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SENATE BILL 6326

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State of Washington

60th Legislature

2008 Regular Session

By Senator Hargrove

Read first time 01/15/08. Referred to Committee on Ways & Means.

1 AN ACT Relating to restoring the preferential timber industry  
2 business and occupation tax rate to the manufacture of environmentally  
3 responsible surface material products from recycled paper; reenacting  
4 and amending RCW 82.04.260; and creating a new section.

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

6 **Sec. 1.** RCW 82.04.260 and 2007 c 54 s 6 and 2007 c 48 s 2 are each  
7 reenacted and amended to read as follows:

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

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

16 (b) Beginning July 1, 2012, seafood products that remain in a raw,  
17 raw frozen, or raw salted state at the completion of the manufacturing  
18 by that person; or selling manufactured seafood products that remain in  
19 a raw, raw frozen, or raw salted state at the completion of the

1 manufacturing, 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 manufactured or the gross proceeds derived from such sales,  
5 multiplied by the rate of 0.138 percent. Sellers must keep and  
6 preserve records for the period required by RCW 82.32.070 establishing  
7 that the goods were transported by the purchaser in the ordinary course  
8 of business out of this state;

9 (c) Beginning July 1, 2012, dairy products that as of September 20,  
10 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,  
11 including byproducts from the manufacturing of the dairy products such  
12 as whey and casein; or selling the same to purchasers who transport in  
13 the ordinary course of business the goods out of state; as to such  
14 persons the tax imposed shall be equal to the value of the products  
15 manufactured or the gross proceeds derived from such sales multiplied  
16 by the rate of 0.138 percent. Sellers must keep and preserve records  
17 for the period required by RCW 82.32.070 establishing that the goods  
18 were transported by the purchaser in the ordinary course of business  
19 out of this state;

20 (d) Beginning July 1, 2012, fruits or vegetables by canning,  
21 preserving, freezing, processing, or dehydrating fresh fruits or  
22 vegetables, or selling at wholesale fruits or vegetables manufactured  
23 by the seller by canning, preserving, freezing, processing, or  
24 dehydrating fresh fruits or vegetables and sold to purchasers who  
25 transport in the ordinary course of business the goods out of this  
26 state; as to such persons the amount of tax with respect to such  
27 business shall be equal to the value of the products manufactured or  
28 the gross proceeds derived from such sales multiplied by the rate of  
29 0.138 percent. Sellers must keep and preserve records for the period  
30 required by RCW 82.32.070 establishing that the goods were transported  
31 by the purchaser in the ordinary course of business out of this state;

32 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
33 feedstock, as those terms are defined in RCW 82.29A.135; as to such  
34 persons the amount of tax with respect to the business shall be equal  
35 to the value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
36 manufactured, multiplied by the rate of 0.138 percent; and

37 (f) Alcohol fuel or wood biomass fuel, as those terms are defined

1 in RCW 82.29A.135; as to such persons the amount of tax with respect to  
2 the business shall be equal to the value of alcohol fuel or wood  
3 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

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

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

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

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

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

30 (7) Upon every person engaging within this state in the business of  
31 stevedoring and associated activities pertinent to the movement of  
32 goods and commodities in waterborne interstate or foreign commerce; as  
33 to such persons the amount of tax with respect to such business shall  
34 be equal to the gross proceeds derived from such activities multiplied  
35 by the rate of 0.275 percent. Persons subject to taxation under this  
36 subsection shall be exempt from payment of taxes imposed by chapter  
37 82.16 RCW for that portion of their business subject to taxation under  
38 this subsection. Stevedoring and associated activities pertinent to

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

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

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

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

35 (10) Upon every person engaging within this state in business as a  
36 hospital, as defined in chapter 70.41 RCW, that is operated as a  
37 nonprofit corporation or by the state or any of its political  
38 subdivisions, as to such persons, the amount of tax with respect to

1 such activities shall be equal to the gross income of the business  
2 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5  
3 percent thereafter. The moneys collected under this subsection shall  
4 be deposited in the health services account created under RCW  
5 43.72.900.

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

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

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

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

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

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

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

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

1 (e) This subsection (11) does not apply after the earlier of: July  
2 1, 2024; or December 31, 2007, if assembly of a superefficient airplane  
3 does not begin by December 31, 2007, as determined under RCW 82.32.550.

4 (12)(a) Until July 1, 2024, upon every person engaging within this  
5 state in the business of extracting timber or extracting for hire  
6 timber; as to such persons the amount of tax with respect to the  
7 business shall, in the case of extractors, be equal to the value of  
8 products, including byproducts, extracted, or in the case of extractors  
9 for hire, be equal to the gross income of the business, multiplied by  
10 the rate of 0.4235 percent from July 1, 2006, through June 30, 2007,  
11 and 0.2904 percent from July 1, 2007, through June 30, 2024.

12 (b) Until July 1, 2024, upon every person engaging within this  
13 state in the business of manufacturing or processing for hire: (i)  
14 Timber into timber products or wood products; or (ii) timber products  
15 into other timber products or wood products; as to such persons the  
16 amount of the tax with respect to the business shall, in the case of  
17 manufacturers, be equal to the value of products, including byproducts,  
18 manufactured, or in the case of processors for hire, be equal to the  
19 gross income of the business, multiplied by the rate of 0.4235 percent  
20 from July 1, 2006, through June 30, 2007, and 0.2904 percent from July  
21 1, 2007, through June 30, 2024.

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

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

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

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

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

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

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

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

31 ~~((+iii))~~ (v) "Timber products" means:

32 (A) Logs, wood chips, sawdust, wood waste, and similar products  
33 obtained wholly from the processing of timber, short-rotation hardwoods  
34 as defined in RCW 84.33.035, or both; ~~((and))~~

35 (B) Pulp, including market pulp and pulp derived from recovered  
36 paper or paper products; and

37 (C) Recycled paper, but only when used in the manufacture of  
38 biocomposite surface products.

1       (~~(iv)~~) (vi) "Wood products" means paper and paper products;  
2 dimensional lumber; engineered wood products such as particleboard,  
3 oriented strand board, medium density fiberboard, and plywood; wood  
4 doors; (~~and~~) wood windows; and biocomposite surface products.

5       (13) Upon every person engaging within this state in inspecting,  
6 testing, labeling, and storing canned salmon owned by another person,  
7 as to such persons, the amount of tax with respect to such activities  
8 shall be equal to the gross income derived from such activities  
9 multiplied by the rate of 0.484 percent.

10       NEW SECTION. **Sec. 2.** Section 1 of this act applies retroactively  
11 to July 1, 2007, as well as prospectively.

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