

CERTIFICATION OF ENROLLMENT

HOUSE BILL 2678

Chapter 296, Laws of 2008

60th Legislature
2008 Regular Session

BUSINESS AND OCCUPATION TAX--TIMBER INDUSTRY RATE--ELIGIBLE
PRODUCTS

EFFECTIVE DATE: 06/12/08

Passed by the House February 14, 2008
Yeas 93 Nays 1

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate March 11, 2008
Yeas 48 Nays 1

BRAD OWEN

President of the Senate

Approved April 1, 2008, 2:58 p.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2678** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER

Chief Clerk

FILED

April 2, 2008

**Secretary of State
State of Washington**

HOUSE BILL 2678

Passed Legislature - 2008 Regular Session

State of Washington 60th Legislature 2008 Regular Session

By Representatives Kessler, VanDeWege, Blake, Williams, and McIntire

Read first time 01/15/08. Referred to Committee on Finance.

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 ~~((+iii))~~ (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.

Passed by the House February 14, 2008.
Passed by the Senate March 11, 2008.
Approved by the Governor April 1, 2008.
Filed in Office of Secretary of State April 2, 2008.