

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 1299

Chapter 443, Laws of 2005

59th Legislature
2005 Regular Session

TAX PREFERENCES--OUTDATED PREFERENCES REPEALED

EFFECTIVE DATE: 7/1/06

Passed by the House April 18, 2005
Yeas 95 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 14, 2005
Yeas 44 Nays 0

BRAD OWEN

President of the Senate

Approved May 13, 2005.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1299** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

May 13, 2005 - 2:39 p.m.

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 1299

AS AMENDED BY THE SENATE

Passed Legislature - 2005 Regular Session

State of Washington 59th Legislature 2005 Regular Session

By House Committee on Finance (originally sponsored by Representatives McIntire, Simpson, Morrell, McCoy, Roberts, Moeller, Wood and Chase)

READ FIRST TIME 02/08/05.

1 AN ACT Relating to repealing outdated and unused tax preferences;
2 amending RCW 15.76.165, 43.52.460, 82.08.0255, and 82.12.0256;
3 reenacting and amending RCW 82.04.260; creating a new section;
4 repealing RCW 82.35.010, 82.35.020, 82.35.040, 82.35.050, 82.35.070,
5 82.35.080, 82.35.900, 82.61.010, 82.61.030, 82.61.050, 82.61.060,
6 82.61.080, 82.61.090, 82.61.900, 82.61.901, 48.14.029, 82.04.4329,
7 82.08.0276, 82.08.0295, 82.12.0295, 82.12.02545, and 84.56.450; and
8 providing an effective date.

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

10 NEW SECTION. **Sec. 1.** The legislature finds that a number of tax
11 exemptions, deductions, credits, and other preferences have outlived
12 their usefulness. State records show no taxpayers have claimed relief
13 under these tax preferences in recent years. The intent of this act is
14 to update and simplify the tax statutes by repealing these outdated tax
15 preferences.

16 **Sec. 2.** RCW 15.76.165 and 1973 c 117 s 1 are each amended to read
17 as follows:

18 Any county which owns or leases property from another governmental

1 agency and provides such property for area or county and district
2 agricultural fair purposes may apply to the director for special
3 assistance in carrying out necessary capital improvements to such
4 property and maintenance of the appurtenances thereto(~~(, and in the~~
5 ~~event such property and capital improvements are leased to any~~
6 ~~organization conducting an agricultural fair pursuant to chapter 15.76~~
7 ~~RCW and chapter 257 of the Laws of 1955, such leasehold and such leased~~
8 ~~property shall be exempt from real and personal property taxation)).~~

9 **Sec. 3.** RCW 43.52.460 and 1971 ex.s. c 75 s 1 are each amended to
10 read as follows:

11 Any joint operating agency formed under this chapter shall pay in
12 lieu of taxes payments in the same amounts as paid by public utility
13 districts. Such payments shall be distributed in accordance with the
14 provisions applicable to public utility districts(~~(:—PROVIDED,~~
15 ~~HOWEVER, That such tax shall not apply to steam generated electricity~~
16 ~~produced by a nuclear steam powered electric generating facility~~
17 ~~constructed or acquired by a joint operating agency and in operation~~
18 ~~prior to May 17, 1971)).~~

19 **Sec. 4.** RCW 82.04.260 and 2003 2nd sp.s. c 1 s 4 and 2003 2nd
20 sp.s. c 1 s 3 are 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;

34 (c) By canning, preserving, freezing, processing, or dehydrating
35 fresh fruits and vegetables, or selling at wholesale fresh fruits and
36 vegetables canned, preserved, frozen, processed, or dehydrated by the

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

9 (d) Dairy products that as of September 20, 2001, are identified in
10 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts
11 from the manufacturing of the dairy products such as whey and casein;
12 or selling the same to purchasers who transport in the ordinary course
13 of business the goods out of state; as to such persons the tax imposed
14 shall be equal to the value of the products manufactured multiplied by
15 the rate of 0.138 percent. As proof of sale to a person who transports
16 in the ordinary course of business goods out of this state, the seller
17 shall annually provide a statement in a form prescribed by the
18 department and retain the statement as a business record;

19 (e) Alcohol fuel, biodiesel fuel, or biodiesel feedstock, as those
20 terms are defined in RCW 82.29A.135; as to such persons the amount of
21 tax with respect to the business shall be equal to the value of alcohol
22 fuel, biodiesel fuel, or biodiesel feedstock manufactured, multiplied
23 by the rate of 0.138 percent. This subsection (1)(e) expires July 1,
24 2009; and

25 (f) Alcohol fuel or wood biomass fuel, as those terms are defined
26 in RCW 82.29A.135; as to such persons the amount of tax with respect to
27 the business shall be equal to the value of alcohol fuel or wood
28 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

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

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

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

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

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

15 ~~(7))~~ Upon every person engaging within this state in the business
16 of acting as a travel agent or tour operator; as to such persons the
17 amount of the tax with respect to such activities shall be equal to the
18 gross income derived from such activities multiplied by the rate of
19 0.275 percent.

20 ~~((+8))~~ (6) Upon every person engaging within this state in
21 business as an international steamship agent, international customs
22 house broker, international freight forwarder, vessel and/or cargo
23 charter broker in foreign commerce, and/or international air cargo
24 agent; as to such persons the amount of the tax with respect to only
25 international activities shall be equal to the gross income derived
26 from such activities multiplied by the rate of 0.275 percent.

27 ~~((+9))~~ (7) Upon every person engaging within this state in the
28 business of stevedoring and associated activities pertinent to the
29 movement of goods and commodities in waterborne interstate or foreign
30 commerce; as to such persons the amount of tax with respect to such
31 business shall be equal to the gross proceeds derived from such
32 activities multiplied by the rate of 0.275 percent. Persons subject to
33 taxation under this subsection shall be exempt from payment of taxes
34 imposed by chapter 82.16 RCW for that portion of their business subject
35 to taxation under this subsection. Stevedoring and associated
36 activities pertinent to the conduct of goods and commodities in
37 waterborne interstate or foreign commerce are defined as all activities
38 of a labor, service or transportation nature whereby cargo may be

1 loaded or unloaded to or from vessels or barges, passing over, onto or
2 under a wharf, pier, or similar structure; cargo may be moved to a
3 warehouse or similar holding or storage yard or area to await further
4 movement in import or export or may move to a consolidation freight
5 station and be stuffed, unstuffed, containerized, separated or
6 otherwise segregated or aggregated for delivery or loaded on any mode
7 of transportation for delivery to its consignee. Specific activities
8 included in this definition are: Wharfage, handling, loading,
9 unloading, moving of cargo to a convenient place of delivery to the
10 consignee or a convenient place for further movement to export mode;
11 documentation services in connection with the receipt, delivery,
12 checking, care, custody and control of cargo required in the transfer
13 of cargo; imported automobile handling prior to delivery to consignee;
14 terminal stevedoring and incidental vessel services, including but not
15 limited to plugging and unplugging refrigerator service to containers,
16 trailers, and other refrigerated cargo receptacles, and securing ship
17 hatch covers.

18 ~~((+10))~~ (8) Upon every person engaging within this state in the
19 business of disposing of low-level waste, as defined in RCW 43.145.010;
20 as to such persons the amount of the tax with respect to such business
21 shall be equal to the gross income of the business, excluding any fees
22 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3
23 percent.

24 If the gross income of the taxpayer is attributable to activities
25 both within and without this state, the gross income attributable to
26 this state shall be determined in accordance with the methods of
27 apportionment required under RCW 82.04.460.

28 ~~((+11))~~ (9) Upon every person engaging within this state as an
29 insurance agent, insurance broker, or insurance solicitor licensed
30 under chapter 48.17 RCW; as to such persons, the amount of the tax with
31 respect to such licensed activities shall be equal to the gross income
32 of such business multiplied by the rate of 0.484 percent.

33 ~~((+12))~~ (10) Upon every person engaging within this state in
34 business as a hospital, as defined in chapter 70.41 RCW, that is
35 operated as a nonprofit corporation or by the state or any of its
36 political subdivisions, as to such persons, the amount of tax with
37 respect to such activities shall be equal to the gross income of the
38 business multiplied by the rate of 0.75 percent through June 30, 1995,

1 and 1.5 percent thereafter. The moneys collected under this subsection
2 shall be deposited in the health services account created under RCW
3 43.72.900.

4 ~~((+13+))~~ (11)(a) Beginning October 1, 2005, upon every person
5 engaging within this state in the business of manufacturing commercial
6 airplanes, or components of such airplanes, as to such persons the
7 amount of tax with respect to such business shall, in the case of
8 manufacturers, be equal to the value of the product manufactured, or in
9 the case of processors for hire, be equal to the gross income of the
10 business, multiplied by the rate of:

11 (i) 0.4235 percent from October 1, 2005, through the later of June
12 30, 2007, or the day preceding the date final assembly of a
13 superefficient airplane begins in Washington state, as determined under
14 RCW 82.32.550; and

15 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
16 date final assembly of a superefficient airplane begins in Washington
17 state, as determined under RCW 82.32.550.

18 (b) Beginning October 1, 2005, upon every person engaging within
19 this state in the business of making sales, at retail or wholesale, of
20 commercial airplanes, or components of such airplanes, manufactured by
21 that person, as to such persons the amount of tax with respect to such
22 business shall be equal to the gross proceeds of sales of the airplanes
23 or components multiplied by the rate of:

24 (i) 0.4235 percent from October 1, 2005, through the later of June
25 30, 2007, or the day preceding the date final assembly of a
26 superefficient airplane begins in Washington state, as determined under
27 RCW 82.32.550; and

28 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
29 date final assembly of a superefficient airplane begins in Washington
30 state, as determined under RCW 82.32.550.

31 (c) For the purposes of this subsection ~~((+13+))~~ (11), "commercial
32 airplane," "component," and "final assembly of a superefficient
33 airplane" have the meanings given in RCW 82.32.550.

34 (d) In addition to all other requirements under this title, a
35 person eligible for the tax rate under this subsection ~~((+13+))~~ (11)
36 must report as required under RCW 82.32.545.

37 (e) This subsection ~~((+13+))~~ (11) does not apply after the earlier

1 of: July 1, 2024; or December 31, 2007, if assembly of a
2 superefficient airplane does not begin by December 31, 2007, as
3 determined under RCW 82.32.550.

4 **Sec. 5.** RCW 82.08.0255 and 1998 c 176 s 4 are each amended to read
5 as follows:

6 (1) The tax levied by RCW 82.08.020 shall not apply to sales of(
7 ~~(a) Motor vehicle fuel used in aircraft by the manufacturer thereof~~
8 ~~for research, development, and testing purposes; and~~

9 ~~(b))~~) motor vehicle and special fuel if:

10 ~~((i))~~) (a) The fuel is purchased for the purpose of public
11 transportation and the purchaser is entitled to a refund or an
12 exemption under RCW 82.36.275 or 82.38.080(3); or

13 ~~((ii))~~) (b) The fuel is purchased by a private, nonprofit
14 transportation provider certified under chapter 81.66 RCW and the
15 purchaser is entitled to a refund or an exemption under RCW 82.36.285
16 or 82.38.080(1)(h); or

17 ~~((iii))~~) (c) The fuel is taxable under chapter 82.36 or 82.38 RCW.

18 (2) Any person who has paid the tax imposed by RCW 82.08.020 on the
19 sale of special fuel delivered in this state shall be entitled to a
20 credit or refund of such tax with respect to fuel subsequently
21 established to have been actually transported and used outside this
22 state by persons engaged in interstate commerce. The tax shall be
23 claimed as a credit or refunded through the tax reports required under
24 RCW 82.38.150.

25 **Sec. 6.** RCW 82.12.0256 and 1998 c 176 s 5 are each amended to read
26 as follows:

27 The provisions of this chapter shall not apply in respect to the
28 use of:

29 ~~((Motor vehicle fuel used in aircraft by the manufacturer~~
30 ~~thereof for research, development, and testing purposes; and~~

31 ~~(2))~~) Special fuel purchased in this state upon which a refund is
32 obtained as provided in RCW 82.38.180(2); and

33 ~~((3))~~) (2) Motor vehicle and special fuel if:

34 (a) The fuel is used for the purpose of public transportation and
35 the purchaser is entitled to a refund or an exemption under RCW
36 82.36.275 or 82.38.080(3); or

1 (b) The fuel is purchased by a private, nonprofit transportation
2 provider certified under chapter 81.66 RCW and the purchaser is
3 entitled to a refund or an exemption under RCW 82.36.285 or
4 82.38.080(1)(h); or

5 (c) The fuel is taxable under chapter 82.36 or 82.38 RCW:
6 PROVIDED, That the use of motor vehicle and special fuel upon which a
7 refund of the applicable fuel tax is obtained shall not be exempt under
8 this subsection (~~((3))~~) (2)(c), and the director of licensing shall
9 deduct from the amount of such tax to be refunded the amount of tax due
10 under this chapter and remit the same each month to the department of
11 revenue.

12 NEW SECTION. Sec. 7. The following acts or parts of acts are each
13 repealed:

14 (1) RCW 82.35.010 (Intent) and 1979 ex.s. c 191 s 1;

15 (2) RCW 82.35.020 (Definitions) and 1996 c 186 s 521 & 1979 ex.s.
16 c 191 s 2;

17 (3) RCW 82.35.040 (Issuance of certificate--Limitations--Tabulation
18 of costs incurred--Administrative rules) and 1982 1st ex.s. c 2 s 3 &
19 1979 ex.s. c 191 s 4;

20 (4) RCW 82.35.050 (Credit against taxes--Conditions--Amount--
21 Limitations) and 1982 1st ex.s. c 2 s 1 & 1979 ex.s. c 191 s 5;

22 (5) RCW 82.35.070 (Issuance of certificate or supplement and notice
23 of refusal to issue certificate or supplement--Certified mail) and 1979
24 ex.s. c 191 s 7;

25 (6) RCW 82.35.080 (Revocation of certificate--Grounds--Continuance
26 of certificate--Liability for money saved--Technical assistance) and
27 1999 c 358 s 15, 1996 c 186 s 522, & 1979 ex.s. c 191 s 8;

28 (7) RCW 82.35.900 (Severability--1979 ex.s. c 191) and 1979 ex.s.
29 c 191 s 13;

30 (8) RCW 82.61.010 (Definitions) and 1995 1st sp.s. c 3 s 10, 1994
31 c 125 s 1, 1988 c 41 s 1, 1987 c 497 s 1, 1986 c 116 s 9, & 1985 ex.s.
32 c 2 s 1;

33 (9) RCW 82.61.030 (Tax deferral--Eligibility) and 1987 c 497 s 3 &
34 1985 ex.s. c 2 s 3;

35 (10) RCW 82.61.050 (Issuance of tax deferral certificate) and 1985
36 ex.s. c 2 s 4;

- 1 (11) RCW 82.61.060 (Repayment schedule) and 1987 c 497 s 4 & 1985
2 ex.s. c 2 s 5;
- 3 (12) RCW 82.61.080 (Applicability of general administrative
4 provisions) and 1985 ex.s. c 2 s 7;
- 5 (13) RCW 82.61.090 (Applications and information subject to
6 disclosure) and 1987 c 49 s 2;
- 7 (14) RCW 82.61.900 (Severability--1987 c 497) and 1987 c 497 s 5;
- 8 (15) RCW 82.61.901 (Severability--1988 c 41) and 1988 c 41 s 6;
- 9 (16) RCW 48.14.029 (Premium tax credit--New employment for
10 international service activities in eligible areas--Designation of
11 census tracts for eligibility--Records--Tax due upon ineligibility--
12 Interest assessment--Information from employment security department)
13 and 2003 c 248 s 3 & 1998 c 313 s 3;
- 14 (17) RCW 82.04.4329 (Deductions--Health insurance pool members--
15 Deficit assessments) and 1987 c 431 s 24;
- 16 (18) RCW 82.08.0276 (Exemptions--Sales of wearing apparel for use
17 only as a sample for display for sale) and 1980 c 37 s 42;
- 18 (19) RCW 82.08.0295 (Exemptions--Lease amounts and repurchase
19 amount for certain property under sale/leaseback agreement) and 1986 c
20 231 s 3;
- 21 (20) RCW 82.12.0295 (Exemptions--Lease amounts and repurchase
22 amount for certain property under sale/leaseback agreement) and 1986 c
23 231 s 4;
- 24 (21) RCW 82.12.02545 (Exemption--Use of naval aircraft training
25 equipment transferred due to base closure) and 1995 c 128 s 1; and
- 26 (22) RCW 84.56.450 (Year 2000 failure--No interest or penalties--
27 Payment of tax) and 1999 c 369 s 6.

28 NEW SECTION. **Sec. 8.** This act takes effect July 1, 2006.

Passed by the House April 18, 2005.

Passed by the Senate April 14, 2005.

Approved by the Governor May 13, 2005.

Filed in Office of Secretary of State May 13, 2005.