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SENATE BILL 6841

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State of Washington

61st Legislature

2010 Regular Session

By Senators Keiser, Rockefeller, Fairley, Fraser, McDermott, Kohl-Welles, and Kline

Read first time 02/04/10. Referred to Committee on Ways & Means.

1 AN ACT Relating to tax preferences; amending RCW 84.36.040,  
2 82.38.180, 82.16.020, 82.16.020, 82.16.050, 82.04.280, 82.04.280, and  
3 48.14.020; amending 2009 c 461 s 9 (uncodified); reenacting and  
4 amending RCW 82.04.260; repealing RCW 82.04.350, 82.36.280, 82.04.4282,  
5 82.04.330, 82.04.410, 82.08.0261, 84.36.635, 82.29A.135, 84.36.640,  
6 82.08.0257, 82.12.0258, 84.36.130, 48.36A.240, 82.04.4289, 82.16.0491,  
7 82.04.4483, 82.04.4484, 82.08.841, 82.12.841, 82.04.4485, 82.08.0253,  
8 and 82.12.0345; providing effective dates; providing a contingent  
9 effective date; providing an expiration date; and providing a  
10 contingent expiration date.

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

12 **Sec. 1.** RCW 84.36.040 and 2001 c 126 s 1 are each amended to read  
13 as follows:

14 (1) The real and personal property used by nonprofit (a) day care  
15 centers as defined pursuant to RCW 74.15.020; (b) free public  
16 libraries; (c) (~~orphanages and orphan asylums; (d)~~) homes for the  
17 sick or infirm; (~~((e) hospitals for the sick;)~~) and (~~((f))~~) (d)  
18 outpatient dialysis facilities, which are used for the purposes of such

1 organizations shall be exempt from taxation(~~(+PROVIDED, That)~~). The  
2 benefit of the exemption must inure(~~(s)~~) to the user.

3 (2) The real and personal property leased to and used by a  
4 hospital, owned and operated by a public hospital district established  
5 under chapter 70.44 RCW, for hospital purposes is exempt from taxation.  
6 The benefit of the exemption must inure to the user.

7 (3) To be exempt under this section, the property must be used  
8 exclusively for the purposes for which exemption is granted, except as  
9 provided in RCW 84.36.805.

10 **Sec. 2.** RCW 82.38.180 and 2007 c 515 s 29 are each amended to read  
11 as follows:

12 (1) Any person who has purchased special fuel on which tax has been  
13 paid may file a claim with the department for a refund of the tax for:

14 ~~((1) Taxes previously paid on special fuel used for purposes other  
15 than for the propulsion of motor vehicles upon the public highways in  
16 this state.~~

17 ~~(2))~~ (a) Taxes previously paid on special fuel exported for use  
18 outside of this state. Special fuel carried from this state in the  
19 fuel tank of a motor vehicle is deemed to be exported from this state.  
20 Special fuel distributed to a federally recognized Indian tribal  
21 reservation located within the state of Washington is not considered  
22 exported outside this state.

23 ~~((3))~~ (b) Tax, penalty, or interest erroneously or illegally  
24 collected or paid.

25 ~~((4))~~ (c) Taxes previously paid on all special fuel which is lost  
26 or destroyed, while the licensee shall be the owner thereof, through  
27 fire, lightning, flood, wind storm, or explosion.

28 ~~((5))~~ (d) Taxes previously paid on all special fuel of five  
29 hundred gallons or more which is lost or destroyed while the licensee  
30 shall be the owner thereof, through leakage or other casualty except  
31 evaporation, shrinkage, or unknown causes.

32 ~~((6))~~ (e) Taxes previously paid on special fuel that is  
33 inadvertently mixed with dyed special fuel.

34 (2) Recovery for such loss or destruction under either subsection  
35 ~~((4), (5), or (6))~~ (1)(c), (d), or (e) of this section must be  
36 susceptible to positive proof thereby enabling the department to  
37 conduct such investigation and require such information as it may deem

1 necessary. In the event that the department is not satisfied that the  
2 fuel was lost, destroyed, or contaminated as claimed because  
3 information or proof as required hereunder is not sufficient to  
4 substantiate the accuracy of the claim, it may deem such as sufficient  
5 cause to deny all right relating to the refund or credit for the excise  
6 tax paid on special fuel alleged to be lost or destroyed.

7 (3) No refund or claim for credit (~~(shall)~~) may be approved by the  
8 department unless the gallons of special fuel claimed as nontaxable  
9 satisfy the conditions specifically set forth in this section and the  
10 nontaxable event or use occurred during the period covered by the  
11 refund claim. Refunds or claims for credit (~~(shall)~~) are not (~~(be)~~)  
12 allowed for anticipated nontaxable use or events.

13 **Sec. 3.** RCW 82.16.020 and 2009 c 469 s 702 are each amended to  
14 read as follows:

15 (1) There is levied and (~~(there shall be)~~) collected from every  
16 person a tax for the act or privilege of engaging within this state in  
17 any one or more of the businesses herein mentioned. The tax (~~(shall~~  
18 ~~be)~~) is equal to the gross income of the business, multiplied by the  
19 rate set out after the business, as follows:

20 (a) Express, sewerage collection, and telegraph businesses: Three  
21 and six-tenths percent;

22 (b) Light and power business: Three and sixty-two one-hundredths  
23 percent;

24 (c) Gas distribution business: Three and six-tenths percent;

25 (d) (~~(Urban transportation business: Six tenths of one percent;~~

26 ~~(e) Vessels under sixty five feet in length, except tugboats,~~  
27 ~~operating upon the waters within the state: Six tenths of one percent;~~

28 ~~(f))~~ Motor transportation, railroad, railroad car, and tugboat  
29 businesses, and all public service businesses other than ones mentioned  
30 above: One and eight-tenths of one percent;

31 (~~(g))~~) (e) Water distribution business: Four and seven-tenths  
32 percent;

33 (~~(h))~~) (f) Log transportation business: One and twenty-eight one-  
34 hundredths percent.

35 (2) An additional tax is imposed equal to the rate specified in RCW  
36 82.02.030 multiplied by the tax payable under subsection (1) of this  
37 section.

1           (3) Twenty percent of the moneys collected under subsection (1) of  
2 this section on water distribution businesses and sixty percent of the  
3 moneys collected under subsection (1) of this section on sewerage  
4 collection businesses (~~shall~~) must be deposited in the public works  
5 assistance account created in RCW 43.155.050.

6           **Sec. 4.** RCW 82.16.020 and 1996 c 150 s 2 are each amended to read  
7 as follows:

8           (1) There is levied and (~~there shall be~~) collected from every  
9 person a tax for the act or privilege of engaging within this state in  
10 any one or more of the businesses herein mentioned. The tax (~~shall~~  
11 ~~be~~) is equal to the gross income of the business, multiplied by the  
12 rate set out after the business, as follows:

13           (a) Express, sewerage collection, and telegraph businesses: Three  
14 and six-tenths percent;

15           (b) Light and power business: Three and sixty-two one-hundredths  
16 percent;

17           (c) Gas distribution business: Three and six-tenths percent;

18           (d) (~~Urban transportation business: Six tenths of one percent;~~

19           ~~(e) Vessels under sixty five feet in length, except tugboats,~~  
20 ~~operating upon the waters within the state: Six tenths of one percent;~~

21           ~~(f))~~ Motor transportation, railroad, railroad car, and tugboat  
22 businesses, and all public service businesses other than ones mentioned  
23 above: One and eight-tenths of one percent;

24           (~~g))~~ (e) Water distribution business: Four and seven-tenths  
25 percent.

26           (2) An additional tax is imposed equal to the rate specified in RCW  
27 82.02.030 multiplied by the tax payable under subsection (1) of this  
28 section.

29           (3) Twenty percent of the moneys collected under subsection (1) of  
30 this section on water distribution businesses and sixty percent of the  
31 moneys collected under subsection (1) of this section on sewerage  
32 collection businesses (~~shall~~) must be deposited in the public works  
33 assistance account created in RCW 43.155.050.

34           **Sec. 5.** RCW 82.04.260 and 2009 c 479 s 64, 2009 c 461 s 1, and  
35 2009 c 162 s 34 are each reenacted and amended to read as follows:

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

3 (a) (~~Wheat into flour, barley into pearl barley, soybeans into~~  
4 ~~soybean oil, canola into canola oil, canola meal, or canola by-~~  
5 ~~products, or sunflower seeds into sunflower oil; as to such persons the~~  
6 ~~amount of tax with respect to such business shall be equal to the value~~  
7 ~~of the flour, pearl barley, oil, canola meal, or canola by-product~~  
8 ~~manufactured, multiplied by the rate of 0.138 percent;~~

9 ~~(b))~~ Beginning July 1, 2012, seafood products that remain in a  
10 raw, raw frozen, or raw salted state at the completion of the  
11 manufacturing by that person; or selling manufactured seafood products  
12 that remain in a raw, raw frozen, or raw salted state at the completion  
13 of the manufacturing, to purchasers who transport in the ordinary  
14 course of business the goods out of this state; as to such persons the  
15 amount of tax with respect to such business (~~shall be~~) is equal to  
16 the value of the products manufactured or the gross proceeds derived  
17 from such sales, multiplied by the rate of 0.138 percent. Sellers must  
18 keep and preserve records for the period required by RCW 82.32.070  
19 establishing that the goods were transported by the purchaser in the  
20 ordinary course of business out of this state;

21 ~~((e))~~ (b) Beginning July 1, 2012, dairy products that as of  
22 September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131,  
23 133, and 135, including by-products from the manufacturing of the dairy  
24 products such as whey and casein; or selling the same to purchasers who  
25 transport in the ordinary course of business the goods out of state; as  
26 to such persons the tax imposed (~~shall be~~) is equal to the value of  
27 the products manufactured or the gross proceeds derived from such sales  
28 multiplied by the rate of 0.138 percent. Sellers must keep and  
29 preserve records for the period required by RCW 82.32.070 establishing  
30 that the goods were transported by the purchaser in the ordinary course  
31 of business out of this state;

32 ~~((d))~~ (c) Beginning July 1, 2012, fruits or vegetables by  
33 canning, preserving, freezing, processing, or dehydrating fresh fruits  
34 or vegetables, or selling at wholesale fruits or vegetables  
35 manufactured by the seller by canning, preserving, freezing,  
36 processing, or dehydrating fresh fruits or vegetables and sold to  
37 purchasers who transport in the ordinary course of business the goods  
38 out of this state; as to such persons the amount of tax with respect to

1 such business shall be equal to the value of the products manufactured  
2 or the gross proceeds derived from such sales multiplied by the rate of  
3 0.138 percent. Sellers must keep and preserve records for the period  
4 required by RCW 82.32.070 establishing that the goods were transported  
5 by the purchaser in the ordinary course of business out of this state;

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

11 ~~(f))~~ (d)(i) Alcohol fuel or wood biomass fuel(~~, as those terms  
12 are defined in RCW 82.29A.135~~)); as to such persons the amount of tax  
13 with respect to the business (~~shall be~~) is equal to the value of  
14 alcohol fuel or wood biomass fuel manufactured, multiplied by the rate  
15 of 0.138 percent.

16 (ii) For the purposes of this subsection (1)(d):

17 (A) "Alcohol fuel" means any alcohol made from a product other than  
18 petroleum or natural gas, which is used alone or in combination with  
19 gasoline or other petroleum products for use as a fuel for motor  
20 vehicles, farm implements, and machines or implements of husbandry; and

21 (B) "Wood biomass fuel" means a pyrolytic liquid fuel or synthesis  
22 gas-derived liquid fuel, used in internal combustion engines, and  
23 produced from wood, forest, or field residue, or dedicated energy crops  
24 that do not include wood pieces that have been treated with chemical  
25 preservatives such as creosote, pentachlorophenol, or copper-chroma-  
26 arsenic.

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

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

36 (4) Upon every person engaging within this state in the business of  
37 slaughtering, breaking and/or processing perishable meat products

1 and/or selling the same at wholesale only and not at retail; as to such  
2 persons the tax imposed (~~shall be~~) is equal to the gross proceeds  
3 derived from such sales multiplied by the rate of 0.138 percent.

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

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

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

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

7 (8)(a) 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  
10 (~~shall be~~) is equal to the gross income of the business, excluding  
11 any fees imposed under chapter 43.200 RCW, multiplied by the rate of  
12 3.3 percent.

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

17 (9) Upon every person engaging within this state as an insurance  
18 producer or title insurance agent licensed under chapter 48.17 RCW or  
19 a surplus line broker licensed under chapter 48.15 RCW; as to such  
20 persons, the amount of the tax with respect to such licensed activities  
21 (~~shall be~~) is equal to the gross income of such business multiplied  
22 by the rate of 0.484 percent.

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

30 (11)(a) Beginning October 1, 2005, upon every person engaging  
31 within this state in the business of manufacturing commercial  
32 airplanes, or components of such airplanes, or making sales, at retail  
33 or wholesale, of commercial airplanes or components of such airplanes,  
34 manufactured by the seller, as to such persons the amount of tax with  
35 respect to such business (~~shall~~), in the case of manufacturers,  
36 (~~be~~) is equal to the value of the product manufactured and the gross  
37 proceeds of sales of the product manufactured, or in the case of



1 processors for hire, (~~be~~) is equal to the gross income of the  
2 business, multiplied by the rate of:

3 (i) 0.4235 percent from October 1, 2005, through the later of June  
4 30, 2007; and

5 (ii) 0.2904 percent beginning July 1, 2007.

6 (b) Beginning July 1, 2008, upon every person who is not eligible  
7 to report under the provisions of (a) of this subsection (11) and is  
8 engaging within this state in the business of manufacturing tooling  
9 specifically designed for use in manufacturing commercial airplanes or  
10 components of such airplanes, or making sales, at retail or wholesale,  
11 of such tooling manufactured by the seller, as to such persons the  
12 amount of tax with respect to such business (~~shall~~), in the case of  
13 manufacturers, (~~be~~) is equal to the value of the product manufactured  
14 and the gross proceeds of sales of the product manufactured, or in the  
15 case of processors for hire, (~~be~~) is equal to the gross income of the  
16 business, multiplied by the rate of 0.2904 percent.

17 (c) For the purposes of this subsection (11), "commercial airplane"  
18 and "component" have the same meanings as provided in RCW 82.32.550.

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

22 (e) This subsection (11) does not apply on and after July 1, 2024.

23 (12)(a) Until July 1, 2024, upon every person engaging within this  
24 state in the business of extracting timber or extracting for hire  
25 timber; as to such persons the amount of tax with respect to the  
26 business (~~shall~~), in the case of extractors, (~~be~~) is equal to the  
27 value of products, including by-products, extracted, or in the case of  
28 extractors for hire, (~~be~~) is equal to the gross income of the  
29 business, 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 (b) Until July 1, 2024, upon every person engaging within this  
33 state in the business of manufacturing or processing for hire: (i)  
34 Timber into timber products or wood products; or (ii) timber products  
35 into other timber products or wood products; as to such persons the  
36 amount of the tax with respect to the business (~~shall~~), in the case  
37 of manufacturers, (~~be~~) is equal to the value of products, including  
38 by-products, manufactured, or in the case of processors for hire,

1 ((be)) is equal to the gross income of the business, multiplied by the  
2 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and  
3 0.2904 percent from July 1, 2007, through June 30, 2024.

4 (c) Until July 1, 2024, upon every person engaging within this  
5 state in the business of selling at wholesale: (i) Timber extracted by  
6 that person; (ii) timber products manufactured by that person from  
7 timber or other timber products; or (iii) wood products manufactured by  
8 that person from timber or timber products; as to such persons the  
9 amount of the tax with respect to the business (~~shall be~~) is equal to  
10 the gross proceeds of sales of the timber, timber products, or wood  
11 products multiplied by the rate of 0.4235 percent from July 1, 2006,  
12 through June 30, 2007, and 0.2904 percent from July 1, 2007, through  
13 June 30, 2024.

14 (d) Until July 1, 2024, upon every person engaging within this  
15 state in the business of selling standing timber; as to such persons  
16 the amount of the tax with respect to the business (~~shall be~~) is  
17 equal to the gross income of the business multiplied by the rate of  
18 0.2904 percent. For purposes of this subsection (12)(d), "selling  
19 standing timber" means the sale of timber apart from the land, where  
20 the buyer is required to sever the timber within thirty months from the  
21 date of the original contract, regardless of the method of payment for  
22 the timber and whether title to the timber transfers before, upon, or  
23 after severance.

24 (e) For purposes of this subsection, the following definitions  
25 apply:

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

29 (ii) "Paper and paper products" means products made of interwoven  
30 cellulosic fibers held together largely by hydrogen bonding. "Paper  
31 and paper products" includes newsprint; office, printing, fine, and  
32 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
33 kraft bag, construction, and other kraft industrial papers; paperboard,  
34 liquid packaging containers, containerboard, corrugated, and solid-  
35 fiber containers including linerboard and corrugated medium; and  
36 related types of cellulosic products containing primarily, by weight or  
37 volume, cellulosic materials. "Paper and paper products" does not

1 include books, newspapers, magazines, periodicals, and other printed  
2 publications, advertising materials, calendars, and similar types of  
3 printed materials.

4 (iii) "Recycled paper" means paper and paper products having fifty  
5 percent or more of their fiber content that comes from postconsumer  
6 waste. For purposes of this subsection (12)(e)(iii), "postconsumer  
7 waste" means a finished material that would normally be disposed of as  
8 solid waste, having completed its life cycle as a consumer item.

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

13 (v) "Timber products" means:

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

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

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

21 (vi) "Wood products" means paper and paper products; dimensional  
22 lumber; engineered wood products such as particleboard, oriented strand  
23 board, medium density fiberboard, and plywood; wood doors; wood  
24 windows; and biocomposite surface products.

25 (13) Upon every person engaging within this state in inspecting,  
26 testing, labeling, and storing canned salmon owned by another person,  
27 as to such persons, the amount of tax with respect to such activities  
28 (~~(shall be)~~) is equal to the gross income derived from such activities  
29 multiplied by the rate of 0.484 percent.

30 (14) Upon every person engaging within this state in the business  
31 of printing a newspaper, publishing a newspaper, or both, the amount of  
32 tax on such business is equal to the gross income of the business  
33 multiplied by the rate of 0.2904 percent.

34 **Sec. 6.** RCW 82.16.050 and 2007 c 330 s 1 are each amended to read  
35 as follows:

36 In computing tax there may be deducted from the gross income the  
37 following items:

1 (1) Amounts derived by municipally owned or operated public service  
2 businesses, directly from taxes levied for the support or maintenance  
3 thereof. This subsection may not be construed to exempt service  
4 charges which are spread on the property tax rolls and collected as  
5 taxes;

6 (2) Amounts derived from the sale of commodities to persons in the  
7 same public service business as the seller, for resale as such within  
8 this state. This deduction is allowed only with respect to water  
9 distribution, gas distribution or other public service businesses which  
10 furnish water, gas or any other commodity in the performance of public  
11 service businesses;

12 (3) Amounts actually paid by a taxpayer to another person taxable  
13 under this chapter as the latter's portion of the consideration due for  
14 services furnished jointly by both, if the total amount has been  
15 credited to and appears in the gross income reported for tax by the  
16 former;

17 (4) The amount of cash discount actually taken by the purchaser or  
18 customer;

19 (5) The amount of bad debts, as that term is used in 26 U.S.C. Sec.  
20 166, as amended or renumbered as of January 1, 2003, on which tax was  
21 previously paid under this chapter;

22 (6) Amounts derived from business which the state is prohibited  
23 from taxing under the Constitution of this state or the Constitution or  
24 laws of the United States;

25 ~~(7) ((Amounts derived from the distribution of water through an  
26 irrigation system, for irrigation purposes;~~

27 ~~(+8))~~ Amounts derived from the transportation of commodities from  
28 points of origin in this state to final destination outside this state,  
29 or from points of origin outside this state to final destination in  
30 this state, with respect to which the carrier grants to the shipper the  
31 privilege of stopping the shipment in transit at some point in this  
32 state for the purpose of storing, manufacturing, milling, or other  
33 processing, and thereafter forwards the same commodity, or its  
34 equivalent, in the same or converted form, under a through freight rate  
35 from point of origin to final destination;

36 ~~((+9))~~ (8) Amounts derived from the transportation of commodities  
37 from points of origin in the state to an export elevator, wharf, dock  
38 or ship side on tidewater or its navigable tributaries to be forwarded,

1 without intervening transportation, by vessel, in their original form,  
2 to interstate or foreign destinations. No deduction is allowed under  
3 this subsection when the point of origin and the point of delivery to  
4 the export elevator, wharf, dock, or ship side are located within the  
5 corporate limits of the same city or town;

6 ~~((+10+))~~ (9) Amounts derived from the transportation of  
7 agricultural commodities, not including manufactured substances or  
8 articles, from points of origin in the state to interim storage  
9 facilities in this state for transshipment, without intervening  
10 transportation, to an export elevator, wharf, dock, or ship side on  
11 tidewater or its navigable tributaries to be forwarded, without  
12 intervening transportation, by vessel, in their original form, to  
13 interstate or foreign destinations. If agricultural commodities are  
14 transshipped from interim storage facilities in this state to storage  
15 facilities at a port on tidewater or its navigable tributaries, the  
16 same agricultural commodity dealer must operate both the interim  
17 storage facilities and the storage facilities at the port.

18 (a) The deduction under this subsection is available only when the  
19 person claiming the deduction obtains a certificate from the  
20 agricultural commodity dealer operating the interim storage facilities,  
21 in a form and manner prescribed by the department, certifying that:

22 (i) More than ninety-six percent of all of the type of agricultural  
23 commodity delivered by the person claiming the deduction under this  
24 subsection and delivered by all other persons to the dealer's interim  
25 storage facilities during the preceding calendar year was shipped by  
26 vessel in original form to interstate or foreign destinations; and

27 (ii) Any of the agricultural commodity that is transshipped to  
28 ports on tidewater or its navigable tributaries will be received at  
29 storage facilities operated by the same agricultural commodity dealer  
30 and will be shipped from such facilities, without intervening  
31 transportation, by vessel, in their original form, to interstate or  
32 foreign destinations.

33 (b) As used in this subsection, "agricultural commodity" has the  
34 same meaning as agricultural product in RCW 82.04.213;

35 ~~((+11+))~~ (10) Amounts derived from the production, sale, or  
36 transfer of electrical energy for resale within or outside the state or  
37 for consumption outside the state;

1        (~~(12)~~) (11) Amounts derived from the distribution of water by a  
2 nonprofit water association and used for capital improvements by that  
3 nonprofit water association;

4        (~~(13)~~) (12) Amounts paid by a sewerage collection business  
5 taxable under RCW 82.16.020(1)(a) to a person taxable under chapter  
6 82.04 RCW for the treatment or disposal of sewage;

7        (~~(14)~~) (13) Amounts derived from fees or charges imposed on  
8 persons for transit services provided by a public transportation  
9 agency. For the purposes of this subsection, "public transportation  
10 agency" means a municipality, as defined in RCW 35.58.272, and urban  
11 public transportation systems, as defined in RCW 47.04.082. Public  
12 transportation agencies (~~shall~~) must spend an amount equal to the  
13 reduction in tax provided by this tax deduction solely to adjust routes  
14 to improve access for citizens using food banks and senior citizen  
15 services or to extend or add new routes to assist low-income citizens  
16 and seniors.

17        **Sec. 7.** RCW 82.04.280 and 2009 c 461 s 2 are each amended to read  
18 as follows:

19        (1) Upon every person engaging within this state in the business  
20 of: (~~(1)~~) (a) Printing materials other than newspapers, and of  
21 publishing periodicals or magazines; (~~(2)~~) (b) building, repairing or  
22 improving any street, place, road, highway, easement, right-of-way,  
23 mass public transportation terminal or parking facility, bridge,  
24 tunnel, or trestle which is owned by a municipal corporation or  
25 political subdivision of the state or by the United States and which is  
26 used or to be used, primarily for foot or vehicular traffic including  
27 mass transportation vehicles of any kind and including any  
28 readjustment, reconstruction or relocation of the facilities of any  
29 public, private or cooperatively owned utility or railroad in the  
30 course of such building, repairing or improving, the cost of which  
31 readjustment, reconstruction, or relocation, is the responsibility of  
32 the public authority whose street, place, road, highway, easement,  
33 right-of-way, mass public transportation terminal or parking facility,  
34 bridge, tunnel, or trestle is being built, repaired or improved;  
35 (~~(3)~~) (c) extracting for hire or processing for hire, except persons  
36 taxable as extractors for hire or processors for hire under another  
37 section of this chapter; (~~(4)~~) (d) operating a cold storage warehouse

1 or storage warehouse, but not including the rental of cold storage  
2 lockers; ~~((+5))~~ (e) representing and performing services for fire or  
3 casualty insurance companies as an independent resident managing  
4 general agent ~~((licensed under the provisions of RCW 48.05.310; (6)~~  
5 ~~radio and television broadcasting, excluding network, national and~~  
6 ~~regional advertising computed as a standard deduction based on the~~  
7 ~~national average thereof as annually reported by the Federal~~  
8 ~~Communications Commission, or in lieu thereof by itemization by the~~  
9 ~~individual broadcasting station, and excluding that portion of revenue~~  
10 ~~represented by the out-of-state audience computed as a ratio to the~~  
11 ~~station's total audience as measured by the 100 micro-volt signal~~  
12 ~~strength and delivery by wire, if any; (7))~~; (f) engaging in  
13 activities which bring a person within the definition of consumer  
14 contained in RCW 82.04.190(6); as to such persons, the amount of tax on  
15 such business is equal to the gross income of the business multiplied  
16 by the rate of 0.484 percent.

17 ~~((As used))~~ (2) The definitions in this section~~((7))~~ apply  
18 throughout this section unless the context clearly requires otherwise.

19 (a) "Cold storage warehouse" means a storage warehouse used to  
20 store fresh and/or frozen perishable fruits or vegetables, meat,  
21 seafood, dairy products, or fowl, or any combination thereof, at a  
22 desired temperature to maintain the quality of the product for orderly  
23 marketing.

24 ~~((As used in this section,))~~ (b) "Storage warehouse" means a  
25 building or structure, or any part thereof, in which goods, wares, or  
26 merchandise are received for storage for compensation, except field  
27 warehouses, fruit warehouses, fruit packing plants, warehouses licensed  
28 under chapter 22.09 RCW, public garages storing automobiles, railroad  
29 freight sheds, docks and wharves, and "self-storage" or "mini storage"  
30 facilities whereby customers have direct access to individual storage  
31 areas by separate entrance. "Storage warehouse" does not include a  
32 building or structure, or that part of such building or structure, in  
33 which an activity taxable under RCW 82.04.272 is conducted.

34 ~~((As used in this section,))~~

35 (c) "Periodical or magazine" means a printed publication, other  
36 than a newspaper, issued regularly at stated intervals at least once  
37 every three months, including any supplement or special edition of the  
38 publication.

1       **Sec. 8.** RCW 82.04.280 and 2009 c 461 s 3 are each amended to read  
2 as follows:

3       (1) Upon every person engaging within this state in the business  
4 of: ~~((+1))~~ (a) Printing materials other than newspapers, and of  
5 publishing periodicals or magazines; ~~((+2))~~ (b) building, repairing or  
6 improving any street, place, road, highway, easement, right-of-way,  
7 mass public transportation terminal or parking facility, bridge,  
8 tunnel, or trestle which is owned by a municipal corporation or  
9 political subdivision of the state or by the United States and which is  
10 used or to be used, primarily for foot or vehicular traffic including  
11 mass transportation vehicles of any kind and including any  
12 readjustment, reconstruction or relocation of the facilities of any  
13 public, private or cooperatively owned utility or railroad in the  
14 course of such building, repairing or improving, the cost of which  
15 readjustment, reconstruction, or relocation, is the responsibility of  
16 the public authority whose street, place, road, highway, easement,  
17 right-of-way, mass public transportation terminal or parking facility,  
18 bridge, tunnel, or trestle is being built, repaired or improved;  
19 ~~((+3))~~ (c) extracting for hire or processing for hire, except persons  
20 taxable as extractors for hire or processors for hire under another  
21 section of this chapter; ~~((+4))~~ (d) operating a cold storage warehouse  
22 or storage warehouse, but not including the rental of cold storage  
23 lockers; ~~((+5))~~ (e) representing and performing services for fire or  
24 casualty insurance companies as an independent resident managing  
25 general agent ~~((licensed under the provisions of RCW 48.05.310; (6)~~  
26 ~~radio and television broadcasting, excluding network, national and~~  
27 ~~regional advertising computed as a standard deduction based on the~~  
28 ~~national average thereof as annually reported by the Federal~~  
29 ~~Communications Commission, or in lieu thereof by itemization by the~~  
30 ~~individual broadcasting station, and excluding that portion of revenue~~  
31 ~~represented by the out-of-state audience computed as a ratio to the~~  
32 ~~station's total audience as measured by the 100 micro-volt signal~~  
33 ~~strength and delivery by wire, if any; (7))~~; (f) engaging in  
34 activities which bring a person within the definition of consumer  
35 contained in RCW 82.04.190(6); as to such persons, the amount of tax on  
36 such business is equal to the gross income of the business multiplied  
37 by the rate of 0.484 percent.



1 ((As used)) (2) The definitions in this section((7)) apply  
2 throughout this section unless the context clearly requires otherwise.

3 (a) "Cold storage warehouse" means a storage warehouse used to  
4 store fresh and/or frozen perishable fruits or vegetables, meat,  
5 seafood, dairy products, or fowl, or any combination thereof, at a  
6 desired temperature to maintain the quality of the product for orderly  
7 marketing.

8 ((As used in this section,)) (b) "Storage warehouse" means a  
9 building or structure, or any part thereof, in which goods, wares, or  
10 merchandise are received for storage for compensation, except field  
11 warehouses, fruit warehouses, fruit packing plants, warehouses licensed  
12 under chapter 22.09 RCW, public garages storing automobiles, railroad  
13 freight sheds, docks and wharves, and "self-storage" or "mini storage"  
14 facilities whereby customers have direct access to individual storage  
15 areas by separate entrance. "Storage warehouse" does not include a  
16 building or structure, or that part of such building or structure, in  
17 which an activity taxable under RCW 82.04.272 is conducted.

18 ((As used in this section,)) (c) "Periodical or magazine" means a  
19 printed publication, other than a newspaper, issued regularly at stated  
20 intervals at least once every three months, including any supplement or  
21 special edition of the publication.

22 **Sec. 9.** RCW 48.14.020 and 2009 c 161 s 3 are each amended to read  
23 as follows:

24 (1) Subject to other provisions of this chapter, each authorized  
25 insurer except title insurers ((shall)) must on or before the first day  
26 of March of each year pay to the state treasurer through the  
27 commissioner's office a tax on premiums. Except as provided in  
28 subsection (2) of this section, such tax ((shall be)) is in the amount  
29 of two percent of all premiums, excluding amounts returned to or the  
30 amount of reductions in premiums allowed to holders of industrial life  
31 policies for payment of premiums directly to an office of the insurer,  
32 collected or received by the insurer under RCW 48.14.090 during the  
33 preceding calendar year other than ocean marine and foreign trade  
34 insurances, after deducting premiums paid to policyholders as returned  
35 premiums, upon risks or property resident, situated, or to be performed  
36 in this state. For tax purposes, the reporting of premiums ((shall))  
37 must be on a written basis or on a paid-for basis consistent with the

1 basis required by the annual statement. For the purposes of this  
2 section the consideration received by an insurer for the granting of an  
3 annuity (~~shall~~) is not (~~be~~) deemed to be a premium.

4 (2) In the case of insurers which require the payment by their  
5 policyholders at the inception of their policies of the entire premium  
6 thereon in the form of premiums or premium deposits which are the same  
7 in amount, based on the character of the risks, regardless of the  
8 length of term for which such policies are written, such tax (~~shall~~  
9 ~~be~~) is in the amount of two percent of the gross amount of such  
10 premiums and premium deposits upon policies on risks resident, located,  
11 or to be performed in this state, in force as of the thirty-first day  
12 of December next preceding, less the unused or unabsorbed portion of  
13 such premiums and premium deposits computed at the average rate thereof  
14 actually paid or credited to policyholders or applied in part payment  
15 of any renewal premiums or premium deposits on one-year policies  
16 expiring during such year.

17 (~~3~~) (~~Each authorized insurer shall with respect to all ocean~~  
18 ~~marine and foreign trade insurance contracts written within this state~~  
19 ~~during the preceding calendar year, on or before the first day of March~~  
20 ~~of each year pay to the state treasurer through the commissioner's~~  
21 ~~office a tax of ninety five one hundredths of one percent on its gross~~  
22 ~~underwriting profit. Such gross underwriting profit shall be~~  
23 ~~ascertained by deducting from the net premiums (i.e., gross premiums~~  
24 ~~less all return premiums and premiums for reinsurance) on such ocean~~  
25 ~~marine and foreign trade insurance contracts the net losses paid (i.e.,~~  
26 ~~gross losses paid less salvage and recoveries on reinsurance ceded)~~  
27 ~~during such calendar year under such contracts. In the case of~~  
28 ~~insurers issuing participating contracts, such gross underwriting~~  
29 ~~profit shall not include, for computation of the tax prescribed by this~~  
30 ~~subsection, the amounts refunded, or paid as participation dividends,~~  
31 ~~by such insurers to the holders of such contracts.~~

32 (~~4~~) The state does hereby preempt the field of imposing excise or  
33 privilege taxes upon insurers or their appointed insurance producers,  
34 other than title insurers, and no county, city, town or other municipal  
35 subdivision (~~shall have~~) has the right to impose any such taxes upon  
36 such insurers or these insurance producers.

37 (~~5~~) (4) If an authorized insurer collects or receives any such  
38 premiums on account of policies in force in this state which were

1 originally issued by another insurer and which other insurer is not  
2 authorized to transact insurance in this state on its own account, such  
3 collecting insurer (~~shall be~~) is liable for and (~~shall~~) must pay  
4 the tax on such premiums.

5 NEW SECTION. **Sec. 10.** The following acts or parts of acts are  
6 each repealed:

7 (1) RCW 82.04.350 (Exemptions--Racing) and 2005 c 369 s 7 & 1961 c  
8 15 s 82.04.350;

9 (2) RCW 82.36.280 (Refunds for nonhighway use of fuel) and 1998 c  
10 176 s 36, 1993 c 141 s 1, 1985 c 371 s 5, 1980 c 131 s 5, 1972 ex.s. c  
11 138 s 1, 1971 ex.s. c 36 s 1, 1969 ex.s. c 281 s 23, & 1961 c 15 s  
12 82.36.280;

13 (3) RCW 82.04.4282 (Deductions--Fees, dues, charges) and 2009 c 535  
14 s 410, 1994 c 124 s 3, 1989 c 392 s 1, & 1980 c 37 s 3;

15 (4) RCW 82.04.330 (Exemptions--Sales of agricultural products) and  
16 2001 c 118 s 3, 1993 sp.s. c 25 s 305, 1988 c 253 s 2, & 1987 c 23 s 4;

17 (5) RCW 82.04.410 (Exemptions--Hatching eggs and poultry) and 1967  
18 ex.s. c 149 s 15 & 1961 c 15 s 82.04.410;

19 (6) RCW 82.08.0261 (Exemptions--Sales of personal property for use  
20 connected with private or common carriers in interstate or foreign  
21 commerce) and 1980 c 37 s 28;

22 (7) RCW 84.36.635 (Property used for the manufacture of alcohol  
23 fuel or biodiesel fuel) and 2008 c 268 s 1 & 2003 c 261 s 9;

24 (8) RCW 82.29A.135 (Exemptions--Property used to manufacture  
25 alcohol, biodiesel, or wood biomass fuel) and 2008 c 268 s 2;

26 (9) RCW 84.36.640 (Property used for the manufacture of wood  
27 biomass fuel) and 2003 c 339 s 9;

28 (10) RCW 82.08.0257 (Exemptions--Auction sales of personal property  
29 used in farming) and 2009 c 535 s 511 & 1980 c 37 s 25;

30 (11) RCW 82.12.0258 (Exemptions--Use of personal property  
31 previously used in farming and purchased from farmer at auction) and  
32 2009 c 535 s 612 & 1980 c 37 s 58;

33 (12) RCW 84.36.130 (Airport property in this state for smaller  
34 airports belonging to municipalities of adjoining states) and 1998 c  
35 201 s 1 & 1961 c 15 s 84.36.130;

36 (13) RCW 48.36A.240 (Funds tax exempt, exception) and 1987 c 366 s  
37 24;

1 (14) RCW 82.04.4289 (Exemption--Compensation for patient services  
2 or attendant sales of drugs dispensed pursuant to prescription by  
3 certain nonprofit organizations) and 2003 c 168 s 402, 1998 c 325 s 1,  
4 1993 c 492 s 305, 1981 c 178 s 2, & 1980 c 37 s 10;

5 (15) RCW 82.16.0491 (Credit--Contributions to an electric utility  
6 rural economic development revolving fund) and 2008 c 131 s 4, 2004 c  
7 238 s 1, & 1999 c 311 s 402;

8 (16) RCW 82.04.4483 (Credit--Programming or manufacturing software  
9 in rural counties) and 2004 c 25 s 1;

10 (17) RCW 82.04.4484 (Credit--Information technology help desk  
11 services in rural counties) and 2004 c 25 s 2;

12 (18) RCW 82.08.841 (Exemptions--Farming equipment--Hay sheds) and  
13 2005 c 420 s 2;

14 (19) RCW 82.12.841 (Exemptions--Farming equipment--Hay sheds) and  
15 2005 c 420 s 3;

16 (20) RCW 82.04.4485 (Credit--Mechanical lifting devices purchased  
17 by hospitals) and 2006 c 165 s 5;

18 (21) RCW 82.08.0253 (Exemptions--Sale and distribution of  
19 newspapers) and 2009 c 535 s 506 & 1980 c 37 s 21; and

20 (22) RCW 82.12.0345 (Exemptions--Use of newspapers) and 2009 c 535  
21 s 618 & 1994 c 124 s 11.

22 **Sec. 11.** 2009 c 461 s 9 (uncodified) is amended to read as  
23 follows:

24 (1)(a) Section 8, chapter ..., Laws of 2010 (section 8 of this  
25 act), section 3, chapter 461, Laws of 2009, section 7, chapter 300,  
26 Laws of 2006, and section 4, chapter 149, Laws of 2003 are contingent  
27 upon the siting and commercial operation of a significant semiconductor  
28 microchip fabrication facility in the state of Washington.

29 (b) For the purposes of this section:

30 (i) "Commercial operation" means the same as "commencement of  
31 commercial production" as used in RCW 82.08.965.

32 (ii) "Semiconductor microchip fabrication" means "manufacturing  
33 semiconductor microchips" as defined in RCW 82.04.426.

34 (iii) "Significant" means the combined investment of new buildings  
35 and new machinery and equipment in the buildings, at the commencement  
36 of commercial production, will be at least one billion dollars.

1 (2) Chapter 149, Laws of 2003 takes effect the first day of the  
2 month in which a contract for the construction of a significant  
3 semiconductor fabrication facility is signed, as determined by the  
4 director of the department of revenue.

5 (3)(a) The department of revenue must provide notice of the  
6 effective date of this act to affected taxpayers, the legislature, and  
7 others as deemed appropriate by the department.

8 (b) If, after making a determination that a contract has been  
9 signed and chapter 149, Laws of 2003 is effective, the department  
10 discovers that commencement of commercial production did not take place  
11 within three years of the date the contract was signed, the department  
12 must make a determination that chapter 149, Laws of 2003 is no longer  
13 effective, and all taxes that would have been otherwise due are deemed  
14 deferred taxes and are immediately assessed and payable from any person  
15 reporting tax under RCW 82.04.240(2) or claiming an exemption or credit  
16 under section 2 or 5 through 10, chapter 149, Laws of 2003. The  
17 department is not authorized to make a second determination regarding  
18 the effective date of chapter 149, Laws of 2003.

19 NEW SECTION. **Sec. 12.** Section 3 of this act expires June 30,  
20 2013.

21 NEW SECTION. **Sec. 13.** Section 4 of this act takes effect June 30,  
22 2013.

23 NEW SECTION. **Sec. 14.** Section 7 of this act expires on the date  
24 that section 8 of this act takes effect.

25 NEW SECTION. **Sec. 15.** Section 8 of this act takes effect if the  
26 contingency in section 11 of this act occurs.

27 NEW SECTION. **Sec. 16.** Except for sections 4 and 8, this act takes  
28 effect January 1, 2013.

--- END ---