
SUBSTITUTE SENATE BILL 5794

State of Washington**69th Legislature****2025 Regular Session**

By Senate Ways & Means (originally sponsored by Senators Salomon, Lovelett, Alvarado, Bateman, Dhingra, Frame, Hasegawa, Nobles, Ramos, Riccelli, Trudeau, and Wellman)

READ FIRST TIME 04/19/25.

1 AN ACT Relating to improving the administration of tax
2 preferences by adopting recommendations from the tax preference
3 performance review process, eliminating obsolete tax preferences,
4 clarifying legislative intent, and addressing changes in
5 constitutional law; amending RCW 82.04.260, 82.04.290, 48.14.0201,
6 82.04.110, 82.04.120, 82.04.43395, 82.12.022, 82.12.022, 82.21.040,
7 82.23A.030, 82.29A.130, 82.29A.130, 82.45.010, 82.45.010, 82.45.030,
8 82.64.030, 84.36.010, 84.36.030, 82.04.29004, 82.04.280, 82.48.030,
9 84.36.133, 82.62.030, 82.85.010, 82.85.020, 82.85.040, 82.04.43391,
10 82.08.0262, 82.12.0254, 82.04.627, 82.04.390, 82.04.460, and
11 82.04.460; reenacting and amending RCW 82.04.260 and 82.04.050;
12 adding a new section to chapter 82.04 RCW; creating new sections;
13 repealing RCW 82.04.062, 82.16.0497, 82.04.44525, 82.08.02566,
14 82.12.02566, 82.04.272, 82.04.315, 82.04.4292, 82.04.29005,
15 82.16.046, 82.29A.132, 82.45.190, 82.08.02568, 82.12.02568,
16 82.04.4482, 82.16.0498, 36.100.090, 82.12.024, 82.04.545, 82.16.315,
17 82.16.0495, 36.102.070, 82.08.02569, 82.12.02569, 82.04.421,
18 82.04.4331, 82.04.4295, 82.04.447, 82.04.4332, 82.04.405, 82.29A.137,
19 and 82.04.434; providing effective dates; providing a contingent
20 effective date; providing expiration dates; and providing a
21 contingent expiration date.

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

1 NEW SECTION. **Sec. 1.** (1) The legislature finds that, according
2 to the most recent tax exemption study published by the department of
3 revenue, there are currently 786 tax exemptions for the major state
4 and local tax sources in Washington. The exemptions result in nearly
5 \$200,000,000,000 of taxpayer savings for the current biennium. The
6 legislature acknowledges that certain tax preferences, such as the
7 sales and use tax exemption for food and the working families tax
8 credit, are intended to rebalance Washington's tax code for working
9 people. However, the legislature further acknowledges that many
10 existing tax preferences are the result of private interests securing
11 preferential tax treatment.

12 (2) For that reason, the legislature enacted robust tax
13 preference performance measures to create greater tax preference
14 transparency and accountability and provide a framework for
15 legislators to make informed decisions on the most efficient use of
16 taxpayer dollars. To ensure tax exemptions meet certain public policy
17 objectives, the joint legislative audit and review committee, a
18 nonpartisan legislative agency, routinely evaluates tax preferences
19 based on specific criteria provided in law and reports that
20 information to the legislature each year. The reports provide
21 accurate, comprehensive, unbiased data that policymakers may use to
22 determine if a tax preference should be continued, modified, or
23 repealed. Additionally, the citizen commission for performance
24 measurement of tax preferences is responsible for selecting which tax
25 preferences are reviewed each year and provides comment on the
26 legislative auditor's reports. Both entities provide recommendations
27 to the legislature on the effectiveness of a tax preference in
28 meeting certain performance measures.

29 (3) Furthermore, the department of revenue assists in the tax
30 preference evaluation process by collecting data from taxpayer
31 beneficiaries and regularly reviewing changes in state and federal
32 law. The analysis by the department and legislative auditor often
33 reveals that a tax exemption is legally obsolete, meaning the
34 specific legal conditions that existed when the exemption was enacted
35 have since changed and the original legislative intent is no longer
36 applicable. Additionally, some tax exemptions are simply not used and
37 should be removed from the tax code to create better clarity for
38 taxpayers.

39 (4) The legislature recognizes that more progress is needed for
40 the state to have a fair and balanced tax system that provides

1 sustainable and ample funding for public schools, health care, and
2 other programs that protect the safety and well-being of the public,
3 as well as social services that provide critical, basic-needs
4 assistance for our state's most vulnerable residents. The legislature
5 further recognizes that the tax preference performance review process
6 provides an opportunity for policymakers to evaluate the tax code to
7 ensure the state is not losing essential revenue due to inefficient
8 or no longer applicable tax exemptions.

9 (5) Thus, the legislature intends to enact recommendations from
10 the joint legislative audit and review committee, the citizen
11 commission for performance measurement of tax preferences, and the
12 department of revenue, including eliminating several obsolete tax
13 preferences, clarifying legislative intent to better inform future
14 tax preference performance reviews, adding expiration dates, and
15 other actions aimed at creating a fair and balanced tax system.

16 **PART I**

17 **ELIMINATING OBSOLETE TAX PREFERENCES**

18 **Sec. 101.** RCW 82.04.260 and 2023 c 422 s 5 and 2023 c 286 s 3
19 are each reenacted and amended to read as follows:

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

22 (a) Wheat into flour, barley into pearl barley, soybeans into
23 soybean oil, canola into canola oil, canola meal, or canola by-
24 products, or sunflower seeds into sunflower oil; as to such persons
25 the amount of tax with respect to such business is equal to the value
26 of the flour, pearl barley, oil, canola meal, or canola by-product
27 manufactured, multiplied by the rate of 0.138 percent;

28 (b) Beginning July 1, 2035, seafood products that remain in a
29 raw, raw frozen, or raw salted state at the completion of the
30 manufacturing by that person; or selling manufactured seafood
31 products that remain in a raw, raw frozen, or raw salted state at the
32 completion of the manufacturing, to purchasers who transport in the
33 ordinary course of business the goods out of this state; as to such
34 persons the amount of tax with respect to such business is equal to
35 the value of the products manufactured or the gross proceeds derived
36 from such sales, multiplied by the rate of 0.138 percent. Sellers
37 must keep and preserve records for the period required by RCW

1 82.32.070 establishing that the goods were transported by the
2 purchaser in the ordinary course of business out of this state;

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

17 (ii) For the purposes of this subsection (1) (c), "dairy products"
18 means:

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

23 (B) Products comprised of not less than 70 percent dairy products
24 that qualify under (c) (ii) (A) of this subsection, measured by weight
25 or volume.

26 (iii) The preferential tax rate provided to taxpayers under this
27 subsection (1) (c) does not apply to sales of dairy products on or
28 after July 1, 2023, where a dairy product is used by the purchaser as
29 an ingredient or component in the manufacturing in Washington of a
30 dairy product;

31 (d) (i) Beginning July 1, 2035, fruits or vegetables by canning,
32 preserving, freezing, processing, or dehydrating fresh fruits or
33 vegetables, or selling at wholesale fruits or vegetables manufactured
34 by the seller by canning, preserving, freezing, processing, or
35 dehydrating fresh fruits or vegetables and sold to purchasers who
36 transport in the ordinary course of business the goods out of this
37 state; as to such persons the amount of tax with respect to such
38 business is equal to the value of the products manufactured or the
39 gross proceeds derived from such sales multiplied by the rate of
40 0.138 percent. Sellers must keep and preserve records for the period

1 required by RCW 82.32.070 establishing that the goods were
2 transported by the purchaser in the ordinary course of business out
3 of this state.

4 (ii) For purposes of this subsection (1)(d), "fruits" and
5 "vegetables" do not include cannabis, useable cannabis, or cannabis-
6 infused products; and

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

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

19 (3) Upon every nonprofit corporation and nonprofit association
20 engaging within this state in research and development, as to such
21 corporations and associations, the amount of tax with respect to such
22 activities is equal to the gross income derived from such activities
23 multiplied by the rate of 0.484 percent.

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

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

35 (b) Upon every person engaging within this state in the business
36 of acting as a travel agent or tour operator and whose annual taxable
37 amount for the prior calendar year from such business was more than
38 \$250,000; as to such persons the amount of the tax with respect to
39 such activities is equal to the gross income derived from such

1 activities multiplied by the rate of 0.275 percent through June 30,
2 2019, and 0.9 percent beginning July 1, 2019.

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

10 (7) Upon every person engaging within this state in the business
11 of stevedoring and associated activities pertinent to the movement of
12 goods and commodities in waterborne interstate or foreign commerce;
13 as to such persons the amount of tax with respect to such business is
14 equal to the gross proceeds derived from such activities multiplied
15 by the rate of 0.275 percent. Persons subject to taxation under this
16 subsection are exempt from payment of taxes imposed by chapter 82.16
17 RCW for that portion of their business subject to taxation under this
18 subsection. Stevedoring and associated activities pertinent to the
19 conduct of goods and commodities in waterborne interstate or foreign
20 commerce are defined as all activities of a labor, service or
21 transportation nature whereby cargo may be loaded or unloaded to or
22 from vessels or barges, passing over, onto or under a wharf, pier, or
23 similar structure; cargo may be moved to a warehouse or similar
24 holding or storage yard or area to await further movement in import
25 or export or may move to a consolidation freight station and be
26 stuffed, unstuffed, containerized, separated or otherwise segregated
27 or aggregated for delivery or loaded on any mode of transportation
28 for delivery to its consignee. Specific activities included in this
29 definition are: Wharfage, handling, loading, unloading, moving of
30 cargo to a convenient place of delivery to the consignee or a
31 convenient place for further movement to export mode; documentation
32 services in connection with the receipt, delivery, checking, care,
33 custody and control of cargo required in the transfer of cargo;
34 imported automobile handling prior to delivery to consignee; terminal
35 stevedoring and incidental vessel services, including but not limited
36 to plugging and unplugging refrigerator service to containers,
37 trailers, and other refrigerated cargo receptacles, and securing ship
38 hatch covers.

39 (8) (a) Upon every person engaging within this state in the
40 business of disposing of low-level waste, as defined in RCW

1 70A.380.010; as to such persons the amount of the tax with respect to
2 such business is equal to the gross income of the business, excluding
3 any fees imposed under chapter 70A.384 RCW, multiplied by the rate of
4 3.3 percent.

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

9 ~~((Upon every person engaging within this state as an
10 insurance producer or title insurance agent licensed under chapter
11 48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW;
12 as to such persons, the amount of the tax with respect to such
13 licensed activities is equal to the gross income of such business
14 multiplied by the rate of 0.484 percent.~~

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

22 ~~((11))~~ (10)(a) Beginning October 1, 2005, upon every person
23 engaging within this state in the business of manufacturing
24 commercial airplanes, or components of such airplanes, or making
25 sales, at retail or wholesale, of commercial airplanes or components
26 of such airplanes, manufactured by the seller, as to such persons the
27 amount of tax with respect to such business is, in the case of
28 manufacturers, equal to the value of the product manufactured and the
29 gross proceeds of sales of the product manufactured, or in the case
30 of processors for hire, equal to the gross income of the business,
31 multiplied by the rate of:

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

33 (ii) 0.2904 percent beginning July 1, 2007, through March 31,
34 2020; and

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

39 (b) Beginning July 1, 2008, upon every person who is not eligible
40 to report under the provisions of (a) of this subsection ~~((11))~~

1 (10) and is engaging within this state in the business of
2 manufacturing tooling specifically designed for use in manufacturing
3 commercial airplanes or components of such airplanes, or making
4 sales, at retail or wholesale, of such tooling manufactured by the
5 seller, as to such persons the amount of tax with respect to such
6 business is, in the case of manufacturers, equal to the value of the
7 product manufactured and the gross proceeds of sales of the product
8 manufactured, or in the case of processors for hire, be equal to the
9 gross income of the business, multiplied by the rate of:

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

11 (ii) Beginning April 1, 2020, the following rates, which are
12 subject to any reduction required under (e) of this subsection
13 (~~((11))~~) (10):

14 (A) The rate under RCW 82.04.250(1) on the business of making
15 retail sales of tooling specifically designed for use in
16 manufacturing commercial airplanes or components of such airplanes;
17 and

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

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

23 (d)(i) In addition to all other requirements under this title, a
24 person reporting under the tax rate provided in this subsection
25 (~~((11))~~) (10) must file a complete annual tax performance report with
26 the department under RCW 82.32.534. However, this requirement does
27 not apply to persons reporting under the tax rate in (a)(iii) of this
28 subsection (~~((11))~~) (10), so long as that rate remains 0.484 percent,
29 or under any of the tax rates in (b)(ii)(A) and (B) of this
30 subsection (~~((11))~~) (10), so long as those tax rates remain the rate
31 imposed pursuant to RCW 82.04.250(1) and 0.484 percent, respectively.

32 (ii) Nothing in (d)(i) of this subsection (~~((11))~~) (10) may be
33 construed as affecting the obligation of a person reporting under a
34 tax rate provided in this subsection (~~((11))~~) (10) to file a complete
35 annual tax performance report with the department under RCW
36 82.32.534: (A) Pursuant to another provision of this title as a
37 result of claiming a tax credit or exemption; or (B) pursuant to
38 (d)(i) of this subsection (~~((11))~~) (10) as a result of claiming the
39 tax rates in (a)(ii) or (b)(i) of this subsection (~~((11))~~) (10) for
40 periods ending before April 1, 2020.

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

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

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

18 (f)(i) Except as provided in (f)(ii) of this subsection (~~((11))~~)
19 (10), this subsection (~~((11))~~) (10) does not apply on and after July
20 1, 2040.

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

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

39 (~~((12))~~) (11) (a) Until July 1, 2045, upon every person engaging
40 within this state in the business of extracting timber or extracting

1 for hire timber; as to such persons the amount of tax with respect to
2 the business is, in the case of extractors, equal to the value of
3 products, including by-products, extracted, or in the case of
4 extractors for hire, equal to the gross income of the business,
5 multiplied by the rate of 0.4235 percent from July 1, 2006, through
6 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
7 2045.

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

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

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

1 (e) For purposes of this subsection, the following definitions
2 apply:

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

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

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

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

29 (v) "Timber products" means:

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

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

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

37 (vi) "Wood products" means paper and paper products; dimensional
38 lumber; engineered wood products such as particleboard, oriented
39 strand board, medium density fiberboard, and plywood; wood doors;
40 wood windows; and biocomposite surface products.

1 (f) Except for small harvesters as defined in RCW 84.33.035, a
2 person reporting under the tax rate provided in this subsection
3 (~~((12))~~) (11) must file a complete annual tax performance report with
4 the department under RCW 82.32.534.

5 (g) Nothing in this subsection (~~((12))~~) (11) may be construed to
6 affect the taxation of any activity defined as a retail sale in RCW
7 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW
8 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

9 (~~((13))~~) (12) Upon every person engaging within this state in
10 inspecting, testing, labeling, and storing canned salmon owned by
11 another person, as to such persons, the amount of tax with respect to
12 such activities is equal to the gross income derived from such
13 activities multiplied by the rate of 0.484 percent.

14 **Sec. 102.** RCW 82.04.260 and 2023 c 422 s 5 are each amended to
15 read as follows:

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

18 (a) Wheat into flour, barley into pearl barley, soybeans into
19 soybean oil, canola into canola oil, canola meal, or canola by-
20 products, or sunflower seeds into sunflower oil; as to such persons
21 the amount of tax with respect to such business is equal to the value
22 of the flour, pearl barley, oil, canola meal, or canola by-product
23 manufactured, multiplied by the rate of 0.138 percent;

24 (b) Beginning July 1, 2035, seafood products that remain in a
25 raw, raw frozen, or raw salted state at the completion of the
26 manufacturing by that person; or selling manufactured seafood
27 products that remain in a raw, raw frozen, or raw salted state at the
28 completion of the manufacturing, to purchasers who transport in the
29 ordinary course of business the goods out of this state; as to such
30 persons the amount of tax with respect to such business is equal to
31 the value of the products manufactured or the gross proceeds derived
32 from such sales, multiplied by the rate of 0.138 percent. Sellers
33 must keep and preserve records for the period required by RCW
34 82.32.070 establishing that the goods were transported by the
35 purchaser in the ordinary course of business out of this state;

36 (c)(i) Except as provided otherwise in (c)(iii) of this
37 subsection, beginning July 1, 2035, until January 1, 2046, dairy
38 products; or selling dairy products that the person has manufactured
39 to purchasers who either transport in the ordinary course of business

1 the goods out of state or purchasers who use such dairy products as
2 an ingredient or component in the manufacturing of a dairy product;
3 as to such persons the tax imposed is equal to the value of the
4 products manufactured or the gross proceeds derived from such sales
5 multiplied by the rate of 0.138 percent. Sellers must keep and
6 preserve records for the period required by RCW 82.32.070
7 establishing that the goods were transported by the purchaser in the
8 ordinary course of business out of this state or sold to a
9 manufacturer for use as an ingredient or component in the
10 manufacturing of a dairy product.

11 (ii) For the purposes of this subsection (1)(c), "dairy products"
12 means:

13 (A) Products, not including any cannabis-infused product, that as
14 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts
15 131, 133, and 135, including by-products from the manufacturing of
16 the dairy products, such as whey and casein; and

17 (B) Products comprised of not less than 70 percent dairy products
18 that qualify under (c)(ii)(A) of this subsection, measured by weight
19 or volume.

20 (iii) The preferential tax rate provided to taxpayers under this
21 subsection (1)(c) does not apply to sales of dairy products on or
22 after July 1, 2023, where a dairy product is used by the purchaser as
23 an ingredient or component in the manufacturing in Washington of a
24 dairy product;

25 (d)(i) Beginning July 1, 2035, fruits or vegetables by canning,
26 preserving, freezing, processing, or dehydrating fresh fruits or
27 vegetables, or selling at wholesale fruits or vegetables manufactured
28 by the seller by canning, preserving, freezing, processing, or
29 dehydrating fresh fruits or vegetables and sold to purchasers who
30 transport in the ordinary course of business the goods out of this
31 state; as to such persons the amount of tax with respect to such
32 business is equal to the value of the products manufactured or the
33 gross proceeds derived from such sales multiplied by the rate of
34 0.138 percent. Sellers must keep and preserve records for the period
35 required by RCW 82.32.070 establishing that the goods were
36 transported by the purchaser in the ordinary course of business out
37 of this state.

38 (ii) For purposes of this subsection (1)(d), "fruits" and
39 "vegetables" do not include cannabis, useable cannabis, or cannabis-
40 infused products; and

1 (e) Wood biomass fuel; as to such persons the amount of tax with
2 respect to the business is equal to the value of wood biomass fuel
3 manufactured, multiplied by the rate of 0.138 percent. For the
4 purposes of this section, "wood biomass fuel" means a liquid or
5 gaseous fuel that is produced from lignocellulosic feedstocks,
6 including wood, forest, or field residue and dedicated energy crops,
7 and that does not include wood treated with chemical preservations
8 such as creosote, pentachlorophenol, or copper-chrome-arsenic.

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

13 (3) Upon every nonprofit corporation and nonprofit association
14 engaging within this state in research and development, as to such
15 corporations and associations, the amount of tax with respect to such
16 activities is equal to the gross income derived from such activities
17 multiplied by the rate of 0.484 percent.

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

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

29 (b) Upon every person engaging within this state in the business
30 of acting as a travel agent or tour operator and whose annual taxable
31 amount for the prior calendar year from such business was more than
32 \$250,000; as to such persons the amount of the tax with respect to
33 such activities is equal to the gross income derived from such
34 activities multiplied by the rate of 0.275 percent through June 30,
35 2019, and 0.9 percent beginning July 1, 2019.

36 (6) Upon every person engaging within this state in business as
37 an international steamship agent, international customs house broker,
38 international freight forwarder, vessel and/or cargo charter broker
39 in foreign commerce, and/or international air cargo agent; as to such
40 persons the amount of the tax with respect to only international

1 activities is equal to the gross income derived from such activities
2 multiplied by the rate of 0.275 percent.

3 (7) Upon every person engaging within this state in the business
4 of stevedoring and associated activities pertinent to the movement of
5 goods and commodities in waterborne interstate or foreign commerce;
6 as to such persons the amount of tax with respect to such business is
7 equal to the gross proceeds derived from such activities multiplied
8 by the rate of 0.275 percent. Persons subject to taxation under this
9 subsection are exempt from payment of taxes imposed by chapter 82.16
10 RCW for that portion of their business subject to taxation under this
11 subsection. Stevedoring and associated activities pertinent to the
12 conduct of goods and commodities in waterborne interstate or foreign
13 commerce are defined as all activities of a labor, service or
14 transportation nature whereby cargo may be loaded or unloaded to or
15 from vessels or barges, passing over, onto or under a wharf, pier, or
16 similar structure; cargo may be moved to a warehouse or similar
17 holding or storage yard or area to await further movement in import
18 or export or may move to a consolidation freight station and be
19 stuffed, unstuffed, containerized, separated or otherwise segregated
20 or aggregated for delivery or loaded on any mode of transportation
21 for delivery to its consignee. Specific activities included in this
22 definition are: Wharfage, handling, loading, unloading, moving of
23 cargo to a convenient place of delivery to the consignee or a
24 convenient place for further movement to export mode; documentation
25 services in connection with the receipt, delivery, checking, care,
26 custody and control of cargo required in the transfer of cargo;
27 imported automobile handling prior to delivery to consignee; terminal
28 stevedoring and incidental vessel services, including but not limited
29 to plugging and unplugging refrigerator service to containers,
30 trailers, and other refrigerated cargo receptacles, and securing ship
31 hatch covers.

32 (8) (a) Upon every person engaging within this state in the
33 business of disposing of low-level waste, as defined in RCW
34 70A.380.010; as to such persons the amount of the tax with respect to
35 such business is equal to the gross income of the business, excluding
36 any fees imposed under chapter 70A.384 RCW, multiplied by the rate of
37 3.3 percent.

38 (b) If the gross income of the taxpayer is attributable to
39 activities both within and without this state, the gross income

1 attributable to this state must be determined in accordance with the
2 methods of apportionment required under RCW 82.04.460.

3 ~~(9) ((Upon every person engaging within this state as an
4 insurance producer or title insurance agent licensed under chapter
5 48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW;
6 as to such persons, the amount of the tax with respect to such
7 licensed activities is equal to the gross income of such business
8 multiplied by the rate of 0.484 percent.~~

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

16 ~~((11))~~ (10)(a) Beginning October 1, 2005, upon every person
17 engaging within this state in the business of manufacturing
18 commercial airplanes, or components of such airplanes, or making
19 sales, at retail or wholesale, of commercial airplanes or components
20 of such airplanes, manufactured by the seller, as to such persons the
21 amount of tax with respect to such business is, in the case of
22 manufacturers, equal to the value of the product manufactured and the
23 gross proceeds of sales of the product manufactured, or in the case
24 of processors for hire, equal to the gross income of the business,
25 multiplied by the rate of:

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

27 (ii) 0.2904 percent beginning July 1, 2007, through March 31,
28 2020; and

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

33 (b) Beginning July 1, 2008, upon every person who is not eligible
34 to report under the provisions of (a) of this subsection ~~((11))~~
35 (10) and is engaging within this state in the business of
36 manufacturing tooling specifically designed for use in manufacturing
37 commercial airplanes or components of such airplanes, or making
38 sales, at retail or wholesale, of such tooling manufactured by the
39 seller, as to such persons the amount of tax with respect to such
40 business is, in the case of manufacturers, equal to the value of the

1 product manufactured and the gross proceeds of sales of the product
2 manufactured, or in the case of processors for hire, be equal to the
3 gross income of the business, multiplied by the rate of:

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

5 (ii) Beginning April 1, 2020, the following rates, which are
6 subject to any reduction required under (e) of this subsection
7 (~~((11))~~) (10):

8 (A) The rate under RCW 82.04.250(1) on the business of making
9 retail sales of tooling specifically designed for use in
10 manufacturing commercial airplanes or components of such airplanes;
11 and

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

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

17 (d)(i) In addition to all other requirements under this title, a
18 person reporting under the tax rate provided in this subsection
19 (~~((11))~~) (10) must file a complete annual tax performance report with
20 the department under RCW 82.32.534. However, this requirement does
21 not apply to persons reporting under the tax rate in (a)(iii) of this
22 subsection (~~((11))~~) (10), so long as that rate remains 0.484 percent,
23 or under any of the tax rates in (b)(ii)(A) and (B) of this
24 subsection (~~((11))~~) (10), so long as those tax rates remain the rate
25 imposed pursuant to RCW 82.04.250(1) and 0.484 percent, respectively.

26 (ii) Nothing in (d)(i) of this subsection (~~((11))~~) (10) may be
27 construed as affecting the obligation of a person reporting under a
28 tax rate provided in this subsection (~~((11))~~) (10) to file a complete
29 annual tax performance report with the department under RCW
30 82.32.534: (A) Pursuant to another provision of this title as a
31 result of claiming a tax credit or exemption; or (B) pursuant to
32 (d)(i) of this subsection (~~((11))~~) (10) as a result of claiming the
33 tax rates in (a)(ii) or (b)(i) of this subsection (~~((11))~~) (10) for
34 periods ending before April 1, 2020.

35 (e)(i) After March 31, 2021, the tax rates under (a)(iii) and
36 (b)(ii) of this subsection (~~((11))~~) (10) must be reduced to 0.357
37 percent provided the conditions in RCW 82.04.2602 are met. The
38 effective date of the rates authorized under this subsection (~~((11))~~)
39 (10)(e) must occur on the first day of the next calendar quarter that

1 is at least 60 days after the department receives the last of the two
2 written notices pursuant to RCW 82.04.2602 (3) and (4).

3 (ii) Both a significant commercial airplane manufacturer
4 separately and the rest of the aerospace industry as a whole,
5 receiving the rate of 0.357 percent under this subsection (~~((11))~~)
6 (10)(e) are subject to the aerospace apprenticeship utilization rates
7 required under RCW 49.04.220 by April 1, 2026, or five years after
8 the effective date of the 0.357 percent rate authorized under this
9 subsection (~~((11))~~) (10)(e), whichever is later, as determined by the
10 department of labor and industries.

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

13 (f)(i) Except as provided in (f)(ii) of this subsection (~~((11))~~)
14 (10), this subsection (~~((11))~~) (10) does not apply on and after July
15 1, 2040.

16 (ii) With respect to the manufacturing of commercial airplanes or
17 making sales, at retail or wholesale, of commercial airplanes, this
18 subsection (~~((11))~~) (10) does not apply on and after July 1st of the
19 year in which the department makes a determination that any final
20 assembly or wing assembly of any version or variant of a commercial
21 airplane that is the basis of a siting of a significant commercial
22 airplane manufacturing program in the state under RCW 82.32.850 has
23 been sited outside the state of Washington. This subsection (~~((11))~~)
24 (10)(f)(ii) only applies to the manufacturing or sale of commercial
25 airplanes that are the basis of a siting of a significant commercial
26 airplane manufacturing program in the state under RCW 82.32.850. This
27 subsection (~~((11))~~) (10)(f)(ii) continues to apply during the time
28 that a person is subject to the tax rate in (a)(iii) of this
29 subsection (~~((11))~~) (10).

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

34 (~~((12))~~) (11)(a) Until July 1, 2045, upon every person engaging
35 within this state in the business of extracting timber or extracting
36 for hire timber; as to such persons the amount of tax with respect to
37 the business is, in the case of extractors, equal to the value of
38 products, including by-products, extracted, or in the case of
39 extractors for hire, equal to the gross income of the business,
40 multiplied by the rate of 0.4235 percent from July 1, 2006, through

1 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
2 2045.

3 (b) Until July 1, 2045, upon every person engaging within this
4 state in the business of manufacturing or processing for hire: (i)
5 Timber into timber products or wood products; (ii) timber products
6 into other timber products or wood products; or (iii) products
7 defined in RCW 19.27.570(1); as to such persons the amount of the tax
8 with respect to the business is, in the case of manufacturers, equal
9 to the value of products, including by-products, manufactured, or in
10 the case of processors for hire, equal to the gross income of the
11 business, multiplied by the rate of 0.4235 percent from July 1, 2006,
12 through June 30, 2007, and 0.2904 percent from July 1, 2007, through
13 June 30, 2045.

14 (c) Until July 1, 2045, upon every person engaging within this
15 state in the business of selling at wholesale: (i) Timber extracted
16 by that person; (ii) timber products manufactured by that person from
17 timber or other timber products; (iii) wood products manufactured by
18 that person from timber or timber products; or (iv) products defined
19 in RCW 19.27.570(1) manufactured by that person; as to such persons
20 the amount of the tax with respect to the business is equal to the
21 gross proceeds of sales of the timber, timber products, wood
22 products, or products defined in RCW 19.27.570(1) multiplied by the
23 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and
24 0.2904 percent from July 1, 2007, through June 30, 2045.

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

35 (e) For purposes of this subsection, the following definitions
36 apply:

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

1 (ii) "Paper and paper products" means products made of interwoven
2 cellulosic fibers held together largely by hydrogen bonding. "Paper
3 and paper products" includes newsprint; office, printing, fine, and
4 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
5 kraft bag, construction, and other kraft industrial papers;
6 paperboard, liquid packaging containers, containerboard, corrugated,
7 and solid-fiber containers including linerboard and corrugated
8 medium; and related types of cellulosic products containing
9 primarily, by weight or volume, cellulosic materials. "Paper and
10 paper products" does not include books, newspapers, magazines,
11 periodicals, and other printed publications, advertising materials,
12 calendars, and similar types of printed materials.

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

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

23 (v) "Timber products" means:

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

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

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

31 (vi) "Wood products" means paper and paper products; dimensional
32 lumber; engineered wood products such as particleboard, oriented
33 strand board, medium density fiberboard, and plywood; wood doors;
34 wood windows; and biocomposite surface products.

35 (f) Except for small harvesters as defined in RCW 84.33.035, a
36 person reporting under the tax rate provided in this subsection
37 (~~((12))~~) (11) must file a complete annual tax performance report with
38 the department under RCW 82.32.534.

39 (g) Nothing in this subsection (~~((12))~~) (11) may be construed to
40 affect the taxation of any activity defined as a retail sale in RCW

1 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW
2 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

3 ~~((13))~~ (12) Upon every person engaging within this state in
4 inspecting, testing, labeling, and storing canned salmon owned by
5 another person, as to such persons, the amount of tax with respect to
6 such activities is equal to the gross income derived from such
7 activities multiplied by the rate of 0.484 percent.

8 ~~((14))~~ (13)(a) Upon every person engaging within this state in
9 the business of printing a newspaper, publishing a newspaper, or
10 both, the amount of tax on such business is equal to the gross income
11 of the business multiplied by the rate of 0.35 percent until July 1,
12 2024, and 0.484 percent thereafter.

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

16 **Sec. 103.** RCW 82.04.290 and 2020 c 2 s 3 are each amended to
17 read as follows:

18 (1) Upon every person engaging within this state in the business
19 of providing qualifying international investment management services,
20 as to such persons, the amount of tax with respect to such business
21 is equal to the gross income or gross proceeds of sales of the
22 business multiplied by a rate of ~~((0.275))~~ 1.75 percent.

23 (2)(a) Upon every person engaging within this state in any
24 business activity other than or in addition to an activity taxed
25 explicitly under another section in this chapter or subsection (1) or
26 (3) of this section; as to such persons the amount of tax on account
27 of such activities is equal to the gross income of the business
28 multiplied by the rate of:

29 (i) 1.75 percent; or

30 (ii) 1.5 percent for:

31 (A) Any person subject to the surcharge imposed under RCW
32 82.04.299;

33 (B) Any person whose gross income of the business subject to the
34 tax imposed under this subsection (2), for the immediately preceding
35 calendar year, was less than ~~((one million dollars))~~ \$1,000,000,
36 unless (I) the person is affiliated with one or more other persons,
37 and (II) the aggregate gross income of the business subject to the
38 tax imposed under this subsection (2) for all affiliated persons was

1 greater than or equal to (~~one million dollars~~) \$1,000,000 for the
2 immediately preceding calendar year; and

3 (C) Hospitals as defined in RCW 70.41.020, including any hospital
4 that comes within the scope of chapter 71.12 RCW if the hospital is
5 also licensed under chapter 70.41 RCW. This subsection (2)(a)(ii)(C)
6 must not be construed as modifying RCW 82.04.260(~~(10)~~) (9).

7 (b) This subsection (2) includes, among others, and without
8 limiting the scope hereof (whether or not title to materials used in
9 the performance of such business passes to another by accession,
10 confusion or other than by outright sale), persons engaged in the
11 business of rendering any type of service which does not constitute a
12 "sale at retail" or a "sale at wholesale." The value of advertising,
13 demonstration, and promotional supplies and materials furnished to an
14 agent by his or her principal or supplier to be used for
15 informational, educational, and promotional purposes is not
16 considered a part of the agent's remuneration or commission and is
17 not subject to taxation under this section.

18 (c) 14.3 percent of the revenues collected under (a)(i) of this
19 subsection (2) must be deposited into the workforce education
20 investment account created in RCW 43.79.195.

21 (d)(i) To aid in the effective administration of this subsection
22 (2), the department may require a person claiming to be subject to
23 the 1.5 percent tax rate under (a)(ii)(B) of this subsection (2) to
24 identify all of the person's affiliates, including their department
25 tax registration number or unified business identifier number, as may
26 be applicable, or to certify that the person is not affiliated with
27 any other person. Requests under this subsection (2)(d)(i) must be in
28 writing and may be made electronically.

29 (ii) If the department establishes, by clear, cogent, and
30 convincing evidence, that a person, with intent to evade the
31 additional taxes due under the 1.75 percent tax rate in (a)(i) of
32 this subsection (2), failed to provide the department with complete
33 and accurate information in response to a written request under
34 (d)(i) of this subsection (2) within (~~thirty~~) 30 days of such
35 request, the person is ineligible for the 1.5 percent tax rate in
36 (a)(ii) of this subsection (2) for the entire current calendar year
37 and the following four calendar years. However, the department must
38 waive the provisions of this subsection (2)(d)(ii) for any tax
39 reporting period that the person is otherwise eligible for the 1.5
40 percent tax rate in (a)(ii) of this subsection (2) if (A) the

1 department has not previously determined that the person failed to
2 fully comply with (d)(i) of this subsection (2), and (B) within
3 (~~thirty~~) 30 days of the notice of additional tax due as a result of
4 the person's failure to fully comply with (d)(i) of this subsection
5 (2) the department determines that the person has come into full
6 compliance with (d)(i) of this subsection (2). This subsection (2)(d)
7 applies only with respect to persons claiming entitlement to the 1.5
8 percent tax rate solely by reason of (a)(ii)(B) of this subsection
9 (2).

10 (e) For the purposes of (a)(ii)(B) of this subsection (2), if a
11 taxpayer is subject to the reconciliation provisions of RCW
12 82.04.462(4), and calculates gross income of the business subject to
13 the tax imposed under this subsection (2) for the immediately
14 preceding calendar year, or aggregate gross income of the business
15 subject to the tax imposed under this subsection (2) for the
16 immediately preceding calendar year for all affiliated persons, based
17 on incomplete information, the taxpayer must correct the reporting
18 for the current calendar year when complete information for the
19 immediately preceding calendar year is available.

20 (f) For purposes of this subsection (2), the definitions in this
21 subsection (2)(f) apply:

22 (i) "Affiliate" means a person that directly or indirectly,
23 through one or more intermediaries, controls, is controlled by, or is
24 under common control with another person; and

25 (ii) "Control" means the possession, directly or indirectly, of
26 more than (~~eighty~~) 80 percent of the power to direct or cause the
27 direction of the management and policies of a person, whether through
28 the ownership of voting shares, by contract, or otherwise.

29 (3)(a) Until July 1, 2040, upon every person engaging within this
30 state in the business of performing aerospace product development for
31 others, as to such persons, the amount of tax with respect to such
32 business is equal to the gross income of the business multiplied by a
33 rate of 0.9 percent.

34 (b) A person reporting under the tax rate provided in this
35 subsection (3) must file a complete annual report with the department
36 under RCW 82.32.534.

37 (c) "Aerospace product development" has the meaning as provided
38 in RCW 82.04.4461.

1 **Sec. 104.** RCW 48.14.0201 and 2016 c 133 s 2 are each amended to
2 read as follows:

3 (1) As used in this section, "taxpayer" means a health
4 maintenance organization as defined in RCW 48.46.020, a health care
5 service contractor as defined in chapter 48.44 RCW, or a self-funded
6 multiple employer welfare arrangement as defined in RCW 48.125.010.

7 (2) Each taxpayer must pay a tax on or before the first day of
8 March of each year to the state treasurer through the insurance
9 commissioner's office. The tax must be equal to the total amount of
10 all premiums and prepayments for health care services collected or
11 received by the taxpayer under RCW 48.14.090 during the preceding
12 calendar year multiplied by the rate of two percent. For tax
13 purposes, the reporting of premiums and prepayments must be on a
14 written basis or on a paid-for basis consistent with the basis
15 required by the annual statement.

16 (3) Taxpayers must prepay their tax obligations under this
17 section. The minimum amount of the prepayments is the percentages of
18 the taxpayer's tax obligation for the preceding calendar year
19 recomputed using the rate in effect for the current year. For the
20 prepayment of taxes due during the first calendar year, the minimum
21 amount of the prepayments is the percentages of the taxpayer's tax
22 obligation that would have been due had the tax been in effect during
23 the previous calendar year. The tax prepayments must be paid to the
24 state treasurer through the commissioner's office by the due dates
25 and in the following amounts:

26 (a) On or before June 15, (~~forty-five~~) 45 percent;

27 (b) On or before September 15, (~~twenty-five~~) 25 percent;

28 (c) On or before December 15, (~~twenty-five~~) 25 percent.

29 (4) For good cause demonstrated in writing, the commissioner may
30 approve an amount smaller than the preceding calendar year's tax
31 obligation as recomputed for calculating the health maintenance
32 organization's, health care service contractor's, self-funded
33 multiple employer welfare arrangement's, or certified health plan's
34 prepayment obligations for the current tax year.

35 (5) (a) Except as provided in (b) of this subsection, moneys
36 collected under this section are deposited in the general fund.

37 (b) Beginning January 1, 2014, moneys collected from taxpayers
38 for premiums written on qualified health benefit plans and qualified
39 dental plans offered through the health benefit exchange under

1 chapter 43.71 RCW must be deposited in the health benefit exchange
2 account under RCW 43.71.060.

3 (6) The taxes imposed in this section do not apply to:

4 (a) Amounts received by any taxpayer from the United States or
5 any instrumentality thereof as prepayments for health care services
6 provided under Title XVIII (medicare) of the federal social security
7 act.

8 (b) Amounts received by any taxpayer from the state of Washington
9 as prepayments for health care services provided under:

10 (i) The medical care services program as provided in RCW
11 74.09.035; or

12 (ii) The Washington basic health plan on behalf of subsidized
13 enrollees as provided in chapter 70.47 RCW.

14 ~~(c) ((Amounts received by any health care service contractor as
15 defined in chapter 48.44 RCW, or any health maintenance organization
16 as defined in chapter 48.46 RCW, as prepayments for health care
17 services included within the definition of practice of dentistry
18 under RCW 18.32.020, except amounts received for pediatric oral
19 services that qualify as coverage for the minimum essential coverage
20 requirement under P.L. 111-148 (2010), as amended, and for stand-
21 alone family dental plans as defined in RCW 43.71.080(4)(a), only
22 when offered in the individual market, as defined in RCW
23 48.43.005(27), or to a small group, as defined in RCW 48.43.005(33).~~

24 ~~(d))~~ Participant contributions to self-funded multiple employer
25 welfare arrangements that are not taxable in this state.

26 (7) Beginning January 1, 2000, the state preempts the field of
27 imposing excise or privilege taxes upon taxpayers and no county,
28 city, town, or other municipal subdivision has the right to impose
29 any such taxes upon such taxpayers. This subsection is limited to
30 premiums and payments for health benefit plans offered by health care
31 service contractors under chapter 48.44 RCW, health maintenance
32 organizations under chapter 48.46 RCW, and self-funded multiple
33 employer welfare arrangements as defined in RCW 48.125.010. The
34 preemption authorized by this subsection must not impair the ability
35 of a county, city, town, or other municipal subdivision to impose
36 excise or privilege taxes upon the health care services directly
37 delivered by the employees of a health maintenance organization under
38 chapter 48.46 RCW.

39 (8)(a) The taxes imposed by this section apply to a self-funded
40 multiple employer welfare arrangement only in the event that they are

1 not preempted by the employee retirement income security act of 1974,
2 as amended, 29 U.S.C. Sec. 1001 et seq. The arrangements and the
3 commissioner must initially request an advisory opinion from the
4 United States department of labor or obtain a declaratory ruling from
5 a federal court on the legality of imposing state premium taxes on
6 these arrangements. Once the legality of the taxes has been
7 determined, the multiple employer welfare arrangement certified by
8 the insurance commissioner must begin payment of these taxes.

9 (b) If there has not been a final determination of the legality
10 of these taxes, then beginning on the earlier of (i) the date the
11 fourth multiple employer welfare arrangement has been certified by
12 the insurance commissioner, or (ii) April 1, 2006, the arrangement
13 must deposit the taxes imposed by this section into an interest
14 bearing escrow account maintained by the arrangement. Upon a final
15 determination that the taxes are not preempted by the employee
16 retirement income security act of 1974, as amended, 29 U.S.C. Sec.
17 1001 et seq., all funds in the interest bearing escrow account must
18 be transferred to the state treasurer.

19 (9) The effect of transferring contracts for health care services
20 from one taxpayer to another taxpayer is to transfer the tax
21 prepayment obligation with respect to the contracts.

22 (10) On or before June 1st of each year, the commissioner must
23 notify each taxpayer required to make prepayments in that year of the
24 amount of each prepayment and must provide remittance forms to be
25 used by the taxpayer. However, a taxpayer's responsibility to make
26 prepayments is not affected by failure of the commissioner to send,
27 or the taxpayer to receive, the notice or forms.

28 **Sec. 105.** RCW 82.04.050 and 2021 c 296 s 8 and 2021 c 143 s 2
29 are each reenacted and amended to read as follows:

30 (1)(a) "Sale at retail" or "retail sale" means every sale of
31 tangible personal property (including articles produced, fabricated,
32 or imprinted) to all persons irrespective of the nature of their
33 business and including, among others, without limiting the scope
34 hereof, persons who install, repair, clean, alter, improve,
35 construct, or decorate real or personal property of or for consumers
36 other than a sale to a person who:

37 (i) Purchases for the purpose of resale as tangible personal
38 property in the regular course of business without intervening use by

1 such person, but a purchase for the purpose of resale by a regional
2 transit authority under RCW 81.112.300 is not a sale for resale; or

3 (ii) Installs, repairs, cleans, alters, imprints, improves,
4 constructs, or decorates real or personal property of or for
5 consumers, if such tangible personal property becomes an ingredient
6 or component of such real or personal property without intervening
7 use by such person; or

8 (iii) Purchases for the purpose of consuming the property
9 purchased in producing for sale as a new article of tangible personal
10 property or substance, of which such property becomes an ingredient
11 or component or is a chemical used in processing, when the primary
12 purpose of such chemical is to create a chemical reaction directly
13 through contact with an ingredient of a new article being produced
14 for sale; or

15 ~~(iv) ((Purchases for the purpose of consuming the property~~
16 ~~purchased in producing ferrosilicon which is subsequently used in~~
17 ~~producing magnesium for sale, if the primary purpose of such property~~
18 ~~is to create a chemical reaction directly through contact with an~~
19 ~~ingredient of ferrosilicon; or~~

20 ~~(v))~~ Purchases for the purpose of providing the property to
21 consumers as part of competitive telephone service, as defined in RCW
22 82.04.065; or

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

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

33 (c) The term also means every sale of tangible personal property
34 to persons engaged in any business that is taxable under RCW
35 82.04.280(1) (a), (b), and (g), 82.04.290, and 82.04.2908.

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

39 (a) The installing, repairing, cleaning, altering, imprinting, or
40 improving of tangible personal property of or for consumers,

1 including charges made for the mere use of facilities in respect
2 thereto, but excluding charges made for the use of self-service
3 laundry facilities, and also excluding sales of laundry service to
4 nonprofit health care facilities, and excluding services rendered in
5 respect to live animals, birds and insects;

6 (b) The constructing, repairing, decorating, or improving of new
7 or existing buildings or other structures under, upon, or above real
8 property of or for consumers, including the installing or attaching
9 of any article of tangible personal property therein or thereto,
10 whether or not such personal property becomes a part of the realty by
11 virtue of installation, and also includes the sale of services or
12 charges made for the clearing of land and the moving of earth
13 excepting the mere leveling of land used in commercial farming or
14 agriculture;

15 (c) The constructing, repairing, or improving of any structure
16 upon, above, or under any real property owned by an owner who conveys
17 the property by title, possession, or any other means to the person
18 performing such construction, repair, or improvement for the purpose
19 of performing such construction, repair, or improvement and the
20 property is then reconveyed by title, possession, or any other means
21 to the original owner;

22 (d) The cleaning, fumigating, razing, or moving of existing
23 buildings or structures, but does not include the charge made for
24 janitorial services; and for purposes of this section the term
25 "janitorial services" means those cleaning and caretaking services
26 ordinarily performed by commercial janitor service businesses
27 including, but not limited to, wall and window washing, floor
28 cleaning and waxing, and the cleaning in place of rugs, drapes and
29 upholstery. The term "janitorial services" does not include painting,
30 papering, repairing, furnace or septic tank cleaning, snow removal or
31 sandblasting;

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

35 (f) The furnishing of lodging and all other services by a hotel,
36 rooming house, tourist court, motel, trailer camp, and the granting
37 of any similar license to use real property, as distinguished from
38 the renting or leasing of real property, and it is presumed that the
39 occupancy of real property for a continuous period of one month or
40 more constitutes a rental or lease of real property and not a mere

1 license to use or enjoy the same. For the purposes of this
2 subsection, it is presumed that the sale of and charge made for the
3 furnishing of lodging for a continuous period of one month or more to
4 a person is a rental or lease of real property and not a mere license
5 to enjoy the same. For the purposes of this section, it is presumed
6 that the sale of and charge made for the furnishing of lodging
7 offered regularly for public occupancy for periods of less than a
8 month constitutes a license to use or enjoy the property subject to
9 sales and use tax and not a rental or lease of property;

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

12 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g)
13 of this subsection when such sales or charges are for property, labor
14 and services which are used or consumed in whole or in part by such
15 persons in the performance of any activity defined as a "sale at
16 retail" or "retail sale" even though such property, labor and
17 services may be resold after such use or consumption. Nothing
18 contained in this subsection may be construed to modify subsection
19 (1) of this section and nothing contained in subsection (1) of this
20 section may be construed to modify this subsection.

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

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

27 (b) Credit bureau services;

28 (c) Automobile parking and storage garage services;

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

34 (e) Service charges associated with tickets to professional
35 sporting events;

36 (f) The following personal services: Tanning salon services,
37 tattoo parlor services, steam bath services, turkish bath services,
38 escort services, and dating services; and

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

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

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

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

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

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

30 (E) Rent or association fees charged by a landlord or residential
31 association to a tenant or residential owner with access to an
32 athletic or fitness facility maintained by the landlord or
33 residential association, unless the rent or fee varies depending on
34 whether the tenant or owner has access to the facility;

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

39 (G) The provision of access to an athletic or fitness facility by
40 an educational institution to its students and staff. However,

1 charges made by an educational institution to its alumni or other
2 members of the public for the use of any of the educational
3 institution's athletic or fitness facilities are a retail sale under
4 this subsection (3)(g). For purposes of this subsection
5 (3)(g)(ii)(G), "educational institution" has the same meaning as in
6 RCW 82.04.170;

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

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

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

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

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

32 (C) "Physical fitness activities" means activities that involve
33 physical exertion for the purpose of improving or maintaining the
34 general fitness, strength, flexibility, conditioning, or health of
35 the participant. "Physical fitness activities" includes participating
36 in yoga, chi gong, or martial arts.

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

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

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

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

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

18 (i) Custom software; or

19 (ii) The customization of prewritten computer software.

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

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

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

34 (7) The term also includes the sale of or charge made for an
35 extended warranty to a consumer. For purposes of this subsection,
36 "extended warranty" means an agreement for a specified duration to
37 perform the replacement or repair of tangible personal property at no
38 additional charge or a reduced charge for tangible personal property,
39 labor, or both, or to provide indemnification for the replacement or
40 repair of tangible personal property, based on the occurrence of

1 specified events. The term "extended warranty" does not include an
2 agreement, otherwise meeting the definition of extended warranty in
3 this subsection, if no separate charge is made for the agreement and
4 the value of the agreement is included in the sales price of the
5 tangible personal property covered by the agreement. For purposes of
6 this subsection, "sales price" has the same meaning as in RCW
7 82.08.010.

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

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

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

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

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

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

23 (c) For purposes of this subsection, "permanent" means perpetual
24 or for an indefinite or unspecified length of time. A right of
25 permanent use is presumed to have been granted unless the agreement
26 between the seller and the purchaser specifies or the circumstances
27 surrounding the transaction suggest or indicate that the right to use
28 terminates on the occurrence of a condition subsequent.

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

35 (10) The term does not include the sale of or charge made for
36 labor and services rendered in respect to the building, repairing, or
37 improving of any street, place, road, highway, easement, right-of-
38 way, mass public transportation terminal or parking facility, bridge,
39 tunnel, or trestle which is owned by a municipal corporation or
40 political subdivision of the state or by the United States and which

1 is used or to be used primarily for foot or vehicular traffic
2 including mass transportation vehicles of any kind.

3 (11) The term also does not include sales of chemical sprays or
4 washes to persons for the purpose of postharvest treatment of fruit
5 for the prevention of scald, fungus, mold, or decay, nor does it
6 include sales of feed, seed, seedlings, fertilizer, agents for
7 enhanced pollination including insects such as bees, and spray
8 materials to: (a) Persons who participate in the federal conservation
9 reserve program, the environmental quality incentives program, the
10 wetlands reserve program, and the wildlife habitat incentives
11 program, or their successors administered by the United States
12 department of agriculture; (b) farmers for the purpose of producing
13 for sale any agricultural product; (c) farmers for the purpose of
14 providing bee pollination services; and (d) farmers acting under
15 cooperative habitat development or access contracts with an
16 organization exempt from federal income tax under 26 U.S.C. Sec.
17 501(c)(3) of the federal internal revenue code or the Washington
18 state department of fish and wildlife to produce or improve wildlife
19 habitat on land that the farmer owns or leases.

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

36 (13) The term does not include the sale of or charge made for
37 labor, services, or tangible personal property pursuant to agreements
38 providing maintenance services for bus, rail, or rail fixed guideway
39 equipment when a regional transit authority is the recipient of the

1 labor, services, or tangible personal property, and a transit agency,
2 as defined in RCW 81.104.015, performs the labor or services.

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

6 (15)(a) The term "sale at retail" or "retail sale" includes
7 amounts charged, however labeled, to consumers to engage in any of
8 the activities listed in this subsection (15)(a), including the
9 furnishing of any associated equipment or, except as otherwise
10 provided in this subsection, providing instruction in such
11 activities, where such charges are not otherwise defined as a "sale
12 at retail" or "retail sale" in this section:

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

23 (B) Notwithstanding (a)(i)(A) of this subsection (15) and except
24 as otherwise provided in this subsection (15)(a)(i)(B), the term
25 "sale at retail" or "retail sale" does not include amounts charged to
26 participate in, or conduct, a golf tournament or other competitive
27 event. However, amounts paid by event participants to the golf
28 facility operator are retail sales under this subsection (15)(a)(i).
29 Likewise, amounts paid by the event organizer to the golf facility
30 are retail sales under this subsection (15)(a)(i), if such amounts
31 vary based on the number of event participants;

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

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

36 (iv) Access to amusement park, theme park, and water park
37 facilities, including but not limited to charges for admission and
38 locker or cabana rentals. Discrete charges for rides or other
39 attractions or entertainment that are in addition to the charge for
40 admission are not a retail sale under this subsection (15)(a)(iv).

1 For the purposes of this subsection, an amusement park or theme park
2 is a location that provides permanently affixed amusement rides,
3 games, and other entertainment, but does not include parks or zoos
4 for which the primary purpose is the exhibition of wildlife, or
5 fairs, carnivals, and festivals as defined in (b)(i) of this
6 subsection;

7 (v) Batting cage activities;

8 (vi) Bowling, but not including competitive events, except that
9 amounts paid by the event participants to the bowling alley operator
10 are retail sales under this subsection (15)(a)(vi). Likewise, amounts
11 paid by the event organizer to the operator of the bowling alley are
12 retail sales under this subsection (15)(a)(vi), if such amounts vary
13 based on the number of event participants;

14 (vii) Climbing on artificial climbing structures, whether indoors
15 or outdoors;

16 (viii) Day trips for sightseeing purposes;

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

19 (x) Horseback riding offered to the public, where the seller
20 furnishes the horse to the buyer and providing instruction is not the
21 primary focus of the activity, including guided rides, but not
22 including therapeutic horseback riding provided by an instructor
23 certified by a nonprofit organization that offers national or
24 international certification for therapeutic riding instructors;

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

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

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

1 (xiv) Go-karting, bumper cars, and other motorized activities
2 where the seller provides the vehicle and the premises where the
3 buyer will operate the vehicle;

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

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

18 (xvii) Paintball and airsoft activities;

19 (xviii) Skating, including ice skating, roller skating, and
20 inline skating, but only in respect to discrete charges to members of
21 the public to engage in skating activities, but not including skating
22 lessons, competitive events, team activities, or fees to join or
23 renew a membership at a skating facility, club, or other
24 organization;

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

1 (xx) Scuba diving; snorkeling; river rafting; surfing;
2 kiteboarding; flyboarding; water slides; inflatables, such as water
3 pillows, water trampolines, and water rollers; and similar water
4 sports and activities.

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

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

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

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

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

28 (16)(a) The term "sale at retail" or "retail sale" includes the
29 purchase or acquisition of tangible personal property and specified
30 services by a person who receives either a qualifying grant exempt
31 from tax under RCW 82.04.767 or 82.16.320 or a grant deductible under
32 RCW 82.04.4339, except for transactions excluded from the definition
33 of "sale at retail" or "retail sale" by any other provision of this
34 section. Nothing in this subsection (16) may be construed to limit
35 the application of any other provision of this section to purchases
36 by a recipient of either a qualifying grant exempt from tax under RCW
37 82.04.767 or a grant deductible under RCW 82.04.4339, or by any other
38 person.

39 (b) For purposes of this subsection (16), "specified services"
40 means:

1 (i) The constructing, repairing, decorating, or improving of new
2 or existing buildings or other structures under, upon, or above real
3 property, including the installing or attaching of any article of
4 tangible personal property therein or thereto, whether or not such
5 personal property becomes a part of the realty by virtue of
6 installation;

7 (ii) The clearing of land or the moving of earth, whether or not
8 associated with activities described in (b)(i) of this subsection
9 (16);

10 (iii) The razing or moving of existing buildings or structures;
11 and

12 (iv) Landscape maintenance and horticultural services.

13 **Sec. 106.** RCW 82.04.110 and 2009 c 535 s 405 are each amended to
14 read as follows:

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

20 (2) ~~((a))~~ When the owner of equipment or facilities furnishes,
21 or sells to the customer prior to manufacture, all or a portion of
22 the materials that become a part or whole of the manufactured
23 article, the department shall prescribe equitable rules for
24 determining tax liability.

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

32 (3) A nonresident of this state who is the owner of materials
33 processed for it in this state by a processor for hire shall not be
34 deemed to be engaged in business in this state as a manufacturer
35 because of the performance of such processing work for it in this
36 state.

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

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

4 **Sec. 107.** RCW 82.04.120 and 2019 c 202 s 3 are each amended to
5 read as follows:

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

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

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

16 (c) Cutting, delimiting, and measuring of felled, cut, or taken
17 trees;

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

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

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

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

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

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

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

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

33 ~~(e))~~) The production of digital goods;

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

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

8 (3) With respect to wastewater treatment facilities:

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

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

16 **Sec. 108.** RCW 82.04.43395 and 2023 c 313 s 1 are each amended to
17 read as follows:

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

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

29 ~~(a) Incentive))~~ incentive payments received through the medicaid
30 quality improvement program established through 42 C.F.R. 438.6(b)(2)
31 ~~((~~

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

37 (3) Managed care organizations may deduct from the measure of tax
38 the incentive payments received for achieving quality performance

1 standards established through 42 C.F.R. 438.6(b)(2), as existing on
2 July 28, 2019.

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

5 (a) "Accountable community of health" means a regional nonprofit
6 designated by the health care authority to work together with the
7 health care delivery system, health plans, public health, social
8 services, community-based organizations, the justice system, schools,
9 tribal partners, and local government leaders to improve the health
10 equity of their communities as part of Sec. 1115 medicaid
11 demonstration project number 11-W-00304/0.

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

14 **Sec. 109.** RCW 82.12.022 and 2017 3rd sp.s. c 37 s 707 are each
15 amended to read as follows:

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

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

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

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

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

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

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

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

11 ~~(8))~~ (5) There is a credit against the tax levied under this
12 section in an amount equal to any tax paid by:

13 (a) The person who sold the gas to the consumer when that tax is
14 a gross receipts tax similar to that imposed pursuant to RCW
15 82.16.020 by another state with respect to the gas for which a credit
16 is sought under this subsection; or

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

21 ~~((9))~~ (6) The use tax imposed in this section must be paid by
22 the consumer to the department.

23 ~~((10))~~ (7) There is imposed a reporting requirement on the
24 person who delivered the gas to the consumer to make a quarterly
25 report to the department. Such report must contain the volume of gas
26 delivered, name of the consumer to whom delivered, and such other
27 information as the department may require by rule.

28 ~~((11))~~ (8) The department may adopt rules under chapter 34.05
29 RCW for the administration and enforcement of sections 1 through 6,
30 chapter 384, Laws of 1989.

31 **Sec. 110.** RCW 82.12.022 and 2017 c 135 s 27 are each amended to
32 read as follows:

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

37 (2) The tax must be levied and collected in an amount equal to
38 the value of the article used by the taxpayer multiplied by the rate
39 in effect for the public utility tax on gas distribution businesses

1 under RCW 82.16.020. The "value of the article used" does not include
2 any amounts that are paid for the hire or use of a gas distribution
3 business as defined in RCW 82.16.010(2) in transporting the gas
4 subject to tax under this subsection if those amounts are subject to
5 tax under that chapter.

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

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

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

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

19 ~~(6))~~ (4) The tax imposed by this section does not apply to the
20 use of natural gas, compressed natural gas, or liquefied natural gas,
21 if the consumer uses the gas for transportation fuel as defined in
22 RCW 82.16.310.

23 ~~((7))~~ (5) There is a credit against the tax levied under this
24 section in an amount equal to any tax paid by:

25 (a) The person who sold the gas to the consumer when that tax is
26 a gross receipts tax similar to that imposed pursuant to RCW
27 82.16.020 by another state with respect to the gas for which a credit
28 is sought under this subsection; or

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

33 ~~((8))~~ (6) The use tax imposed in this section must be paid by
34 the consumer to the department.

35 ~~((9))~~ (7) There is imposed a reporting requirement on the
36 person who delivered the gas to the consumer to make a quarterly
37 report to the department. Such report must contain the volume of gas
38 delivered, name of the consumer to whom delivered, and such other
39 information as the department may require by rule.

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

4 **Sec. 111.** RCW 82.21.040 and 2024 c 241 s 1 are each amended to
5 read as follows:

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

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

15 (2) Any possession of a hazardous substance by a natural person
16 under circumstances where the substance is used, or is to be used,
17 for a personal or domestic purpose (and not for any business purpose)
18 by that person or a relative of, or person residing in the same
19 dwelling as, that person.

20 (3) Any possession of a hazardous substance amount which is
21 determined as minimal by the department of ecology and which is
22 possessed by a retailer for the purpose of making sales to ultimate
23 consumers. This exemption does not apply to pesticide or petroleum
24 products.

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

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

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

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

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

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

4 (iv) "Manufacturing" includes mixing or combining agricultural
5 crop protection products with other chemicals or other agricultural
6 crop protection products.

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

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

12 ~~((+6))~~ (5) Persons or activities which the state is prohibited
13 from taxing under the United States Constitution.

14 **Sec. 112.** RCW 82.23A.030 and 1989 c 383 s 17 are each amended to
15 read as follows:

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

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

25 (2) Any possession of a petroleum product by a natural person
26 under circumstances where the substance is used, or is to be used,
27 for a personal or domestic purpose (and not for any business purpose)
28 by that person or a relative of, or person residing in the same
29 dwelling as, that person.

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

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

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

36 ~~((+6))~~ (5) Any possession of petroleum products that are
37 exported for use or sale outside this state as fuel.

38 ~~((+7))~~ (6) Any possession of petroleum products packaged for
39 sale to ultimate consumers.

1 **Sec. 113.** RCW 82.29A.130 and 2023 c 343 s 2 are each amended to
2 read as follows:

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

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

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

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

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

25 (5) All leasehold interests in any property of any public entity
26 used as a residence by an employee of that public entity who is
27 required as a condition of employment to live in the publicly owned
28 property.

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

34 (7) All leasehold interests in any real property of any Indian or
35 Indian tribe, band, or community that is held in trust by the United
36 States or is subject to a restriction against alienation imposed by
37 the United States. However, this exemption applies only where it is
38 determined that contract rent paid is greater than or equal to 90
39 percent of fair market rental, to be determined by the department of

1 revenue using the same criteria used to establish taxable rent in RCW
2 82.29A.020(2)(g).

3 (8) All leasehold interests for which annual taxable rent is less
4 than \$250 per year. For purposes of this subsection leasehold
5 interests held by the same lessee in contiguous properties owned by
6 the same lessor are deemed a single leasehold interest.

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

17 (10) All leasehold interests under month-to-month leases in
18 residential units rented for residential purposes of the lessee
19 pending destruction or removal for the purpose of constructing a
20 public highway or building.

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

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

30 ~~(13))~~ All leasehold interests used to provide organized and
31 supervised recreational activities for persons with disabilities of
32 all ages in a camp facility and for public recreational purposes by a
33 nonprofit organization, association, or corporation that would be
34 exempt from property tax under RCW 84.36.030(1) if it owned the
35 property. If the publicly owned property is used for any taxable
36 purpose, the leasehold excise taxes set forth in RCW 82.29A.030 and
37 82.29A.040 must be imposed and must be apportioned accordingly.

38 ~~((14))~~ (13) All leasehold interests in the public or
39 entertainment areas of a baseball stadium with natural turf and a
40 retractable roof or canopy that is in a county with a population of

1 over 1,000,000, that has a seating capacity of over 40,000, and that
2 is constructed on or after January 1, 1995. "Public or entertainment
3 areas" include ticket sales areas, ramps and stairs, lobbies and
4 concourses, parking areas, concession areas, restaurants, hospitality
5 and stadium club areas, kitchens or other work areas primarily
6 servicing other public or entertainment areas, public rest room
7 areas, press and media areas, control booths, broadcast and
8 production areas, retail sales areas, museum and exhibit areas,
9 scoreboards or other public displays, storage areas, loading,
10 staging, and servicing areas, seating areas and suites, the playing
11 field, and any other areas to which the public has access or which
12 are used for the production of the entertainment event or other
13 public usage, and any other personal property used for these
14 purposes. "Public or entertainment areas" does not include locker
15 rooms or private offices exclusively used by the lessee.

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

22 ~~((16))~~ (15) All leasehold interests in public facilities
23 districts, as provided in chapter 36.100 or 35.57 RCW.

24 ~~((17))~~ (16) All leasehold interests in property that is: (a)
25 Owned by the United States government or a municipal corporation; (b)
26 listed on any federal or state register of historical sites; and (c)
27 wholly contained within a designated national historic reserve under
28 16 U.S.C. Sec. 461.

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

39 For the purposes of this subsection, "public or entertainment
40 areas" include box offices or other ticket sales areas, entrance

1 gates, ramps and stairs, lobbies and concourses, parking areas,
2 concession areas, restaurants, hospitality areas, kitchens or other
3 work areas primarily servicing other public or entertainment areas,
4 public rest room areas, press and media areas, control booths,
5 broadcast and production areas, retail sales areas, museum and
6 exhibit areas, scoreboards or other public displays, storage areas,
7 loading, staging, and servicing areas, seating areas including lawn
8 seating areas and suites, stages, and any other areas to which the
9 public has access or which are used for the production of the
10 entertainment event or other public usage, and any other personal
11 property used for these purposes. "Public or entertainment areas"
12 does not include office areas used predominately by the lessee.

13 ~~((19))~~ (18) All leasehold interests in real property used for
14 the placement of military housing meeting the requirements of RCW
15 84.36.665.

16 ~~((20))~~ (19) All leasehold interests in facilities owned or used
17 by a community college or technical college, which leasehold interest
18 provides:

- 19 (a) Food services for students, faculty, and staff;
20 (b) The operation of a bookstore on campus; or
21 (c) Maintenance, operational, or administrative services to the
22 community college or technical college.

23 ~~((21))~~ (20) (a) All leasehold interests in the public or
24 entertainment areas of an arena if it:

- 25 (i) Has a seating capacity of more than 2,000;
26 (ii) Is located on city-owned land; and
27 (iii) Is owned by a city with a population over 200,000 within a
28 county with a population of less than 1,500,000.

29 (b) For the purposes of this subsection ~~((21))~~ (20), "public or
30 entertainment areas" has the same meaning as provided in subsection
31 ~~((18))~~ (17) of this section.

32 ~~((22))~~ (21) All leasehold interests in facilities owned by the
33 state parks and recreation commission that are listed on the national
34 register of historic places or the Washington heritage register.

35 ~~((23))~~ (22) (a) All leasehold interests in the public or
36 entertainment areas of an arena if:

- 37 (i) The arena has a seating capacity of more than 4,000;
38 (ii) The arena is located on city-owned land;
39 (iii) The arena is located within a city with a population over
40 100,000; and

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

4 (b) For the purposes of this subsection (~~((23))~~) (22), "public or
5 entertainment areas" has the same meaning as provided in subsection
6 (~~((18))~~) (17) of this section, except that it also includes office
7 areas used predominately by the lessee.

8 (c) A taxpayer claiming an exemption under this subsection
9 (~~((23))~~) (22) must file a complete annual tax performance report as
10 provided in RCW 82.32.534.

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

13 **Sec. 114.** RCW 82.29A.130 and 2019 c 335 s 1 are each amended to
14 read as follows:

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

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

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

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

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

37 (5) All leasehold interests in any property of any public entity
38 used as a residence by an employee of that public entity who is

1 required as a condition of employment to live in the publicly owned
2 property.

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

8 (7) All leasehold interests in any real property of any Indian or
9 Indian tribe, band, or community that is held in trust by the United
10 States or is subject to a restriction against alienation imposed by
11 the United States. However, this exemption applies only where it is
12 determined that contract rent paid is greater than or equal to ninety
13 percent of fair market rental, to be determined by the department of
14 revenue using the same criteria used to establish taxable rent in RCW
15 82.29A.020(2)(g).

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

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

31 (10) All leasehold interests under month-to-month leases in
32 residential units rented for residential purposes of the lessee
33 pending destruction or removal for the purpose of constructing a
34 public highway or building.

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

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

4 ~~(13))~~ All leasehold interests used to provide organized and
5 supervised recreational activities for persons with disabilities of
6 all ages in a camp facility and for public recreational purposes by a
7 nonprofit organization, association, or corporation that would be
8 exempt from property tax under RCW 84.36.030(1) if it owned the
9 property. If the publicly owned property is used for any taxable
10 purpose, the leasehold excise taxes set forth in RCW 82.29A.030 and
11 82.29A.040 must be imposed and must be apportioned accordingly.

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

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

36 ~~((16))~~ (15) All leasehold interests in public facilities
37 districts, as provided in chapter 36.100 or 35.57 RCW.

38 ~~((17))~~ (16) All leasehold interests in property that is: (a)
39 Owned by the United States government or a municipal corporation; (b)
40 listed on any federal or state register of historical sites; and (c)

1 wholly contained within a designated national historic reserve under
2 16 U.S.C. Sec. 461.

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

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

28 ~~((19))~~ (18) All leasehold interests in real property used for
29 the placement of military housing meeting the requirements of RCW
30 84.36.665.

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

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

38 ~~((21))~~ (20) (a) All leasehold interests in the public or
39 entertainment areas of an arena if it:

- 40 (i) Has a seating capacity of more than two thousand;

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

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

5 (b) For the purposes of this subsection (~~((21))~~) (20), "public or
6 entertainment areas" has the same meaning as provided in subsection
7 (~~((18))~~) (17) of this section.

8 **Sec. 115.** RCW 82.45.010 and 2022 c 199 s 3 are each amended to
9 read as follows:

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

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

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

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

1 persons are acting in concert. In adopting a rule for this purpose,
2 the department must consider the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 ~~((p))~~ (o) A transfer of real property, however effected, if it
21 consists of a mere change in identity or form of ownership of an
22 entity where there is no change in the beneficial ownership. These
23 include transfers to a corporation or partnership which is wholly
24 owned by the transferor and/or the transferor's spouse or domestic
25 partner or children of the transferor or the transferor's spouse or
26 domestic partner. However, if thereafter such transferee corporation
27 or partnership voluntarily transfers such real property, or such
28 transferor, spouse or domestic partner, or children of the transferor
29 or the transferor's spouse or domestic partner voluntarily transfer
30 stock in the transferee corporation or interest in the transferee
31 partnership capital, as the case may be, to other than (i) the
32 transferor and/or the transferor's spouse or domestic partner or
33 children of the transferor or the transferor's spouse or domestic
34 partner, (ii) a trust having the transferor and/or the transferor's
35 spouse or domestic partner or children of the transferor or the
36 transferor's spouse or domestic partner as the only beneficiaries at
37 the time of the transfer to the trust, or (iii) a corporation or
38 partnership wholly owned by the original transferor and/or the
39 transferor's spouse or domestic partner or children of the transferor
40 or the transferor's spouse or domestic partner, within three years of

1 the original transfer to which this exemption applies, and the tax on
2 the subsequent transfer has not been paid within sixty days of
3 becoming due, excise taxes become due and payable on the original
4 transfer as otherwise provided by law.

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

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

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

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

37 (ii) For purposes of this subsection (3) ~~((s))~~ (r), "qualified
38 low-income housing development" means real property and improvements
39 in respect to which the seller or, in the case of a transfer of a
40 controlling interest, the owner or beneficial owner, was allocated

1 federal low-income housing tax credits authorized under 26 U.S.C.
2 Sec. 42 or successor statute, by the Washington state housing finance
3 commission or successor state-authorized tax credit allocating
4 agency.

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

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

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

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

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

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

35 (D) The residential property transferred must remain in continued
36 use for fifty years by the qualified entity as supported living for
37 persons with developmental disabilities by the qualified entity or
38 successor entity. If the qualified entity sells or otherwise conveys
39 ownership of the residential property the proceeds of the sale or
40 conveyance must be used to acquire similar residential property and

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

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

16 (iii) A "qualified entity" is:

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

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

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

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

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

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

38 (B) "Low-income" means household income as defined by the
39 department, provided that the definition may not exceed eighty

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

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

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

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

29 (I) The qualifying grantee must receive or qualify the property
30 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
31 35.21.755, or 84.36.010; and

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

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

35 (I) The qualifying grantee must receive or qualify the property
36 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
37 35.21.755, or 84.36.010; and

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

1 (C) If the qualifying grantee intends to substantially
2 rehabilitate the premises as defined in RCW 59.18.200, within three
3 years:

4 (I) The qualifying grantee must receive or qualify the property
5 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
6 35.21.755, or 84.36.010; and

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

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

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

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

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

36 **Sec. 116.** RCW 82.45.010 and 2022 c 199 s 4 are each amended to
37 read as follows:

38 (1) As used in this chapter, the term "sale" has its ordinary
39 meaning and includes any conveyance, grant, assignment, quitclaim, or

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

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

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

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

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

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

- 1 (3) The term "sale" does not include:
- 2 (a) A transfer by gift, devise, or inheritance.
- 3 (b) A transfer by transfer on death deed, to the extent that it
4 is not in satisfaction of a contractual obligation of the decedent
5 owed to the recipient of the property.
- 6 (c) A transfer of any leasehold interest other than of the type
7 mentioned above.
- 8 (d) A cancellation or forfeiture of a vendee's interest in a
9 contract for the sale of real property, whether or not such contract
10 contains a forfeiture clause, or deed in lieu of foreclosure of a
11 mortgage.
- 12 (e) The partition of property by tenants in common by agreement
13 or as the result of a court decree.
- 14 (f) The assignment of property or interest in property from one
15 spouse or one domestic partner to the other spouse or other domestic
16 partner in accordance with the terms of a decree of dissolution of
17 marriage or state registered domestic partnership or in fulfillment
18 of a property settlement agreement.
- 19 (g) The assignment or other transfer of a vendor's interest in a
20 contract for the sale of real property, even though accompanied by a
21 conveyance of the vendor's interest in the real property involved.
- 22 (h) Transfers by appropriation or decree in condemnation
23 proceedings brought by the United States, the state or any political
24 subdivision thereof, or a municipal corporation.
- 25 (i) A mortgage or other transfer of an interest in real property
26 merely to secure a debt, or the assignment thereof.
- 27 (j) Any transfer or conveyance made pursuant to a deed of trust
28 or an order of sale by the court in any mortgage, deed of trust, or
29 lien foreclosure proceeding or upon execution of a judgment, or deed
30 in lieu of foreclosure to satisfy a mortgage or deed of trust.
- 31 (k) A conveyance to the federal housing administration or
32 veterans administration by an authorized mortgagee made pursuant to a
33 contract of insurance or guaranty with the federal housing
34 administration or veterans administration.
- 35 (l) ~~((A transfer in compliance with the terms of any lease or
36 contract upon which the tax as imposed by this chapter has been paid
37 or where the lease or contract was entered into prior to the date
38 this tax was first imposed.~~
- 39 ~~(m))~~) The sale of any grave or lot in an established cemetery.

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

4 (~~(o)~~) (n) A sale to a regional transit authority or public
5 corporation under RCW 81.112.320 under a sale/leaseback agreement
6 under RCW 81.112.300.

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

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

38 (ii) However, the transfer described in (~~(q)~~) (p)(i) of this
39 subsection cannot be preceded or followed within a thirty-six month
40 period by another transfer or series of transfers, that, when

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

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

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

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

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

37 (iv) The Washington state housing finance commission, in
38 consultation with the department, must gather data on: (A) The fiscal
39 savings, if any, accruing to transferees as a result of the exemption
40 provided in this subsection (3)(~~(s)~~) (r); (B) the extent to which

1 transferors of qualified low-income housing developments receive
2 consideration, including any assumption of debt, as part of a
3 transfer subject to the exemption provided in this subsection (3)
4 (~~(s)~~) (r); and (C) the continued use of the property for low-income
5 housing. The Washington state housing finance commission must provide
6 this information to the joint legislative audit and review committee.
7 The committee must conduct a review of the tax preference created
8 under this subsection (3) (~~(s)~~) (r) in calendar year 2033, as
9 required under chapter 43.136 RCW.

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

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

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

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

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

1 qualified entity. The tax due is not subject to penalties, fees, or
2 interest under this title.

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

5 (iii) A "qualified entity" is:

6 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)
7 of the federal internal revenue code of 1986, as amended, as of June
8 7, 2018, or a subsidiary under the same taxpayer identification
9 number that provides residential supported living for persons with
10 developmental disabilities; or

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

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

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

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

38 (I) The qualifying grantee must receive or qualify the property
39 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
40 35.21.755, or 84.36.010; and

1 (II) The property must be used as housing for low-income persons.
2 (B) If the qualifying grantee intends to develop new housing on
3 the site, within five years of the sale or transfer:
4 (I) The qualifying grantee must receive or qualify the property
5 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
6 35.21.755, or 84.36.010; and
7 (II) The property must be used as housing for low-income persons.
8 (C) If the qualifying grantee intends to substantially
9 rehabilitate the premises as defined in RCW 59.18.200, within three
10 years:
11 (I) The qualifying grantee must receive or qualify the property
12 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
13 35.21.755, or 84.36.010; and
14 (II) The property must be used as housing for low-income persons.
15 (ii) If the qualifying grantee fails to satisfy the requirements
16 described in ~~((u))~~ (t)(i)(A), (B), or (C) of this subsection,
17 within the timelines described in ~~((u))~~ (t)(i)(A), (B), or (C) of
18 this subsection, the qualifying grantee must pay the tax that would
19 have otherwise been due at the time of initial transfer, plus
20 interest calculated from the date of initial transfer pursuant to RCW
21 82.32.050.
22 (iii) If a qualifying grantee transfers the property to a
23 different qualifying grantee within the original timelines described
24 in ~~((u))~~ (t)(i)(A), (B), or (C) of this subsection, neither the
25 original qualifying grantee nor the new qualifying grantee is
26 required to pay the tax, so long as the new qualifying grantee
27 satisfies the requirements as described in ~~((u))~~ (t)(i)(A), (B), or
28 (C) of this subsection within the exemption period of the initial
29 transfer. If the new qualifying grantee fails to satisfy the
30 requirements described in ~~((u))~~ (t)(i)(A), (B), or (C) of this
31 subsection, only the new qualifying grantee is liable for the payment
32 of taxes required by ~~((u))~~ (t)(ii) of this subsection. There is no
33 limit on the number of transfers between qualifying grantees within
34 the original timelines.
35 (iv) Each affidavit must be filed with the department upon
36 completion of the sale or transfer of property, including transfers
37 from a qualifying grantee to a different qualifying grantee. The
38 qualifying grantee must provide proof to the department as required
39 by the department once the requirements as described in ~~((u))~~ (t)
40 (i)(A), (B), or (C) of this subsection have been satisfied.

1 (v) For the purposes of this subsection (3)~~((+u))~~ (t), "low-
2 income" means household income as defined by the department, provided
3 that the definition may not exceed 80 percent of median household
4 income, adjusted for household size, for the county in which the
5 dwelling is located.

6 **Sec. 117.** RCW 82.45.030 and 2011 c 58 s 15 are each amended to
7 read as follows:

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

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

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

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

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

37 (4) If the total consideration for the sale cannot be ascertained
38 or the true and fair value of the property to be valued at the time
39 of the sale cannot reasonably be determined, the market value

1 assessment for the property maintained on the county property tax
2 rolls at the time of the sale shall be used as the selling price.

3 **Sec. 118.** RCW 82.64.030 and 1994 sp.s. c 7 s 907 are each
4 amended to read as follows:

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

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

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

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

15 ~~((4) Any sale of syrup in respect to which a tax on the
16 privilege of possession was paid under this chapter before June 1,
17 1991.))~~

18 **Sec. 119.** RCW 84.36.010 and 2020 c 272 s 1 are each amended to
19 read as follows:

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

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

1 (a) "Community center" means property, including a building or
2 buildings, determined to be surplus to the needs of a district by a
3 local school board, and purchased or acquired by a nonprofit
4 organization for the purposes of converting them into community
5 facilities for the delivery of nonresidential coordinated services
6 for community members. The community center may make space available
7 to businesses, individuals, or other parties through the loan or
8 rental of space in or on the property.

9 (b) "Essential government services" means services such as tribal
10 administration, public facilities, fire, police, public health,
11 education, sewer, water, environmental and land use, transportation,
12 utility services, and economic development.

13 (c) "Economic development" means commercial activities, including
14 those that facilitate the creation or retention of businesses or
15 jobs, or that improve the standard of living or economic health of
16 tribal communities.

17 **Sec. 120.** RCW 84.36.030 and 2014 c 99 s 4 are each amended to
18 read as follows:

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

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

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

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

37 (3) Property, including buildings and improvements required for
38 the maintenance and safeguarding of such property, owned by nonprofit
39 organizations or associations engaged in character building of boys

1 and girls under eighteen years of age, and used for such purposes and
2 uses, provided such purposes and uses are for the general public
3 good: PROVIDED, That if existing charters provide that organizations
4 or associations, which would otherwise qualify under the provisions
5 of this (~~paragraph~~) subsection, serve boys and girls up to the age
6 of twenty-one years, then such organizations or associations shall be
7 deemed qualified pursuant to this section.

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

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

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

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

32 (~~(+8))~~ (7) For the purposes of this section, "general public
33 good" means members of the community derive a benefit from the rental
34 or use of the property by the nonprofit community group or
35 organization.

36 NEW SECTION. **Sec. 121.** The following acts or parts of acts are
37 each repealed:

1 (1) RCW 82.04.062 ("Sale at wholesale," "sale at retail" excludes
2 sale of precious metal bullion and monetized bullion—Computation of
3 tax) and 1985 c 471 s 5;

4 (2) RCW 82.16.0497 (Credit—Light and power business, gas
5 distribution business) and 2020 c 139 s 26, 2006 c 213 s 1, & 2001 c
6 214 s 13;

7 (3) RCW 82.04.44525 (Credit—New employment for international
8 service activities in eligible areas—Designation of census tracts for
9 eligibility—Records—Tax due upon ineligibility—Interest assessment—
10 Information from employment security department) and 2009 c 535 s
11 1104, 2008 c 81 s 9, & 1998 c 313 s 2;

12 (4) RCW 82.08.02566 (Exemptions—Sales of tangible personal
13 property incorporated in prototype for parts, auxiliary equipment,
14 and aircraft modification—Limitations on yearly exemption) and 2003 c
15 168 s 208, 1997 c 302 s 1, & 1996 c 247 s 4;

16 (5) RCW 82.12.02566 (Exemptions—Use of tangible personal property
17 incorporated in prototype for aircraft parts, auxiliary equipment,
18 and aircraft modification—Limitations on yearly exemption) and 2003 c
19 168 s 209, 1997 c 302 s 2, & 1996 c 247 s 5;

20 (6) RCW 82.04.272 (Tax on warehousing and reselling prescription
21 drugs) and 2013 c 19 s 127, 2003 c 168 s 401, & 1998 c 343 s 1;

22 (7) RCW 82.04.315 (Exemptions—International banking facilities)
23 and 1982 c 95 s 7;

24 (8) RCW 82.04.4292 (Deductions—Interest on investments or loans
25 secured by mortgages or deeds of trust) and 2012 2nd sp.s. c 6 s 102,
26 2010 1st sp.s. c 23 s 301, & 1980 c 37 s 12;

27 (9) RCW 82.04.29005 (Tax on loan interest—2012 2nd sp.s. c 6) and
28 2012 2nd sp.s. c 6 s 101;

29 (10) RCW 82.16.046 (Exemptions—Operation of state route No. 16)
30 and 1998 c 179 s 5;

31 (11) RCW 82.29A.132 (Exemptions—Operation of state route No. 16)
32 and 1998 c 179 s 6;

33 (12) RCW 82.45.190 (Exemptions—State route No. 16 corridor
34 transportation systems and facilities) and 1998 c 179 s 7;

35 (13) RCW 82.08.02568 (Exemptions—Sales of carbon and similar
36 substances that become an ingredient or component of anodes or
37 cathodes used in producing aluminum for sale) and 1996 c 170 s 1;

1 (14) RCW 82.12.02568 (Exemptions—Use of carbon and similar
2 substances that become an ingredient or component of anodes or
3 cathodes used in producing aluminum for sale) and 1996 c 170 s 2;
4 (15) RCW 82.04.4482 (Credit—Sales of electricity or gas to an
5 aluminum smelter) and 2004 c 24 s 9;
6 (16) RCW 82.16.0498 (Credit—Sales of electricity or gas to an
7 aluminum smelter) and 2004 c 24 s 13;
8 (17) RCW 36.100.090 (Tax deferral—New public facilities) and 1995
9 1st sp.s. c 14 s 6;
10 (18) RCW 82.12.024 (Deferral of use tax on certain users of
11 natural or manufactured gas) and 2001 c 214 s 10;
12 (19) RCW 82.04.545 (Exemptions—Sales of electricity or gas to
13 silicon smelters) and 2017 3rd sp.s. c 37 s 705 & 2017 3rd sp.s. c 37
14 s 704;
15 (20) RCW 82.16.315 (Exemptions—Sales of electricity or gas to
16 silicon smelters) and 2017 3rd sp.s. c 37 s 703 & 2017 3rd sp.s. c 37
17 s 702;
18 (21) RCW 82.16.0495 (Credit—Electricity sold to a direct service
19 industrial customer) and 2001 c 214 s 11;
20 (22) RCW 36.102.070 (Deferral of taxes—Application by public
21 stadium authority—Department of revenue approval—Repayment—
22 Schedules—Interest—Debt for taxes—Information not confidential) and
23 1997 c 220 s 201;
24 (23) RCW 82.08.02569 (Exemptions—Sales of tangible personal
25 property related to a building or structure that is an integral part
26 of a laser interferometer gravitational wave observatory) and 1996 c
27 113 s 1;
28 (24) RCW 82.12.02569 (Exemptions—Use of tangible personal
29 property related to a building or structure that is an integral part
30 of a laser interferometer gravitational wave observatory) and 1996 c
31 113 s 2;
32 (25) RCW 82.04.421 (Exemptions—Out-of-state membership sales in
33 discount programs) and 1997 c 408 s 1;
34 (26) RCW 82.04.4331 (Deductions—Insurance claims for state health
35 care coverage) and 1988 c 107 s 33;
36 (27) RCW 82.04.4295 (Deductions—Manufacturing activities
37 completed outside the United States) and 1980 c 37 s 15;
38 (28) RCW 82.04.447 (Credit—Natural or manufactured gas purchased
39 by direct service industrial customers—Reports) and 2001 c 214 s 9;

1 (29) RCW 82.04.4332 (Deductions—Tuition fees of foreign degree-
2 granting institutions) and 1993 c 181 s 10;

3 (30) RCW 82.04.405 (Exemptions—Credit unions) and 1998 c 311 s 4
4 & 1970 ex.s. c 101 s 3;

5 (31) RCW 82.29A.137 (Exemptions—Certain leasehold interests
6 related to the manufacture of superefficient airplanes) and 2017 c
7 135 s 35, 2013 3rd sp.s. c 2 s 13, 2010 c 114 s 134, & 2003 2nd sp.s.
8 c 1 s 13; and

9 (32) RCW 82.04.434 (Credit—Public safety standards and testing)
10 and 1991 c 13 s 1.

11 **PART II**

12 **CORRECTING INTERNAL REFERENCES**

13 **Sec. 201.** RCW 82.04.29004 and 2019 c 420 s 2 are each amended to
14 read as follows:

15 (1) Beginning January 1, 2020, in addition to any other taxes
16 imposed under this chapter, an additional tax is imposed on specified
17 financial institutions. The additional tax is equal to the gross
18 income of the business taxable under RCW 82.04.290(2) multiplied by
19 the rate of 1.2 percent.

20 (2) The definitions in this subsection apply throughout this
21 section unless the context clearly requires otherwise.

22 (a) "Affiliated" means a person that directly or indirectly,
23 through one or more intermediaries, controls, is controlled by, or is
24 under common control with another person. For purposes of this
25 subsection (2)(a), "control" means the possession, directly or
26 indirectly, of more than (~~fifty~~) 50 percent of the power to direct
27 or cause the direction of the management and policies of a person,
28 whether through the ownership of voting shares, by contract, or
29 otherwise.

30 (b) "Consolidated financial institution group" means all
31 financial institutions that are affiliated with each other.

32 (c) "Consolidated financial statement" means a consolidated
33 financial institution group's consolidated reports of condition and
34 income filed with the federal financial institutions examination
35 council, or successor agency.

36 (d) "Financial institution" means:

1 (i) Any corporation or other business entity chartered under
2 Titles 30A, 30B, 31, 32, and 33 RCW, or registered under the federal
3 bank holding company act of 1956, as amended, or registered as a
4 savings and loan holding company under the federal national housing
5 act, as amended;

6 (ii) A national bank organized and existing as a national bank
7 association pursuant to the provisions of the national bank act, 12
8 U.S.C. Sec. 21 et seq.;

9 (iii) A savings association or federal savings bank as defined in
10 the federal deposit insurance act, 12 U.S.C. Sec. 1813(b)(1);

11 (iv) Any bank or thrift institution incorporated or organized
12 under the laws of any state;

13 (v) Any corporation organized under the provisions of 12 U.S.C.
14 Sec. 611 through 631;

15 (vi) Any agency or branch of a foreign depository as defined in
16 12 U.S.C. Sec. 3101 (~~(that is not exempt under RCW 82.04.315)~~);

17 (vii) A production credit association organized under the federal
18 farm credit act of 1933, all of whose stock held by the federal
19 production credit corporation has been retired;

20 (viii) Any corporation or other business entity who receives
21 gross income taxable under RCW 82.04.290, and whose voting interests
22 are more than (~~(fifty)~~) 50 percent owned, directly or indirectly, by
23 any person or business entity described in (d)(i) through (vii) of
24 this subsection other than an insurance company liable for the
25 insurance premiums tax under RCW 48.14.020 or any other company
26 taxable under chapter 48.14 RCW;

27 (ix)(A) A corporation or other business entity that receives more
28 than (~~(fifty)~~) 50 percent of its total gross income for federal
29 income tax purposes from finance leases. For purposes of this
30 subsection, a "finance lease" means a lease that meets two
31 requirements:

32 (I) It is the type of lease permitted to be made by national
33 banks (see 12 U.S.C. Sec. 24(7) and (10), comptroller of the currency
34 regulations, part 23, leasing (added by 56 C.F.R. Sec. 28314, June
35 20, 1991, effective July 22, 1991), and regulation Y of the federal
36 reserve system 12 C.F.R. Part 225.25, as amended); and

37 (II) It is the economic equivalent of an extension of credit,
38 i.e., the lease is treated by the lessor as a loan for federal income
39 tax purposes. In no event does a lease qualify as an extension of

1 credit where the lessor takes depreciation on such property for
2 federal income tax purposes.

3 (B) For this classification to apply, the average of the gross
4 income in the current tax year and immediately preceding two tax
5 years must satisfy the more than (~~(fifty)~~) 50 percent requirement;

6 (x) Any other person or business entity, other than an insurance
7 general agent taxable under RCW 82.04.280(1)(e), an insurance
8 business exempt from the business and occupation tax under RCW
9 82.04.320, a real estate broker taxable under RCW 82.04.255, a
10 securities dealer or international investment management company
11 taxable under RCW 82.04.290(2), that receives more than (~~(fifty)~~) 50
12 percent of its gross receipts from activities that a person described
13 in (d)(ii) through (vii) and (ix) of this subsection is authorized to
14 transact.

15 (e)(i) "Specified financial institution" means a financial
16 institution that is a member of a consolidated financial institution
17 group that reported on its consolidated financial statement for the
18 previous calendar year annual net income of at least (~~(one billion~~
19 ~~dollars)~~) \$1,000,000,000, not including net income attributable to
20 noncontrolling interests, as the terms "net income" and
21 "noncontrolling interest" are used in the consolidated financial
22 statement.

23 (ii) If financial institutions are no longer required to file
24 consolidated financial statements, "specified financial institution"
25 means any person that was subject to the additional tax in this
26 section in at least two of the previous four calendar years.

27 (3) The department must notify the fiscal committees of the
28 legislature if financial institutions are no longer required to file
29 consolidated financial statements.

30 (4) To aid in the effective administration of the additional tax
31 imposed in this section, the department may require a person believed
32 to be a specified financial institution to disclose whether it is a
33 member of a consolidated financial institution group and, if so, to
34 identify all other members of its consolidated financial institution
35 group. A person failing to comply with this subsection is deemed to
36 have intended to evade tax payable under this section and is subject
37 to the penalty in RCW 82.32.090(7) on any tax due under this section
38 by the person and any financial institution affiliated with the
39 person.

1 (5) Taxes collected under this section must be deposited into the
2 general fund.

3 **Sec. 202.** RCW 82.04.280 and 2019 c 449 s 1 are each amended to
4 read as follows:

5 (1) Upon every person engaging within this state in the business
6 of: (a) Printing materials other than newspapers, and of publishing
7 periodicals or magazines; (b) building, repairing or improving any
8 street, place, road, highway, easement, right-of-way, mass public
9 transportation terminal or parking facility, bridge, tunnel, or
10 trestle which is owned by a municipal corporation or political
11 subdivision of the state or by the United States and which is used or
12 to be used, primarily for foot or vehicular traffic including mass
13 transportation vehicles of any kind and including any readjustment,
14 reconstruction or relocation of the facilities of any public, private
15 or cooperatively owned utility or railroad in the course of such
16 building, repairing or improving, the cost of which readjustment,
17 reconstruction, or relocation, is the responsibility of the public
18 authority whose street, place, road, highway, easement, right-of-way,
19 mass public transportation terminal or parking facility, bridge,
20 tunnel, or trestle is being built, repaired or improved; (c)
21 extracting for hire or processing for hire, except persons taxable as
22 extractors for hire or processors for hire under another section of
23 this chapter; (d) operating a cold storage warehouse or storage
24 warehouse, but not including the rental of cold storage lockers; (e)
25 representing and performing services for fire or casualty insurance
26 companies as an independent resident managing general agent licensed
27 under the provisions of chapter 48.17 RCW; (f) radio and television
28 broadcasting, but excluding revenues from network, national, and
29 regional advertising computed either: (i) As a standard deduction
30 that the department must publish by rule by September 30, 2020, and
31 by September 30th of every fifth year thereafter, based on the
32 national average thereof as reported by the United States census
33 bureau's economic census; or (ii) in lieu thereof by itemization by
34 the individual broadcasting station, and excluding that portion of
35 revenue represented by the out-of-state audience computed as a ratio
36 to the broadcasting station's total audience as measured by the 0.5
37 millivolt/meter signal strength contour for AM radio, the one
38 millivolt/meter or (~~sixty~~) 60 dBu signal strength contour for FM
39 radio, the (~~twenty-eight~~) 28 dBu signal strength contour for

1 television channels two through six, the (~~thirty-six~~) 36 dBu signal
2 strength contour for television channels seven through (~~thirteen~~)
3 13, and the (~~forty-one~~) 41 dBu signal strength contour for
4 television channels (~~fourteen~~) 14 through (~~sixty-nine~~) 69 with
5 delivery by wire, satellite, or any other means, if any; (g) engaging
6 in activities which bring a person within the definition of consumer
7 contained in RCW 82.04.190(6); as to such persons, the amount of tax
8 on such business is equal to the gross income of the business
9 multiplied by the rate of 0.484 percent.

10 (2) For the purposes of this section, the following definitions
11 apply unless the context clearly requires otherwise.

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

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

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

31 PART III

32 MODIFYING THE AIRCRAFT EXCISE TAX FOR PURPOSES OF THE COMMUTER AIR 33 CARRIER AIRPLANES PROPERTY TAX EXEMPTION

34 **Sec. 301.** RCW 82.48.030 and 2013 c 56 s 3 are each amended to
35 read as follows:

36 (1)(a) Except as otherwise provided in (b) of this subsection,
37 the amount of the tax imposed by this chapter for each calendar year
38 is as follows:

	Type of aircraft	Registration fee
1		
2	Single engine fixed wing	\$ 50
3	Small multi-engine fixed wing	65
4	Large multi-engine fixed wing	80
5	Turboprop multi-engine fixed wing	100
6	Turbojet multi-engine fixed wing	125
7	Helicopter	75
8	Sailplane	20
9	Lighter than air	20
10	Home built	20

11 (b) (~~The~~) Until January 1, 2036, the amount of tax imposed by
 12 this chapter for each calendar year with respect to aircraft owned
 13 and operated by a commuter air carrier that is not an airplane
 14 company as defined in RCW 84.12.200 is as follows:

	Gross maximum take-off weight of the aircraft	Registration fee
15		
16		
17	Less than 4,001 lbs.	(\$500) <u>\$750</u>
18	4,001-6,000 lbs.	(\$1,000) <u>\$1,500</u>
19	6,001-8,000 lbs.	(\$2,000) <u>\$3,000</u>
20	8,001-9,000 lbs.	(\$3,000) <u>\$4,500</u>
21	9,001-12,500 lbs.	(\$4,000) <u>\$6,000</u>

22 (2)(a) The amount of tax imposed under subsection (1) of this
 23 section for each calendar year must be divided into (~~twelve~~) 12
 24 parts corresponding to the months of the calendar year and the excise
 25 tax upon an aircraft registered for the first time in this state
 26 after the last day of any month may only be levied for the remaining
 27 months of the calendar year including the month in which the aircraft
 28 is being registered. However, the minimum amount payable is (~~three~~
 29 ~~dollars~~) \$3.

30 (b) An aircraft is deemed registered for the first time in this
 31 state when such aircraft was not previously registered by this state
 32 for the year immediately preceding the year in which application for
 33 registration is made.

34 **Sec. 302.** RCW 84.36.133 and 2013 c 56 s 4 are each amended to
 35 read as follows:

1 (1) An aircraft owned and operated by a commuter air carrier in
2 respect to which the tax imposed under RCW 82.48.030 has been paid
3 for a calendar year is exempt from property taxation for that
4 calendar year.

5 (2) For the purposes of this section, "aircraft" and "commuter
6 air carrier" have the same meanings as provided in RCW 82.48.010.

7 (3) This section expires January 1, 2036.

8 **PART IV**

9 **ADJUSTING FOR INFLATION THE TAX CREDITS FOR ELIGIBLE BUSINESS**

10 **PROJECTS IN RURAL COUNTIES**

11 **Sec. 401.** RCW 82.62.030 and 2022 c 56 s 12 are each amended to
12 read as follows:

13 (1)(a) A person shall be allowed a credit against the tax due
14 under chapter 82.04 RCW as provided in this section. The credit shall
15 equal: (i) (~~Four thousand dollars~~) \$6,000 for each qualified
16 employment position with wages and benefits greater than (~~forty~~
17 ~~thousand dollars~~) \$60,000 annually that is directly created in an
18 eligible business project and (ii) (~~two thousand dollars~~) \$3,000
19 for each qualified employment position with wages and benefits less
20 than or equal to (~~forty thousand dollars~~) \$60,000 annually that is
21 directly created in an eligible business project.

22 (b) For purposes of calculating the amount of credit under (a) of
23 this subsection with respect to qualified employment positions as
24 defined in RCW 82.62.010(8)(a)(ii):

25 (i) In determining the number of qualified employment positions,
26 a fractional amount is rounded down to the nearest whole number; and

27 (ii) Wages and benefits for each qualified employment position
28 shall be equal to the quotient derived by dividing: (A) The sum of
29 the wages and benefits earned for the four consecutive full calendar
30 quarter period for which a credit under this chapter is earned by all
31 of the person's new seasonal employees hired during that period; by
32 (B) the number of qualified employment positions plus any fractional
33 amount subject to rounding as provided under (b)(i) of this
34 subsection. For purposes of this chapter, a credit is earned for the
35 four consecutive full calendar quarters after the calendar quarter
36 during which the first qualified employment position is filled.

37 (c) The department must annually adjust for inflation the wage
38 and benefits in (a) of this subsection (1) based on the annual

1 percentage increase in the consumer price index for all urban
2 consumers in the western region for all items as provided in the most
3 recent 12-month period by the bureau of labor statistics of the
4 United States department of labor by November 25th of the year before
5 the taxes are payable.

6 (2) The department shall keep a running total of all credits
7 allowed under this chapter during each fiscal year. The department
8 shall not allow any credits which would cause the total to exceed
9 (~~seven million five hundred thousand dollars~~) \$7,500,000 in any
10 fiscal year. If all or part of an application for credit is
11 disallowed under this subsection, the disallowed portion shall be
12 carried over to the next fiscal year. However, the carryover into the
13 next fiscal year is only permitted to the extent that the cap for the
14 next fiscal year is not exceeded.

15 (3) No recipient may use the tax credits to decertify a union or
16 to displace existing jobs in any community in the state.

17 (4) (a) The credit may be used against any tax due under chapter
18 82.04 RCW, and, except as otherwise provided under this subsection
19 (4), may be carried over until used.

20 (b) Credits earned expire the first day of January of the year
21 that is six years from the later of the year that:

22 (i) The department is notified by the recipient, or a
23 representative of the recipient, that the recipient has ceased
24 engaging in business within this state as those terms are defined in
25 chapter 82.04 RCW;

26 (ii) The department closes the recipient's tax reporting account;
27 or

28 (iii) The recipient last claimed the credit on a return filed
29 with the department.

30 (5) No refunds may be granted for unused credits under this
31 section.

32 **PART V**

33 **MODIFYING THE EXPIRATION DATE FOR CERTAIN TAX PREFERENCES**

34 **Sec. 501.** RCW 82.85.010 and 2017 3rd sp.s. c 37 s 801 are each
35 amended to read as follows:

36 (1) Businesses that invest capital create jobs and generate
37 economic activity that supports a healthy Washington economy. The
38 legislature finds that these investments result in future revenues

1 that support schools and our communities. Therefore, the legislature
2 finds that a pilot program must be conducted to evaluate the
3 effectiveness of a program that invests business taxes from new
4 investments into workforce training programs that support
5 manufacturing businesses in the state of Washington thereby creating
6 jobs and capital investments in the state for the benefit of its
7 citizens.

8 (2) (a) This subsection is the tax preference performance
9 statement for the sales and use tax deferral provided in RCW
10 82.85.040 on expenditures made to build or expand qualified
11 investment projects and purchases of machinery and equipment. This
12 performance statement is only intended to be used for subsequent
13 evaluation of the tax preference. It is not intended to create a
14 private right of action by any party or be used to determine
15 eligibility for preferential tax treatment.

16 (b) The legislature categorizes the tax preference as one
17 intended to create or retain jobs and to provide funding to support
18 job readiness training, professional development, or apprenticeship
19 programs in manufacturing or production occupations, as indicated in
20 RCW 82.32.808(2) (c) and (f).

21 (c) It is the legislature's specific public policy objective to
22 provide a pilot program that would provide a sales tax deferral on
23 the construction and expenditure costs of up to two new manufacturing
24 facilities per calendar year, one of which must be located in eastern
25 Washington and one of which must be located in western Washington.
26 When deferred taxes are repaid, the deferred taxes are reinvested to
27 support job readiness training, professional development, or
28 apprenticeship programs in manufacturing or production occupations.

29 (d) To measure the effectiveness of the deferral provided in this
30 part in achieving the specific public policy objective described in
31 (c) of this subsection, the joint legislative audit and review
32 committee should refer to information available from the employment
33 security department and department of revenue. If a review finds that
34 each eligible investment project generated at least ~~((twenty))~~ 20
35 full-time jobs, half of which are permanent full-time employment
36 positions, and increased training opportunities for manufacturing and
37 production jobs, then the legislature intends for the legislative
38 auditor to recommend extending the expiration date of the tax
39 preference. For purposes of this subsection (2) (d), the term full-
40 time jobs include both temporary construction jobs and permanent

1 full-time employment positions created at the eligible investment
2 project within one year of the date that the facility became
3 operationally complete as determined by the department of revenue.

4 (3) This section expires January 1, (~~(2026)~~) 2036.

5 **Sec. 502.** RCW 82.85.020 and 2017 3rd sp.s. c 37 s 802 are each
6 amended to read as follows:

7 (1) The definitions in this section apply throughout this chapter
8 unless the context clearly requires otherwise.

9 (a) "Applicant" means a person applying for a tax deferral under
10 this chapter.

11 (b) "Eligible investment project" means an investment project for
12 qualified buildings and machinery and equipment on two new,
13 renovated, or expanded manufacturing operations per calendar year,
14 one of which must be located east of the crest of the Cascade
15 mountains and one of which must be located west of the crest of the
16 Cascade mountains. The deferral provided in this section only applies
17 to the state and local sales and use taxes due on the first (~~ten~~
18 ~~million dollars~~) \$10,000,000 in costs for qualified buildings and
19 machinery and equipment.

20 (c) "Initiation of construction" has the same meaning as in RCW
21 82.63.010.

22 (d) "Investment project" means an investment in qualified
23 buildings or qualified machinery and equipment, including labor and
24 services rendered in the planning, installation, and construction of
25 the project.

26 (e) "Manufacturing" has the same meaning as provided in RCW
27 82.04.120.

28 (f) "Person" has the same meaning as provided in RCW 82.04.030.

29 (g) "Qualified buildings" means construction of new structures,
30 and expansion or renovation of existing structures for the purpose of
31 increasing floor space or production capacity, used for
32 manufacturing, including plant offices and warehouses or other
33 buildings for the storage of raw material or finished goods if such
34 facilities are an essential or an integral part of a factory, mill,
35 plant, or laboratory used for manufacturing. If a qualified building
36 is used partly for manufacturing and partly for other purposes, the
37 applicable tax deferral must be determined by apportionment of the
38 costs of construction under rules adopted by the department.

1 (h) "Qualified machinery and equipment" means all new industrial
2 fixtures, equipment, and support facilities that are an integral and
3 necessary part of a manufacturing operation. "Qualified machinery and
4 equipment" includes: Computers; software; data processing equipment;
5 laboratory equipment; manufacturing components such as belts,
6 pulleys, shafts, and moving parts; molds, tools, and dies; operating
7 structures; and all equipment used to control, monitor, or operate
8 the machinery.

9 (i) "Recipient" means a person receiving a tax deferral under
10 this chapter.

11 (2) This section expires January 1, (~~2026~~) 2036.

12 **Sec. 503.** RCW 82.85.040 and 2017 3rd sp.s. c 37 s 803 are each
13 amended to read as follows:

14 (1) Application for deferral of taxes under this chapter must be
15 made before initiation of the construction of the investment project
16 or acquisition of equipment or machinery. The application must be
17 made to the department in a form and manner prescribed by the
18 department. The deferrals are available on a first-in-time basis. The
19 application must contain information regarding the location of the
20 investment project, the applicant's average employment in the state
21 for the prior year, estimated or actual new employment related to the
22 project, estimated or actual wages of employees related to the
23 project, estimated or actual costs, time schedules for completion and
24 operation, and other information required by the department. The
25 department must rule on the application within (~~sixty~~) 60 days.

26 (2) The department may not approve applications for more than two
27 eligible investment projects per calendar year.

28 (3) This section expires January 1, (~~2026~~) 2036.

29 **Sec. 504.** RCW 82.04.43391 and 2019 c 8 s 703 are each amended to
30 read as follows:

31 (1) In computing tax there may be deducted from the measure of
32 tax interest and fees on loans secured by commercial aircraft
33 primarily used to provide routine air service and owned by:

34 (a) An air carrier, as defined in RCW 82.42.010, which is
35 primarily engaged in the business of providing passenger air service;

36 (b) An affiliate of such air carrier; or

37 (c) A parent entity for which such air carrier is an affiliate.

1 (2) The deduction authorized under this section is not available
2 to any person who is physically present in this state as determined
3 under RCW 82.04.067.

4 (3) For purposes of this section, the following definitions
5 apply:

6 (a) "Affiliate" means a person is "affiliated," as defined in RCW
7 82.04.645, with another person; and

8 (b) "Commercial aircraft" means a commercial airplane as defined
9 in RCW 82.32.550.

10 (4) This section expires January 1, 2036.

11 **Sec. 505.** RCW 82.08.0262 and 2015 c 86 s 305 are each amended to
12 read as follows:

13 (1) The tax levied by RCW 82.08.020 does not apply to:

14 (a) Sales of airplanes (i) to the United States government; (ii)
15 for use in conducting interstate or foreign commerce by transporting
16 property or persons for hire or by performing services under a
17 contract with the United States government; or (iii) until January 1,
18 2036, for use in providing intrastate air transportation by a
19 commuter air carrier;

20 (b) Sales of locomotives, railroad cars, or watercraft for use in
21 conducting interstate or foreign commerce by transporting property or
22 persons for hire or for use in conducting commercial deep sea fishing
23 operations outside the territorial waters of the state;

24 (c) Sales of tangible personal property that becomes a component
25 part of such airplanes, locomotives, railroad cars, or watercraft,
26 and of motor vehicles or trailers whether owned by or leased with or
27 without drivers and used by the holder of a carrier permit issued by
28 the interstate commerce commission or its successor agency
29 authorizing transportation by motor vehicle across the boundaries of
30 this state, in the course of constructing, repairing, cleaning,
31 altering, or improving the same; and

32 (d) Sales of or charges made for labor and services rendered in
33 respect to such constructing, repairing, cleaning, altering, or
34 improving.

35 (2) The term "commuter air carrier" means an air carrier holding
36 authority under Title 14, Part 298 of the Code of Federal Regulations
37 that carries passengers on at least five round trips per week on at
38 least one route between two or more points according to its published

1 flight schedules that specify the times, days of the week, and places
2 between which those flights are performed.

3 **Sec. 506.** RCW 82.12.0254 and 2015 c 86 s 306 are each amended to
4 read as follows:

5 (1) The provisions of this chapter do not apply in respect to the
6 use of:

7 (a) Any airplane used primarily in (i) conducting interstate or
8 foreign commerce by transporting property or persons for hire or by
9 performing services under a contract with the United States
10 government or (ii) until January 1, 2036, providing intrastate air
11 transportation by a commuter air carrier as defined in RCW
12 82.08.0262;

13 (b) Any locomotive, railroad car, or watercraft used primarily in
14 conducting interstate or foreign commerce by transporting property or
15 persons for hire or used primarily in commercial deep sea fishing
16 operations outside the territorial waters of the state;

17 (c) Tangible personal property that becomes a component part of
18 any such airplane, locomotive, railroad car, or watercraft in the
19 course of repairing, cleaning, altering, or improving the same; and

20 (d) Labor and services rendered in respect to such repairing,
21 cleaning, altering, or improving.

22 (2) The provisions of this chapter do not apply in respect to the
23 use by a nonresident of this state of any vehicle used exclusively in
24 transporting persons or property across the boundaries of this state
25 and in intrastate operations incidental thereto when such vehicle is
26 registered in a foreign state and in respect to the use by a
27 nonresident of this state of any vehicle so registered and used
28 within this state for a period not exceeding (~~fifteen~~) 15
29 consecutive days under such rules as the department must adopt.
30 However, under circumstances determined to be justifiable by the
31 department a second (~~fifteen~~) 15 day period may be authorized
32 consecutive with the first (~~fifteen~~) 15 day period; and for the
33 purposes of this exemption the term "nonresident" as used herein
34 includes a user who has one or more places of business in this state
35 as well as in one or more other states, but the exemption for
36 nonresidents applies only to those vehicles which are most frequently
37 dispatched, garaged, serviced, maintained, and operated from the
38 user's place of business in another state.

1 (3) The provisions of this chapter do not apply in respect to the
2 use by the holder of a carrier permit issued by the interstate
3 commerce commission or its successor agency of any vehicle whether
4 owned by or leased with or without driver to the permit holder and
5 used in substantial part in the normal and ordinary course of the
6 user's business for transporting therein persons or property for hire
7 across the boundaries of this state; and in respect to the use of any
8 vehicle while being operated under the authority of a trip permit
9 issued by the director of licensing pursuant to RCW 46.16A.320 and
10 moving upon the highways from the point of delivery in this state to
11 a point outside this state; and in respect to the use of tangible
12 personal property which becomes a component part of any vehicle used
13 by the holder of a carrier permit issued by the interstate commerce
14 commission or its successor agency authorizing transportation by
15 motor vehicle across the boundaries of this state whether such
16 vehicle is owned by or leased with or without driver to the permit
17 holder, in the course of repairing, cleaning, altering, or improving
18 the same; also the use of labor and services rendered in respect to
19 such repairing, cleaning, altering, or improving.

20 **Sec. 507.** RCW 82.04.627 and 2015 c 86 s 301 are each amended to
21 read as follows:

22 (1) Except as provided in subsection (2) of this section, for
23 purposes of the taxes imposed under this chapter on the sale of parts
24 to the manufacturer of a commercial airplane, the sale is deemed to
25 take place at the site of the final testing or inspection under
26 federal aviation regulation part 21, subpart F or G.

27 (2) This section does not apply to:

28 (a) Sales of a standard part, such as a nut or bolt, manufactured
29 in compliance with a government or established industry
30 specification;

31 (b) Sales of a product produced under a technical standard order
32 authorization or letter of technical standard order design approval
33 pursuant to federal aviation regulation part 21, subpart O; or

34 (c) Sales of parts in respect to which final testing or
35 inspection under federal aviation regulation part 21, subpart F or G
36 takes place in this state.

37 (3) "Commercial airplane" has the same meaning given in RCW
38 82.32.550.

39 (4) RCW 82.32.805 and 82.32.808 do not apply to this section.

1 revenue, the department of health, or any other data collected by the
2 state.

3 NEW SECTION. **Sec. 602.** (1) This section is the tax preference
4 performance statement for the tax preference contained in RCW
5 82.04.260(10), 82.04.290(3), 82.04.250(3), 82.04.4461, 82.04.4463,
6 82.08.975, 82.12.975, 82.29A.137, and 84.36.655. This performance
7 statement is only intended to be used for subsequent evaluation of
8 the tax preference. It is not intended to create a private right of
9 action by any party or to be used to determine eligibility for
10 preferential tax treatment.

11 (2) The legislature categorizes these tax preferences as ones
12 intended to improve industry competitiveness and create or retain
13 jobs, as described in RCW 82.32.808(2) (b) and (c).

14 (3) It is the legislature's specific public policy objective to:

15 (a) Reduce the cost of doing business in Washington for the
16 aerospace industry;

17 (b) Encourage the continued presence of the aerospace industry;

18 (c) Provide jobs with good wages; and

19 (d) Maintain and grow Washington's aerospace industry workforce.

20 (4)(a) The joint legislative audit and review committee must
21 review the aerospace tax preferences at least once every 10 years.

22 (b) As part of its tax preference review, the committee must
23 specifically assess changes in aerospace industry employment in
24 Washington in comparison with other states and internationally. To
25 the extent practicable, the committee must use occupational data
26 statistics provided by the bureau of labor statistics and state
27 agencies responsible for administering unemployment insurance to
28 perform this assessment.

29 (c) If a review finds that Washington is among the top three
30 aerospace employers as compared to other states, then the legislature
31 intends to extend the expiration dates of the aerospace tax
32 incentives.

33 (5) In order to obtain the data necessary to perform the review
34 in subsection (4) of this section, the joint legislative audit and
35 review committee may refer to data provided by the department of
36 revenue and any other data collected by the state.

37 NEW SECTION. **Sec. 603.** (1) This section is the tax preference
38 performance statement for the tax preference contained in RCW

1 82.04.43391. This performance statement is only intended to be used
2 for subsequent evaluation of the tax preference. It is not intended
3 to create a private right of action by any party or to be used to
4 determine eligibility for preferential tax treatment.

5 (2) The legislature categorizes this tax preference as one
6 intended to improve industry competitiveness, as described in RCW
7 82.32.808(2)(b).

8 (3) It is the legislature's specific public policy objective to
9 support the continued presence of the aerospace industry in
10 Washington.

11 (4) To measure the effectiveness of this tax preference, the
12 joint legislative audit and review committee must evaluate the
13 estimated loss in state revenue resulting from the tax preference
14 compared to the overall economic impact of airlines headquartered in
15 this state. The review must include an evaluation of both direct and
16 indirect beneficiaries.

17 (5) In order to obtain the data necessary to perform the review
18 in subsection (4) of this section, the joint legislative audit and
19 review committee may refer to data provided by the department of
20 revenue, the department of transportation, and any other data
21 collected by the state.

22 NEW SECTION. **Sec. 604.** (1) This section is the tax preference
23 performance statement for the tax preference contained in RCW
24 84.36.040(1)(f). This performance statement is only intended to be
25 used for subsequent evaluation of the tax preference. It is not
26 intended to create a private right of action by any party or to be
27 used to determine eligibility for preferential tax treatment.

28 (2) The legislature categorizes this tax preference as one
29 intended to provide tax relief for certain businesses or individuals,
30 as described in RCW 82.32.808(2)(e).

31 (3) It is the legislature's specific public policy objective to
32 support nonprofit outpatient dialysis centers, which tend to have a
33 higher share of patients on the kidney transplant waitlist and
34 receive lower revenue per treatment as compared to for-profit
35 outpatient dialysis facilities.

36 (4) To measure the effectiveness of this tax preference, the
37 joint legislative audit and review committee must include in its
38 review a comparison of nonprofit and for-profit outpatient dialysis
39 facilities, including the share of patients on the kidney transplant

1 waitlist, amount of revenue received per treatment, and any relevant
2 quality measures.

3 (5) In order to obtain the data necessary to perform the review
4 in subsection (4) of this section, the joint legislative audit and
5 review committee may refer to data provided by the department of
6 revenue, the department of health, or any other data collected by the
7 state.

8 NEW SECTION. **Sec. 605.** (1) This section is the tax preference
9 performance statement for the tax preference contained in RCW
10 82.08.0262(1)(a)(iii) and 82.12.0254(1)(a)(ii). This performance
11 statement is only intended to be used for subsequent evaluation of
12 the tax preference. It is not intended to create a private right of
13 action by any party or to be used to determine eligibility for
14 preferential tax treatment.

15 (2) The legislature categorizes this tax preference as one
16 intended to improve industry competitiveness, as described in RCW
17 82.32.808(2)(b).

18 (3) It is the legislature's specific public policy objective to
19 support in-state commuter air carrier services, including expanding
20 in-state flight services, maintaining air service to Washington's
21 small or rural airports, and lowering the cost of providing commuter
22 air carrier services in this state.

23 (4) To measure the effectiveness of this tax preference, the
24 joint legislative audit and review committee must include in its
25 review an evaluation of:

26 (a) Any changes in the number of commuter air carriers operating
27 in this state;

28 (b) Any changes in the number of airports and airfields severed
29 by commuter air carriers;

30 (c) The cost of providing commuter air carrier services in this
31 state as compared to other states; and

32 (d) Any other metric the committee finds relevant in completing
33 its review of this tax preference.

34 (5) In order to obtain the data necessary to perform the review
35 in subsection (4) of this section, the joint legislative audit and
36 review committee may refer to data provided by the department of
37 revenue, the department of transportation, and any other data
38 collected by the state.

1 NEW SECTION. **Sec. 606.** (1) This section is the tax preference
2 performance statement for the tax preference contained in RCW
3 84.36.133. This performance statement is only intended to be used for
4 subsequent evaluation of the tax preference. It is not intended to
5 create a private right of action by any party or to be used to
6 determine eligibility for preferential tax treatment.

7 (2) The legislature categorizes this tax preference as one
8 intended to reduce structural inefficiencies in the tax structure, as
9 described in RCW 82.32.808(2) (d).

10 (3) It is the legislature's specific public policy objective to
11 streamline and simplify tax reporting for certain commuter air
12 carriers.

13 (4) To measure the effectiveness of this tax preference, the
14 joint legislative audit and review committee must evaluate:

15 (a) The effectiveness of the aircraft excise tax in providing an
16 equitable alternative to the property tax for certain commuter air
17 carriers; and

18 (b) Any other metric the committee finds relevant in completing
19 its review of this tax preference.

20 (5) In order to obtain the data necessary to perform the review
21 in subsection (4) of this section, the joint legislative audit and
22 review committee may refer to data provided by the department of
23 revenue, the department of transportation, and any other data
24 collected by the state.

25 NEW SECTION. **Sec. 607.** (1) This section is the tax preference
26 performance statement for the tax preferences contained in RCW
27 82.16.050 (6) and (8) through (10). This performance statement is
28 only intended to be used for subsequent evaluation of the tax
29 preference. It is not intended to create a private right of action by
30 any party or to be used to determine eligibility for preferential tax
31 treatment.

32 (2) The legislature categorizes this tax preference as one
33 intended to improve industry competitiveness, as indicated in RCW
34 82.32.808(2) (b).

35 (3) It is the legislature's specific public policy objective to
36 create and retain jobs in the freight transportation sector and to
37 make Washington competitive with other states.

38 (4) To measure the effectiveness of this tax preference, the
39 joint legislative audit and review committee must evaluate the

1 estimated loss in state revenue resulting from the tax preference
2 compared to the overall economic impact of the freight transportation
3 sector in this state. The review must include an evaluation of both
4 direct and indirect beneficiaries as well as the total labor income
5 for the freight transportation sector.

6 (5) In order to obtain the data necessary to perform the review
7 in subsection (4) of this section, the joint legislative audit and
8 review committee may refer to data provided by the department of
9 revenue, and any other data collected by the state.

10 NEW SECTION. **Sec. 608.** (1) This section is the tax preference
11 performance statement for the tax preference contained in RCW
12 82.04.260 (6) and (7). This performance statement is only intended to
13 be used for subsequent evaluation of the tax preference. It is not
14 intended to create a private right of action by any party or to be
15 used to determine eligibility for preferential tax treatment.

16 (2) The legislature categorizes this tax preference as one
17 intended to improve industry competitiveness, as indicated in RCW
18 82.32.808(2)(b).

19 (3) It is the legislature's specific public policy objective to
20 create and retain jobs in the maritime cargo industry and to make
21 Washington competitive with other states.

22 (4) To measure the effectiveness of this tax preference, the
23 joint legislative audit and review committee must evaluate the
24 estimated loss in state revenue resulting from the tax preference
25 compared to the overall economic impact of marine cargo using
26 Washington ports. The review must include an evaluation of both
27 direct and indirect beneficiaries as well as the total labor income
28 associated with marine cargo using Washington ports.

29 (5) In order to obtain the data necessary to perform the review
30 in subsection (4) of this section, the joint legislative audit and
31 review committee may refer to data provided by the department of
32 revenue, and any other data collected by the state.

33 **PART VII**
34 **ELIMINATING THE BUSINESS AND OCCUPATION TAX EXEMPTION FOR THE RENTAL**
35 **OR LEASE OF INDIVIDUAL STORAGE SPACE AT SELF-SERVICE STORAGE**
36 **FACILITIES**

1 NEW SECTION. **Sec. 701.** A new section is added to chapter 82.04

2 RCW to read as follows:

3 (1) Upon every person engaging in this state in the business of
4 renting or leasing individual storage space at self-service storage
5 facilities as defined in RCW 19.150.010, as to such persons the
6 amount of tax with respect to such business is equal to the gross
7 proceeds of the rent or lease multiplied by the following rates:

8 (a) 1.75 percent; or

9 (b) 1.5 percent for any person whose gross income of the business
10 subject to the tax imposed under this section for the immediately
11 preceding calendar year, was less than \$1,000,000, unless the person
12 is affiliated with one or more other persons, and the aggregate gross
13 income of the business subject to the tax imposed under this section
14 for all affiliated persons was greater than or equal to \$1,000,000
15 for the immediately preceding calendar year.

16 (2) The department may require a person claiming to be subject to
17 the 1.5 percent tax rate to identify all the person's affiliates
18 including their department tax registration number or unified
19 business identifier number, as may be applicable, or to certify that
20 the person is not affiliated with any other person. Requests must be
21 in writing and may be made electronically.

22 (3) If the department establishes, by clear, cogent, and
23 convincing evidence, that a person, with intent to evade the
24 additional taxes due under the 1.75 percent tax rate in subsection
25 (1)(a) of this section, failed to provide the department with
26 complete and accurate information in response to a written request
27 under subsection (2) of this section within 30 days of such request,
28 the person is ineligible for the 1.5 percent tax rate in subsection
29 (1)(b) of this section for the entire current calendar year and the
30 following four calendar years. However, the department must waive the
31 provisions of this subsection (3) for any tax reporting period that
32 the person is otherwise eligible for the 1.5 percent tax rate in
33 subsection (1)(b) of this section if:

34 (a) The department has not previously determined that the person
35 failed to fully comply with subsection (2) of this section; and

36 (b) Within 30 days of the notice of additional tax due as a
37 result of the person's failure to fully comply with subsection (2) of
38 this section, the department determines that the person has come into
39 full compliance with subsection (2) of this section.

1 (4) For the purposes of subsection (1)(b) of this section, if a
2 taxpayer is subject to the reconciliation provisions of RCW
3 82.04.462(4), and calculates gross income of the business subject to
4 the tax imposed under this section for the immediately preceding
5 calendar year, or aggregate gross income of the business subject to
6 the tax imposed under this section for the immediately preceding
7 calendar year for all affiliated persons, based on incomplete
8 information, the taxpayer must correct the reporting for the current
9 calendar year when complete information for the immediately preceding
10 calendar year is available.

11 (5) For purposes of this section, the following definitions
12 apply:

13 (a) "Affiliate" means a person that directly or indirectly,
14 through one or more intermediaries, controls, is controlled by, or is
15 under common control with another person.

16 (b) "Individual storage space" does not include long-term
17 designated parking spaces.

18 **Sec. 702.** RCW 82.04.390 and 1961 c 15 s 82.04.390 are each
19 amended to read as follows:

20 This chapter shall not apply to gross proceeds derived from the
21 sale of real estate. A sale of real estate does not include the gross
22 proceeds derived from individual storage space rentals or leases for
23 30 days or longer. This however, shall not be construed to allow a
24 deduction of amounts received as commissions from the sale of real
25 estate, nor as fees, handling charges, discounts, interest or similar
26 financial charges resulting from, or relating to, real estate
27 transactions.

28 **Sec. 703.** RCW 82.04.460 and 2023 c 286 s 5 are each amended to
29 read as follows:

30 (1) Except as otherwise provided in this section, any person
31 earning apportionable income taxable under this chapter and also
32 taxable in another state must, for the purpose of computing tax
33 liability under this chapter, apportion to this state, in accordance
34 with RCW 82.04.462, that portion of the person's apportionable income
35 derived from business activities performed within this state.

36 (2) The department must by rule provide a method of apportioning
37 the apportionable income of financial institutions, where such
38 apportionable income is taxable under RCW 82.04.290. The rule adopted

1 by the department must, to the extent feasible, be consistent with
2 the multistate tax commission's recommended formula for the
3 apportionment and allocation of net income of financial institutions
4 as existing on June 1, 2010, or such subsequent date as may be
5 provided by the department by rule, consistent with the purposes of
6 this section, except that:

7 (a) The department's rule must provide for a single factor
8 apportionment method based on the receipts factor; and

9 (b) The definition of "financial institution" contained in
10 appendix A to the multistate tax commission's recommended formula for
11 the apportionment and allocation of net income of financial
12 institutions is advisory only.

13 (3) The department may by rule provide a method or methods of
14 apportioning or allocating gross income derived from sales of
15 telecommunications service and competitive telephone service taxed
16 under this chapter, if the gross proceeds of sales subject to tax
17 under this chapter do not fairly represent the extent of the
18 taxpayer's income attributable to this state. The rule must provide
19 for an equitable and constitutionally permissible division of the tax
20 base.

21 (4) For purposes of this section, the following definitions apply
22 unless the context clearly requires otherwise:

23 (a) "Apportionable income" means gross income of the business
24 generated from engaging in apportionable activities, including income
25 received from apportionable activities performed outside this state
26 if the income would be taxable under this chapter if received from
27 activities in this state, less the exemptions and deductions
28 allowable under this chapter. For purposes of this subsection,
29 "apportionable activities" means only those activities taxed under:

30 (i) RCW 82.04.255;

31 (ii) RCW 82.04.260 (3), (5), (6), (7), (8), (9), (~~((10))~~) and
32 (~~((13))~~) (12);

33 (iii) RCW 82.04.280(1)(e);

34 (iv) RCW 82.04.285;

35 (v) RCW 82.04.286;

36 (vi) RCW 82.04.290;

37 (vii) RCW 82.04.2907;

38 (viii) RCW 82.04.2908;

39 (ix) RCW 82.04.263, but only to the extent of any activity that
40 would be taxable under any of the provisions enumerated under (a)(i)

1 through (viii) of this subsection (4) if the tax classification in
2 RCW 82.04.263 did not exist; (~~and~~)

3 (x) RCW 82.04.280(1)(a) or exempted under RCW 82.04.759, but only
4 with respect to advertising; and

5 (xi) Section 701 of this act.

6 (b)(i) "Taxable in another state" means that the taxpayer is
7 subject to a business activities tax by another state on its income
8 received from engaging in apportionable activities; or the taxpayer
9 is not subject to a business activities tax by another state on its
10 income received from engaging in apportionable activities, but any
11 other state has jurisdiction to subject the taxpayer to a business
12 activities tax on such income under the substantial nexus standards
13 in RCW 82.04.067(1).

14 (ii) For purposes of this subsection (4)(b), "business activities
15 tax" and "state" have the same meaning as in RCW 82.04.462.

16 **Sec. 704.** RCW 82.04.460 and 2014 c 97 s 304 are each amended to
17 read as follows:

18 (1) Except as otherwise provided in this section, any person
19 earning apportionable income taxable under this chapter and also
20 taxable in another state must, for the purpose of computing tax
21 liability under this chapter, apportion to this state, in accordance
22 with RCW 82.04.462, that portion of the person's apportionable income
23 derived from business activities performed within this state.

24 (2) The department must by rule provide a method of apportioning
25 the apportionable income of financial institutions, where such
26 apportionable income is taxable under RCW 82.04.290. The rule adopted
27 by the department must, to the extent feasible, be consistent with
28 the multistate tax commission's recommended formula for the
29 apportionment and allocation of net income of financial institutions
30 as existing on June 1, 2010, or such subsequent date as may be
31 provided by the department by rule, consistent with the purposes of
32 this section, except that:

33 (a) The department's rule must provide for a single factor
34 apportionment method based on the receipts factor; and

35 (b) The definition of "financial institution" contained in
36 appendix A to the multistate tax commission's recommended formula for
37 the apportionment and allocation of net income of financial
38 institutions is advisory only.

1 (3) The department may by rule provide a method or methods of
2 apportioning or allocating gross income derived from sales of
3 telecommunications service and competitive telephone service taxed
4 under this chapter, if the gross proceeds of sales subject to tax
5 under this chapter do not fairly represent the extent of the
6 taxpayer's income attributable to this state. The rule must provide
7 for an equitable and constitutionally permissible division of the tax
8 base.

9 (4) For purposes of this section, the following definitions apply
10 unless the context clearly requires otherwise:

11 (a) "Apportionable income" means gross income of the business
12 generated from engaging in apportionable activities, including income
13 received from apportionable activities performed outside this state
14 if the income would be taxable under this chapter if received from
15 activities in this state, less the exemptions and deductions
16 allowable under this chapter. For purposes of this subsection,
17 "apportionable activities" means only those activities taxed under:

18 (i) RCW 82.04.255;

19 (ii) RCW 82.04.260 (3), (5), (6), (7), (8), (9), (~~((10))~~) and
20 (~~((13))~~) (12);

21 (iii) RCW 82.04.280(1)(e);

22 (iv) RCW 82.04.285;

23 (v) RCW 82.04.286;

24 (vi) RCW 82.04.290;

25 (vii) RCW 82.04.2907;

26 (viii) RCW 82.04.2908;

27 (ix) RCW 82.04.263, but only to the extent of any activity that
28 would be taxable under any of the provisions enumerated under (a)(i)
29 through (viii) of this subsection (4) if the tax classification in
30 RCW 82.04.263 did not exist; (~~and~~)

31 (x) RCW 82.04.260(~~((14))~~) (13) and 82.04.280(1)(a), but only with
32 respect to advertising; and

33 (xi) Section 701 of this act.

34 (b)(i) "Taxable in another state" means that the taxpayer is
35 subject to a business activities tax by another state on its income
36 received from engaging in apportionable activities; or the taxpayer
37 is not subject to a business activities tax by another state on its
38 income received from engaging in apportionable activities, but any
39 other state has jurisdiction to subject the taxpayer to a business

1 activities tax on such income under the substantial nexus standards
2 in RCW 82.04.067(1).

3 (ii) For purposes of this subsection (4)(b), "business activities
4 tax" and "state" have the same meaning as in RCW 82.04.462.

5 **PART VIII**
6 **MISCELLANEOUS**

7 NEW SECTION. **Sec. 801.** If any provision of this act or its
8 application to any person or circumstance is held invalid, the
9 remainder of the act or the application of the provision to other
10 persons or circumstances is not affected.

11 NEW SECTION. **Sec. 802.** This act is necessary for the support of
12 the state government and its existing public institutions.

13 NEW SECTION. **Sec. 803.** Section 101 of this act expires January
14 1, 2034.

15 NEW SECTION. **Sec. 804.** Section 102 of this act takes effect
16 January 1, 2034.

17 NEW SECTION. **Sec. 805.** The contingent expiration date in
18 section 1407, chapter 37, Laws of 2017 3rd sp. sess. applies to
19 section 109 of this act.

20 NEW SECTION. **Sec. 806.** Section 110 of this act takes effect
21 when section 109 of this act expires.

22 NEW SECTION. **Sec. 807.** Section 113 of this act expires January
23 1, 2034.

24 NEW SECTION. **Sec. 808.** Section 114 of this act takes effect
25 January 1, 2034.

26 NEW SECTION. **Sec. 809.** Section 115 of this act expires January
27 1, 2030.

28 NEW SECTION. **Sec. 810.** Section 116 of this act takes effect
29 January 1, 2030.

1 NEW SECTION. **Sec. 811.** Sections 701 through 703 of this act
2 take effect April 1, 2026.

3 NEW SECTION. **Sec. 812.** Section 703 of this act expires January
4 1, 2034.

5 NEW SECTION. **Sec. 813.** Section 704 of this act takes effect
6 January 1, 2034.

7 NEW SECTION. **Sec. 814.** Except for sections 102, 110, 114, 116,
8 and 701 through 704 of this act, this act takes effect January 1,
9 2026.

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