

CERTIFICATION OF ENROLLMENT

ENGROSSED HOUSE BILL 2260

Chapter 9, Laws of 2001

57th Legislature
2001 First Special Legislative Session

TAXATION--GROCERY DISTRIBUTION COOPERATIVES

EFFECTIVE DATE: 6/11/01 - Except sections 3 and 5, which become effective 7/1/01; section 6, which becomes effective 7/1/03; and section 7, which becomes effective 7/22/01.

Passed by the House May 21, 2001
Yeas 92 Nays 0

FRANK CHOPP
Speaker of the House of Representatives

CLYDE BALLARD
Speaker of the House of Representatives

Passed by the Senate May 23, 2001
Yeas 40 Nays 0

BRAD OWEN
President of the Senate

Approved June 11, 2001

GARY LOCKE
Governor of the State of Washington

CERTIFICATE

We, Timothy A. Martin and Cynthia Zehnder, Co-Chief Clerks of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 2260** as passed by the House of Representatives and the Senate on the dates hereon set forth.

CYNTHIA ZEHNDER
Chief Clerk

TIMOTHY A. MARTIN
Chief Clerk

FILED

June 11, 2001 - 3:09 p.m.

**Secretary of State
State of Washington**

ENGROSSED HOUSE BILL 2260

Passed Legislature - 2001 First Special Regular Session

State of Washington

57th Legislature 2001 First Special Session

By Representatives Cairnes, Morris, Kessler, Linville, McMorris, Doumit, Anderson, Hatfield, Poulsen, Crouse, Veloria, Benson, DeBolt, Reardon, Ericksen, Armstrong, Dunshee, Mastin and Delvin

Read first time . Referred to Committee on .

1 AN ACT Relating to the taxation of grocery distribution
2 cooperatives; amending RCW 82.04.270, 82.04.270, 82.19.050, and
3 82.19.050; reenacting and amending RCW 82.04.290, 82.04.290, and
4 82.04.290; adding a new section to chapter 82.04 RCW; providing
5 effective dates; providing expiration dates; and declaring an
6 emergency.

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

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW
9 to read as follows:

10 (1) The amount of tax with respect to a qualified grocery
11 distribution cooperative's sales of groceries or related goods for
12 resale, excluding items subject to tax under RCW 82.04.260(4), to
13 customer-owners of the grocery distribution cooperative is equal to the
14 gross proceeds of sales of the grocery distribution cooperative
15 multiplied by the rate of one and one-half percent.

16 (2) A qualified grocery distribution cooperative is allowed a
17 deduction from the gross proceeds of sales of groceries or related
18 goods for resale, excluding items subject to tax under RCW
19 82.04.260(4), to customer-owners of the grocery distribution
20 cooperative that is equal to the portion of the gross proceeds of sales

1 for resale that represents the actual cost of the merchandise sold by
2 the grocery distribution cooperative to customer-owners.

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

5 (a) "Grocery distribution cooperative" means an entity that sells
6 groceries and related items to customer-owners of the grocery
7 distribution cooperative and has customer-owners, in the aggregate, who
8 own a majority of the outstanding ownership interests of the grocery
9 distribution cooperative or of the entity controlling the grocery
10 distribution cooperative. "Grocery distribution cooperative" includes
11 an entity that controls a grocery distribution cooperative.

12 (b) "Qualified grocery distribution cooperative" means a grocery
13 distribution cooperative that has been determined by a court of record
14 of the state of Washington to be not engaged in wholesaling or making
15 sales at wholesale, within the meaning of RCW 82.04.270 or any similar
16 provision of a municipal ordinance that imposes a tax on gross
17 receipts, gross proceeds of sales, or gross income, with respect to
18 purchases made by customer-owners, and subsequently changes its form of
19 doing business to make sales at wholesale of groceries or related items
20 to its customer-owners.

21 (c) "Customer-owner" means a person who has an ownership interest
22 in a grocery distribution cooperative and purchases groceries and
23 related items at wholesale from that grocery distribution cooperative.

24 (d) "Controlling" means holding fifty percent or more of the voting
25 interests of an entity and having at least equal power to direct or
26 cause the direction of the management and policies of the entity,
27 whether through the ownership of voting securities, by contract, or
28 otherwise.

29 **Sec. 2.** RCW 82.04.270 and 1999 c 358 s 1 are each amended to read
30 as follows:

31 Upon every person except persons taxable under RCW 82.04.260(5) or
32 section 1 of this act engaging within this state in the business of
33 making sales at wholesale; as to such persons the amount of tax with
34 respect to such business shall be equal to the gross proceeds of sales
35 of such business multiplied by the rate of 0.484 percent.

36 **Sec. 3.** RCW 82.04.270 and 1999 c 358 s 2 are each amended to read
37 as follows:

1 Upon every person except persons taxable under RCW 82.04.260(5),
2 section 1 of this act, or 82.04.272 engaging within this state in the
3 business of making sales at wholesale; as to such persons the amount of
4 tax with respect to such business shall be equal to the gross proceeds
5 of sales of such business multiplied by the rate of 0.484 percent.

6 **Sec. 4.** RCW 82.04.290 and 1998 c 331 s 2, 1998 c 312 s 8, and 1998
7 c 308 s 4 are each reenacted and amended to read as follows:

8 (1) Upon every person engaging within this state in the business of
9 providing international investment management services, as to such
10 persons, the amount of tax with respect to such business shall be equal
11 to the gross income or gross proceeds of sales of the business
12 multiplied by a rate of 0.275 percent.

13 (2) Upon every person engaging within this state in any business
14 activity other than or in addition to those enumerated in RCW
15 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
16 section 1 of this act, 82.04.2905, 82.04.280, 82.04.2635, and
17 82.04.2907, and subsection (1) of this section; as to such persons the
18 amount of tax on account of such activities shall be equal to the gross
19 income of the business multiplied by the rate of 1.5 percent.

20 This section includes, among others, and without limiting the scope
21 hereof (whether or not title to materials used in the performance of
22 such business passes to another by accession, confusion or other than
23 by outright sale), persons engaged in the business of rendering any
24 type of service which does not constitute a "sale at retail" or a "sale
25 at wholesale." The value of advertising, demonstration, and
26 promotional supplies and materials furnished to an agent by his
27 principal or supplier to be used for informational, educational and
28 promotional purposes shall not be considered a part of the agent's
29 remuneration or commission and shall not be subject to taxation under
30 this section.

31 **Sec. 5.** RCW 82.04.290 and 1998 c 343 s 4, 1998 c 331 s 2, 1998 c
32 312 s 8, and 1998 c 308 s 4 are each reenacted and amended to read as
33 follows:

34 (1) Upon every person engaging within this state in the business of
35 providing international investment management services, as to such
36 persons, the amount of tax with respect to such business shall be equal

1 to the gross income or gross proceeds of sales of the business
2 multiplied by a rate of 0.275 percent.

3 (2) Upon every person engaging within this state in any business
4 activity other than or in addition to those enumerated in RCW
5 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
6 section 1 of this act, 82.04.2905, 82.04.280, 82.04.2635, 82.04.2907,
7 and 82.04.272, and subsection (1) of this section; as to such persons
8 the amount of tax on account of such activities shall be equal to the
9 gross income of the business multiplied by the rate of 1.5 percent.

10 This section includes, among others, and without limiting the scope
11 hereof (whether or not title to materials used in the performance of
12 such business passes to another by accession, confusion or other than
13 by outright sale), persons engaged in the business of rendering any
14 type of service which does not constitute a "sale at retail" or a "sale
15 at wholesale." The value of advertising, demonstration, and
16 promotional supplies and materials furnished to an agent by his
17 principal or supplier to be used for informational, educational and
18 promotional purposes shall not be considered a part of the agent's
19 remuneration or commission and shall not be subject to taxation under
20 this section.

21 **Sec. 6.** RCW 82.04.290 and 1998 c 343 s 4, 1998 c 331 s 2, 1998 c
22 312 s 8, and 1998 c 308 s 5 are each reenacted and amended to read as
23 follows:

24 (1) Upon every person engaging within this state in the business of
25 providing international investment management services, as to such
26 persons, the amount of tax with respect to such business shall be equal
27 to the gross income or gross proceeds of sales of the business
28 multiplied by a rate of 0.275 percent.

29 (2) Upon every person engaging within this state in any business
30 activity other than or in addition to those enumerated in RCW
31 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
32 section 1 of this act, 82.04.2905, 82.04.280, 82.04.2907, and
33 82.04.272, and subsection (1) of this section; as to such persons the
34 amount of tax on account of such activities shall be equal to the gross
35 income of the business multiplied by the rate of 1.5 percent.

36 This section includes, among others, and without limiting the scope
37 hereof (whether or not title to materials used in the performance of
38 such business passes to another by accession, confusion or other than

1 by outright sale), persons engaged in the business of rendering any
2 type of service which does not constitute a "sale at retail" or a "sale
3 at wholesale." The value of advertising, demonstration, and
4 promotional supplies and materials furnished to an agent by his
5 principal or supplier to be used for informational, educational and
6 promotional purposes shall not be considered a part of the agent's
7 remuneration or commission and shall not be subject to taxation under
8 this section.

9 **Sec. 7.** RCW 82.19.050 and 2001 c 118 s 7 are each amended to read
10 as follows:

11 The litter tax imposed in this chapter does not apply to:

12 (1) The manufacture or sale of products for use and consumption
13 outside the state; (~~or~~)

14 (2) The value of products or gross proceeds of the sales exempt
15 from tax under RCW 82.04.330; or

16 (3) The sale of products for resale by a qualified grocery
17 distribution cooperative to customer-owners of the grocery distribution
18 cooperative. For the purposes of this section, "qualified grocery
19 distribution cooperative" and "customer-owner" have the meanings given
20 in section 1 of this act.

21 **Sec. 8.** RCW 82.19.050 and 1992 c 175 s 7 are each amended to read
22 as follows:

23 The litter tax imposed in this chapter does not apply to:

24 (1) The manufacture or sale of products for use and consumption
25 outside the state; (~~or~~)

26 (2) The value of products or gross proceeds of the sales of any
27 animal, bird, or insect or the milk, eggs, wool, fur, meat, honey, or
28 other substance obtained therefrom, if the person performs only the
29 growing or raising function of such animal, bird, or insect; or

30 (3) The sale of products for resale by a qualified grocery
31 distribution cooperative to customer-owners of the grocery distribution
32 cooperative. For the purposes of this section, "qualified grocery
33 distribution cooperative" and "customer-owner" have the meanings given
34 in section 1 of this act.

35 NEW SECTION. **Sec. 9.** (1) Sections 1, 2, 4, and 8 of this act are
36 necessary for the immediate preservation of the public peace, health,

1 or safety, or support of the state government and its existing public
2 institutions, and take effect immediately.

3 (2) Sections 3 and 5 of this act are necessary for the immediate
4 preservation of the public peace, health, or safety, or support of the
5 state government and its existing public institutions, and take effect
6 July 1, 2001.

7 (3) Section 6 of this act takes effect July 1, 2003.

8 (4) Section 7 is necessary for the immediate preservation of the
9 public peace, health, or safety, or support of the state government and
10 its existing public institutions, and takes effect July 22, 2001.

11 NEW SECTION. **Sec. 10.** (1) Sections 2 and 4 of this act expire
12 July 1, 2001.

13 (2) Section 5 of this act expires July 1, 2003.

14 (3) Section 8 of this act expires July 22, 2001.

Passed the House May 21, 2001.

Passed the Senate May 23, 2001.

Approved by the Governor June 11, 2001.

Filed in Office of Secretary of State June 11, 2001.