
SENATE BILL 5794

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

By Senators Salomon, Lovelett, Alvarado, Bateman, Dhingra, Frame, Hasegawa, Nobles, Ramos, Riccelli, Trudeau, and Wellman

Read first time 03/21/25. Referred to Committee on Ways & Means.

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 82.16.050, 82.04.260, 82.04.290,
6 48.14.0201, 82.04.110, 82.04.120, 82.04.43395, 82.12.022, 82.12.022,
7 82.21.040, 82.23A.030, 82.29A.130, 82.29A.130, 82.45.010, 82.45.010,
8 82.45.030, 82.64.030, 84.36.010, 84.36.030, 82.04.29004, 82.04.4451,
9 82.04.540, 82.04.620, 82.04.051, 82.04.257, 82.04.29001, 82.04.29002,
10 82.04.297, 82.04.360, 82.04.43396, 82.04.280, 82.48.030, 82.62.030,
11 82.85.010, 82.85.020, 82.85.040, 82.04.43391, 82.08.0262, 82.12.0254,
12 82.04.627, and 82.16.020; reenacting and amending RCW 82.04.260,
13 82.04.050, and 82.04.299; creating new sections; repealing RCW
14 82.04.4496, 82.16.0496, 82.08.9999, 82.12.9999, 82.08.809, 82.12.809,
15 82.04.062, 82.16.0497, 82.04.44525, 82.08.02566, 82.12.02566,
16 82.04.272, 82.04.315, 82.04.4292, 82.04.293, 82.04.29005, 82.16.046,
17 82.29A.132, 82.45.190, 82.08.02568, 82.12.02568, 82.04.4482,
18 82.16.0498, 82.12.0265, 36.100.090, 82.12.024, 82.04.545, 82.16.315,
19 82.16.0495, 36.102.070, 82.08.02569, 82.12.02569, 82.04.421,
20 82.04.4331, 82.04.4295, 82.04.447, 82.04.4332, 82.29A.137, and
21 82.04.434; providing effective dates; providing a contingent
22 effective date; providing expiration dates; and providing a
23 contingent expiration date.

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

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

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

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

1 should be removed from the tax code to create better clarity for
2 taxpayers.

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

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

20 PART I

21 ELIMINATING OBSOLETE TAX PREFERENCES

22 **Sec. 101.** RCW 82.16.050 and 2022 c 16 s 162 are each amended to
23 read as follows:

24 In computing tax there may be deducted from the gross income the
25 following items:

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

31 (2) Amounts derived from the sale of commodities to persons in
32 the same public service business as the seller, for resale as such
33 within this state. This deduction is allowed only with respect to
34 water distribution, gas distribution or other public service
35 businesses which furnish water, gas or any other commodity in the
36 performance of public service businesses;

37 (3) Amounts actually paid by a taxpayer to another person taxable
38 under this chapter as the latter's portion of the consideration due

1 for services furnished jointly by both, if the total amount has been
2 credited to and appears in the gross income reported for tax by the
3 former;

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

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

9 (6) Amounts derived from business which the state is prohibited
10 from taxing under the Constitution of this state or the Constitution
11 or laws of the United States;

12 (7) Amounts derived from the distribution of water through an
13 irrigation system, for irrigation purposes other than the irrigation
14 of cannabis as defined ((under)) in RCW 69.50.101;

15 ~~((8) Amounts derived from the transportation of commodities from
16 points of origin in this state to final destination outside this
17 state, or from points of origin outside this state to final
18 destination in this state, with respect to which the carrier grants
19 to the shipper the privilege of stopping the shipment in transit at
20 some point in this state for the purpose of storing, manufacturing,
21 milling, or other processing, and thereafter forwards the same
22 commodity, or its equivalent, in the same or converted form, under a
23 through freight rate from point of origin to final destination;~~

24 ~~(9) Amounts derived from the transportation of commodities from
25 points of origin in the state to an export elevator, wharf, dock or
26 ship side on tidewater or its navigable tributaries to be forwarded,
27 without intervening transportation, by vessel, in their original
28 form, to interstate or foreign destinations. No deduction is allowed
29 under this subsection when the point of origin and the point of
30 delivery to the export elevator, wharf, dock, or ship side are
31 located within the corporate limits of the same city or town;~~

32 ~~(10) Amounts derived from the transportation of agricultural
33 commodities, not including manufactured substances or articles, from
34 points of origin in the state to interim storage facilities in this
35 state for transshipment, without intervening transportation, to an
36 export elevator, wharf, dock, or ship side on tidewater or its
37 navigable tributaries to be forwarded, without intervening
38 transportation, by vessel, in their original form, to interstate or
39 foreign destinations. If agricultural commodities are transshipped
40 from interim storage facilities in this state to storage facilities~~

1 at a port on tidewater or its navigable tributaries, the same
2 agricultural commodity dealer must operate both the interim storage
3 facilities and the storage facilities at the port.

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

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

15 (ii) Any of the agricultural commodity that is transshipped to
16 ports on tidewater or its navigable tributaries will be received at
17 storage facilities operated by the same agricultural commodity dealer
18 and will be shipped from such facilities, without intervening
19 transportation, by vessel, in their original form, to interstate or
20 foreign destinations.

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

23 ~~((11))~~ (8) Amounts derived from the production, sale, or transfer
24 of electrical energy for resale within or outside the state or for
25 consumption outside the state;

26 ~~((12))~~ (9) Amounts derived from the distribution of water by a
27 nonprofit water association and used for capital improvements by that
28 nonprofit water association;

29 ~~((13))~~ (10) Amounts paid by a sewerage collection business
30 taxable under RCW 82.16.020(1)(a) to a person taxable under chapter
31 82.04 RCW for the treatment or disposal of sewage;

32 ~~((14))~~ (11) Amounts derived from fees or charges imposed on
33 persons for transit services provided by a public transportation
34 agency. For the purposes of this subsection, "public transportation
35 agency" means a municipality, as defined in RCW 35.58.272, and urban
36 public transportation systems, as defined in RCW 47.04.082. Public
37 transportation agencies must spend an amount equal to the reduction
38 in tax provided by this tax deduction solely to adjust routes to
39 improve access for citizens using food banks and senior citizen

1 services or to extend or add new routes to assist low-income citizens
2 and seniors.

3 **Sec. 102.** RCW 82.04.260 and 2023 c 422 s 5 and 2023 c 286 s 3
4 are each reenacted and amended to read as follows:

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

7 (a) Wheat into flour, barley into pearl barley, soybeans into
8 soybean oil, canola into canola oil, canola meal, or canola by-
9 products, or sunflower seeds into sunflower oil; as to such persons
10 the amount of tax with respect to such business is equal to the value
11 of the flour, pearl barley, oil, canola meal, or canola by-product
12 manufactured, multiplied by the rate of 0.138 percent;

13 (b) Beginning July 1, 2035, seafood products that remain in a
14 raw, raw frozen, or raw salted state at the completion of the
15 manufacturing by that person; or selling manufactured seafood
16 products that remain in a raw, raw frozen, or raw salted state at the
17 completion of the manufacturing, to purchasers who transport in the
18 ordinary course of business the goods out of this state; as to such
19 persons the amount of tax with respect to such business is equal to
20 the value of the products manufactured or the gross proceeds derived
21 from such sales, multiplied by the rate of 0.138 percent. Sellers
22 must keep and preserve records for the period required by RCW
23 82.32.070 establishing that the goods were transported by the
24 purchaser in the ordinary course of business out of this state;

25 (c)(i) Except as provided otherwise in (c)(iii) of this
26 subsection, beginning July 1, 2035, until January 1, 2046, dairy
27 products; or selling dairy products that the person has manufactured
28 to purchasers who either transport in the ordinary course of business
29 the goods out of state or purchasers who use such dairy products as
30 an ingredient or component in the manufacturing of a dairy product;
31 as to such persons the tax imposed is equal to the value of the
32 products manufactured or the gross proceeds derived from such sales
33 multiplied by the rate of 0.138 percent. Sellers must keep and
34 preserve records for the period required by RCW 82.32.070
35 establishing that the goods were transported by the purchaser in the
36 ordinary course of business out of this state or sold to a
37 manufacturer for use as an ingredient or component in the
38 manufacturing of a dairy product.

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

3 (A) Products, not including any cannabis-infused product, that as
4 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts
5 131, 133, and 135, including by-products from the manufacturing of
6 the dairy products, such as whey and casein; and

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

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

15 (d)(i) Beginning July 1, 2035, fruits or vegetables by canning,
16 preserving, freezing, processing, or dehydrating fresh fruits or
17 vegetables, or selling at wholesale fruits or vegetables manufactured
18 by the seller by canning, preserving, freezing, processing, or
19 dehydrating fresh fruits or vegetables and sold to purchasers who
20 transport in the ordinary course of business the goods out of this
21 state; as to such persons the amount of tax with respect to such
22 business is equal to the value of the products manufactured or the
23 gross proceeds derived from such sales multiplied by the rate of
24 0.138 percent. Sellers must keep and preserve records for the period
25 required by RCW 82.32.070 establishing that the goods were
26 transported by the purchaser in the ordinary course of business out
27 of this state.

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

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

39 (2) Upon every person engaging within this state in the business
40 of splitting or processing dried peas; as to such persons the amount

1 of tax with respect to such business is equal to the value of the
2 peas split or processed, multiplied by the rate of 0.138 percent.

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

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

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

19 ~~((b) Upon every person engaging within this state in the
20 business of acting as a travel agent or tour operator and whose
21 annual taxable amount for the prior calendar year from such business
22 was more than \$250,000; as to such persons the amount of the tax with
23 respect to such activities is equal to the gross income derived from
24 such activities multiplied by the rate of 0.275 percent through June
25 30, 2019, and 0.9 percent beginning July 1, 2019.~~

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

33 ~~(7) Upon every person engaging within this state in the business
34 of stevedoring and associated activities pertinent to the movement of
35 goods and commodities in waterborne interstate or foreign commerce;
36 as to such persons the amount of tax with respect to such business is
37 equal to the gross proceeds derived from such activities multiplied
38 by the rate of 0.275 percent. Persons subject to taxation under this
39 subsection are exempt from payment of taxes imposed by chapter 82.16
40 RCW for that portion of their business subject to taxation under this~~

1 subsection. Stevedoring and associated activities pertinent to the
2 conduct of goods and commodities in waterborne interstate or foreign
3 commerce are defined as all activities of a labor, service or
4 transportation nature whereby cargo may be loaded or unloaded to or
5 from vessels or barges, passing over, onto or under a wharf, pier, or
6 similar structure; cargo may be moved to a warehouse or similar
7 holding or storage yard or area to await further movement in import
8 or export or may move to a consolidation freight station and be
9 stuffed, unstuffed, containerized, separated or otherwise segregated
10 or aggregated for delivery or loaded on any mode of transportation
11 for delivery to its consignee. Specific activities included in this
12 definition are: Wharfage, handling, loading, unloading, moving of
13 cargo to a convenient place of delivery to the consignee or a
14 convenient place for further movement to export mode; documentation
15 services in connection with the receipt, delivery, checking, care,
16 custody and control of cargo required in the transfer of cargo;
17 imported automobile handling prior to delivery to consignee; terminal
18 stevedoring and incidental vessel services, including but not limited
19 to plugging and unplugging refrigerator service to containers,
20 trailers, and other refrigerated cargo receptacles, and securing ship
21 hatch covers.

22 ~~(8))~~ (5) (a) Upon every person engaging within this state in the
23 business of disposing of low-level waste, as defined in RCW
24 70A.380.010; as to such persons the amount of the tax with respect to
25 such business is equal to the gross income of the business, excluding
26 any fees imposed under chapter 70A.384 RCW, multiplied by the rate of
27 3.3 percent.

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

32 ~~((9) Upon every person engaging within this state as an~~
33 ~~insurance producer or title insurance agent licensed under chapter~~
34 ~~48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW;~~
35 ~~as to such persons, the amount of the tax with respect to such~~
36 ~~licensed activities is equal to the gross income of such business~~
37 ~~multiplied by the rate of 0.484 percent.~~

38 ~~(10))~~ (6) Upon every person engaging within this state in
39 business as a hospital, as defined in chapter 70.41 RCW, that is
40 operated as a nonprofit corporation or by the state or any of its

1 political subdivisions, as to such persons, the amount of tax with
2 respect to such activities is equal to the gross income of the
3 business multiplied by the rate of 0.75 percent through June 30,
4 1995, and 1.5 percent thereafter.

5 ~~((11))~~ (7)(a) Beginning October 1, 2005, upon every person
6 engaging within this state in the business of manufacturing
7 commercial airplanes, or components of such airplanes, or making
8 sales, at retail or wholesale, of commercial airplanes or components
9 of such airplanes, manufactured by the seller, as to such persons the
10 amount of tax with respect to such business is, in the case of
11 manufacturers, equal to the value of the product manufactured and the
12 gross proceeds of sales of the product manufactured, or in the case
13 of processors for hire, equal to the gross income of the business,
14 multiplied by the rate of:

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

16 (ii) 0.2904 percent beginning July 1, 2007, through March 31,
17 2020; and

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

22 (b) Beginning July 1, 2008, upon every person who is not eligible
23 to report under the provisions of (a) of this subsection ~~((11))~~ (7)
24 and is engaging within this state in the business of manufacturing
25 tooling specifically designed for use in manufacturing commercial
26 airplanes or components of such airplanes, or making sales, at retail
27 or wholesale, of such tooling manufactured by the seller, as to such
28 persons the amount of tax with respect to such business is, in the
29 case of manufacturers, equal to the value of the product manufactured
30 and the gross proceeds of sales of the product manufactured, or in
31 the case of processors for hire, be equal to the gross income of the
32 business, multiplied by the rate of:

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

34 (ii) Beginning April 1, 2020, the following rates, which are
35 subject to any reduction required under (e) of this subsection
36 ~~((11))~~ (7):

37 (A) The rate under RCW 82.04.250(1) on the business of making
38 retail sales of tooling specifically designed for use in
39 manufacturing commercial airplanes or components of such airplanes;
40 and

1 (B) 0.484 percent on all other business activities described in
2 this subsection (~~((11))~~) (7) (b).

3 (c) For the purposes of this subsection (~~((11))~~) (7), "commercial
4 airplane" and "component" have the same meanings as provided in RCW
5 82.32.550.

6 (d) (i) In addition to all other requirements under this title, a
7 person reporting under the tax rate provided in this subsection
8 (~~((11))~~) (7) must file a complete annual tax performance report with
9 the department under RCW 82.32.534. However, this requirement does
10 not apply to persons reporting under the tax rate in (a) (iii) of this
11 subsection (~~((11))~~) (7), so long as that rate remains 0.484 percent,
12 or under any of the tax rates in (b) (ii) (A) and (B) of this
13 subsection (~~((11))~~) (7), so long as those tax rates remain the rate
14 imposed pursuant to RCW 82.04.250 (1) and 0.484 percent, respectively.

15 (ii) Nothing in (d) (i) of this subsection (~~((11))~~) (7) may be
16 construed as affecting the obligation of a person reporting under a
17 tax rate provided in this subsection (~~((11))~~) (7) to file a complete
18 annual tax performance report with the department under RCW
19 82.32.534: (A) Pursuant to another provision of this title as a
20 result of claiming a tax credit or exemption; or (B) pursuant to
21 (d) (i) of this subsection (~~((11))~~) (7) as a result of claiming the
22 tax rates in (a) (ii) or (b) (i) of this subsection (~~((11))~~) (7) for
23 periods ending before April 1, 2020.

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

31 (ii) Both a significant commercial airplane manufacturer
32 separately and the rest of the aerospace industry as a whole,
33 receiving the rate of 0.357 percent under this subsection (~~((11))~~)
34 (7) (e) are subject to the aerospace apprenticeship utilization rates
35 required under RCW 49.04.220 by April 1, 2026, or five years after
36 the effective date of the 0.357 percent rate authorized under this
37 subsection (~~((11))~~) (7) (e), whichever is later, as determined by the
38 department of labor and industries.

39 (iii) The provisions of RCW 82.32.805 and 82.32.808 do not apply
40 to this subsection (~~((11))~~) (7) (e).

1 (f)(i) Except as provided in (f)(ii) of this subsection (~~((11))~~)
2 (7), this subsection (~~((11))~~) (7) does not apply on and after July 1,
3 2040.

4 (ii) With respect to the manufacturing of commercial airplanes or
5 making sales, at retail or wholesale, of commercial airplanes, this
6 subsection (~~((11))~~) (7) does not apply on and after July 1st of the
7 year in which the department makes a determination that any final
8 assembly or wing assembly of any version or variant of a commercial
9 airplane that is the basis of a siting of a significant commercial
10 airplane manufacturing program in the state under RCW 82.32.850 has
11 been sited outside the state of Washington. This subsection (~~((11))~~)
12 (7)(f)(ii) only applies to the manufacturing or sale of commercial
13 airplanes that are the basis of a siting of a significant commercial
14 airplane manufacturing program in the state under RCW 82.32.850. This
15 subsection (~~((11))~~) (7)(f)(ii) continues to apply during the time
16 that a person is subject to the tax rate in (a)(iii) of this
17 subsection (~~((11))~~) (7).

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

22 (~~((12))~~) (8)(a) Until July 1, 2045, upon every person engaging
23 within this state in the business of extracting timber or extracting
24 for hire timber; as to such persons the amount of tax with respect to
25 the business is, in the case of extractors, equal to the value of
26 products, including by-products, extracted, or in the case of
27 extractors for hire, equal to the gross income of the business,
28 multiplied by the rate of 0.4235 percent from July 1, 2006, through
29 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
30 2045.

31 (b) Until July 1, 2045, upon every person engaging within this
32 state in the business of manufacturing or processing for hire: (i)
33 Timber into timber products or wood products; (ii) timber products
34 into other timber products or wood products; or (iii) products
35 defined in RCW 19.27.570(1); as to such persons the amount of the tax
36 with respect to the business is, in the case of manufacturers, equal
37 to the value of products, including by-products, manufactured, or in
38 the case of processors for hire, equal to the gross income of the
39 business, multiplied by the rate of 0.4235 percent from July 1, 2006,

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

3 (c) Until July 1, 2045, upon every person engaging within this
4 state in the business of selling at wholesale: (i) Timber extracted
5 by that person; (ii) timber products manufactured by that person from
6 timber or other timber products; (iii) wood products manufactured by
7 that person from timber or timber products; or (iv) products defined
8 in RCW 19.27.570(1) manufactured by that person; as to such persons
9 the amount of the tax with respect to the business is equal to the
10 gross proceeds of sales of the timber, timber products, wood
11 products, or products defined in RCW 19.27.570(1) multiplied by the
12 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and
13 0.2904 percent from July 1, 2007, through June 30, 2045.

14 (d) Until July 1, 2045, upon every person engaging within this
15 state in the business of selling standing timber; as to such persons
16 the amount of the tax with respect to the business is equal to the
17 gross income of the business multiplied by the rate of 0.2904
18 percent. For purposes of this subsection (~~((12))~~) (8)(d), "selling
19 standing timber" means the sale of timber apart from the land, where
20 the buyer is required to sever the timber within 30 months from the
21 date of the original contract, regardless of the method of payment
22 for the timber and whether title to the timber transfers before,
23 upon, or after severance.

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

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

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

1 periodicals, and other printed publications, advertising materials,
2 calendars, and similar types of printed materials.

3 (iii) "Recycled paper" means paper and paper products having 50
4 percent or more of their fiber content that comes from postconsumer
5 waste. For purposes of this subsection (~~((12))~~) (8)(e)(iii),
6 "postconsumer waste" means a finished material that would normally be
7 disposed of as solid waste, having completed its life cycle as a
8 consumer item.

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

13 (v) "Timber products" means:

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

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

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

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

25 (f) Except for small harvesters as defined in RCW 84.33.035, a
26 person reporting under the tax rate provided in this subsection
27 (~~((12))~~) (8) must file a complete annual tax performance report with
28 the department under RCW 82.32.534.

29 (g) Nothing in this subsection (~~((12))~~) (8) may be construed to
30 affect the taxation of any activity defined as a retail sale in RCW
31 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW
32 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

33 (~~((13))~~) (9) Upon every person engaging within this state in
34 inspecting, testing, labeling, and storing canned salmon owned by
35 another person, as to such persons, the amount of tax with respect to
36 such activities is equal to the gross income derived from such
37 activities multiplied by the rate of 0.484 percent.

38 **Sec. 103.** RCW 82.04.260 and 2023 c 422 s 5 are each amended to
39 read as follows:

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

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

9 (b) Beginning July 1, 2035, seafood products that remain in a
10 raw, raw frozen, or raw salted state at the completion of the
11 manufacturing by that person; or selling manufactured seafood
12 products that remain in a raw, raw frozen, or raw salted state at the
13 completion of the manufacturing, to purchasers who transport in the
14 ordinary course of business the goods out of this state; as to such
15 persons the amount of tax with respect to such business is equal to
16 the value of the products manufactured or the gross proceeds derived
17 from such sales, multiplied by the rate of 0.138 percent. Sellers
18 must keep and preserve records for the period required by RCW
19 82.32.070 establishing that the goods were transported by the
20 purchaser in the ordinary course of business out of this state;

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

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

37 (A) Products, not including any cannabis-infused product, that as
38 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts
39 131, 133, and 135, including by-products from the manufacturing of
40 the dairy products, such as whey and casein; and

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

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

9 (d)(i) Beginning July 1, 2035, fruits or vegetables by canning,
10 preserving, freezing, processing, or dehydrating fresh fruits or
11 vegetables, or selling at wholesale fruits or vegetables manufactured
12 by the seller by canning, preserving, freezing, processing, or
13 dehydrating fresh fruits or vegetables and sold to purchasers who
14 transport in the ordinary course of business the goods out of this
15 state; as to such persons the amount of tax with respect to such
16 business is equal to the value of the products manufactured or the
17 gross proceeds derived from such sales multiplied by the rate of
18 0.138 percent. Sellers must keep and preserve records for the period
19 required by RCW 82.32.070 establishing that the goods were
20 transported by the purchaser in the ordinary course of business out
21 of this state.

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

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

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

37 ~~(3) ((Upon every nonprofit corporation and nonprofit association
38 engaging within this state in research and development, as to such
39 corporations and associations, the amount of tax with respect to such~~

1 ~~activities is equal to the gross income derived from such activities~~
2 ~~multiplied by the rate of 0.484 percent.~~

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

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

14 ~~((b) Upon every person engaging within this state in the~~
15 ~~business of acting as a travel agent or tour operator and whose~~
16 ~~annual taxable amount for the prior calendar year from such business~~
17 ~~was more than \$250,000; as to such persons the amount of the tax with~~
18 ~~respect to such activities is equal to the gross income derived from~~
19 ~~such activities multiplied by the rate of 0.275 percent through June~~
20 ~~30, 2019, and 0.9 percent beginning July 1, 2019.~~

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

28 ~~(7) Upon every person engaging within this state in the business~~
29 ~~of stevedoring and associated activities pertinent to the movement of~~
30 ~~goods and commodities in waterborne interstate or foreign commerce;~~
31 ~~as to such persons the amount of tax with respect to such business is~~
32 ~~equal to the gross proceeds derived from such activities multiplied~~
33 ~~by the rate of 0.275 percent. Persons subject to taxation under this~~
34 ~~subsection are exempt from payment of taxes imposed by chapter 82.16~~
35 ~~RCW for that portion of their business subject to taxation under this~~
36 ~~subsection. Stevedoring and associated activities pertinent to the~~
37 ~~conduct of goods and commodities in waterborne interstate or foreign~~
38 ~~commerce are defined as all activities of a labor, service or~~
39 ~~transportation nature whereby cargo may be loaded or unloaded to or~~
40 ~~from vessels or barges, passing over, onto or under a wharf, pier, or~~

1 similar structure; cargo may be moved to a warehouse or similar
2 holding or storage yard or area to await further movement in import
3 or export or may move to a consolidation freight station and be
4 stuffed, unstuffed, containerized, separated or otherwise segregated
5 or aggregated for delivery or loaded on any mode of transportation
6 for delivery to its consignee. Specific activities included in this
7 definition are: Wharfage, handling, loading, unloading, moving of
8 cargo to a convenient place of delivery to the consignee or a
9 convenient place for further movement to export mode; documentation
10 services in connection with the receipt, delivery, checking, care,
11 custody and control of cargo required in the transfer of cargo;
12 imported automobile handling prior to delivery to consignee; terminal
13 stevedoring and incidental vessel services, including but not limited
14 to plugging and unplugging refrigerator service to containers,
15 trailers, and other refrigerated cargo receptacles, and securing ship
16 hatch covers.

17 ~~(8))~~ (5) (a) Upon every person engaging within this state in the
18 business of disposing of low-level waste, as defined in RCW
19 70A.380.010; as to such persons the amount of the tax with respect to
20 such business is equal to the gross income of the business, excluding
21 any fees imposed under chapter 70A.384 RCW, multiplied by the rate of
22 3.3 percent.

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

27 ~~((9) Upon every person engaging within this state as an~~
28 ~~insurance producer or title insurance agent licensed under chapter~~
29 ~~48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW;~~
30 ~~as to such persons, the amount of the tax with respect to such~~
31 ~~licensed activities is equal to the gross income of such business~~
32 ~~multiplied by the rate of 0.484 percent.~~

33 ~~(10))~~ (6) Upon every person engaging within this state in
34 business as a hospital, as defined in chapter 70.41 RCW, that is
35 operated as a nonprofit corporation or by the state or any of its
36 political subdivisions, as to such persons, the amount of tax with
37 respect to such activities is equal to the gross income of the
38 business multiplied by the rate of 0.75 percent through June 30,
39 1995, and 1.5 percent thereafter.

1 (~~(11)~~) (7)(a) Beginning October 1, 2005, upon every person
2 engaging within this state in the business of manufacturing
3 commercial airplanes, or components of such airplanes, or making
4 sales, at retail or wholesale, of commercial airplanes or components
5 of such airplanes, manufactured by the seller, as to such persons the
6 amount of tax with respect to such business is, in the case of
7 manufacturers, equal to the value of the product manufactured and the
8 gross proceeds of sales of the product manufactured, or in the case
9 of processors for hire, equal to the gross income of the business,
10 multiplied by the rate of:

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

12 (ii) 0.2904 percent beginning July 1, 2007, through March 31,
13 2020; and

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

18 (b) Beginning July 1, 2008, upon every person who is not eligible
19 to report under the provisions of (a) of this subsection (~~(11)~~) (7)
20 and is engaging within this state in the business of manufacturing
21 tooling specifically designed for use in manufacturing commercial
22 airplanes or components of such airplanes, or making sales, at retail
23 or wholesale, of such tooling manufactured by the seller, as to such
24 persons the amount of tax with respect to such business is, in the
25 case of manufacturers, equal to the value of the product manufactured
26 and the gross proceeds of sales of the product manufactured, or in
27 the case of processors for hire, be equal to the gross income of the
28 business, multiplied by the rate of:

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

30 (ii) Beginning April 1, 2020, the following rates, which are
31 subject to any reduction required under (e) of this subsection
32 (~~(11)~~) (7):

33 (A) The rate under RCW 82.04.250(1) on the business of making
34 retail sales of tooling specifically designed for use in
35 manufacturing commercial airplanes or components of such airplanes;
36 and

37 (B) 0.484 percent on all other business activities described in
38 this subsection (~~(11)~~) (7)(b).

1 (c) For the purposes of this subsection (~~((11))~~) (7), "commercial
2 airplane" and "component" have the same meanings as provided in RCW
3 82.32.550.

4 (d)(i) In addition to all other requirements under this title, a
5 person reporting under the tax rate provided in this subsection
6 (~~((11))~~) (7) must file a complete annual tax performance report with
7 the department under RCW 82.32.534. However, this requirement does
8 not apply to persons reporting under the tax rate in (a)(iii) of this
9 subsection (~~((11))~~) (7), so long as that rate remains 0.484 percent,
10 or under any of the tax rates in (b)(ii)(A) and (B) of this
11 subsection (~~((11))~~) (7), so long as those tax rates remain the rate
12 imposed pursuant to RCW 82.04.250(1) and 0.484 percent, respectively.

13 (ii) Nothing in (d)(i) of this subsection (~~((11))~~) (7) may be
14 construed as affecting the obligation of a person reporting under a
15 tax rate provided in this subsection (~~((11))~~) (7) to file a complete
16 annual tax performance report with the department under RCW
17 82.32.534: (A) Pursuant to another provision of this title as a
18 result of claiming a tax credit or exemption; or (B) pursuant to
19 (d)(i) of this subsection (~~((11))~~) (7) as a result of claiming the
20 tax rates in (a)(ii) or (b)(i) of this subsection (~~((11))~~) (7) for
21 periods ending before April 1, 2020.

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

29 (ii) Both a significant commercial airplane manufacturer
30 separately and the rest of the aerospace industry as a whole,
31 receiving the rate of 0.357 percent under this subsection (~~((11))~~)
32 (7)(e) are subject to the aerospace apprenticeship utilization rates
33 required under RCW 49.04.220 by April 1, 2026, or five years after
34 the effective date of the 0.357 percent rate authorized under this
35 subsection (~~((11))~~) (7)(e), whichever is later, as determined by the
36 department of labor and industries.

37 (iii) The provisions of RCW 82.32.805 and 82.32.808 do not apply
38 to this subsection (~~((11))~~) (7)(e).

1 (f)(i) Except as provided in (f)(ii) of this subsection (~~((11))~~)
2 (7), this subsection (~~((11))~~) (7) does not apply on and after July 1,
3 2040.

4 (ii) With respect to the manufacturing of commercial airplanes or
5 making sales, at retail or wholesale, of commercial airplanes, this
6 subsection (~~((11))~~) (7) does not apply on and after July 1st of the
7 year in which the department makes a determination that any final
8 assembly or wing assembly of any version or variant of a commercial
9 airplane that is the basis of a siting of a significant commercial
10 airplane manufacturing program in the state under RCW 82.32.850 has
11 been sited outside the state of Washington. This subsection (~~((11))~~)
12 (7)(f)(ii) only applies to the manufacturing or sale of commercial
13 airplanes that are the basis of a siting of a significant commercial
14 airplane manufacturing program in the state under RCW 82.32.850. This
15 subsection (~~((11))~~) (7)(f)(ii) continues to apply during the time
16 that a person is subject to the tax rate in (a)(iii) of this
17 subsection (~~((11))~~) (7).

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

22 (~~((12))~~) (8)(a) Until July 1, 2045, upon every person engaging
23 within this state in the business of extracting timber or extracting
24 for hire timber; as to such persons the amount of tax with respect to
25 the business is, in the case of extractors, equal to the value of
26 products, including by-products, extracted, or in the case of
27 extractors for hire, equal to the gross income of the business,
28 multiplied by the rate of 0.4235 percent from July 1, 2006, through
29 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
30 2045.

31 (b) Until July 1, 2045, upon every person engaging within this
32 state in the business of manufacturing or processing for hire: (i)
33 Timber into timber products or wood products; (ii) timber products
34 into other timber products or wood products; or (iii) products
35 defined in RCW 19.27.570(1); as to such persons the amount of the tax
36 with respect to the business is, in the case of manufacturers, equal
37 to the value of products, including by-products, manufactured, or in
38 the case of processors for hire, equal to the gross income of the
39 business, multiplied by the rate of 0.4235 percent from July 1, 2006,

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

3 (c) Until July 1, 2045, upon every person engaging within this
4 state in the business of selling at wholesale: (i) Timber extracted
5 by that person; (ii) timber products manufactured by that person from
6 timber or other timber products; (iii) wood products manufactured by
7 that person from timber or timber products; or (iv) products defined
8 in RCW 19.27.570(1) manufactured by that person; as to such persons
9 the amount of the tax with respect to the business is equal to the
10 gross proceeds of sales of the timber, timber products, wood
11 products, or products defined in RCW 19.27.570(1) multiplied by the
12 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and
13 0.2904 percent from July 1, 2007, through June 30, 2045.

14 (d) Until July 1, 2045, upon every person engaging within this
15 state in the business of selling standing timber; as to such persons
16 the amount of the tax with respect to the business is equal to the
17 gross income of the business multiplied by the rate of 0.2904
18 percent. For purposes of this subsection (~~((12))~~) (8)(d), "selling
19 standing timber" means the sale of timber apart from the land, where
20 the buyer is required to sever the timber within 30 months from the
21 date of the original contract, regardless of the method of payment
22 for the timber and whether title to the timber transfers before,
23 upon, or after severance.

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

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

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

1 periodicals, and other printed publications, advertising materials,
2 calendars, and similar types of printed materials.

3 (iii) "Recycled paper" means paper and paper products having 50
4 percent or more of their fiber content that comes from postconsumer
5 waste. For purposes of this subsection (~~((12))~~) (8)(e)(iii),
6 "postconsumer waste" means a finished material that would normally be
7 disposed of as solid waste, having completed its life cycle as a
8 consumer item.

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

13 (v) "Timber products" means:

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

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

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

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

25 (f) Except for small harvesters as defined in RCW 84.33.035, a
26 person reporting under the tax rate provided in this subsection
27 (~~((12))~~) (8) must file a complete annual tax performance report with
28 the department under RCW 82.32.534.

29 (g) Nothing in this subsection (~~((12))~~) (8) may be construed to
30 affect the taxation of any activity defined as a retail sale in RCW
31 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW
32 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

33 (~~((13))~~) (9) Upon every person engaging within this state in
34 inspecting, testing, labeling, and storing canned salmon owned by
35 another person, as to such persons, the amount of tax with respect to
36 such activities is equal to the gross income derived from such
37 activities multiplied by the rate of 0.484 percent.

38 (~~((14))~~) (10)(a) Upon every person engaging within this state in
39 the business of printing a newspaper, publishing a newspaper, or
40 both, the amount of tax on such business is equal to the gross income

1 of the business multiplied by the rate of 0.35 percent until July 1,
2 2024, and 0.484 percent thereafter.

3 (b) A person reporting under the tax rate provided in this
4 subsection (~~((14))~~) (10) must file a complete annual tax performance
5 report with the department under RCW 82.32.534.

6 **Sec. 104.** RCW 82.04.290 and 2020 c 2 s 3 are each amended to
7 read as follows:

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

13 ~~(2))~~ (a) Upon every person engaging within this state in any
14 business activity other than or in addition to an activity taxed
15 explicitly under another section in this chapter or subsection (~~((1)~~
16 ~~or (3))~~) (2) of this section; as to such persons the amount of tax on
17 account of such activities is equal to the gross income of the
18 business multiplied by the rate of:

19 (i) 1.75 percent; or

20 (ii) 1.5 percent for:

21 (A) Any person subject to the surcharge imposed under RCW
22 82.04.299;

23 (B) Any person whose gross income of the business subject to the
24 tax imposed under this subsection (~~((2))~~) (1), for the immediately
25 preceding calendar year, was less than (~~one million dollars~~)
26 \$1,000,000, unless (I) the person is affiliated with one or more
27 other persons, and (II) the aggregate gross income of the business
28 subject to the tax imposed under this subsection (~~((2))~~) (1) for all
29 affiliated persons was greater than or equal to (~~one million~~
30 ~~dollars~~) \$1,000,000 for the immediately preceding calendar year; and

31 (C) Hospitals as defined in RCW 70.41.020, including any hospital
32 that comes within the scope of chapter 71.12 RCW if the hospital is
33 also licensed under chapter 70.41 RCW. This subsection (~~((2))~~) (1)
34 (a)(ii)(C) must not be construed as modifying RCW 82.04.260(~~((10))~~)
35 (6).

36 (b) This subsection (~~((2))~~) (1) includes, among others, and
37 without limiting the scope hereof (whether or not title to materials
38 used in the performance of such business passes to another by
39 accession, confusion or other than by outright sale), persons engaged

1 in the business of rendering any type of service which does not
2 constitute a "sale at retail" or a "sale at wholesale." The value of
3 advertising, demonstration, and promotional supplies and materials
4 furnished to an agent by his or her principal or supplier to be used
5 for informational, educational, and promotional purposes is not
6 considered a part of the agent's remuneration or commission and is
7 not subject to taxation under this section.

8 (c) 14.3 percent of the revenues collected under (a)(i) of this
9 subsection (~~((2))~~) (1) must be deposited into the workforce education
10 investment account created in RCW 43.79.195.

11 (d)(i) To aid in the effective administration of this subsection
12 (~~((2))~~) (1), the department may require a person claiming to be
13 subject to the 1.5 percent tax rate under (a)(ii)(B) of this
14 subsection (~~((2))~~) (1) to identify all of the person's affiliates,
15 including their department tax registration number or unified
16 business identifier number, as may be applicable, or to certify that
17 the person is not affiliated with any other person. Requests under
18 this subsection (~~((2))~~) (1)(d)(i) must be in writing and may be made
19 electronically.

20 (ii) If the department establishes, by clear, cogent, and
21 convincing evidence, that a person, with intent to evade the
22 additional taxes due under the 1.75 percent tax rate in (a)(i) of
23 this subsection (~~((2))~~) (1), failed to provide the department with
24 complete and accurate information in response to a written request
25 under (d)(i) of this subsection (~~((2))~~) (1) within (~~((thirty))~~) 30 days
26 of such request, the person is ineligible for the 1.5 percent tax
27 rate in (a)(ii) of this subsection (~~((2))~~) (1) for the entire current
28 calendar year and the following four calendar years. However, the
29 department must waive the provisions of this subsection (~~((2))~~) (1)
30 (d)(ii) for any tax reporting period that the person is otherwise
31 eligible for the 1.5 percent tax rate in (a)(ii) of this subsection
32 (~~((2))~~) (1) if (A) the department has not previously determined that
33 the person failed to fully comply with (d)(i) of this subsection
34 (~~((2))~~) (1), and (B) within (~~((thirty))~~) 30 days of the notice of
35 additional tax due as a result of the person's failure to fully
36 comply with (d)(i) of this subsection (~~((2))~~) (1) the department
37 determines that the person has come into full compliance with (d)(i)
38 of this subsection (~~((2))~~) (1). This subsection (~~((2))~~) (1)(d)
39 applies only with respect to persons claiming entitlement to the 1.5

1 percent tax rate solely by reason of (a)(ii)(B) of this subsection
2 (~~(1)~~) (1).

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

13 (f) For purposes of this subsection (~~(1)~~) (1), the definitions
14 in this subsection (~~(1)~~) (1)(f) apply:

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

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

22 (~~(3)~~) (2)(a) Until July 1, 2040, upon every person engaging
23 within this state in the business of performing aerospace product
24 development for others, as to such persons, the amount of tax with
25 respect to such business is equal to the gross income of the business
26 multiplied by a rate of 0.9 percent.

27 (b) A person reporting under the tax rate provided in this
28 subsection (~~(3)~~) (2) must file a complete annual report with the
29 department under RCW 82.32.534.

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

32 **Sec. 105.** RCW 48.14.0201 and 2016 c 133 s 2 are each amended to
33 read as follows:

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

38 (2) Each taxpayer must pay a tax on or before the first day of
39 March of each year to the state treasurer through the insurance

1 commissioner's office. The tax must be equal to the total amount of
2 all premiums and prepayments for health care services collected or
3 received by the taxpayer under RCW 48.14.090 during the preceding
4 calendar year multiplied by the rate of two percent. For tax
5 purposes, the reporting of premiums and prepayments must be on a
6 written basis or on a paid-for basis consistent with the basis
7 required by the annual statement.

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

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

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

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

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

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

29 (b) Beginning January 1, 2014, moneys collected from taxpayers
30 for premiums written on qualified health benefit plans and qualified
31 dental plans offered through the health benefit exchange under
32 chapter 43.71 RCW must be deposited in the health benefit exchange
33 account under RCW 43.71.060.

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

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

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

1 (i) The medical care services program as provided in RCW
2 74.09.035; or

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

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

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

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

30 (8) (a) The taxes imposed by this section apply to a self-funded
31 multiple employer welfare arrangement only in the event that they are
32 not preempted by the employee retirement income security act of 1974,
33 as amended, 29 U.S.C. Sec. 1001 et seq. The arrangements and the
34 commissioner must initially request an advisory opinion from the
35 United States department of labor or obtain a declaratory ruling from
36 a federal court on the legality of imposing state premium taxes on
37 these arrangements. Once the legality of the taxes has been
38 determined, the multiple employer welfare arrangement certified by
39 the insurance commissioner must begin payment of these taxes.

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

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

14 (10) On or before June 1st of each year, the commissioner must
15 notify each taxpayer required to make prepayments in that year of the
16 amount of each prepayment and must provide remittance forms to be
17 used by the taxpayer. However, a taxpayer's responsibility to make
18 prepayments is not affected by failure of the commissioner to send,
19 or the taxpayer to receive, the notice or forms.

20 **Sec. 106.** RCW 82.04.050 and 2021 c 296 s 8 and 2021 c 143 s 2
21 are each reenacted and amended to read as follows:

22 (1)(a) "Sale at retail" or "retail sale" means every sale of
23 tangible personal property (including articles produced, fabricated,
24 or imprinted) to all persons irrespective of the nature of their
25 business and including, among others, without limiting the scope
26 hereof, persons who install, repair, clean, alter, improve,
27 construct, or decorate real or personal property of or for consumers
28 other than a sale to a person who:

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

33 (ii) Installs, repairs, cleans, alters, imprints, improves,
34 constructs, or decorates real or personal property of or for
35 consumers, if such tangible personal property becomes an ingredient
36 or component of such real or personal property without intervening
37 use by such person; or

38 (iii) Purchases for the purpose of consuming the property
39 purchased in producing for sale as a new article of tangible personal

1 property or substance, of which such property becomes an ingredient
2 or component or is a chemical used in processing, when the primary
3 purpose of such chemical is to create a chemical reaction directly
4 through contact with an ingredient of a new article being produced
5 for sale; or

6 ~~(iv) ((Purchases for the purpose of consuming the property~~
7 ~~purchased in producing ferrosilicon which is subsequently used in~~
8 ~~producing magnesium for sale, if the primary purpose of such property~~
9 ~~is to create a chemical reaction directly through contact with an~~
10 ~~ingredient of ferrosilicon; or~~

11 ~~(v))~~ Purchases for the purpose of providing the property to
12 consumers as part of competitive telephone service, as defined in RCW
13 82.04.065; or

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

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

24 (c) The term also means every sale of tangible personal property
25 to persons engaged in any business that is taxable under RCW
26 82.04.280(1) (a), (b), and (g), 82.04.290, and 82.04.2908.

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

30 (a) The installing, repairing, cleaning, altering, imprinting, or
31 improving of tangible personal property of or for consumers,
32 including charges made for the mere use of facilities in respect
33 thereto, but excluding charges made for the use of self-service
34 laundry facilities, and also excluding sales of laundry service to
35 nonprofit health care facilities, and excluding services rendered in
36 respect to live animals, birds and insects;

37 (b) The constructing, repairing, decorating, or improving of new
38 or existing buildings or other structures under, upon, or above real
39 property of or for consumers, including the installing or attaching
40 of any article of tangible personal property therein or thereto,

1 whether or not such personal property becomes a part of the realty by
2 virtue of installation, and also includes the sale of services or
3 charges made for the clearing of land and the moving of earth
4 excepting the mere leveling of land used in commercial farming or
5 agriculture;

6 (c) The constructing, repairing, or improving of any structure
7 upon, above, or under any real property owned by an owner who conveys
8 the property by title, possession, or any other means to the person
9 performing such construction, repair, or improvement for the purpose
10 of performing such construction, repair, or improvement and the
11 property is then reconveyed by title, possession, or any other means
12 to the original owner;

13 (d) The cleaning, fumigating, razing, or moving of existing
14 buildings or structures, but does not include the charge made for
15 janitorial services; and for purposes of this section the term
16 "janitorial services" means those cleaning and caretaking services
17 ordinarily performed by commercial janitor service businesses
18 including, but not limited to, wall and window washing, floor
19 cleaning and waxing, and the cleaning in place of rugs, drapes and
20 upholstery. The term "janitorial services" does not include painting,
21 papering, repairing, furnace or septic tank cleaning, snow removal or
22 sandblasting;

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

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

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

3 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g)
4 of this subsection when such sales or charges are for property, labor
5 and services which are used or consumed in whole or in part by such
6 persons in the performance of any activity defined as a "sale at
7 retail" or "retail sale" even though such property, labor and
8 services may be resold after such use or consumption. Nothing
9 contained in this subsection may be construed to modify subsection
10 (1) of this section and nothing contained in subsection (1) of this
11 section may be construed to modify this subsection.

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

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

18 (b) Credit bureau services;

19 (c) Automobile parking and storage garage services;

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

25 (e) Service charges associated with tickets to professional
26 sporting events;

27 (f) The following personal services: Tanning salon services,
28 tattoo parlor services, steam bath services, turkish bath services,
29 escort services, and dating services; and

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

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

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

39 (B) Separately stated charges for the use of a discrete portion
40 of an athletic or fitness facility, other than a pool, where such

1 discrete portion of the facility does not by itself meet the
2 definition of "athletic or fitness facility" in this subsection;

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

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

19 (E) Rent or association fees charged by a landlord or residential
20 association to a tenant or residential owner with access to an
21 athletic or fitness facility maintained by the landlord or
22 residential association, unless the rent or fee varies depending on
23 whether the tenant or owner has access to the facility;

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

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

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

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

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

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

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

21 (C) "Physical fitness activities" means activities that involve
22 physical exertion for the purpose of improving or maintaining the
23 general fitness, strength, flexibility, conditioning, or health of
24 the participant. "Physical fitness activities" includes participating
25 in yoga, chi gong, or martial arts.

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

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

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

34 (6)(a) The term also includes the sale of prewritten computer
35 software to a consumer, regardless of the method of delivery to the
36 end user. For purposes of (a) and (b) of this subsection, the sale of
37 prewritten computer software includes the sale of or charge made for
38 a key or an enabling or activation code, where the key or code is
39 required to activate prewritten computer software and put the
40 software into use. There is no separate sale of the key or code from

1 the prewritten computer software, regardless of how the sale may be
2 characterized by the vendor or by the purchaser.

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

5 (i) Custom software; or

6 (ii) The customization of prewritten computer software.

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

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

15 (B) For purposes of this subsection (6)(c)(ii), "data processing"
16 means the systematic performance of operations on data to extract the
17 required information in an appropriate form or to convert the data to
18 usable information. Data processing includes check processing, image
19 processing, form processing, survey processing, payroll processing,
20 claim processing, and similar activities.

21 (7) The term also includes the sale of or charge made for an
22 extended warranty to a consumer. For purposes of this subsection,
23 "extended warranty" means an agreement for a specified duration to
24 perform the replacement or repair of tangible personal property at no
25 additional charge or a reduced charge for tangible personal property,
26 labor, or both, or to provide indemnification for the replacement or
27 repair of tangible personal property, based on the occurrence of
28 specified events. The term "extended warranty" does not include an
29 agreement, otherwise meeting the definition of extended warranty in
30 this subsection, if no separate charge is made for the agreement and
31 the value of the agreement is included in the sales price of the
32 tangible personal property covered by the agreement. For purposes of
33 this subsection, "sales price" has the same meaning as in RCW
34 82.08.010.

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

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

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

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

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

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

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

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

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

30 (11) The term also does not include sales of chemical sprays or
31 washes to persons for the purpose of postharvest treatment of fruit
32 for the prevention of scald, fungus, mold, or decay, nor does it
33 include sales of feed, seed, seedlings, fertilizer, agents for
34 enhanced pollination including insects such as bees, and spray
35 materials to: (a) Persons who participate in the federal conservation
36 reserve program, the environmental quality incentives program, the
37 wetlands reserve program, and the wildlife habitat incentives
38 program, or their successors administered by the United States
39 department of agriculture; (b) farmers for the purpose of producing
40 for sale any agricultural product; (c) farmers for the purpose of

1 providing bee pollination services; and (d) farmers acting under
2 cooperative habitat development or access contracts with an
3 organization exempt from federal income tax under 26 U.S.C. Sec.
4 501(c)(3) of the federal internal revenue code or the Washington
5 state department of fish and wildlife to produce or improve wildlife
6 habitat on land that the farmer owns or leases.

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

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

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

32 (15)(a) The term "sale at retail" or "retail sale" includes
33 amounts charged, however labeled, to consumers to engage in any of
34 the activities listed in this subsection (15)(a), including the
35 furnishing of any associated equipment or, except as otherwise
36 provided in this subsection, providing instruction in such
37 activities, where such charges are not otherwise defined as a "sale
38 at retail" or "retail sale" in this section:

39 (i)(A) Golf, including any variant in which either golf balls or
40 golf clubs are used, such as miniature golf, hitting golf balls at a

1 driving range, and golf simulators, and including fees charged by a
2 golf course to a player for using his or her own cart. However,
3 charges for golf instruction are not a retail sale, provided that if
4 the instruction involves the use of a golfing facility that would
5 otherwise require the payment of a fee, such as green fees or driving
6 range fees, such fees, including the applicable retail sales tax,
7 must be separately identified and charged by the golfing facility
8 operator to the instructor or the person receiving the instruction.

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

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

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

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

33 (v) Batting cage activities;

34 (vi) Bowling, but not including competitive events, except that
35 amounts paid by the event participants to the bowling alley operator
36 are retail sales under this subsection (15) (a) (vi). Likewise, amounts
37 paid by the event organizer to the operator of the bowling alley are
38 retail sales under this subsection (15) (a) (vi), if such amounts vary
39 based on the number of event participants;

1 (vii) Climbing on artificial climbing structures, whether indoors
2 or outdoors;

3 (viii) Day trips for sightseeing purposes;

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

6 (x) Horseback riding offered to the public, where the seller
7 furnishes the horse to the buyer and providing instruction is not the
8 primary focus of the activity, including guided rides, but not
9 including therapeutic horseback riding provided by an instructor
10 certified by a nonprofit organization that offers national or
11 international certification for therapeutic riding instructors;

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

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

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

27 (xiv) Go-karting, bumper cars, and other motorized activities
28 where the seller provides the vehicle and the premises where the
29 buyer will operate the vehicle;

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

38 (xvi) Shooting sports and activities, such as target shooting,
39 skeet, trap, sporting clays, "5" stand, and archery, but only in
40 respect to discrete charges to members of the public to engage in

1 these activities, but not including fees to enter a competitive
2 event, instruction that is entirely or predominately classroom based,
3 or to join or renew a membership at a club, range, or other facility;

4 (xvii) Paintball and airsoft activities;

5 (xviii) Skating, including ice skating, roller skating, and
6 inline skating, but only in respect to discrete charges to members of
7 the public to engage in skating activities, but not including skating
8 lessons, competitive events, team activities, or fees to join or
9 renew a membership at a skating facility, club, or other
10 organization;

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

26 (xx) Scuba diving; snorkeling; river rafting; surfing;
27 kiteboarding; flyboarding; water slides; inflatables, such as water
28 pillows, water trampolines, and water rollers; and similar water
29 sports and activities.

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

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

38 (ii) Made by an educational institution to its students and staff
39 for activities defined as retail sales by (a)(i) through (xx) of this
40 subsection. However, charges made by an educational institution to

1 its alumni or other members of the general public for these
2 activities are a retail sale under this subsection (15). For purposes
3 of this subsection (15)(b)(ii), "educational institution" has the
4 same meaning as in RCW 82.04.170;

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

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

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

24 (b) For purposes of this subsection (16), "specified services"
25 means:

26 (i) The constructing, repairing, decorating, or improving of new
27 or existing buildings or other structures under, upon, or above real
28 property, including the installing or attaching of any article of
29 tangible personal property therein or thereto, whether or not such
30 personal property becomes a part of the realty by virtue of
31 installation;

32 (ii) The clearing of land or the moving of earth, whether or not
33 associated with activities described in (b)(i) of this subsection
34 (16);

35 (iii) The razing or moving of existing buildings or structures;
36 and

37 (iv) Landscape maintenance and horticultural services.

38 **Sec. 107.** RCW 82.04.110 and 2009 c 535 s 405 are each amended to
39 read as follows:

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

6 (2) ~~((a))~~ When the owner of equipment or facilities furnishes,
7 or sells to the customer prior to manufacture, all or a portion of
8 the materials that become a part or whole of the manufactured
9 article, the department shall prescribe equitable rules for
10 determining tax liability.

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

18 (3) A nonresident of this state who is the owner of materials
19 processed for it in this state by a processor for hire shall not be
20 deemed to be engaged in business in this state as a manufacturer
21 because of the performance of such processing work for it in this
22 state.

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

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

29 **Sec. 108.** RCW 82.04.120 and 2019 c 202 s 3 are each amended to
30 read as follows:

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

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

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

4 (c) Cutting, delimiting, and measuring of felled, cut, or taken
5 trees;

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

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

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

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

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

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

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

18 (d) ~~((Packing of agricultural products, including sorting,
19 washing, rinsing, grading, waxing, treating with fungicide,
20 packaging, chilling, or placing in controlled atmospheric storage;
21 +e))~~ The production of digital goods;

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

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

34 (3) With respect to wastewater treatment facilities:

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

38 (b) "To manufacture" does include the production of class A or
39 exceptional quality biosolids, but only with respect to the

1 processing activities that occur after the biosolids have reached
2 class B standards.

3 **Sec. 109.** RCW 82.04.43395 and 2023 c 313 s 1 are each amended to
4 read as follows:

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

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

16 ~~(a) Incentive~~) incentive payments received through the medicaid
17 quality improvement program established through 42 C.F.R. 438.6(b)(2)
18 (~~(~~

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

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

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

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

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

1 **Sec. 110.** RCW 82.12.022 and 2017 3rd sp.s. c 37 s 707 are each
2 amended to read as follows:

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

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

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

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

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

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

28 ~~(6))~~) (4) The tax imposed by this section does not apply to the
29 use of natural gas, compressed natural gas, or liquefied natural gas,
30 if the consumer uses the gas for transportation fuel as defined in
31 RCW 82.16.310.

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

35 ~~(8))~~) (5) There is a credit against the tax levied under this
36 section in an amount equal to any tax paid by:

37 (a) The person who sold the gas to the consumer when that tax is
38 a gross receipts tax similar to that imposed pursuant to RCW
39 82.16.020 by another state with respect to the gas for which a credit
40 is sought under this subsection; or

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

5 ~~((9))~~ (6) The use tax imposed in this section must be paid by
6 the consumer to the department.

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

12 ~~((11))~~ (8) The department may adopt rules under chapter 34.05
13 RCW for the administration and enforcement of sections 1 through 6,
14 chapter 384, Laws of 1989.

15 **Sec. 111.** RCW 82.12.022 and 2017 c 135 s 27 are each amended to
16 read as follows:

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

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

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

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

36 ~~((5)(a) The tax levied in this section does not apply to the use
37 of natural or manufactured gas by an aluminum smelter as that term is
38 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))~~ (5) There is a credit against the tax levied under this
9 section in an amount equal to any tax paid by:

10 (a) The person who sold the gas to the consumer when that tax is
11 a gross receipts tax similar to that imposed pursuant to RCW
12 82.16.020 by another state with respect to the gas for which a credit
13 is sought under this subsection; or

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

18 ~~((8))~~ (6) The use tax imposed in this section must be paid by
19 the consumer to the department.

20 ~~((9))~~ (7) There is imposed a reporting requirement on the
21 person who delivered the gas to the consumer to make a quarterly
22 report to the department. Such report must contain the volume of gas
23 delivered, name of the consumer to whom delivered, and such other
24 information as the department may require by rule.

25 ~~((10))~~ (8) The department may adopt rules under chapter 34.05
26 RCW for the administration and enforcement of sections 1 through 6,
27 chapter 384, Laws of 1989.

28 **Sec. 112.** RCW 82.21.040 and 2024 c 241 s 1 are each amended to
29 read as follows:

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

31 (1) Any successive possession of a previously taxed hazardous
32 substance. If tax due under this chapter has not been paid with
33 respect to a hazardous substance, the department may collect the tax
34 from any person who has had possession of the hazardous substance. If
35 the tax is paid by any person other than the first person having
36 taxable possession of a hazardous substance, the amount of tax paid
37 shall constitute a debt owed by the first person having taxable
38 possession to the person who paid the tax.

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

6 (3) Any possession of a hazardous substance amount which is
7 determined as minimal by the department of ecology and which is
8 possessed by a retailer for the purpose of making sales to ultimate
9 consumers. This exemption does not apply to pesticide or petroleum
10 products.

11 ~~(4) ((Any possession of alumina or natural gas.~~
12 ~~+5))~~ (a) Until January 1, 2028, any possession of a hazardous
13 substance as defined in RCW 82.21.020(1)(c) that is solely for use by
14 a farmer or certified applicator as an agricultural crop protection
15 product and warehoused in this state or transported to or from this
16 state, provided that the person possessing the substance does not
17 otherwise use, manufacture, package for sale, or sell the substance
18 in this state.

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

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

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

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

29 (iv) "Manufacturing" includes mixing or combining agricultural
30 crop protection products with other chemicals or other agricultural
31 crop protection products.

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

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

37 ~~((+6))~~ (5) Persons or activities which the state is prohibited
38 from taxing under the United States Constitution.

1 **Sec. 113.** RCW 82.23A.030 and 1989 c 383 s 17 are each amended to
2 read as follows:

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

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

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

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

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

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

23 ~~((6))~~ (5) Any possession of petroleum products that are
24 exported for use or sale outside this state as fuel.

25 ~~((7))~~ (6) Any possession of petroleum products packaged for
26 sale to ultimate consumers.

27 **Sec. 114.** RCW 82.29A.130 and 2023 c 343 s 2 are each amended to
28 read as follows:

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

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

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

38 (3) All leasehold interests of subsidized housing where the fee
39 ownership of such property is vested in the government of the United

1 States, or the state of Washington or any political subdivision
2 thereof but only if income qualification exists for such housing.

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

12 (5) All leasehold interests in any property of any public entity
13 used as a residence by an employee of that public entity who is
14 required as a condition of employment to live in the publicly owned
15 property.

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

21 (7) All leasehold interests in any real property of any Indian or
22 Indian tribe, band, or community that is held in trust by the United
23 States or is subject to a restriction against alienation imposed by
24 the United States. However, this exemption applies only where it is
25 determined that contract rent paid is greater than or equal to 90
26 percent of fair market rental, to be determined by the department of
27 revenue using the same criteria used to establish taxable rent in RCW
28 82.29A.020(2)(g).

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

33 (9) All leasehold interests which give use or possession of the
34 leased property for a continuous period of less than 30 days:
35 PROVIDED, That for purposes of this subsection, successive leases or
36 lease renewals giving substantially continuous use of possession of
37 the same property to the same lessee are deemed a single leasehold
38 interest: PROVIDED FURTHER, That no leasehold interest is deemed to
39 give use or possession for a period of less than 30 days solely by
40 virtue of the reservation by the public lessor of the right to use

1 the property or to allow third parties to use the property on an
2 occasional, temporary basis.

3 (10) All leasehold interests under month-to-month leases in
4 residential units rented for residential purposes of the lessee
5 pending destruction or removal for the purpose of constructing a
6 public highway or building.

7 (11) All leasehold interests in any publicly owned real or
8 personal property to the extent such leasehold interests arises
9 solely by virtue of a contract for public improvements or work
10 executed under the public works statutes of this state or of the
11 United States between the public owner of the property and a
12 contractor.

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

16 ~~(13))~~ All leasehold interests used to provide organized and
17 supervised recreational activities for persons with disabilities of
18 all ages in a camp facility and for public recreational purposes by a
19 nonprofit organization, association, or corporation that would be
20 exempt from property tax under RCW 84.36.030(1) if it owned the
21 property. If the publicly owned property is used for any taxable
22 purpose, the leasehold excise taxes set forth in RCW 82.29A.030 and
23 82.29A.040 must be imposed and must be apportioned accordingly.

24 ~~((14))~~ (13) All leasehold interests in the public or
25 entertainment areas of a baseball stadium with natural turf and a
26 retractable roof or canopy that is in a county with a population of
27 over 1,000,000, that has a seating capacity of over 40,000, and that
28 is constructed on or after January 1, 1995. "Public or entertainment
29 areas" include ticket sales areas, ramps and stairs, lobbies and
30 concourses, parking areas, concession areas, restaurants, hospitality
31 and stadium club areas, kitchens or other work areas primarily
32 servicing other public or entertainment areas, public rest room
33 areas, press and media areas, control booths, broadcast and
34 production areas, retail sales areas, museum and exhibit areas,
35 scoreboards or other public displays, storage areas, loading,
36 staging, and servicing areas, seating areas and suites, the playing
37 field, and any other areas to which the public has access or which
38 are used for the production of the entertainment event or other
39 public usage, and any other personal property used for these

1 purposes. "Public or entertainment areas" does not include locker
2 rooms or private offices exclusively used by the lessee.

3 ~~((15))~~ (14) All leasehold interests in the public or
4 entertainment areas of a stadium and exhibition center, as defined in
5 RCW 36.102.010, that is constructed on or after January 1, 1998. For
6 the purposes of this subsection, "public or entertainment areas" has
7 the same meaning as in subsection ~~((14))~~ (13) of this section, and
8 includes exhibition areas.

9 ~~((16))~~ (15) All leasehold interests in public facilities
10 districts, as provided in chapter 36.100 or 35.57 RCW.

11 ~~((17))~~ (16) All leasehold interests in property that is: (a)
12 Owned by the United States government or a municipal corporation; (b)
13 listed on any federal or state register of historical sites; and (c)
14 wholly contained within a designated national historic reserve under
15 16 U.S.C. Sec. 461.

16 ~~((18))~~ (17) All leasehold interests in the public or
17 entertainment areas of an amphitheater if a private entity is
18 responsible for 100 percent of the cost of constructing the
19 amphitheater which is not reimbursed by the public owner, both the
20 public owner and the private lessee sponsor events at the facility on
21 a regular basis, the lessee is responsible under the lease or
22 agreement to operate and maintain the facility, and the amphitheater
23 has a seating capacity of over 17,000 reserved and general admission
24 seats and is in a county that had a population of over 350,000, but
25 less than 425,000 when the amphitheater first opened to the public.

26 For the purposes of this subsection, "public or entertainment
27 areas" include box offices or other ticket sales areas, entrance
28 gates, ramps and stairs, lobbies and concourses, parking areas,
29 concession areas, restaurants, hospitality areas, kitchens or other
30 work areas primarily servicing other public or entertainment areas,
31 public rest room areas, press and media areas, control booths,
32 broadcast and production areas, retail sales areas, museum and
33 exhibit areas, scoreboards or other public displays, storage areas,
34 loading, staging, and servicing areas, seating areas including lawn
35 seating areas and suites, stages, and any other areas to which the
36 public has access or which are used for the production of the
37 entertainment event or other public usage, and any other personal
38 property used for these purposes. "Public or entertainment areas"
39 does not include office areas used predominately by the lessee.

1 (~~(19)~~) (18) All leasehold interests in real property used for
2 the placement of military housing meeting the requirements of RCW
3 84.36.665.

4 (~~(20)~~) (19) All leasehold interests in facilities owned or used
5 by a community college or technical college, which leasehold interest
6 provides:

- 7 (a) Food services for students, faculty, and staff;
8 (b) The operation of a bookstore on campus; or
9 (c) Maintenance, operational, or administrative services to the
10 community college or technical college.

11 (~~(21)~~) (20) (a) All leasehold interests in the public or
12 entertainment areas of an arena if it:

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

17 (b) For the purposes of this subsection (~~(21)~~) (20), "public or
18 entertainment areas" has the same meaning as provided in subsection
19 (~~(18)~~) (17) of this section.

20 (~~(22)~~) (21) All leasehold interests in facilities owned by the
21 state parks and recreation commission that are listed on the national
22 register of historic places or the Washington heritage register.

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

- 25 (i) The arena has a seating capacity of more than 4,000;
26 (ii) The arena is located on city-owned land;
27 (iii) The arena is located within a city with a population over
28 100,000; and

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

32 (b) For the purposes of this subsection (~~(23)~~) (22), "public or
33 entertainment areas" has the same meaning as provided in subsection
34 (~~(18)~~) (17) of this section, except that it also includes office
35 areas used predominately by the lessee.

36 (c) A taxpayer claiming an exemption under this subsection
37 (~~(23)~~) (22) must file a complete annual tax performance report as
38 provided in RCW 82.32.534.

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

1 **Sec. 115.** RCW 82.29A.130 and 2019 c 335 s 1 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 ninety
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 two hundred fifty dollars per year. For purposes of this
5 subsection leasehold interests held by the same lessee in contiguous
6 properties owned by the same lessor are deemed a single leasehold
7 interest.

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

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

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

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

31 ~~(13))~~) All leasehold interests used to provide organized and
32 supervised recreational activities for persons with disabilities of
33 all ages in a camp facility and for public recreational purposes by a
34 nonprofit organization, association, or corporation that would be
35 exempt from property tax under RCW 84.36.030(1) if it owned the
36 property. If the publicly owned property is used for any taxable
37 purpose, the leasehold excise taxes set forth in RCW 82.29A.030 and
38 82.29A.040 must be imposed and must be apportioned accordingly.

39 ~~((14))~~) (13) All leasehold interests in the public or
40 entertainment areas of a baseball stadium with natural turf and a

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

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

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

25 ~~((17))~~ (16) All leasehold interests in property that is: (a)
26 Owned by the United States government or a municipal corporation; (b)
27 listed on any federal or state register of historical sites; and (c)
28 wholly contained within a designated national historic reserve under
29 16 U.S.C. Sec. 461.

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

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

15 ~~((19))~~ (18) All leasehold interests in real property used for
16 the placement of military housing meeting the requirements of RCW
17 84.36.665.

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

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

25 ~~((21))~~ (20) (a) All leasehold interests in the public or
26 entertainment areas of an arena if it:

- 27 (i) Has a seating capacity of more than two thousand;
28 (ii) Is located on city-owned land; and
29 (iii) Is owned by a city with a population over two hundred
30 thousand within a county with a population of less than one million
31 five hundred thousand.

32 (b) For the purposes of this subsection ~~((21))~~ (20), "public or
33 entertainment areas" has the same meaning as provided in subsection
34 ~~((18))~~ (17) of this section.

35 **Sec. 116.** RCW 82.45.010 and 2022 c 199 s 3 are each amended to
36 read as follows:

37 (1) As used in this chapter, the term "sale" has its ordinary
38 meaning and includes any conveyance, grant, assignment, quitclaim, or
39 transfer of the ownership of or title to real property, including

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (iii) A "qualified entity" is:

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

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

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

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

17 (ii) The definitions in this subsection (3) ~~((u))~~ (t) apply to
18 this subsection (3) ~~((u))~~ (t) unless the context clearly requires
19 otherwise.

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

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

29 (C) "Self-help housing" means dwelling residences provided for
30 ownership by low-income individuals and families whose ownership
31 requirement includes labor participation. "Self-help housing" does
32 not include residential rental housing provided on a commercial basis
33 to the general public.

34 ~~((v))~~ (u)(i) A sale or transfer of real property to a
35 qualifying grantee that uses the property for housing for low-income
36 persons and receives or otherwise qualifies the property for an
37 exemption from real and personal property taxes under RCW 84.36.560,
38 84.36.049, 35.82.210, 35.21.755, or 84.36.010. For purposes of this
39 subsection (3) ~~((v))~~ (u), "qualifying grantee" means a nonprofit
40 entity as defined in RCW 84.36.560, a nonprofit entity or qualified

1 cooperative association as defined in RCW 84.36.049, a housing
2 authority created under RCW 35.82.030 or 35.82.300, a public
3 corporation established under RCW 35.21.660 or 35.21.730, or a county
4 or municipal corporation. A qualifying grantee that is a county or
5 municipal corporation must record a covenant at the time of transfer
6 that prohibits using the property for any purpose other than for low-
7 income housing for a period of at least 10 years. At a minimum, the
8 covenant must address price restrictions and household income limits
9 for the low-income housing. A qualifying grantee must comply with the
10 requirements described in ~~((+v+))~~ (u)(i)(A), (B), or (C) of this
11 subsection and must also certify, by affidavit at the time of sale or
12 transfer, that it intends to comply with those requirements.

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

15 (I) The qualifying grantee must receive or qualify the property
16 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
17 35.21.755, or 84.36.010; and

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

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

21 (I) The qualifying grantee must receive or qualify the property
22 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
23 35.21.755, or 84.36.010; and

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

25 (C) If the qualifying grantee intends to substantially
26 rehabilitate the premises as defined in RCW 59.18.200, within three
27 years:

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

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

32 (ii) If the qualifying grantee fails to satisfy the requirements
33 described in ~~((+v+))~~ (u)(i)(A), (B), or (C) of this subsection,
34 within the timelines described in ~~((+v+))~~ (u)(i)(A), (B), or (C) of
35 this subsection, the qualifying grantee must pay the tax that would
36 have otherwise been due at the time of initial transfer, plus
37 interest calculated from the date of initial transfer pursuant to RCW
38 82.32.050.

39 (iii) If a qualifying grantee transfers the property to a
40 different qualifying grantee within the original timelines described

1 in (~~(v)~~) (u)(i)(A), (B), or (C) of this subsection, neither the
2 original qualifying grantee nor the new qualifying grantee is
3 required to pay the tax, so long as the new qualifying grantee
4 satisfies the requirements as described in (~~(v)~~) (u)(i)(A), (B), or
5 (C) of this subsection within the exemption period of the initial
6 transfer. If the new qualifying grantee fails to satisfy the
7 requirements described in (~~(v)~~) (u)(i)(A), (B), or (C) of this
8 subsection, only the new qualifying grantee is liable for the payment
9 of taxes required by (~~(v)~~) (u)(ii) of this subsection. There is no
10 limit on the number of transfers between qualifying grantees within
11 the original timelines.

12 (iv) Each affidavit must be filed with the department upon
13 completion of the sale or transfer of property, including transfers
14 from a qualifying grantee to a different qualifying grantee. The
15 qualifying grantee must provide proof to the department as required
16 by the department once the requirements as described in (~~(v)~~) (u)
17 (i)(A), (B), or (C) of this subsection have been satisfied.

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

20 **Sec. 117.** RCW 82.45.010 and 2022 c 199 s 4 are each amended to
21 read as follows:

22 (1) As used in this chapter, the term "sale" has its ordinary
23 meaning and includes any conveyance, grant, assignment, quitclaim, or
24 transfer of the ownership of or title to real property, including
25 standing timber, or any estate or interest therein for a valuable
26 consideration, and any contract for such conveyance, grant,
27 assignment, quitclaim, or transfer, and any lease with an option to
28 purchase real property, including standing timber, or any estate or
29 interest therein or other contract under which possession of the
30 property is given to the purchaser, or any other person at the
31 purchaser's direction, and title to the property is retained by the
32 vendor as security for the payment of the purchase price. The term
33 also includes the grant, assignment, quitclaim, sale, or transfer of
34 improvements constructed upon leased land.

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

1 (b) For the sole purpose of determining whether, pursuant to the
2 exercise of an option, a controlling interest was transferred or
3 acquired within a thirty-six month period, the date that the option
4 agreement was executed is the date on which the transfer or
5 acquisition of the controlling interest is deemed to occur. For all
6 other purposes under this chapter, the date upon which the option is
7 exercised is the date of the transfer or acquisition of the
8 controlling interest.

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

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

18 (ii) When persons are not commonly owned or controlled, they must
19 be treated as acting in concert only when the unity with which the
20 purchasers have negotiated and will consummate the transfer of
21 ownership interests supports a finding that they are acting as a
22 single entity. If the acquisitions are completely independent, with
23 each purchaser buying without regard to the identity of the other
24 purchasers, then the acquisitions are considered separate
25 acquisitions.

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

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

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

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

33 (d) A cancellation or forfeiture of a vendee's interest in a
34 contract for the sale of real property, whether or not such contract
35 contains a forfeiture clause, or deed in lieu of foreclosure of a
36 mortgage.

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

39 (f) The assignment of property or interest in property from one
40 spouse or one domestic partner to the other spouse or other domestic

1 partner in accordance with the terms of a decree of dissolution of
2 marriage or state registered domestic partnership or in fulfillment
3 of a property settlement agreement.

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

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

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

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

16 (k) A conveyance to the federal housing administration or
17 veterans administration by an authorized mortgagee made pursuant to a
18 contract of insurance or guaranty with the federal housing
19 administration or veterans administration.

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

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

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

28 ~~((o))~~ (n) A sale to a regional transit authority or public
29 corporation under RCW 81.112.320 under a sale/leaseback agreement
30 under RCW 81.112.300.

31 ~~((p))~~ (o) A transfer of real property, however effected, if it
32 consists of a mere change in identity or form of ownership of an
33 entity where there is no change in the beneficial ownership. These
34 include transfers to a corporation or partnership which is wholly
35 owned by the transferor and/or the transferor's spouse or domestic
36 partner or children of the transferor or the transferor's spouse or
37 domestic partner. However, if thereafter such transferee corporation
38 or partnership voluntarily transfers such real property, or such
39 transferor, spouse or domestic partner, or children of the transferor
40 or the transferor's spouse or domestic partner voluntarily transfer

1 stock in the transferee corporation or interest in the transferee
2 partnership capital, as the case may be, to other than (i) the
3 transferor and/or the transferor's spouse or domestic partner or
4 children of the transferor or the transferor's spouse or domestic
5 partner, (ii) a trust having the transferor and/or the transferor's
6 spouse or domestic partner or children of the transferor or the
7 transferor's spouse or domestic partner as the only beneficiaries at
8 the time of the transfer to the trust, or (iii) a corporation or
9 partnership wholly owned by the original transferor and/or the
10 transferor's spouse or domestic partner or children of the transferor
11 or the transferor's spouse or domestic partner, within three years of
12 the original transfer to which this exemption applies, and the tax on
13 the subsequent transfer has not been paid within sixty days of
14 becoming due, excise taxes become due and payable on the original
15 transfer as otherwise provided by law.

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

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

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

4 ~~((s))~~ (r)(i) A transfer of a qualified low-income housing
5 development or controlling interest in a qualified low-income housing
6 development, unless, due to noncompliance with federal statutory
7 requirements, the seller is subject to recapture, in whole or in
8 part, of its allocated federal low-income housing tax credits within
9 the four years prior to the date of transfer.

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

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

22 (iv) The Washington state housing finance commission, in
23 consultation with the department, must gather data on: (A) The fiscal
24 savings, if any, accruing to transferees as a result of the exemption
25 provided in this subsection ~~(3)~~~~((s))~~ (r); (B) the extent to which
26 transferors of qualified low-income housing developments receive
27 consideration, including any assumption of debt, as part of a
28 transfer subject to the exemption provided in this subsection ~~(3)~~
29 ~~((s))~~ (r); and (C) the continued use of the property for low-income
30 housing. The Washington state housing finance commission must provide
31 this information to the joint legislative audit and review committee.
32 The committee must conduct a review of the tax preference created
33 under this subsection ~~(3)~~~~((s))~~ (r) in calendar year 2033, as
34 required under chapter 43.136 RCW.

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

38 (A) The adult child with developmental disabilities of the
39 transferor of the residential property must be allowed to reside in
40 the residence or successor property so long as the placement is safe

1 and appropriate as determined by the department of social and health
2 services;

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

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

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

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

29 (iii) A "qualified entity" is:

30 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)
31 of the federal internal revenue code of 1986, as amended, as of June
32 7, 2018, or a subsidiary under the same taxpayer identification
33 number that provides residential supported living for persons with
34 developmental disabilities; or

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

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

1 (~~(u)~~) (t)(i) A sale or transfer of real property to a
2 qualifying grantee that uses the property for housing for low-income
3 persons and receives or otherwise qualifies the property for an
4 exemption from real and personal property taxes under RCW 84.36.560,
5 84.36.049, 35.82.210, 35.21.755, or 84.36.010. For purposes of this
6 subsection (3)(~~(u)~~) (t), "qualifying grantee" means a nonprofit
7 entity as defined in RCW 84.36.560, a nonprofit entity or qualified
8 cooperative association as defined in RCW 84.36.049, a housing
9 authority created under RCW 35.82.030 or 35.82.300, a public
10 corporation established under RCW 35.21.660 or 35.21.730, or a county
11 or municipal corporation. A qualifying grantee that is a county or
12 municipal corporation must record a covenant at the time of transfer
13 that prohibits using the property for any purpose other than for low-
14 income housing for a period of at least 10 years. At a minimum, the
15 covenant must address price restrictions and household income limits
16 for the low-income housing. A qualifying grantee must comply with the
17 requirements described in (~~(u)~~) (t)(i)(A), (B), or (C) of this
18 subsection and must also certify, by affidavit at the time of sale or
19 transfer, that it intends to comply with those requirements.

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

22 (I) The qualifying grantee must receive or qualify the property
23 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,
24 35.21.755, or 84.36.010; and

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

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

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

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

32 (C) If the qualifying grantee intends to substantially
33 rehabilitate the premises as defined in RCW 59.18.200, within three
34 years:

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.

39 (ii) If the qualifying grantee fails to satisfy the requirements
40 described in (~~(u)~~) (t)(i)(A), (B), or (C) of this subsection,

1 within the timelines described in (~~(u)~~) (t)(i)(A), (B), or (C) of
2 this subsection, the qualifying grantee must pay the tax that would
3 have otherwise been due at the time of initial transfer, plus
4 interest calculated from the date of initial transfer pursuant to RCW
5 82.32.050.

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

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

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

30 **Sec. 118.** RCW 82.45.030 and 2011 c 58 s 15 are each amended to
31 read as follows:

32 (1) As used in this chapter, the term "selling price" means the
33 true and fair value of the property conveyed. If property has been
34 conveyed in an arm's length transaction between unrelated persons for
35 a valuable consideration, a rebuttable presumption exists that the
36 selling price is equal to the total consideration paid or contracted
37 to be paid to the transferor, or to another for the transferor's
38 benefit.

1 (2) If the sale is a transfer of a controlling interest in an
2 entity with an interest in real property located in this state, the
3 selling price shall be the true and fair value of the real property
4 owned by the entity and located in this state. If the true and fair
5 value of the real property located in this state cannot reasonably be
6 determined, the selling price shall be determined according to
7 subsection (4) of this section.

8 (3) As used in this section, "total consideration paid or
9 contracted to be paid" includes money or anything of value, paid or
10 delivered or contracted to be paid or delivered in return for the
11 sale, and shall include the amount of any lien, mortgage, contract
12 indebtedness, or other incumbrance, either given to secure the
13 purchase price, or any part thereof, or remaining unpaid on such
14 property at the time of sale.

15 Total consideration shall not include the amount of any
16 outstanding lien or incumbrance in favor of the United States, the
17 state, or a municipal corporation for taxes, special benefits, or
18 improvements.

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

23 (4) If the total consideration for the sale cannot be ascertained
24 or the true and fair value of the property to be valued at the time
25 of the sale cannot reasonably be determined, the market value
26 assessment for the property maintained on the county property tax
27 rolls at the time of the sale shall be used as the selling price.

28 **Sec. 119.** RCW 82.64.030 and 1994 sp.s. c 7 s 907 are each
29 amended to read as follows:

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

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

32 (2) Any syrup that is transferred to a point outside the state
33 for use outside the state. The department shall provide by rule
34 appropriate procedures and exemption certificates for the
35 administration of this exemption.

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

1 (~~(4) Any sale of syrup in respect to which a tax on the~~
2 ~~privilege of possession was paid under this chapter before June 1,~~
3 ~~1991.)~~)

4 **Sec. 120.** RCW 84.36.010 and 2020 c 272 s 1 are each amended to
5 read as follows:

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

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

25 (a) "Community center" means property, including a building or
26 buildings, determined to be surplus to the needs of a district by a
27 local school board, and purchased or acquired by a nonprofit
28 organization for the purposes of converting them into community
29 facilities for the delivery of nonresidential coordinated services
30 for community members. The community center may make space available
31 to businesses, individuals, or other parties through the loan or
32 rental of space in or on the property.

33 (b) "Essential government services" means services such as tribal
34 administration, public facilities, fire, police, public health,
35 education, sewer, water, environmental and land use, transportation,
36 utility services, and economic development.

37 (c) "Economic development" means commercial activities, including
38 those that facilitate the creation or retention of businesses or

1 jobs, or that improve the standard of living or economic health of
2 tribal communities.

3 **Sec. 121.** RCW 84.36.030 and 2014 c 99 s 4 are each amended to
4 read as follows:

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

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

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

14 (2) Property owned by any nonprofit church, denomination, group
15 of churches, or an organization or association, the membership of
16 which is comprised solely of churches or their qualified
17 representatives, which is utilized as a camp facility if used for
18 organized and supervised recreational activities and church purposes
19 as related to such camp facilities. The exemption provided by this
20 (~~paragraph~~) subsection shall apply to a maximum of two hundred
21 acres of any such camp as selected by the church, including buildings
22 and other improvements thereon.

23 (3) Property, including buildings and improvements required for
24 the maintenance and safeguarding of such property, owned by nonprofit
25 organizations or associations engaged in character building of boys
26 and girls under eighteen years of age, and used for such purposes and
27 uses, provided such purposes and uses are for the general public
28 good: PROVIDED, That if existing charters provide that organizations
29 or associations, which would otherwise qualify under the provisions
30 of this (~~paragraph~~) subsection, serve boys and girls up to the age
31 of twenty-one years, then such organizations or associations shall be
32 deemed qualified pursuant to this section.

33 (4) Property owned by all organizations and societies of veterans
34 of any war of the United States, recognized as such by the department
35 of defense, which shall have national charters, and which shall have
36 for their general purposes and objects the preservation of the
37 memories and associations incident to their war service and the
38 consecration of the efforts of their members to mutual helpfulness
39 and to patriotic and community service to state and nation. To be

1 exempt such property must be used in such manner as may be reasonably
2 necessary to carry out the purposes and objects of such societies.

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

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

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

18 ~~((8))~~ (7) For the purposes of this section, "general public
19 good" means members of the community derive a benefit from the rental
20 or use of the property by the nonprofit community group or
21 organization.

22 NEW SECTION. **Sec. 122.** The following acts or parts of acts are
23 each repealed:

24 (1) RCW 82.04.4496 (Credit—Clean alternative fuel commercial
25 vehicles) and 2022 c 182 s 307, 2019 c 287 s 8, & 2017 c 116 s 1;

26 (2) RCW 82.16.0496 (Credit—Clean alternative fuel commercial
27 vehicles—Alternative fuel vehicle infrastructure) and 2022 c 182 s
28 308, 2019 c 287 s 13, 2017 c 116 s 2, 2016 c 29 s 2, & 2015 3rd sp.s.
29 c 44 s 412;

30 (3) RCW 82.08.9999 (Exemptions—Vehicles using clean alternative
31 fuels and electric vehicles) and 2022 c 182 s 305, 2021 c 145 s 13, &
32 2019 c 287 s 9;

33 (4) RCW 82.12.9999 (Exemptions—Vehicles using clean alternative
34 fuels and electric vehicles) and 2022 c 182 s 306 & 2019 c 287 s 10;

35 (5) RCW 82.08.809 (Exemptions—Vehicles using clean alternative
36 fuels and electric vehicles, exceptions—Quarterly transfers) and 2016
37 sp.s. c 32 s 2, 2015 3rd sp.s. c 44 s 408, 2010 1st sp.s. c 11 s 2, &
38 2005 c 296 s 1;

1 (6) RCW 82.12.809 (Exemptions—Vehicles using clean alternative
2 fuels and electric vehicles, exceptions—Quarterly transfers) and 2016
3 sp.s. c 32 s 3, 2015 3rd sp.s. c 44 s 409, 2010 1st sp.s. c 11 s 3, &
4 2005 c 296 s 3;

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

8 (8) RCW 82.16.0497 (Credit—Light and power business, gas
9 distribution business) and 2020 c 139 s 26, 2006 c 213 s 1, & 2001 c
10 214 s 13;

11 (9) RCW 82.04.44525 (Credit—New employment for international
12 service activities in eligible areas—Designation of census tracts for
13 eligibility—Records—Tax due upon ineligibility—Interest assessment—
14 Information from employment security department) and 2009 c 535 s
15 1104, 2008 c 81 s 9, & 1998 c 313 s 2;

16 (10) RCW 82.08.02566 (Exemptions—Sales of tangible personal
17 property incorporated in prototype for parts, auxiliary equipment,
18 and aircraft modification—Limitations on yearly exemption) and 2003 c
19 168 s 208, 1997 c 302 s 1, & 1996 c 247 s 4;

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

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

26 (13) RCW 82.04.315 (Exemptions—International banking facilities)
27 and 1982 c 95 s 7;

28 (14) RCW 82.04.4292 (Deductions—Interest on investments or loans
29 secured by mortgages or deeds of trust) and 2012 2nd sp.s. c 6 s 102,
30 2010 1st sp.s. c 23 s 301, & 1980 c 37 s 12;

31 (15) RCW 82.04.293 (International investment management services—
32 Definitions) and 2019 c 426 s 3, 1997 c 7 s 3, & 1995 c 229 s 1;

33 (16) RCW 82.04.29005 (Tax on loan interest—2012 2nd sp.s. c 6)
34 and 2012 2nd sp.s. c 6 s 101;

35 (17) RCW 82.16.046 (Exemptions—Operation of state route No. 16)
36 and 1998 c 179 s 5;

37 (18) RCW 82.29A.132 (Exemptions—Operation of state route No. 16)
38 and 1998 c 179 s 6;

1 (19) RCW 82.45.190 (Exemptions—State route No. 16 corridor
2 transportation systems and facilities) and 1998 c 179 s 7;

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

6 (21) RCW 82.12.02568 (Exemptions—Use of carbon and similar
7 substances that become an ingredient or component of anodes or
8 cathodes used in producing aluminum for sale) and 1996 c 170 s 2;

9 (22) RCW 82.04.4482 (Credit—Sales of electricity or gas to an
10 aluminum smelter) and 2004 c 24 s 9;

11 (23) RCW 82.16.0498 (Credit—Sales of electricity or gas to an
12 aluminum smelter) and 2004 c 24 s 13;

13 (24) RCW 82.12.0265 (Exemptions—Use by bailee of tangible
14 personal property consumed in research, development, etc.,
15 activities) and 1980 c 37 s 64;

16 (25) RCW 36.100.090 (Tax deferral—New public facilities) and 1995
17 1st sp.s. c 14 s 6;

18 (26) RCW 82.12.024 (Deferral of use tax on certain users of
19 natural or manufactured gas) and 2001 c 214 s 10;

20 (27) RCW 82.04.545 (Exemptions—Sales of electricity or gas to
21 silicon smelters) and 2017 3rd sp.s. c 37 s 705 & 2017 3rd sp.s. c 37
22 s 704;

23 (28) RCW 82.16.315 (Exemptions—Sales of electricity or gas to
24 silicon smelters) and 2017 3rd sp.s. c 37 s 703 & 2017 3rd sp.s. c 37
25 s 702;

26 (29) RCW 82.16.0495 (Credit—Electricity sold to a direct service
27 industrial customer) and 2001 c 214 s 11;

28 (30) RCW 36.102.070 (Deferral of taxes—Application by public
29 stadium authority—Department of revenue approval—Repayment—
30 Schedules—Interest—Debt for taxes—Information not confidential) and
31 1997 c 220 s 201;

32 (31) RCW 82.08.02569 (Exemptions—Sales of tangible personal
33 property related to a building or structure that is an integral part
34 of a laser interferometer gravitational wave observatory) and 1996 c
35 113 s 1;

36 (32) RCW 82.12.02569 (Exemptions—Use of tangible personal
37 property related to a building or structure that is an integral part
38 of a laser interferometer gravitational wave observatory) and 1996 c
39 113 s 2;

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

3 (34) RCW 82.04.4331 (Deductions—Insurance claims for state health
4 care coverage) and 1988 c 107 s 33;

5 (35) RCW 82.04.4295 (Deductions—Manufacturing activities
6 completed outside the United States) and 1980 c 37 s 15;

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

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

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

15 (39) RCW 82.04.434 (Credit—Public safety standards and testing)
16 and 1991 c 13 s 1.

17 **PART II**

18 **CORRECTING INTERNAL REFERENCES**

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

21 (1) Beginning January 1, 2020, in addition to any other taxes
22 imposed under this chapter, an additional tax is imposed on specified
23 financial institutions. The additional tax is equal to the gross
24 income of the business taxable under RCW 82.04.290(~~((+2))~~) (1)
25 multiplied by the rate of 1.2 percent.

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

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

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

1 (c) "Consolidated financial statement" means a consolidated
2 financial institution group's consolidated reports of condition and
3 income filed with the federal financial institutions examination
4 council, or successor agency.

5 (d) "Financial institution" means:

6 (i) Any corporation or other business entity chartered under
7 Titles 30A, 30B, 31, 32, and 33 RCW, or registered under the federal
8 bank holding company act of 1956, as amended, or registered as a
9 savings and loan holding company under the federal national housing
10 act, as amended;

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

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

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

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

20 (vi) Any agency or branch of a foreign depository as defined in
21 12 U.S.C. Sec. 3101 (~~(that is not exempt under RCW 82.04.315)~~);

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

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

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

37 (I) It is the type of lease permitted to be made by national
38 banks (see 12 U.S.C. Sec. 24(7) and (10), comptroller of the currency
39 regulations, part 23, leasing (added by 56 C.F.R. Sec. 28314, June

1 20, 1991, effective July 22, 1991), and regulation Y of the federal
2 reserve system 12 C.F.R. Part 225.25, as amended); and

3 (II) It is the economic equivalent of an extension of credit,
4 i.e., the lease is treated by the lessor as a loan for federal income
5 tax purposes. In no event does a lease qualify as an extension of
6 credit where the lessor takes depreciation on such property for
7 federal income tax purposes.

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

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

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

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

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

35 (4) To aid in the effective administration of the additional tax
36 imposed in this section, the department may require a person believed
37 to be a specified financial institution to disclose whether it is a
38 member of a consolidated financial institution group and, if so, to
39 identify all other members of its consolidated financial institution
40 group. A person failing to comply with this subsection is deemed to

1 have intended to evade tax payable under this section and is subject
2 to the penalty in RCW 82.32.090(7) on any tax due under this section
3 by the person and any financial institution affiliated with the
4 person.

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

7 **Sec. 202.** RCW 82.04.4451 and 2022 c 295 s 1 are each amended to
8 read as follows:

9 (1) In computing the tax imposed under this chapter, a credit is
10 allowed against the amount of tax otherwise due under this chapter,
11 as provided in this section. Except for taxpayers that report at
12 least 50 percent of their taxable amount under RCW 82.04.255,
13 82.04.290(~~((2))~~) (1)(a), and 82.04.285, the maximum credit for a
14 taxpayer for a reporting period is \$55 multiplied by the number of
15 months in the reporting period, as determined under RCW 82.32.045.
16 For a taxpayer that reports at least 50 percent of its taxable amount
17 under RCW 82.04.255, 82.04.290(~~((2))~~) (1)(a), and 82.04.285, the
18 maximum credit for a reporting period is \$160 multiplied by the
19 number of months in the reporting period, as determined under RCW
20 82.32.045.

21 (2) When the amount of tax otherwise due under this chapter is
22 equal to or less than the maximum credit, a credit is allowed equal
23 to the amount of tax otherwise due under this chapter.

24 (3) When the amount of tax otherwise due under this chapter
25 exceeds the maximum credit, a reduced credit is allowed equal to
26 twice the maximum credit, minus the tax otherwise due under this
27 chapter, but not less than zero.

28 (4) The department may prepare a tax credit table consisting of
29 tax ranges using increments of no more than (~~((five dollars))~~) \$5 and a
30 corresponding tax credit to be applied to those tax ranges. The table
31 shall be prepared in such a manner that no taxpayer will owe a
32 greater amount of tax by using the table than would be owed by
33 performing the calculation under subsections (1) through (3) of this
34 section. A table prepared by the department under this subsection
35 must be used by all taxpayers in taking the credit provided in this
36 section.

37 **Sec. 203.** RCW 82.04.540 and 2006 c 301 s 1 are each amended to
38 read as follows:

1 (1) The provision of professional employer services by a
2 professional employer organization is taxable under RCW
3 82.04.290(~~((2))~~) (1).

4 (2) A professional employer organization is allowed a deduction
5 from the gross income of the business derived from performing
6 professional employer services that is equal to the portion of the
7 fee charged to a client that represents the actual cost of wages and
8 salaries, benefits, workers' compensation, payroll taxes,
9 withholding, or other assessments paid to or on behalf of a covered
10 employee by the professional employer organization under a
11 professional employer agreement.

12 (3) For the purposes of this section, the following definitions
13 apply:

14 (a) "Client" means any person who enters into a professional
15 employer agreement with a professional employer organization. For
16 purposes of this subsection (3)(a), "person" has the same meaning as
17 "buyer" in RCW 82.08.010.

18 (b) "Coemployer" means either a professional employer
19 organization or a client.

20 (c) "Coemployment relationship" means a relationship which is
21 intended to be an ongoing relationship rather than a temporary or
22 project-specific one, wherein the rights, duties, and obligations of
23 an employer which arise out of an employment relationship have been
24 allocated between coemployers pursuant to a professional employer
25 agreement and applicable state law. In such a coemployment
26 relationship:

27 (i) The professional employer organization is entitled to enforce
28 only such employer rights and is subject to only those obligations
29 specifically allocated to the professional employer organization by
30 the professional employer agreement or applicable state law;

31 (ii) The client is entitled to enforce those rights and obligated
32 to provide and perform those employer obligations allocated to such
33 client by the professional employer agreement and applicable state
34 law; and

35 (iii) The client is entitled to enforce any right and obligated
36 to perform any obligation of an employer not specifically allocated
37 to the professional employer organization by the professional
38 employer agreement or applicable state law.

39 (d) "Covered employee" means an individual having a coemployment
40 relationship with a professional employer organization and a client

1 who meets all of the following criteria: (i) The individual has
2 received written notice of coemployment with the professional
3 employer organization, and (ii) the individual's coemployment
4 relationship is pursuant to a professional employer agreement.
5 Individuals who are officers, directors, shareholders, partners, and
6 managers of the client are covered employees to the extent the
7 professional employer organization and the client have expressly
8 agreed in the professional employer agreement that such individuals
9 would be covered employees and provided such individuals meet the
10 criteria of this subsection and act as operational managers or
11 perform day-to-day operational services for the client.

12 (e) "Professional employer agreement" means a written contract by
13 and between a client and a professional employer organization that
14 provides:

15 (i) For the coemployment of covered employees; and

16 (ii) For the allocation of employer rights and obligations
17 between the client and the professional employer organization with
18 respect to the covered employees.

19 (f) "Professional employer organization" means any person engaged
20 in the business of providing professional employer services. The
21 following shall not be deemed to be professional employer
22 organizations or the providing of professional employer services for
23 purposes of this section:

24 (i) Arrangements wherein a person, whose principal business
25 activity is not entering into professional employer arrangements and
26 which does not hold itself out as a professional employer
27 organization, shares employees with a commonly owned company within
28 the meaning of section 414(b) and (c) of the internal revenue code of
29 1986, as amended;

30 (ii) Independent contractor arrangements by which a person
31 assumes responsibility for the product produced or service performed
32 by such person or his or her agents and retains and exercises primary
33 direction and control over the work performed by the individuals
34 whose services are supplied under such arrangements; or

35 (iii) Providing staffing services.

36 (g) "Professional employer services" means the service of
37 entering into a coemployment relationship with a client in which all
38 or a majority of the employees providing services to a client or to a
39 division or work unit of a client are covered employees.

40 (h) "Staffing services" means services consisting of a person:

- 1 (i) Recruiting and hiring its own employees;
- 2 (ii) Finding other organizations that need the services of those
3 employees;
- 4 (iii) Assigning those employees on a temporary basis to perform
5 work at or services for the other organizations to support or
6 supplement the other organizations' workforces, or to provide
7 assistance in special work situations such as, but not limited to,
8 employee absences, skill shortages, seasonal workloads, or to perform
9 special assignments or projects, all under the direction and
10 supervision of the customer; and
- 11 (iv) Customarily attempting to reassign the employees to other
12 organizations when they finish each assignment.

13 **Sec. 204.** RCW 82.04.620 and 2007 c 447 s 1 are each amended to
14 read as follows:

15 In computing tax there may be deducted from the measure of tax
16 imposed by RCW 82.04.290(~~((2))~~) (1) amounts received by physicians or
17 clinics for drugs for infusion or injection by licensed physicians or
18 their agents for human use pursuant to a prescription, but only if
19 the amounts: (1) Are separately stated on invoices or other billing
20 statements; (2) do not exceed the then current federal rate; and (3)
21 are covered or required under a health care service program
22 subsidized by the federal or state government. The federal rate means
23 the rate at or below which the federal government or its agents
24 reimburse providers for prescription drugs administered to patients
25 as provided for in the medicare, part B, drugs average sales price
26 information resource as published by the United States department of
27 health and human services, or any successor index thereto.

28 **Sec. 205.** RCW 82.04.051 and 2021 c 145 s 4 are each amended to
29 read as follows:

30 (1) As used in RCW 82.04.050 and including for the purposes of
31 the taxes imposed in chapter 82.08 RCW in addition to the taxes
32 imposed in this chapter, the term "services rendered in respect to"
33 means, in the context of constructing, building, repairing,
34 improving, and decorating buildings or other structures, those
35 services that are directly related to the constructing, building,
36 repairing, improving, and decorating of buildings or other structures
37 and that are performed by a person who is responsible for the
38 performance of the constructing, building, repairing, improving, or

1 decorating activity. The term does not include services such as
2 engineering, architectural, surveying, flagging, accounting, legal,
3 consulting, land development or management, or administrative
4 services provided to the consumer of, or person responsible for
5 performing, the constructing, building, repairing, improving, or
6 decorating services.

7 (2) A contract or agreement under which a person is responsible
8 for both services that would otherwise be subject to tax as a service
9 under RCW 82.04.290(~~((+2+))~~) (1) and also constructing, building,
10 repairing, improving, or decorating activities that would otherwise
11 be subject to tax under another section of this chapter is subject to
12 the tax that applies to the predominant activity under the contract
13 or agreement.

14 (3) Unless otherwise provided by law, a contract or agreement
15 under which a person is responsible for activities that are subject
16 to tax as a service under RCW 82.04.290(~~((+2+))~~) (1), and a subsequent
17 contract or agreement under which the same person is responsible for
18 constructing, building, repairing, improving, or decorating
19 activities subject to tax under another section of this chapter,
20 shall not be combined and taxed as a single activity if at the time
21 of the first contract or agreement it was not contemplated by the
22 parties, as evidenced by the facts, that the same person would be
23 awarded both contracts.

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

26 (a) "Land development or management" means site identification,
27 zoning, permitting, and other preconstruction regulatory services
28 provided to the consumer of the constructing, building, repairing,
29 improving, or decorating services. This includes, but is not limited
30 to, acting as an owner's representative during any design or
31 construction period, including recommending a contractor, monitoring
32 the budget and schedule, approving invoices, and interacting on the
33 behalf of the consumer with the person who has control over the work
34 itself or responsible for the performance of the work.

35 (b) "Responsible for the performance" means that the person is
36 obligated to perform the activities, either personally or through a
37 third party. A person who reviews work for a consumer, retailer, or
38 wholesaler but does not supervise or direct the work is not
39 responsible for the performance of the work. A person who is
40 financially obligated for the work, such as a bank, but who does not

1 have control over the work itself is not responsible for the
2 performance of the work.

3 **Sec. 206.** RCW 82.04.257 and 2017 c 323 s 515 are each amended to
4 read as follows:

5 (1) Except as provided in subsection (2) of this section, upon
6 every person engaging within this state in the business of making
7 sales at retail or wholesale of digital goods, digital codes, digital
8 automated services, or services described in RCW 82.04.050 (2)(g) or
9 (6)(c), as to such persons, the amount of tax with respect to such
10 business is equal to the gross proceeds of sales of the business,
11 multiplied by the rate of 0.471 percent in the case of retail sales
12 and by the rate of 0.484 percent in the case of wholesale sales.

13 (2) Persons providing subscription television services or
14 subscription radio services are subject to tax under RCW
15 82.04.290(~~((2))~~) (1) on the gross income of the business received
16 from providing such services.

17 (3) For purposes of this section, a person is considered to be
18 engaging within this state in the business of making sales of digital
19 goods, digital codes, digital automated services, or services
20 described in RCW 82.04.050 (2)(g) or (6)(c), if the person makes
21 sales of digital goods, digital codes, digital automated services, or
22 services described in RCW 82.04.050 (2)(g) or (6)(c) and the sales
23 are sourced to this state under RCW 82.32.730 for sales tax purposes
24 or would have been sourced to this state under RCW 82.32.730 if the
25 sale had been taxable under chapter 82.08 RCW.

26 (4) A person subject to tax under this section is subject to the
27 mandatory electronic filing and payment requirements in RCW
28 82.32.080.

29 **Sec. 207.** RCW 82.04.29001 and 2003 c 168 s 602 are each amended
30 to read as follows:

31 (1) The creation and distribution of custom software is a service
32 taxable under RCW 82.04.290(~~((2))~~) (1). Duplication of the software
33 for the same person, or by the same person for its own use, does not
34 change the character of the software.

35 (2) The customization of prewritten computer software is a
36 service taxable under RCW 82.04.290(~~((2))~~) (1).

1 **Sec. 208.** RCW 82.04.29002 and 2010 1st sp.s. c 23 s 1101 are
2 each amended to read as follows:

3 (1) Beginning May 1, 2010, through June 30, 2013, an additional
4 rate of tax of 0.30 percent is added to the rate provided for in RCW
5 82.04.255, 82.04.285, and 82.04.290(~~((2))~~) (1)(a).

6 (2)(a) The additional rate in subsection (1) of this section does
7 not apply to persons engaging within this state in business as a
8 hospital. "Hospital" has the meaning provided in chapter 70.41 RCW
9 but also includes any hospital that comes within the scope of chapter
10 71.12 RCW if the hospital is also licensed under chapter 70.41 RCW.

11 (b) The additional rate in subsection (1) of this section does
12 not apply to amounts received from performing scientific research and
13 development services including but not limited to research and
14 development in the physical, engineering, and life sciences (such as
15 agriculture, bacteriological, biotechnology, chemical, life sciences,
16 and physical science research and development laboratories or
17 services).

18 **Sec. 209.** RCW 82.04.297 and 2010 c 111 s 303 are each amended to
19 read as follows:

20 (1) The provision of internet access is subject to tax under RCW
21 82.04.290(~~((2))~~) (1).

22 (2)(a) Except as provided in (b) of this subsection, "internet"
23 and "internet access" have the same meaning as those terms are
24 defined in the federal internet tax freedom act, Title 47 U.S.C. Sec.
25 151 note, as existing on July 1, 2009.

26 (b) "Internet access" does not include telecommunications service
27 purchased, used, or sold by a person that provides a service that
28 enables users to connect to the internet to access content,
29 information, or other services offered over the internet, to the
30 extent such telecommunications service is purchased, used, or sold:
31 (i) To provide such service; or (ii) to otherwise enable users to
32 access content, information, or other services offered over the
33 internet.

34 (3) Unless the context clearly requires otherwise, the
35 definitions in this section apply throughout this chapter.

36 **Sec. 210.** RCW 82.04.299 and 2022 c 170 s 1 and 2022 c 56 s 4 are
37 each reenacted and amended to read as follows:

1 (1) (a) Beginning with business activities occurring on or after
2 April 1, 2020, in addition to the taxes imposed under RCW
3 82.04.290(~~((2))~~) (1), a workforce education investment surcharge is
4 imposed on select advanced computing businesses. The surcharge is
5 equal to the gross income of the business subject to the tax under
6 RCW 82.04.290(~~((2))~~) (1), multiplied by the rate of 1.22 percent.

7 (b) Except as provided in (e) of this subsection (1), in no case
8 will the combined surcharge imposed under this subsection (1) paid by
9 all members of an affiliated group be more than (~~nine million~~
10 ~~dollars~~) \$9,000,000 annually.

11 (c) For persons subject to the surcharge imposed under this
12 subsection (1) that report under one or more tax classifications, the
13 surcharge applies only to business activities taxed under RCW
14 82.04.290(~~((2))~~) (1).

15 (d) The surcharge imposed under this subsection (1) must be
16 reported and paid on a quarterly basis in a manner as required by the
17 department. Returns and amounts payable under this subsection (1) are
18 due by the last day of the month immediately following the end of the
19 reporting period covered by the return. All other taxes must be
20 reported and paid as required under RCW 82.32.045.

21 (e) (i) To aid in the effective administration of the surcharge in
22 this subsection (1), the department may require persons believed to
23 be engaging in advanced computing or affiliated with a person
24 believed to be engaging in advanced computing to disclose whether
25 they are a member of an affiliated group and, if so, to identify all
26 other members of the affiliated group subject to the surcharge.

27 (ii) If the department establishes, by clear, cogent, and
28 convincing evidence, that one or more members of an affiliated group,
29 with intent to evade the surcharge under this subsection (1), failed
30 to fully comply with this subsection (1)(e), the department must
31 assess against that person, or those persons collectively, a penalty
32 equal to (~~fifty~~) 50 percent of the amount of the total surcharge
33 payable by all members of that affiliated group for the calendar year
34 during which the person or persons failed to fully comply with this
35 subsection (1)(e). The penalty under this subsection (1)(e) is in
36 lieu of and not in addition to the evasion penalty under RCW
37 82.32.090(7).

38 (f) For the purposes of this subsection (1) the following
39 definitions apply:

1 (i) "Advanced computing" means designing or developing computer
2 software or computer hardware, whether directly or contracting with
3 another person, including: Modifications to computer software or
4 computer hardware; cloud computing services; or operating as a
5 marketplace facilitator as defined by RCW 82.08.0531, an online
6 search engine, or online social networking platform;

7 (ii) "Affiliate" and "affiliated" means a person that directly or
8 indirectly, through one or more intermediaries, controls, is
9 controlled by, or is under common control with another person;

10 (iii) "Affiliated group" means a group of two or more persons
11 that are affiliated with each other;

12 (iv) "Cloud computing services" means on-demand delivery of
13 computing resources, such as networks, servers, storage,
14 applications, and services, over the internet;

15 (v) "Control" means the possession, directly or indirectly, of
16 more than (~~fifty~~) 50 percent of the power to direct or cause the
17 direction of the management and policies of a person, whether through
18 the ownership of voting shares, by contract, or otherwise; and

19 (vi) "Select advanced computing business" means a person who is a
20 member of an affiliated group with at least one member of the
21 affiliated group engaging in the business of advanced computing, and
22 the affiliated group has worldwide gross revenue of more than
23 (~~twenty-five billion dollars~~) \$25,000,000,000 during the
24 immediately preceding calendar year. A person who is primarily
25 engaged within this state in the provision of commercial mobile
26 service, as that term is defined in 47 U.S.C. Sec. 332(d)(1), shall
27 not be considered a select advanced computing business. A person who
28 is primarily engaged in this state in the operation and provision of
29 access to transmission facilities and infrastructure that the person
30 owns or leases for the transmission of voice, data, text, sound, and
31 video using wired telecommunications networks shall not be considered
32 a select advanced computing business. A person that is primarily
33 engaged in business as a "financial institution" as defined in RCW
34 82.04.29004, as that section existed on January 1, 2020, shall not be
35 considered a select advanced computing business. For purposes of this
36 subsection (1)(f)(vi), "primarily" is determined based on gross
37 income of the business.

38 (2)(a) The workforce education investment surcharge under this
39 section does not apply to:

1 (i) Any hospital as defined in RCW 70.41.020, including any
2 hospital that comes within the scope of chapter 71.12 RCW if the
3 hospital is also licensed under chapter 70.41 RCW; or

4 (ii) A provider clinic offering primary care, multispecialty and
5 surgical services, including behavioral health services, and any
6 affiliate of the provider clinic if the affiliate is an organization
7 that offers health care services or provides administrative support
8 for a provider clinic, or is an independent practice association or
9 accountable care organization.

10 (b) The exemptions under this subsection (2) do not apply to
11 amounts received by any member of an affiliated group other than the
12 businesses described in (a) of this subsection.

13 (c) For purposes of the exemption in (a)(ii) of this subsection:

14 (i) "Health care services" means services offered by health care
15 providers relating to the prevention, cure, or treatment of illness,
16 injury, or disease.

17 (ii) "Primary care" means wellness and prevention services and
18 the diagnosis and treatment of health conditions.

19 (3) Revenues from the surcharge under this section must be
20 deposited directly into the workforce education investment account
21 established in RCW 43.79.195.

22 (4) The department has the authority to determine through an
23 audit or other investigation whether a person is subject to the
24 surcharge imposed in this section.

25 **Sec. 211.** RCW 82.04.360 and 2010 1st sp.s. c 23 s 702 are each
26 amended to read as follows:

27 (1) This chapter does not apply to any person in respect to his
28 or her employment in the capacity of an employee or servant as
29 distinguished from that of an independent contractor. For the
30 purposes of this section, the definition of employee includes those
31 persons that are defined in section 3121(d)(3)(B) of the federal
32 internal revenue code of 1986, as amended through January 1, 1991.

33 (2) Until July 1, 2010, this chapter does not apply to amounts
34 received by an individual from a corporation as compensation for
35 serving as a member of that corporation's board of directors.
36 Beginning on July 1, 2010, such amounts are taxable under RCW
37 82.04.290(~~(+2)~~) (1).

1 (3) A booth renter is an independent contractor for purposes of
2 this chapter. For purposes of this section, "booth renter" means any
3 person who:

4 (a) Performs cosmetology, barbering, esthetics, or manicuring
5 services for which a license is required under chapter 18.16 RCW; and

6 (b) Pays a fee for the use of salon or shop facilities and
7 receives no compensation or other consideration from the owner of the
8 salon or shop for the services performed.

9 **Sec. 212.** RCW 82.04.43396 and 2019 c 217 s 1 are each amended to
10 read as follows:

11 (1) In computing tax under RCW 82.04.290(~~(+2)~~) (1), a seller may
12 deduct from the measure of tax the amount of scan-down allowances.

13 (2) For purposes of this section, a provision that the seller
14 must sell at a certain retail price or a specific price reduction
15 does not constitute either:

16 (a) A service provided by the seller to the manufacturer or
17 wholesaler; or

18 (b) A business activity directly or indirectly benefiting the
19 manufacturer or wholesaler.

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

22 (a) "Product" means:

23 (i) Food and food ingredients other than prepared food, as those
24 terms are defined in RCW 82.08.0293, whether or not exempt from sales
25 tax under RCW 82.08.0293; and

26 (ii) Pet food and specialty pet food as defined in RCW 15.53.901.

27 (b) "Scan-down allowance" means a payment or credit offered to a
28 seller by a manufacturer or wholesaler of products, where:

29 (i) The amount of the payment or credit is based on the quantity
30 of the product to be sold at retail by the seller within a specified
31 period of time;

32 (ii) The seller knew the terms of the offer before making the
33 sales that generated the payment or credit from the manufacturer or
34 wholesaler; and

35 (iii) The seller is not required to provide any services to the
36 manufacturer or wholesaler or engage in any business activities
37 directly or indirectly benefiting the manufacturer or wholesaler, in
38 order to receive the payment or credit from the manufacturer or
39 wholesaler.

1 **Sec. 213.** RCW 82.04.280 and 2019 c 449 s 1 are each amended to
2 read as follows:

3 (1) Upon every person engaging within this state in the business
4 of: (a) Printing materials other than newspapers, and of publishing
5 periodicals or magazines; (b) building, repairing or improving any
6 street, place, road, highway, easement, right-of-way, mass public
7 transportation terminal or parking facility, bridge, tunnel, or
8 trestle which is owned by a municipal corporation or political
9 subdivision of the state or by the United States and which is used or
10 to be used, primarily for foot or vehicular traffic including mass
11 transportation vehicles of any kind and including any readjustment,
12 reconstruction or relocation of the facilities of any public, private
13 or cooperatively owned utility or railroad in the course of such
14 building, repairing or improving, the cost of which readjustment,
15 reconstruction, or relocation, is the responsibility of the public
16 authority whose street, place, road, highway, easement, right-of-way,
17 mass public transportation terminal or parking facility, bridge,
18 tunnel, or trestle is being built, repaired or improved; (c)
19 extracting for hire or processing for hire, except persons taxable as
20 extractors for hire or processors for hire under another section of
21 this chapter; (d) operating a cold storage warehouse or storage
22 warehouse, but not including the rental of cold storage lockers; (e)
23 representing and performing services for fire or casualty insurance
24 companies as an independent resident managing general agent licensed
25 under the provisions of chapter 48.17 RCW; (f) radio and television
26 broadcasting, but excluding revenues from network, national, and
27 regional advertising computed either: (i) As a standard deduction
28 that the department must publish by rule by September 30, 2020, and
29 by September 30th of every fifth year thereafter, based on the
30 national average thereof as reported by the United States census
31 bureau's economic census; or (ii) in lieu thereof by itemization by
32 the individual broadcasting station, and excluding that portion of
33 revenue represented by the out-of-state audience computed as a ratio
34 to the broadcasting station's total audience as measured by the 0.5
35 millivolt/meter signal strength contour for AM radio, the one
36 millivolt/meter or (~~sixty~~) 60 dBu signal strength contour for FM
37 radio, the (~~twenty-eight~~) 28 dBu signal strength contour for
38 television channels two through six, the (~~thirty-six~~) 36 dBu signal
39 strength contour for television channels seven through (~~thirteen~~)
40 13, and the (~~forty-one~~) 41 dBu signal strength contour for

1 television channels ((fourteen)) 14 through ((sixty-nine)) 69 with
2 delivery by wire, satellite, or any other means, if any; (g) engaging
3 in activities which bring a person within the definition of consumer
4 contained in RCW 82.04.190(6); as to such persons, the amount of tax
5 on such business is equal to the gross income of the business
6 multiplied by the rate of 0.484 percent.

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

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

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

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

28 **PART III**

29 **MODIFYING THE AIRCRAFT EXCISE TAX FOR PURPOSES OF THE COMMUTER AIR**
30 **CARRIER AIRPLANES PROPERTY TAX EXEMPTION**

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

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

Type of aircraft	Registration fee
Single engine fixed wing	\$ 50

1	Small multi-engine fixed wing	65
2	Large multi-engine fixed wing	80
3	Turboprop multi-engine fixed wing	100
4	Turbojet multi-engine fixed wing	125
5	Helicopter	75
6	Sailplane	20
7	Lighter than air	20
8	Home built	20

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

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

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

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

32 **PART IV**
33 **ADJUSTING FOR INFLATION THE TAX CREDITS FOR ELIGIBLE BUSINESS**
34 **PROJECTS IN RURAL COUNTIES**

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

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

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

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

17 (ii) Wages and benefits for each qualified employment position
18 shall be equal to the quotient derived by dividing: (A) The sum of
19 the wages and benefits earned for the four consecutive full calendar
20 quarter period for which a credit under this chapter is earned by all
21 of the person's new seasonal employees hired during that period; by
22 (B) the number of qualified employment positions plus any fractional
23 amount subject to rounding as provided under (b)(i) of this
24 subsection. For purposes of this chapter, a credit is earned for the
25 four consecutive full calendar quarters after the calendar quarter
26 during which the first qualified employment position is filled.

27 (c) The department must annually adjust for inflation the wage
28 and benefits in (a) of this subsection (1) based on the annual
29 percentage increase in the consumer price index for all urban
30 consumers in the western region for all items as provided in the most
31 recent 12-month period by the bureau of labor statistics of the
32 United States department of labor by November 25th of the year before
33 the taxes are payable.

34 (2) The department shall keep a running total of all credits
35 allowed under this chapter during each fiscal year. The department
36 shall not allow any credits which would cause the total to exceed
37 (~~seven million five hundred thousand dollars~~) \$7,500,000 in any
38 fiscal year. If all or part of an application for credit is
39 disallowed under this subsection, the disallowed portion shall be
40 carried over to the next fiscal year. However, the carryover into the

1 next fiscal year is only permitted to the extent that the cap for the
2 next fiscal year is not exceeded.

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

5 (4) (a) The credit may be used against any tax due under chapter
6 82.04 RCW, and, except as otherwise provided under this subsection
7 (4), may be carried over until used.

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

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

14 (ii) The department closes the recipient's tax reporting account;
15 or

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

18 (5) No refunds may be granted for unused credits under this
19 section.

20 **PART V**
21 **MODIFYING THE EXPIRATION DATE FOR CERTAIN TAX PREFERENCES**

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

24 (1) Businesses that invest capital create jobs and generate
25 economic activity that supports a healthy Washington economy. The
26 legislature finds that these investments result in future revenues
27 that support schools and our communities. Therefore, the legislature
28 finds that a pilot program must be conducted to evaluate the
29 effectiveness of a program that invests business taxes from new
30 investments into workforce training programs that support
31 manufacturing businesses in the state of Washington thereby creating
32 jobs and capital investments in the state for the benefit of its
33 citizens.

34 (2) (a) This subsection is the tax preference performance
35 statement for the sales and use tax deferral provided in RCW
36 82.85.040 on expenditures made to build or expand qualified
37 investment projects and purchases of machinery and equipment. This
38 performance statement is only intended to be used for subsequent

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

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

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

17 (d) To measure the effectiveness of the deferral provided in this
18 part in achieving the specific public policy objective described in
19 (c) of this subsection, the joint legislative audit and review
20 committee should refer to information available from the employment
21 security department and department of revenue. If a review finds that
22 each eligible investment project generated at least ~~((twenty))~~ 20
23 full-time jobs, half of which are permanent full-time employment
24 positions, and increased training opportunities for manufacturing and
25 production jobs, then the legislature intends for the legislative
26 auditor to recommend extending the expiration date of the tax
27 preference. For purposes of this subsection (2)(d), the term full-
28 time jobs include both temporary construction jobs and permanent
29 full-time employment positions created at the eligible investment
30 project within one year of the date that the facility became
31 operationally complete as determined by the department of revenue.

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

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

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

37 (a) "Applicant" means a person applying for a tax deferral under
38 this chapter.

1 (b) "Eligible investment project" means an investment project for
2 qualified buildings and machinery and equipment on two new,
3 renovated, or expanded manufacturing operations per calendar year,
4 one of which must be located east of the crest of the Cascade
5 mountains and one of which must be located west of the crest of the
6 Cascade mountains. The deferral provided in this section only applies
7 to the state and local sales and use taxes due on the first (~~ten~~
8 ~~million dollars~~) \$10,000,000 in costs for qualified buildings and
9 machinery and equipment.

10 (c) "Initiation of construction" has the same meaning as in RCW
11 82.63.010.

12 (d) "Investment project" means an investment in qualified
13 buildings or qualified machinery and equipment, including labor and
14 services rendered in the planning, installation, and construction of
15 the project.

16 (e) "Manufacturing" has the same meaning as provided in RCW
17 82.04.120.

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

19 (g) "Qualified buildings" means construction of new structures,
20 and expansion or renovation of existing structures for the purpose of
21 increasing floor space or production capacity, used for
22 manufacturing, including plant offices and warehouses or other
23 buildings for the storage of raw material or finished goods if such
24 facilities are an essential or an integral part of a factory, mill,
25 plant, or laboratory used for manufacturing. If a qualified building
26 is used partly for manufacturing and partly for other purposes, the
27 applicable tax deferral must be determined by apportionment of the
28 costs of construction under rules adopted by the department.

29 (h) "Qualified machinery and equipment" means all new industrial
30 fixtures, equipment, and support facilities that are an integral and
31 necessary part of a manufacturing operation. "Qualified machinery and
32 equipment" includes: Computers; software; data processing equipment;
33 laboratory equipment; manufacturing components such as belts,
34 pulleys, shafts, and moving parts; molds, tools, and dies; operating
35 structures; and all equipment used to control, monitor, or operate
36 the machinery.

37 (i) "Recipient" means a person receiving a tax deferral under
38 this chapter.

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

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

3 (1) Application for deferral of taxes under this chapter must be
4 made before initiation of the construction of the investment project
5 or acquisition of equipment or machinery. The application must be
6 made to the department in a form and manner prescribed by the
7 department. The deferrals are available on a first-in-time basis. The
8 application must contain information regarding the location of the
9 investment project, the applicant's average employment in the state
10 for the prior year, estimated or actual new employment related to the
11 project, estimated or actual wages of employees related to the
12 project, estimated or actual costs, time schedules for completion and
13 operation, and other information required by the department. The
14 department must rule on the application within (~~sixty~~) 60 days.

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

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

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

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

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

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

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

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

30 (3) For purposes of this section, the following definitions
31 apply:

32 (a) "Affiliate" means a person is "affiliated," as defined in RCW
33 82.04.645, with another person; and

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

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

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

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

2 (a) Sales of airplanes (i) to the United States government; (ii)
3 for use in conducting interstate or foreign commerce by transporting
4 property or persons for hire or by performing services under a
5 contract with the United States government; or (iii) until January 1,
6 2036, for use in providing intrastate air transportation by a
7 commuter air carrier;

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

12 (c) Sales of tangible personal property that becomes a component
13 part of such airplanes, locomotives, railroad cars, or watercraft,
14 and of motor vehicles or trailers whether owned by or leased with or
15 without drivers and used by the holder of a carrier permit issued by
16 the interstate commerce commission or its successor agency
17 authorizing transportation by motor vehicle across the boundaries of
18 this state, in the course of constructing, repairing, cleaning,
19 altering, or improving the same; and

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

23 (2) The term "commuter air carrier" means an air carrier holding
24 authority under Title 14, Part 298 of the Code of Federal Regulations
25 that carries passengers on at least five round trips per week on at
26 least one route between two or more points according to its published
27 flight schedules that specify the times, days of the week, and places
28 between which those flights are performed.

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

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

33 (a) Any airplane used primarily in (i) conducting interstate or
34 foreign commerce by transporting property or persons for hire or by
35 performing services under a contract with the United States
36 government or (ii) until January 1, 2036, providing intrastate air
37 transportation by a commuter air carrier as defined in RCW
38 82.08.0262;

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

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

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

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

27 (3) The provisions of this chapter do not apply in respect to the
28 use by the holder of a carrier permit issued by the interstate
29 commerce commission or its successor agency of any vehicle whether
30 owned by or leased with or without driver to the permit holder and
31 used in substantial part in the normal and ordinary course of the
32 user's business for transporting therein persons or property for hire
33 across the boundaries of this state; and in respect to the use of any
34 vehicle while being operated under the authority of a trip permit
35 issued by the director of licensing pursuant to RCW 46.16A.320 and
36 moving upon the highways from the point of delivery in this state to
37 a point outside this state; and in respect to the use of tangible
38 personal property which becomes a component part of any vehicle used
39 by the holder of a carrier permit issued by the interstate commerce
40 commission or its successor agency authorizing transportation by

1 motor vehicle across the boundaries of this state whether such
2 vehicle is owned by or leased with or without driver to the permit
3 holder, in the course of repairing, cleaning, altering, or improving
4 the same; also the use of labor and services rendered in respect to
5 such repairing, cleaning, altering, or improving.

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

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

13 (2) This section does not apply to:

14 (a) Sales of a standard part, such as a nut or bolt, manufactured
15 in compliance with a government or established industry
16 specification;

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

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

23 (3) "Commercial airplane" has the same meaning given in RCW
24 82.32.550.

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

26 **PART VI**

27 **CLARIFYING THE PUBLIC POLICY OBJECTIVE FOR CERTAIN TAX PREFERENCES TO**
28 **IMPROVE THE EFFECTIVENESS OF FUTURE TAX PREFERENCE PERFORMANCE**
29 **REVIEWS**

30 NEW SECTION. **Sec. 601.** (1) This section is the tax preference
31 performance statement for the tax preference contained in RCW
32 84.36.040(1)(e) and 84.36.046. This performance statement is only
33 intended to be used for subsequent evaluation of the tax preference.
34 It is not intended to create a private right of action by any party
35 or to be used to determine eligibility for preferential tax
36 treatment.

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

4 (3) It is the legislature's specific public policy objective to
5 support the provision of charity care and other community benefits by
6 nonprofit hospitals and cancer clinics.

7 (4) To measure the effectiveness of the tax preferences in RCW
8 84.36.040(1)(e) and 84.36.046, the joint legislative audit and review
9 committee must evaluate the extent to which charitable care is
10 provided by nonprofit hospitals and nonprofit cancer clinics. The
11 review must include an evaluation of:

12 (a) The total statewide value of charitable care including, but
13 not limited to, medical care provided by nonprofit hospitals and
14 nonprofit cancer clinics for which payment is not expected and
15 patients are not billed;

16 (b) The total statewide value of charitable care as compared to
17 the value of beneficiary savings;

18 (c) The types of medical services provided by beneficiary
19 hospitals as compared to nonbeneficiary hospitals; and

20 (d) Other applicable community benefits including, but not
21 limited to, the difference between the state's medicaid payment rates
22 and hospitals' costs for serving medicaid patients, services to
23 patients under other programs with income eligibility requirements,
24 and access to medical training, education, and research programs.

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

30 NEW SECTION. **Sec. 602.** (1) This section is the tax preference
31 performance statement for the tax preference contained in RCW
32 82.04.260(7), 82.04.290(2), 82.04.250(3), 82.04.4461, 82.04.4463,
33 82.08.975, 82.12.975, 82.29A.137, and 84.36.655. This performance
34 statement is only intended to be used for subsequent evaluation of
35 the tax preference. It is not intended to create a private right of
36 action by any party or to be used to determine eligibility for
37 preferential tax treatment.

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

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

5 (a) Reduce the cost of doing business in Washington for the
6 aerospace industry;

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

8 (c) Provide jobs with good wages; and

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

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

12 (b) As part of its tax preference review, the committee must
13 specifically assess changes in aerospace industry employment in
14 Washington in comparison with other states and internationally. To
15 the extent practicable, the committee must use occupational data
16 statistics provided by the bureau of labor statistics and state
17 agencies responsible for administering unemployment insurance to
18 perform this assessment.

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

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

27 NEW SECTION. **Sec. 603.** (1) This section is the tax preference
28 performance statement for the tax preference contained in RCW
29 82.04.43391. This performance statement is only intended to be used
30 for subsequent evaluation of the tax preference. It is not intended
31 to create a private right of action by any party or to be used to
32 determine eligibility for preferential tax treatment.

33 (2) The legislature categorizes this tax preference as one
34 intended to improve industry competitiveness, as described in RCW
35 82.32.808(2) (b).

36 (3) It is the legislature's specific public policy objective to
37 support the continued presence of the aerospace industry in
38 Washington.

1 (4) To measure the effectiveness of this tax preference, the
2 joint legislative audit and review committee must evaluate the
3 estimated loss in state revenue resulting from the tax preference
4 compared to the overall economic impact of airlines headquartered in
5 this state. The review must include an evaluation of both direct and
6 indirect beneficiaries.

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

12 NEW SECTION. **Sec. 604.** (1) This section is the tax preference
13 performance statement for the tax preference contained in RCW
14 84.36.040(1)(f). This performance statement is only intended to be
15 used for subsequent evaluation of the tax preference. It is not
16 intended to create a private right of action by any party or to be
17 used to determine eligibility for preferential tax treatment.

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

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

26 (4) To measure the effectiveness of this tax preference, the
27 joint legislative audit and review committee must include in its
28 review a comparison of nonprofit and for-profit outpatient dialysis
29 facilities, including the share of patients on the kidney transplant
30 waitlist, amount of revenue received per treatment, and any relevant
31 quality measures.

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

37 NEW SECTION. **Sec. 605.** (1) This section is the tax preference
38 performance statement for the tax preference contained in RCW

1 82.08.0262(1)(a)(iii) and 82.12.0254(1)(a)(ii). This performance
2 statement is only intended to be used for subsequent evaluation of
3 the tax preference. It is not intended to create a private right of
4 action by any party or to be used to determine eligibility for
5 preferential tax treatment.

6 (2) The legislature categorizes this tax preference as one
7 intended to improve industry competitiveness, as described in RCW
8 82.32.808(2)(b).

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

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

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

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

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

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

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

30 NEW SECTION. **Sec. 606.** (1) This section is the tax preference
31 performance statement for the tax preference contained in RCW
32 84.36.133. This performance statement is only intended to be used for
33 subsequent evaluation of the tax preference. It is not intended to
34 create a private right of action by any party or to be used to
35 determine eligibility for preferential tax treatment.

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

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

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

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

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

11 (5) In order to obtain the data necessary to perform the review
12 in subsection (4) of this section, the joint legislative audit and
13 review committee may refer to data provided by the department of
14 revenue, the department of transportation, and any other data
15 collected by the state.

16 **PART VII**

17 **CLARIFYING THAT THE PUBLIC UTILITY TAX APPLIES TO THE IN-STATE**
18 **PORTION OF INTERSTATE ACTIVITY**

19 **Sec. 701.** RCW 82.16.020 and 2017 3rd sp.s. c 10 s 14 are each
20 amended to read as follows:

21 (1) There is levied and collected from every person a tax for the
22 act or privilege of engaging within this state in any one or more of
23 the businesses herein mentioned. The tax is equal to the gross income
24 of the business, multiplied by the rate set out after the business,
25 as follows:

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

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

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

31 (d) Urban transportation business: Six-tenths of one percent;

32 (e) Vessels under sixty-five feet in length, except tugboats,
33 operating upon the waters within the state: Six-tenths of one
34 percent;

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

38 (g) Water distribution business: Four and seven-tenths percent;

1 (h) Log transportation business: One and twenty-eight one-
2 hundredths percent. The reduced rate established in this subsection
3 (1)(h) is not subject to the ten-year expiration provision in RCW
4 82.32.805(1)(a).

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

8 (3) Twenty percent of the moneys collected under subsection (1)
9 of this section on water distribution businesses and sixty percent of
10 the moneys collected under subsection (1) of this section on sewerage
11 collection businesses must be deposited in the education legacy trust
12 account created in RCW 83.100.230 from July 1, 2013, through June 30,
13 2023, and thereafter in the public works assistance account created
14 in RCW 43.155.050.

15 (4)(a) The tax authorized in this section applies to the in-state
16 portion of interstate activity.

17 (b) The department may, by rule, provide a method of apportioning
18 or allocating gross income derived from the in-state portion of
19 interstate activities taxed under this section. Any apportionment or
20 allocation standard under this subsection (4)(b) must provide for an
21 equitable and constitutionally permissible division of the tax base.

22 **PART VIII**
23 **MISCELLANEOUS**

24 NEW SECTION. **Sec. 801.** Section 102 of this act expires January
25 1, 2034.

26 NEW SECTION. **Sec. 802.** Section 103 of this act takes effect
27 January 1, 2034.

28 NEW SECTION. **Sec. 803.** The contingent expiration date in
29 section 1407, chapter 37, Laws of 2017 3rd sp. sess. applies to
30 section 110 of this act.

31 NEW SECTION. **Sec. 804.** Section 111 of this act takes effect
32 when section 110 of this act expires.

33 NEW SECTION. **Sec. 805.** Section 114 of this act expires January
34 1, 2034.

1 NEW SECTION. **Sec. 806.** Section 115 of this act takes effect
2 January 1, 2034.

3 NEW SECTION. **Sec. 807.** Section 116 of this act expires January
4 1, 2030.

5 NEW SECTION. **Sec. 808.** Section 117 of this act takes effect
6 January 1, 2030.

7 NEW SECTION. **Sec. 809.** Except for sections 103, 111, 115, and
8 117 of this act, this act takes effect January 1, 2026.

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