
HOUSE BILL 2138

State of Washington

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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 02/16/2001. Referred to Committee on Finance.

1 AN ACT Relating to rural economic development; amending RCW
2 82.04.050, 84.48.080, 84.52.010, 82.04.120, and 82.60.020; reenacting
3 and amending RCW 82.04.260; adding new sections to chapter 84.36 RCW;
4 adding new sections to chapter 82.08 RCW; adding new sections to
5 chapter 82.12 RCW; adding a new section to chapter 82.04 RCW; and
6 creating new sections.

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

8 **PART I: Livestock Pharmaceuticals**

9 **Sec. 1.** RCW 82.04.050 and 2000 2nd sp.s. c 4 s 23 are each amended
10 to read as follows:

11 (1) "Sale at retail" or "retail sale" means every sale of tangible
12 personal property (including articles produced, fabricated, or
13 imprinted) to all persons irrespective of the nature of their business
14 and including, among others, without limiting the scope hereof, persons
15 who install, repair, clean, alter, improve, construct, or decorate real
16 or personal property of or for consumers other than a sale to a person
17 who presents a resale certificate under RCW 82.04.470 and who:

1 (a) Purchases for the purpose of resale as tangible personal
2 property in the regular course of business without intervening use by
3 such person, but a purchase for the purpose of resale by a regional
4 transit authority under RCW 81.112.300 is not a sale for resale; or

5 (b) Installs, repairs, cleans, alters, imprints, improves,
6 constructs, or decorates real or personal property of or for consumers,
7 if such tangible personal property becomes an ingredient or component
8 of such real or personal property without intervening use by such
9 person; or

10 (c) Purchases for the purpose of consuming the property purchased
11 in producing for sale a new article of tangible personal property or
12 substance, of which such property becomes an ingredient or component or
13 is a chemical used in processing, when the primary purpose of such
14 chemical is to create a chemical reaction directly through contact with
15 an ingredient of a new article being produced for sale; or

16 (d) Purchases for the purpose of consuming the property purchased
17 in producing ferrosilicon which is subsequently used in producing
18 magnesium for sale, if the primary purpose of such property is to
19 create a chemical reaction directly through contact with an ingredient
20 of ferrosilicon; or

21 (e) Purchases for the purpose of providing the property to
22 consumers as part of competitive telephone service, as defined in RCW
23 82.04.065. The term shall include every sale of tangible personal
24 property which is used or consumed or to be used or consumed in the
25 performance of any activity classified as a "sale at retail" or "retail
26 sale" even though such property is resold or utilized as provided in
27 (a), (b), (c), (d), or (e) of this subsection following such use. The
28 term also means every sale of tangible personal property to persons
29 engaged in any business which is taxable under RCW 82.04.280 (2) and
30 (7) and 82.04.290.

31 (2) The term "sale at retail" or "retail sale" shall include the
32 sale of or charge made for tangible personal property consumed and/or
33 for labor and services rendered in respect to the following:

34 (a) The installing, repairing, cleaning, altering, imprinting, or
35 improving of tangible personal property of or for consumers, including
36 charges made for the mere use of facilities in respect thereto, but
37 excluding charges made for the use of coin-operated laundry facilities
38 when such facilities are situated in an apartment house, rooming house,
39 or mobile home park for the exclusive use of the tenants thereof, and

1 also excluding sales of laundry service to nonprofit health care
2 facilities, and excluding services rendered in respect to live animals,
3 birds and insects;

4 (b) The constructing, repairing, decorating, or improving of new or
5 existing buildings or other structures under, upon, or above real
6 property of or for consumers, including the installing or attaching of
7 any article of tangible personal property therein or thereto, whether
8 or not such personal property becomes a part of the realty by virtue of
9 installation, and shall also include the sale of services or charges
10 made for the clearing of land and the moving of earth excepting the
11 mere leveling of land used in commercial farming or agriculture;

12 (c) The charge for labor and services rendered in respect to
13 constructing, repairing, or improving any structure upon, above, or
14 under any real property owned by an owner who conveys the property by
15 title, possession, or any other means to the person performing such
16 construction, repair, or improvement for the purpose of performing such
17 construction, repair, or improvement and the property is then
18 reconveyed by title, possession, or any other means to the original
19 owner;

20 (d) The sale of or charge made for labor and services rendered in
21 respect to the cleaning, fumigating, razing or moving of existing
22 buildings or structures, but shall not include the charge made for
23 janitorial services; and for purposes of this section the term
24 "janitorial services" shall mean those cleaning and caretaking services
25 ordinarily performed by commercial janitor service businesses
26 including, but not limited to, wall and window washing, floor cleaning
27 and waxing, and the cleaning in place of rugs, drapes and upholstery.
28 The term "janitorial services" does not include painting, papering,
29 repairing, furnace or septic tank cleaning, snow removal or
30 sandblasting;

31 (e) The sale of or charge made for labor and services rendered in
32 respect to automobile towing and similar automotive transportation
33 services, but not in respect to those required to report and pay taxes
34 under chapter 82.16 RCW;

35 (f) The sale of and charge made for the furnishing of lodging and
36 all other services by a hotel, rooming house, tourist court, motel,
37 trailer camp, and the granting of any similar license to use real
38 property, as distinguished from the renting or leasing of real
39 property, and it shall be presumed that the occupancy of real property

1 for a continuous period of one month or more constitutes a rental or
2 lease of real property and not a mere license to use or enjoy the same;

3 (g) The sale of or charge made for tangible personal property,
4 labor and services to persons taxable under (a), (b), (c), (d), (e),
5 and (f) of this subsection when such sales or charges are for property,
6 labor and services which are used or consumed in whole or in part by
7 such persons in the performance of any activity defined as a "sale at
8 retail" or "retail sale" even though such property, labor and services
9 may be resold after such use or consumption. Nothing contained in this
10 subsection shall be construed to modify subsection (1) of this section
11 and nothing contained in subsection (1) of this section shall be
12 construed to modify this subsection.

13 (3) The term "sale at retail" or "retail sale" shall include the
14 sale of or charge made for personal, business, or professional services
15 including amounts designated as interest, rents, fees, admission, and
16 other service emoluments however designated, received by persons
17 engaging in the following business activities:

18 (a) Amusement and recreation services including but not limited to
19 golf, pool, billiards, skating, bowling, ski lifts and tows, day trips
20 for sightseeing purposes, and others, when provided to consumers;

21 (b) Abstract, title insurance, and escrow services;

22 (c) Credit bureau services;

23 (d) Automobile parking and storage garage services;

24 (e) Landscape maintenance and horticultural services but excluding
25 (i) horticultural services provided to farmers and (ii) pruning,
26 trimming, repairing, removing, and clearing of trees and brush near
27 electric transmission or distribution lines or equipment, if performed
28 by or at the direction of an electric utility;

29 (f) Service charges associated with tickets to professional
30 sporting events; and

31 (g) The following personal services: Physical fitness services,
32 tanning salon services, tattoo parlor services, steam bath services,
33 turkish bath services, escort services, and dating services.

34 (4) The term shall also include the renting or leasing of tangible
35 personal property to consumers and the rental of equipment with an
36 operator.

37 (5) The term shall also include the providing of telephone service,
38 as defined in RCW 82.04.065, to consumers.

1 (6) The term shall also include the sale of canned software other
2 than a sale to a person who presents a resale certificate under RCW
3 82.04.470, regardless of the method of delivery to the end user, but
4 shall not include custom software or the customization of canned
5 software.

6 (7) The term shall not include the sale of or charge made for labor
7 and services rendered in respect to the building, repairing, or
8 improving of any street, place, road, highway, easement, right of way,
9 mass public transportation terminal or parking facility, bridge,
10 tunnel, or trestle which is owned by a municipal corporation or
11 political subdivision of the state or by the United States and which is
12 used or to be used primarily for foot or vehicular traffic including
13 mass transportation vehicles of any kind.

14 (8) The term shall also not include sales of chemical sprays or
15 washes to persons for the purpose of postharvest treatment of fruit for
16 the prevention of scald, fungus, mold, or decay, nor shall it include
17 sales of feed, seed, seedlings, fertilizer, agents for enhanced
18 pollination including insects such as bees, substances used to optimize
19 animal production, vaccinations, antibiotics, parasite treatment
20 compounds, animal pharmaceuticals approved by the United States food
21 and drug administration, and other health products for animals, and
22 spray materials to: (a) Persons who participate in the federal
23 conservation reserve program, the environmental quality incentives
24 program, the wetlands reserve program, and the wildlife habitat
25 incentives program, or their successors administered by the United
26 States department of agriculture; (b) farmers for the purpose of
27 producing for sale any agricultural product; and (c) farmers acting
28 under cooperative habitat development or access contracts with an
29 organization exempt from federal income tax under 26 U.S.C. Sec.
30 501(c)(3) or the Washington state department of fish and wildlife to
31 produce or improve wildlife habitat on land that the farmer owns or
32 leases.

33 (9) The term shall not include the sale of or charge made for labor
34 and services rendered in respect to the constructing, repairing,
35 decorating, or improving of new or existing buildings or other
36 structures under, upon, or above real property of or for the United
37 States, any instrumentality thereof, or a county or city housing
38 authority created pursuant to chapter 35.82 RCW, including the
39 installing, or attaching of any article of tangible personal property

1 therein or thereto, whether or not such personal property becomes a
2 part of the realty by virtue of installation. Nor shall the term
3 include the sale of services or charges made for the clearing of land
4 and the moving of earth of or for the United States, any
5 instrumentality thereof, or a county or city housing authority. Nor
6 shall the term include the sale of services or charges made for
7 cleaning up for the United States, or its instrumentalities,
8 radioactive waste and other byproducts of weapons production and
9 nuclear research and development.

10 (10) Until July 1, 2003, the term shall not include the sale of or
11 charge made for labor and services rendered for environmental remedial
12 action as defined in RCW 82.04.2635(2).

13 **PART II: Personal Property Tax**

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36 RCW
15 to read as follows:

16 (1) All machinery and equipment owned by a farmer and used
17 exclusively in farming activities is exempt from property taxes levied
18 for any state purpose.

19 (2) "Farmer" means any person, as defined in RCW 82.04.213, engaged
20 solely or primarily in the business of growing or producing any
21 agricultural product for sale. "Farmer" does not include:

22 (a) Persons using agricultural products as ingredients in a
23 manufacturing process;

24 (b) Persons selling any animal or animal substance in connection
25 with the business of operating a stockyard, slaughterhouse, or
26 packinghouse; or

27 (c) Persons in the business of taking, cultivating, or raising
28 timber.

29 (3)(a) "Farming activity" includes, but is not limited to, the
30 business of producing agricultural products as defined in RCW
31 82.04.213.

32 (b) "Farming activity" does not mean processing for sale or
33 handling for sale a commodity or product grown or produced by a person
34 other than the farmer or the farmer's employees.

35 (4) A claim for exemption under this section shall be filed with
36 the county assessor together with the verified statement required under
37 RCW 84.40.190 for exemption from taxes payable the following year. The

1 claim shall be made solely upon forms as prescribed and furnished by
2 the department of revenue.

3 **Sec. 3.** RCW 84.48.080 and 1997 c 3 s 112 are each amended to read
4 as follows:

5 (1) Annually during the months of September and October, the
6 department of revenue shall examine and compare the returns of the
7 assessment of the property in the several counties of the state, and
8 the assessment of the property of railroad and other companies assessed
9 by the department, and proceed to equalize the same, so that each
10 county in the state shall pay its due and just proportion of the taxes
11 for state purposes for such assessment year, according to the ratio the
12 assessed valuation of the property in each county bears to the correct
13 total assessed valuation of all property in the state.

14 First. The department shall classify all property, real and
15 personal, and shall raise and lower the assessed valuation of any class
16 of property in any county to a value that shall be equal, so far as
17 possible, to the correct assessed value of such class as of January 1st
18 of the current year, after determining the correct appraised value, and
19 any adjustment applicable under RCW 84.40.0305 for the property, for
20 the purpose of ascertaining the just amount of tax due from each county
21 for state purposes. In equalizing personal property as of January 1st
22 of the current year, the department shall use the assessment level of
23 the preceding year. Such classification may be on the basis of types
24 of property, geographical areas, or both. For purposes of this
25 section, for each county that has not provided the department with an
26 assessment return by December 1st, the department shall proceed, using
27 facts and information and in a manner it deems appropriate, to estimate
28 the value of each class of property in the county.

29 Second. The department shall keep a full record of its proceedings
30 and the same shall be published annually by the department.

31 (2) The department shall levy the state taxes authorized by law.
32 The amount levied in any one year for general state purposes shall not
33 exceed the lawful dollar rate on the dollar of the assessed value of
34 the property of the entire state as equalized under this section. The
35 department shall apportion the amount of tax for state purposes levied
36 by the department, among the several counties, in proportion to the
37 assessed valuation of the taxable property of the county for the year
38 as equalized by the department: PROVIDED, That for purposes of this

1 apportionment, the department shall recompute the previous year's levy
2 and the apportionment thereof to correct for changes and errors in
3 taxable values reported to the department after October 1 of the
4 preceding year and shall adjust the apportioned amount of the current
5 year's state levy for each county by the difference between the
6 apportioned amounts established by the original and revised levy
7 computations for the previous year. For purposes of this section,
8 changes in taxable values mean a final adjustment made by a county
9 board of equalization, the state board of tax appeals, or a court of
10 competent jurisdiction and shall include additions of omitted property,
11 other additions or deletions from the assessment or tax rolls, any
12 assessment return provided by a county to the department subsequent to
13 December 1st, or a change in the indicated ratio of a county. Errors
14 in taxable values mean errors corrected by a final reviewing body.

15 In addition to computing a levy under this subsection (~~that is~~
16 ~~reduced under RCW 84.55.012~~), the department shall compute a
17 hypothetical levy at the rate authorized in RCW 84.52.065 without
18 regard to (~~the~~) any reduction (~~under RCW 84.55.012~~) or restriction
19 otherwise provided by law. This hypothetical levy shall also be
20 apportioned among the several counties in proportion to the valuation
21 of the taxable property of the county for the year, as equalized by the
22 department, in the same manner as the actual levy and shall be used by
23 the county assessors for the purpose of recomputing and establishing a
24 consolidated levy under RCW 84.52.010.

25 In computing the levy under this subsection, the department shall
26 include the value of any property exempted under section 2 of this act.

27 (3) The department shall have authority to adopt rules and
28 regulations to enforce obedience to its orders in all matters in
29 relation to the returns of county assessments, the equalization of
30 values, and the apportionment of the state levy by the department.

31 (4) After the completion of the duties prescribed in this section,
32 the director of the department shall certify the record of the
33 proceedings of the department under this section, the tax levies made
34 for state purposes and the apportionment thereof among the counties,
35 and the certification shall be available for public inspection.

36 **Sec. 4.** RCW 84.52.010 and 1995 2nd sp.s. c 13 s 4 are each amended
37 to read as follows:

1 Except as is permitted under RCW 84.55.050, all taxes shall be
2 levied or voted in specific amounts.

3 The rate percent of all taxes for state and county purposes, and
4 purposes of taxing districts coextensive with the county, shall be
5 determined, calculated and fixed by the county assessors of the
6 respective counties, within the limitations provided by law, upon the
7 assessed valuation of the property of the county, as shown by the
8 completed tax rolls of the county, and the rate percent of all taxes
9 levied for purposes of taxing districts within any county shall be
10 determined, calculated and fixed by the county assessors of the
11 respective counties, within the limitations provided by law, upon the
12 assessed valuation of the property of the taxing districts
13 respectively.

14 When a county assessor finds that the aggregate rate of tax levy on
15 any property, that is subject to the limitations set forth in RCW
16 84.52.043 or 84.52.050, exceeds the limitations provided in either of
17 these sections, the assessor shall recompute and establish a
18 consolidated levy in the following manner:

19 (1) The full certified rates of tax levy for state, county, county
20 road district, and city or town purposes shall be extended on the tax
21 rolls in amounts not exceeding the limitations established by law;
22 however any state levy shall take precedence over all other levies and
23 shall not be reduced for any purpose other than that required by RCW
24 84.55.010. If, as a result of the levies imposed under RCW 84.52.069,
25 84.34.230, the portion of the levy by a metropolitan park district that
26 was protected under RCW 84.52.120, and 84.52.105, the combined rate of
27 regular property tax levies that are subject to the one percent
28 limitation exceeds one percent of the true and fair value of any
29 property, then these levies shall be reduced as follows: (a) The
30 portion of the levy by a metropolitan park district that is protected
31 under RCW 84.52.120 shall be reduced until the combined rate no longer
32 exceeds one percent of the true and fair value of any property or shall
33 be eliminated; (b) if the combined rate of regular property tax levies
34 that are subject to the one percent limitation still exceeds one
35 percent of the true and fair value of any property, then the levies
36 imposed under RCW 84.34.230, 84.52.105, and any portion of the levy
37 imposed under RCW 84.52.069 that is in excess of thirty cents per
38 thousand dollars of assessed value, shall be reduced on a pro rata
39 basis until the combined rate no longer exceeds one percent of the true

1 and fair value of any property or shall be eliminated; and (c) if the
2 combined rate of regular property tax levies that are subject to the
3 one percent limitation still exceeds one percent of the true and fair
4 value of any property, then the thirty cents per thousand dollars of
5 assessed value of tax levy imposed under RCW 84.52.069 shall be reduced
6 until the combined rate no longer exceeds one percent of the true and
7 fair value of any property or eliminated.

8 (2) The certified rates of tax levy subject to these limitations by
9 all junior taxing districts imposing taxes on such property shall be
10 reduced or eliminated as follows to bring the consolidated levy of
11 taxes on such property within the provisions of these limitations:

12 (a) First, the certified property tax levy rates of those junior
13 taxing districts authorized under RCW 36.68.525, 36.69.145, and
14 67.38.130 shall be reduced on a pro rata basis or eliminated;

15 (b) Second, if the consolidated tax levy rate still exceeds these
16 limitations, the certified property tax levy rates of flood control
17 zone districts shall be reduced on a pro rata basis or eliminated;

18 (c) Third, if the consolidated tax levy rate still exceeds these
19 limitations, the certified property tax levy rates of all other junior
20 taxing districts, other than fire protection districts, library
21 districts, the first fifty cent per thousand dollars of assessed
22 valuation levies for metropolitan park districts, and the first fifty
23 cent per thousand dollars of assessed valuation levies for public
24 hospital districts, shall be reduced on a pro rata basis or eliminated;

25 (d) Fourth, if the consolidated tax levy rate still exceeds these
26 limitations, the certified property tax levy rates authorized to fire
27 protection districts under RCW 52.16.140 and 52.16.160 shall be reduced
28 on a pro rata basis or eliminated; and

29 (e) Fifth, if the consolidated tax levy rate still exceeds these
30 limitations, the certified property tax levy rates authorized for fire
31 protection districts under RCW 52.16.130, library districts,
32 metropolitan park districts under their first fifty cent per thousand
33 dollars of assessed valuation levy, and public hospital districts under
34 their first fifty cent per thousand dollars of assessed valuation levy,
35 shall be reduced on a pro rata basis or eliminated.

36 In determining whether the aggregate rate of tax levy on any
37 property, that is subject to the limitations set forth in RCW
38 84.52.050, exceeds the limitations provided in that section, the
39 assessor shall use the hypothetical state levy, as apportioned to the

1 county under RCW 84.48.080, that was computed under RCW 84.48.080
2 without regard to ((the)) any reduction ((under RCW 84.55.012)) or
3 restriction otherwise provided by law.

4 NEW SECTION. **Sec. 5.** Sections 2 through 4 of this act apply to
5 taxes levied for collection in 2003 and thereafter.

6 **PART III: Dairy Products B&O Tax Exemption**

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

19 **Sec. 7.** RCW 82.04.260 and 1998 c 312 s 5 and 1998 c 311 s 2 are
20 each reenacted and amended to read as follows:

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

23 (a) Wheat into flour, barley into pearl barley, soybeans into
24 soybean oil, canola into canola oil, canola meal, or canola byproducts,
25 or sunflower seeds into sunflower oil; as to such persons the amount of
26 tax with respect to such business shall be equal to the value of the
27 flour, pearl barley, oil, canola meal, or canola byproduct
28 manufactured, multiplied by the rate of 0.138 percent;

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

34 (c) By canning, preserving, freezing, processing, or dehydrating
35 fresh fruits and vegetables, or selling at wholesale fresh fruits and

1 vegetables canned, preserved, frozen, processed, or dehydrated by the
2 seller and sold to purchasers who transport in the ordinary course of
3 business the goods out of this state; as to such persons the amount of
4 tax with respect to such business shall be equal to the value of the
5 products canned, preserved, frozen, processed, or dehydrated multiplied
6 by the rate of 0.138 percent. As proof of sale to a person who
7 transports in the ordinary course of business goods out of this state,
8 the seller shall annually provide a statement in a form prescribed by
9 the department and retain the statement as a business record; and

10 (d) Dairy products that as of the effective date of this section
11 are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
12 including byproducts from the manufacturing of the dairy products such
13 as whey and casein; or selling the same to purchasers who transport in
14 the ordinary course of business the goods out of state; as to such
15 persons the tax imposed shall be equal to the value of the products
16 manufactured multiplied by the rate of 0.138 percent. As proof of sale
17 to a person who transports in the ordinary course of business goods out
18 of this state, the seller shall annually provide a statement in a form
19 prescribed by the department and retain the statement as a business
20 record.

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

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

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

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

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

5 (7) Upon every person engaging within this state in the business of
6 acting as a travel agent or tour operator; as to such persons the
7 amount of the tax with respect to such activities shall be equal to the
8 gross income derived from such activities multiplied by the rate of
9 0.275 percent.

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

17 (9) Upon every person engaging within this state in the business of
18 stevedoring and associated activities pertinent to the movement of
19 goods and commodities in waterborne interstate or foreign commerce; as
20 to such persons the amount of tax with respect to such business shall
21 be equal to the gross proceeds derived from such activities multiplied
22 by the rate of 0.275 percent. Persons subject to taxation under this
23 subsection shall be exempt from payment of taxes imposed by chapter
24 82.16 RCW for that portion of their business subject to taxation under
25 this subsection. Stevedoring and associated activities pertinent to
26 the conduct of goods and commodities in waterborne interstate or
27 foreign commerce are defined as all activities of a labor, service or
28 transportation nature whereby cargo may be loaded or unloaded to or
29 from vessels or barges, passing over, onto or under a wharf, pier, or
30 similar structure; cargo may be moved to a warehouse or similar holding
31 or storage yard or area to await further movement in import or export
32 or may move to a consolidation freight station and be stuffed,
33 unstuffed, containerized, separated or otherwise segregated or
34 aggregated for delivery or loaded on any mode of transportation for
35 delivery to its consignee. Specific activities included in this
36 definition are: Wharfage, handling, loading, unloading, moving of
37 cargo to a convenient place of delivery to the consignee or a
38 convenient place for further movement to export mode; documentation
39 services in connection with the receipt, delivery, checking, care,

1 custody and control of cargo required in the transfer of cargo;
2 imported automobile handling prior to delivery to consignee; terminal
3 stevedoring and incidental vessel services, including but not limited
4 to plugging and unplugging refrigerator service to containers,
5 trailers, and other refrigerated cargo receptacles, and securing ship
6 hatch covers.

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

13 If the gross income of the taxpayer is attributable to activities
14 both within and without this state, the gross income attributable to
15 this state shall be determined in accordance with the methods of
16 apportionment required under RCW 82.04.460.

17 (11) Upon every person engaging within this state as an insurance
18 agent, insurance broker, or insurance solicitor licensed under chapter
19 48.17 RCW; as to such persons, the amount of the tax with respect to
20 such licensed activities shall be equal to the gross income of such
21 business multiplied by the rate of 0.484 percent.

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

31 **PART IV: Retail Sales Tax Exemption - Poultry Farming**

32 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.08 RCW
33 to read as follows:

34 (1) The tax levied by RCW 82.08.020 does not apply to sales to
35 farmers of propane or natural gas used to heat structures used to house
36 chickens. The propane or natural gas must be used exclusively to heat

1 the structures. The structures must be used exclusively to house
2 chickens that are sold as agricultural products.

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

7 (3) The definitions in this subsection apply to this section and
8 section 9 of this act.

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

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

12 (c) "Agricultural product" has the same meaning as provided in RCW
13 82.04.213.

14 NEW SECTION. **Sec. 9.** A new section is added to chapter 82.12 RCW
15 to read as follows:

16 (1) The provisions of this chapter do not apply with respect to the
17 use by a farmer of propane or natural gas to heat structures used to
18 house chickens. The propane or natural gas must be used exclusively to
19 heat the structures used to house chickens. The structures must be
20 used exclusively to house chickens that are sold as agricultural
21 products.

22 (2) The exemption certificate, recordkeeping requirements, and
23 definitions of section 8 of this act apply to this section.

24 NEW SECTION. **Sec. 10.** A new section is added to chapter 82.08 RCW
25 to read as follows:

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

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

34 (3) The definitions in this subsection apply to this section and
35 section 11 of this act.

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

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

2 (c) "Agricultural product" has the same meaning as provided in RCW
3 82.04.213.

4 NEW SECTION. **Sec. 11.** A new section is added to chapter 82.12 RCW
5 to read as follows:

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

10 (2) The exemption certificate, recordkeeping requirements, and
11 definitions of section 10 of this act apply to this section.

12 **PART V: Controlled Atmosphere Storage Tax Exemption**

13 **Sec. 12.** RCW 82.04.120 and 1999 sp.s. c 9 s 1 are each amended to
14 read as follows:

15 "To manufacture" embraces all activities of a commercial or
16 industrial nature wherein labor or skill is applied, by hand or
17 machinery, to materials so that as a result thereof a new, different or
18 useful substance or article of tangible personal property is produced
19 for sale or commercial or industrial use, and shall include: (1) The
20 production or fabrication of special made or custom made articles; (2)
21 the production or fabrication of dental appliances, devices,
22 restorations, substitutes, or other dental laboratory products by a
23 dental laboratory or dental technician; (3) cutting, delimiting, and
24 measuring of felled, cut, or taken trees; and (4) crushing and/or
25 blending of rock, sand, stone, gravel, or ore.

26 "To manufacture" shall not include: Conditioning of seed for use
27 in planting; cubing hay or alfalfa; activities which consist of
28 cutting, grading, or ice glazing seafood which has been cooked, frozen,
29 or canned outside this state; the growing, harvesting, or producing of
30 agricultural products; ~~((or))~~ packing of agricultural products,
31 including sorting, washing, rinsing, grading, waxing, treating with
32 fungicide, packaging, chilling, or placing in controlled atmospheric
33 storage; or activities which consist of the assembly of an article from
34 pumping equipment, motor equipment, or compressor equipment, including
35 starters, controls, couplings, blowers, and other accessories for such
36 equipment, if some of the equipment and accessories are purchased from

1 another person and the amount paid for the purchased equipment and
2 accessories is at least eighty percent of the costs of the goods sold,
3 based on materials, labor, and direct overhead.

4 **Sec. 13.** RCW 82.60.020 and 1999 sp.s. c 9 s 2 are each amended to
5 read as follows:

6 Unless the context clearly requires otherwise, the definitions in
7 this section apply throughout this chapter.

8 (1) "Applicant" means a person applying for a tax deferral under
9 this chapter.

10 (2) "Controlled atmosphere storage" means any storage warehouse
11 consisting of one or more rooms, or one or more rooms in any one
12 facility in which atmospheric gases are controlled in their amount and
13 in degrees of temperature for the purpose of controlling the condition
14 and maturity of any agricultural product in order that, upon removal,
15 they may be designated as having been exposed to controlled atmosphere.

16 (3) "Department" means the department of revenue.

17 ~~((+3))~~ (4) "Eligible area" means a county with fewer than one
18 hundred persons per square mile as determined annually by the office of
19 financial management and published by the department of revenue
20 effective for the period July 1st through June 30th.

21 ~~((+4))~~ (5)(a) "Eligible investment project" means an investment
22 project in an eligible area as defined in subsection ~~((+3))~~ (4) of
23 this section.

24 (b) The lessor/owner of a qualified building is not eligible for a
25 deferral unless the underlying ownership of the buildings, machinery,
26 and equipment vests exclusively in the same person, or unless the
27 lessor by written contract agrees to pass the economic benefit of the
28 deferral to the lessee in the form of reduced rent payments.

29 (c) "Eligible investment project" does not include any portion of
30 an investment project undertaken by a light and power business as
31 defined in RCW 82.16.010(5), other than that portion of a cogeneration
32 project that is used to generate power for consumption within the
33 manufacturing site of which the cogeneration project is an integral
34 part, or investment projects which have already received deferrals
35 under this chapter.

36 ~~((+5))~~ (6) "Investment project" means an investment in qualified
37 buildings or qualified machinery and equipment, including labor and

1 services rendered in the planning, installation, and construction of
2 the project.

3 ~~((+6+))~~ (7) "Manufacturing" means the same as defined in RCW
4 82.04.120. "Manufacturing" also includes computer programming, the
5 production of computer software, and other computer-related services,
6 and the activities performed by research and development laboratories
7 and commercial testing laboratories.

8 ~~((+7+))~~ (8) "Person" has the meaning given in RCW 82.04.030.

9 ~~((+8+))~~ (9) "Qualified buildings" means construction of new
10 structures, and expansion or renovation of existing structures for the
11 purpose of increasing floor space or production capacity used for
12 manufacturing, controlled atmosphere storage, and research and
13 development activities, including plant offices and warehouses or other
14 facilities for the storage of raw material or finished goods if such
15 facilities are an essential or an integral part of a factory, mill,
16 plant, or laboratory used for manufacturing, controlled atmosphere
17 storage, or research and development. If a building is used partly for
18 manufacturing or research and development and partly for other
19 purposes, the applicable tax deferral shall be determined by
20 apportionment of the costs of construction under rules adopted by the
21 department.

22 ~~((+9+))~~ (10) "Qualified machinery and equipment" means all new
23 industrial and research fixtures, equipment, and support facilities
24 that are an integral and necessary part of a manufacturing, controlled
25 atmosphere storage, or research and development operation. "Qualified
26 machinery and equipment" includes: Computers; software; data
27 processing equipment; laboratory equipment; ~~((manufacturing))~~
28 components such as belts, pulleys, shafts, and moving parts; molds,
29 tools, and dies; operating structures; and all equipment used to
30 control or operate the machinery.

31 ~~((+10+))~~ (11) "Recipient" means a person receiving a tax deferral
32 under this chapter.

33 ~~((+11+))~~ (12) "Research and development" means the development,
34 refinement, testing, marketing, and commercialization of a product,
35 service, or process before commercial sales have begun. As used in
36 this subsection, "commercial sales" excludes sales of prototypes or
37 sales for market testing if the total gross receipts from such sales of
38 the product, service, or process do not exceed one million dollars.

1 **PART VI: Anaerobic Digesters Tax Exemption**

2 NEW SECTION. **Sec. 14.** It is the intent of the legislature to
3 provide tax exemptions and credits to assist dairy farmers to comply
4 with the dairy nutrient management act, chapter 90.64 RCW, and to
5 assist public or private entities to establish and operate anaerobic
6 digesters to treat dairy nutrients on a regional or on-farm basis.

7 NEW SECTION. **Sec. 15.** A new section is added to chapter 82.08 RCW
8 to read as follows:

9 (1) The tax levied by RCW 82.08.020 does not apply to sales to
10 eligible persons of services rendered in respect to operating,
11 repairing, cleaning, altering, or improving of dairy nutrient
12 management equipment and facilities, or to sales of tangible personal
13 property that becomes an ingredient or component of the equipment and
14 facilities. The equipment and facilities must be used exclusively for
15 activities necessary to implement a dairy nutrient management plan as
16 required under chapter 90.64 RCW. This exemption applies to sales made
17 after the dairy nutrient management plan is certified under chapter
18 90.64 RCW.

19 (2)(a) The department of revenue must provide an exemption
20 certificate to an eligible person upon application by that person. The
21 department of agriculture must provide a list of eligible persons to
22 the department of revenue. The application must be in a form and
23 manner prescribed by the department and must contain information
24 regarding the location of the dairy and other information the
25 department may require.

26 (b) The exemption is available only when the buyer provides the
27 seller with an exemption certificate in a form and manner prescribed by
28 the department. The seller must retain a copy of the certificate for
29 the seller's files.

30 (3) The definitions in this subsection apply to this section and
31 section 16 of this act unless the context clearly requires otherwise:

32 (a) "Dairy nutrient management equipment and facilities" means
33 machinery, equipment, and structures used in the handling and treatment
34 of dairy manure, such as aerators, agitators, alley scrapers, augers,
35 dams, gutter cleaners, loaders, lagoons, pipes, pumps, separators, and
36 tanks. The term also includes tangible personal property that becomes

1 an ingredient or component of the equipment and facilities, including
2 repair and replacement parts.

3 (b) "Eligible person" means a person licensed to produce milk under
4 chapter 15.36 RCW who has a certified dairy nutrient management plan by
5 December 31, 2003, as required by chapter 90.64 RCW.

6 NEW SECTION. **Sec. 16.** A new section is added to chapter 82.12 RCW
7 to read as follows:

8 The provisions of this chapter do not apply with respect to the use
9 by an eligible person of tangible personal property that becomes an
10 ingredient or component of dairy nutrient management equipment and
11 facilities, as defined in section 15 of this act. The equipment and
12 facilities must be used exclusively for activities necessary to
13 implement a dairy nutrient management plan as required under chapter
14 90.64 RCW. This exemption applies to the use of tangible personal
15 property made after the dairy nutrient management plan is certified
16 under chapter 90.64 RCW. The exemption certificate and recordkeeping
17 requirements of section 15 of this act apply to this section.

18 NEW SECTION. **Sec. 17.** A new section is added to chapter 82.08 RCW
19 to read as follows:

20 (1) The tax levied by RCW 82.08.020 does not apply to sales to an
21 eligible person establishing or operating an anaerobic digester or to
22 services rendered in respect to installing, constructing, repairing,
23 cleaning, altering, or improving an anaerobic digester, or to sales of
24 tangible personal property that becomes an ingredient or component of
25 the anaerobic digester. The anaerobic digester must be used primarily
26 to treat dairy manure.

27 (2)(a) The department of revenue must provide an exemption
28 certificate to an eligible person upon application by that person. The
29 application must be in a form and manner prescribed by the department
30 and must contain information regarding the location of the facility and
31 other information as the department may require.

32 (b) The exemption is available only when the buyer provides the
33 seller with an exemption certificate in a form and manner prescribed by
34 the department. The seller must retain a copy of the certificate for
35 the seller's files.

36 (3) The definitions in this subsection apply to this section and
37 section 18 of this act unless the context clearly requires otherwise:

1 (a) "Anaerobic digester" means a facility that processes manure
2 from cattle into biogas and dried manure using microorganisms in a
3 decomposition process within a closed, oxygen-free container.

4 (b) "Eligible person" means any person establishing or operating an
5 anaerobic digester to treat primarily dairy manure.

6 (c) "Primarily" means more than fifty percent measured by volume or
7 weight.

8 NEW SECTION. Sec. 18. A new section is added to chapter 82.12 RCW
9 to read as follows:

10 The provisions of this chapter do not apply with respect to the use
11 of anaerobic digesters or tangible personal property that becomes an
12 ingredient or component of anaerobic digesters to treat primarily dairy
13 manure by an eligible person establishing or operating an anaerobic
14 digester, as defined in section 17 of this act.

15 NEW SECTION. Sec. 19. A new section is added to chapter 82.04 RCW
16 to read as follows:

17 (1) A person who is eligible for and takes the exemption under
18 section 17 or 18 of this act may take a credit against tax imposed by
19 this chapter, subject to the limitations in this section.

20 (2) The credit under this section is equal to fifty percent of the
21 amount of money expended for constructing facilities or acquiring
22 tangible personal property for which an exemption was taken under
23 section 17 or 18 of this act.

24 (3) No application is necessary for the credit under this section.
25 A person taking the credit must keep records necessary for the
26 department to verify eligibility under this section. Tax credit may
27 not be claimed for expenditures that occurred before the effective date
28 of this section.

29 (4) No applicant is eligible for tax credits under this section in
30 excess of the amount of tax that would otherwise be due under this
31 chapter. The credit must be claimed by the due date of the last tax
32 return for the calendar year in which the payment is made. Any unused
33 credit expires. Refunds shall not be given in place of credits.

34 NEW SECTION. Sec. 20. A new section is added to chapter 84.36 RCW
35 to read as follows:

1 (1) All real and personal property meeting the definition of dairy
2 nutrient management equipment and facilities that is owned by an
3 eligible person, as these terms are defined in section 15 of this act,
4 and exclusively used in the implementation of an approved dairy
5 nutrient management plan, as required under chapter 90.64 RCW, is
6 exempt from property taxation for not more than six assessment years
7 after a claim for the exemption is approved in accordance with
8 subsection (3) of this section. To qualify for this exemption, the
9 property must be acquired and/or construction or installation be
10 completed prior to December 31, 2003.

11 (2) All real and personal property meeting the definition of
12 anaerobic digester that is owned by an eligible person, as these terms
13 are defined in section 17 of this act and primarily used for the
14 treatment of manure from dairy cattle is exempt from property taxation
15 for the six assessment years after it is acquired, constructed, or
16 installed.

17 (3) A claim for exemption under this section must be filed annually
18 with the county assessor on or before the first day of November for
19 exemption from taxes levied for collection in the following year. The
20 claim must be submitted on forms prescribed by the department of
21 revenue and developed in consultation with the department of
22 agriculture and the conservation commission. The claimant must certify
23 each year that the property for which exemption is sought meets the
24 definition of dairy nutrient management equipment and facilities and is
25 exclusively used in the implementation of an approved dairy nutrient
26 management plan as required under chapter 90.64 RCW. Alternatively,
27 the claimant must certify each year that the property for which
28 exemption is sought meets the definition of anaerobic digester and is
29 primarily used for the treatment of manure from dairy cattle.

30 (4) If at any time during the six-year exemption period the
31 property no longer qualifies for the exemption as granted in subsection
32 (1) or (2) of this section, the property loses its exempt status.

33 **PART VII: Farming Machinery and Equipment**

34 NEW SECTION. **Sec. 21.** A new section is added to chapter 82.08 RCW
35 to read as follows:

36 The tax levied by RCW 82.08.020 does not apply to sales of:

37 (1) Machinery and equipment used to conduct farming activity;

1 (2) Parts for machinery and equipment used to conduct farming
2 activity; and

3 (3) Labor and services for the repair of machinery, equipment, and
4 parts used to conduct farming activity.

5 NEW SECTION. **Sec. 22.** A new section is added to chapter 82.12 RCW
6 to read as follows:

7 The provisions of this chapter do not apply with respect to the use
8 of:

9 (1) Machinery and equipment used to conduct farming activity;

10 (2) Parts for machinery and equipment used to conduct farming
11 activity; and

12 (3) Labor and services for the repair of machinery, equipment, and
13 parts used to conduct farming activity.

14 NEW SECTION. **Sec. 23.** Part headings used in this act are not any
15 part of the law.

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