
HOUSE BILL 2502

State of Washington 69th Legislature 2026 Regular Session

By Representatives Wylie, Parshley, Scott, Hill, and Macri

Read first time 01/15/26. Referred to Committee on Finance.

1 AN ACT Relating to improving local government funding by removing
2 certain sales and use tax exemptions; amending RCW 82.04.050,
3 82.08.0205, 82.12.0205, 82.08.0315, 82.12.0315, 82.08.806, 82.08.806,
4 82.12.806, 82.08.807, 82.12.807, 82.08.832, 82.12.832, 82.08.900,
5 82.12.900, 82.08.962, 82.12.962, 82.08.986, 82.12.986, 82.08.975, and
6 82.12.975; creating new sections; providing an effective date; and
7 providing an expiration date.

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

9 NEW SECTION. **Sec. 1.** (1) The legislature finds that local
10 governments, like cities and counties, are a critical component of
11 Washington's governing structure. They deliver essential daily
12 services such as law enforcement, roads, bridges, public health,
13 behavioral health, veterans services, building and permitting, and
14 many more, implement state laws at the community level, and act as
15 the government layer closest to the residents and the most responsive
16 to community issues. They form the foundation for effective state
17 policy.

18 (2) For local governments to be successful, they must have
19 adequate funding. Previous reports have highlighted significant local
20 government funding challenges in the state, stemming from state and
21 federal funding cuts, inherent fiscal constraints such as limited

1 property tax revenue growth, and rising costs for services, including
2 labor, public safety, insurance, and inflation, among others. A
3 January 1988 study by the Washington state local governance study
4 commission titled "The Quiet Crisis of Local Governance in
5 Washington" found that, for local governments, "revenues are
6 inadequate for the services they are expected or required to
7 perform." A December 2007 study by the department of community,
8 trade, and economic development titled "County Financial Health and
9 Governance Alternatives" reported that "counties' revenue base has
10 become more inelastic over the last decade, significantly
11 contributing to fiscal distress and jeopardizing equal access across
12 the state to basic services provided by counties." In August 2010 the
13 state treasurer report titled "Local Government Financial Health
14 Indicators" claimed "the financial condition of Washington's local
15 governments has generally declined between 2004 and 2008 based on the
16 selected stress indicators." An August 2014 report by the state
17 auditor titled "Progress Report: Local Government Financial Health"
18 found that "local governments continue to face the fiscally
19 challenging combination of rising costs and constrained revenues that
20 could jeopardize their financial stability long after the state and
21 national economies fully recover."

22 (3) The legislature has considered numerous proposals to address
23 the fiscal distress of local governments since these reports have
24 been published, but no significant policy changes to improve the
25 fiscal health of local governments have been adopted.

26 (4) The joint legislative audit and review committee has
27 identified 111 sales and use tax preferences in the Revised Code of
28 Washington that impact state and local government revenues.

29 (5) It is the intent of the legislature to be careful and prudent
30 when implementing tax preferences. Additionally, the law requires
31 regular review of existing tax preferences to determine if the
32 preference achieves the legislature's objectives, who benefits from
33 the preference, how much the preference costs, and other issues.

34 (6) The average combined sales tax rate in the state is 9.4
35 percent. The average combined rate includes the state base rate of
36 6.5 percent and an average local rate of 2.9 percent. While most
37 sales and use tax preferences exempt specific products and services
38 from both state and local taxes, RCW 82.08.985 does not include local
39 sales taxes. Without including an exemption from local sales taxes,
40 payers still receive a significant benefit by saving most of the

1 sales tax. The legislature finds that maintaining the exemption for
2 the state base sales tax rate and not including an exemption for
3 local sales taxes achieves the legislature's objective with certain
4 sales tax preferences.

5 (7) It is the intent of the legislature to improve the fiscal
6 health of local governments by removing the sales tax exemptions for
7 certain products and services and by following the example in RCW
8 82.08.985 to limit the sales tax exemptions for other specific
9 products and services to only the state portion.

10 **Sec. 2.** RCW 82.04.050 and 2025 c 422 s 101 are each amended to
11 read as follows:

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

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

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

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

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

1 (v) Purchases for the purpose of providing the property to
2 consumers as part of competitive telephone service, as defined in RCW
3 82.04.065; or

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

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

14 (c) The term also means every sale of tangible personal property
15 to persons engaged in any business that is taxable under RCW
16 82.04.280(1) (a), (b), and (~~(g)~~) (f), 82.04.290, and 82.04.2908.

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

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

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

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

1 property is then reconveyed by title, possession, or any other means
2 to the original owner;

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

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

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

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

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

1 (1) of this section and nothing contained in subsection (1) of this
2 section may be construed to modify this subsection.

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

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

9 (b) Credit bureau services;

10 (c) Automobile parking and storage garage services;

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

16 (e) Service charges associated with tickets to professional
17 sporting events;

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

21 (g) Information technology training services, technical support,
22 and other services including, but not limited to, assisting with
23 network operations and support, help desk services, in-person
24 training related to hardware or software, network system support
25 services, data entry services, and data processing services;

26 (h) Custom website development services. For the purposes of this
27 subsection (3), "website development services" means the design,
28 development, and support of a website provided by a website developer
29 to a customer;

30 (i) Investigation, security services, security monitoring
31 services, and armored car services including, but not limited to,
32 background checks, security guard and patrol services, personal and
33 event security, armored car transportation of cash and valuables, and
34 security system services and monitoring. This does not include
35 locksmith services;

36 (j) Temporary staffing services. For the purposes of this
37 subsection (3), "temporary staffing services" means providing workers
38 to other businesses, except for hospitals licensed under chapter
39 70.41 or 71.12 RCW, for limited periods of time to supplement their

1 workforce and fill employment vacancies on a contract or for fee
2 basis;

3 (k) Advertising services. (i) For the purposes of this subsection
4 (3), "advertising services" means all digital and nondigital services
5 related to the creation, preparation, production, or dissemination of
6 advertisements including, but not limited to:

7 (A) Layout, art direction, graphic design, mechanical
8 preparation, production supervision, placement, referrals,
9 acquisition of advertising space, and rendering advice concerning the
10 best methods of advertising products or services; and

11 (B) Online referrals, search engine marketing(~~(r)~~) and lead
12 generation optimization, web campaign planning, the acquisition of
13 advertising space in the internet media, and the monitoring and
14 evaluation of website traffic for purposes of determining the
15 effectiveness of an advertising campaign.

16 (ii) "Advertising services" do not include:

17 (A) Web hosting services and domain name registration;

18 (B) Services rendered in respect to the following:

19 (I) "Newspapers" as defined in RCW 82.04.214;

20 (II) Printing or publishing under RCW 82.04.280; and

21 (III) "Radio and television broadcasting" within this state as
22 defined in RCW 82.04.281; and

23 (C) Services rendered in respect to out-of-home advertising,
24 including: Billboard advertising; street furniture advertising;
25 transit advertising; place-based advertising, such as in-store
26 display advertising or point-of-sale advertising; dynamic or static
27 signage at live events; naming rights; and fixed signage advertising.
28 Out-of-home advertising does not include direct mail;

29 (l) Live presentations including, but not limited to, lectures,
30 seminars, workshops, or courses where participants attend either in-
31 person or via the internet or telecommunications equipment that
32 allows audience members and the presenter or instructor to give,
33 receive, and discuss information with each other in real time; and

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

37 (ii) Notwithstanding anything to the contrary in (m) (i) of this
38 subsection (3), the term "sale at retail" and "retail sale" under
39 this subsection does not include:

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

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

8 (C) Separately stated charges for services, such as massage,
9 nutritional consulting, and body composition testing, that do not
10 require the customer to engage in physical fitness activities to
11 receive the service. The exclusion in this subsection (3)(m)(ii)(C)
12 does not apply to personal training services and instruction in a
13 physical fitness activity;

14 (D) Separately stated charges for physical therapy provided by a
15 physical therapist, as those terms are defined in RCW 18.74.010, or
16 occupational therapy provided by an occupational therapy
17 practitioner, as those terms are defined in RCW 18.59.020, when
18 performed pursuant to a referral from an authorized health care
19 practitioner or in consultation with an authorized health care
20 practitioner. For the purposes of this subsection (3)(m)(ii)(D), an
21 authorized health care practitioner means a health care practitioner
22 licensed under chapter 18.83, 18.25, 18.36A, 18.57, 18.71, or 18.71A
23 RCW, or, until July 1, 2022, chapter 18.57A RCW;

24 (E) Rent or association fees charged by a landlord or residential
25 association to a tenant or residential owner with access to an
26 athletic or fitness facility maintained by the landlord or
27 residential association, unless the rent or fee varies depending on
28 whether the tenant or owner has access to the facility;

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

33 (G) The provision of access to an athletic or fitness facility by
34 an educational institution to its students and staff. However,
35 charges made by an educational institution to its alumni or other
36 members of the public for the use of any of the educational
37 institution's athletic or fitness facilities are a retail sale under
38 this subsection (3)(m). For purposes of this subsection
39 (3)(m)(ii)(G), "educational institution" has the same meaning as in
40 RCW 82.04.170;

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

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

10 (iv) For the purposes of this subsection (3)(m), the following
11 definitions apply:

12 (A) "Athletic or fitness facility" means an indoor or outdoor
13 facility or portion of a facility that is primarily used for:
14 Exercise classes; strength and conditioning programs; personal
15 training services; tennis, racquetball, handball, squash, or
16 pickleball; or other activities requiring the use of exercise or
17 strength training equipment, such as treadmills, elliptical machines,
18 stair climbers, stationary cycles, rowing machines, pilates
19 equipment, balls, climbing ropes, jump ropes, and weightlifting
20 equipment.

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

26 (C) "Physical fitness activities" means activities that involve
27 physical exertion for the purpose of improving or maintaining the
28 general fitness, strength, flexibility, conditioning, or health of
29 the participant. "Physical fitness activities" includes participating
30 in yoga, chi gong, or martial arts.

31 For the purposes of (g) through (i) and (k) of this subsection
32 (3), the terms "sale at retail" and "retail sale" do not include a
33 sale between members of an affiliated group as defined in RCW
34 82.04.299(1)(f).

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

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

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

4 (6)(a) The term also includes the sale of prewritten computer
5 software, custom software, and customization of prewritten computer
6 software to a consumer, regardless of the method of delivery to the
7 end user. For purposes of this subsection (6)(a), the sale of
8 prewritten computer software includes the sale of or charge made for
9 a key or an enabling or activation code, where the key or code is
10 required to activate prewritten computer software and put the
11 software into use. There is no separate sale of the key or code from
12 the prewritten computer software, regardless of how the sale may be
13 characterized by the vendor or by the purchaser.

14 (b)(i) The term also includes the charge made to consumers for
15 the right to access and use prewritten computer software, custom
16 software, and customization of prewritten computer software, where
17 possession of the software is maintained by the seller or a third
18 party, regardless of whether the charge for the service is on a per
19 use, per user, per license, subscription, or some other basis.

20 (ii)(A) The service described in (b)(i) of this subsection (6)
21 includes the right to access and use prewritten computer software,
22 custom software, and customization of prewritten computer software to
23 perform data processing.

24 (B) For purposes of this subsection (6)(b)(ii), "data processing"
25 means the systematic performance of operations on data to extract the
26 required information in an appropriate form or to convert the data to
27 usable information. Data processing includes check processing, image
28 processing, form processing, survey processing, payroll processing,
29 claim processing, and similar activities.

30 (7) The term also includes the sale of or charge made for an
31 extended warranty to a consumer. For purposes of this subsection,
32 "extended warranty" means an agreement for a specified duration to
33 perform the replacement or repair of tangible personal property at no
34 additional charge or a reduced charge for tangible personal property,
35 labor, or both, or to provide indemnification for the replacement or
36 repair of tangible personal property, based on the occurrence of
37 specified events. The term "extended warranty" does not include an
38 agreement, otherwise meeting the definition of extended warranty in
39 this subsection, if no separate charge is made for the agreement and
40 the value of the agreement is included in the sales price of the

1 tangible personal property covered by the agreement. For purposes of
2 this subsection, "sales price" has the same meaning as in RCW
3 82.08.010.

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

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

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

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

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

14 (b) A retail sale of digital goods, digital codes, or digital
15 automated services under this subsection (8) includes any services
16 provided by the seller exclusively in connection with the digital
17 goods, digital codes, or digital automated services, whether or not a
18 separate charge is made for such services.

19 (c) A retail sale of digital goods, digital codes, or digital
20 automated services does not include the following services if the
21 sale occurs between members of an affiliated group as defined in RCW
22 82.04.299(1) (f):

23 (i) Any service that primarily involves the application of human
24 effort by the seller, and the human effort originated after the
25 customer requested the service;

26 (ii) Live presentations, such as lectures, seminars, workshops,
27 or courses, where participants are connected to other participants
28 via the internet or telecommunications equipment, which allows
29 audience members and the presenter or instructor to give, receive,
30 and discuss information with each other in real time;

31 (iii) Advertising services. For purposes of this subsection
32 (8) (c), "advertising services" means all services directly related to
33 the creation, preparation, production, or dissemination of
34 advertisements. Advertising services include layout, art direction,
35 graphic design, mechanical preparation, production supervision,
36 placement, and rendering advice to a client concerning the best
37 methods of advertising that client's products or services.
38 Advertising services also include online referrals, search engine
39 marketing and lead generation optimization, web campaign planning,
40 the acquisition of advertising space in the internet media, and the

1 monitoring and evaluation of website traffic for purposes of
2 determining the effectiveness of an advertising campaign. Advertising
3 services do not include web hosting services and domain name
4 registration; and

5 (iv) Data processing services. For purposes of this subsection
6 (8)(c), "data processing service" means a primarily automated service
7 provided to a business or other organization where the primary object
8 of the service is the systematic performance of operations by the
9 service provider on data supplied in whole or in part by the customer
10 to extract the required information in an appropriate form or to
11 convert the data to usable information. Data processing services
12 include check processing, image processing, form processing, survey
13 processing, payroll processing, claim processing, and similar
14 activities. Data processing does not include the service described in
15 subsection (6)(b) of this section.

16 (d) For purposes of this subsection, "permanent" means perpetual
17 or for an indefinite or unspecified length of time. A right of
18 permanent use is presumed to have been granted unless the agreement
19 between the seller and the purchaser specifies or the circumstances
20 surrounding the transaction suggest or indicate that the right to use
21 terminates on the occurrence of a condition subsequent.

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

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

36 (11) The term also does not include sales of chemical sprays or
37 washes to persons for the purpose of postharvest treatment of fruit
38 for the prevention of scald, fungus, mold, or decay, nor does it
39 include sales of feed, seed, seedlings, fertilizer, agents for
40 enhanced pollination including insects such as bees, and spray

1 materials to: (a) Persons who participate in the federal conservation
2 reserve program, the environmental quality incentives program, the
3 wetlands reserve program, and the wildlife habitat incentives
4 program, or their successors administered by the United States
5 department of agriculture; (b) farmers for the purpose of producing
6 for sale any agricultural product; (c) farmers for the purpose of
7 providing bee pollination services; and (d) farmers acting under
8 cooperative habitat development or access contracts with an
9 organization exempt from federal income tax under 26 U.S.C. Sec.
10 501(c)(3) of the federal internal revenue code or the Washington
11 state department of fish and wildlife to produce or improve wildlife
12 habitat on land that the farmer owns or leases.

13 (12) The term does not include the sale of or charge made for
14 labor and services rendered in respect to the constructing,
15 repairing, decorating, or improving of new or existing buildings or
16 other structures under, upon, or above real property of or for the
17 United States, any instrumentality thereof, or a county or city
18 housing authority created pursuant to chapter 35.82 RCW, including
19 the installing, or attaching of any article of tangible personal
20 property therein or thereto, whether or not such personal property
21 becomes a part of the realty by virtue of installation. Nor does the
22 term include the sale of services or charges made for the clearing of
23 land and the moving of earth of or for the United States, any
24 instrumentality thereof, or a county or city housing authority. Nor
25 does the term include the sale of services or charges made for
26 cleaning up for the United States, or its instrumentalities,
27 radioactive waste and other by-products of weapons production and
28 nuclear research and development.

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

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

38 (15)(a) The term "sale at retail" or "retail sale" includes
39 amounts charged, however labeled, to consumers to engage in any of
40 the activities listed in this subsection (15)(a), including the

1 furnishing of any associated equipment or, except as otherwise
2 provided in this subsection, providing instruction in such
3 activities, where such charges are not otherwise defined as a "sale
4 at retail" or "retail sale" in this section:

5 (i) (A) Golf, including any variant in which either golf balls or
6 golf clubs are used, such as miniature golf, hitting golf balls at a
7 driving range, and golf simulators, and including fees charged by a
8 golf course to a player for using his or her own cart. However,
9 charges for golf instruction are not a retail sale, provided that if
10 the instruction involves the use of a golfing facility that would
11 otherwise require the payment of a fee, such as green fees or driving
12 range fees, such fees, including the applicable retail sales tax,
13 must be separately identified and charged by the golfing facility
14 operator to the instructor or the person receiving the instruction.

15 (B) Notwithstanding (a) (i) (A) of this subsection (15) and except
16 as otherwise provided in this subsection (15) (a) (i) (B), the term
17 "sale at retail" or "retail sale" does not include amounts charged to
18 participate in, or conduct, a golf tournament or other competitive
19 event. However, amounts paid by event participants to the golf
20 facility operator are retail sales under this subsection (15) (a) (i).
21 Likewise, amounts paid by the event organizer to the golf facility
22 are retail sales under this subsection (15) (a) (i), if such amounts
23 vary based on the number of event participants;

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

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

28 (iv) Access to amusement park, theme park, and water park
29 facilities, including but not limited to charges for admission and
30 locker or cabana rentals. Discrete charges for rides or other
31 attractions or entertainment that are in addition to the charge for
32 admission are not a retail sale under this subsection (15) (a) (iv).
33 For the purposes of this subsection, an amusement park or theme park
34 is a location that provides permanently affixed amusement rides,
35 games, and other entertainment, but does not include parks or zoos
36 for which the primary purpose is the exhibition of wildlife, or
37 fairs, carnivals, and festivals as defined in (b) (i) of this
38 subsection;

39 (v) Batting cage activities;

1 (vi) Bowling, but not including competitive events, except that
2 amounts paid by the event participants to the bowling alley operator
3 are retail sales under this subsection (15)(a)(vi). Likewise, amounts
4 paid by the event organizer to the operator of the bowling alley are
5 retail sales under this subsection (15)(a)(vi), if such amounts vary
6 based on the number of event participants;

7 (vii) Climbing on artificial climbing structures, whether indoors
8 or outdoors;

9 (viii) Day trips for sightseeing purposes;

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

12 (x) Horseback riding offered to the public, where the seller
13 furnishes the horse to the buyer and providing instruction is not the
14 primary focus of the activity, including guided rides, but not
15 including therapeutic horseback riding provided by an instructor
16 certified by a nonprofit organization that offers national or
17 international certification for therapeutic riding instructors;

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

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

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

33 (xiv) Go-karting, bumper cars, and other motorized activities
34 where the seller provides the vehicle and the premises where the
35 buyer will operate the vehicle;

36 (xv) Indoor or outdoor playground activities, such as inflatable
37 bounce structures and other inflatables; mazes; trampolines; slides;
38 ball pits; games of tag, including laser tag and soft-dart tag; and
39 human gyroscope rides, regardless of whether such activities occur at
40 the seller's place of business, but not including playground

1 activities provided for children by a licensed child day care center
2 or licensed family day care provider as those terms are defined in
3 RCW 43.216.010;

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

10 (xvii) Paintball and airsoft activities;

11 (xviii) Skating, including ice skating, roller skating, and
12 inline skating, but only in respect to discrete charges to members of
13 the public to engage in skating activities, but not including skating
14 lessons, competitive events, team activities, or fees to join or
15 renew a membership at a skating facility, club, or other
16 organization;

17 (xix) Nonmotorized snow sports and activities, such as downhill
18 and cross-country skiing, snowboarding, ski jumping, sledding, snow
19 tubing, snowshoeing, and similar snow sports and activities, whether
20 engaged in outdoors or in an indoor facility with or without snow,
21 but only in respect to discrete charges to the public for the use of
22 land or facilities to engage in nonmotorized snow sports and
23 activities, such as fees, however labeled, for the use of ski lifts
24 and tows and daily or season passes for access to trails or other
25 areas where nonmotorized snow sports and activities are conducted.
26 However, fees for the following are not retail sales under this
27 subsection (15)(a)(xix): (A) Instructional lessons; (B) permits
28 issued by a governmental entity to park a vehicle on or access public
29 lands; and (C) permits or leases granted by an owner of private
30 timberland for recreational access to areas used primarily for
31 growing and harvesting timber; and

32 (xx) Scuba diving; snorkeling; river rafting; surfing;
33 kiteboarding; flyboarding; water slides; inflatables, such as water
34 pillows, water trampolines, and water rollers; and similar water
35 sports and activities.

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

39 (i) Made for admission to, and rides or attractions at, fairs,
40 carnivals, and festivals. For the purposes of this subsection, fairs,

1 carnivals, and festivals are events that do not exceed 21 days and a
2 majority of the amusement rides, if any, are not affixed to real
3 property;

4 (ii) Made by an educational institution to its students and staff
5 for activities defined as retail sales by (a)(i) through (xx) of this
6 subsection. However, charges made by an educational institution to
7 its alumni or other members of the general public for these
8 activities are a retail sale under this subsection (15). For purposes
9 of this subsection (15)(b)(ii), "educational institution" has the
10 same meaning as in RCW 82.04.170;

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

14 (iv) Made for day camps offered by a nonprofit organization or
15 state or local governmental entity that provide youth not older than
16 age 18, or that are focused on providing individuals with
17 disabilities or mental illness, the opportunity to participate in a
18 variety of supervised activities.

19 (16)(a) The term "sale at retail" or "retail sale" includes the
20 purchase or acquisition of tangible personal property and specified
21 services by a person who receives either a qualifying grant exempt
22 from tax under RCW 82.04.767 or 82.16.320 or a grant deductible under
23 RCW 82.04.4339, except for transactions excluded from the definition
24 of "sale at retail" or "retail sale" by any other provision of this
25 section. Nothing in this subsection (16) may be construed to limit
26 the application of any other provision of this section to purchases
27 by a recipient of either a qualifying grant exempt from tax under RCW
28 82.04.767 or a grant deductible under RCW 82.04.4339, or by any other
29 person.

30 (b) For purposes of this subsection (16), "specified services"
31 means:

32 (i) The constructing, repairing, decorating, or improving of new
33 or existing buildings or other structures under, upon, or above real
34 property, including the installing or attaching of any article of
35 tangible personal property therein or thereto, whether or not such
36 personal property becomes a part of the realty by virtue of
37 installation;

38 (ii) The clearing of land or the moving of earth, whether or not
39 associated with activities described in (b)(i) of this subsection
40 (16);

- 1 (iii) The razing or moving of existing buildings or structures;
2 and
3 (iv) Landscape maintenance and horticultural services.

4 **Sec. 3.** RCW 82.08.0205 and 2008 c 237 s 2 are each amended to
5 read as follows:

6 (1) (a) The tax levied by RCW 82.08.020 does not apply to sales of
7 waste vegetable oil that is used by a person in the production of
8 biodiesel for personal use.

9 (b) The exemption provided in (a) of this subsection does not
10 apply to a sales and use tax imposed by a local government under the
11 authority of chapter 82.14 or 81.104 RCW.

12 (2) This exemption is available only if the buyer provides the
13 seller with an exemption certificate in a form and manner prescribed
14 by the department.

15 (3) For the purposes of this section, the following definitions
16 apply:

17 (a) "Waste vegetable oil" means used cooking oil gathered from
18 restaurants or commercial food processors; and

19 (b) "Personal use" means the person does not engage in the
20 business of selling biodiesel at wholesale or retail.

21 **Sec. 4.** RCW 82.12.0205 and 2008 c 237 s 3 are each amended to
22 read as follows:

23 The provisions of this chapter do not apply with respect to the
24 use of waste vegetable oil that is used by a person in the production
25 of biodiesel for personal use. However, the exemption provided in
26 this section does not apply to a sales and use tax imposed by a local
27 government under the authority of chapter 82.14 or 81.104 RCW. The
28 definitions in RCW 82.08.0205 apply to this section.

29 **Sec. 5.** RCW 82.08.0315 and 1997 c 61 s 1 are each amended to
30 read as follows:

31 (1) As used in this section:

32 (a) "Production equipment" means the following when used in
33 motion picture or video production or postproduction: Grip and
34 lighting equipment, cameras, camera mounts including tripods, jib
35 arms, steadicams, and other camera mounts, cranes, dollies,
36 generators, helicopter mounts, helicopters rented for motion picture
37 or video production, walkie talkies, vans, trucks, and other vehicles

1 specifically equipped for motion picture or video production or used
2 solely for production activities, wardrobe and makeup trailers,
3 special effects and stunt equipment, video assists, videotape
4 recorders, cables and connectors, (~~teleprompters~~[~~teleprompters~~])
5 teleprompters, sound recording equipment, and editorial equipment.

6 (b) "Production services" means motion picture and video
7 processing, printing, editing, duplicating, animation, graphics,
8 special effects, negative cutting, conversions to other formats or
9 media, stock footage, sound mixing, rerecording, sound sweetening,
10 sound looping, sound effects, and automatic dialog replacement.

11 (c) "Motion picture or video production business" means a person
12 engaged in the production of motion pictures and videotapes for
13 exhibition, sale, or for broadcast by a person other than the person
14 producing the motion picture or videotape.

15 (2) (a) The tax levied by RCW 82.08.020 does not apply to the
16 rental of production equipment, or the sale of production services,
17 to a motion picture or video production business.

18 (b) The exemption provided in (a) of this subsection does not
19 apply to a sales and use tax imposed by a local government under the
20 authority of chapter 82.14 or 81.104 RCW.

21 (3) The exemption provided for in this section shall not apply to
22 rental of production equipment, or the sale of production services,
23 to a motion picture or video production business that is engaged, to
24 any degree, in the production of erotic material, as defined in RCW
25 9.68.050.

26 (4) In order to claim an exemption under this section, the
27 purchaser must provide the seller with an exemption certificate in a
28 form and manner prescribed by the department. The seller shall retain
29 a copy of the certificate for the seller's files.

30 **Sec. 6.** RCW 82.12.0315 and 2009 c 535 s 614 are each amended to
31 read as follows:

32 (1) The provisions of this chapter shall not apply in respect to
33 the use of:

34 (a) Production equipment rented to a motion picture or video
35 production business;

36 (b) Production equipment acquired and used by a motion picture or
37 video production business in another state, if the acquisition and
38 use occurred more than ninety days before the time the motion picture
39 or video production business entered this state; and

1 (c) Production services that are within the scope of RCW
2 82.04.050(2) (a) or (g) and are sold to a motion picture or video
3 production business.

4 (2) The exemption provided in subsection (1)(a) through (c) of
5 this section does not apply to a sales and use tax imposed by a local
6 government under the authority of chapter 82.14 or 81.104 RCW.

7 (3) As used in this section, "production equipment," "production
8 services," and "motion picture or video production business" have the
9 meanings given in RCW 82.08.0315.

10 ~~((3))~~ (4) The exemption provided for in this section shall not
11 apply to the use of production equipment rented to, or production
12 equipment or production services that are within the scope of RCW
13 82.04.050(2) (a) or (g) acquired and used by, a motion picture or
14 video production business that is engaged, to any degree, in the
15 production of erotic material, as defined in RCW 9.68.050.

16 **Sec. 7.** RCW 82.08.806 and 2023 c 286 s 6 are each amended to
17 read as follows:

18 (1) (a) The tax levied by RCW 82.08.020 does not apply to sales,
19 to a printer or publisher, of computer equipment, including repair
20 parts and replacement parts for such equipment, when the computer
21 equipment is used primarily in the printing or publishing of any
22 printed material, or to sales of or charges made for labor and
23 services rendered in respect to installing, repairing, cleaning,
24 altering, or improving the computer equipment. This exemption applies
25 only to computer equipment not otherwise exempt under RCW
26 82.08.02565.

27 (b) The exemption provided in (a) of this subsection does not
28 apply to a sales and use tax imposed by a local government under the
29 authority of chapter 82.14 or 81.104 RCW.

30 (2) A person taking the exemption under this section must keep
31 records necessary for the department to verify eligibility under this
32 section. This exemption is available only when the purchaser provides
33 the seller with an exemption certificate in a form and manner
34 prescribed by the department. The seller must retain a copy of the
35 certificate for the seller's files.

36 (3) The definitions in this subsection (3) apply throughout this
37 section, unless the context clearly requires otherwise.

38 (a) "Computer" has the same meaning as in RCW 82.04.215.

1 (b) "Computer equipment" means a computer and the associated
2 physical components that constitute a computer system, including
3 monitors, keyboards, printers, modems, scanners, pointing devices,
4 and other computer peripheral equipment, cables, servers, and
5 routers. "Computer equipment" also includes digital cameras and
6 computer software.

7 (c) "Computer software" has the same meaning as in RCW 82.04.215.

8 (d) "Primarily" means greater than fifty percent as measured by
9 time.

10 (e) "Printer or publisher" means a person, as defined in RCW
11 82.04.030, who is subject to tax under RCW 82.04.280(1)(a) or is
12 eligible for the exemption under RCW 82.04.759.

13 (4) "Computer equipment" does not include computer equipment that
14 is used primarily for administrative purposes including but not
15 limited to payroll processing, accounting, customer service,
16 telemarketing, and collection. If computer equipment is used
17 simultaneously for administrative and nonadministrative purposes, the
18 administrative use must be disregarded during the period of
19 simultaneous use for purposes of determining whether the computer
20 equipment is used primarily for administrative purposes.

21 **Sec. 8.** RCW 82.08.806 and 2020 c 139 s 16 are each amended to
22 read as follows:

23 (1) (a) The tax levied by RCW 82.08.020 does not apply to sales,
24 to a printer or publisher, of computer equipment, including repair
25 parts and replacement parts for such equipment, when the computer
26 equipment is used primarily in the printing or publishing of any
27 printed material, or to sales of or charges made for labor and
28 services rendered in respect to installing, repairing, cleaning,
29 altering, or improving the computer equipment. This exemption applies
30 only to computer equipment not otherwise exempt under RCW
31 82.08.02565.

32 (b) The exemption provided in (a) of this subsection does not
33 apply to a sales and use tax imposed by a local government under the
34 authority of chapter 82.14 or 81.104 RCW.

35 (2) A person taking the exemption under this section must keep
36 records necessary for the department to verify eligibility under this
37 section. This exemption is available only when the purchaser provides
38 the seller with an exemption certificate in a form and manner

1 prescribed by the department. The seller must retain a copy of the
2 certificate for the seller's files.

3 (3) The definitions in this subsection (3) apply throughout this
4 section, unless the context clearly requires otherwise.

5 (a) "Computer" has the same meaning as in RCW 82.04.215.

6 (b) "Computer equipment" means a computer and the associated
7 physical components that constitute a computer system, including
8 monitors, keyboards, printers, modems, scanners, pointing devices,
9 and other computer peripheral equipment, cables, servers, and
10 routers. "Computer equipment" also includes digital cameras and
11 computer software.

12 (c) "Computer software" has the same meaning as in RCW 82.04.215.

13 (d) "Primarily" means greater than fifty percent as measured by
14 time.

15 (e) "Printer or publisher" means a person, as defined in RCW
16 82.04.030, who is subject to tax under RCW 82.04.260(14) or
17 82.04.280(1)(a).

18 (4) "Computer equipment" does not include computer equipment that
19 is used primarily for administrative purposes including but not
20 limited to payroll processing, accounting, customer service,
21 telemarketing, and collection. If computer equipment is used
22 simultaneously for administrative and nonadministrative purposes, the
23 administrative use must be disregarded during the period of
24 simultaneous use for purposes of determining whether the computer
25 equipment is used primarily for administrative purposes.

26 **Sec. 9.** RCW 82.12.806 and 2004 c 8 s 3 are each amended to read
27 as follows:

28 (1) (a) The provisions of this chapter do not apply in respect to
29 the use, by a printer or publisher, of computer equipment, including
30 repair parts and replacement parts for such equipment, when the
31 computer equipment is used primarily in the printing or publishing of
32 any printed material, or to labor and services rendered in respect to
33 installing, repairing, cleaning, altering, or improving the computer
34 equipment. This exemption applies only to computer equipment not
35 otherwise exempt under RCW 82.12.02565.

36 (b) The exemption provided in (a) of this subsection does not
37 apply to a sales and use tax imposed by a local government under the
38 authority of chapter 82.14 or 81.104 RCW.

1 (2) For the purposes of this section, the definitions in RCW
2 82.08.806 apply.

3 **Sec. 10.** RCW 82.08.807 and 2005 c 514 s 115 are each amended to
4 read as follows:

5 The tax levied by RCW 82.08.020 does not apply to delivery
6 charges made for the delivery of direct mail if the charges are
7 separately stated on an invoice or similar billing document given to
8 the purchaser. However, the exemption provided in this section does
9 not apply to a sales and use tax imposed by a local government under
10 the authority of chapter 82.14 or 81.104 RCW.

11 **Sec. 11.** RCW 82.12.807 and 2005 c 514 s 116 are each amended to
12 read as follows:

13 (1) (a) The tax levied by this chapter does not apply to the value
14 of delivery charges made for the delivery of direct mail if the
15 charges are separately stated on an invoice or similar billing
16 document given to the purchaser.

17 (b) The exemption provided in (a) of this subsection does not
18 apply to a sales and use tax imposed by a local government under the
19 authority of chapter 82.14 or 81.104 RCW.

20 (2) "Delivery charges" and "direct mail" have the same meanings
21 as in RCW 82.08.010.

22 **Sec. 12.** RCW 82.08.832 and 1998 c 178 s 1 are each amended to
23 read as follows:

24 (1) (a) The tax levied by RCW 82.08.020 does not apply to sales of
25 gun safes.

26 (b) The exemption provided in (a) of this subsection does not
27 apply to a sales and use tax imposed by a local government under the
28 authority of chapter 82.14 or 81.104 RCW.

29 (2) As used in this section and RCW 82.12.832, "gun safe" means
30 an enclosure specifically designed or modified for the purpose of
31 storing a firearm and equipped with a padlock, key lock, combination
32 lock, or similar locking device which, when locked, prevents the
33 unauthorized use of the firearm.

34 **Sec. 13.** RCW 82.12.832 and 1998 c 178 s 2 are each amended to
35 read as follows:

1 The provisions of this chapter do not apply with respect to the
2 use of gun safes as defined in RCW 82.08.832. However, the exemption
3 provided in this section does not apply to a sales and use tax
4 imposed by a local government under the authority of chapter 82.14 or
5 81.104 RCW.

6 **Sec. 14.** RCW 82.08.900 and 2018 c 164 s 4 are each amended to
7 read as follows:

8 (1) The tax levied by RCW 82.08.020 does not apply to sales to an
9 eligible person:

10 (a) In respect to equipment necessary to process biogas from a
11 landfill into marketable coproducts, including but not limited to
12 biogas conditioning, compression, and electrical generation
13 equipment, or to services rendered in respect to installing,
14 constructing, repairing, cleaning, altering, or improving equipment
15 necessary to process biogas from a landfill into marketable
16 coproducts; and

17 (b) Establishing or operating an anaerobic digester or to
18 services rendered in respect to installing, constructing, repairing,
19 cleaning, altering, or improving an anaerobic digester, or to sales
20 of tangible personal property that becomes an ingredient or component
21 of the anaerobic digester.

22 (2) The exemption provided in subsection (1)(a) and (b) of this
23 section does not apply to a sales and use tax imposed by a local
24 government under the authority of chapter 82.14 or 81.104 RCW.

25 (3) A person claiming an exemption under this section must keep
26 records necessary for the department to verify eligibility under this
27 section. Sellers may make tax exempt sales under this section only if
28 the buyer provides the seller with an exemption certificate in a form
29 and manner prescribed by the department. The seller must retain a
30 copy of the certificate for the seller's files.

31 ~~((3))~~ (4) The definitions in this subsection apply to this
32 section and RCW 82.12.900 unless the context clearly requires
33 otherwise:

34 (a) "Anaerobic digester" means a facility that processes organic
35 material into biogas and digestate using microorganisms in a
36 decomposition process within a closed, oxygen-free container as well
37 as the equipment necessary to process biogas or digestate produced by
38 an anaerobic digester into marketable coproducts, including but not

1 limited to biogas conditioning, compression, nutrient recovery, and
2 electrical generation equipment.

3 (b) "Eligible person" means any person establishing or operating
4 an anaerobic digester or landfill or processing biogas from an
5 anaerobic digester or landfill into marketable coproducts.

6 **Sec. 15.** RCW 82.12.900 and 2018 c 164 s 6 are each amended to
7 read as follows:

8 The provisions of this chapter do not apply with respect to:

9 (1) Equipment necessary to process biogas from a landfill into
10 marketable coproducts, including but not limited to biogas
11 conditioning, compression, and electrical generation equipment, or to
12 services rendered in respect to installing, constructing, repairing,
13 cleaning, altering, or improving equipment necessary to process
14 biogas from a landfill into marketable coproducts; and

15 (2) The use of anaerobic digesters, tangible personal property
16 that becomes an ingredient or component of anaerobic digesters, or
17 the use of services rendered in respect to installing, repairing,
18 cleaning, altering, or improving eligible tangible personal property
19 by an eligible person establishing or operating an anaerobic
20 digester, as defined in RCW 82.08.900.

21 (3) The exemption provided in subsections (1) and (2) of this
22 section do not apply to a sales and use tax imposed by a local
23 government under the authority of chapter 82.14 or 81.104 RCW.

24 **Sec. 16.** RCW 82.08.962 and 2019 c 288 s 18 are each amended to
25 read as follows:

26 (1)(a) Subject to the requirements of this section, the tax
27 imposed by RCW 82.08.020 does not apply to sales of machinery and
28 equipment used directly in generating electricity using fuel cells,
29 wind, sun, biomass energy, tidal or wave energy, geothermal
30 resources, or technology that converts otherwise lost energy from
31 exhaust, as the principal source of power, or to sales of or charges
32 made for labor and services rendered in respect to installing such
33 machinery and equipment, but only if the purchaser develops with such
34 machinery, equipment, and labor a facility capable of generating not
35 less than one thousand watts AC of electricity. Except as otherwise
36 provided in this section, the purchaser must pay the state and local
37 sales tax on such sales and apply to the department for a remittance
38 of the tax paid.

1 (b) (~~Beginning on July 1, 2011, through December 31, 2019, the~~
2 ~~amount of the exemption under this subsection (1)(b) is equal to~~
3 ~~seventy-five percent of the state and local sales tax paid. The~~
4 ~~purchaser is eligible for an exemption under this subsection (1)(b)~~
5 ~~in the form of a remittance.)) The exemption provided in (a) of this
6 subsection does not apply to a sales and use tax imposed by a local
7 government under the authority of chapter 82.14 or 81.104 RCW.~~

8 (c) Beginning January 1, 2020, through December 31, 2029, the
9 purchaser is entitled to an exemption, in the form of a remittance,
10 under this subsection (1)(c) in an amount equal to:

11 (i) Fifty percent of the state (~~and local~~) sales tax paid, if:

12 (A) The exempt purchase is for machinery and equipment or labor
13 and services rendered in respect to installing such machinery and
14 equipment in (a) of this subsection, excluding qualified purchases
15 under subsection (c)(i)(B) of this subsection, and the department of
16 labor and industries certifies that the project includes: Procurement
17 from and contracts with women, minority, or veteran-owned businesses;
18 procurement from and contracts with entities that have a history of
19 complying with federal and state wage and hour laws and regulations;
20 apprenticeship utilization; and preferred entry for workers living in
21 the area where the project is being constructed. In the event that a
22 project is built without one or more of these standards, and a
23 project developer or its designated principal contractor demonstrates
24 that it has made all good faith efforts to meet the standards but was
25 unable to comply due to lack of availability of qualified businesses
26 or local hires, the department of labor and industries may certify
27 that the developer complied with that standard; or

28 (B) The exempt purchase is for machinery and equipment that is
29 used directly in the generation of electricity by a solar energy
30 system capable of generating more than one hundred kilowatts AC but
31 no more than five hundred kilowatts AC of electricity, and labor and
32 services rendered in respect to installing such machinery and
33 equipment, and the department of labor and industries certifies that
34 the project has met the requirements of (c)(i)(A) of this subsection,
35 and the purchaser provides the following documentation to the
36 department as part of the application for a remittance:

37 (I) A copy of the contractor's certificate of registration in
38 compliance with chapter 18.27 RCW;

39 (II) The contractor's current state unified business identifier
40 number;

1 (III) A copy of the contractor's proof of industrial insurance
2 coverage for the contractor's employees working in Washington as
3 required in Title 51 RCW; employment security department number as
4 required in Title 50 RCW; and a state excise tax registration number
5 as required in (~~Title 82 RCW~~) this title; and

6 (IV) Documentation of the contractor's history of compliance with
7 federal and state wage and hour laws and regulations, consistent with
8 (e)(ii)(D) of this subsection;

9 (ii) Seventy-five percent of the state (~~and local~~) sales tax
10 paid, if the department of labor and industries certifies that the
11 project complies with (c)(i)(A) and (B) of this subsection and
12 compensates workers at prevailing wage rates determined by local
13 collective bargaining as determined by the department of labor and
14 industries. This subsection (1)(c)(ii) does not apply with respect to
15 solar energy systems described in (c)(i)(B) of this subsection; or

16 (iii) One hundred percent of the state (~~and local~~) sales tax
17 paid, if the department of labor and industries certifies that the
18 project is developed under a community workforce agreement or project
19 labor agreement. This subsection (1)(c)(iii) does not apply with
20 respect to solar energy systems described in (c)(i)(B) of this
21 subsection.

22 (d) In order to qualify for the remittance under (c) of this
23 subsection, installation of the qualifying machinery and equipment
24 must commence no earlier than January 1, 2020, and be completed by
25 December 31, 2029.

26 (e) Beginning July 1, 2019, and through December 31, 2029, the
27 purchaser is entitled to an exemption under this subsection (1)(e) in
28 an amount equal to one hundred percent of the state (~~and local~~)
29 sales tax due on:

30 (i) Machinery and equipment that is used directly in the
31 generation of electricity by a solar energy system that is capable of
32 generating no more than one hundred kilowatts AC of electricity; or

33 (ii) Labor and services rendered in respect to installing
34 machinery and equipment exempt under (e)(i) of this subsection, and
35 the seller meets the following requirements at the time of the sale
36 for which the exemption is claimed:

37 (A) Has obtained a certificate of registration in compliance with
38 chapter 18.27 RCW;

39 (B) Has obtained a current state unified business identifier
40 number;

1 (C) Possesses proof of industrial insurance coverage for the
2 contractor's employees working in Washington as required in Title 51
3 RCW; employment security department number as required in Title 50
4 RCW; and a state excise tax registration number as required in
5 (~~Title 82 RCW~~) this title; and

6 (D) Has had no findings of violation of federal or state wage and
7 hour laws and regulations in a final and binding order by an
8 administrative agency or court of competent jurisdiction in the past
9 twenty-four months.

10 (f) Purchasers claiming an exemption under (e) of this subsection
11 must provide the seller with an exemption certificate in a form and
12 manner prescribed by the department.

13 (g) In order to qualify for the exemption under (e)(ii) of this
14 subsection, installation of the qualifying machinery and equipment
15 must commence no earlier than July 1, 2019, and be completed by
16 December 31, 2029.

17 (2)(a) The department of labor and industries must adopt
18 emergency and permanent rules to:

19 (i) Define and set minimum requirements for all labor standards
20 identified in subsection (1)(c) of this section; and

21 (ii) Set requirements for all good faith efforts under subsection
22 (1)(c)(i) and (ii) of this section, as well as documentation
23 requirements and a certification process. Requirements for all good
24 faith efforts must be designed to maximize the likelihood that the
25 project is completed with said standards and could include: Proactive
26 outreach to firms that are women, minority, and veteran-owned
27 businesses; advertising in local community publications and
28 publications appropriate to identified firms; participating in
29 community job fairs, conferences, and trade shows; and other
30 measures. The certification process and timeline must be designed to
31 prevent undue delay to project development.

32 (b) Emergency rules must be adopted by December 1, 2019, and take
33 effect January 1, 2020.

34 (3) For purposes of this section and RCW 82.12.962, the following
35 definitions apply:

36 (a) "Biomass energy" includes: (i) By-products of pulping and
37 wood manufacturing process; (ii) animal waste; (iii) solid organic
38 fuels from wood; (iv) forest or field residues; (v) wooden demolition
39 or construction debris; (vi) food waste; (vii) liquors derived from
40 algae and other sources; (viii) dedicated energy crops; (ix)

1 biosolids; and (x) yard waste. "Biomass energy" does not include wood
2 pieces that have been treated with chemical preservatives such as
3 creosote, pentachlorophenol, or copper-chrome-arsenic; wood from old
4 growth forests; or municipal solid waste.

5 (b) "Fuel cell" means an electrochemical reaction that generates
6 electricity by combining atoms of hydrogen and oxygen in the presence
7 of a catalyst.

8 (c)(i) "Machinery and equipment" means fixtures, devices, and
9 support facilities that are integral and necessary to the generation
10 of electricity using fuel cells, wind, sun, biomass energy, tidal or
11 wave energy, geothermal resources, or technology that converts
12 otherwise lost energy from exhaust.

13 (ii) "Machinery and equipment" does not include: (A) Hand-powered
14 tools; (B) property with a useful life of less than one year; (C)
15 repair parts required to restore machinery and equipment to normal
16 working order; (D) replacement parts that do not increase
17 productivity, improve efficiency, or extend the useful life of
18 machinery and equipment; (E) buildings; or (F) building fixtures that
19 are not integral and necessary to the generation of electricity that
20 are permanently affixed to and become a physical part of a building.

21 (d) "Project labor agreement" and "community workforce agreement"
22 means a prehire collective bargaining agreement with one or more
23 labor organizations that establishes the terms and conditions of
24 employment for a specific construction project and is an agreement
25 described in 29 U.S.C. Sec. 158(f).

26 (4)(a) Machinery and equipment is "used directly" in generating
27 electricity by wind energy, solar energy, biomass energy, tidal or
28 wave energy, geothermal resources, or technology that converts
29 otherwise lost energy from exhaust if it provides any part of the
30 process that captures the energy of the wind, sun, biomass energy,
31 tidal or wave energy, geothermal resources, or technology that
32 converts otherwise lost energy from exhaust, converts that energy to
33 electricity, and stores, transforms, or transmits that electricity
34 for entry into or operation in parallel with electric transmission
35 and distribution systems.

36 (b) Machinery and equipment is "used directly" in generating
37 electricity by fuel cells if it provides any part of the process that
38 captures the energy of the fuel, converts that energy to electricity,
39 and stores, transforms, or transmits that electricity for entry into

1 or operation in parallel with electric transmission and distribution
2 systems.

3 (5) (a) (i) A purchaser claiming an exemption in the form of a
4 remittance under subsection (1) (b) or (c) of this section must pay
5 the tax imposed by RCW 82.08.020 and all applicable local sales taxes
6 imposed under the authority of chapters 82.14 and 81.104 RCW. The
7 purchaser may then apply to the department for remittance in a form
8 and manner prescribed by the department. A purchaser may not apply
9 for a remittance under this section more frequently than once per
10 quarter. The purchaser must specify the amount of exempted tax
11 claimed and the qualifying purchases for which the exemption is
12 claimed. The purchaser must retain, in adequate detail, records to
13 enable the department to determine whether the purchaser is entitled
14 to an exemption under this section, including: Invoices; proof of tax
15 paid; and documents describing the machinery and equipment.

16 (ii) The application for remittance must include a copy of the
17 certificate issued for the project by the department of labor and
18 industries as prescribed by rule under subsection (2) of this
19 section.

20 (b) The department must determine eligibility under this section
21 based on the information provided by the purchaser, which is subject
22 to audit verification by the department. The department must on a
23 quarterly basis remit exempted amounts to qualifying purchasers who
24 submitted applications during the previous quarter.

25 (6) (a) Except as otherwise provided in (c) of this subsection,
26 from October 1, 2017, through December 31, 2019, the exemption
27 provided by this section does not apply to: (i) Machinery and
28 equipment that is used directly in the generation of electricity
29 using solar energy and capable of generating no more than five
30 hundred kilowatts AC of electricity; or (ii) sales of or charges made
31 for labor and services rendered in respect to installing such
32 machinery and equipment.

33 (b) The exemption provided by this section is reinstated for
34 machinery and equipment for solar energy systems capable of
35 generating more than one hundred kilowatts AC but no more than five
36 hundred kilowatts AC of electricity, or sales of or charges made for
37 labor and services rendered in respect to installing such machinery
38 and equipment, if installation of the machinery and equipment
39 commences on or after January 1, 2020.

1 (c) The exemption provided by this section is reinstated for
2 machinery and equipment for solar energy systems capable of
3 generating no more than one hundred kilowatts AC of electricity, or
4 sales of or charges made for labor and services rendered in respect
5 to installing such machinery and equipment, if installation of the
6 machinery and equipment commences on or after July 1, 2019.

7 (7) This section expires January 1, 2030.

8 **Sec. 17.** RCW 82.12.962 and 2019 c 288 s 19 are each amended to
9 read as follows:

10 (1)(a) Subject to the requirements of this section, the tax
11 imposed by RCW 82.12.020 does not apply to machinery and equipment
12 used directly in generating electricity using fuel cells, wind, sun,
13 biomass energy, tidal or wave energy, geothermal resources, or
14 technology that converts otherwise lost energy from exhaust, or to
15 labor and services rendered in respect to installing such machinery
16 and equipment, but only if the purchaser develops with such
17 machinery, equipment, and labor a facility capable of generating not
18 less than one thousand watts AC of electricity. Except as otherwise
19 provided in this section, the consumer must pay the state and local
20 use tax on the use of such machinery and equipment and labor and
21 services, and apply to the department for a remittance of the tax
22 paid.

23 (b) (~~Beginning on July 1, 2011, through December 31, 2019, the~~
24 ~~amount of the exemption under this subsection (1) is equal to~~
25 ~~seventy-five percent of the state and local use tax paid. The~~
26 ~~consumer is eligible for an exemption under this subsection (1)(b) in~~
27 ~~the form of a remittance.)) The exemption provided in (a) of this
28 subsection does not apply to a sales and use tax imposed by a local
29 government under the authority of chapter 82.14 or 81.104 RCW.~~

30 (c) Beginning January 1, 2020, through December 31, 2029, the
31 purchaser is entitled to an exemption, in the form of a remittance,
32 under this subsection (1)(c) in an amount equal to:

33 (i) Fifty percent of the state (~~and local~~) use tax paid, if:

34 (A) The exempt purchase is for machinery and equipment or labor
35 and services rendered in respect to installing such machinery and
36 equipment in (a) of this subsection, excluding qualified purchases
37 under (c)(i)(B) of this subsection, and the department of labor and
38 industries certifies that the project includes: Procurement from and
39 contracts with women, minority, or veteran-owned businesses;

1 procurement from and contracts with entities that have a history of
2 complying with federal and state wage and hour laws and regulations;
3 apprenticeship utilization; and preferred entry for workers living in
4 the area where the project is being constructed. In the event that a
5 project is built without one or more of these standards, and a
6 project developer or its designated principal contractor demonstrates
7 that it has made all good faith efforts to meet the standards but was
8 unable to comply due to lack of availability of qualified businesses
9 or local hires, the department of labor and industries may certify
10 that the developer complied with that standard; or

11 (B) The exempt purchase is for machinery and equipment that is
12 used directly in the generation of electricity by a solar energy
13 system capable of generating more than one hundred kilowatts AC but
14 no more than five hundred kilowatts AC of electricity, or labor and
15 services rendered in respect to installing such machinery and
16 equipment, and the department of labor and industries certifies that
17 the project has met the requirements of (c)(i)(A) of this subsection,
18 and the purchaser has provided the following documentation to the
19 department as part of the application for a remittance:

20 (I) A copy of the contractor's certificate of registration in
21 compliance with chapter 18.27 RCW;

22 (II) The contractor's current state unified business identifier
23 number;

24 (III) A copy of the contractor's proof of industrial insurance
25 coverage for the contractor's employees working in Washington as
26 required in Title 51 RCW; employment security department number as
27 required in Title 50 RCW; and a state excise tax registration number
28 as required in (~~Title 82 RCW~~) this title; and

29 (IV) Documentation of the contractor's history of compliance with
30 federal and state wage and hour laws and regulations, consistent with
31 (e)(ii)(D) of this subsection;

32 (ii) Seventy-five percent of the state (~~and local~~) use tax
33 paid, if the department of labor and industries certifies that the
34 project complies with (c)(i)(A) of this subsection and compensates
35 workers at prevailing wage rates determined by local collective
36 bargaining as determined by the department of labor and industries.
37 This subsection (1)(c)(ii) does not apply with respect to solar
38 energy systems described in (c)(i)(B) of this subsection; or

39 (iii) One hundred percent of the state (~~and local~~) use tax
40 paid, if the department of labor and industries certifies that the

1 project is developed under a community workforce agreement or project
2 labor agreement. This subsection (1)(c)(iii) does not apply with
3 respect to solar energy systems described in (c)(i)(B) of this
4 subsection.

5 (d) In order to qualify for the remittance under (c) of this
6 subsection, installation of the qualifying machinery and equipment
7 must commence no earlier than January 1, 2020, and be completed by
8 December 31, 2029.

9 (e) Beginning July 1, 2019, and through December 31, 2029, the
10 consumer is entitled to an exemption under this subsection (1)(e) in
11 an amount equal to one hundred percent of the state (~~and local~~) use
12 tax due on:

13 (i) Machinery and equipment that is used directly in the
14 generation of electricity by a solar energy system that is capable of
15 generating no more than one hundred kilowatts AC of electricity; or

16 (ii) Labor and services rendered in respect to installing
17 machinery and equipment exempt under (e)(i) of this subsection, and
18 the seller meets the following requirements at the time of the
19 purchase for which the exemption is claimed:

20 (A) Has obtained a certificate of registration in compliance with
21 chapter 18.27 RCW;

22 (B) Has obtained a current state unified business identifier
23 number;

24 (C) Possesses proof of industrial insurance coverage for the
25 contractor's employees working in Washington as required in Title 51
26 RCW; employment security department number as required in Title 50
27 RCW; and a state excise tax registration number as required in
28 (~~Title 82 RCW~~) this title; and

29 (D) Has had no findings of violations of federal or state wage
30 and hour laws and regulations in a final and binding order by an
31 administrative agency or court of competent jurisdiction in the past
32 twenty-four months.

33 (f) In order to qualify for the exemption under (e)(ii) of this
34 subsection, installation of the qualifying machinery and equipment
35 must commence no earlier than July 1, 2019, and be completed by
36 December 31, 2029.

37 (2) The department of labor and industries must initiate an
38 emergency rule making on May 7, 2019, to be completed by December 1,
39 2019, to:

1 (a) Define and set minimum requirements for all labor standards
2 identified in subsection (1)(c) of this section; and

3 (b) Set requirements for all good faith efforts under subsection
4 (1)(c)(i) and (ii) of this section, as well as documentation
5 requirements and a certification process. Requirements for all good
6 faith efforts must be designed to maximize the likelihood that the
7 project is completed with said standards and could include: Proactive
8 outreach to firms that are women, minority, and veteran-owned
9 businesses; advertising in local community publications and
10 publications appropriate to identified firms; participating in
11 community job fairs, conferences, and trade shows; and other
12 measures. The certification process and timeline must be designed to
13 prevent undue delay to project development.

14 (3)(a)(i) A person claiming an exemption in the form of a
15 remittance under subsection (1)(b) and (c) of this section must pay
16 the tax imposed by RCW 82.12.020 and all applicable local use taxes
17 imposed under the authority of chapters 82.14 and 81.104 RCW. The
18 consumer may then apply to the department for remittance in a form
19 and manner prescribed by the department. A consumer may not apply for
20 a remittance under this section more frequently than once per
21 quarter. The consumer must specify the amount of exempted tax claimed
22 and the qualifying purchases or acquisitions for which the exemption
23 is claimed. The consumer must retain, in adequate detail, records to
24 enable the department to determine whether the consumer is entitled
25 to an exemption under this section, including: Invoices; proof of tax
26 paid; and documents describing the machinery and equipment.

27 (ii) The application for remittance must include a copy of the
28 certificate issued for the project by the department of labor and
29 industries under subsection (1) of this section.

30 (b) The department must determine eligibility for remittances
31 under this section based on the information provided by the consumer,
32 which is subject to audit verification by the department. The
33 department must on a quarterly basis remit exempted amounts to
34 qualifying consumers who submitted applications during the previous
35 quarter.

36 (4) Purchases exempt under RCW 82.08.962 are also exempt from the
37 tax imposed under RCW 82.12.020.

38 (5) The definitions in RCW 82.08.962 apply to this section.

39 (6) The exemption provided in subsection (1) of this section does
40 not apply:

1 (a) To machinery and equipment used directly in the generation of
2 electricity using solar energy and capable of generating no more than
3 five hundred kilowatts AC of electricity, or to sales of or charges
4 made for labor and services rendered in respect to installing such
5 machinery and equipment, when first use within this state of such
6 machinery and equipment, or labor and services, occurs after
7 September 30, 2017, and before January 1, 2020, except as otherwise
8 provided in subsection (7) of this section; and

9 (b) To any other machinery and equipment described in subsection
10 (1)(a) of this section, or to sales of or charges made for labor and
11 services rendered in respect to installing such machinery or
12 equipment, when first use within this state of such machinery and
13 equipment, or labor and services, occurs after December 31, 2029.

14 (7) (a) The exemption provided by this section is reinstated for
15 machinery and equipment for solar energy systems capable of
16 generating more than one hundred kilowatts AC but no more than five
17 hundred kilowatts AC of electricity, or sales of or charges made for
18 labor and services rendered in respect to installing such machinery
19 and equipment, if first use within the state of the machinery and
20 equipment commences on or after January 1, 2020.

21 (b) The exemption provided by this section is reinstated for
22 machinery and equipment for solar energy systems capable of
23 generating no more than one hundred kilowatts AC of electricity, or
24 sales of or charges made for labor and services rendered in respect
25 to installing such machinery and equipment, if first use within the
26 state of the machinery and equipment commences on or after July 1,
27 2019.

28 (8) This section expires January 1, 2030.

29 **Sec. 18.** RCW 82.08.986 and 2025 c 411 s 4 are each amended to
30 read as follows:

31 (1) (a) An exemption from the tax imposed by RCW 82.08.020 is
32 provided for sales to qualifying businesses and to qualifying tenants
33 of eligible server equipment to be installed, without intervening
34 use, in an eligible computer data center to which a valid exemption
35 certificate applies, and to charges made for labor and services
36 rendered in respect to installing eligible server equipment.

37 (b) This exemption also applies to sales to qualifying businesses
38 and to qualifying tenants of eligible power infrastructure, including
39 labor and services rendered in respect to constructing, installing,

1 repairing, altering, or improving eligible power infrastructure at an
2 eligible computer data center for which an exemption certificate has
3 been issued.

4 (c) The exemption provided in (a) of this subsection does not
5 apply to a sales and use tax imposed by a local government under the
6 authority of chapter 82.14 or 81.104 RCW.

7 (d) No new exemption certificates may be issued on or after July
8 1, 2036.

9 ~~((d))~~ (e) The exemptions provided in this section expire July
10 1, 2048.

11 ~~((e))~~ (f) Each calendar year, the department may issue no more
12 than six certificates for data centers which qualify through
13 refurbishment. Certificates are available for refurbished data
14 centers on a first-in-time basis based on the date the application
15 required under this section is received by the department. Each
16 qualifying business may apply for only one certificate for a
17 refurbished data center each calendar year.

18 (2) (a) In order to obtain an exemption certificate under this
19 section, a qualifying business or a qualifying tenant must submit an
20 application to the department for an exemption certificate. The
21 application must include the information necessary, as required by
22 the department, to determine that a business or tenant qualifies for
23 the exemption under this section. The department must issue exemption
24 certificates to qualifying businesses and qualifying tenants. The
25 department may assign a unique identification number to each
26 exemption certificate issued under this section.

27 (b) A qualifying business or a qualifying tenant claiming the
28 exemption under this section must present the seller with an
29 exemption certificate in a form and manner prescribed by the
30 department. The seller must retain a copy of the certificate for the
31 seller's files.

32 (c) With respect to computer data centers for which the
33 commencement of construction occurs after July 1, 2015, but before
34 July 1, 2019, the exemption provided in this section is limited to no
35 more than eight computer data centers, with total eligible data
36 centers provided under this section limited to 12 from July 1, 2015,
37 through June 9, 2022. Tenants of qualified data centers do not
38 constitute additional data centers under the limit. The exemption is
39 available on a first-in-time basis based on the date the application
40 required under this section is received by the department.

1 (d) The exemption certificate is effective on the date the
2 application is received by the department, which is deemed to be the
3 date of issuance. Only purchases on or after the date of issuance
4 qualify for the exemption under this section. No tax refunds are
5 authorized for purchases made before the effective date of the
6 exemption certificate.

7 (e) Exemption certificates expire two years after the date of
8 issuance, unless construction has been commenced.

9 (3) (a) (i) Within six years of the date that the department issued
10 an exemption certificate under this section to a qualifying business
11 or a qualifying tenant with respect to an eligible computer data
12 center, the qualifying business or qualifying tenant must establish
13 that net employment assigned to an eligible computer data center has
14 increased by a minimum of:

15 (A) Thirty-five family wage employment positions; or, if lower

16 (B) Three family wage employment positions for each 20,000 square
17 feet of space or less that is newly dedicated to housing working
18 servers at the eligible computer data center. For qualifying tenants,
19 the number of family wage employment positions that must be increased
20 under this subsection (3) (a) (i) (B) is based only on the space
21 occupied by the qualifying tenant in the eligible computer data
22 center.

23 (ii) After the minimum number of family wage employment positions
24 as required under (a) (i) of this subsection (3) is established, a
25 qualifying business or a qualifying tenant must maintain the minimum
26 family wage employment positions required under (a) (i) of this
27 subsection (3) while the exemption certificate is valid.

28 (b) In calculating the net increase in family wage employment
29 positions:

30 (i) The owner of an eligible computer data center, in addition to
31 its own net increase in family wage employment positions, may
32 include:

33 (A) The net increase, since the date of issuance of the
34 qualifying business's exemption certificate, in family wage
35 employment positions employed by qualifying tenants; and

36 (B) The net increase in family wage employment positions
37 described in (c) (ii) (B) of this subsection (3).

38 (ii) (A) Qualifying tenants, in addition to their own net increase
39 in family wage employment positions, may include:

1 (I) A portion of the net increase in family wage employment
2 positions employed by the owner; and

3 (II) A portion of the net increase in family wage employment
4 positions described in (c)(ii)(B) of this subsection (3).

5 (B) The portion of the net increase in family wage employment
6 positions to be counted under this subsection (3)(b)(ii) by each
7 qualifying tenant is equal to the net increase in family wage
8 employment positions assigned to an eligible computer data center as
9 described in (b)(ii)(A)(I) and (II) of this subsection (3),
10 multiplied by the percentage of total space within the eligible
11 computer data center occupied by the qualifying tenant. Any
12 combination of qualifying business and qualifying tenant family wage
13 employment positions may meet this requirement.

14 (C)(I) In the instance of an existing data center facility that
15 was ineligible, regardless of the date of commencement of
16 construction, that later obtains an exemption certificate under this
17 section, the data center may count the existing employment positions
18 that are dedicated to the data center toward the new family wage
19 employment position requirements if the employment positions meet the
20 requirements of a family wage employment position, as described in
21 (c)(i)(B) and (C) of this subsection (3), other than the requirement
22 that the position did not exist or had not previously been filled as
23 of the date that the department issued an exemption certificate.

24 (II) In the instance of the refurbishment of an existing data
25 center that previously qualified under the data center program, the
26 data center may count the existing employment positions dedicated to
27 the data center toward the new family wage employment position
28 requirements if the employment positions meet the requirements of a
29 family wage employment position, as described in (c)(i)(B) and (C) of
30 this subsection (3), other than the requirement that the position did
31 not exist or had not previously been filled as of the date that the
32 department issued an exemption certificate.

33 (c)(i) For purposes of this subsection:

34 (A) For exemption certificates issued before June 9, 2022, family
35 wage employment positions are new permanent employment positions
36 requiring 40 hours of weekly work, or their equivalent, on a full-
37 time basis assigned to an eligible computer data center and receiving
38 a wage equivalent to or greater than 150 percent of the per capita
39 personal income of the county in which the qualified project is
40 located as published by the employment security department. The per

1 capita personal income to be used to determine qualification for any
2 year is the amount that was established for the immediate prior year.

3 (B) For exemption certificates issued on or after June 9, 2022,
4 family wage employment positions are new permanent employment
5 positions requiring 40 hours of weekly work, or their equivalent, on
6 a full-time basis assigned to an eligible computer data center and
7 receiving a wage equivalent to or greater than 125 percent of the per
8 capita personal income of the county in which the qualified project
9 is located as published by the employment security department. The
10 per capita personal income to be used to determine qualification for
11 any year is the amount that was established for the immediate prior
12 year.

13 (C) An employment position may not be counted as a family wage
14 employment position unless the employment position is entitled to
15 health insurance coverage provided by the employer of the employment
16 position.

17 (D) "New permanent employment position" means an employment
18 position that did not exist or that had not previously been filled as
19 of the date that the department issued an exemption certificate to
20 the qualifying business or qualifying tenant of an eligible computer
21 data center, as the case may be, except as provided in (b)(ii)(C) of
22 this subsection (3).

23 (ii)(A) Family wage employment positions include positions filled
24 by employees of the qualifying business and by employees of
25 qualifying tenants.

26 (B) Family wage employment positions also include individuals
27 performing work at an eligible computer data center as an independent
28 contractor hired by the owner of the eligible computer data center or
29 as an employee of an independent contractor hired by the owner of the
30 eligible computer data center, if the work is necessary for the
31 operation of the computer data center, such as security and building
32 maintenance, and provided that all of the applicable requirements in
33 (c)(i) of this subsection (3) are met.

34 (d)(i) For a qualifying business or qualifying tenant that does
35 not meet the requirements of this subsection (3), previously exempted
36 sales and use taxes are immediately due and payable and any exemption
37 certificate issued to that qualifying business or qualifying tenant
38 under this section is canceled, except as described in (d)(iii) of
39 this subsection (3).

1 (ii) The department of labor and industries must, at the request
2 of the department, assist in determining whether the requirements of
3 this subsection (3) have been met.

4 (iii) If the department, with the assistance of the department of
5 labor and industries, finds that a failure to meet the requirements
6 of this subsection (3) is due to circumstances beyond the control of
7 the qualifying business or qualifying tenant including, but not
8 limited to, a declaration of an economic recession, pandemic, or
9 natural disaster affecting data center operations, the department may
10 provide exceptions or extensions to the requirements of this
11 subsection (3).

12 (iv) Any repayment of taxes triggered by the failure of a
13 qualifying business or qualifying tenant to meet the requirements of
14 this subsection (3) must be calculated in proportion to the duration
15 of time for which any applicable requirement was not met.

16 (v) If the department is notified that a qualifying business or
17 qualifying tenant fails to meet the requirements of this subsection
18 (3), the department may require a qualifying business or qualifying
19 tenant to submit records necessary to determine whether the
20 requirements have been met.

21 (4) For exemption certificates issued on or after June 9, 2022:

22 (a) Within three years after being placed in service, the
23 qualifying business operating a newly constructed data center must
24 certify to the department that it has attained certification under
25 one or more of the following sustainable design or green building
26 standards:

27 (i) BREEAM for new construction or BREEAM in-use;

28 (ii) Energy star;

29 (iii) Envision;

30 (iv) ISO 50001-energy management;

31 (v) LEED for building design and construction or LEED for
32 operations and maintenance;

33 (vi) Green globes for new construction or green globes for
34 existing buildings;

35 (vii) UL 3223; or

36 (viii) Other reasonable standards approved by the department.

37 (b) The department may require qualifying businesses and
38 qualifying tenants to submit records necessary to verify the
39 requirements under (a) of this subsection have been met.

1 (c)(i) For a qualifying business or qualifying tenant that does
2 not meet the requirements of (a) of this subsection (4), all
3 previously exempted sales and use taxes may be immediately due and
4 payable, any exemption certificate issued to that qualifying business
5 or qualifying tenant under this section is canceled, and an
6 additional 10 percent penalty is assessed, except as described in
7 (c)(ii) of this subsection (4).

8 (ii) If the department finds that a failure to meet the
9 requirements of this subsection (4) is due to circumstances beyond
10 the control of the qualifying business or qualifying tenant
11 including, but not limited to, a declaration of an economic
12 recession, pandemic, or natural disaster affecting data center
13 operations, the department may, at its discretion, provide exceptions
14 or extensions to the requirements of this subsection (4). The
15 department may, at its discretion, coordinate with agencies with
16 relevant expertise to assist in determining whether the requirements
17 have been met.

18 (5) A qualifying business or a qualifying tenant claiming the
19 exemption under this section is encouraged to take direct steps to
20 adopt practices to mitigate negative environmental impacts resulting
21 from expanded use of data centers, including through:

22 (a) Coordinating with the industrial waste coordination program
23 established under RCW 43.31.625 to identify and provide technical
24 assistance in implementing industrial symbiosis projects;

25 (b) To the extent possible, procuring or contracting for power
26 from renewable sources;

27 (c) Adopting practices to improve the energy efficiency of
28 existing data centers, including through upgrading and consolidating
29 technology, managing data center airflow, and adjusting and improving
30 heating, ventilation, and air conditioning systems; and

31 (d) Taking actions to conserve, reuse, and replace water. This
32 includes using water efficient fixtures and practices; treating,
33 infiltrating, and harvesting rainwater; recycling water before
34 discharging; partnering with local water utilities to use discharged
35 water for irrigation and other water conservation purposes; using
36 reclaimed water where possible for data center operations; and
37 supporting water restoration in local watersheds.

38 (6) A qualifying business or a qualifying tenant claiming an
39 exemption under this section or RCW 82.12.986 must complete an annual
40 tax performance report with the department as required under RCW

1 82.32.534. The report must identify construction firm names and
2 employment levels used for constructing, renovating, refurbishing, or
3 remodeling the data centers.

4 (7) (a) The certificate holder may not at any time assign or
5 transfer a certificate without the prior written consent of the
6 department. The department must allow certificate transfers if the
7 certificate holder meets the following requirements:

8 (i) The certificate assignee or transferee is qualified to do
9 business in the state;

10 (ii) The assignee or transferee acknowledges the transfer of the
11 certificate in writing;

12 (iii) The assignee or transferee agrees to keep and perform all
13 the terms of the certificates; and

14 (iv) An assignment or transfer of the certificate is to an entity
15 that:

16 (A) Controls, is controlled by, or under common control with, the
17 certificate holder;

18 (B) Acquires all or substantially all of the stock or assets of
19 the certificate holder; or

20 (C) Is the resulting entity of a merger or consolidation with the
21 certificate holder.

22 (b) In the event the assignee or transferee acquires eligible
23 server equipment in a qualifying asset sale under (a) (iv) (B) of this
24 subsection, the purchaser shall be deemed to purchase the eligible
25 server equipment pursuant to the transferred certificate.

26 (8) The definitions in this subsection apply throughout this
27 section unless the context clearly requires otherwise.

28 (a) "Affiliated" means that one person has a direct or indirect
29 ownership interest of at least 20 percent in another person.

30 (b) "Building" means a fully enclosed structure with a weather
31 resistant exterior wall envelope or concrete or masonry walls
32 designed in accordance with the requirements for structures under
33 chapter 19.27 RCW. This definition of "building" only applies to
34 computer data centers for which commencement of construction occurs
35 on or after July 1, 2015.

36 (c) "Certificate of occupancy" means:

37 (i) For a newly constructed eligible computer data center, the
38 certificate of occupancy issued by a local governing authority for
39 the structure or structures which comprise the eligible computer data
40 center; or

1 (ii) For renovations of an eligible computer data center, the
2 certificate of occupancy issued by a local governing authority for
3 the renovated structure or structures that comprise the eligible
4 computer data center.

5 (d)(i) "Computer data center" means a facility comprised of one
6 or more buildings, which may be comprised of multiple businesses,
7 constructed or refurbished specifically, and used primarily, to house
8 working servers, where the facility has the following
9 characteristics: (A) Uninterruptible power supplies, generator backup
10 power, or both; (B) sophisticated fire suppression and prevention
11 systems; and (C) enhanced physical security, such as: Restricted
12 access to the facility to selected personnel; permanent security
13 guards; video camera surveillance; an electronic system requiring
14 passcodes, keycards, or biometric scans, such as hand scans and
15 retinal or fingerprint recognition; or similar security features.

16 (ii) For a computer data center comprised of multiple buildings,
17 each separate building constructed or refurbished specifically, and
18 used primarily, to house working servers is considered a computer
19 data center if it has all of the characteristics listed in (d)(i)(A)
20 through (C) of this subsection (8).

21 (iii) A facility comprised of one building or more than one
22 building must have a combined square footage of at least 100,000
23 square feet.

24 (e) "Electronic data storage and data management services"
25 include, but are not limited to: Providing data storage and backup
26 services, providing computer processing power, hosting enterprise
27 software applications, and hosting websites. The term also includes
28 providing services such as email, web browsing and searching, media
29 applications, and other online services, regardless of whether a
30 charge is made for such services.

31 (f)(i) "Eligible computer data center" means a computer data
32 center:

33 (A) Located in a rural county as defined in RCW 82.14.370 at the
34 time an application for an exemption under this section is received;

35 (B) Having at least 20,000 square feet dedicated to housing
36 working servers; and

37 (C) For which the commencement of construction occurs:

38 (I) After March 31, 2010, and before July 1, 2011;

39 (II) After March 31, 2012, and before July 1, 2015; or

40 (III) After June 30, 2015, and before July 1, 2035.

1 (ii) For purposes of this section, "commencement of construction"
2 means the date that a building permit is issued under the building
3 code adopted under RCW 19.27.031 for construction of the computer
4 data center. The construction of a computer data center includes the
5 expansion, renovation, or refurbishment of existing facilities
6 regardless of whether the existing facility was previously ineligible
7 and regardless of whether commencement of construction of the
8 existing facility occurred outside of the dates listed in
9 (f)(i)(C)(I) through (III) of this subsection, including leased or
10 rented space. "Commencement of construction" does not include soil
11 testing, site clearing and grading, site preparation, or any other
12 related activities that are initiated before the issuance of a
13 building permit for the construction of the foundation of a computer
14 data center. If no building permit is required for renovation or
15 refurbishment, then the date that renovation or refurbishment begins
16 is the "commencement of construction."

17 (g) "Eligible power infrastructure" means all fixtures and
18 equipment owned by a qualifying business or qualifying tenant and
19 necessary for the transformation, distribution, or management of
20 electricity that is required to operate eligible server equipment
21 within an eligible computer data center. The term includes
22 generators; wiring; cogeneration equipment; and associated fixtures
23 and equipment, such as electrical switches, batteries, and
24 distribution, testing, and monitoring equipment. The term does not
25 include substations.

26 (h) "Eligible server equipment" means:

27 (i) For a qualifying business whose computer data center
28 qualifies as an eligible computer data center under (f)(i)(C)(I) of
29 this subsection (8), the original server equipment installed in an
30 eligible computer data center on or after April 1, 2010, and before
31 January 1, 2026, and replacement server equipment. For purposes of
32 this subsection (8)(h)(i), "replacement server equipment" means
33 server equipment that:

34 (A) Replaces existing server equipment, if the sale or use of the
35 server equipment to be replaced qualified for an exemption under this
36 section or RCW 82.12.986; and

37 (B) Is installed and put into regular use before April 1, 2018.

38 (ii) For a qualifying business whose computer data center
39 qualifies as an eligible computer data center under (f)(i)(C)(II) of
40 this subsection (8), "eligible server equipment" means the original

1 server equipment installed in an eligible computer data center on or
2 after April 1, 2012, and before January 1, 2026, and replacement
3 server equipment. For purposes of this subsection (8)(h)(ii),
4 "replacement server equipment" means server equipment that:

5 (A) Replaces existing server equipment, if the sale or use of the
6 server equipment to be replaced qualified for an exemption under this
7 section or RCW 82.12.986; and

8 (B) Is installed and put into regular use before April 1, 2024.

9 (iii) For a qualifying business whose computer data center
10 qualifies as an eligible computer data center under (f)(i)(C)(III) of
11 this subsection (8), "eligible server equipment" means the original
12 server equipment installed in a building within an eligible computer
13 data center on or after July 1, 2015, and replacement server
14 equipment. Server equipment installed in movable or fixed stand-
15 alone, prefabricated, or modular units, including intermodal shipping
16 containers, is not "directly installed in a building." For purposes
17 of this subsection (8)(h)(iii), "replacement server equipment" means
18 server equipment that:

19 (A)(I) Replaces existing server equipment, if the sale or use of
20 the server equipment to be replaced qualified for an exemption under
21 this section or RCW 82.12.986; or

22 (II) Replaces existing server equipment in a computer data center
23 that meets the following requirements: Was ineligible before June 9,
24 2022, for the exemptions provided under this section and RCW
25 82.12.986; has been refurbished; and to which a valid exemption
26 certificate applies; and

27 (B) Is installed and put into regular use no later than 12 years
28 after the date of the certificate of occupancy or completion of
29 refurbishment of the computer data center.

30 (iv) For a qualifying tenant who leases space within an eligible
31 computer data center, "eligible server equipment" means the original
32 server equipment installed within the space it leases from an
33 eligible computer data center with an exemption certificate on or
34 after April 1, 2010, and replacement server equipment. For purposes
35 of this subsection (8)(h)(iv), "replacement server equipment" means
36 server equipment that:

37 (A)(I) Replaces existing server equipment, if the sale or use of
38 the server equipment to be replaced qualified for an exemption under
39 this section or RCW 82.12.986; or

1 (II) Replaces existing server equipment in a computer data center
2 that meets the following requirements: Was ineligible before June 9,
3 2022, for the exemptions provided under this section and RCW
4 82.12.986; has been refurbished; and to which a valid exemption
5 certificate applies; and

6 (B) Is installed and put into regular use no later than 12 years
7 after the date of the certificate of occupancy or completion of
8 refurbishment of the computer data center.

9 (i) "Qualifying business" means a business entity that exists for
10 the primary purpose of engaging in commercial activity for profit and
11 that is the owner of an eligible computer data center. The term does
12 not include the state or federal government or any of their
13 departments, agencies, and institutions; tribal governments;
14 political subdivisions of this state; or any municipal, quasi-
15 municipal, public, or other corporation created by the state or
16 federal government, tribal government, municipality, or political
17 subdivision of the state.

18 (j) "Qualifying tenant" means a business entity that exists for
19 the primary purpose of engaging in commercial activity for profit and
20 that leases space from a qualifying business within an eligible
21 computer data center. The term does not include the state or federal
22 government or any of their departments, agencies, and institutions;
23 tribal governments; political subdivisions of this state; or any
24 municipal, quasi-municipal, public, or other corporation created by
25 the state or federal government, tribal government, municipality, or
26 political subdivision of the state. The term also does not include a
27 lessee of space in an eligible computer data center under
28 (f)(i)(C)(I) of this subsection (8), if the lessee and lessor are
29 affiliated and:

30 (i) That space will be used by the lessee to house server
31 equipment that replaces server equipment previously installed and
32 operated in that eligible computer data center by the lessor or
33 another person affiliated with the lessee; or

34 (ii) Prior to May 2, 2012, the primary use of the server
35 equipment installed in that eligible computer data center was to
36 provide electronic data storage and data management services for the
37 business purposes of either the lessor, persons affiliated with the
38 lessor, or both.

39 (k)(i) "Refurbished" or "refurbishment" means a substantial
40 improvement to an eligible computer data center to update or

1 modernize servers, server space, ventilation, or power infrastructure
2 in an eligible computer data center.

3 (ii) For a qualifying computer data center to be considered
4 refurbished, the qualifying business must certify, in a form and
5 manner prescribed by the department, that the refurbishment of an
6 eligible computer data center is complete. The refurbishment is
7 considered complete on the date that the improved portion of the
8 computer data center is operationally complete and able to be used
9 for its intended purpose.

10 (1) "Server equipment" means the computer hardware located in an
11 eligible computer data center and used exclusively to provide
12 electronic data storage and data management services, including cloud
13 services, for internal use by the owner or lessee of the computer
14 data center, for clients of the owner or lessee of the computer data
15 center, or both. "Server equipment" also includes computer software
16 necessary to operate the computer hardware. "Server equipment" does
17 not include personal computers, the racks upon which the server
18 equipment is installed, and computer peripherals such as keyboards,
19 monitors, printers, and mice.

20 (9) This section expires July 1, 2048.

21 **Sec. 19.** RCW 82.12.986 and 2022 c 267 s 4 are each amended to
22 read as follows:

23 (1)(a) An exemption from the tax imposed by RCW 82.12.020 is
24 provided for the use by qualifying businesses or qualifying tenants
25 of eligible server equipment to be installed, without intervening
26 use, in an eligible computer data center for which an exemption
27 certificate under RCW 82.08.986 has been issued, and to the use of
28 labor and services rendered in respect to installing such server
29 equipment.

30 (b) Until July 1, 2048, this exemption also applies to the use by
31 a qualifying business or qualifying tenant of eligible power
32 infrastructure, including labor and services rendered in respect to
33 installing, repairing, altering, or improving such infrastructure at
34 an eligible computer data center for which an exemption certificate
35 under RCW 82.08.986 has been issued.

36 (c) The exemptions provided in this section expire July 1, 2048.

37 (d) The exemption provided in (a) of this subsection does not
38 apply to a sales and use tax imposed by a local government under the
39 authority of chapter 82.14 or 81.104 RCW.

1 (2) A qualifying business or a qualifying tenant is not eligible
2 for the exemption under this section unless the department issued an
3 exemption certificate to the qualifying business or a qualifying
4 tenant for the exemption provided in RCW 82.08.986.

5 (3) The definitions and requirements in RCW 82.08.986 apply to
6 this section.

7 (4) The exemption provided in subsection (1) of this section does
8 not apply to the use of eligible server equipment and eligible power
9 infrastructure, and the labor and services provided in subsection (1)
10 of this section, if first used by qualifying businesses or qualifying
11 tenants on or after July 1, 2048.

12 (5) This section expires July 1, 2053.

13 **Sec. 20.** RCW 82.08.975 and 2013 3rd sp.s. c 2 s 11 are each
14 amended to read as follows:

15 (1) (a) The tax levied by RCW 82.08.020 does not apply to sales of
16 computer hardware, computer peripherals, or software, not otherwise
17 eligible for exemption under RCW 82.08.02565, used primarily in the
18 development, design, and engineering of aerospace products or in
19 providing aerospace services, or to sales of or charges made for
20 labor and services rendered in respect to installing the computer
21 hardware, computer peripherals, or software.

22 (b) The exemption provided in (a) of this subsection does not
23 apply to a sales and use tax imposed by a local government under the
24 authority of chapter 82.14 or 81.104 RCW.

25 (2) The exemption is available only when the buyer provides the
26 seller with an exemption certificate in a form and manner prescribed
27 by the department. The seller must retain a copy of the certificate
28 for the seller's files.

29 (3) The definitions in this subsection apply throughout this
30 section unless the context requires otherwise.

31 (a) "Aerospace products" means:

32 (i) Commercial airplanes and their components;

33 (ii) Machinery and equipment that is designed and used primarily
34 for the maintenance, repair, overhaul, or refurbishing of commercial
35 airplanes or their components by federal aviation regulation part 145
36 certificated repair stations; and

37 (iii) Tooling specifically designed for use in manufacturing
38 commercial airplanes or their components.

1 (b) "Aerospace services" means the maintenance, repair, overhaul,
2 or refurbishing of commercial airplanes or their components, but only
3 when such services are performed by a FAR part 145 certificated
4 repair station.

5 (c) "Commercial airplane" and "component" have the same meanings
6 provided in RCW 82.32.550.

7 (d) "Peripherals" includes keyboards, monitors, mouse devices,
8 and other accessories that operate outside of the computer, excluding
9 cables, conduit, wiring, and other similar property.

10 (4) This section expires July 1, 2040.

11 **Sec. 21.** RCW 82.12.975 and 2013 3rd sp.s. c 2 s 12 are each
12 amended to read as follows:

13 (1) (a) The provisions of this chapter do not apply in respect to
14 the use of computer hardware, computer peripherals, or software, not
15 otherwise eligible for exemption under RCW 82.12.02565, used
16 primarily in the development, design, and engineering of aerospace
17 products or in providing aerospace services, or to the use of labor
18 and services rendered in respect to installing the computer hardware,
19 computer peripherals, or software.

20 (b) The exemption provided in (a) of this subsection does not
21 apply to a sales and use tax imposed by a local government under the
22 authority of chapter 82.14 or 81.104 RCW.

23 (2) As used in this section, "peripherals," "aerospace products,"
24 and "aerospace services" have the same meanings as provided in RCW
25 82.08.975.

26 (3) This section expires July 1, 2040.

27 NEW SECTION. **Sec. 22.** The legislature intends to evaluate the
28 effectiveness of removing the local sales tax exemption on certain
29 products and services on the fiscal health of local governments
30 within three years of the effective date of this section. The
31 legislature also intends to consider the impacts on other stated
32 legislative intent related to each tax preference.

33 NEW SECTION. **Sec. 23.** Section 7 of this act expires January 1,
34 2034.

1 NEW SECTION. **Sec. 24.** Section 8 of this act takes effect
2 January 1, 2034.

--- END ---