:

1 (a) The annual report that a taxpayer claiming the tax credit in  
2 section 13 of this act must file with the department of revenue  
3 under RCW 82.32.534; and

4 (b) The annual reports required under section 11 of this act.  
5

6 NEW SECTION. **Sec. 3.** SHORT TITLE. This chapter may be known  
7 and cited as the Washington rural development and distressed  
8 opportunity zone act.  
9

10 NEW SECTION. **Sec. 4.** DEFINITIONS. The definitions in this  
11 section apply throughout this chapter unless the context clearly  
12 requires otherwise.

13 (1) "Affiliate" means an entity that directly or indirectly,  
14 through one or more intermediaries, controls, is controlled by, or  
15 is under common control with another entity. For the purposes of  
16 this chapter, "control" means the possession, directly or  
17 indirectly, of more than fifty percent of the power to direct or  
18 cause the direction of the management and policies of a person,  
19 whether through the ownership of voting shares, by contract, or  
20 otherwise.

21 (2) "Average monthly employment" means the cumulative number of  
22 full-time employees on the last day of each month of a calendar year  
23 divided by twelve.

24 (3) "Closing date" means the date on which a rural development  
25 and distressed opportunity zone fund has collected all of the  
26 amounts specified by section 5 of this act.

27 (4) "Credit-eligible capital contribution" means an investment  
28 of cash by a person who, as of the closing date, is subject to (a)  
29 business and occupation taxes under chapter 82.04 RCW and/or (b)  
30 insurance premium taxes under chapter 48.14 RCW in a rural  
31 development and distressed opportunity zone fund that equals the  
32 amount specified on a tax credit certificate issued by the  
33 department under section 5 of this act. The investment must purchase  
34 an equity interest in the rural development and distressed

1 opportunity zone fund or purchase, at par value or premium, a debt  
2 instrument that has a maturity date at least five years from the  
3 closing date and a repayment schedule that is no faster than level  
4 principal amortization over five years.

5 (5) "Department" means the department of commerce.

6 (6) "Full-time employee" means an employment position that  
7 requires at least thirty-five hours of work each week.

8 (7) "Growth investment" means any capital or equity investment  
9 in a targeted small business or any loan to a targeted small  
10 business with a stated maturity at least one year after the date of  
11 issuance.

12 (8) "Investment authority" means the amount stated on the  
13 written approval issued under section 5(8) of this act certifying  
14 the rural development and distressed opportunity zone fund. At least  
15 sixty percent of a rural development and distressed opportunity zone  
16 fund's investment authority must be comprised of credit-eligible  
17 capital contributions.

18 (9) "Investor" also means "taxpayer."

19 (10) "Jobs created" means the number of full-time employees in  
20 the state at the targeted small business at the time of the initial  
21 growth investment subtracted from the monthly average of those  
22 employment positions for that year.

23 (11) "Jobs retained" means the number of full-time employees in  
24 the state at a targeted small business that existed before the  
25 initial growth investment in the targeted small business, for which  
26 the rural development and distressed opportunity zone fund has  
27 obtained a certification from an executive officer of the targeted  
28 small businesses that such jobs would have been lost or moved out of  
29 state if the growth investment had not been made.

30 (12) "NAICS code" means the North American industry  
31 classification system code used by federal statistical agencies and  
32 the state in classifying business establishments for the purpose of  
33 collecting, analyzing, and publishing statistical data related to  
34 the business economy.

1 (13) "Principal business operations" means a business located at  
2 the place or places where at least sixty percent of its employees  
3 work or where employees that are paid at least sixty percent of its  
4 payroll work. An out-of-state business that has agreed to relocate  
5 employees or an in-state business that has agreed to hire full-time  
6 employees using the proceeds of a growth investment to establish its  
7 principal business operations in a qualified area in the state is  
8 deemed to have its principal business operations in this new  
9 location provided it satisfies this definition within one hundred  
10 eighty days after receiving the growth investment, unless the  
11 department agrees to a later date.

12 (14) "Qualified area" means:

13 (a) A county with a population density of less than one hundred  
14 persons per square mile or a county smaller than two hundred  
15 twenty-five square miles as determined by the office of financial  
16 management and published each year by the department for the period  
17 July 1st to June 30th; or

18 (b) A qualified opportunity zone as defined by Title 26 U.S.C.  
19 Sec. 1400Z-1 of the federal internal revenue code of 1986, as  
20 amended, located in a distressed area as defined in RCW 43.169.020.

21 (15) "Rural development and distressed opportunity zone fund" or  
22 "fund" means an entity certified by the department under section 5  
23 of this act.

24 (16) "Targeted small business" means a business that, at the  
25 time of the initial investment in the company by a rural development  
26 and distressed opportunity zone fund:

27 (a) Has less than two hundred fifty employees and not more than  
28 ten million dollars in net income for the preceding calendar year;

29 (b) Has its principal business operations in one or more  
30 qualified areas in the state; and

31 (c) Is engaged in industries related to manufacturing, plant  
32 sciences, services, distribution, warehousing, farming, forestry,  
33 biotechnology, fisheries, biofuels, technology, or the marketing and  
34 sale of technology, business that supplies inputs for agriculture

1 and food industry, agricultural primary production, feed industry,  
2 branded or other food production, or if the business is not engaged  
3 in such industries, the department makes a determination that the  
4 investment will be highly beneficial to the economic growth of the  
5 state.

6

7 NEW SECTION. **Sec. 5.** TAX CREDIT APPLICATION, APPROVAL, AND

8 ALLOCATIONS. (1) Beginning January 1, 2020, the department must

9 accept applications for approval as a rural development and

10 distressed opportunity zone fund. The application must include all

11 of the following:

12 (a) The total investment authority sought by the applicant under  
13 the business plan;

14 (b) A copy of the applicant's or an affiliate of the applicant's  
15 license as a rural business investment company under Title 7 U.S.C.  
16 Sec. 2009cc, as amended, as of January 1, 2019, or as a small  
17 business investment company under Title 15 U.S.C. Sec. 681, as  
18 amended, as of January 1, 2019;

19 (i) Evidence that, as of the date the application is submitted,  
20 the applicant or affiliates of the applicant have invested at least  
21 one hundred fifty million dollars in nonpublic companies located in  
22 areas within or without the state of Washington that would be  
23 qualified areas if in Washington; and

24 (ii) At least one principal in a rural investment company or  
25 small business investment company is, or has been for at least four  
26 years, an officer or employee of the applicant or an affiliate of  
27 the applicant on the date of the submission.

28 (c) An estimate of the number of jobs created and jobs retained  
29 in this state as a result of the applicant's growth investments and  
30 the assumptions used to determine the estimate;

31 (d) A business plan that includes a revenue impact assessment  
32 projecting state and local tax revenue to be generated by the  
33 applicant's proposed growth investments prepared by a firm with  
34 experience in providing economic analysis and revenue projection for

1 government entities using a dynamic economic forecasting model that  
2 analyzes the applicant's business plan over the ten years following  
3 the date the application is submitted to the department;

4 (e) A signed affidavit from each investor stating the amount of  
5 credit-eligible capital contributions each taxpayer commits to make  
6 and against which of the two tax types the investor plans to apply  
7 the credit:

8 (i) Business and occupation taxes under chapter 82.04 RCW; or

9 (ii) Insurance premium taxes under chapter 48.14 RCW; and

10 (f) A nonrefundable application fee of five thousand dollars.

11 (2) The department must make an application determination within  
12 thirty days of receipt in the order in which the applications are  
13 received. The department must deem applications received on the same  
14 day to have been received simultaneously.

15 (3) The department may not approve more than one hundred million  
16 dollars in investment authority and not more than sixty million  
17 dollars in credit-eligible capital contributions under this section.  
18 If requests for investment authority exceed this limitation, the  
19 department must proportionally reduce the investment authority and  
20 the credit-eligible capital contributions for each approved  
21 application as necessary to avoid exceeding the limit.

22 (4) The department may not approve more than thirty-five million  
23 dollars in investment authority and not more than twenty-one million  
24 dollars in credit-eligible capital contributions for an applicant  
25 under this section. If fewer than three applicants have been  
26 approved as a rural development and distressed opportunity zone fund  
27 under this section by November 1, 2020, a rural development and  
28 distressed opportunity zone fund may apply for additional investment  
29 authority and capital contributions in excess of the limit under  
30 this subsection.

31 (5) The department must deny an application submitted under this  
32 section if any of the following are true:

33 (a) The application is incomplete or the application fee is not  
34 paid in full;

1 (b) The applicant does not satisfy all the criteria described in  
2 subsection (1)(b) of this section;

3 (c) The revenue impact assessment submitted under subsection (1)  
4 (d) of this section does not demonstrate that the applicant's  
5 business plan will result in a positive economic impact on aggregate  
6 state and local government revenue over a ten-year period that  
7 exceeds the cumulative amount of tax credits that would be issued to  
8 the applicant's investors under section 7 or 13 of this act if the  
9 application were approved;

10 (d) The credit-eligible capital contributions described in  
11 affidavits submitted under subsection (1)(e) of this section do not  
12 equal at least sixty percent of the total amount of investment  
13 authority sought under the applicant's business plan; or

14 (e) The department has already approved the maximum amount of  
15 investment authority and credit-eligible capital contributions  
16 allowed under subsections (3) and (4) of this section.

17 (6) If the department denies an application, the applicant may  
18 provide additional information to the department to complete,  
19 clarify, or cure defects in the application identified by the  
20 department, except for failure to make the submission required by  
21 subsection (1)(e) of this section, within fifteen days of the notice  
22 of denial for reconsideration and determination. The department must  
23 review and reconsider such applications within thirty days before  
24 any pending application submitted after the original submission date  
25 of the reconsidered application.

26 (7) The department may not deny a rural development and  
27 distressed opportunity zone fund application or reduce the requested  
28 investment authority for reasons other than those described in  
29 subsections (3) through (5) of this section.

30 (8) Upon approval of an application, the department must provide  
31 a written approval to the applicant as a rural development and  
32 distressed opportunity zone fund specifying the amount of the  
33 applicant's investment authority.

34



1 (9) After receiving the approval issued under subsection (8) of  
2 this section, a rural development and distressed opportunity zone  
3 fund must:

4 (a) Within sixty days:

5 (i) Collect the credit-eligible capital contributions from each  
6 investor; and

7 (ii) Collect one or more investments of cash that, when added to  
8 the contributions collected under (a)(i) of this subsection, equal  
9 the rural development and distressed opportunity zone fund's  
10 investment authority. An amount equal to at least ten percent of the  
11 rural development and distressed opportunity zone fund's investment  
12 authority must be equity investments by affiliates of the rural  
13 development and distressed opportunity zone fund, including  
14 employees, officers, and directors of affiliates.

15 (b) Within sixty-five days, send to the department documentation  
16 sufficient to prove that the amounts described in (a)(i) and (ii) of  
17 this subsection have been collected.

18 (10) Upon receiving documentation from the rural development and  
19 distressed opportunity zone fund that it is fully funded, the  
20 department must issue a tax credit certificate to each investor  
21 whose affidavit was included in the application specifying the  
22 amount of the investor's credit-eligible capital contribution. The  
23 department must provide a copy of the tax credit certificates to the  
24 office of the insurance commissioner for investors earning tax  
25 credits eligible for use against insurance premium taxes, including  
26 the retaliatory provision, imposed under chapter 48.14 RCW, and to  
27 the department of revenue for investors earning tax credits eligible  
28 for use against business and occupation taxes imposed under chapter  
29 82.04 RCW. The tax credit certificate must include:

30 (a) The credit-eligible capital contribution amount;

31 (b) The name of the rural development and distressed opportunity  
32 zone fund;

33 (c) The unified business identifier number of the investor; and

34

1 (d) The closing date of the rural development and distressed  
2 opportunity zone fund.

3 (11) Tax credits may be transferred or allocated to an affiliate  
4 of the taxpayer. Taxpayers must notify the department if they wish  
5 to transfer or allocate a credit to an affiliate. The department  
6 will verify the transfer is to an affiliate and then issue an  
7 amended tax credit certificate to the taxpayer and a new tax credit  
8 certificate to the affiliate. The department must provide the  
9 department of revenue and the office of the insurance commissioner  
10 with a copy of the amended tax credit certificate of the transferor  
11 and the new tax credit certificate of the transferee.

12 (12) If the rural development and distressed opportunity zone  
13 fund fails to fully comply with subsection (9) of this section, the  
14 rural development and distressed opportunity zone fund's approval  
15 lapses and the corresponding investment authority and  
16 credit-eligible capital contributions under this subsection do not  
17 count toward the limits on the program size prescribed by subsection  
18 (3) of this section. The department must first award lapsed  
19 investment authority pro rata to each rural development and  
20 distressed opportunity zone fund that was awarded less than the  
21 requested investment authority under subsection (3) of this section,  
22 which a rural development and distressed opportunity zone fund may  
23 allocate to its investors in its discretion. Any remaining  
24 investment authority may be awarded by the department to new  
25 applicants.

26 (13)(a) A rural development and distressed opportunity zone fund  
27 shall, once it has received approval from the department under  
28 subsection (8) of this section, reimburse the department for the  
29 rural development and distressed opportunity zone fund's  
30 proportionate share of the costs that the department incurs to  
31 administer the rural development and distressed opportunity zone  
32 program, from the point in time that the rural development and  
33 distressed opportunity zone fund receives approval from the  
34 department under subsection (8) of this section to the point in time

1 that the department approves the exit of the rural development and  
2 distressed opportunity zone fund under section 8 of this act.

3 (b) The department shall quarterly calculate a rural development  
4 and distressed opportunity zone fund's proportionate share of the  
5 department's costs to administer the rural development and  
6 distressed opportunity zone program according to the following  
7 formula: One-half of the department's overall costs to administer  
8 the rural development and distressed opportunity zone program for  
9 the preceding quarter, multiplied by a rural development and  
10 distressed opportunity zone fund's investment authority as specified  
11 by the department pursuant to section 5(4) of this act, divided by  
12 the overall investment authority for rural development and  
13 distressed opportunity zone program as specified by the department  
14 pursuant to section 5(3) of this act.

15 (c) On a quarterly basis, the department shall submit an invoice  
16 to each rural development and distressed opportunity zone fund that  
17 describes the department's costs to administer the rural development  
18 and distressed opportunity zone program for the preceding quarter,  
19 as well as the rural development and distressed opportunity zone  
20 fund's proportionate share of the department's costs to administer  
21 the rural development and distressed opportunity zone program for  
22 the preceding quarter.

23 (d) Within thirty days of receipt of the invoice described in  
24 (c) of this subsection, a rural development and distressed  
25 opportunity zone fund shall remit to the department full payment for  
26 the rural development and distressed opportunity zone fund's  
27 proportionate share of the department's costs to administer the  
28 rural development and distressed opportunity zone program.

29 (14) Application fees submitted to the department under  
30 subsection (1)(f) of this section and administrative cost  
31 reimbursements submitted to the department under subsection (13) of  
32 this section must be deposited in the rural development and  
33 distressed opportunity zone account created in section 6 of this act.

34

1        NEW SECTION.    **Sec. 6.**    RURAL DEVELOPMENT AND DISTRESSED  
2 OPPORTUNITY ZONE ACCOUNT. The rural development and distressed  
3 opportunity zone account is created in the state treasury. All  
4 receipts from application fees and administrative cost  
5 reimbursements submitted to the department under section 5 of this  
6 act must be deposited into the account. Moneys in the account may be  
7 spent only after appropriation. Expenditures from the account may be  
8 used by the department only for administering this chapter.

9  
10        NEW SECTION.    **Sec. 7.**    A new section is added to chapter 48.14  
11 RCW to read as follows:

12        INSURANCE PREMIUM TAX CREDIT ESTABLISHED.

13        (1) A tax credit is authorized against the tax, including the  
14 retaliatory provision, otherwise due under this chapter for persons  
15 that made a credit-eligible capital contribution to a rural  
16 development and distressed opportunity zone fund and were issued a  
17 tax credit certificate under section 5 of this act.

18        (2) A taxpayer earns a credit on the closing date noted on the  
19 taxpayer's tax credit certificate issued under section 5 of this  
20 act. The credit is equal to the amount of the taxpayer's  
21 credit-eligible capital contribution to the rural development and  
22 distressed opportunity zone fund as specified on the tax credit  
23 certificate.

24        (3) The taxpayer may claim up to one-third of the credit  
25 authorized under this section for each of the calendar years that  
26 includes the fourth through sixth anniversaries of the closing date  
27 noted on the tax credit certificate, exclusive of amounts carried  
28 forward from prior years.

29        (4) The amount claimed for a tax reporting period may not exceed  
30 the amount of tax otherwise due under this chapter for that  
31 reporting period. Unused credits may be carried forward until used,  
32 even if claimed after the expiration date of this section. No  
33 refunds may be granted for credits under this section.

34

1 (5) All persons claiming a credit under this section must file  
2 electronically with the office of the insurance commissioner all  
3 returns, other forms, or any other information as may be required by  
4 the office of the insurance commissioner.

5 (6) A taxpayer claiming a credit under this section must submit  
6 a copy of the tax credit certificate issued to the taxpayer under  
7 section 5 of this act to the office of the insurance commissioner  
8 when filing the first return in which the taxpayer will claim a  
9 credit against taxes due under this chapter.

10 (7) The credit may not be transferred or allocated to any other  
11 entity other than an affiliate subject to the insurance premium,  
12 including retaliatory provisions, imposed under this chapter. The  
13 department must provide the office of the insurance commissioner  
14 with a copy of the amended tax credit certificate of the transferor  
15 and the new tax credit certificate of the transferee. The office of  
16 the insurance commissioner must disallow tax credits claimed by any  
17 transferee other than an affiliate of the transferor.

18 (8) The department must notify the office of the insurance  
19 commissioner if a tax credit certificate was revoked as provided in  
20 section 8 of this act. Upon such notice, the office of the insurance  
21 commissioner must:

22 (a) Provide written notice to the taxpayer or any affiliate to  
23 which the credit was transferred that the credit was revoked by the  
24 department;

25 (b) Include in the notice the amount of all credits previously  
26 claimed and that such amount be paid in full within thirty days of  
27 the date of the notice. If the taxpayer or the affiliate fails to  
28 pay the amount in full by the due date in the notice or any  
29 extension granted by the office of the insurance commissioner, the  
30 office of the insurance commissioner must impose penalties and  
31 interest consistent with RCW 48.14.060; and

32 (c) Deny any further use of the tax credit certificate by the  
33 taxpayer or any affiliate to which the credit was transferred.

34

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

3 (a) "Affiliate" means an entity that directly or indirectly,  
4 through one or more intermediaries, controls, is controlled by, or  
5 is under common control with another entity. For the purposes of  
6 this section, "control" means the possession, directly or  
7 indirectly, of more than fifty percent of the power to direct or  
8 cause the direction of the management and policies of a person,  
9 whether through the ownership of voting shares, by contract, or  
10 otherwise.

11 (b) "Credit-eligible capital contribution" means an investment  
12 of cash by a person subject to (a) business and occupation taxes  
13 under chapter 82.04 RCW and/or (b) insurance premium taxes under  
14 chapter 48.14 RCW in a rural development and distressed opportunity  
15 zone fund that equals the amount specified on a tax credit  
16 certificate issued by the department of commerce under section 5 of  
17 this act. The investment must purchase an equity interest in the  
18 rural development and distressed opportunity zone fund or purchase,  
19 at par value or premium, a debt instrument that has a maturity date  
20 at least five years from the closing date and a repayment schedule  
21 that is no faster than level principal amortization over five years.

22 (c) "Rural development and distressed opportunity zone fund"  
23 means an entity certified by the department of commerce under  
24 section 5 of this act.

25 (10) This section expires July 1, 2025.

26  
27 NEW SECTION. **Sec. 8.** REVOCATION OF TAX CREDIT CERTIFICATES AND

28 EXIT. (1) The department must revoke a tax credit certificate  
29 issued under section 5 of this act if any of the following occur  
30 with respect to a rural development and distressed opportunity zone  
31 fund before it exits the program in accordance with subsection (4)  
32 of this section:

33 (a) The rural development and distressed opportunity zone fund  
34 in which the credit-eligible capital contribution was made does not

1 invest seventy-five percent of its investment authority in growth  
2 investments in this state within two years of the closing date and  
3 one hundred percent of its investment authority in growth  
4 investments in this state within three years of the closing date;

5 (b) The rural development and distressed opportunity zone fund,  
6 after satisfying (a) of this subsection, fails to maintain growth  
7 investments equal to one hundred percent of its investment authority  
8 until the sixth anniversary of the closing date. For the purposes of  
9 this subsection, an investment is "maintained" even if the  
10 investment is sold or repaid so long as the rural development and  
11 distressed opportunity zone fund reinvests an amount equal to the  
12 capital returned or recovered by the rural development and  
13 distressed opportunity zone fund from the original investment,  
14 exclusive of any profits realized, in other growth investments in  
15 this state within twelve months of the receipt of such capital.  
16 Amounts received periodically by a rural development and distressed  
17 opportunity zone fund must be treated as continually invested in  
18 growth investments if the amounts are reinvested in one or more  
19 growth investments by the end of the following calendar year;

20 (c) The rural development and distressed opportunity zone fund,  
21 before exiting the program in accordance with subsection (4) of this  
22 section, makes a distribution or payment that results in the rural  
23 development and distressed opportunity zone fund having less than  
24 one hundred percent of its investment authority invested in growth  
25 investments in this state or available for investment in growth  
26 investments and held in cash and other marketable securities;

27 (d) The rural development and distressed opportunity zone fund  
28 invests more than the greater of five million dollars or twenty  
29 percent of its investment authority in the same targeted small  
30 business, including amounts invested in affiliates of the targeted  
31 small business, exclusive of repaid or redeemed growth investments  
32 that are reinvested in the same small targeted small business; or

33 (e) The rural development and distressed opportunity zone fund  
34 makes a growth investment in a targeted small business that directly

1 or indirectly through an affiliate owns, has the right to acquire an  
2 ownership interest, makes a loan to, or makes an investment in the  
3 rural development and distressed opportunity zone fund, an affiliate  
4 of the rural development and distressed opportunity zone fund, or an  
5 investor in the rural development and distressed opportunity zone  
6 fund. This subsection does not apply to investments in publicly  
7 traded securities by a targeted small business or an owner or  
8 affiliate of such business. For purposes of this subsection, a rural  
9 development and distressed opportunity zone fund will not be  
10 considered an affiliate of a targeted small business solely as a  
11 result of its growth investment.

12 (2) Before revoking one or more tax credit certificates under  
13 this subsection, the department must notify the rural development  
14 and distressed opportunity zone fund of the reasons for the pending  
15 revocation. The rural development and distressed opportunity zone  
16 fund has ninety days from the date the notice was dispatched to  
17 correct any violation outlined in the notice to the satisfaction of  
18 the department and avoid revocation of the tax credit certificate.

19 (3) If tax credit certificates are revoked under this section,  
20 the associated investment authority and credit-eligible capital  
21 contributions do not count toward the limit on total investment  
22 authority and credit-eligible capital contributions described by  
23 section 5(3) of this act. The department must first award reverted  
24 authority pro rata to each rural development and distressed  
25 opportunity zone fund that was awarded less than the requested  
26 investment authority under section 5(3) of this act. The department  
27 may award any remaining investment authority to new applicants.

28 (4) On or after the sixth anniversary of the closing date, a  
29 rural development and distressed opportunity zone fund may apply to  
30 the department to exit the program and no longer be subject to  
31 regulation under this chapter. The department must respond to the  
32 application within thirty days of receipt. In evaluating the  
33 application, the fact that no tax credit certificates have been  
34 revoked and that the rural development and distressed opportunity



1 zone fund has not received a notice of revocation that has not been  
2 cured under subsection (2) of this section is sufficient evidence to  
3 prove that the rural development and distressed opportunity zone  
4 fund is eligible for exit. The department may not unreasonably deny  
5 an application submitted under this subsection. If the application  
6 is denied, the notice must include the reasons for the  
7 determination. The department must notify the office of the  
8 insurance commissioner and the department of revenue when a rural  
9 development and distressed opportunity zone fund exits the program.

10 (5) The department may not revoke a tax credit certificate after  
11 a rural development and distressed opportunity zone fund exits the  
12 program.

13  
14 NEW SECTION. **Sec. 9.** (1) Before approving the exit of a rural  
15 development and distressed opportunity zone fund from the program,  
16 the department must evaluate the number of jobs created and jobs  
17 retained by the rural development and distressed opportunity zone  
18 fund, and the aggregate state and local government revenues  
19 generated by growth investments made pursuant to, or related to, the  
20 rural development and distressed opportunity zone fund's  
21 participation in the program, and determine whether the rural  
22 development and distressed opportunity zone fund must repay to the  
23 state any portion of the credit as described in subsections (2) and  
24 (3) of this section.

25 (2) For the number of jobs created and jobs retained by the  
26 rural development and distressed opportunity zone fund:

27 (a) If the number of jobs created and jobs retained as a result  
28 of the rural development and distressed opportunity zone fund's  
29 investments is less than sixty percent of the amount filed as part  
30 of the rural development and distressed opportunity zone fund's  
31 application, the rural development and distressed opportunity zone  
32 fund must repay to the state sixty percent of the amount of the tax  
33 credit certificates issued to investors in the fund;

34

1 (b) If the number of jobs created and jobs retained as a result  
2 of the rural development and distressed opportunity zone fund's  
3 investments is less than eighty percent but more than sixty percent  
4 of the amount filed as part of the rural development and distressed  
5 opportunity zone fund's application, the rural development and  
6 distressed opportunity zone fund must repay to the state thirty  
7 percent of the amount of the tax credit certificates issued to  
8 investors in the rural development and distressed opportunity zone  
9 fund; and

10 (c) In measuring jobs created and jobs retained as a result of  
11 the rural development and distressed opportunity zone fund's growth  
12 investments, the department must prorate the number of jobs set  
13 forth in the rural development and distressed opportunity zone  
14 fund's business plan based upon the amount of investment authority  
15 requested in the rural development and distressed opportunity zone  
16 fund's application.

17 (3) For the aggregate state and local government revenues  
18 generated by growth investments made pursuant to, or related to, the  
19 rural development and distressed opportunity zone fund's  
20 participation in the program, if the amount of aggregate state and  
21 local government revenue generated by growth investments made  
22 pursuant to, or related to, the rural development and distressed  
23 opportunity zone fund's participation in the program over the course  
24 of the rural development and distressed opportunity zone fund's  
25 participation in the program is less than the cumulative amount of  
26 tax credits that were issued to the rural development and distressed  
27 opportunity zone fund's investors under section 7 or 13 of this act,  
28 the rural development and distressed opportunity zone fund must  
29 repay to the state one hundred percent of the difference between the  
30 cumulative amount of tax credits that were issued to the rural  
31 development and distressed opportunity zone fund's investors under  
32 section 7 or 13 of this act and the actual aggregate state and local  
33 government revenues generated by growth investments made pursuant  
34 to, or related to, the rural development and distressed opportunity

1 zone fund's participation in the program. For purposes of this  
2 subsection, "growth investments made pursuant to, or related to, the  
3 rural development and distressed opportunity zone fund's  
4 participation in the program" means those investments made by the  
5 rural development and distressed opportunity zone fund in targeted  
6 small businesses in qualified areas as part of the fund's investment  
7 authority under the program, as well as any additional investments  
8 the rural development and distressed opportunity zone fund made in  
9 those targeted small businesses in qualified areas using sources of  
10 capital not included within the rural development and distressed  
11 opportunity zone fund's investment authority under the program.

12 (4) The department may contract with a firm with experience in  
13 providing economic analysis and revenue projection for government  
14 entities in order to evaluate the number of jobs created and jobs  
15 retained by the rural development and distressed opportunity zone  
16 fund, and the aggregate state and local government revenues  
17 generated by growth investments made pursuant to, or related to, the  
18 rural development and distressed opportunity zone fund's  
19 participation in the program. The calculation of the aggregate state  
20 and local government revenues generated by growth investments made  
21 pursuant to, or related to, the rural development and distressed  
22 opportunity zone fund's participation in the program must be  
23 performed using a dynamic economic forecasting model.

24 (5) The department must provide written notice to the rural  
25 development and distressed opportunity zone fund of any repayment  
26 due under this section. The rural development and distressed  
27 opportunity zone fund must submit payment to the department of  
28 revenue within thirty days of the date of that notice. If the rural  
29 development and distressed opportunity zone fund fails to pay the  
30 full amount by the due date in the notice or any extension granted  
31 by the department of revenue, the department of revenue must impose  
32 penalties and interest as provided under chapter 82.32 RCW.

33  
34

1        NEW SECTION.    **Sec. 10.**    REQUEST FOR DETERMINATION.    A rural  
2 development and distressed opportunity zone fund, before making a  
3 growth investment, may request from the department a written opinion  
4 as to whether the business in which it proposed to invest is a  
5 targeted small business. The department, not later than the  
6 fifteenth business day after the date of receipt of the request,  
7 must notify the rural development and distressed opportunity zone  
8 fund of its determination. If the department fails to notify the  
9 rural development and distressed opportunity zone fund by the  
10 fifteenth business day of its determination, the business in which  
11 the rural development and distressed opportunity zone fund proposes  
12 to invest must be considered a targeted small business.

13  
14        NEW SECTION.    **Sec. 11.**    REPORTING OBLIGATIONS.    (1) Each rural  
15 development and distressed opportunity zone fund must submit a  
16 report to the department on or before the fifth business day after  
17 each anniversary of the closing date until the rural development and  
18 distressed opportunity zone fund has exited the program in  
19 accordance with section 8(4) of this act. The report must provide  
20 documentation as to the rural development and distressed opportunity  
21 zone fund's growth investments and include:

- 22        (a) A bank statement evidencing each growth investment;  
23        (b) The name and location of principal operations;  
24        (c) Industry NAICS code of each business receiving a growth  
25 investment, including either the determination letter set forth in  
26 section 10 of this act or evidence that the business qualified as a  
27 targeted small business at the time the investment was made;  
28        (d) The number of jobs created or retained as a result of the  
29 rural development and distressed opportunity zone fund's growth  
30 investments as of the last day of the preceding calendar year and  
31 the assumptions used to determine the number of employment positions;  
32        (e) The average annual salary of the positions described in (c)  
33 of this subsection; and  
34        (f) Any other information required by the department.

1 (2) The department must consult with staff of the joint  
2 legislative audit and review committee when developing the specific  
3 format and questions included in the accountability report to ensure  
4 it provides the information needed for performance evaluations under  
5 chapter 43.136 RCW.

6 (3) By January 1, 2020, and annually thereafter, the department  
7 must submit a report to the economic development committees of the  
8 legislature that includes the following:

9 (a) The names of the applicants approved and the amount and type  
10 of credit allocated to investors in the rural development and  
11 distressed opportunity zone fund;

12 (b) The criteria used to select the applicants approved under  
13 section 5 of this act; and

14 (c) A summary of the information reported by each rural  
15 development and distressed opportunity zone fund under subsection  
16 (1) of this section.

17

18 NEW SECTION. **Sec. 12.** The department must adopt rules  
19 necessary to implement this chapter.

20

21 NEW SECTION. **Sec. 13.** A new section is added to chapter 82.04  
22 RCW to read as follows:

23 BUSINESS AND OCCUPATION TAX CREDIT ESTABLISHED.

24 (1) A tax credit is authorized against tax otherwise due under  
25 this chapter for persons that made a credit-eligible capital  
26 contribution to a rural development and distressed opportunity zone  
27 fund and were issued a tax credit certificate under section 5 of  
28 this act.

29 (2) A taxpayer earns a credit on the closing date noted on the  
30 taxpayer's tax credit certificate issued under section 5 of this  
31 act. The credit is equal to the amount of the taxpayer's  
32 credit-eligible capital contribution to the rural development and  
33 distressed opportunity zone fund as specified on the tax credit  
34 certificate.

1 (3) The taxpayer may claim up to one-third of the credit  
2 authorized under this section for each of the calendar years that  
3 includes the fourth through sixth anniversaries of the closing date  
4 noted on the tax credit certificate, exclusive of amounts carried  
5 forward from prior years.

6 (4) The amount claimed for a tax reporting period may not exceed  
7 the amount of tax otherwise due under this chapter for that  
8 reporting period. Unused credits may be carried forward until used,  
9 even if claimed after the expiration date of this section. No  
10 refunds may be granted for credits under this section.

11 (5) All persons claiming a credit under this section must file  
12 electronically with the department all returns, other forms, or any  
13 other information as may be required by the department.

14 (6) A taxpayer claiming a credit under this section must submit  
15 a copy of the tax credit certificate issued to the taxpayer under  
16 section 5 of this act to the department when filing the first return  
17 in which the taxpayer will claim a credit against taxes due under  
18 this chapter.

19 (7) The credit may not be transferred or allocated to any other  
20 entity other than an affiliate subject to the business and  
21 occupation taxes imposed under this chapter. The department of  
22 commerce must provide the department with a copy of the amended tax  
23 credit certificate of the transferor and the new tax credit  
24 certificate of the transferee. The department must disallow tax  
25 credits claimed by any transferee other than an affiliate of the  
26 transferor.

27 (8) The department of commerce must notify the department if a  
28 tax credit certificate was revoked as provided in section 8 of this  
29 act. Upon such notice, the department of commerce must:

30 (a) Provide written notice to the taxpayer or any affiliate to  
31 which the credit was transferred that the credit was revoked by the  
32 department;

33 (b) Include in the notice the amount of all credits previously  
34 claimed and that such amount be paid in full within thirty days of

1 the date of the notice. If the taxpayer or the affiliate fails to  
2 pay the amount in full by the due date in the notice or any  
3 extension granted by the department, the department must impose  
4 penalties and interest as provided under chapter 82.32 RCW; and

5 (c) Deny any further use of the tax credit certificate by the  
6 taxpayer or any affiliate to which the credit was transferred.

7 (9) A taxpayer claiming the tax credit against taxes due under  
8 this chapter must file a complete annual report with the department  
9 under RCW 82.32.534.

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

12 (a) "Affiliate" means an entity that directly or indirectly,  
13 through one or more intermediaries, controls, is controlled by, or  
14 is under common control with another entity. For the purposes of  
15 this section, "control" means the possession, directly or  
16 indirectly, of more than fifty percent of the power to direct or  
17 cause the direction of the management and policies of a person,  
18 whether through the ownership of voting shares, by contract, or  
19 otherwise.

20 (b) "Credit-eligible capital contribution" means an investment  
21 of cash by a person subject to (a) business and occupation taxes  
22 under chapter 82.04 RCW and/or (b) insurance premium taxes under  
23 chapter 48.14 RCW in a rural development and distressed opportunity  
24 zone fund that equals the amount specified on a tax credit  
25 certificate issued by the department of commerce under section 5 of  
26 this act. The investment must purchase an equity interest in the  
27 rural development and distressed opportunity zone fund or purchase,  
28 at par value or premium, a debt instrument that has a maturity date  
29 at least five years from the closing date and a repayment schedule  
30 that is no faster than level principal amortization over five years.

31 (c) "Rural development and distressed opportunity zone fund"  
32 means an entity certified by the department of commerce under  
33 section 5 of this act.

34 (11) This section expires July 1, 2025.

1        NEW SECTION.    **Sec. 14.**    (1) The legislature finds that the  
2 Washington state forest practices habitat conservation plan was  
3 approved in 2006 by the United States fish and wildlife service and  
4 the national oceanic and atmospheric administration's marine  
5 fisheries service. The legislature further finds that the  
6 conservation plan protects habitat of aquatic species, supports  
7 economically viable and healthy forests, and creates regulatory  
8 stability for landowners. The legislature further finds that funding  
9 for the adaptive management program and participation grants are  
10 required to implement the forest and fish agreement and meet the  
11 goals of the conservation plan. The legislature further finds that  
12 the surcharge on the timber products business and occupation tax  
13 rate was agreed to by the forest products industry, tribal leaders,  
14 and stakeholders as a way to provide funding and safeguard the  
15 future of the conservation plan. The legislature further finds that  
16 the forestry industry assumed significant financial obligation with  
17 the enactment of this conservation plan, in exchange for operational  
18 certainty under the endangered species act. Therefore, the  
19 legislature concludes that the timber products business and  
20 occupation tax rate and the surcharge should continue until the  
21 expiration date of the forest and fish agreement, in 2056.

22        (2) The legislature finds that Washington has one of the  
23 strongest economies in the country. However, the local economies in  
24 some rural counties continue to struggle. The legislature further  
25 finds that the economic prosperity of our state must be shared by  
26 all of our communities. The legislature further finds that forest  
27 product sectors provide family-wage jobs in economically struggling  
28 areas of the state. The legislature further finds that in 2017 the  
29 Washington forest products industry, directly and indirectly,  
30 employed one hundred one thousand workers, earning 5.5 billion  
31 dollars in wages. Therefore, the legislature concludes that the  
32 forest products industries support our local rural economies and  
33 contribute towards the effort to lower unemployment rates across the  
34 state, especially in rural areas.



1       **Sec. 15.** RCW 82.04.260 and 2018 c 164 s 3 are each amended to  
2 read as follows:

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

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

11       (b) Beginning July 1, 2025, seafood products that remain in a  
12 raw, raw frozen, or raw salted state at the completion of the  
13 manufacturing by that person; or selling manufactured seafood  
14 products that remain in a raw, raw frozen, or raw salted state at  
15 the completion of the manufacturing, to purchasers who transport in  
16 the ordinary course of business the goods out of this state; as to  
17 such persons the amount of tax with respect to such business is  
18 equal to the value of the products manufactured or the gross  
19 proceeds derived from such sales, multiplied by the rate of 0.138  
20 percent. Sellers must keep and preserve records for the period  
21 required by RCW 82.32.070 establishing that the goods were  
22 transported by the purchaser in the ordinary course of business out  
23 of this state;

24       (c)(i) Except as provided otherwise in (c)(iii) of this  
25 subsection, from July 1, 2025, until January 1, 2036, dairy  
26 products; or selling dairy products that the person has manufactured  
27 to purchasers who either transport in the ordinary course of  
28 business the goods out of state or purchasers who use such dairy  
29 products as an ingredient or component in the manufacturing of a  
30 dairy product; as to such persons the tax imposed is equal to the  
31 value of the products manufactured or the gross proceeds derived  
32 from such sales multiplied by the rate of 0.138 percent. Sellers  
33 must keep and preserve records for the period required by RCW  
34 82.32.070 establishing that the goods were transported by the

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

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

6 (A) Products, not including any marijuana-infused product, that  
7 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,  
8 parts 131, 133, and 135, including by-products from the  
9 manufacturing of the dairy products, such as whey and casein; and

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

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

18 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,  
19 preserving, freezing, processing, or dehydrating fresh fruits or  
20 vegetables, or selling at wholesale fruits or vegetables  
21 manufactured by the seller by canning, preserving, freezing,  
22 processing, or dehydrating fresh fruits or vegetables and sold to  
23 purchasers who transport in the ordinary course of business the  
24 goods out of this state; as to such persons the amount of tax with  
25 respect to such business is equal to the value of the products  
26 manufactured or the gross proceeds derived from such sales  
27 multiplied by the rate of 0.138 percent. Sellers must keep and  
28 preserve records for the period required by RCW 82.32.070  
29 establishing that the goods were transported by the purchaser in the  
30 ordinary course of business out of this state.

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

34

1 (e) Wood biomass fuel; as to such persons the amount of tax with  
2 respect to the business is equal to the value of wood biomass fuel  
3 manufactured, multiplied by the rate of 0.138 percent. For the  
4 purposes of this section, "wood biomass fuel" means a liquid or  
5 gaseous fuel that is produced from lignocellulosic feedstocks,  
6 including wood, forest, (~~(for)~~) or field residue(~~(7)~~) and dedicated  
7 energy crops, and that does not include wood treated with chemical  
8 preservations such as creosote, pentachlorophenol, or  
9 copper-chrome-arsenic.

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

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

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

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

29 (6) Upon every person engaging within this state in business as  
30 an international steamship agent, international customs house  
31 broker, international freight forwarder, vessel and/or cargo charter  
32 broker in foreign commerce, and/or international air cargo agent; as  
33 to such persons the amount of the tax with respect to only  
34

1 international activities is equal to the gross income derived from  
2 such activities multiplied by the rate of 0.275 percent.

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

1 43.145.010; as to such persons the amount of the tax with respect to  
2 such business is equal to the gross income of the business,  
3 excluding any fees imposed under chapter 43.200 RCW, multiplied by  
4 the rate of 3.3 percent.

5 (b) If the gross income of the taxpayer is attributable to  
6 activities both within and without this state, the gross income  
7 attributable to this state must be determined in accordance with the  
8 methods of apportionment required under RCW 82.04.460.

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

15 (10) Upon every person engaging within this state in business as  
16 a hospital, as defined in chapter 70.41 RCW, that is operated as a  
17 nonprofit corporation or by the state or any of its political  
18 subdivisions, as to such persons, the amount of tax with respect to  
19 such activities is equal to the gross income of the business  
20 multiplied by the rate of 0.75 percent through June 30, 1995, and  
21 1.5 percent thereafter.

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

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

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

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

13 (c) For the purposes of this subsection (11), "commercial  
14 airplane" and "component" have the same meanings as provided in RCW  
15 82.32.550.

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

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

22 (ii) With respect to the manufacturing of commercial airplanes  
23 or making sales, at retail or wholesale, of commercial airplanes,  
24 this subsection (11) does not apply on and after July 1st of the  
25 year in which the department makes a determination that any final  
26 assembly or wing assembly of any version or variant of a commercial  
27 airplane that is the basis of a siting of a significant commercial  
28 airplane manufacturing program in the state under RCW 82.32.850 has  
29 been sited outside the state of Washington. This subsection (11)(e)  
30 (ii) only applies to the manufacturing or sale of commercial  
31 airplanes that are the basis of a siting of a significant commercial  
32 airplane manufacturing program in the state under RCW 82.32.850.

33 (12)(a) Until July 1, (~~2024~~) 2036, upon every person engaging  
34 within this state in the business of extracting timber or extracting

1 for hire timber; as to such persons the amount of tax with respect  
2 to the business is, in the case of extractors, equal to the value of  
3 products, including by-products, extracted, or in the case of  
4 extractors for hire, equal to the gross income of the business,  
5 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
6 June 30, 2007, and 0.2904 percent from July 1, 2007, through June  
7 30, ((2024)) 2036.

8 (b) Until July 1, ((2024)) 2036, upon every person engaging  
9 within this state in the business of manufacturing or processing for  
10 hire: (i) Timber into timber products or wood products; or (ii)  
11 timber products into other timber products or wood products; as to  
12 such persons the amount of the tax with respect to the business is,  
13 in the case of manufacturers, equal to the value of products,  
14 including by-products, manufactured, or in the case of processors  
15 for hire, equal to the gross income of the business, multiplied by  
16 the rate of 0.4235 percent from July 1, 2006, through June 30, 2007,  
17 and 0.2904 percent from July 1, 2007, through June 30, ((2024)) 2036.

18 (c) Until July 1, ((2024)) 2036, upon every person engaging  
19 within this state in the business of selling at wholesale: (i)  
20 Timber extracted by that person; (ii) timber products manufactured  
21 by that person from timber or other timber products; or (iii) wood  
22 products manufactured by that person from timber or timber products;  
23 as to such persons the amount of the tax with respect to the  
24 business is equal to the gross proceeds of sales of the timber,  
25 timber products, or wood products multiplied by the rate of 0.4235  
26 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent  
27 from July 1, 2007, through June 30, ((2024)) 2036.

28 (d) Until July 1, ((2024)) 2036, upon every person engaging  
29 within this state in the business of selling standing timber; as to  
30 such persons the amount of the tax with respect to the business is  
31 equal to the gross income of the business multiplied by the rate of  
32 0.2904 percent. For purposes of this subsection (12)(d), "selling  
33 standing timber" means the sale of timber apart from the land, where  
34 the buyer is required to sever the timber within thirty months from

1 the date of the original contract, regardless of the method of  
2 payment for the timber and whether title to the timber transfers  
3 before, upon, or after severance.

4 (e) For purposes of this subsection, the following definitions  
5 apply:

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

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

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

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

33 (v) "Timber products" means:  
34



1 (A) Logs, wood chips, sawdust, wood waste, and similar products  
2 obtained wholly from the processing of timber, short-rotation  
3 hardwoods 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  
10 strand board, medium density fiberboard, and plywood; wood doors;  
11 wood 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 tax performance report with the  
15 department under RCW 82.32.534.

16 (13) Upon every person engaging within this state in inspecting,  
17 testing, labeling, and storing canned salmon owned by another  
18 person, as to such persons, the amount of tax with respect to such  
19 activities is equal to the gross income derived from such activities  
20 multiplied by 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,  
23 the amount of tax on such business is equal to the gross income of  
24 the business multiplied by the rate of 0.35 percent until July 1,  
25 2024, and 0.484 percent thereafter.

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

29

30 **Sec. 16.** RCW 82.04.261 and 2017 c 323 s 501 are each amended to  
31 read as follows:

32 (1) In addition to the taxes imposed under RCW 82.04.260(12), a  
33 surcharge is imposed on those persons who are subject to any of the  
34 taxes imposed under RCW 82.04.260(12). Except as otherwise provided

1 in this section, the surcharge is equal to 0.052 percent. The  
2 surcharge is added to the rates provided in RCW 82.04.260(12) (a),  
3 (b), (c), and (d). (~~The surcharge and this section expire July 1,~~  
4 ~~2024.~~)

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

8 (3)(a) The surcharge imposed under this section is suspended if:

9 (i) Receipts from the surcharge total at least eight million  
10 dollars during any fiscal biennium; or

11 (ii) The office of financial management certifies to the  
12 department that the federal government has appropriated at least two  
13 million dollars for participation in forest and fish reportrelated  
14 activities by federally recognized Indian tribes located within the  
15 geographical boundaries of the state of Washington for any federal  
16 fiscal year.

17 (b)(i) The suspension of the surcharge under (a)(i) of this  
18 subsection (3) takes effect on the first day of the calendar month  
19 that is at least thirty days after the end of the month during which  
20 the department determines that receipts from the surcharge total at  
21 least eight million dollars during the fiscal biennium. The  
22 surcharge is imposed again at the beginning of the following fiscal  
23 biennium.

24 (ii) The suspension of the surcharge under (a)(ii) of this  
25 subsection (3) takes effect on the later of the first day of October  
26 of any federal fiscal year for which the federal government  
27 appropriates at least two million dollars for participation in  
28 forest and fish reportrelated activities by federally recognized  
29 Indian tribes located within the geographical boundaries of the  
30 state of Washington, or the first day of a calendar month that is at  
31 least thirty days following the date that the office of financial  
32 management makes a certification to the department under subsection  
33 (5) of this section. The surcharge is imposed again on the first day  
34 of the following July.

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

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

18 (c) Any adjustment in the surcharge takes effect at the  
19 beginning of a calendar month that is at least thirty days after the  
20 date that the office of financial management makes the certification  
21 under subsection (5) of this section.

22 (d) The surcharge is imposed again at the rate provided in  
23 subsection (1) of this section on the first day of the following  
24 state fiscal year unless the surcharge is suspended under subsection  
25 (3) of this section or adjusted for that fiscal year under this  
26 subsection.

27 (e) Adjustments of the amount of the surcharge by the department  
28 are final and may not be used to challenge the validity of the  
29 surcharge imposed under this section.

30 (f) The department must provide timely notice to affected  
31 taxpayers of the suspension of the surcharge or an adjustment of the  
32 surcharge.

33 (5) The office of financial management must make the  
34 certification to the department as to the status of federal

1 appropriations for tribal participation in forest and fish  
2 report-related activities.

3 (6) This section expires July 1, 2036.

4

5 NEW SECTION. **Sec. 17.** The provisions of RCW 82.32.808 do not  
6 apply to sections 15 and 16 of this act.

7

8 NEW SECTION. **Sec. 18.** Sections 1 through 6, 8 through 12, and  
9 19 of this act constitute a new chapter in Title 43 RCW.

10

11 NEW SECTION. **Sec. 19.** This chapter expires July 1, 2025.

12

13 NEW SECTION. **Sec. 20.** If specific funding for the purposes of  
14 this act, referencing this act by bill or chapter number, is not  
15 provided by June 30, 2019, in the omnibus appropriations act, this  
16 act is null and void."

17

18 Correct the title

19

EFFECT: Limits qualified opportunity zones to those  
opportunity zones located in a distressed area as defined in RCW  
43.169.020. Renames the rural development and opportunity zone fund  
to the rural development and distressed opportunity zone fund.

--- END ---