**2157-S2 AMH DEBO H3103.2 - NOT FOR FLOOR USE**

**2SHB 2157** - H AMD **808**

By Representative DeBolt

**NOT CONSIDERED 12/23/2019**

On page 9, after line 39, insert the following:

"**Sec.**  RCW 82.04.120 and 2014 c 216 s 303 are each amended to read as follows:

(1) "To manufacture" embraces all activities of a commercial or industrial nature wherein labor or skill is applied, by hand or machinery, to materials so that as a result thereof a new, different or useful substance or article of tangible personal property is produced for sale or commercial or industrial use, and includes:

(a) The production or fabrication of special made or custom made articles;

(b) The production or fabrication of dental appliances, devices, restorations, substitutes, or other dental laboratory products by a dental laboratory or dental technician;

(c) Cutting, delimbing, and measuring of felled, cut, or taken trees;

(d) Crushing and/or blending of rock, sand, stone, gravel, or ore; ((~~and~~))

(e) The production of compressed natural gas or liquefied natural gas for use as a transportation fuel as defined in RCW 82.16.310; and

(f) The creation of intellectual property in Washington by a person for whom all the following apply:

(i) The person has been registered with the department in Washington state for at least thirty-seven years;

(ii) At any time after the effective date of this section, combined employment in this state of the person exceeds forty thousand full-time and part-time employees, based on data reported to the employment security department; and

(iii) The business activities of the person primarily includes the development, sales, and licensing of computer software and services.

(2) "To manufacture" does not include:

(a) Conditioning of seed for use in planting; cubing hay or alfalfa;

(b) Activities which consist of cutting, grading, or ice glazing seafood which has been cooked, frozen, or canned outside this state;

(c) The growing, harvesting, or producing of agricultural products;

(d) Packing of agricultural products, including sorting, washing, rinsing, grading, waxing, treating with fungicide, packaging, chilling, or placing in controlled atmospheric storage;

(e) The production of digital goods;

(f) The production of computer software if the computer software is delivered from the seller to the purchaser by means other than tangible storage media, including the delivery by use of a tangible storage media where the tangible storage media is not physically transferred to the purchaser; and

(g) Except as provided in subsection (1)(e) of this section, any activity that is integral to any public service business as defined in RCW 82.16.010 and with respect to which the gross income associated with such activity: (i) Is subject to tax under chapter 82.16 RCW; or (ii) would be subject to tax under chapter 82.16 RCW if such activity were conducted in this state or if not for an exemption or deduction.

(3) With respect to wastewater treatment facilities:

(a) "To manufacture" does not include the treatment of wastewater, the production of reclaimed water, and the production of class B biosolids; and

(b) "To manufacture" does include the production of class A or exceptional quality biosolids, but only with respect to the processing activities that occur after the biosolids have reached class B standards."

EFFECT: Applies the manufacturing business and occupation (B&O) rate to the creation of intellectual property by a person who for whom all the following apply:

(1) The person has been registered with the department in Washington state for at least thirty-seven years;

(2) At any time after the effective date of this section, combined employment in this state of the person exceeds forty thousand full-time and part-time employees, based on data reported to the employment security department; and

(3) The business activities of the person primarily includes the development, sales, and licensing of computer software and services.