
SENATE BILL 5814

State of Washington

69th Legislature

2025 Regular Session

By Senators Frame, Trudeau, Alvarado, Nobles, Pedersen, Valdez, and C. Wilson

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1 AN ACT Relating to funding public schools, health care, social
2 services, and other programs and services to benefit Washingtonians
3 by modernizing the excise taxes on select services and nicotine
4 products and requiring certain large businesses to make a one-time
5 prepayment of state sales tax collection; amending RCW 82.04.192,
6 82.26.010, and 82.32.045; reenacting and amending RCW 82.04.050 and
7 82.32.050; creating new sections; and providing effective dates.

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

9 NEW SECTION. **Sec. 1.** The legislature finds that, through the
10 state's general fund, the state funds public schools, health care,
11 and social services that help Washingtonians to succeed and thrive.
12 These revenues help the state meet its paramount duty to amply
13 provide every child in the state with an education, including
14 children who qualify for special education services, creating the
15 opportunity for each child to succeed in school and achieve success
16 in life. Revenues generated by this act will support health care and
17 other programs that protect the safety and well-being of the public,
18 including behavioral health services for those living with mental
19 illness or substance use disorder, as well as supervision of
20 individuals who have committed crimes. These revenues will also fund
21 social services that provide critical, basic needs assistance for our

1 state's most vulnerable residents, including support for those with
2 developmental disabilities and long-term care for the elderly.

3 Furthermore, the legislature finds that the state's tax code must
4 be periodically reviewed and updated to ensure that tax policy
5 reflects our modern economy. The legislature recognizes that our
6 state and nation have moved away from a predominantly goods-based
7 economy towards a more service-based economy. As a result,
8 Washington's tax code, which is heavily reliant on sales taxes,
9 continues to reach a narrowing share of economic activity subject to
10 the retail sales tax. Similar to the marketplace fairness act of
11 2017, which extended retail sales tax to remote retailers with no
12 physical presence in the state to ensure the tax code reflected the
13 growing shift of retail sales toward online sales and away from
14 brick-and-mortar stores located in the state, so too must this
15 legislature consider extending the retail sales tax to computer-
16 related services, as well as remove exemptions to the retail sales
17 tax for digital automated services which have not been updated since
18 2009, and other services to which it is more appropriate to apply
19 retail sales tax in the state's current economy. The legislature
20 further recognizes that taxes on tobacco products, which have largely
21 gone unchanged over the last several decades, do not adequately
22 capture new and emerging nicotine products. As certain new products
23 come onto the market, they are exempt from excise tax, creating an
24 unfair advantage in the market against their competitors.

25 Thus, to help meet the state's paramount duty of amply providing
26 every child in the state with an education and to support the health
27 and well-being of Washingtonians, the legislature intends to
28 modernize the sales tax and taxes on nicotine products by extending
29 retail sales tax to select services, repealing certain sales tax
30 exemptions, applying taxes on tobacco to new nicotine products, and
31 requiring certain large businesses to make a one-time prepayment of
32 state sales tax collections.

33 PART I

34 EXTENDING RETAIL SALES TAX TO SELECT SERVICES

35 **Sec. 101.** RCW 82.04.050 and 2021 c 296 s 8 and 2021 c 143 s 2
36 are each reenacted and amended to read as follows:

37 (1)(a) "Sale at retail" or "retail sale" means every sale of
38 tangible personal property (including articles produced, fabricated,

1 or imprinted) to all persons irrespective of the nature of their
2 business and including, among others, without limiting the scope
3 hereof, persons who install, repair, clean, alter, improve,
4 construct, or decorate real or personal property of or for consumers
5 other than a sale to a person who:

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

10 (ii) Installs, repairs, cleans, alters, imprints, improves,
11 constructs, or decorates real or personal property of or for
12 consumers, if such tangible personal property becomes an ingredient
13 or component of such real or personal property without intervening
14 use by such person; or

15 (iii) Purchases for the purpose of consuming the property
16 purchased in producing for sale as a new article of tangible personal
17 property or substance, of which such property becomes an ingredient
18 or component or is a chemical used in processing, when the primary
19 purpose of such chemical is to create a chemical reaction directly
20 through contact with an ingredient of a new article being produced
21 for sale; or

22 (iv) Purchases for the purpose of consuming the property
23 purchased in producing ferrosilicon which is subsequently used in
24 producing magnesium for sale, if the primary purpose of such property
25 is to create a chemical reaction directly through contact with an
26 ingredient of ferrosilicon; or

27 (v) Purchases for the purpose of providing the property to
28 consumers as part of competitive telephone service, as defined in RCW
29 82.04.065; or

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

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

1 (c) The term also means every sale of tangible personal property
2 to persons engaged in any business that is taxable under RCW
3 82.04.280(1) (a), (b), and (g), 82.04.290, and 82.04.2908.

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

7 (a) The installing, repairing, cleaning, altering, imprinting, or
8 improving of tangible personal property of or for consumers,
9 including charges made for the mere use of facilities in respect
10 thereto, but excluding charges made for the use of self-service
11 laundry facilities, and also excluding sales of laundry service to
12 nonprofit health care facilities, and excluding services rendered in
13 respect to live animals, birds and insects;

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

23 (c) The constructing, repairing, or improving of any structure
24 upon, above, or under any real property owned by an owner who conveys
25 the property by title, possession, or any other means to the person
26 performing such construction, repair, or improvement for the purpose
27 of performing such construction, repair, or improvement and the
28 property is then reconveyed by title, possession, or any other means
29 to the original owner;

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

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

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

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

21 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g)
22 of this subsection when such sales or charges are for property, labor
23 and services which are used or consumed in whole or in part by such
24 persons in the performance of any activity defined as a "sale at
25 retail" or "retail sale" even though such property, labor and
26 services may be resold after such use or consumption. Nothing
27 contained in this subsection may be construed to modify subsection
28 (1) of this section and nothing contained in subsection (1) of this
29 section may be construed to modify this subsection.

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

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

36 (b) Credit bureau services;

37 (c) Automobile parking and storage garage services;

38 (d) Landscape maintenance and horticultural services but
39 excluding (i) horticultural services provided to farmers and (ii)
40 pruning, trimming, repairing, removing, and clearing of trees and

1 brush near electric transmission or distribution lines or equipment,
2 if performed by or at the direction of an electric utility;

3 (e) Service charges associated with tickets to professional
4 sporting events;

5 (f) The following personal services: Tanning salon services,
6 tattoo parlor services, steam bath services, turkish bath services,
7 escort services, and dating services; (~~and~~)

8 (g) Information technology technical consulting services
9 including, but not limited to, planning and designing information
10 technology systems, network systems integration design services, and
11 systems integration design and consulting;

12 (h) Information technology training services, technical support,
13 and other services including, but not limited to, assisting with
14 network operations and support, help desk services, in-person
15 training related to hardware or software, network system support
16 services, data entry services, and data processing services;

17 (i) Custom website development services. For the purposes of this
18 subsection (3), "website development services" means the design,
19 development, and support of a website provided by a website developer
20 to a customer;

21 (j) Investigation, security services, security monitoring
22 services, and armored car services including, but not limited to,
23 background checks, security guard and patrol services, personal and
24 event security, armored car transportation of cash and valuables, and
25 security system services and monitoring. This does not include
26 locksmith services;

27 (k) Temporary staffing services. For the purposes of this
28 subsection (3), "temporary staffing services" means providing workers
29 to other businesses for limited periods of time to supplement their
30 workforce and fill employment vacancies on a contract or for fee
31 basis;

32 (l) Advertising services, except for advertising services
33 rendered in respect to printing, publishing, radio, and television;
34 and

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

1 (ii) Notwithstanding anything to the contrary in (~~(g)~~) (m)(i)
2 of this subsection (3), the term "sale at retail" and "retail sale"
3 under this subsection does not include:

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

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

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

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

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

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

36 (G) The provision of access to an athletic or fitness facility by
37 an educational institution to its students and staff. However,
38 charges made by an educational institution to its alumni or other
39 members of the public for the use of any of the educational
40 institution's athletic or fitness facilities are a retail sale under

1 this subsection (3) ~~((g))~~ (m). For purposes of this subsection (3)
2 ~~((g))~~ (m)(ii)(G), "educational institution" has the same meaning as
3 in RCW 82.04.170;

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

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

14 (iv) For the purposes of this subsection (3) ~~((g))~~ (m), the
15 following definitions apply:

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

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

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

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

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

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

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

14 ~~(b) ((The term "retail sale" does not include the sale of or~~
15 ~~charge made for:~~

16 ~~(i) Custom software; or~~

17 ~~(ii) The customization of prewritten computer software.~~

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

24 (ii) (A) The service described in ~~((e))~~ (b) (i) of this
25 subsection (6) includes the right to access and use prewritten
26 computer software, custom software, and customization of prewritten
27 computer software to perform data processing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (v) Batting cage activities;

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

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

16 (viii) Day trips for sightseeing purposes;

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

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

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

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

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

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

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

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

18 (xvii) Paintball and airsoft activities;

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (iv) Landscape maintenance and horticultural services.

13 **PART II**

14 **ELIMINATING CERTAIN DIGITAL AUTOMATED SERVICE EXCLUSIONS**

15 **Sec. 201.** RCW 82.04.192 and 2020 c 139 s 4 are each amended to
16 read as follows:

17 (1) "Digital audio works" means works that result from the
18 fixation of a series of musical, spoken, or other sounds, including
19 ringtones.

20 (2) "Digital audiovisual works" means a series of related images
21 which, when shown in succession, impart an impression of motion,
22 together with accompanying sounds, if any.

23 (3)(a) "Digital automated service," except as provided in (b) of
24 this subsection (3), means any service transferred electronically
25 that uses one or more software applications.

26 (b) "Digital automated service" does not include:

27 (i) ~~((Any service that primarily involves the application of
28 human effort by the seller, and the human effort originated after the
29 customer requested the service;~~

30 ~~((ii)))~~ The loaning or transferring of money or the purchase,
31 sale, or transfer of financial instruments. For purposes of this
32 subsection (3)(b) ~~((ii)))~~ (i), "financial instruments" include cash,
33 accounts receivable and payable, loans and notes receivable and
34 payable, debt securities, equity securities, as well as derivative
35 contracts such as forward contracts, swap contracts, and options;

36 ~~((iii)))~~ (ii) Dispensing cash or other physical items from a
37 machine;

38 ~~((iv)))~~ (iii) Payment processing services;

1 ~~((v))~~ (iv) Parimutuel wagering and handicapping contests as
2 authorized by chapter 67.16 RCW;

3 ~~((vi))~~ (v) Telecommunications services and ancillary services
4 as those terms are defined in RCW 82.04.065;

5 ~~((vii))~~ (vi) The internet and internet access as those terms
6 are defined in RCW 82.04.297;

7 ~~((viii))~~ (vii) The service described in RCW 82.04.050(6)~~((e))~~
8 (b);

9 ~~((ix))~~ (viii) Online educational programs provided by a:
10 (A) Public or private elementary or secondary school; or
11 (B) An institution of higher education as defined in sections
12 1001 or 1002 of the federal higher education act of 1965 (Title 20
13 U.S.C. Secs. 1001 and 1002), as existing on July 1, 2009. For
14 purposes of this subsection (3)(b)~~((ix))~~ (viii)(B), an online
15 educational program must be encompassed within the institution's
16 accreditation;

17 ~~((x) Live presentations, such as lectures, seminars, workshops,~~
18 ~~or courses, where participants are connected to other participants~~
19 ~~via the internet or telecommunications equipment, which allows~~
20 ~~audience members and the presenter or instructor to give, receive,~~
21 ~~and discuss information with each other in real time;~~

22 ~~((xi))~~ (ix) Travel agent services, including online travel
23 services, and automated systems used by travel agents to book
24 reservations;

25 ~~((xii))~~ (x)(A) A service that allows the person receiving the
26 service to make online sales of products or services, digital or
27 otherwise, using either: (I) The service provider's website; or (II)
28 the service recipient's website, but only when the service provider's
29 technology is used in creating or hosting the service recipient's
30 website or is used in processing orders from customers using the
31 service recipient's website.

32 (B) The service described in this subsection (3)(b)~~((xii))~~ (x)
33 does not include the underlying sale of the products or services,
34 digital or otherwise, by the person receiving the service;

35 ~~((xiii) Advertising services. For purposes of this subsection~~
36 ~~(3)(b)(xiii), "advertising services" means all services directly~~
37 ~~related to the creation, preparation, production, or the~~
38 ~~dissemination of advertisements. Advertising services include layout,~~
39 ~~art direction, graphic design, mechanical preparation, production~~
40 ~~supervision, placement, and rendering advice to a client concerning~~

1 ~~the best methods of advertising that client's products or services.~~
2 ~~Advertising services also include online referrals, search engine~~
3 ~~marketing and lead generation optimization, web campaign planning,~~
4 ~~the acquisition of advertising space in the internet media, and the~~
5 ~~monitoring and evaluation of website traffic for purposes of~~
6 ~~determining the effectiveness of an advertising campaign. Advertising~~
7 ~~services do not include web hosting services and domain name~~
8 ~~registration;~~

9 ~~(xiv))~~ (xi) The mere storage of digital products, digital codes,
10 computer software, or master copies of software. This exclusion from
11 the definition of digital automated services includes providing space
12 on a server for web hosting or the backing up of data or other
13 information;

14 ~~((xv) Data processing services. For purposes of this subsection~~
15 ~~(3)(b)(xv), "data processing service" means a primarily automated~~
16 ~~service provided to a business or other organization where the~~
17 ~~primary object of the service is the systematic performance of~~
18 ~~operations by the service provider on data supplied in whole or in~~
19 ~~part by the customer to extract the required information in an~~
20 ~~appropriate form or to convert the data to usable information. Data~~
21 ~~processing services include check processing, image processing, form~~
22 ~~processing, survey processing, payroll processing, claim processing,~~
23 ~~and similar activities. Data processing does not include the service~~
24 ~~described in RCW 82.04.050(6)(c);)) and~~

25 ~~((xvi))~~ (xii) Digital goods.

26 (4) "Digital books" means works that are generally recognized in
27 the ordinary and usual sense as books.

28 (5) "Digital code" means a code that provides a purchaser with
29 the right to obtain one or more digital products, if all of the
30 digital products to be obtained through the use of the code have the
31 same sales and use tax treatment. "Digital code" does not include a
32 code that represents a stored monetary value that is deducted from a
33 total as it is used by the purchaser. "Digital code" also does not
34 include a code that represents a redeemable card, gift card, or gift
35 certificate that entitles the holder to select digital products of an
36 indicated cash value. A digital code may be obtained by any means,
37 including email or by tangible means regardless of its designation as
38 song code, video code, book code, or some other term.

39 (6) (a) "Digital goods," except as provided in (b) of this
40 subsection (6), means sounds, images, data, facts, or information, or

1 any combination thereof, transferred electronically, including, but
2 not limited to, specified digital products and other products
3 transferred electronically not included within the definition of
4 specified digital products.

5 (b) The term "digital goods" does not include:

6 (i) Telecommunications services and ancillary services as those
7 terms are defined in RCW 82.04.065;

8 (ii) Computer software as defined in RCW 82.04.215;

9 (iii) The internet and internet access as those terms are defined
10 in RCW 82.04.297;

11 (iv) (A) Except as provided in (b) (iv) (B) of this subsection (6),
12 the representation of a personal or professional service in
13 electronic form, such as an electronic copy of an engineering report
14 prepared by an engineer, where the service primarily involves the
15 application of human effort by the service provider, and the human
16 effort originated after the customer requested the service.

17 (B) The exclusion in (b) (iv) (A) of this subsection (6) does not
18 apply to photographers in respect to amounts received for the taking
19 of photographs that are transferred electronically to the customer,
20 but only if the customer is an end user, as defined in RCW
21 82.04.190(11), of the photographs. Such amounts are considered to be
22 for the sale of digital goods; and

23 (v) Services and activities excluded from the definition of
24 digital automated services in subsection (3) (b) (i) through ~~((~~xv~~))~~
25 (xi) of this section and not otherwise described in (b) (i) through
26 (iv) of this subsection (6).

27 (7) "Digital products" means digital goods and digital automated
28 services.

29 (8) "Electronically transferred" or "transferred electronically"
30 means obtained by the purchaser by means other than tangible storage
31 media. It is not necessary that a copy of the product be physically
32 transferred to the purchaser. So long as the purchaser may access the
33 product, it will be considered to have been electronically
34 transferred to the purchaser.

35 (9) "Specified digital products" means electronically transferred
36 digital audiovisual works, digital audio works, and digital books.

37 (10) "Subscription radio services" means the sale of audio
38 programming by a radio broadcaster as defined in RCW 82.08.0208,
39 except as otherwise provided in this subsection. "Subscription radio
40 services" does not include audio programming that is sold on a pay-

1 per-program basis or that allows the buyer to access a library of
2 programs at any time for a specific charge for that service.

3 (11) "Subscription television services" means the sale of video
4 programming by a television broadcaster as defined in RCW 82.08.0208,
5 except as otherwise provided in this subsection. "Subscription
6 television services" does not include video programming that is sold
7 on a pay-per-program basis or that allows the buyer to access a
8 library of programs at any time for a specific charge for that
9 service, but only if the seller is not subject to a franchise fee in
10 this state under the authority of Title 47 U.S.C. Sec. 542(a) on the
11 gross revenue derived from the sale.

12 PART III

13 CONCERNING THE TAXATION OF NICOTINE PRODUCTS

14 **Sec. 301.** RCW 82.26.010 and 2020 c 139 s 31 are each amended to
15 read as follows:

16 The definitions in this section apply throughout this chapter
17 unless the context clearly requires otherwise.

18 (1) "Actual price" means the total amount of consideration for
19 which tobacco products are sold, valued in money, whether received in
20 money or otherwise, including any charges by the seller necessary to
21 complete the sale such as charges for delivery, freight,
22 transportation, or handling.

23 (2) "Affiliated" means related in any way by virtue of any form
24 or amount of common ownership, control, operation, or management.

25 (3) "Board" means the liquor and cannabis board.

26 (4) "Business" means any trade, occupation, activity, or
27 enterprise engaged in for the purpose of selling or distributing
28 tobacco products in this state.

29 (5) "Cigar" means a roll for smoking that is of any size or shape
30 and that is made wholly or in part of tobacco, irrespective of
31 whether the tobacco is pure or flavored, adulterated or mixed with
32 any other ingredient, if the roll has a wrapper made wholly or in
33 greater part of tobacco. "Cigar" does not include a cigarette.

34 (6) "Cigarette" has the same meaning as in RCW 82.24.010.

35 (7) "Department" means the department of revenue.

36 (8) "Distributor" means (a) any person engaged in the business of
37 selling tobacco products in this state who brings, or causes to be
38 brought, into this state from without the state any tobacco products

1 for sale, (b) any person who makes, manufactures, fabricates, or
2 stores tobacco products in this state for sale in this state, (c) any
3 person engaged in the business of selling tobacco products without
4 this state who ships or transports tobacco products to retailers in
5 this state, to be sold by those retailers, (d) any person engaged in
6 the business of selling tobacco products in this state who handles
7 for sale any tobacco products that are within this state but upon
8 which tax has not been imposed.

9 (9) "Indian country" means the same as defined in chapter 82.24
10 RCW.

11 (10) "Little cigar" means a cigar that has a cellulose acetate
12 integrated filter.

13 (11) "Manufacturer" means a person who manufactures and sells
14 tobacco products.

15 (12) "Manufacturer's representative" means a person hired by a
16 manufacturer to sell or distribute the manufacturer's tobacco
17 products, and includes employees and independent contractors.

18 (13) "Moist snuff" means tobacco, or a similar product containing
19 nicotine, that is finely cut, ground, or powdered; is not for
20 smoking; and is intended to be placed in the oral, but not the nasal,
21 cavity.

22 (14) "Person" means any individual, receiver, administrator,
23 executor, assignee, trustee in bankruptcy, trust, estate, firm,
24 copartnership, joint venture, club, company, joint stock company,
25 business trust, municipal corporation, the state and its departments
26 and institutions, political subdivision of the state of Washington,
27 corporation, limited liability company, association, society, any
28 group of individuals acting as a unit, whether mutual, cooperative,
29 fraternal, nonprofit, or otherwise. The term excludes any person
30 immune from state taxation, including the United States or its
31 instrumentalities, and federally recognized Indian tribes and
32 enrolled tribal members, conducting business within Indian country.

33 (15) "Place of business" means any place where tobacco products
34 are sold or where tobacco products are manufactured, stored, or kept
35 for the purpose of sale, including any vessel, vehicle, airplane,
36 train, or vending machine.

37 (16) "Retail outlet" means each place of business from which
38 tobacco products are sold to consumers.

39 (17) "Retailer" means any person engaged in the business of
40 selling tobacco products to ultimate consumers.

1 (18)(a) "Sale" means any transfer, exchange, or barter, in any
2 manner or by any means whatsoever, for a consideration, and includes
3 and means all sales made by any person.

4 (b) The term "sale" includes a gift by a person engaged in the
5 business of selling tobacco products, for advertising, promoting, or
6 as a means of evading the provisions of this chapter.

7 (19)(a) "Taxable sales price" means:

8 (i) In the case of a taxpayer that is not affiliated with the
9 manufacturer, distributor, or other person from whom the taxpayer
10 purchased tobacco products, the actual price for which the taxpayer
11 purchased the tobacco products;

12 (ii) In the case of a taxpayer that purchases tobacco products
13 from an affiliated manufacturer, affiliated distributor, or other
14 affiliated person, and that sells those tobacco products to
15 unaffiliated distributors, unaffiliated retailers, or ultimate
16 consumers, the actual price for which that taxpayer sells those
17 tobacco products to unaffiliated distributors, unaffiliated
18 retailers, or ultimate consumers;

19 (iii) In the case of a taxpayer that sells tobacco products only
20 to affiliated distributors or affiliated retailers, the price,
21 determined as nearly as possible according to the actual price, that
22 other distributors sell similar tobacco products of like quality and
23 character to unaffiliated distributors, unaffiliated retailers, or
24 ultimate consumers;

25 (iv) In the case of a taxpayer that is a manufacturer selling
26 tobacco products directly to ultimate consumers, the actual price for
27 which the taxpayer sells those tobacco products to ultimate
28 consumers;

29 (v) In the case of a taxpayer that has acquired tobacco products
30 under a sale as defined in subsection (18)(b) of this section, the
31 price, determined as nearly as possible according to the actual
32 price, that the taxpayer or other distributors sell the same tobacco
33 products or similar tobacco products of like quality and character to
34 unaffiliated distributors, unaffiliated retailers, or ultimate
35 consumers; or

36 (vi) In any case where (a)(i) through (v) of this subsection do
37 not apply, the price, determined as nearly as possible according to
38 the actual price, that the taxpayer or other distributors sell the
39 same tobacco products or similar tobacco products of like quality and

1 character to unaffiliated distributors, unaffiliated retailers, or
2 ultimate consumers.

3 (b) For purposes of (a)(i) and (ii) of this subsection only,
4 "person" includes both persons as defined in subsection (14) of this
5 section and any person immune from state taxation, including the
6 United States or its instrumentalities, and federally recognized
7 Indian tribes and enrolled tribal members, conducting business within
8 Indian country.

9 (c) The department may adopt rules regarding the determination of
10 taxable sales price under this subsection.

11 (20) "Taxpayer" means a person liable for the tax imposed by this
12 chapter.

13 (21) "Tobacco products" means cigars, cheroots, stogies,
14 periques, granulated, plug cut, crimp cut, ready rubbed, and other
15 smoking tobacco, snuff, snuff flour, cavendish, plug and twist
16 tobacco, fine-cut and other chewing tobaccos, shorts, refuse scraps,
17 clippings, cuttings and sweepings of tobacco, and other kinds and
18 forms of tobacco, prepared in such manner as to be suitable for
19 chewing or smoking in a pipe or otherwise, or both for chewing and
20 smoking, and any other product, regardless of form, that contains
21 tobacco or nicotine, whether derived from tobacco or created
22 synthetically, and is intended for human consumption or placement in
23 the oral or nasal cavity or absorption into the human body by any
24 other means, but does not include cigarettes as defined in RCW
25 82.24.010.

26 (22) "Unaffiliated distributor" means a distributor that is not
27 affiliated with the manufacturer, distributor, or other person from
28 whom the distributor has purchased tobacco products.

29 (23) "Unaffiliated retailer" means a retailer that is not
30 affiliated with the manufacturer, distributor, or other person from
31 whom the retailer has purchased tobacco products.

32 PART IV

33 REQUIRING CERTAIN BUSINESSES TO MAKE A ONE-TIME PREPAYMENT OF STATE 34 SALES TAX COLLECTIONS

35 **Sec. 401.** RCW 82.32.045 and 2023 c 374 s 12 are each amended to
36 read as follows:

37 (1) (a) Except as otherwise provided in this chapter ~~((and))~~,
38 subsection (6) of this section, and (b) of this subsection, payments

1 of the taxes imposed under chapters 82.04, 82.08, 82.12, 82.14,
2 82.16, and 82.27 RCW, along with reports and returns on forms
3 prescribed by the department, are due monthly within 25 days after
4 the end of the month in which the taxable activities occur.

5 (b)(i) Monthly filers with \$3,000,000 or more taxable retail
6 sales during calendar year 2026 must remit a prepayment on or before
7 June 25, 2027, of the tax imposed under chapter 82.08 RCW equal to 80
8 percent of the amount of state sales tax collected by the taxpayer
9 during the June 2026 reporting period.

10 (ii) The tax return and the remaining tax liability are due on or
11 before July 26, 2027. The taxpayer must correct the collection
12 amounts on the regularly filed excise tax return due on or before
13 July 26, 2027.

14 (2) The department of revenue may relieve any taxpayer or class
15 of taxpayers from the obligation of remitting monthly and may require
16 the return to cover other longer reporting periods, but in no event
17 may returns be filed for a period greater than one year. Except as
18 provided in subsection (3) of this section, for these taxpayers, tax
19 payments are due on or before the last day of the month next
20 succeeding the end of the period covered by the return.

21 (3) For annual filers, tax payments, along with reports and
22 returns on forms prescribed by the department, are due on or before
23 April 15th of the year immediately following the end of the period
24 covered by the return.

25 (4) The department of revenue may also require verified annual
26 returns from any taxpayer, setting forth such additional information
27 as it may deem necessary to correctly determine tax liability.

28 (5) Notwithstanding subsections (1) and (2) of this section, the
29 department may relieve any person of the requirement to file returns
30 if the following conditions are met:

31 (a) The person's value of products, gross proceeds of sales, or
32 gross income of the business, from all business activities taxable
33 under chapter 82.04 RCW, is less than \$125,000 per year;

34 (b) The person's gross income of the business from all activities
35 taxable under chapter 82.16 RCW is less than \$24,000 per year; and

36 (c) The person is not required to collect or pay to the
37 department of revenue any other tax or fee which the department is
38 authorized to collect.

39 (6)(a) Taxes imposed under chapter 82.08 or 82.12 RCW on taxable
40 events that occur beginning January 1, 2019, through June 30, 2019,

1 and payable by a consumer directly to the department are due, on
2 returns prescribed by the department, by July 25, 2019.

3 (b) This subsection (6) does not apply to the reporting and
4 payment of taxes imposed under chapters 82.08 and 82.12 RCW:

5 (i) On the retail sale or use of motor vehicles, vessels, or
6 aircraft; or

7 (ii) By consumers who are engaged in business, unless the
8 department has relieved the consumer of the requirement to file
9 returns pursuant to subsection (5) of this section.

10 **Sec. 402.** RCW 82.32.050 and 2022 c 282 s 2 and 2022 c 41 s 2 are
11 each reenacted and amended to read as follows:

12 (1) If upon examination of any returns or from other information
13 obtained by the department it appears that a tax or penalty has been
14 paid less than that properly due, the department shall assess against
15 the taxpayer such additional amount found to be due and shall add
16 thereto interest on the tax only. The department shall notify the
17 taxpayer by mail, or electronically as provided in RCW 82.32.135, of
18 the additional amount and the additional amount shall become due and
19 shall be paid within (~~thirty~~) 30 days from the date of the notice,
20 or within such further time as the department may provide.

21 (a) For tax liabilities arising before January 1, 1992, interest
22 shall be computed at the rate of nine percent per annum from the last
23 day of the year in which the deficiency is incurred until the earlier
24 of December 31, 1998, or the date of payment. After December 31,
25 1998, the rate of interest shall be variable and computed as provided
26 in subsection (2) of this section. The rate so computed shall be
27 adjusted on the first day of January of each year for use in
28 computing interest for that calendar year.

29 (b) For tax liabilities arising after December 31, 1991, the rate
30 of interest shall be variable and computed as provided in subsection
31 (2) of this section from the last day of the year in which the
32 deficiency is incurred until the date of payment. The rate so
33 computed shall be adjusted on the first day of January of each year
34 for use in computing interest for that calendar year.

35 (c)(i) Except as otherwise provided in this subsection (1)(c),
36 interest imposed after December 31, 1998, shall be computed from the
37 last day of the month following each calendar year included in a
38 notice, and the last day of the month following the final month

1 included in a notice if not the end of a calendar year, until the due
2 date of the notice.

3 (ii) For interest associated with annual tax reporting periods
4 having a due date as prescribed in RCW 82.32.045(3), interest must be
5 computed from the last day of April immediately following each such
6 annual reporting period included in the notice, until the due date of
7 the notice.

8 (iii) For purposes of computing interest under (c)(i) and (ii) of
9 this subsection (1):

10 (A) The same computation of interest applies regardless of
11 whether the department grants additional time for filing any return
12 under RCW 82.32.080(4)(a)(i).

13 (B) If the department extends a due date under subsection (3) of
14 this section or RCW 82.32.080(4)(b), and payment is not made in full
15 by the extended due date, interest is computed from the last day of
16 the month in which the extended due date occurs until the date of
17 payment.

18 (iv) If payment in full is not made by the due date of the
19 notice, additional interest shall be computed under this subsection
20 (1)(c) until the date of payment. The rate of interest shall be
21 variable and computed as provided in subsection (2) of this section.
22 The rate so computed shall be adjusted on the first day of January of
23 each year for use in computing interest for that calendar year.

24 (2) For the purposes of this section, the rate of interest to be
25 charged to the taxpayer shall be an average of the federal short-term
26 rate as defined in 26 U.S.C. Sec. 1274(d) plus two percentage points.
27 The rate set for each new year shall be computed by taking an
28 arithmetical average to the nearest percentage point of the federal
29 short-term rate, compounded annually. That average shall be
30 calculated using the rates from four months: January, April, and July
31 of the calendar year immediately preceding the new year, and October
32 of the previous preceding year.

33 (3) During a state of emergency declared under RCW 43.06.010(12),
34 the department, on its own motion or at the request of any taxpayer
35 affected by the emergency, may extend the due date of any assessment
36 or correction of an assessment for additional taxes, penalties, or
37 interest as the department deems proper.

38 (4) No assessment or correction of an assessment for additional
39 taxes, penalties, or interest due may be made by the department more
40 than four years after the close of the tax year, except (a) against a

1 taxpayer who has not registered as required by this chapter, (b) upon
2 a showing of fraud or of misrepresentation of a material fact by the
3 taxpayer, or (c) where a taxpayer has executed a written waiver of
4 such limitation. The execution of a written waiver shall also extend
5 the period for making a refund or credit as provided in RCW
6 82.32.060(2).

7 (5)(a) For taxes remitted under RCW 82.32.045(1)(b), a one-time
8 penalty equal to 10 percent of the amount of the tax due and payable
9 applies for:

10 (i) The failure of the taxpayer to submit the prepayment of state
11 sales tax pursuant to RCW 82.32.045 collected and remitted under
12 chapter 82.08 RCW; or

13 (ii) A taxpayer submitting a prepayment pursuant to RCW 82.32.045
14 lower than 80 percent of the amount of sales tax collected during the
15 June 2026 reporting period.

16 (b) The department may waive the penalty under (a) of this
17 subsection if the taxpayer provides documentation to the department
18 indicating that the taxpayer's June 2027 taxable retail sales are
19 less than 80 percent of the taxpayer's June 2026 taxable retail
20 sales.

21 (6) For the purposes of this section, the following definitions
22 apply:

23 (a) "Due date of the notice" means the date indicated in the
24 notice by which the amount due in the notice must be paid, or such
25 later date as provided by RCW 1.12.070(3).

26 (b) "Return" means any document a person is required by the state
27 of Washington to file to satisfy or establish a tax or fee obligation
28 that is administered or collected by the department and that has a
29 statutorily defined due date. "Return" also means an application for
30 refund under RCW 82.08.0206.

31 **PART V**
32 **MISCELLANEOUS**

33 NEW SECTION. Sec. 501. If any provision of this act or its
34 application to any person or circumstance is held invalid, the
35 remainder of the act or the application of the provision to other
36 persons or circumstances is not affected.

1 NEW SECTION. **Sec. 502.** This act is necessary for the support of
2 the state government and its existing public institutions.

3 NEW SECTION. **Sec. 503.** Sections 101 and 201 of this act take
4 effect October 1, 2025.

5 NEW SECTION. **Sec. 504.** Section 301 of this act takes effect
6 January 1, 2026.

7 NEW SECTION. **Sec. 505.** Sections 401 and 402 of this act take
8 effect January 1, 2027.

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