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**ENGROSSED SUBSTITUTE HOUSE BILL 2138**

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**State of Washington**

**57th Legislature**

**2001 Regular Session**

**By** House Committee on Finance (originally sponsored by Representatives G. Chandler, Linville, Mulliken, Clements, Ericksen, Hatfield, Sump, Doumit, Morell, Grant, Pearson, Schoesler, Barlean, Buck, B. Chandler, Edwards and Jackley)

Read first time 03/08/2001. Referred to Committee on .

1       AN ACT Relating to rural economic development; reenacting and  
2 amending RCW 82.04.260; adding new sections to chapter 82.08 RCW;  
3 adding new sections to chapter 82.12 RCW; and creating new sections.

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

5                               **PART I: Dairy Products B&O Tax Exemption**

6       NEW SECTION.   **Sec. 1.** The purpose of sections 2 and 3 of this act  
7 is to provide a tax rate for persons who manufacture dairy products  
8 that is commensurate to the rate imposed on certain other processors of  
9 agricultural commodities. This tax rate applies to persons who  
10 manufacture dairy products from raw materials such as fluid milk,  
11 dehydrated milk, or byproducts of milk such as cream, buttermilk, whey,  
12 butter, or casein. It is not the intent of the legislature to provide  
13 this tax rate to persons who use dairy products as an ingredient or  
14 component of their manufactured product, such as milk-based soups or  
15 pizza. It is the intent that persons who manufacture products such as  
16 milk, cheese, yogurt, ice cream, whey, or whey products be subject to  
17 this rate.

1       **Sec. 2.** RCW 82.04.260 and 1998 c 312 s 5 and 1998 c 311 s 2 are  
2 each reenacted and amended to read as follows:

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

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

11       (b) Seafood products which remain in a raw, raw frozen, or raw  
12 salted state at the completion of the manufacturing by that person; as  
13 to such persons the amount of tax with respect to such business shall  
14 be equal to the value of the products manufactured, multiplied by the  
15 rate of 0.138 percent; ((and))

16       (c) By canning, preserving, freezing, processing, or dehydrating  
17 fresh fruits and vegetables, or selling at wholesale fresh fruits and  
18 vegetables canned, preserved, frozen, processed, or dehydrated by the  
19 seller and sold to purchasers who transport in the ordinary course of  
20 business the goods out of this state; as to such persons the amount of  
21 tax with respect to such business shall be equal to the value of the  
22 products canned, preserved, frozen, processed, or dehydrated multiplied  
23 by the rate of 0.138 percent. As proof of sale to a person who  
24 transports in the ordinary course of business goods out of this state,  
25 the seller shall annually provide a statement in a form prescribed by  
26 the department and retain the statement as a business record; and

27       (d) Dairy products that as of the effective date of this section  
28 are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,  
29 including byproducts from the manufacturing of the dairy products such  
30 as whey and casein; or selling the same to purchasers who transport in  
31 the ordinary course of business the goods out of state; as to such  
32 persons the tax imposed shall be equal to the value of the products  
33 manufactured multiplied by the rate of 0.138 percent. As proof of sale  
34 to a person who transports in the ordinary course of business goods out  
35 of this state, the seller shall annually provide a statement in a form  
36 prescribed by the department and retain the statement as a business  
37 record.

38       (2) Upon every person engaging within this state in the business of  
39 splitting or processing dried peas; as to such persons the amount of

1 tax with respect to such business shall be equal to the value of the  
2 peas split or processed, multiplied by the rate of 0.138 percent.

3 (3) Upon every nonprofit corporation and nonprofit association  
4 engaging within this state in research and development, as to such  
5 corporations and associations, the amount of tax with respect to such  
6 activities shall be equal to the gross income derived from such  
7 activities multiplied by the rate of 0.484 percent.

8 (4) Upon every person engaging within this state in the business of  
9 slaughtering, breaking and/or processing perishable meat products  
10 and/or selling the same at wholesale only and not at retail; as to such  
11 persons the tax imposed shall be equal to the gross proceeds derived  
12 from such sales multiplied by the rate of 0.138 percent.

13 (5) Upon every person engaging within this state in the business of  
14 making sales, at retail or wholesale, of nuclear fuel assemblies  
15 manufactured by that person, as to such persons the amount of tax with  
16 respect to such business shall be equal to the gross proceeds of sales  
17 of the assemblies multiplied by the rate of 0.275 percent.

18 (6) Upon every person engaging within this state in the business of  
19 manufacturing nuclear fuel assemblies, as to such persons the amount of  
20 tax with respect to such business shall be equal to the value of the  
21 products manufactured multiplied by the rate of 0.275 percent.

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

27 (8) Upon every person engaging within this state in business as an  
28 international steamship agent, international customs house broker,  
29 international freight forwarder, vessel and/or cargo charter broker in  
30 foreign commerce, and/or international air cargo agent; as to such  
31 persons the amount of the tax with respect to only international  
32 activities shall be equal to the gross income derived from such  
33 activities multiplied by the rate of 0.275 percent.

34 (9) Upon every person engaging within this state in the business of  
35 stevedoring and associated activities pertinent to the movement of  
36 goods and commodities in waterborne interstate or foreign commerce; as  
37 to such persons the amount of tax with respect to such business shall  
38 be equal to the gross proceeds derived from such activities multiplied  
39 by the rate of 0.275 percent. Persons subject to taxation under this

1 subsection shall be exempt from payment of taxes imposed by chapter  
2 82.16 RCW for that portion of their business subject to taxation under  
3 this subsection. Stevedoring and associated activities pertinent to  
4 the conduct of goods and commodities in waterborne interstate or  
5 foreign commerce are defined as all activities of a labor, service or  
6 transportation nature whereby cargo may be loaded or unloaded to or  
7 from vessels or barges, passing over, onto or under a wharf, pier, or  
8 similar structure; cargo may be moved to a warehouse or similar holding  
9 or storage yard or area to await further movement in import or export  
10 or may move to a consolidation freight station and be stuffed,  
11 unstuffed, containerized, separated or otherwise segregated or  
12 aggregated for delivery or loaded on any mode of transportation for  
13 delivery to its consignee. Specific activities included in this  
14 definition are: Wharfage, handling, loading, unloading, moving of  
15 cargo to a convenient place of delivery to the consignee or a  
16 convenient place for further movement to export mode; documentation  
17 services in connection with the receipt, delivery, checking, care,  
18 custody and control of cargo required in the transfer of cargo;  
19 imported automobile handling prior to delivery to consignee; terminal  
20 stevedoring and incidental vessel services, including but not limited  
21 to plugging and unplugging refrigerator service to containers,  
22 trailers, and other refrigerated cargo receptacles, and securing ship  
23 hatch covers.

24 (10) Upon every person engaging within this state in the business  
25 of disposing of low-level waste, as defined in RCW 43.145.010; as to  
26 such persons the amount of the tax with respect to such business shall  
27 be equal to the gross income of the business, excluding any fees  
28 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3  
29 percent.

30 If the gross income of the taxpayer is attributable to activities  
31 both within and without this state, the gross income attributable to  
32 this state shall be determined in accordance with the methods of  
33 apportionment required under RCW 82.04.460.

34 (11) Upon every person engaging within this state as an insurance  
35 agent, insurance broker, or insurance solicitor licensed under chapter  
36 48.17 RCW; as to such persons, the amount of the tax with respect to  
37 such licensed activities shall be equal to the gross income of such  
38 business multiplied by the rate of 0.484 percent.

1 (12) Upon every person engaging within this state in business as a  
2 hospital, as defined in chapter 70.41 RCW, that is operated as a  
3 nonprofit corporation or by the state or any of its political  
4 subdivisions, as to such persons, the amount of tax with respect to  
5 such activities shall be equal to the gross income of the business  
6 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5  
7 percent thereafter. The moneys collected under this subsection shall  
8 be deposited in the health services account created under RCW  
9 43.72.900.

10 **PART II: Retail Sales Tax Exemption - Poultry Farming**

11 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.08 RCW  
12 to read as follows:

13 (1) The tax levied by RCW 82.08.020 does not apply to sales to  
14 farmers of propane or natural gas used to heat structures used to house  
15 chickens. The propane or natural gas must be used exclusively to heat  
16 the structures. The structures must be used exclusively to house  
17 chickens that are sold as agricultural products.

18 (2) The exemption is available only when the buyer provides the  
19 seller with an exemption certificate in a form and manner prescribed by  
20 the department. The seller must retain a copy of the certificate for  
21 the seller's files.

22 (3) The definitions in this subsection apply to this section and  
23 section 4 of this act.

24 (a) "Structures" means barns, sheds, and other similar buildings in  
25 which chickens are housed.

26 (b) "Farmer" has the same meaning as provided in RCW 82.04.213.

27 (c) "Agricultural product" has the same meaning as provided in RCW  
28 82.04.213.

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

31 (1) The provisions of this chapter do not apply with respect to the  
32 use by a farmer of propane or natural gas to heat structures used to  
33 house chickens. The propane or natural gas must be used exclusively to  
34 heat the structures used to house chickens. The structures must be  
35 used exclusively to house chickens that are sold as agricultural  
36 products.

1 (2) The exemption certificate, recordkeeping requirements, and  
2 definitions of section 3 of this act apply to this section.

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

5 (1) The tax levied by RCW 82.08.020 does not apply to sales to a  
6 farmer of bedding materials used to accumulate and facilitate the  
7 removal of chicken manure. The farmer must be raising chickens that  
8 are sold as agricultural products.

9 (2) The exemption is available only when the buyer provides the  
10 seller with an exemption certificate in a form and manner prescribed by  
11 the department. The seller must retain a copy of the certificate for  
12 the seller's files.

13 (3) The definitions in this subsection apply to this section and  
14 section 6 of this act.

15 (a) "Bedding materials" means wood shavings, straw, sawdust,  
16 shredded paper, and other similar materials.

17 (b) "Farmer" has the same meaning as provided in RCW 82.04.213.

18 (c) "Agricultural product" has the same meaning as provided in RCW  
19 82.04.213.

20 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.12 RCW  
21 to read as follows:

22 (1) The provisions of this chapter do not apply with respect to the  
23 use by a farmer of bedding materials used to accumulate and facilitate  
24 the removal of chicken manure. The farmer must be raising chickens  
25 that are sold as agricultural products.

26 (2) The exemption certificate, recordkeeping requirements, and  
27 definitions of section 5 of this act apply to this section.

28 NEW SECTION. **Sec. 7.** Part headings used in this act are not any  
29 part of the law.

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