
HOUSE BILL 1995

State of Washington

69th Legislature

2025 Regular Session

By Representative Thomas

Read first time 02/18/25. Referred to Committee on Finance.

1 AN ACT Relating to tax preferences; amending RCW 82.04.110,
2 82.04.120, 82.04.260, 82.04.4282, 82.04.43395, 82.12.022, 82.12.022,
3 82.21.040, 82.23A.030, 82.29A.130, 82.29A.130, 82.45.010, 82.45.010,
4 82.45.030, 82.64.030, 84.36.010, and 84.36.030; reenacting and
5 amending RCW 82.04.050 and 82.04.260; repealing RCW 82.16.046,
6 82.29A.132, 82.45.190, 82.08.02566, 82.12.02566, 82.08.02568,
7 82.12.02568, 82.04.4482, 82.16.0498, 82.12.0265, 36.100.090,
8 82.12.024, 82.04.545, 82.16.315, 82.16.0495, 36.102.070, 82.08.02569,
9 82.12.02569, 82.04.421, 82.04.4331, 82.04.4295, 82.04.447, 84.36.047,
10 82.04.367, 82.23B.030, 82.08.965, 82.12.965, 82.08.970, 82.12.970,
11 82.04.448, 82.04.426, 82.04.4332, 82.29A.137, and 82.04.434;
12 providing effective dates; providing a contingent effective date;
13 providing expiration dates; and providing a contingent expiration
14 date.

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

16 NEW SECTION. **Sec. 1.** The following acts or parts of acts are
17 each repealed:

- 18 (1) RCW 82.16.046 (Exemptions—Operation of state route No. 16)
19 and 1998 c 179 s 5;
20 (2) RCW 82.29A.132 (Exemptions—Operation of state route No. 16)
21 and 1998 c 179 s 6;

- 1 (3) RCW 82.45.190 (Exemptions—State route No. 16 corridor
2 transportation systems and facilities) and 1998 c 179 s 7;
- 3 (4) RCW 82.08.02566 (Exemptions—Sales of tangible personal
4 property incorporated in prototype for parts, auxiliary equipment,
5 and aircraft modification—Limitations on yearly exemption) and 2003 c
6 168 s 208, 1997 c 302 s 1, & 1996 c 247 s 4;
- 7 (5) RCW 82.12.02566 (Exemptions—Use of tangible personal property
8 incorporated in prototype for aircraft parts, auxiliary equipment,
9 and aircraft modification—Limitations on yearly exemption) and 2003 c
10 168 s 209, 1997 c 302 s 2, & 1996 c 247 s 5;
- 11 (6) RCW 82.08.02568 (Exemptions—Sales of carbon and similar
12 substances that become an ingredient or component of anodes or
13 cathodes used in producing aluminum for sale) and 1996 c 170 s 1;
- 14 (7) RCW 82.12.02568 (Exemptions—Use of carbon and similar
15 substances that become an ingredient or component of anodes or
16 cathodes used in producing aluminum for sale) and 1996 c 170 s 2;
- 17 (8) RCW 82.04.4482 (Credit—Sales of electricity or gas to an
18 aluminum smelter) and 2004 c 24 s 9;
- 19 (9) RCW 82.16.0498 (Credit—Sales of electricity or gas to an
20 aluminum smelter) and 2004 c 24 s 13;
- 21 (10) RCW 82.12.0265 (Exemptions—Use by bailee of tangible
22 personal property consumed in research, development, etc.,
23 activities) and 1980 c 37 s 64;
- 24 (11) RCW 36.100.090 (Tax deferral—New public facilities) and 1995
25 1st sp.s. c 14 s 6;
- 26 (12) RCW 82.12.024 (Deferral of use tax on certain users of
27 natural or manufactured gas) and 2001 c 214 s 10;
- 28 (13) RCW 82.04.545 (Exemptions—Sales of electricity or gas to
29 silicon smelters) and 2017 3rd sp.s. c 37 s 705 & 2017 3rd sp.s. c 37
30 s 704;
- 31 (14) RCW 82.16.315 (Exemptions—Sales of electricity or gas to
32 silicon smelters) and 2017 3rd sp.s. c 37 s 703 & 2017 3rd sp.s. c 37
33 s 702;
- 34 (15) RCW 82.16.0495 (Credit—Electricity sold to a direct service
35 industrial customer) and 2001 c 214 s 11;
- 36 (16) RCW 36.102.070 (Deferral of taxes—Application by public
37 stadium authority—Department of revenue approval—Repayment—
38 Schedules—Interest—Debt for taxes—Information not confidential) and
39 1997 c 220 s 201;

1 (17) RCW 82.08.02569 (Exemptions—Sales of tangible personal
2 property related to a building or structure that is an integral part
3 of a laser interferometer gravitational wave observatory) and 1996 c
4 113 s 1;

5 (18) RCW 82.12.02569 (Exemptions—Use of tangible personal
6 property related to a building or structure that is an integral part
7 of a laser interferometer gravitational wave observatory) and 1996 c
8 113 s 2;

9 (19) RCW 82.04.421 (Exemptions—Out-of-state membership sales in
10 discount programs) and 1997 c 408 s 1;

11 (20) RCW 82.04.4331 (Deductions—Insurance claims for state health
12 care coverage) and 1988 c 107 s 33;

13 (21) RCW 82.04.4295 (Deductions—Manufacturing activities
14 completed outside the United States) and 1980 c 37 s 15;

15 (22) RCW 82.04.447 (Credit—Natural or manufactured gas purchased
16 by direct service industrial customers—Reports) and 2001 c 214 s 9;

17 (23) RCW 84.36.047 (Nonprofit organization property used for
18 transmission or reception of radio or television signals originally
19 broadcast by governmental agencies) and 1984 c 220 s 4 & 1977 ex.s. c
20 348 s 1;

21 (24) RCW 82.04.367 (Exemptions—Nonprofit organizations that are
22 guarantee agencies, issue debt, or provide guarantees for student
23 loans) and 1998 c 324 s 1 & 1987 c 433 s 1;

24 (25) RCW 82.23B.030 (Exemption) and 2015 c 274 s 15, 1992 c 73 s
25 9, & 1991 c 200 s 803;

26 (26) RCW 82.08.965 (Exemptions—Semiconductor materials
27 manufacturing) and 2024 c 261 s 5;

28 (27) RCW 82.12.965 (Exemptions—Semiconductor materials
29 manufacturing) and 2024 c 261 s 7;

30 (28) RCW 82.08.970 (Exemptions—Gases and chemicals used to
31 manufacture semiconductor materials) and 2024 c 261 s 6;

32 (29) RCW 82.12.970 (Exemptions—Gases and chemicals used to
33 manufacture semiconductor materials) and 2024 c 261 s 8;

34 (30) RCW 82.04.448 (Credit—Manufacturing semiconductor materials)
35 and 2024 c 261 s 4;

36 (31) RCW 82.04.426 (Exemptions—Semiconductor microchips) and 2024
37 c 261 s 3;

38 (32) RCW 82.04.4332 (Deductions—Tuition fees of foreign degree-
39 granting institutions) and 1993 c 181 s 10;

1 (33) RCW 82.29A.137 (Exemptions—Certain leasehold interests
2 related to the manufacture of superefficient airplanes) and 2017 c
3 135 s 35, 2013 3rd sp.s. c 2 s 13, 2010 c 114 s 134, & 2003 2nd sp.s.
4 c 1 s 13; and

5 (34) RCW 82.04.434 (Credit—Public safety standards and testing)
6 and 1991 c 13 s 1.

7 **Sec. 2.** RCW 82.04.050 and 2021 c 296 s 8 and 2021 c 143 s 2 are
8 each reenacted and amended to read as follows:

9 (1)(a) "Sale at retail" or "retail sale" means every sale of
10 tangible personal property (including articles produced, fabricated,
11 or imprinted) to all persons irrespective of the nature of their
12 business and including, among others, without limiting the scope
13 hereof, persons who install, repair, clean, alter, improve,
14 construct, or decorate real or personal property of or for consumers
15 other than a sale to a person who:

16 (i) Purchases for the purpose of resale as tangible personal
17 property in the regular course of business without intervening use by
18 such person, but a purchase for the purpose of resale by a regional
19 transit authority under RCW 81.112.300 is not a sale for resale; or

20 (ii) Installs, repairs, cleans, alters, imprints, improves,
21 constructs, or decorates real or personal property of or for
22 consumers, if such tangible personal property becomes an ingredient
23 or component of such real or personal property without intervening
24 use by such person; or

25 (iii) Purchases for the purpose of consuming the property
26 purchased in producing for sale as a new article of tangible personal
27 property or substance, of which such property becomes an ingredient
28 or component or is a chemical used in processing, when the primary
29 purpose of such chemical is to create a chemical reaction directly
30 through contact with an ingredient of a new article being produced
31 for sale; or

32 ~~(iv) ((Purchases for the purpose of consuming the property
33 purchased in producing ferrosilicon which is subsequently used in
34 producing magnesium for sale, if the primary purpose of such property
35 is to create a chemical reaction directly through contact with an
36 ingredient of ferrosilicon; or~~

37 ~~(v))~~ Purchases for the purpose of providing the property to
38 consumers as part of competitive telephone service, as defined in RCW
39 82.04.065; or

1 (~~(vi)~~) (v) Purchases for the purpose of satisfying the person's
2 obligations under an extended warranty as defined in subsection (7)
3 of this section, if such tangible personal property replaces or
4 becomes an ingredient or component of property covered by the
5 extended warranty without intervening use by such person.

6 (b) The term includes every sale of tangible personal property
7 that is used or consumed or to be used or consumed in the performance
8 of any activity defined as a "sale at retail" or "retail sale" even
9 though such property is resold or used as provided in (a)(i) through
10 (~~(vi)~~) (v) of this subsection following such use.

11 (c) The term also means every sale of tangible personal property
12 to persons engaged in any business that is taxable under RCW
13 82.04.280(1) (a), (b), and (g), 82.04.290, and 82.04.2908.

14 (2) The term "sale at retail" or "retail sale" includes the sale
15 of or charge made for tangible personal property consumed and/or for
16 labor and services rendered in respect to the following:

17 (a) The installing, repairing, cleaning, altering, imprinting, or
18 improving of tangible personal property of or for consumers,
19 including charges made for the mere use of facilities in respect
20 thereto, but excluding charges made for the use of self-service
21 laundry facilities, and also excluding sales of laundry service to
22 nonprofit health care facilities, and excluding services rendered in
23 respect to live animals, birds and insects;

24 (b) The constructing, repairing, decorating, or improving of new
25 or existing buildings or other structures under, upon, or above real
26 property of or for consumers, including the installing or attaching
27 of any article of tangible personal property therein or thereto,
28 whether or not such personal property becomes a part of the realty by
29 virtue of installation, and also includes the sale of services or
30 charges made for the clearing of land and the moving of earth
31 excepting the mere leveling of land used in commercial farming or
32 agriculture;

33 (c) The constructing, repairing, or improving of any structure
34 upon, above, or under any real property owned by an owner who conveys
35 the property by title, possession, or any other means to the person
36 performing such construction, repair, or improvement for the purpose
37 of performing such construction, repair, or improvement and the
38 property is then reconveyed by title, possession, or any other means
39 to the original owner;

1 (d) The cleaning, fumigating, razing, or moving of existing
2 buildings or structures, but does not include the charge made for
3 janitorial services; and for purposes of this section the term
4 "janitorial services" means those cleaning and caretaking services
5 ordinarily performed by commercial janitor service businesses
6 including, but not limited to, wall and window washing, floor
7 cleaning and waxing, and the cleaning in place of rugs, drapes and
8 upholstery. The term "janitorial services" does not include painting,
9 papering, repairing, furnace or septic tank cleaning, snow removal or
10 sandblasting;

11 (e) Automobile towing and similar automotive transportation
12 services, but not in respect to those required to report and pay
13 taxes under chapter 82.16 RCW;

14 (f) The furnishing of lodging and all other services by a hotel,
15 rooming house, tourist court, motel, trailer camp, and the granting
16 of any similar license to use real property, as distinguished from
17 the renting or leasing of real property, and it is presumed that the
18 occupancy of real property for a continuous period of one month or
19 more constitutes a rental or lease of real property and not a mere
20 license to use or enjoy the same. For the purposes of this
21 subsection, it is presumed that the sale of and charge made for the
22 furnishing of lodging for a continuous period of one month or more to
23 a person is a rental or lease of real property and not a mere license
24 to enjoy the same. For the purposes of this section, it is presumed
25 that the sale of and charge made for the furnishing of lodging
26 offered regularly for public occupancy for periods of less than a
27 month constitutes a license to use or enjoy the property subject to
28 sales and use tax and not a rental or lease of property;

29 (g) The installing, repairing, altering, or improving of digital
30 goods for consumers;

31 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g)
32 of this subsection when such sales or charges are for property, labor
33 and services which are used or consumed in whole or in part by such
34 persons in the performance of any activity defined as a "sale at
35 retail" or "retail sale" even though such property, labor and
36 services may be resold after such use or consumption. Nothing
37 contained in this subsection may be construed to modify subsection
38 (1) of this section and nothing contained in subsection (1) of this
39 section may be construed to modify this subsection.

1 (3) The term "sale at retail" or "retail sale" includes the sale
2 of or charge made for personal, business, or professional services
3 including amounts designated as interest, rents, fees, admission, and
4 other service emoluments however designated, received by persons
5 engaging in the following business activities:

6 (a) Abstract, title insurance, and escrow services;

7 (b) Credit bureau services;

8 (c) Automobile parking and storage garage services;

9 (d) Landscape maintenance and horticultural services but
10 excluding (i) horticultural services provided to farmers and (ii)
11 pruning, trimming, repairing, removing, and clearing of trees and
12 brush near electric transmission or distribution lines or equipment,
13 if performed by or at the direction of an electric utility;

14 (e) Service charges associated with tickets to professional
15 sporting events;

16 (f) The following personal services: Tanning salon services,
17 tattoo parlor services, steam bath services, turkish bath services,
18 escort services, and dating services; and

19 (g)(i) Operating an athletic or fitness facility, including all
20 charges for the use of such a facility or for any associated services
21 and amenities, except as provided in (g)(ii) of this subsection.

22 (ii) Notwithstanding anything to the contrary in (g)(i) of this
23 subsection (3), the term "sale at retail" and "retail sale" under
24 this subsection does not include:

25 (A) Separately stated charges for the use of an athletic or
26 fitness facility where such use is primarily for a purpose other than
27 engaging in or receiving instruction in a physical fitness activity;

28 (B) Separately stated charges for the use of a discrete portion
29 of an athletic or fitness facility, other than a pool, where such
30 discrete portion of the facility does not by itself meet the
31 definition of "athletic or fitness facility" in this subsection;

32 (C) Separately stated charges for services, such as advertising,
33 massage, nutritional consulting, and body composition testing, that
34 do not require the customer to engage in physical fitness activities
35 to receive the service. The exclusion in this subsection
36 (3)(g)(ii)(C) does not apply to personal training services and
37 instruction in a physical fitness activity;

38 (D) Separately stated charges for physical therapy provided by a
39 physical therapist, as those terms are defined in RCW 18.74.010, or
40 occupational therapy provided by an occupational therapy

1 practitioner, as those terms are defined in RCW 18.59.020, when
2 performed pursuant to a referral from an authorized health care
3 practitioner or in consultation with an authorized health care
4 practitioner. For the purposes of this subsection (3)(g)(ii)(D), an
5 authorized health care practitioner means a health care practitioner
6 licensed under chapter 18.83, 18.25, 18.36A, 18.57, 18.71, or 18.71A
7 RCW, or, until July 1, 2022, chapter 18.57A RCW;

8 (E) Rent or association fees charged by a landlord or residential
9 association to a tenant or residential owner with access to an
10 athletic or fitness facility maintained by the landlord or
11 residential association, unless the rent or fee varies depending on
12 whether the tenant or owner has access to the facility;

13 (F) Services provided in the regular course of employment by an
14 employee with access to an athletic or fitness facility maintained by
15 the employer for use without charge by its employees or their family
16 members;

17 (G) The provision of access to an athletic or fitness facility by
18 an educational institution to its students and staff. However,
19 charges made by an educational institution to its alumni or other
20 members of the public for the use of any of the educational
21 institution's athletic or fitness facilities are a retail sale under
22 this subsection (3)(g). For purposes of this subsection
23 (3)(g)(ii)(G), "educational institution" has the same meaning as in
24 RCW 82.04.170;

25 (H) Yoga, chi gong, or martial arts classes, training, or events
26 held at a community center, park, school gymnasium, college or
27 university, hospital or other medical facility, private residence, or
28 any other facility that is not operated within and as part of an
29 athletic or fitness facility.

30 (iii) Nothing in (g)(ii) of this subsection (3) may be construed
31 to affect the taxation of sales made by the operator of an athletic
32 or fitness facility, where such sales are defined as a retail sale
33 under any provision of this section other than this subsection (3).

34 (iv) For the purposes of this subsection (3)(g), the following
35 definitions apply:

36 (A) "Athletic or fitness facility" means an indoor or outdoor
37 facility or portion of a facility that is primarily used for:
38 Exercise classes; strength and conditioning programs; personal
39 training services; tennis, racquetball, handball, squash, or
40 pickleball; or other activities requiring the use of exercise or

1 strength training equipment, such as treadmills, elliptical machines,
2 stair climbers, stationary cycles, rowing machines, pilates
3 equipment, balls, climbing ropes, jump ropes, and weightlifting
4 equipment.

5 (B) "Martial arts" means any of the various systems of training
6 for physical combat or self-defense. "Martial arts" includes, but is
7 not limited to, karate, kung fu, tae kwon do, Krav Maga, boxing,
8 kickboxing, jujitsu, shootfighting, wrestling, aikido, judo, hapkido,
9 Kendo, tai chi, and mixed martial arts.

10 (C) "Physical fitness activities" means activities that involve
11 physical exertion for the purpose of improving or maintaining the
12 general fitness, strength, flexibility, conditioning, or health of
13 the participant. "Physical fitness activities" includes participating
14 in yoga, chi gong, or martial arts.

15 (4) (a) The term also includes the renting or leasing of tangible
16 personal property to consumers.

17 (b) The term does not include the renting or leasing of tangible
18 personal property where the lease or rental is for the purpose of
19 sublease or subrent.

20 (5) The term also includes the providing of "competitive
21 telephone service," "telecommunications service," or "ancillary
22 services," as those terms are defined in RCW 82.04.065, to consumers.

23 (6) (a) The term also includes the sale of prewritten computer
24 software to a consumer, regardless of the method of delivery to the
25 end user. For purposes of (a) and (b) of this subsection, the sale of
26 prewritten computer software includes the sale of or charge made for
27 a key or an enabling or activation code, where the key or code is
28 required to activate prewritten computer software and put the
29 software into use. There is no separate sale of the key or code from
30 the prewritten computer software, regardless of how the sale may be
31 characterized by the vendor or by the purchaser.

32 (b) The term "retail sale" does not include the sale of or charge
33 made for:

34 (i) Custom software; or

35 (ii) The customization of prewritten computer software.

36 (c) (i) The term also includes the charge made to consumers for
37 the right to access and use prewritten computer software, where
38 possession of the software is maintained by the seller or a third
39 party, regardless of whether the charge for the service is on a per
40 use, per user, per license, subscription, or some other basis.

1 (ii)(A) The service described in (c)(i) of this subsection (6)
2 includes the right to access and use prewritten computer software to
3 perform data processing.

4 (B) For purposes of this subsection (6)(c)(ii), "data processing"
5 means the systematic performance of operations on data to extract the
6 required information in an appropriate form or to convert the data to
7 usable information. Data processing includes check processing, image
8 processing, form processing, survey processing, payroll processing,
9 claim processing, and similar activities.

10 (7) The term also includes the sale of or charge made for an
11 extended warranty to a consumer. For purposes of this subsection,
12 "extended warranty" means an agreement for a specified duration to
13 perform the replacement or repair of tangible personal property at no
14 additional charge or a reduced charge for tangible personal property,
15 labor, or both, or to provide indemnification for the replacement or
16 repair of tangible personal property, based on the occurrence of
17 specified events. The term "extended warranty" does not include an
18 agreement, otherwise meeting the definition of extended warranty in
19 this subsection, if no separate charge is made for the agreement and
20 the value of the agreement is included in the sales price of the
21 tangible personal property covered by the agreement. For purposes of
22 this subsection, "sales price" has the same meaning as in RCW
23 82.08.010.

24 (8)(a) The term also includes the following sales to consumers of
25 digital goods, digital codes, and digital automated services:

26 (i) Sales in which the seller has granted the purchaser the right
27 of permanent use;

28 (ii) Sales in which the seller has granted the purchaser a right
29 of use that is less than permanent;

30 (iii) Sales in which the purchaser is not obligated to make
31 continued payment as a condition of the sale; and

32 (iv) Sales in which the purchaser is obligated to make continued
33 payment as a condition of the sale.

34 (b) A retail sale of digital goods, digital codes, or digital
35 automated services under this subsection (8) includes any services
36 provided by the seller exclusively in connection with the digital
37 goods, digital codes, or digital automated services, whether or not a
38 separate charge is made for such services.

39 (c) For purposes of this subsection, "permanent" means perpetual
40 or for an indefinite or unspecified length of time. A right of

1 permanent use is presumed to have been granted unless the agreement
2 between the seller and the purchaser specifies or the circumstances
3 surrounding the transaction suggest or indicate that the right to use
4 terminates on the occurrence of a condition subsequent.

5 (9) The term also includes the charge made for providing tangible
6 personal property along with an operator for a fixed or indeterminate
7 period of time. A consideration of this is that the operator is
8 necessary for the tangible personal property to perform as designed.
9 For the purpose of this subsection (9), an operator must do more than
10 maintain, inspect, or set up the tangible personal property.

11 (10) The term does not include the sale of or charge made for
12 labor and services rendered in respect to the building, repairing, or
13 improving of any street, place, road, highway, easement, right-of-
14 way, mass public transportation terminal or parking facility, bridge,
15 tunnel, or trestle which is owned by a municipal corporation or
16 political subdivision of the state or by the United States and which
17 is used or to be used primarily for foot or vehicular traffic
18 including mass transportation vehicles of any kind.

19 (11) The term also does not include sales of chemical sprays or
20 washes to persons for the purpose of postharvest treatment of fruit
21 for the prevention of scald, fungus, mold, or decay, nor does it
22 include sales of feed, seed, seedlings, fertilizer, agents for
23 enhanced pollination including insects such as bees, and spray
24 materials to: (a) Persons who participate in the federal conservation
25 reserve program, the environmental quality incentives program, the
26 wetlands reserve program, and the wildlife habitat incentives
27 program, or their successors administered by the United States
28 department of agriculture; (b) farmers for the purpose of producing
29 for sale any agricultural product; (c) farmers for the purpose of
30 providing bee pollination services; and (d) farmers acting under
31 cooperative habitat development or access contracts with an
32 organization exempt from federal income tax under 26 U.S.C. Sec.
33 501(c)(3) of the federal internal revenue code or the Washington
34 state department of fish and wildlife to produce or improve wildlife
35 habitat on land that the farmer owns or leases.

36 (12) The term does not include the sale of or charge made for
37 labor and services rendered in respect to the constructing,
38 repairing, decorating, or improving of new or existing buildings or
39 other structures under, upon, or above real property of or for the
40 United States, any instrumentality thereof, or a county or city

1 housing authority created pursuant to chapter 35.82 RCW, including
2 the installing, or attaching of any article of tangible personal
3 property therein or thereto, whether or not such personal property
4 becomes a part of the realty by virtue of installation. Nor does the
5 term include the sale of services or charges made for the clearing of
6 land and the moving of earth of or for the United States, any
7 instrumentality thereof, or a county or city housing authority. Nor
8 does the term include the sale of services or charges made for
9 cleaning up for the United States, or its instrumentalities,
10 radioactive waste and other by-products of weapons production and
11 nuclear research and development.

12 (13) The term does not include the sale of or charge made for
13 labor, services, or tangible personal property pursuant to agreements
14 providing maintenance services for bus, rail, or rail fixed guideway
15 equipment when a regional transit authority is the recipient of the
16 labor, services, or tangible personal property, and a transit agency,
17 as defined in RCW 81.104.015, performs the labor or services.

18 (14) The term does not include the sale for resale of any service
19 described in this section if the sale would otherwise constitute a
20 "sale at retail" and "retail sale" under this section.

21 (15)(a) The term "sale at retail" or "retail sale" includes
22 amounts charged, however labeled, to consumers to engage in any of
23 the activities listed in this subsection (15)(a), including the
24 furnishing of any associated equipment or, except as otherwise
25 provided in this subsection, providing instruction in such
26 activities, where such charges are not otherwise defined as a "sale
27 at retail" or "retail sale" in this section:

28 (i)(A) Golf, including any variant in which either golf balls or
29 golf clubs are used, such as miniature golf, hitting golf balls at a
30 driving range, and golf simulators, and including fees charged by a
31 golf course to a player for using his or her own cart. However,
32 charges for golf instruction are not a retail sale, provided that if
33 the instruction involves the use of a golfing facility that would
34 otherwise require the payment of a fee, such as green fees or driving
35 range fees, such fees, including the applicable retail sales tax,
36 must be separately identified and charged by the golfing facility
37 operator to the instructor or the person receiving the instruction.

38 (B) Notwithstanding (a)(i)(A) of this subsection (15) and except
39 as otherwise provided in this subsection (15)(a)(i)(B), the term
40 "sale at retail" or "retail sale" does not include amounts charged to

1 participate in, or conduct, a golf tournament or other competitive
2 event. However, amounts paid by event participants to the golf
3 facility operator are retail sales under this subsection (15)(a)(i).
4 Likewise, amounts paid by the event organizer to the golf facility
5 are retail sales under this subsection (15)(a)(i), if such amounts
6 vary based on the number of event participants;

7 (ii) Ballooning, hang gliding, indoor or outdoor sky diving,
8 paragliding, parasailing, and similar activities;

9 (iii) Air hockey, billiards, pool, foosball, darts, shuffleboard,
10 ping pong, and similar games;

11 (iv) Access to amusement park, theme park, and water park
12 facilities, including but not limited to charges for admission and
13 locker or cabana rentals. Discrete charges for rides or other
14 attractions or entertainment that are in addition to the charge for
15 admission are not a retail sale under this subsection (15)(a)(iv).
16 For the purposes of this subsection, an amusement park or theme park
17 is a location that provides permanently affixed amusement rides,
18 games, and other entertainment, but does not include parks or zoos
19 for which the primary purpose is the exhibition of wildlife, or
20 fairs, carnivals, and festivals as defined in (b)(i) of this
21 subsection;

22 (v) Batting cage activities;

23 (vi) Bowling, but not including competitive events, except that
24 amounts paid by the event participants to the bowling alley operator
25 are retail sales under this subsection (15)(a)(vi). Likewise, amounts
26 paid by the event organizer to the operator of the bowling alley are
27 retail sales under this subsection (15)(a)(vi), if such amounts vary
28 based on the number of event participants;

29 (vii) Climbing on artificial climbing structures, whether indoors
30 or outdoors;

31 (viii) Day trips for sightseeing purposes;

32 (ix) Bungee jumping, zip lining, and riding inside a ball,
33 whether inflatable or otherwise;

34 (x) Horseback riding offered to the public, where the seller
35 furnishes the horse to the buyer and providing instruction is not the
36 primary focus of the activity, including guided rides, but not
37 including therapeutic horseback riding provided by an instructor
38 certified by a nonprofit organization that offers national or
39 international certification for therapeutic riding instructors;

1 (xi) Fishing, including providing access to private fishing areas
2 and charter or guided fishing, except that fishing contests and
3 license fees imposed by a government entity are not a retail sale
4 under this subsection;

5 (xii) Guided hunting and hunting at game farms and shooting
6 preserves, except that hunting contests and license fees imposed by a
7 government entity are not a retail sale under this subsection;

8 (xiii) Swimming, but only in respect to (A) recreational or
9 fitness swimming that is open to the public, such as open swim, lap
10 swimming, and special events like kids night out and pool parties
11 during open swim time, and (B) pool parties for private events, such
12 as birthdays, family gatherings, and employee outings. Fees for
13 swimming lessons, to participate in swim meets and other
14 competitions, or to join a swim team, club, or aquatic facility are
15 not retail sales under this subsection (15) (a) (xiii);

16 (xiv) Go-karting, bumper cars, and other motorized activities
17 where the seller provides the vehicle and the premises where the
18 buyer will operate the vehicle;

19 (xv) Indoor or outdoor playground activities, such as inflatable
20 bounce structures and other inflatables; mazes; trampolines; slides;
21 ball pits; games of tag, including laser tag and soft-dart tag; and
22 human gyroscope rides, regardless of whether such activities occur at
23 the seller's place of business, but not including playground
24 activities provided for children by a licensed child day care center
25 or licensed family day care provider as those terms are defined in
26 RCW 43.216.010;

27 (xvi) Shooting sports and activities, such as target shooting,
28 skeet, trap, sporting clays, "5" stand, and archery, but only in
29 respect to discrete charges to members of the public to engage in
30 these activities, but not including fees to enter a competitive
31 event, instruction that is entirely or predominately classroom based,
32 or to join or renew a membership at a club, range, or other facility;

33 (xvii) Paintball and airsoft activities;

34 (xviii) Skating, including ice skating, roller skating, and
35 inline skating, but only in respect to discrete charges to members of
36 the public to engage in skating activities, but not including skating
37 lessons, competitive events, team activities, or fees to join or
38 renew a membership at a skating facility, club, or other
39 organization;

1 (xix) Nonmotorized snow sports and activities, such as downhill
2 and cross-country skiing, snowboarding, ski jumping, sledding, snow
3 tubing, snowshoeing, and similar snow sports and activities, whether
4 engaged in outdoors or in an indoor facility with or without snow,
5 but only in respect to discrete charges to the public for the use of
6 land or facilities to engage in nonmotorized snow sports and
7 activities, such as fees, however labeled, for the use of ski lifts
8 and tows and daily or season passes for access to trails or other
9 areas where nonmotorized snow sports and activities are conducted.
10 However, fees for the following are not retail sales under this
11 subsection (15)(a)(xix): (A) Instructional lessons; (B) permits
12 issued by a governmental entity to park a vehicle on or access public
13 lands; and (C) permits or leases granted by an owner of private
14 timberland for recreational access to areas used primarily for
15 growing and harvesting timber; and

16 (xx) Scuba diving; snorkeling; river rafting; surfing;
17 kiteboarding; flyboarding; water slides; inflatables, such as water
18 pillows, water trampolines, and water rollers; and similar water
19 sports and activities.

20 (b) Notwithstanding anything to the contrary in this subsection
21 (15), the term "sale at retail" or "retail sale" does not include
22 charges:

23 (i) Made for admission to, and rides or attractions at, fairs,
24 carnivals, and festivals. For the purposes of this subsection, fairs,
25 carnivals, and festivals are events that do not exceed 21 days and a
26 majority of the amusement rides, if any, are not affixed to real
27 property;

28 (ii) Made by an educational institution to its students and staff
29 for activities defined as retail sales by (a)(i) through (xx) of this
30 subsection. However, charges made by an educational institution to
31 its alumni or other members of the general public for these
32 activities are a retail sale under this subsection (15). For purposes
33 of this subsection (15)(b)(ii), "educational institution" has the
34 same meaning as in RCW 82.04.170;

35 (iii) Made by a vocational school for commercial diver training
36 that is licensed by the workforce training and education coordinating
37 board under chapter 28C.10 RCW; or

38 (iv) Made for day camps offered by a nonprofit organization or
39 state or local governmental entity that provide youth not older than
40 age 18, or that are focused on providing individuals with

1 disabilities or mental illness, the opportunity to participate in a
2 variety of supervised activities.

3 (16)(a) The term "sale at retail" or "retail sale" includes the
4 purchase or acquisition of tangible personal property and specified
5 services by a person who receives either a qualifying grant exempt
6 from tax under RCW 82.04.767 or 82.16.320 or a grant deductible under
7 RCW 82.04.4339, except for transactions excluded from the definition
8 of "sale at retail" or "retail sale" by any other provision of this
9 section. Nothing in this subsection (16) may be construed to limit
10 the application of any other provision of this section to purchases
11 by a recipient of either a qualifying grant exempt from tax under RCW
12 82.04.767 or a grant deductible under RCW 82.04.4339, or by any other
13 person.

14 (b) For purposes of this subsection (16), "specified services"
15 means:

16 (i) The constructing, repairing, decorating, or improving of new
17 or existing buildings or other structures under, upon, or above real
18 property, including the installing or attaching of any article of
19 tangible personal property therein or thereto, whether or not such
20 personal property becomes a part of the realty by virtue of
21 installation;

22 (ii) The clearing of land or the moving of earth, whether or not
23 associated with activities described in (b)(i) of this subsection
24 (16);

25 (iii) The razing or moving of existing buildings or structures;
26 and

27 (iv) Landscape maintenance and horticultural services.

28 **Sec. 3.** RCW 82.04.110 and 2009 c 535 s 405 are each amended to
29 read as follows:

30 (1) Except as otherwise provided in this section, "manufacturer"
31 means every person who, either directly or by contracting with others
32 for the necessary labor or mechanical services, manufactures for sale
33 or for commercial or industrial use from his or her own materials or
34 ingredients any articles, substances, or commodities.

35 (2) ~~((a))~~ When the owner of equipment or facilities furnishes,
36 or sells to the customer prior to manufacture, all or a portion of
37 the materials that become a part or whole of the manufactured
38 article, the department shall prescribe equitable rules for
39 determining tax liability.

1 (~~(b) A person who produces aluminum master alloys is a processor~~
2 ~~for hire rather than a manufacturer, regardless of the portion of the~~
3 ~~aluminum provided by that person's customer. For the purposes of this~~
4 ~~subsection (2) (b), "aluminum master alloy" means an alloy registered~~
5 ~~with the aluminum association as a grain refiner or a hardener alloy~~
6 ~~using the American national standards institute designating system~~
7 ~~H35.3.)~~)

8 (3) A nonresident of this state who is the owner of materials
9 processed for it in this state by a processor for hire shall not be
10 deemed to be engaged in business in this state as a manufacturer
11 because of the performance of such processing work for it in this
12 state.

13 (4) The owner of materials from which a nuclear fuel assembly is
14 made for it by a processor for hire shall not be subject to tax under
15 this chapter as a manufacturer of the fuel assembly.

16 (5) For purposes of this section, the terms "articles,"
17 "substances," "materials," "ingredients," and "commodities" do not
18 include digital goods.

19 **Sec. 4.** RCW 82.04.120 and 2019 c 202 s 3 are each amended to
20 read as follows:

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

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

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

31 (c) Cutting, delimiting, and measuring of felled, cut, or taken
32 trees;

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

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

37 (f) The production or processing of renewable natural gas.

38 (2) "To manufacture" does not include:

- 1 (a) Conditioning of seed for use in planting; cubing hay or
2 alfalfa;
- 3 (b) Activities which consist of cutting, grading, or ice glazing
4 seafood which has been cooked, frozen, or canned outside this state;
- 5 (c) The growing, harvesting, or producing of agricultural
6 products;
- 7 ~~((Packing of agricultural products, including sorting,
8 washing, rinsing, grading, waxing, treating with fungicide,
9 packaging, chilling, or placing in controlled atmospheric storage;
10 (-e)))~~ The production of digital goods;
- 11 ~~((-f))~~ (e) The production of computer software if the computer
12 software is delivered from the seller to the purchaser by means other
13 than tangible storage media, including the delivery by use of a
14 tangible storage media where the tangible storage media is not
15 physically transferred to the purchaser; and
- 16 ~~((-g))~~ (f) Except as provided in subsection (1)~~((-e))~~ (d) of
17 this section, any activity that is integral to any public service
18 business as defined in RCW 82.16.010 and with respect to which the
19 gross income associated with such activity: (i) Is subject to tax
20 under chapter 82.16 RCW; or (ii) would be subject to tax under
21 chapter 82.16 RCW if such activity were conducted in this state or if
22 not for an exemption or deduction.
- 23 (3) With respect to wastewater treatment facilities:
- 24 (a) "To manufacture" does not include the treatment of
25 wastewater, the production of reclaimed water, and the production of
26 class B biosolids; and
- 27 (b) "To manufacture" does include the production of class A or
28 exceptional quality biosolids, but only with respect to the
29 processing activities that occur after the biosolids have reached
30 class B standards.

31 **Sec. 5.** RCW 82.04.260 and 2023 c 422 s 5 and 2023 c 286 s 3 are
32 each reenacted and amended to read as follows:

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

35 (a) Wheat into flour, barley into pearl barley, soybeans into
36 soybean oil, canola into canola oil, canola meal, or canola by-
37 products, or sunflower seeds into sunflower oil; as to such persons
38 the amount of tax with respect to such business is equal to the value

1 of the flour, pearl barley, oil, canola meal, or canola by-product
2 manufactured, multiplied by the rate of 0.138 percent;

3 ~~(b) ((Beginning July 1, 2035, seafood products that remain in a~~
4 ~~raw, raw frozen, or raw salted state at the completion of the~~
5 ~~manufacturing by that person; or selling manufactured seafood~~
6 ~~products that remain in a raw, raw frozen, or raw salted state at the~~
7 ~~completion of the manufacturing, to purchasers who transport in the~~
8 ~~ordinary course of business the goods out of this state; as to such~~
9 ~~persons the amount of tax with respect to such business is equal to~~
10 ~~the value of the products manufactured or the gross proceeds derived~~
11 ~~from such sales, multiplied by the rate of 0.138 percent. Sellers~~
12 ~~must keep and preserve records for the period required by RCW~~
13 ~~82.32.070 establishing that the goods were transported by the~~
14 ~~purchaser in the ordinary course of business out of this state;~~

15 ~~(e))~~ (i) Except as provided otherwise in ~~((e))~~ (b)(iii) of this
16 subsection, beginning July 1, 2035, until January 1, 2046, dairy
17 products; or selling dairy products that the person has manufactured
18 to purchasers who either transport in the ordinary course of business
19 the goods out of state or purchasers who use such dairy products as
20 an ingredient or component in the manufacturing of a dairy product;
21 as to such persons the tax imposed is equal to the value of the
22 products manufactured or the gross proceeds derived from such sales
23 multiplied by the rate of 0.138 percent. Sellers must keep and
24 preserve records for the period required by RCW 82.32.070
25 establishing that the goods were transported by the purchaser in the
26 ordinary course of business out of this state or sold to a
27 manufacturer for use as an ingredient or component in the
28 manufacturing of a dairy product.

29 (ii) For the purposes of this subsection (1)~~((e))~~ (b), "dairy
30 products" means:

31 (A) Products, not including any cannabis-infused product, that as
32 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts
33 131, 133, and 135, including by-products from the manufacturing of
34 the dairy products, such as whey and casein; and

35 (B) Products comprised of not less than 70 percent dairy products
36 that qualify under ~~((e))~~ (b)(ii)(A) of this subsection, measured by
37 weight or volume.

38 (iii) The preferential tax rate provided to taxpayers under this
39 subsection (1)~~((e))~~ (b) does not apply to sales of dairy products
40 on or after July 1, 2023, where a dairy product is used by the

1 purchaser as an ingredient or component in the manufacturing in
2 Washington of a dairy product;

3 ~~((d))~~ (c)(i) Beginning July 1, 2035, fruits or vegetables by
4 canning, preserving, freezing, processing, or dehydrating fresh
5 fruits or vegetables, or selling at wholesale fruits or vegetables
6 manufactured by the seller by canning, preserving, freezing,
7 processing, or dehydrating fresh fruits or vegetables and sold to
8 purchasers who transport in the ordinary course of business the goods
9 out of this state; as to such persons the amount of tax with respect
10 to such business is equal to the value of the products manufactured
11 or the gross proceeds derived from such sales multiplied by the rate
12 of 0.138 percent. Sellers must keep and preserve records for the
13 period required by RCW 82.32.070 establishing that the goods were
14 transported by the purchaser in the ordinary course of business out
15 of this state.

16 (ii) For purposes of this subsection (1) ~~((d))~~ (c), "fruits" and
17 "vegetables" do not include cannabis, useable cannabis, or cannabis-
18 infused products; and

19 ~~((e))~~ (d) Wood biomass fuel; as to such persons the amount of
20 tax with respect to the business is equal to the value of wood
21 biomass fuel manufactured, multiplied by the rate of 0.138 percent.
22 For the purposes of this section, "wood biomass fuel" means a liquid
23 or gaseous fuel that is produced from lignocellulosic feedstocks,
24 including wood, forest, or field residue and dedicated energy crops,
25 and that does not include wood treated with chemical preservations
26 such as creosote, pentachlorophenol, or copper-chrome-arsenic.

27 (2) Upon every person engaging within this state in the business
28 of splitting or processing dried peas; as to such persons the amount
29 of tax with respect to such business is equal to the value of the
30 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 is equal to the gross income derived from such activities
35 multiplied by the rate of 0.484 percent.~~

36 ~~(4))~~ Upon every person engaging within this state in the
37 business of slaughtering, breaking and/or processing perishable meat
38 products and/or selling the same at wholesale only and not at retail;
39 as to such persons the tax imposed is equal to the gross proceeds
40 derived from such sales multiplied by the rate of 0.138 percent.

1 ~~((5))~~ (4) (a) Upon every person engaging within this state in
2 the business of acting as a travel agent or tour operator and whose
3 annual taxable amount for the prior calendar year from such business
4 was \$250,000 or less; as to such persons the amount of the tax with
5 respect to such activities is equal to the gross income derived from
6 such activities multiplied by the rate of 0.275 percent.

7 (b) Upon every person engaging within this state in the business
8 of acting as a travel agent or tour operator and whose annual taxable
9 amount for the prior calendar year from such business was more than
10 \$250,000; as to such persons the amount of the tax with respect to
11 such activities is equal to the gross income derived from such
12 activities multiplied by the rate of 0.275 percent through June 30,
13 2019, and 0.9 percent beginning July 1, 2019.

14 ~~((6))~~ (5) Upon every person engaging within this state in
15 business as an international steamship agent, international customs
16 house broker, international freight forwarder, vessel and/or cargo
17 charter broker in foreign commerce, and/or international air cargo
18 agent; as to such persons the amount of the tax with respect to only
19 international activities is equal to the gross income derived from
20 such activities multiplied by the rate of 0.275 percent.

21 ~~((7))~~ (6) Upon every person engaging within this state in the
22 business of stevedoring and associated activities pertinent to the
23 movement of goods and commodities in waterborne interstate or foreign
24 commerce; as to such persons the amount of tax with respect to such
25 business is equal to the gross proceeds derived from such activities
26 multiplied by the rate of 0.275 percent. Persons subject to taxation
27 under this subsection are exempt from payment of taxes imposed by
28 chapter 82.16 RCW for that portion of their business subject to
29 taxation under this subsection. Stevedoring and associated activities
30 pertinent to the conduct of goods and commodities in waterborne
31 interstate or foreign commerce are defined as all activities of a
32 labor, service or transportation nature whereby cargo may be loaded
33 or unloaded to or from vessels or barges, passing over, onto or under
34 a wharf, pier, or similar structure; cargo may be moved to a
35 warehouse or similar holding or storage yard or area to await further
36 movement in import or export or may move to a consolidation freight
37 station and be stuffed, unstuffed, containerized, separated or
38 otherwise segregated or aggregated for delivery or loaded on any mode
39 of transportation for delivery to its consignee. Specific activities
40 included in this definition are: Wharfage, handling, loading,

1 unloading, moving of cargo to a convenient place of delivery to the
2 consignee or a convenient place for further movement to export mode;
3 documentation services in connection with the receipt, delivery,
4 checking, care, custody and control of cargo required in the transfer
5 of cargo; imported automobile handling prior to delivery to
6 consignee; terminal stevedoring and incidental vessel services,
7 including but not limited to plugging and unplugging refrigerator
8 service to containers, trailers, and other refrigerated cargo
9 receptacles, and securing ship hatch covers.

10 ~~((+8))~~ (7)(a) Upon every person engaging within this state in
11 the business of disposing of low-level waste, as defined in RCW
12 70A.380.010; as to such persons the amount of the tax with respect to
13 such business is equal to the gross income of the business, excluding
14 any fees imposed under chapter 70A.384 RCW, multiplied by the rate of
15 3.3 percent.

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

20 ~~((+9))~~ (8) Upon every person engaging within this state as an
21 insurance producer or title insurance agent licensed under chapter
22 48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW;
23 as to such persons, the amount of the tax with respect to such
24 licensed activities is equal to the gross income of such business
25 multiplied by the rate of 0.484 percent.

26 ~~((+10))~~ (9) Upon every person engaging within this state in
27 business as a hospital, as defined in chapter 70.41 RCW, that is
28 operated as a nonprofit corporation or by the state or any of its
29 political subdivisions, as to such persons, the amount of tax with
30 respect to such activities is equal to the gross income of the
31 business multiplied by the rate of 0.75 percent through June 30,
32 1995, and 1.5 percent thereafter.

33 ~~((+11))~~ (10)(a) Beginning October 1, 2005, upon every person
34 engaging within this state in the business of manufacturing
35 commercial airplanes, or components of such airplanes, or making
36 sales, at retail or wholesale, of commercial airplanes or components
37 of such airplanes, manufactured by the seller, as to such persons the
38 amount of tax with respect to such business is, in the case of
39 manufacturers, equal to the value of the product manufactured and the
40 gross proceeds of sales of the product manufactured, or in the case

1 of processors for hire, equal to the gross income of the business,
2 multiplied by the rate of:

3 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;

4 (ii) 0.2904 percent beginning July 1, 2007, through March 31,
5 2020; and

6 (iii) Beginning April 1, 2020, 0.484 percent, subject to any
7 reduction required under (e) of this subsection (~~((11))~~) (10). The
8 tax rate in this subsection (~~((11))~~) (10)(a)(iii) applies to all
9 business activities described in this subsection (~~((11))~~) (10)(a).

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

21 (i) 0.2904 percent through March 31, 2020; and

22 (ii) Beginning April 1, 2020, the following rates, which are
23 subject to any reduction required under (e) of this subsection
24 (~~((11))~~) (10):

25 (A) The rate under RCW 82.04.250(1) on the business of making
26 retail sales of tooling specifically designed for use in
27 manufacturing commercial airplanes or components of such airplanes;
28 and

29 (B) 0.484 percent on all other business activities described in
30 this subsection (~~((11))~~) (10)(b).

31 (c) For the purposes of this subsection (~~((11))~~) (10),
32 "commercial airplane" and "component" have the same meanings as
33 provided in RCW 82.32.550.

34 (d)(i) In addition to all other requirements under this title, a
35 person reporting under the tax rate provided in this subsection
36 (~~((11))~~) (10) must file a complete annual tax performance report with
37 the department under RCW 82.32.534. However, this requirement does
38 not apply to persons reporting under the tax rate in (a)(iii) of this
39 subsection (~~((11))~~) (10), so long as that rate remains 0.484 percent,
40 or under any of the tax rates in (b)(ii)(A) and (B) of this

1 subsection (~~((11))~~) (10), so long as those tax rates remain the rate
2 imposed pursuant to RCW 82.04.250(1) and 0.484 percent, respectively.

3 (ii) Nothing in (d)(i) of this subsection (~~((11))~~) (10) may be
4 construed as affecting the obligation of a person reporting under a
5 tax rate provided in this subsection (~~((11))~~) (10) to file a complete
6 annual tax performance report with the department under RCW
7 82.32.534: (A) Pursuant to another provision of this title as a
8 result of claiming a tax credit or exemption; or (B) pursuant to
9 (d)(i) of this subsection (~~((11))~~) (10) as a result of claiming the
10 tax rates in (a)(ii) or (b)(i) of this subsection (~~((11))~~) (10) for
11 periods ending before April 1, 2020.

12 (e)(i) After March 31, 2021, the tax rates under (a)(iii) and
13 (b)(ii) of this subsection (~~((11))~~) (10) must be reduced to 0.357
14 percent provided the conditions in RCW 82.04.2602 are met. The
15 effective date of the rates authorized under this subsection (~~((11))~~)
16 (10)(e) must occur on the first day of the next calendar quarter that
17 is at least 60 days after the department receives the last of the two
18 written notices pursuant to RCW 82.04.2602 (3) and (4).

19 (ii) Both a significant commercial airplane manufacturer
20 separately and the rest of the aerospace industry as a whole,
21 receiving the rate of 0.357 percent under this subsection (~~((11))~~)
22 (10)(e) are subject to the aerospace apprenticeship utilization rates
23 required under RCW 49.04.220 by April 1, 2026, or five years after
24 the effective date of the 0.357 percent rate authorized under this
25 subsection (~~((11))~~) (10)(e), whichever is later, as determined by the
26 department of labor and industries.

27 (iii) The provisions of RCW 82.32.805 and 82.32.808 do not apply
28 to this subsection (~~((11))~~) (10)(e).

29 (f)(i) Except as provided in (f)(ii) of this subsection (~~((11))~~)
30 (10), this subsection (~~((11))~~) (10) does not apply on and after July
31 1, 2040.

32 (ii) With respect to the manufacturing of commercial airplanes or
33 making sales, at retail or wholesale, of commercial airplanes, this
34 subsection (~~((11))~~) (10) does not apply on and after July 1st of the
35 year in which the department makes a determination that any final
36 assembly or wing assembly of any version or variant of a commercial
37 airplane that is the basis of a siting of a significant commercial
38 airplane manufacturing program in the state under RCW 82.32.850 has
39 been sited outside the state of Washington. This subsection (~~((11))~~)
40 (10)(f)(ii) only applies to the manufacturing or sale of commercial

1 airplanes that are the basis of a siting of a significant commercial
2 airplane manufacturing program in the state under RCW 82.32.850. This
3 subsection (~~((11))~~) (10)(f)(ii) continues to apply during the time
4 that a person is subject to the tax rate in (a)(iii) of this
5 subsection (~~((11))~~) (10).

6 (g) For the purposes of this subsection, "a significant
7 commercial airplane manufacturer" means a manufacturer of commercial
8 airplanes with at least 50,000 full-time employees in Washington as
9 of January 1, 2021.

10 (~~((12))~~) (11)(a) Until July 1, 2045, upon every person engaging
11 within this state in the business of extracting timber or extracting
12 for hire timber; as to such persons the amount of tax with respect to
13 the business is, in the case of extractors, equal to the value of
14 products, including by-products, extracted, or in the case of
15 extractors for hire, equal to the gross income of the business,
16 multiplied by the rate of 0.4235 percent from July 1, 2006, through
17 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
18 2045.

19 (b) Until July 1, 2045, upon every person engaging within this
20 state in the business of manufacturing or processing for hire: (i)
21 Timber into timber products or wood products; (ii) timber products
22 into other timber products or wood products; or (iii) products
23 defined in RCW 19.27.570(1); as to such persons the amount of the tax
24 with respect to the business is, in the case of manufacturers, equal
25 to the value of products, including by-products, manufactured, or in
26 the case of processors for hire, equal to the gross income of the
27 business, multiplied by the rate of 0.4235 percent from July 1, 2006,
28 through June 30, 2007, and 0.2904 percent from July 1, 2007, through
29 June 30, 2045.

30 (c) Until July 1, 2045, upon every person engaging within this
31 state in the business of selling at wholesale: (i) Timber extracted
32 by that person; (ii) timber products manufactured by that person from
33 timber or other timber products; (iii) wood products manufactured by
34 that person from timber or timber products; or (iv) products defined
35 in RCW 19.27.570(1) manufactured by that person; as to such persons
36 the amount of the tax with respect to the business is equal to the
37 gross proceeds of sales of the timber, timber products, wood
38 products, or products defined in RCW 19.27.570(1) multiplied by the
39 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and
40 0.2904 percent from July 1, 2007, through June 30, 2045.

1 (d) Until July 1, 2045, upon every person engaging within this
2 state in the business of selling standing timber; as to such persons
3 the amount of the tax with respect to the business is equal to the
4 gross income of the business multiplied by the rate of 0.2904
5 percent. For purposes of this subsection (~~((12))~~) (11)(d), "selling
6 standing timber" means the sale of timber apart from the land, where
7 the buyer is required to sever the timber within 30 months from the
8 date of the original contract, regardless of the method of payment
9 for the timber and whether title to the timber transfers before,
10 upon, or after severance.

11 (e) For purposes of this subsection, the following definitions
12 apply:

13 (i) "Biocomposite surface products" means surface material
14 products containing, by weight or volume, more than 50 percent
15 recycled paper and that also use nonpetroleum-based phenolic resin as
16 a bonding agent.

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

29 (iii) "Recycled paper" means paper and paper products having 50
30 percent or more of their fiber content that comes from postconsumer
31 waste. For purposes of this subsection (~~((12))~~) (11)(e)(iii),
32 "postconsumer waste" means a finished material that would normally be
33 disposed of as solid waste, having completed its life cycle as a
34 consumer item.

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

39 (v) "Timber products" means:

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

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

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

8 (vi) "Wood products" means paper and paper products; dimensional
9 lumber; engineered wood products such as particleboard, oriented
10 strand board, medium density fiberboard, and plywood; wood doors;
11 wood windows; and biocomposite surface products.

12 (f) Except for small harvesters as defined in RCW 84.33.035, a
13 person reporting under the tax rate provided in this subsection
14 (~~((12))~~) (11) must file a complete annual tax performance report with
15 the department under RCW 82.32.534.

16 (g) Nothing in this subsection (~~((12))~~) (11) may be construed to
17 affect the taxation of any activity defined as a retail sale in RCW
18 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW
19 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

20 (~~((13))~~) (12) Upon every person engaging within this state in
21 inspecting, testing, labeling, and storing canned salmon owned by
22 another person, as to such persons, the amount of tax with respect to
23 such activities is equal to the gross income derived from such
24 activities multiplied by the rate of 0.484 percent.

25 **Sec. 6.** RCW 82.04.260 and 2023 c 422 s 5 are each amended to
26 read as follows:

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

29 (a) Wheat into flour, barley into pearl barley, soybeans into
30 soybean oil, canola into canola oil, canola meal, or canola by-
31 products, or sunflower seeds into sunflower oil; as to such persons
32 the amount of tax with respect to such business is equal to the value
33 of the flour, pearl barley, oil, canola meal, or canola by-product
34 manufactured, multiplied by the rate of 0.138 percent;

35 (b) (~~((Beginning July 1, 2035, seafood products that remain in a
36 raw, raw frozen, or raw salted state at the completion of the
37 manufacturing by that person; or selling manufactured seafood
38 products that remain in a raw, raw frozen, or raw salted state at the
39 completion of the manufacturing, to purchasers who transport in the~~

1 ~~ordinary course of business the goods out of this state; as to such~~
2 ~~persons the amount of tax with respect to such business is equal to~~
3 ~~the value of the products manufactured or the gross proceeds derived~~
4 ~~from such sales, multiplied by the rate of 0.138 percent. Sellers~~
5 ~~must keep and preserve records for the period required by RCW~~
6 ~~82.32.070 establishing that the goods were transported by the~~
7 ~~purchaser in the ordinary course of business out of this state;~~

8 ~~(e))~~ (i) Except as provided otherwise in ~~((e))~~ (b) (iii) of this
9 subsection, beginning July 1, 2035, until January 1, 2046, dairy
10 products; or selling dairy products that the person has manufactured
11 to purchasers who either transport in the ordinary course of business
12 the goods out of state or purchasers who use such dairy products as
13 an ingredient or component in the manufacturing of a dairy product;
14 as to such persons the tax imposed is equal to the value of the
15 products manufactured or the gross proceeds derived from such sales
16 multiplied by the rate of 0.138 percent. Sellers must keep and
17 preserve records for the period required by RCW 82.32.070
18 establishing that the goods were transported by the purchaser in the
19 ordinary course of business out of this state or sold to a
20 manufacturer for use as an ingredient or component in the
21 manufacturing of a dairy product.

22 (ii) For the purposes of this subsection (1) ~~((e))~~ (b), "dairy
23 products" means:

24 (A) Products, not including any cannabis-infused product, that as
25 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts
26 131, 133, and 135, including by-products from the manufacturing of
27 the dairy products, such as whey and casein; and

28 (B) Products comprised of not less than 70 percent dairy products
29 that qualify under ~~((e))~~ (b) (ii) (A) of this subsection, measured by
30 weight or volume.

31 (iii) The preferential tax rate provided to taxpayers under this
32 subsection (1) ~~((e))~~ (b) does not apply to sales of dairy products
33 on or after July 1, 2023, where a dairy product is used by the
34 purchaser as an ingredient or component in the manufacturing in
35 Washington of a dairy product;

36 ~~((d))~~ (c) (i) Beginning July 1, 2035, fruits or vegetables by
37 canning, preserving, freezing, processing, or dehydrating fresh
38 fruits or vegetables, or selling at wholesale fruits or vegetables
39 manufactured by the seller by canning, preserving, freezing,
40 processing, or dehydrating fresh fruits or vegetables and sold to

1 purchasers who transport in the ordinary course of business the goods
2 out of this state; as to such persons the amount of tax with respect
3 to such business is equal to the value of the products manufactured
4 or the gross proceeds derived from such sales multiplied by the rate
5 of 0.138 percent. Sellers must keep and preserve records for the
6 period required by RCW 82.32.070 establishing that the goods were
7 transported by the purchaser in the ordinary course of business out
8 of this state.

9 (ii) For purposes of this subsection (1) ~~((d))~~ (c), "fruits" and
10 "vegetables" do not include cannabis, useable cannabis, or cannabis-
11 infused products; and

12 ~~((e))~~ (d) Wood biomass fuel; as to such persons the amount of
13 tax with respect to the business is equal to the value of wood
14 biomass fuel manufactured, multiplied by the rate of 0.138 percent.
15 For the purposes of this section, "wood biomass fuel" means a liquid
16 or gaseous fuel that is produced from lignocellulosic feedstocks,
17 including wood, forest, or field residue and dedicated energy crops,
18 and that does not include wood treated with chemical preservations
19 such as creosote, pentachlorophenol, or copper-chrome-arsenic.

20 (2) Upon every person engaging within this state in the business
21 of splitting or processing dried peas; as to such persons the amount
22 of tax with respect to such business is equal to the value of the
23 peas split or processed, multiplied by the rate of 0.138 percent.

24 ~~(3) ((Upon every nonprofit corporation and nonprofit association
25 engaging within this state in research and development, as to such
26 corporations and associations, the amount of tax with respect to such
27 activities is equal to the gross income derived from such activities
28 multiplied by the rate of 0.484 percent.~~

29 ~~(4))~~ Upon every person engaging within this state in the
30 business of slaughtering, breaking and/or processing perishable meat
31 products and/or selling the same at wholesale only and not at retail;
32 as to such persons the tax imposed is equal to the gross proceeds
33 derived from such sales multiplied by the rate of 0.138 percent.

34 ~~((5))~~ (4)(a) Upon every person engaging within this state in
35 the business of acting as a travel agent or tour operator and whose
36 annual taxable amount for the prior calendar year from such business
37 was \$250,000 or less; as to such persons the amount of the tax with
38 respect to such activities is equal to the gross income derived from
39 such activities multiplied by the rate of 0.275 percent.

1 (b) Upon every person engaging within this state in the business
2 of acting as a travel agent or tour operator and whose annual taxable
3 amount for the prior calendar year from such business was more than
4 \$250,000; as to such persons the amount of the tax with respect to
5 such activities is equal to the gross income derived from such
6 activities multiplied by the rate of 0.275 percent through June 30,
7 2019, and 0.9 percent beginning July 1, 2019.

8 ~~((6))~~ (5) Upon every person engaging within this state in
9 business as an international steamship agent, international customs
10 house broker, international freight forwarder, vessel and/or cargo
11 charter broker in foreign commerce, and/or international air cargo
12 agent; as to such persons the amount of the tax with respect to only
13 international activities is equal to the gross income derived from
14 such activities multiplied by the rate of 0.275 percent.

15 ~~((7))~~ (6) Upon every person engaging within this state in the
16 business of stevedoring and associated activities pertinent to the
17 movement of goods and commodities in waterborne interstate or foreign
18 commerce; as to such persons the amount of tax with respect to such
19 business is equal to the gross proceeds derived from such activities
20 multiplied by the rate of 0.275 percent. Persons subject to taxation
21 under this subsection are exempt from payment of taxes imposed by
22 chapter 82.16 RCW for that portion of their business subject to
23 taxation under this subsection. Stevedoring and associated activities
24 pertinent to the conduct of goods and commodities in waterborne
25 interstate or foreign commerce are defined as all activities of a
26 labor, service or transportation nature whereby cargo may be loaded
27 or unloaded to or from vessels or barges, passing over, onto or under
28 a wharf, pier, or similar structure; cargo may be moved to a
29 warehouse or similar holding or storage yard or area to await further
30 movement in import or export or may move to a consolidation freight
31 station and be stuffed, unstuffed, containerized, separated or
32 otherwise segregated or aggregated for delivery or loaded on any mode
33 of transportation for delivery to its consignee. Specific activities
34 included in this definition are: Wharfage, handling, loading,
35 unloading, moving of cargo to a convenient place of delivery to the
36 consignee or a convenient place for further movement to export mode;
37 documentation services in connection with the receipt, delivery,
38 checking, care, custody and control of cargo required in the transfer
39 of cargo; imported automobile handling prior to delivery to
40 consignee; terminal stevedoring and incidental vessel services,

1 including but not limited to plugging and unplugging refrigerator
2 service to containers, trailers, and other refrigerated cargo
3 receptacles, and securing ship hatch covers.

4 ~~((+8))~~ (7)(a) Upon every person engaging within this state in
5 the business of disposing of low-level waste, as defined in RCW
6 70A.380.010; as to such persons the amount of the tax with respect to
7 such business is equal to the gross income of the business, excluding
8 any fees imposed under chapter 70A.384 RCW, multiplied by the rate of
9 3.3 percent.

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

14 ~~((+9))~~ (8) Upon every person engaging within this state as an
15 insurance producer or title insurance agent licensed under chapter
16 48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW;
17 as to such persons, the amount of the tax with respect to such
18 licensed activities is equal to the gross income of such business
19 multiplied by the rate of 0.484 percent.

20 ~~((+10))~~ (9) Upon every person engaging within this state in
21 business as a hospital, as defined in chapter 70.41 RCW, that is
22 operated as a nonprofit corporation or by the state or any of its
23 political subdivisions, as to such persons, the amount of tax with
24 respect to such activities is equal to the gross income of the
25 business multiplied by the rate of 0.75 percent through June 30,
26 1995, and 1.5 percent thereafter.

27 ~~((+11))~~ (10)(a) Beginning October 1, 2005, upon every person
28 engaging within this state in the business of manufacturing
29 commercial airplanes, or components of such airplanes, or making
30 sales, at retail or wholesale, of commercial airplanes or components
31 of such airplanes, manufactured by the seller, as to such persons the
32 amount of tax with respect to such business is, in the case of
33 manufacturers, equal to the value of the product manufactured and the
34 gross proceeds of sales of the product manufactured, or in the case
35 of processors for hire, equal to the gross income of the business,
36 multiplied by the rate of:

37 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;

38 (ii) 0.2904 percent beginning July 1, 2007, through March 31,
39 2020; and

1 (iii) Beginning April 1, 2020, 0.484 percent, subject to any
2 reduction required under (e) of this subsection (~~((11))~~) (10). The
3 tax rate in this subsection (~~((11))~~) (10)(a)(iii) applies to all
4 business activities described in this subsection (~~((11))~~) (10)(a).

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

16 (i) 0.2904 percent through March 31, 2020; and

17 (ii) Beginning April 1, 2020, the following rates, which are
18 subject to any reduction required under (e) of this subsection
19 (~~((11))~~) (10):

20 (A) The rate under RCW 82.04.250(1) on the business of making
21 retail sales of tooling specifically designed for use in
22 manufacturing commercial airplanes or components of such airplanes;
23 and

24 (B) 0.484 percent on all other business activities described in
25 this subsection (~~((11))~~) (10)(b).

26 (c) For the purposes of this subsection (~~((11))~~) (10),
27 "commercial airplane" and "component" have the same meanings as
28 provided in RCW 82.32.550.

29 (d)(i) In addition to all other requirements under this title, a
30 person reporting under the tax rate provided in this subsection
31 (~~((11))~~) (10) must file a complete annual tax performance report with
32 the department under RCW 82.32.534. However, this requirement does
33 not apply to persons reporting under the tax rate in (a)(iii) of this
34 subsection (~~((11))~~) (10), so long as that rate remains 0.484 percent,
35 or under any of the tax rates in (b)(ii)(A) and (B) of this
36 subsection (~~((11))~~) (10), so long as those tax rates remain the rate
37 imposed pursuant to RCW 82.04.250(1) and 0.484 percent, respectively.

38 (ii) Nothing in (d)(i) of this subsection (~~((11))~~) (10) may be
39 construed as affecting the obligation of a person reporting under a
40 tax rate provided in this subsection (~~((11))~~) (10) to file a complete

1 annual tax performance report with the department under RCW
2 82.32.534: (A) Pursuant to another provision of this title as a
3 result of claiming a tax credit or exemption; or (B) pursuant to
4 (d)(i) of this subsection (~~((11))~~) (10) as a result of claiming the
5 tax rates in (a)(ii) or (b)(i) of this subsection (~~((11))~~) (10) for
6 periods ending before April 1, 2020.

7 (e)(i) After March 31, 2021, the tax rates under (a)(iii) and
8 (b)(ii) of this subsection (~~((11))~~) (10) must be reduced to 0.357
9 percent provided the conditions in RCW 82.04.2602 are met. The
10 effective date of the rates authorized under this subsection (~~((11))~~)
11 (10)(e) must occur on the first day of the next calendar quarter that
12 is at least 60 days after the department receives the last of the two
13 written notices pursuant to RCW 82.04.2602 (3) and (4).

14 (ii) Both a significant commercial airplane manufacturer
15 separately and the rest of the aerospace industry as a whole,
16 receiving the rate of 0.357 percent under this subsection (~~((11))~~)
17 (10)(e) are subject to the aerospace apprenticeship utilization rates
18 required under RCW 49.04.220 by April 1, 2026, or five years after
19 the effective date of the 0.357 percent rate authorized under this
20 subsection (~~((11))~~) (10)(e), whichever is later, as determined by the
21 department of labor and industries.

22 (iii) The provisions of RCW 82.32.805 and 82.32.808 do not apply
23 to this subsection (~~((11))~~) (10)(e).

24 (f)(i) Except as provided in (f)(ii) of this subsection (~~((11))~~)
25 (10), this subsection (~~((11))~~) (10) does not apply on and after July
26 1, 2040.

27 (ii) With respect to the manufacturing of commercial airplanes or
28 making sales, at retail or wholesale, of commercial airplanes, this
29 subsection (~~((11))~~) (10) does not apply on and after July 1st of the
30 year in which the department makes a determination that any final
31 assembly or wing assembly of any version or variant of a commercial
32 airplane that is the basis of a siting of a significant commercial
33 airplane manufacturing program in the state under RCW 82.32.850 has
34 been sited outside the state of Washington. This subsection (~~((11))~~)
35 (10)(f)(ii) only applies to the manufacturing or sale of commercial
36 airplanes that are the basis of a siting of a significant commercial
37 airplane manufacturing program in the state under RCW 82.32.850. This
38 subsection (~~((11))~~) (10)(f)(ii) continues to apply during the time
39 that a person is subject to the tax rate in (a)(iii) of this
40 subsection (~~((11))~~) (10).

1 (g) For the purposes of this subsection, "a significant
2 commercial airplane manufacturer" means a manufacturer of commercial
3 airplanes with at least 50,000 full-time employees in Washington as
4 of January 1, 2021.

5 (~~(12)~~) (11)(a) Until July 1, 2045, upon every person engaging
6 within this state in the business of extracting timber or extracting
7 for hire timber; as to such persons the amount of tax with respect to
8 the business is, in the case of extractors, equal to the value of
9 products, including by-products, extracted, or in the case of
10 extractors for hire, equal to the gross income of the business,
11 multiplied by the rate of 0.4235 percent from July 1, 2006, through
12 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
13 2045.

14 (b) Until July 1, 2045, upon every person engaging within this
15 state in the business of manufacturing or processing for hire: (i)
16 Timber into timber products or wood products; (ii) timber products
17 into other timber products or wood products; or (iii) products
18 defined in RCW 19.27.570(1); as to such persons the amount of the tax
19 with respect to the business is, in the case of manufacturers, equal
20 to the value of products, including by-products, manufactured, or in
21 the case of processors for hire, equal to the gross income of the
22 business, multiplied by the rate of 0.4235 percent from July 1, 2006,
23 through June 30, 2007, and 0.2904 percent from July 1, 2007, through
24 June 30, 2045.

25 (c) Until July 1, 2045, upon every person engaging within this
26 state in the business of selling at wholesale: (i) Timber extracted
27 by that person; (ii) timber products manufactured by that person from
28 timber or other timber products; (iii) wood products manufactured by
29 that person from timber or timber products; or (iv) products defined
30 in RCW 19.27.570(1) manufactured by that person; as to such persons
31 the amount of the tax with respect to the business is equal to the
32 gross proceeds of sales of the timber, timber products, wood
33 products, or products defined in RCW 19.27.570(1) multiplied by the
34 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and
35 0.2904 percent from July 1, 2007, through June 30, 2045.

36 (d) Until July 1, 2045, upon every person engaging within this
37 state in the business of selling standing timber; as to such persons
38 the amount of the tax with respect to the business is equal to the
39 gross income of the business multiplied by the rate of 0.2904
40 percent. For purposes of this subsection (~~(12)~~) (11)(d), "selling

1 standing timber" means the sale of timber apart from the land, where
2 the buyer is required to sever the timber within 30 months from the
3 date of the original contract, regardless of the method of payment
4 for the timber and whether title to the timber transfers before,
5 upon, or after severance.

6 (e) For purposes of this subsection, the following definitions
7 apply:

8 (i) "Biocomposite surface products" means surface material
9 products containing, by weight or volume, more than 50 percent
10 recycled paper and that also use nonpetroleum-based phenolic resin as
11 a bonding agent.

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

24 (iii) "Recycled paper" means paper and paper products having 50
25 percent or more of their fiber content that comes from postconsumer
26 waste. For purposes of this subsection (~~((12))~~) (11)(e)(iii),
27 "postconsumer waste" means a finished material that would normally be
28 disposed of as solid waste, having completed its life cycle as a
29 consumer item.

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

34 (v) "Timber products" means:

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

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

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

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

7 (f) Except for small harvesters as defined in RCW 84.33.035, a
8 person reporting under the tax rate provided in this subsection
9 (~~((12))~~) (11) must file a complete annual tax performance report with
10 the department under RCW 82.32.534.

11 (g) Nothing in this subsection (~~((12))~~) (11) may be construed to
12 affect the taxation of any activity defined as a retail sale in RCW
13 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW
14 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

15 (~~((13))~~) (12) Upon every person engaging within this state in
16 inspecting, testing, labeling, and storing canned salmon owned by
17 another person, as to such persons, the amount of tax with respect to
18 such activities is equal to the gross income derived from such
19 activities multiplied by the rate of 0.484 percent.

20 (~~((14))~~) (13)(a) Upon every person engaging within this state in
21 the business of printing a newspaper, publishing a newspaper, or
22 both, the amount of tax on such business is equal to the gross income
23 of the business multiplied by the rate of 0.35 percent until July 1,
24 2024, and 0.484 percent thereafter.

25 (b) A person reporting under the tax rate provided in this
26 subsection (~~((14))~~) (13) must file a complete annual tax performance
27 report with the department under RCW 82.32.534.

28 **Sec. 7.** RCW 82.04.4282 and 2009 c 535 s 410 are each amended to
29 read as follows:

30 In computing tax there may be deducted from the measure of tax
31 amounts derived from bona fide (1) initiation fees, (2) dues, (3)
32 contributions, (4) donations, (5) tuition fees, (6) charges made by a
33 nonprofit trade or professional organization for attending or
34 occupying space at a trade show, convention, or educational seminar
35 sponsored by the nonprofit trade or professional organization, which
36 trade show, convention, or educational seminar is not open to the
37 general public, and (7) charges made for operation of privately
38 operated kindergartens (~~(, and (8) endowment funds)~~). This section may
39 not be construed to exempt any person, association, or society from

1 tax liability upon selling tangible personal property, digital goods,
2 digital codes, or digital automated services, or upon providing
3 facilities or other services for which a special charge is made to
4 members or others. If dues are in exchange for any significant amount
5 of goods or services rendered by the recipient thereof to members
6 without any additional charge to the member, or if the dues are
7 graduated upon the amount of goods or services rendered, the value of
8 such goods or services shall not be considered as a deduction under
9 this section.

10 **Sec. 8.** RCW 82.04.43395 and 2023 c 313 s 1 are each amended to
11 read as follows:

12 (1) An accountable community of health may deduct from the
13 measure of tax delivery system reform incentive payments, medicaid
14 transformation project funding, or both, distributed by the
15 Washington state health care authority, as described in Sec. 1115
16 medicaid demonstration project number 11-W-00304/0, as approved by
17 the centers for medicare and medicaid services in accordance with
18 Sec. 1115(a) of the social security act.

19 (2) A hospital that is owned by a municipal corporation or
20 political subdivision, or a hospital that is affiliated with a state
21 institution, may deduct from the measure of tax (~~either or both of~~
22 ~~the following:~~

23 ~~(a) Incentive))~~ incentive payments received through the medicaid
24 quality improvement program established through 42 C.F.R. 438.6(b)(2)
25 ((~~+~~

26 ~~(b) Delivery system reform incentive payments, medicaid~~
27 ~~transformation project funding, or both, received through the project~~
28 ~~described in Sec. 1115 medicaid demonstration project number 11-~~
29 ~~W-00304/0, approved by the centers for medicare and medicaid services~~
30 ~~in accordance with Sec. 1115(a) of the social security act)).~~

31 (3) Managed care organizations may deduct from the measure of tax
32 the incentive payments received for achieving quality performance
33 standards established through 42 C.F.R. 438.6(b)(2), as existing on
34 July 28, 2019.

35 (4) The definitions in this subsection apply throughout this
36 section unless the context clearly requires otherwise.

37 (a) "Accountable community of health" means a regional nonprofit
38 designated by the health care authority to work together with the
39 health care delivery system, health plans, public health, social

1 services, community-based organizations, the justice system, schools,
2 tribal partners, and local government leaders to improve the health
3 equity of their communities as part of Sec. 1115 medicaid
4 demonstration project number 11-W-00304/0.

5 (b) "Managed care organization" has the same meaning as provided
6 in RCW 74.60.010.

7 **Sec. 9.** RCW 82.12.022 and 2017 3rd sp.s. c 37 s 707 are each
8 amended to read as follows:

9 (1) A use tax is levied on every person in this state for the
10 privilege of using natural gas or manufactured gas, including
11 compressed natural gas and liquefied natural gas, within this state
12 as a consumer.

13 (2) The tax must be levied and collected in an amount equal to
14 the value of the article used by the taxpayer multiplied by the rate
15 in effect for the public utility tax on gas distribution businesses
16 under RCW 82.16.020. The "value of the article used" does not include
17 any amounts that are paid for the hire or use of a gas distribution
18 business as defined in RCW 82.16.010(2) in transporting the gas
19 subject to tax under this subsection if those amounts are subject to
20 tax under that chapter.

21 ~~(3) ((The tax levied in this section does not apply to the use of~~
22 ~~natural or manufactured gas delivered to the consumer by other means~~
23 ~~than through a pipeline.~~

24 ~~(4))~~ The tax levied in this section does not apply to the use of
25 natural or manufactured gas if the person who sold the gas to the
26 consumer has paid a tax under RCW 82.16.020 with respect to the gas
27 for which exemption is sought under this subsection.

28 ~~((5)(a) The tax levied in this section does not apply to the use~~
29 ~~of natural or manufactured gas by an aluminum smelter as that term is~~
30 ~~defined in RCW 82.04.217 before January 1, 2027.~~

31 ~~(b) A person claiming the exemption provided in this subsection~~
32 ~~(5) must file a complete annual tax performance report with the~~
33 ~~department under RCW 82.32.534.~~

34 ~~(6))~~ (4) The tax imposed by this section does not apply to the
35 use of natural gas, compressed natural gas, or liquefied natural gas,
36 if the consumer uses the gas for transportation fuel as defined in
37 RCW 82.16.310.

1 ~~((7)) The tax levied in this section does not apply to the use of~~
2 ~~natural or manufactured gas by a silicon smelter as that term is~~
3 ~~defined in RCW 82.16.315.~~

4 ~~(8))~~ (5) There is a credit against the tax levied under this
5 section in an amount equal to any tax paid by:

6 (a) The person who sold the gas to the consumer when that tax is
7 a gross receipts tax similar to that imposed pursuant to RCW
8 82.16.020 by another state with respect to the gas for which a credit
9 is sought under this subsection; or

10 (b) The person consuming the gas upon which a use tax similar to
11 the tax imposed by this section was paid to another state with
12 respect to the gas for which a credit is sought under this
13 subsection.

14 ~~((9))~~ (6) The use tax imposed in this section must be paid by
15 the consumer to the department.

16 ~~((10))~~ (7) There is imposed a reporting requirement on the
17 person who delivered the gas to the consumer to make a quarterly
18 report to the department. Such report must contain the volume of gas
19 delivered, name of the consumer to whom delivered, and such other
20 information as the department may require by rule.

21 ~~((11))~~ (8) The department may adopt rules under chapter 34.05
22 RCW for the administration and enforcement of sections 1 through 6,
23 chapter 384, Laws of 1989.

24 **Sec. 10.** RCW 82.12.022 and 2017 c 135 s 27 are each amended to
25 read as follows:

26 (1) A use tax is levied on every person in this state for the
27 privilege of using natural gas or manufactured gas, including
28 compressed natural gas and liquefied natural gas, within this state
29 as a consumer.

30 (2) The tax must be levied and collected in an amount equal to
31 the value of the article used by the taxpayer multiplied by the rate
32 in effect for the public utility tax on gas distribution businesses
33 under RCW 82.16.020. The "value of the article used" does not include
34 any amounts that are paid for the hire or use of a gas distribution
35 business as defined in RCW 82.16.010(2) in transporting the gas
36 subject to tax under this subsection if those amounts are subject to
37 tax under that chapter.

1 ~~(3) ((The tax levied in this section does not apply to the use of~~
2 ~~natural or manufactured gas delivered to the consumer by other means~~
3 ~~than through a pipeline.~~

4 ~~(4))~~) The tax levied in this section does not apply to the use of
5 natural or manufactured gas if the person who sold the gas to the
6 consumer has paid a tax under RCW 82.16.020 with respect to the gas
7 for which exemption is sought under this subsection.

8 ~~((5) (a) The tax levied in this section does not apply to the use~~
9 ~~of natural or manufactured gas by an aluminum smelter as that term is~~
10 ~~defined in RCW 82.04.217 before January 1, 2027.~~

11 ~~(b) A person claiming the exemption provided in this subsection~~
12 ~~(5) must file a complete annual tax performance report with the~~
13 ~~department under RCW 82.32.534.~~

14 ~~(6))~~) (4) The tax imposed by this section does not apply to the
15 use of natural gas, compressed natural gas, or liquefied natural gas,
16 if the consumer uses the gas for transportation fuel as defined in
17 RCW 82.16.310.

18 ~~((7))~~) (5) There is a credit against the tax levied under this
19 section in an amount equal to any tax paid by:

20 (a) The person who sold the gas to the consumer when that tax is
21 a gross receipts tax similar to that imposed pursuant to RCW
22 82.16.020 by another state with respect to the gas for which a credit
23 is sought under this subsection; or

24 (b) The person consuming the gas upon which a use tax similar to
25 the tax imposed by this section was paid to another state with
26 respect to the gas for which a credit is sought under this
27 subsection.

28 ~~((8))~~) (6) The use tax imposed in this section must be paid by
29 the consumer to the department.

30 ~~((9))~~) (7) There is imposed a reporting requirement on the
31 person who delivered the gas to the consumer to make a quarterly
32 report to the department. Such report must contain the volume of gas
33 delivered, name of the consumer to whom delivered, and such other
34 information as the department may require by rule.

35 ~~((10))~~) (8) The department may adopt rules under chapter 34.05
36 RCW for the administration and enforcement of sections 1 through 6,
37 chapter 384, Laws of 1989.

38 **Sec. 11.** RCW 82.21.040 and 2024 c 241 s 1 are each amended to
39 read as follows:

1 The following are exempt from the tax imposed in this chapter:

2 (1) Any successive possession of a previously taxed hazardous
3 substance. If tax due under this chapter has not been paid with
4 respect to a hazardous substance, the department may collect the tax
5 from any person who has had possession of the hazardous substance. If
6 the tax is paid by any person other than the first person having
7 taxable possession of a hazardous substance, the amount of tax paid
8 shall constitute a debt owed by the first person having taxable
9 possession to the person who paid the tax.

10 (2) Any possession of a hazardous substance by a natural person
11 under circumstances where the substance is used, or is to be used,
12 for a personal or domestic purpose (and not for any business purpose)
13 by that person or a relative of, or person residing in the same
14 dwelling as, that person.

15 (3) Any possession of a hazardous substance amount which is
16 determined as minimal by the department of ecology and which is
17 possessed by a retailer for the purpose of making sales to ultimate
18 consumers. This exemption does not apply to pesticide or petroleum
19 products.

20 (4) ~~((Any possession of alumina or natural gas.~~

21 ~~(5))~~(a) Until January 1, 2028, any possession of a hazardous
22 substance as defined in RCW 82.21.020(1)(c) that is solely for use by
23 a farmer or certified applicator as an agricultural crop protection
24 product and warehoused in this state or transported to or from this
25 state, provided that the person possessing the substance does not
26 otherwise use, manufacture, package for sale, or sell the substance
27 in this state.

28 (b) The definitions in this subsection apply throughout this
29 section unless the context clearly requires otherwise.

30 (i) "Agricultural crop protection product" means a chemical
31 regulated under the federal insecticide, fungicide, and rodenticide
32 act, 7 U.S.C. Sec. 136 as amended as of September 1, 2015, when used
33 to prevent, destroy, repel, mitigate, or control predators, diseases,
34 weeds, or other pests.

35 (ii) "Certified applicator" has the same meaning as provided in
36 RCW 17.21.020.

37 (iii) "Farmer" has the same meaning as in RCW 82.04.213.

38 (iv) "Manufacturing" includes mixing or combining agricultural
39 crop protection products with other chemicals or other agricultural
40 crop protection products.

1 (v) "Package for sale" includes transferring agricultural crop
2 protection products from one container to another, including the
3 transfer of fumigants and other liquid or gaseous chemicals from one
4 tank to another.

5 (vi) "Use" has the same meaning as in RCW 82.12.010.

6 ~~((+6))~~ (5) Persons or activities which the state is prohibited
7 from taxing under the United States Constitution.

8 **Sec. 12.** RCW 82.23A.030 and 1989 c 383 s 17 are each amended to
9 read as follows:

10 The following are exempt from the tax imposed in this chapter:

11 (1) Any successive possession of a previously taxed petroleum
12 product. If tax due under this chapter has not been paid with respect
13 to a petroleum product, the department may collect the tax from any
14 person who has had possession of the petroleum product. If the tax is
15 paid by any person other than the first person having taxable
16 possession of a petroleum product, the amount of tax paid shall
17 constitute a debt owed by the first person having taxable possession
18 to the person who paid the tax.

19 (2) Any possession of a petroleum product by a natural person
20 under circumstances where the substance is used, or is to be used,
21 for a personal or domestic purpose (and not for any business purpose)
22 by that person or a relative of, or person residing in the same
23 dwelling as, that person.

24 (3) Persons or activities which the state is prohibited from
25 taxing under the United States Constitution.

26 (4) ~~((Any persons possessing a petroleum product where such
27 possession first occurred before July 1, 1989.~~

28 ~~(+5))~~ Any possession of (a) natural gas, (b) petroleum coke, or
29 (c) liquid fuel or fuel gas used in petroleum processing.

30 ~~((+6))~~ (5) Any possession of petroleum products that are
31 exported for use or sale outside this state as fuel.

32 ~~((+7))~~ (6) Any possession of petroleum products packaged for
33 sale to ultimate consumers.

34 **Sec. 13.** RCW 82.29A.130 and 2023 c 343 s 2 are each amended to
35 read as follows:

36 The following leasehold interests are exempt from taxes imposed
37 pursuant to RCW 82.29A.030 and 82.29A.040:

1 (1) All leasehold interests constituting a part of the operating
2 properties of any public utility that is assessed and taxed as a
3 public utility pursuant to chapter 84.12 RCW.

4 (2) All leasehold interests in facilities owned or used by a
5 school, college or university which leasehold provides housing for
6 students and which is otherwise exempt from taxation under provisions
7 of RCW 84.36.010 and 84.36.050.

8 (3) All leasehold interests of subsidized housing where the fee
9 ownership of such property is vested in the government of the United
10 States, or the state of Washington or any political subdivision
11 thereof but only if income qualification exists for such housing.

12 (4) All leasehold interests used for fair purposes of a nonprofit
13 fair association that sponsors or conducts a fair or fairs which
14 receive support from revenues collected pursuant to RCW 67.16.100 and
15 allocated by the director of the department of agriculture where the
16 fee ownership of such property is vested in the government of the
17 United States, the state of Washington or any of its political
18 subdivisions. However, this exemption does not apply to the leasehold
19 interest of any sublessee of such nonprofit fair association if such
20 leasehold interest would be taxable if it were the primary lease.

21 (5) All leasehold interests in any property of any public entity
22 used as a residence by an employee of that public entity who is
23 required as a condition of employment to live in the publicly owned
24 property.

25 (6) All leasehold interests held by enrolled Indians of lands
26 owned or held by any Indian or Indian tribe where the fee ownership
27 of such property is vested in or held in trust by the United States
28 and which are not subleased to other than to a lessee which would
29 qualify pursuant to this chapter, RCW 84.36.451 and 84.40.175.

30 (7) All leasehold interests in any real property of any Indian or
31 Indian tribe, band, or community that is held in trust by the United
32 States or is subject to a restriction against alienation imposed by
33 the United States. However, this exemption applies only where it is
34 determined that contract rent paid is greater than or equal to 90
35 percent of fair market rental, to be determined by the department of
36 revenue using the same criteria used to establish taxable rent in RCW
37 82.29A.020(2)(g).

38 (8) All leasehold interests for which annual taxable rent is less
39 than \$250 per year. For purposes of this subsection leasehold

1 interests held by the same lessee in contiguous properties owned by
2 the same lessor are deemed a single leasehold interest.

3 (9) All leasehold interests which give use or possession of the
4 leased property for a continuous period of less than 30 days:
5 PROVIDED, That for purposes of this subsection, successive leases or
6 lease renewals giving substantially continuous use of possession of
7 the same property to the same lessee are deemed a single leasehold
8 interest: PROVIDED FURTHER, That no leasehold interest is deemed to
9 give use or possession for a period of less than 30 days solely by
10 virtue of the reservation by the public lessor of the right to use
11 the property or to allow third parties to use the property on an
12 occasional, temporary basis.

13 (10) All leasehold interests under month-to-month leases in
14 residential units rented for residential purposes of the lessee
15 pending destruction or removal for the purpose of constructing a
16 public highway or building.

17 (11) All leasehold interests in any publicly owned real or
18 personal property to the extent such leasehold interests arises
19 solely by virtue of a contract for public improvements or work
20 executed under the public works statutes of this state or of the
21 United States between the public owner of the property and a
22 contractor.

23 ~~(12) ((All leasehold interests that give use or possession of
24 state adult correctional facilities for the purposes of operating
25 correctional industries under RCW 72.09.100.~~

26 ~~(13))~~ All leasehold interests used to provide organized and
27 supervised recreational activities for persons with disabilities of
28 all ages in a camp facility and for public recreational purposes by a
29 nonprofit organization, association, or corporation that would be
30 exempt from property tax under RCW 84.36.030(1) if it owned the
31 property. If the publicly owned property is used for any taxable
32 purpose, the leasehold excise taxes set forth in RCW 82.29A.030 and
33 82.29A.040 must be imposed and must be apportioned accordingly.

34 ~~((14))~~ (13) All leasehold interests in the public or
35 entertainment areas of a baseball stadium with natural turf and a
36 retractable roof or canopy that is in a county with a population of
37 over 1,000,000, that has a seating capacity of over 40,000, and that
38 is constructed on or after January 1, 1995. "Public or entertainment
39 areas" include ticket sales areas, ramps and stairs, lobbies and
40 concourses, parking areas, concession areas, restaurants, hospitality

1 and stadium club areas, kitchens or other work areas primarily
2 servicing other public or entertainment areas, public rest room
3 areas, press and media areas, control booths, broadcast and
4 production areas, retail sales areas, museum and exhibit areas,
5 scoreboards or other public displays, storage areas, loading,
6 staging, and servicing areas, seating areas and suites, the playing
7 field, and any other areas to which the public has access or which
8 are used for the production of the entertainment event or other
9 public usage, and any other personal property used for these
10 purposes. "Public or entertainment areas" does not include locker
11 rooms or private offices exclusively used by the lessee.

12 ~~((15))~~ (14) All leasehold interests in the public or
13 entertainment areas of a stadium and exhibition center, as defined in
14 RCW 36.102.010, that is constructed on or after January 1, 1998. For
15 the purposes of this subsection, "public or entertainment areas" has
16 the same meaning as in subsection ~~((14))~~ (13) of this section, and
17 includes exhibition areas.

18 ~~((16))~~ (15) All leasehold interests in public facilities
19 districts, as provided in chapter 36.100 or 35.57 RCW.

20 ~~((17))~~ (16) All leasehold interests in property that is: (a)
21 Owned by the United States government or a municipal corporation; (b)
22 listed on any federal or state register of historical sites; and (c)
23 wholly contained within a designated national historic reserve under
24 16 U.S.C. Sec. 461.

25 ~~((18))~~ (17) All leasehold interests in the public or
26 entertainment areas of an amphitheater if a private entity is
27 responsible for 100 percent of the cost of constructing the
28 amphitheater which is not reimbursed by the public owner, both the
29 public owner and the private lessee sponsor events at the facility on
30 a regular basis, the lessee is responsible under the lease or
31 agreement to operate and maintain the facility, and the amphitheater
32 has a seating capacity of over 17,000 reserved and general admission
33 seats and is in a county that had a population of over 350,000, but
34 less than 425,000 when the amphitheater first opened to the public.

35 For the purposes of this subsection, "public or entertainment
36 areas" include box offices or other ticket sales areas, entrance
37 gates, ramps and stairs, lobbies and concourses, parking areas,
38 concession areas, restaurants, hospitality areas, kitchens or other
39 work areas primarily servicing other public or entertainment areas,
40 public rest room areas, press and media areas, control booths,

1 broadcast and production areas, retail sales areas, museum and
2 exhibit areas, scoreboards or other public displays, storage areas,
3 loading, staging, and servicing areas, seating areas including lawn
4 seating areas and suites, stages, and any other areas to which the
5 public has access or which are used for the production of the
6 entertainment event or other public usage, and any other personal
7 property used for these purposes. "Public or entertainment areas"
8 does not include office areas used predominately by the lessee.

9 ~~((19))~~ (18) All leasehold interests in real property used for
10 the placement of military housing meeting the requirements of RCW
11 84.36.665.

12 ~~((20))~~ (19) All leasehold interests in facilities owned or used
13 by a community college or technical college, which leasehold interest
14 provides:

15 (a) Food services for students, faculty, and staff;

16 (b) The operation of a bookstore on campus; or

17 (c) Maintenance, operational, or administrative services to the
18 community college or technical college.

19 ~~((21))~~ (20) (a) All leasehold interests in the public or
20 entertainment areas of an arena if it:

21 (i) Has a seating capacity of more than 2,000;

22 (ii) Is located on city-owned land; and

23 (iii) Is owned by a city with a population over 200,000 within a
24 county with a population of less than 1,500,000.

25 (b) For the purposes of this subsection ~~((21))~~ (20), "public or
26 entertainment areas" has the same meaning as provided in subsection
27 ~~((18))~~ (17) of this section.

28 ~~((22))~~ (21) All leasehold interests in facilities owned by the
29 state parks and recreation commission that are listed on the national
30 register of historic places or the Washington heritage register.

31 ~~((23))~~ (22) (a) All leasehold interests in the public or
32 entertainment areas of an arena if:

33 (i) The arena has a seating capacity of more than 4,000;

34 (ii) The arena is located on city-owned land;

35 (iii) The arena is located within a city with a population over
36 100,000; and

37 (iv) Private entities were responsible for 100 percent of the
38 cost of constructing improvements to the arena, which were not
39 reimbursed by the public owner.

1 (b) For the purposes of this subsection (~~((23))~~) (22), "public or
2 entertainment areas" has the same meaning as provided in subsection
3 (~~((18))~~) (17) of this section, except that it also includes office
4 areas used predominately by the lessee.

5 (c) A taxpayer claiming an exemption under this subsection
6 (~~((23))~~) (22) must file a complete annual tax performance report as
7 provided in RCW 82.32.534.

8 (d) This subsection (~~((23))~~) (22) does not apply to leasehold
9 interests on or after October 1, 2033.

10 **Sec. 14.** RCW 82.29A.130 and 2019 c 335 s 1 are each amended to
11 read as follows:

12 The following leasehold interests are exempt from taxes imposed
13 pursuant to RCW 82.29A.030 and 82.29A.040:

14 (1) All leasehold interests constituting a part of the operating
15 properties of any public utility that is assessed and taxed as a
16 public utility pursuant to chapter 84.12 RCW.

17 (2) All leasehold interests in facilities owned or used by a
18 school, college or university which leasehold provides housing for
19 students and which is otherwise exempt from taxation under provisions
20 of RCW 84.36.010 and 84.36.050.

21 (3) All leasehold interests of subsidized housing where the fee
22 ownership of such property is vested in the government of the United
23 States, or the state of Washington or any political subdivision
24 thereof but only if income qualification exists for such housing.

25 (4) All leasehold interests used for fair purposes of a nonprofit
26 fair association that sponsors or conducts a fair or fairs which
27 receive support from revenues collected pursuant to RCW 67.16.100 and
28 allocated by the director of the department of agriculture where the
29 fee ownership of such property is vested in the government of the
30 United States, the state of Washington or any of its political
31 subdivisions. However, this exemption does not apply to the leasehold
32 interest of any sublessee of such nonprofit fair association if such
33 leasehold interest would be taxable if it were the primary lease.

34 (5) All leasehold interests in any property of any public entity
35 used as a residence by an employee of that public entity who is
36 required as a condition of employment to live in the publicly owned
37 property.

38 (6) All leasehold interests held by enrolled Indians of lands
39 owned or held by any Indian or Indian tribe where the fee ownership

1 of such property is vested in or held in trust by the United States
2 and which are not subleased to other than to a lessee which would
3 qualify pursuant to this chapter, RCW 84.36.451 and 84.40.175.

4 (7) All leasehold interests in any real property of any Indian or
5 Indian tribe, band, or community that is held in trust by the United
6 States or is subject to a restriction against alienation imposed by
7 the United States. However, this exemption applies only where it is
8 determined that contract rent paid is greater than or equal to ninety
9 percent of fair market rental, to be determined by the department of
10 revenue using the same criteria used to establish taxable rent in RCW
11 82.29A.020(2)(g).

12 (8) All leasehold interests for which annual taxable rent is less
13 than two hundred fifty dollars per year. For purposes of this
14 subsection leasehold interests held by the same lessee in contiguous
15 properties owned by the same lessor are deemed a single leasehold
16 interest.

17 (9) All leasehold interests which give use or possession of the
18 leased property for a continuous period of less than thirty days:
19 PROVIDED, That for purposes of this subsection, successive leases or
20 lease renewals giving substantially continuous use of possession of
21 the same property to the same lessee are deemed a single leasehold
22 interest: PROVIDED FURTHER, That no leasehold interest is deemed to
23 give use or possession for a period of less than thirty days solely
24 by virtue of the reservation by the public lessor of the right to use
25 the property or to allow third parties to use the property on an
26 occasional, temporary basis.

27 (10) All leasehold interests under month-to-month leases in
28 residential units rented for residential purposes of the lessee
29 pending destruction or removal for the purpose of constructing a
30 public highway or building.

31 (11) All leasehold interests in any publicly owned real or
32 personal property to the extent such leasehold interests arises
33 solely by virtue of a contract for public improvements or work
34 executed under the public works statutes of this state or of the
35 United States between the public owner of the property and a
36 contractor.

37 ~~(12) ((All leasehold interests that give use or possession of
38 state adult correctional facilities for the purposes of operating
39 correctional industries under RCW 72.09.100.~~

1 ~~(13)~~) All leasehold interests used to provide organized and
2 supervised recreational activities for persons with disabilities of
3 all ages in a camp facility and for public recreational purposes by a
4 nonprofit organization, association, or corporation that would be
5 exempt from property tax under RCW 84.36.030(1) if it owned the
6 property. If the publicly owned property is used for any taxable
7 purpose, the leasehold excise taxes set forth in RCW 82.29A.030 and
8 82.29A.040 must be imposed and must be apportioned accordingly.

9 ~~((14))~~ (13) All leasehold interests in the public or
10 entertainment areas of a baseball stadium with natural turf and a
11 retractable roof or canopy that is in a county with a population of
12 over one million, that has a seating capacity of over forty thousand,
13 and that is constructed on or after January 1, 1995. "Public or
14 entertainment areas" include ticket sales areas, ramps and stairs,
15 lobbies and concourses, parking areas, concession areas, restaurants,
16 hospitality and stadium club areas, kitchens or other work areas
17 primarily servicing other public or entertainment areas, public rest
18 room areas, press and media areas, control booths, broadcast and
19 production areas, retail sales areas, museum and exhibit areas,
20 scoreboards or other public displays, storage areas, loading,
21 staging, and servicing areas, seating areas and suites, the playing
22 field, and any other areas to which the public has access or which
23 are used for the production of the entertainment event or other
24 public usage, and any other personal property used for these
25 purposes. "Public or entertainment areas" does not include locker
26 rooms or private offices exclusively used by the lessee.

27 ~~((15))~~ (14) All leasehold interests in the public or
28 entertainment areas of a stadium and exhibition center, as defined in
29 RCW 36.102.010, that is constructed on or after January 1, 1998. For
30 the purposes of this subsection, "public or entertainment areas" has
31 the same meaning as in subsection ~~((14))~~ (13) of this section, and
32 includes exhibition areas.

33 ~~((16))~~ (15) All leasehold interests in public facilities
34 districts, as provided in chapter 36.100 or 35.57 RCW.

35 ~~((17))~~ (16) All leasehold interests in property that is: (a)
36 Owned by the United States government or a municipal corporation; (b)
37 listed on any federal or state register of historical sites; and (c)
38 wholly contained within a designated national historic reserve under
39 16 U.S.C. Sec. 461.

1 (~~(18)~~) (17) All leasehold interests in the public or
2 entertainment areas of an amphitheater if a private entity is
3 responsible for one hundred percent of the cost of constructing the
4 amphitheater which is not reimbursed by the public owner, both the
5 public owner and the private lessee sponsor events at the facility on
6 a regular basis, the lessee is responsible under the lease or
7 agreement to operate and maintain the facility, and the amphitheater
8 has a seating capacity of over seventeen thousand reserved and
9 general admission seats and is in a county that had a population of
10 over three hundred fifty thousand, but less than four hundred twenty-
11 five thousand when the amphitheater first opened to the public.

12 For the purposes of this subsection, "public or entertainment
13 areas" include box offices or other ticket sales areas, entrance
14 gates, ramps and stairs, lobbies and concourses, parking areas,
15 concession areas, restaurants, hospitality areas, kitchens or other
16 work areas primarily servicing other public or entertainment areas,
17 public rest room areas, press and media areas, control booths,
18 broadcast and production areas, retail sales areas, museum and
19 exhibit areas, scoreboards or other public displays, storage areas,
20 loading, staging, and servicing areas, seating areas including lawn
21 seating areas and suites, stages, and any other areas to which the
22 public has access or which are used for the production of the
23 entertainment event or other public usage, and any other personal
24 property used for these purposes. "Public or entertainment areas"
25 does not include office areas used predominately by the lessee.

26 (~~(19)~~) (18) All leasehold interests in real property used for
27 the placement of military housing meeting the requirements of RCW
28 84.36.665.

29 (~~(20)~~) (19) All leasehold interests in facilities owned or used
30 by a community college or technical college, which leasehold interest
31 provides:

- 32 (a) Food services for students, faculty, and staff;
33 (b) The operation of a bookstore on campus; or
34 (c) Maintenance, operational, or administrative services to the
35 community college or technical college.

36 (~~(21)~~) (20)(a) All leasehold interests in the public or
37 entertainment areas of an arena if it:

- 38 (i) Has a seating capacity of more than two thousand;
39 (ii) Is located on city-owned land; and

1 (iii) Is owned by a city with a population over two hundred
2 thousand within a county with a population of less than one million
3 five hundred thousand.

4 (b) For the purposes of this subsection (~~((21))~~) (20), "public or
5 entertainment areas" has the same meaning as provided in subsection
6 (~~((18))~~) (17) of this section.

7 **Sec. 15.** RCW 82.45.010 and 2022 c 199 s 3 are each amended to
8 read as follows:

9 (1) As used in this chapter, the term "sale" has its ordinary
10 meaning and includes any conveyance, grant, assignment, quitclaim, or
11 transfer of the ownership of or title to real property, including
12 standing timber, or any estate or interest therein for a valuable
13 consideration, and any contract for such conveyance, grant,
14 assignment, quitclaim, or transfer, and any lease with an option to
15 purchase real property, including standing timber, or any estate or
16 interest therein or other contract under which possession of the
17 property is given to the purchaser, or any other person at the
18 purchaser's direction, and title to the property is retained by the
19 vendor as security for the payment of the purchase price. The term
20 also includes the grant, assignment, quitclaim, sale, or transfer of
21 improvements constructed upon leased land.

22 (2)(a) The term "sale" also includes the transfer or acquisition
23 within any thirty-six month period of a controlling interest in any
24 entity with an interest in real property located in this state for a
25 valuable consideration.

26 (b) For the sole purpose of determining whether, pursuant to the
27 exercise of an option, a controlling interest was transferred or
28 acquired within a thirty-six month period, the date that the option
29 agreement was executed is the date on which the transfer or
30 acquisition of the controlling interest is deemed to occur. For all
31 other purposes under this chapter, the date upon which the option is
32 exercised is the date of the transfer or acquisition of the
33 controlling interest.

34 (c) For purposes of this subsection, all acquisitions of persons
35 acting in concert must be aggregated for purposes of determining
36 whether a transfer or acquisition of a controlling interest has taken
37 place. The department must adopt standards by rule to determine when
38 persons are acting in concert. In adopting a rule for this purpose,
39 the department must consider the following:

1 (i) Persons must be treated as acting in concert when they have a
2 relationship with each other such that one person influences or
3 controls the actions of another through common ownership; and

4 (ii) When persons are not commonly owned or controlled, they must
5 be treated as acting in concert only when the unity with which the
6 purchasers have negotiated and will consummate the transfer of
7 ownership interests supports a finding that they are acting as a
8 single entity. If the acquisitions are completely independent, with
9 each purchaser buying without regard to the identity of the other
10 purchasers, then the acquisitions are considered separate
11 acquisitions.

12 (3) The term "sale" does not include:

13 (a) A transfer by gift, devise, or inheritance.

14 (b) A transfer by transfer on death deed, to the extent that it
15 is not in satisfaction of a contractual obligation of the decedent
16 owed to the recipient of the property.

17 (c) A transfer of any leasehold interest other than of the type
18 mentioned above.

19 (d) A cancellation or forfeiture of a vendee's interest in a
20 contract for the sale of real property, whether or not such contract
21 contains a forfeiture clause, or deed in lieu of foreclosure of a
22 mortgage.

23 (e) The partition of property by tenants in common by agreement
24 or as the result of a court decree.

25 (f) The assignment of property or interest in property from one
26 spouse or one domestic partner to the other spouse or other domestic
27 partner in accordance with the terms of a decree of dissolution of
28 marriage or state registered domestic partnership or in fulfillment
29 of a property settlement agreement.

30 (g) The assignment or other transfer of a vendor's interest in a
31 contract for the sale of real property, even though accompanied by a
32 conveyance of the vendor's interest in the real property involved.

33 (h) Transfers by appropriation or decree in condemnation
34 proceedings brought by the United States, the state or any political
35 subdivision thereof, or a municipal corporation.

36 (i) A mortgage or other transfer of an interest in real property
37 merely to secure a debt, or the assignment thereof.

38 (j) Any transfer or conveyance made pursuant to a deed of trust
39 or an order of sale by the court in any mortgage, deed of trust, or

1 lien foreclosure proceeding or upon execution of a judgment, or deed
2 in lieu of foreclosure to satisfy a mortgage or deed of trust.

3 (k) A conveyance to the federal housing administration or
4 veterans administration by an authorized mortgagee made pursuant to a
5 contract of insurance or guaranty with the federal housing
6 administration or veterans administration.

7 ~~(l) ((A transfer in compliance with the terms of any lease or
8 contract upon which the tax as imposed by this chapter has been paid
9 or where the lease or contract was entered into prior to the date
10 this tax was first imposed.~~

11 ~~(m))~~ The sale of any grave or lot in an established cemetery.

12 ~~((n))~~ (m) A sale by the United States, this state or any
13 political subdivision thereof, or a municipal corporation of this
14 state.

15 ~~((o))~~ (n) A sale to a regional transit authority or public
16 corporation under RCW 81.112.320 under a sale/leaseback agreement
17 under RCW 81.112.300.

18 ~~((p))~~ (o) A transfer of real property, however effected, if it
19 consists of a mere change in identity or form of ownership of an
20 entity where there is no change in the beneficial ownership. These
21 include transfers to a corporation or partnership which is wholly
22 owned by the transferor and/or the transferor's spouse or domestic
23 partner or children of the transferor or the transferor's spouse or
24 domestic partner. However, if thereafter such transferee corporation
25 or partnership voluntarily transfers such real property, or such
26 transferor, spouse or domestic partner, or children of the transferor
27 or the transferor's spouse or domestic partner voluntarily transfer
28 stock in the transferee corporation or interest in the transferee
29 partnership capital, as the case may be, to other than (i) the
30 transferor and/or the transferor's spouse or domestic partner or
31 children of the transferor or the transferor's spouse or domestic
32 partner, (ii) a trust having the transferor and/or the transferor's
33 spouse or domestic partner or children of the transferor or the
34 transferor's spouse or domestic partner as the only beneficiaries at
35 the time of the transfer to the trust, or (iii) a corporation or
36 partnership wholly owned by the original transferor and/or the
37 transferor's spouse or domestic partner or children of the transferor
38 or the transferor's spouse or domestic partner, within three years of
39 the original transfer to which this exemption applies, and the tax on
40 the subsequent transfer has not been paid within sixty days of

1 becoming due, excise taxes become due and payable on the original
2 transfer as otherwise provided by law.

3 ~~((q))~~ (p)(i) A transfer that for federal income tax purposes
4 does not involve the recognition of gain or loss for entity
5 formation, liquidation or dissolution, and reorganization, including
6 but not limited to nonrecognition of gain or loss because of
7 application of 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731
8 of the internal revenue code of 1986, as amended.

9 (ii) However, the transfer described in ~~((q))~~ (p)(i) of this
10 subsection cannot be preceded or followed within a thirty-six month
11 period by another transfer or series of transfers, that, when
12 combined with the otherwise exempt transfer or transfers described in
13 ~~((q))~~ (p)(i) of this subsection, results in the transfer of a
14 controlling interest in the entity for valuable consideration, and in
15 which one or more persons previously holding a controlling interest
16 in the entity receive cash or property in exchange for any interest
17 the person or persons acting in concert hold in the entity. This
18 subsection ~~(3)~~ ~~((q))~~ (p)(ii) does not apply to that part of the
19 transfer involving property received that is the real property
20 interest that the person or persons originally contributed to the
21 entity or when one or more persons who did not contribute real
22 property or belong to the entity at a time when real property was
23 purchased receive cash or personal property in exchange for that
24 person or persons' interest in the entity. The real estate excise tax
25 under this subsection ~~(3)~~ ~~((q))~~ (p)(ii) is imposed upon the person
26 or persons who previously held a controlling interest in the entity.

27 ~~((r))~~ (q) A qualified sale of a manufactured/mobile home
28 community, as defined in RCW 59.20.030.

29 ~~((s))~~ (r)(i) A transfer of a qualified low-income housing
30 development or controlling interest in a qualified low-income housing
31 development, unless, due to noncompliance with federal statutory
32 requirements, the seller is subject to recapture, in whole or in
33 part, of its allocated federal low-income housing tax credits within
34 the four years prior to the date of transfer.

35 (ii) For purposes of this subsection ~~(3)~~ ~~((s))~~ (r), "qualified
36 low-income housing development" means real property and improvements
37 in respect to which the seller or, in the case of a transfer of a
38 controlling interest, the owner or beneficial owner, was allocated
39 federal low-income housing tax credits authorized under 26 U.S.C.
40 Sec. 42 or successor statute, by the Washington state housing finance

1 commission or successor state-authorized tax credit allocating
2 agency.

3 (iii) This subsection (3) ~~((s))~~ (r) does not apply to transfers
4 of a qualified low-income housing development or controlling interest
5 in a qualified low-income housing development occurring on or after
6 July 1, 2035.

7 (iv) The Washington state housing finance commission, in
8 consultation with the department, must gather data on: (A) The fiscal
9 savings, if any, accruing to transferees as a result of the exemption
10 provided in this subsection (3) ~~((s))~~ (r); (B) the extent to which
11 transferors of qualified low-income housing developments receive
12 consideration, including any assumption of debt, as part of a
13 transfer subject to the exemption provided in this subsection (3)
14 ~~((s))~~ (r); and (C) the continued use of the property for low-income
15 housing. The Washington state housing finance commission must provide
16 this information to the joint legislative audit and review committee.
17 The committee must conduct a review of the tax preference created
18 under this subsection (3) ~~((s))~~ (r) in calendar year 2033, as
19 required under chapter 43.136 RCW.

20 ~~((t))~~ (s)(i) A qualified transfer of residential property by a
21 legal representative of a person with developmental disabilities to a
22 qualified entity subject to the following conditions:

23 (A) The adult child with developmental disabilities of the
24 transferor of the residential property must be allowed to reside in
25 the residence or successor property so long as the placement is safe
26 and appropriate as determined by the department of social and health
27 services;

28 (B) The title to the residential property is conveyed without the
29 receipt of consideration by the legal representative of a person with
30 developmental disabilities to a qualified entity;

31 (C) The residential property must have no more than four living
32 units located on it; and

33 (D) The residential property transferred must remain in continued
34 use for fifty years by the qualified entity as supported living for
35 persons with developmental disabilities by the qualified entity or
36 successor entity. If the qualified entity sells or otherwise conveys
37 ownership of the residential property the proceeds of the sale or
38 conveyance must be used to acquire similar residential property and
39 such similar residential property must be considered the successor
40 for continued use. The property will not be considered in continued

1 use if the department of social and health services finds that the
2 property has failed, after a reasonable time to remedy, to meet any
3 health and safety statutory or regulatory requirements. If the
4 department of social and health services determines that the property
5 fails to meet the requirements for continued use, the department of
6 social and health services must notify the department and the real
7 estate excise tax based on the value of the property at the time of
8 the transfer into use as residential property for persons with
9 developmental disabilities becomes immediately due and payable by the
10 qualified entity. The tax due is not subject to penalties, fees, or
11 interest under this title.

12 (ii) For the purposes of this subsection (3)(~~(t)~~) (s) the
13 definitions in RCW 71A.10.020 apply.

14 (iii) A "qualified entity" is:

15 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)
16 of the federal internal revenue code of 1986, as amended, as of June
17 7, 2018, or a subsidiary under the same taxpayer identification
18 number that provides residential supported living for persons with
19 developmental disabilities; or

20 (B) A nonprofit adult family home, as defined in RCW 70.128.010,
21 that exclusively serves persons with developmental disabilities.

22 (iv) In order to receive an exemption under this subsection (3)
23 (~~(t)~~) (s) an affidavit must be submitted by the transferor of the
24 residential property and must include a copy of the transfer
25 agreement and any other documentation as required by the department.

26 (~~(u)~~) (t)(i) The sale by an affordable homeownership
27 facilitator of self-help housing to a low-income household.

28 (ii) The definitions in this subsection (3)(~~(u)~~) (t) apply to
29 this subsection (3)(~~(u)~~) (t) unless the context clearly requires
30 otherwise.

31 (A) "Affordable homeownership facilitator" means a nonprofit
32 community or neighborhood-based organization that is exempt from
33 income tax under Title 26 U.S.C. Sec. 501(c) of the internal revenue
34 code of 1986, as amended, as of October 1, 2019, and that is the
35 developer of self-help housing.

36 (B) "Low-income" means household income as defined by the
37 department, provided that the definition may not exceed eighty
38 percent of median household income, adjusted for household size, for
39 the county in which the dwelling is located.

1 (C) "Self-help housing" means dwelling residences provided for
2 ownership by low-income individuals and families whose ownership
3 requirement includes labor participation. "Self-help housing" does
4 not include residential rental housing provided on a commercial basis
5 to the general public.

6 ~~((v))~~ (u)(i) A sale or transfer of real property to a
7 qualifying grantee that uses the property for housing for low-income
8 persons and receives or otherwise qualifies the property for an
9 exemption from real and personal property taxes under RCW 84.36.560,
10 84.36.049, 35.82.210, 35.21.755, or 84.36.010. For purposes of this
11 subsection (3) ~~((v))~~ (u), "qualifying grantee" means a nonprofit
12 entity as defined in RCW 84.36.560, a nonprofit entity or qualified
13 cooperative association as defined in RCW 84.36.049, a housing
14 authority created under RCW 35.82.030 or 35.82.300, a public
15 corporation established under RCW 35.21.660 or 35.21.730, or a county
16 or municipal corporation. A qualifying grantee that is a county or
17 municipal corporation must record a covenant at the time of transfer
18 that prohibits using the property for any purpose other than for low-
19 income housing for a period of at least 10 years. At a minimum, the
20 covenant must address price restrictions and household income limits
21 for the low-income housing. A qualifying grantee must comply with the
22 requirements described in ~~((v))~~ (u)(i)(A), (B), or (C) of this
23 subsection and must also certify, by affidavit at the time of sale or
24 transfer, that it intends to comply with those requirements.

25 (A) If the qualifying grantee intends to operate existing housing
26 on the property, within one year of the sale or transfer:

27 (I) The qualifying grantee must receive or qualify the property
28 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
29 35.21.755, or 84.36.010; and

30 (II) The property must be used as housing for low-income persons.

31 (B) If the qualifying grantee intends to develop new housing on
32 the site, within five years of the sale or transfer:

33 (I) The qualifying grantee must receive or qualify the property
34 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
35 35.21.755, or 84.36.010; and

36 (II) The property must be used as housing for low-income persons.

37 (C) If the qualifying grantee intends to substantially
38 rehabilitate the premises as defined in RCW 59.18.200, within three
39 years:

1 (I) The qualifying grantee must receive or qualify the property
2 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
3 35.21.755, or 84.36.010; and

4 (II) The property must be used as housing for low-income persons.

5 (ii) If the qualifying grantee fails to satisfy the requirements
6 described in ~~((+v+))~~ (u)(i)(A), (B), or (C) of this subsection,
7 within the timelines described in ~~((+v+))~~ (u)(i)(A), (B), or (C) of
8 this subsection, the qualifying grantee must pay the tax that would
9 have otherwise been due at the time of initial transfer, plus
10 interest calculated from the date of initial transfer pursuant to RCW
11 82.32.050.

12 (iii) If a qualifying grantee transfers the property to a
13 different qualifying grantee within the original timelines described
14 in ~~((+v+))~~ (u)(i)(A), (B), or (C) of this subsection, neither the
15 original qualifying grantee nor the new qualifying grantee is
16 required to pay the tax, so long as the new qualifying grantee
17 satisfies the requirements as described in ~~((+v+))~~ (u)(i)(A), (B), or
18 (C) of this subsection within the exemption period of the initial
19 transfer. If the new qualifying grantee fails to satisfy the
20 requirements described in ~~((+v+))~~ (u)(i)(A), (B), or (C) of this
21 subsection, only the new qualifying grantee is liable for the payment
22 of taxes required by ~~((+v+))~~ (u)(ii) of this subsection. There is no
23 limit on the number of transfers between qualifying grantees within
24 the original timelines.

25 (iv) Each affidavit must be filed with the department upon
26 completion of the sale or transfer of property, including transfers
27 from a qualifying grantee to a different qualifying grantee. The
28 qualifying grantee must provide proof to the department as required
29 by the department once the requirements as described in ~~((+v+))~~ (u)
30 (i)(A), (B), or (C) of this subsection have been satisfied.

31 (v) For the purposes of this subsection (3)~~((+v+))~~ (u), "low-
32 income" has the same meaning as in ~~((+u+))~~ (t) of this subsection.

33 **Sec. 16.** RCW 82.45.010 and 2022 c 199 s 4 are each amended to
34 read as follows:

35 (1) As used in this chapter, the term "sale" has its ordinary
36 meaning and includes any conveyance, grant, assignment, quitclaim, or
37 transfer of the ownership of or title to real property, including
38 standing timber, or any estate or interest therein for a valuable
39 consideration, and any contract for such conveyance, grant,

1 assignment, quitclaim, or transfer, and any lease with an option to
2 purchase real property, including standing timber, or any estate or
3 interest therein or other contract under which possession of the
4 property is given to the purchaser, or any other person at the
5 purchaser's direction, and title to the property is retained by the
6 vendor as security for the payment of the purchase price. The term
7 also includes the grant, assignment, quitclaim, sale, or transfer of
8 improvements constructed upon leased land.

9 (2) (a) The term "sale" also includes the transfer or acquisition
10 within any thirty-six month period of a controlling interest in any
11 entity with an interest in real property located in this state for a
12 valuable consideration.

13 (b) For the sole purpose of determining whether, pursuant to the
14 exercise of an option, a controlling interest was transferred or
15 acquired within a thirty-six month period, the date that the option
16 agreement was executed is the date on which the transfer or
17 acquisition of the controlling interest is deemed to occur. For all
18 other purposes under this chapter, the date upon which the option is
19 exercised is the date of the transfer or acquisition of the
20 controlling interest.

21 (c) For purposes of this subsection, all acquisitions of persons
22 acting in concert must be aggregated for purposes of determining
23 whether a transfer or acquisition of a controlling interest has taken
24 place. The department must adopt standards by rule to determine when
25 persons are acting in concert. In adopting a rule for this purpose,
26 the department must consider the following:

27 (i) Persons must be treated as acting in concert when they have a
28 relationship with each other such that one person influences or
29 controls the actions of another through common ownership; and

30 (ii) When persons are not commonly owned or controlled, they must
31 be treated as acting in concert only when the unity with which the
32 purchasers have negotiated and will consummate the transfer of
33 ownership interests supports a finding that they are acting as a
34 single entity. If the acquisitions are completely independent, with
35 each purchaser buying without regard to the identity of the other
36 purchasers, then the acquisitions are considered separate
37 acquisitions.

38 (3) The term "sale" does not include:

39 (a) A transfer by gift, devise, or inheritance.

1 (b) A transfer by transfer on death deed, to the extent that it
2 is not in satisfaction of a contractual obligation of the decedent
3 owed to the recipient of the property.

4 (c) A transfer of any leasehold interest other than of the type
5 mentioned above.

6 (d) A cancellation or forfeiture of a vendee's interest in a
7 contract for the sale of real property, whether or not such contract
8 contains a forfeiture clause, or deed in lieu of foreclosure of a
9 mortgage.

10 (e) The partition of property by tenants in common by agreement
11 or as the result of a court decree.

12 (f) The assignment of property or interest in property from one
13 spouse or one domestic partner to the other spouse or other domestic
14 partner in accordance with the terms of a decree of dissolution of
15 marriage or state registered domestic partnership or in fulfillment
16 of a property settlement agreement.

17 (g) The assignment or other transfer of a vendor's interest in a
18 contract for the sale of real property, even though accompanied by a
19 conveyance of the vendor's interest in the real property involved.

20 (h) Transfers by appropriation or decree in condemnation
21 proceedings brought by the United States, the state or any political
22 subdivision thereof, or a municipal corporation.

23 (i) A mortgage or other transfer of an interest in real property
24 merely to secure a debt, or the assignment thereof.

25 (j) Any transfer or conveyance made pursuant to a deed of trust
26 or an order of sale by the court in any mortgage, deed of trust, or
27 lien foreclosure proceeding or upon execution of a judgment, or deed
28 in lieu of foreclosure to satisfy a mortgage or deed of trust.

29 (k) A conveyance to the federal housing administration or
30 veterans administration by an authorized mortgagee made pursuant to a
31 contract of insurance or guaranty with the federal housing
32 administration or veterans administration.

33 ~~(l) ((A transfer in compliance with the terms of any lease or~~
34 ~~contract upon which the tax as imposed by this chapter has been paid~~
35 ~~or where the lease or contract was entered into prior to the date~~
36 ~~this tax was first imposed.~~

37 ~~(m))~~ The sale of any grave or lot in an established cemetery.

38 ~~((n))~~ (m) A sale by the United States, this state or any
39 political subdivision thereof, or a municipal corporation of this
40 state.

1 (~~(e)~~) (n) A sale to a regional transit authority or public
2 corporation under RCW 81.112.320 under a sale/leaseback agreement
3 under RCW 81.112.300.

4 (~~(p)~~) (o) A transfer of real property, however effected, if it
5 consists of a mere change in identity or form of ownership of an
6 entity where there is no change in the beneficial ownership. These
7 include transfers to a corporation or partnership which is wholly
8 owned by the transferor and/or the transferor's spouse or domestic
9 partner or children of the transferor or the transferor's spouse or
10 domestic partner. However, if thereafter such transferee corporation
11 or partnership voluntarily transfers such real property, or such
12 transferor, spouse or domestic partner, or children of the transferor
13 or the transferor's spouse or domestic partner voluntarily transfer
14 stock in the transferee corporation or interest in the transferee
15 partnership capital, as the case may be, to other than (i) the
16 transferor and/or the transferor's spouse or domestic partner or
17 children of the transferor or the transferor's spouse or domestic
18 partner, (ii) a trust having the transferor and/or the transferor's
19 spouse or domestic partner or children of the transferor or the
20 transferor's spouse or domestic partner as the only beneficiaries at
21 the time of the transfer to the trust, or (iii) a corporation or
22 partnership wholly owned by the original transferor and/or the
23 transferor's spouse or domestic partner or children of the transferor
24 or the transferor's spouse or domestic partner, within three years of
25 the original transfer to which this exemption applies, and the tax on
26 the subsequent transfer has not been paid within sixty days of
27 becoming due, excise taxes become due and payable on the original
28 transfer as otherwise provided by law.

29 (~~(q)~~) (p)(i) A transfer that for federal income tax purposes
30 does not involve the recognition of gain or loss for entity
31 formation, liquidation or dissolution, and reorganization, including
32 but not limited to nonrecognition of gain or loss because of
33 application of 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731
34 of the internal revenue code of 1986, as amended.

35 (ii) However, the transfer described in (~~(q)~~) (p)(i) of this
36 subsection cannot be preceded or followed within a thirty-six month
37 period by another transfer or series of transfers, that, when
38 combined with the otherwise exempt transfer or transfers described in
39 (~~(q)~~) (p)(i) of this subsection, results in the transfer of a
40 controlling interest in the entity for valuable consideration, and in

1 which one or more persons previously holding a controlling interest
2 in the entity receive cash or property in exchange for any interest
3 the person or persons acting in concert hold in the entity. This
4 subsection (3) ~~((q))~~ (p)(ii) does not apply to that part of the
5 transfer involving property received that is the real property
6 interest that the person or persons originally contributed to the
7 entity or when one or more persons who did not contribute real
8 property or belong to the entity at a time when real property was
9 purchased receive cash or personal property in exchange for that
10 person or persons' interest in the entity. The real estate excise tax
11 under this subsection (3) ~~((q))~~ (p)(ii) is imposed upon the person
12 or persons who previously held a controlling interest in the entity.

13 ~~((r))~~ (q) A qualified sale of a manufactured/mobile home
14 community, as defined in RCW 59.20.030, that takes place on or after
15 June 12, 2008, but before December 31, 2018.

16 ~~((s))~~ (r)(i) A transfer of a qualified low-income housing
17 development or controlling interest in a qualified low-income housing
18 development, unless, due to noncompliance with federal statutory
19 requirements, the seller is subject to recapture, in whole or in
20 part, of its allocated federal low-income housing tax credits within
21 the four years prior to the date of transfer.

22 (ii) For purposes of this subsection (3) ~~((s))~~ (r), "qualified
23 low-income housing development" means real property and improvements
24 in respect to which the seller or, in the case of a transfer of a
25 controlling interest, the owner or beneficial owner, was allocated
26 federal low-income housing tax credits authorized under 26 U.S.C.
27 Sec. 42 or successor statute, by the Washington state housing finance
28 commission or successor state-authorized tax credit allocating
29 agency.

30 (iii) This subsection (3) ~~((s))~~ (r) does not apply to transfers
31 of a qualified low-income housing development or controlling interest
32 in a qualified low-income housing development occurring on or after
33 July 1, 2035.

34 (iv) The Washington state housing finance commission, in
35 consultation with the department, must gather data on: (A) The fiscal
36 savings, if any, accruing to transferees as a result of the exemption
37 provided in this subsection (3) ~~((s))~~ (r); (B) the extent to which
38 transferors of qualified low-income housing developments receive
39 consideration, including any assumption of debt, as part of a
40 transfer subject to the exemption provided in this subsection (3)

1 (~~(s)~~) (r); and (C) the continued use of the property for low-income
2 housing. The Washington state housing finance commission must provide
3 this information to the joint legislative audit and review committee.
4 The committee must conduct a review of the tax preference created
5 under this subsection (3)(~~(s)~~) (r) in calendar year 2033, as
6 required under chapter 43.136 RCW.

7 (~~(t)~~) (s)(i) A qualified transfer of residential property by a
8 legal representative of a person with developmental disabilities to a
9 qualified entity subject to the following conditions:

10 (A) The adult child with developmental disabilities of the
11 transferor of the residential property must be allowed to reside in
12 the residence or successor property so long as the placement is safe
13 and appropriate as determined by the department of social and health
14 services;

15 (B) The title to the residential property is conveyed without the
16 receipt of consideration by the legal representative of a person with
17 developmental disabilities to a qualified entity;

18 (C) The residential property must have no more than four living
19 units located on it; and

20 (D) The residential property transferred must remain in continued
21 use for fifty years by the qualified entity as supported living for
22 persons with developmental disabilities by the qualified entity or
23 successor entity. If the qualified entity sells or otherwise conveys
24 ownership of the residential property the proceeds of the sale or
25 conveyance must be used to acquire similar residential property and
26 such similar residential property must be considered the successor
27 for continued use. The property will not be considered in continued
28 use if the department of social and health services finds that the
29 property has failed, after a reasonable time to remedy, to meet any
30 health and safety statutory or regulatory requirements. If the
31 department of social and health services determines that the property
32 fails to meet the requirements for continued use, the department of
33 social and health services must notify the department and the real
34 estate excise tax based on the value of the property at the time of
35 the transfer into use as residential property for persons with
36 developmental disabilities becomes immediately due and payable by the
37 qualified entity. The tax due is not subject to penalties, fees, or
38 interest under this title.

39 (ii) For the purposes of this subsection (3)(~~(t)~~) (s) the
40 definitions in RCW 71A.10.020 apply.

1 (iii) A "qualified entity" is:

2 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)
3 of the federal internal revenue code of 1986, as amended, as of June
4 7, 2018, or a subsidiary under the same taxpayer identification
5 number that provides residential supported living for persons with
6 developmental disabilities; or

7 (B) A nonprofit adult family home, as defined in RCW 70.128.010,
8 that exclusively serves persons with developmental disabilities.

9 (iv) In order to receive an exemption under this subsection (3)
10 (~~(t)~~) (s) an affidavit must be submitted by the transferor of the
11 residential property and must include a copy of the transfer
12 agreement and any other documentation as required by the department.

13 (~~(u)~~) (t)(i) A sale or transfer of real property to a
14 qualifying grantee that uses the property for housing for low-income
15 persons and receives or otherwise qualifies the property for an
16 exemption from real and personal property taxes under RCW 84.36.560,
17 84.36.049, 35.82.210, 35.21.755, or 84.36.010. For purposes of this
18 subsection (3) (~~(u)~~) (t), "qualifying grantee" means a nonprofit
19 entity as defined in RCW 84.36.560, a nonprofit entity or qualified
20 cooperative association as defined in RCW 84.36.049, a housing
21 authority created under RCW 35.82.030 or 35.82.300, a public
22 corporation established under RCW 35.21.660 or 35.21.730, or a county
23 or municipal corporation. A qualifying grantee that is a county or
24 municipal corporation must record a covenant at the time of transfer
25 that prohibits using the property for any purpose other than for low-
26 income housing for a period of at least 10 years. At a minimum, the
27 covenant must address price restrictions and household income limits
28 for the low-income housing. A qualifying grantee must comply with the
29 requirements described in (~~(u)~~) (t)(i)(A), (B), or (C) of this
30 subsection and must also certify, by affidavit at the time of sale or
31 transfer, that it intends to comply with those requirements.

32 (A) If the qualifying grantee intends to operate existing housing
33 on the property, within one year of the sale or transfer:

34 (I) The qualifying grantee must receive or qualify the property
35 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
36 35.21.755, or 84.36.010; and

37 (II) The property must be used as housing for low-income persons.

38 (B) If the qualifying grantee intends to develop new housing on
39 the site, within five years of the sale or transfer:

1 (I) The qualifying grantee must receive or qualify the property
2 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
3 35.21.755, or 84.36.010; and

4 (II) The property must be used as housing for low-income persons.

5 (C) If the qualifying grantee intends to substantially
6 rehabilitate the premises as defined in RCW 59.18.200, within three
7 years:

8 (I) The qualifying grantee must receive or qualify the property
9 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
10 35.21.755, or 84.36.010; and

11 (II) The property must be used as housing for low-income persons.

12 (ii) If the qualifying grantee fails to satisfy the requirements
13 described in ~~((u))~~ (t)(i)(A), (B), or (C) of this subsection,
14 within the timelines described in ~~((u))~~ (t)(i)(A), (B), or (C) of
15 this subsection, the qualifying grantee must pay the tax that would
16 have otherwise been due at the time of initial transfer, plus
17 interest calculated from the date of initial transfer pursuant to RCW
18 82.32.050.

19 (iii) If a qualifying grantee transfers the property to a
20 different qualifying grantee within the original timelines described
21 in ~~((u))~~ (t)(i)(A), (B), or (C) of this subsection, neither the
22 original qualifying grantee nor the new qualifying grantee is
23 required to pay the tax, so long as the new qualifying grantee
24 satisfies the requirements as described in ~~((u))~~ (t)(i)(A), (B), or
25 (C) of this subsection within the exemption period of the initial
26 transfer. If the new qualifying grantee fails to satisfy the
27 requirements described in ~~((u))~~ (t)(i)(A), (B), or (C) of this
28 subsection, only the new qualifying grantee is liable for the payment
29 of taxes required by ~~((u))~~ (t)(ii) of this subsection. There is no
30 limit on the number of transfers between qualifying grantees within
31 the original timelines.

32 (iv) Each affidavit must be filed with the department upon
33 completion of the sale or transfer of property, including transfers
34 from a qualifying grantee to a different qualifying grantee. The
35 qualifying grantee must provide proof to the department as required
36 by the department once the requirements as described in ~~((u))~~ (t)
37 (i)(A), (B), or (C) of this subsection have been satisfied.

38 (v) For the purposes of this subsection (3) ~~((u))~~ (t), "low-
39 income" means household income as defined by the department, provided
40 that the definition may not exceed 80 percent of median household

1 income, adjusted for household size, for the county in which the
2 dwelling is located.

3 **Sec. 17.** RCW 82.45.030 and 2011 c 58 s 15 are each amended to
4 read as follows:

5 (1) As used in this chapter, the term "selling price" means the
6 true and fair value of the property conveyed. If property has been
7 conveyed in an arm's length transaction between unrelated persons for
8 a valuable consideration, a rebuttable presumption exists that the
9 selling price is equal to the total consideration paid or contracted
10 to be paid to the transferor, or to another for the transferor's
11 benefit.

12 (2) If the sale is a transfer of a controlling interest in an
13 entity with an interest in real property located in this state, the
14 selling price shall be the true and fair value of the real property
15 owned by the entity and located in this state. If the true and fair
16 value of the real property located in this state cannot reasonably be
17 determined, the selling price shall be determined according to
18 subsection (4) of this section.

19 (3) As used in this section, "total consideration paid or
20 contracted to be paid" includes money or anything of value, paid or
21 delivered or contracted to be paid or delivered in return for the
22 sale, and shall include the amount of any lien, mortgage, contract
23 indebtedness, or other incumbrance, either given to secure the
24 purchase price, or any part thereof, or remaining unpaid on such
25 property at the time of sale.

26 Total consideration shall not include the amount of any
27 outstanding lien or incumbrance in favor of the United States, the
28 state, or a municipal corporation for taxes, special benefits, or
29 improvements.

30 ~~((When a transfer or conveyance is made by deed in lieu of
31 foreclosure to satisfy a deed of trust, total consideration shall not
32 include the amount of any relocation assistance provided to the
33 transferor.))~~

34 (4) If the total consideration for the sale cannot be ascertained
35 or the true and fair value of the property to be valued at the time
36 of the sale cannot reasonably be determined, the market value
37 assessment for the property maintained on the county property tax
38 rolls at the time of the sale shall be used as the selling price.

1 **Sec. 18.** RCW 82.64.030 and 1994 sp.s. c 7 s 907 are each amended
2 to read as follows:

3 The following are exempt from the taxes imposed in this chapter:

4 (1) Any successive sale of a previously taxed syrup.

5 (2) Any syrup that is transferred to a point outside the state
6 for use outside the state. The department shall provide by rule
7 appropriate procedures and exemption certificates for the
8 administration of this exemption.

9 ~~((3) Any sale at wholesale of a trademarked syrup by any person
10 to a person commonly known as a bottler who is appointed by the owner
11 of the trademark to manufacture, distribute, and sell such
12 trademarked syrup within a specified geographic territory.~~

13 ~~(4) Any sale of syrup in respect to which a tax on the privilege
14 of possession was paid under this chapter before June 1, 1991.)~~

15 **Sec. 19.** RCW 84.36.010 and 2020 c 272 s 1 are each amended to
16 read as follows:

17 (1) All property belonging exclusively to the United States, the
18 state, or any county or municipal corporation; all property belonging
19 exclusively to any federally recognized Indian tribe, if (a) the
20 tribe is located in the state, and (b) the property is used
21 exclusively for essential government services; ~~((all state route
22 number 16 corridor transportation systems and facilities constructed
23 under chapter 47.46 RCW;))~~ all property under a financing contract
24 pursuant to chapter 39.94 RCW or recorded agreement granting
25 immediate possession and use to the public bodies listed in this
26 section or under an order of immediate possession and use pursuant to
27 RCW 8.04.090; and, for a period of forty years from acquisition, all
28 property of a community center; is exempt from taxation. All property
29 belonging exclusively to a foreign national government is exempt from
30 taxation if that property is used exclusively as an office or
31 residence for a consul or other official representative of the
32 foreign national government, and if the consul or other official
33 representative is a citizen of that foreign nation.

34 (2) For the purposes of this section the following definitions
35 apply unless the context clearly requires otherwise.

36 (a) "Community center" means property, including a building or
37 buildings, determined to be surplus to the needs of a district by a
38 local school board, and purchased or acquired by a nonprofit
39 organization for the purposes of converting them into community

1 facilities for the delivery of nonresidential coordinated services
2 for community members. The community center may make space available
3 to businesses, individuals, or other parties through the loan or
4 rental of space in or on the property.

5 (b) "Essential government services" means services such as tribal
6 administration, public facilities, fire, police, public health,
7 education, sewer, water, environmental and land use, transportation,
8 utility services, and economic development.

9 (c) "Economic development" means commercial activities, including
10 those that facilitate the creation or retention of businesses or
11 jobs, or that improve the standard of living or economic health of
12 tribal communities.

13 **Sec. 20.** RCW 84.36.030 and 2014 c 99 s 4 are each amended to
14 read as follows:

15 The following real and personal property is exempt from taxation:

16 (1)(a) Property owned by nonprofit organizations or associations,
17 organized and conducted for nonsectarian purposes, which shall be
18 used for character-building, benevolent, protective or rehabilitative
19 social services directed at persons of all ages.

20 (b) The sale of donated merchandise is not considered a nonexempt
21 use of the property under this section if the proceeds are devoted to
22 the furtherance of the purposes of the selling organization or
23 association as specified in this subsection (1).

24 (2) Property owned by any nonprofit church, denomination, group
25 of churches, or an organization or association, the membership of
26 which is comprised solely of churches or their qualified
27 representatives, which is utilized as a camp facility if used for
28 organized and supervised recreational activities and church purposes
29 as related to such camp facilities. The exemption provided by this
30 (~~paragraph~~) subsection shall apply to a maximum of two hundred
31 acres of any such camp as selected by the church, including buildings
32 and other improvements thereon.

33 (3) Property, including buildings and improvements required for
34 the maintenance and safeguarding of such property, owned by nonprofit
35 organizations or associations engaged in character building of boys
36 and girls under eighteen years of age, and used for such purposes and
37 uses, provided such purposes and uses are for the general public
38 good: PROVIDED, That if existing charters provide that organizations
39 or associations, which would otherwise qualify under the provisions

1 of this (~~paragraph~~) subsection, serve boys and girls up to the age
2 of twenty-one years, then such organizations or associations shall be
3 deemed qualified pursuant to this section.

4 (4) Property owned by all organizations and societies of veterans
5 of any war of the United States, recognized as such by the department
6 of defense, which shall have national charters, and which shall have
7 for their general purposes and objects the preservation of the
8 memories and associations incident to their war service and the
9 consecration of the efforts of their members to mutual helpfulness
10 and to patriotic and community service to state and nation. To be
11 exempt such property must be used in such manner as may be reasonably
12 necessary to carry out the purposes and objects of such societies.

13 (5) Property owned by all corporations, incorporated under any
14 act of congress, whose principal purposes are to furnish volunteer
15 aid to members of the armed forces of the United States and also to
16 carry on a system of national and international relief and to apply
17 the same in mitigating the sufferings caused by pestilence, famine,
18 fire, floods, and other national calamities and to devise and carry
19 on measures for preventing the same.

20 (~~(6) ((Property owned by nonprofit organizations exempt from~~
21 ~~federal income tax under section 501(c)(3) of the internal revenue~~
22 ~~code of 1954, as amended, that are guarantee agencies under the~~
23 ~~federal guaranteed student loan program or that issue debt to provide~~
24 ~~or acquire student loans.~~

25 ~~(7))~~) To be exempt under this section, the property must be used
26 exclusively for the purposes for which exemption is granted, except
27 as otherwise provided in this section or RCW 84.36.805.

28 (~~(+8))~~) (7) For the purposes of this section, "general public
29 good" means members of the community derive a benefit from the rental
30 or use of the property by the nonprofit community group or
31 organization.

32 NEW SECTION. **Sec. 21.** Section 5 of this act expires January 1,
33 2034.

34 NEW SECTION. **Sec. 22.** Section 6 of this act takes effect
35 January 1, 2034.

1 NEW SECTION. **Sec. 23.** The contingent expiration date in section
2 1407, chapter 37, Laws of 2017 3rd sp. sess. applies to section 9 of
3 this act.

4 NEW SECTION. **Sec. 24.** Section 10 of this act takes effect when
5 section 9 of this act expires.

6 NEW SECTION. **Sec. 25.** Section 13 of this act expires January 1,
7 2034.

8 NEW SECTION. **Sec. 26.** Section 14 of this act takes effect
9 January 1, 2034.

10 NEW SECTION. **Sec. 27.** Section 15 of this act expires January 1,
11 2030.

12 NEW SECTION. **Sec. 28.** Section 16 of this act takes effect
13 January 1, 2030.

14 NEW SECTION. **Sec. 29.** Except for sections 6, 10, 14, and 16 of
15 this act, this act takes effect January 1, 2026.

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