
SUBSTITUTE SENATE BILL 6113

State of Washington**69th Legislature****2026 Regular Session**

By Senate Ways & Means (originally sponsored by Senators Frame, Robinson, Nobles, and Saldaña; by request of Department of Revenue)

READ FIRST TIME 02/09/26.

1 AN ACT Relating to improving the tax law administered by the
2 department of revenue by making technical corrections, clarifying
3 ambiguities, and providing administrative efficiencies in a manner
4 that is not estimated to affect state or local tax; amending RCW
5 70A.205.405, 82.04.050, 82.04.060, 82.04.192, 82.04.4451, 82.08.010,
6 82.08.0208, 82.08.9999, 82.08.0256, 82.12.010, 82.12.0208, 82.32.023,
7 82.32.087, 82.32.730, 82.48A.020, and 83.100.048; reenacting and
8 amending RCW 82.04.299, 82.04.29004, 82.08.020, 82.12.020, and
9 84.34.020; adding a new section to chapter 82.04 RCW; adding a new
10 section to chapter 82.32 RCW; creating new sections; repealing RCW
11 82.04.29001; and providing expiration dates.

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

13 **Sec. 1.** RCW 70A.205.405 and 2025 c 417 s 301 are each amended to
14 read as follows:

15 (1) There is levied a \$5 per tire fee on the retail sale of new
16 replacement vehicle tires. The fee imposed in this section must be
17 paid by the buyer to the seller, and each seller shall collect from
18 the buyer the full amount of the fee. The fee collected from the
19 buyer by the seller less the (~~ten percent~~) amount retained by the
20 seller as provided in RCW 70A.205.430(1) must be paid to the
21 department of revenue in accordance with RCW 82.32.045.

1 (2) The department of revenue shall incorporate into the agency's
2 regular audit cycle a reconciliation of the number of tires sold and
3 the amount of revenue collected by the businesses selling new
4 replacement vehicle tires at retail. The department of revenue shall
5 collect on the business excise tax return from the businesses selling
6 new replacement vehicle tires at retail:

7 (a) The number of tires sold; and

8 (b) The fee levied in this section.

9 (3) All other applicable provisions of chapter 82.32 RCW have
10 full force and application with respect to the fee imposed under this
11 section. The department of revenue shall administer this section.

12 (4) For the purposes of this section, "new replacement vehicle
13 tires" means tires that are newly manufactured for vehicle purposes
14 and does not include retreaded vehicle tires.

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

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

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

28 (ii) Installs, repairs, cleans, alters, imprints, improves,
29 constructs, or decorates real or personal property of or for
30 consumers, if such tangible personal property becomes an ingredient
31 or component of such real or personal property without intervening
32 use by such person; or

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

1 (iv) Purchases for the purpose of consuming the property
2 purchased in producing ferrosilicon which is subsequently used in
3 producing magnesium for sale, if the primary purpose of such property
4 is to create a chemical reaction directly through contact with an
5 ingredient of ferrosilicon; or

6 (v) Purchases for the purpose of providing the property to
7 consumers as part of competitive telephone service, as defined in RCW
8 82.04.065; or

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

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

19 (c) The term also means every sale of tangible personal property
20 to persons engaged in any business that is taxable under RCW
21 82.04.280(1) (a), (b), and (~~(g)~~) (f), 82.04.290, and 82.04.2908.

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

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

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

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

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

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

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

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

38 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g)
39 of this subsection when such sales or charges are for property, labor
40 and services which are used or consumed in whole or in part by such

1 persons in the performance of any activity defined as a "sale at
2 retail" or "retail sale" even though such property, labor and
3 services may be resold after such use or consumption. Nothing
4 contained in this subsection may be construed to modify subsection
5 (1) of this section and nothing contained in subsection (1) of this
6 section may be construed to modify this subsection.

7 (3) (~~The~~) Except as provided in subsection (17) of this
8 section, the term "sale at retail" or "retail sale" includes the sale
9 of or charge made for personal, business, or professional services
10 including amounts designated as interest, rents, fees, admission, and
11 other service emoluments however designated, received by persons
12 engaging in the following business activities:

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

14 (b) Credit bureau services;

15 (c) Automobile parking and storage garage services;

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

21 (e) Service charges associated with tickets to professional
22 sporting events;

23 (f) The following personal services: Tanning salon services,
24 tattoo parlor services, steam bath services, turkish bath services,
25 escort services, and dating services;

26 (g) (i) Information technology training services, technical
27 support, and other services including, but not limited to, assisting
28 with network operations and support, help desk services, in-person
29 training related to hardware or software, network system support
30 services, data entry services, and data processing services;

31 (ii) For purposes of this subsection (3)(g), "data processing
32 service" has the same meaning as in subsection (6)(b)(ii)(B) of this
33 section. Data processing does not include the service described in
34 subsection (6)(b)(ii)(A) of this section;

35 (h) Custom website development services. For the purposes of this
36 subsection (3), "website development services" means the design,
37 development, and support of a website provided by a website developer
38 to a customer;

39 (i) Investigation services, security services, security
40 monitoring services, and armored car services including, but not

1 limited to, background checks, security guard and patrol services,
2 personal and event security, armored car transportation of cash and
3 valuables, and security system services and monitoring. This does not
4 include locksmith services. For the purposes of this subsection
5 (3)(i), "investigation services" means providing investigation,
6 detective, and personal background check services including private
7 detective services, background check services, fingerprint services,
8 bounty hunting services, private investigation services, lie
9 detection and polygraph services, missing person tracing services,
10 and skip tracing services;

11 ~~(j) ((Temporary)) (i) Except as provided in (j)(ii) and (iii) of~~
12 ~~this subsection (3), temporary staffing services. ((For the purposes~~
13 ~~of this subsection (3), "temporary staffing services" means providing~~
14 ~~workers to other businesses, except for hospitals licensed under~~
15 ~~chapter 70.41 or 71.12 RCW, for limited periods of time to supplement~~
16 ~~their workforce and fill employment vacancies on a contract or for~~
17 ~~fee basis))~~

18 (ii) Temporary staffing services do not include staffing services
19 provided to hospitals licensed under chapter 70.41 or 71.12 RCW, for
20 limited periods of time to supplement their workforce and fill
21 employment vacancies on a contract or for a fee basis.

22 (iii) Temporary staffing services also do not include paymaster
23 services to the extent amounts received from such services are
24 deductible under RCW 82.04.43393.

25 (iv) For the purposes of this subsection (3)(j):

26 (A) "Temporary staffing services" has the same meaning as
27 "staffing service" in RCW 82.04.540, which does not include services
28 merely rendered by an independent contractor unless the services
29 rendered by the independent contractor meet the definition of
30 "staffing service."

31 (B) "Paymaster services" has the same meaning as in RCW
32 82.04.43393;

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

37 (A) Layout, art direction, graphic design, mechanical
38 preparation, production supervision, placement, referrals,
39 acquisition of advertising space, and rendering advice concerning the
40 best methods of advertising products or services; and

1 (B) Online referrals, search engine marketing, (~~and~~) lead
2 generation optimization, web campaign planning, the acquisition of
3 advertising space in the internet media, and the monitoring and
4 evaluation of website traffic for purposes of determining the
5 effectiveness of an advertising campaign.

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

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

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

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

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

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

13 (C) Services rendered in respect to out-of-home advertising,
14 including: Billboard advertising; street furniture advertising;
15 transit advertising; place-based advertising, such as in-store
16 display advertising or point-of-sale advertising; dynamic or static
17 signage at live events; naming rights; and fixed signage advertising.
18 Out-of-home advertising does not include direct mail.

19 (iii) In the event a person is unable to source advertising
20 services in accordance with RCW 82.32.730 to the local level due to a
21 lack of information, the person must source the services statewide in
22 a manner prescribed by the department;

23 (1) (i) Live presentations including, but not limited to,
24 lectures, seminars, workshops, or courses where participants attend
25 either in-person or via the internet or telecommunications equipment
26 that allows audience members and the presenter or instructor to give,
27 receive, and discuss information with each other in real time.

28 (ii) "Live presentations" do not include:

29 (A) Classes provided by preschools;

30 (B) Classes provided by elementary schools, secondary schools,
31 and institutions of higher education as part of their accreditation;

32 (C) Musical, dramatic, comedic, or similar performances;

33 (D) One-on-one instructional activities including tutoring,
34 consulting, and music lessons;

35 (E) Presentations given at the physical location of a facility
36 exempt from property tax under RCW 84.36.020(2). For the purposes of
37 this subsection (3) (1) (ii) (E):

38 (I) Presentations where participants may join via internet or
39 telecommunications equipment are given at the physical location of
40 the presenter during the real-time presentation; and

1 (II) Presentations where all participants, other than the
2 presenter, attend at the physical location of a facility exempt from
3 property tax under RCW 84.36.020(2) are given at the physical
4 location of the participants regardless of the location of the
5 presenter at the time of the presentation; and

6 (F) Youth camps; and

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

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

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

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

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

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

36 (E) Rent or association fees charged by a landlord or residential
37 association to a tenant or residential owner with access to an
38 athletic or fitness facility maintained by the landlord or
39 residential association, unless the rent or fee varies depending on
40 whether the tenant or owner has access to the facility;

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

5 (G) The provision of access to an athletic or fitness facility by
6 an educational institution to its students and staff. However,
7 charges made by an educational institution to its alumni or other
8 members of the public for the use of any of the educational
9 institution's athletic or fitness facilities are a retail sale under
10 this subsection (3)(m). For purposes of this subsection
11 (3)(m)(ii)(G), "educational institution" has the same meaning as in
12 RCW 82.04.170;

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

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

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

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

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

38 (C) "Physical fitness activities" means activities that involve
39 physical exertion for the purpose of improving or maintaining the
40 general fitness, strength, flexibility, conditioning, or health of

1 the participant. "Physical fitness activities" includes participating
2 in yoga, chi gong, or martial arts.

3 ~~((For the purposes of (g) through (i) and (k) of this subsection
4 (3), the terms "sale at retail" and "retail sale" do not include a
5 sale between members of an affiliated group as defined in RCW
6 82.04.299(1)(f).))~~

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

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

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

15 (6) (a) ~~((The term))~~ Except as provided in subsection (17) of this
16 section, the term "sale at retail" or "retail sale" also includes the
17 sale of prewritten computer software, custom software, and
18 customization of prewritten computer software to a consumer,
19 regardless of the method of delivery to the end user. For purposes of
20 this subsection (6) (a), the sale of prewritten computer software
21 includes the sale of or charge made for a key or an enabling or
22 activation code, where the key or code is required to activate
23 prewritten computer software and put the software into use. There is
24 no separate sale of the key or code from the prewritten computer
25 software, regardless of how the sale may be characterized by the
26 vendor or by the purchaser.

27 (b) (i) ~~((The term))~~ Except as provided in subsection (17) of this
28 section, the term "sale at retail" or "retail sale" also includes the
29 charge made to consumers for the right to access and use prewritten
30 computer software, custom software, and customization of prewritten
31 computer software, where possession of the software is maintained by
32 the seller or a third party, regardless of whether the charge for the
33 service is on a per use, per user, per license, subscription, or some
34 other basis.

35 (ii) (A) The service described in (b) (i) of this subsection (6)
36 includes the right to access and use prewritten computer software,
37 custom software, and customization of prewritten computer software to
38 perform data processing.

39 (B) For purposes of this subsection (6) (b) (ii), "data processing"
40 means the systematic performance of operations on data to extract the

1 required information in an appropriate form or to convert the data to
2 usable information. Data processing includes check processing, image
3 processing, form processing, survey processing, payroll processing,
4 claim processing, and similar activities.

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

19 (8) (a) ~~((The))~~ Except as provided in subsection (17) of this
20 section, the term also includes the following sales to consumers of
21 digital goods, digital codes, and digital automated services:

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

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

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

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

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

35 ~~(c) ((A retail sale of digital goods, digital codes, or digital~~
36 ~~automated services does not include the following services if the~~
37 ~~sale occurs between members of an affiliated group as defined in RCW~~
38 ~~82.04.299(1)(f):~~

1 ~~(i) Any service that primarily involves the application of human~~
2 ~~effort by the seller, and the human effort originated after the~~
3 ~~customer requested the service;~~

4 ~~(ii) Live presentations, such as lectures, seminars, workshops,~~
5 ~~or courses, where participants are connected to other participants~~
6 ~~via the internet or telecommunications equipment, which allows~~
7 ~~audience members and the presenter or instructor to give, receive,~~
8 ~~and discuss information with each other in real time;~~

9 ~~(iii) Advertising services. For purposes of this subsection~~
10 ~~(8)(c), "advertising services" means all services directly related to~~
11 ~~the creation, preparation, production, or dissemination of~~
12 ~~advertisements. Advertising services include layout, art direction,~~
13 ~~graphic design, mechanical preparation, production supervision,~~
14 ~~placement, and rendering advice to a client concerning the best~~
15 ~~methods of advertising that client's products or services.~~
16 ~~Advertising services also include online referrals, search engine~~
17 ~~marketing and lead generation optimization, web campaign planning,~~
18 ~~the acquisition of advertising space in the internet media, and the~~
19 ~~monitoring and evaluation of website traffic for purposes of~~
20 ~~determining the effectiveness of an advertising campaign. Advertising~~
21 ~~services do not include web hosting services and domain name~~
22 ~~registration; and~~

23 ~~(iv) Data processing services. For purposes of this subsection~~
24 ~~(8)(c), "data processing service" means a primarily automated service~~
25 ~~provided to a business or other organization where the primary object~~
26 ~~of the service is the systematic performance of operations by the~~
27 ~~service provider on data supplied in whole or in part by the customer~~
28 ~~to extract the required information in an appropriate form or to~~
29 ~~convert the data to usable information. Data processing services~~
30 ~~include check processing, image processing, form processing, survey~~
31 ~~processing, payroll processing, claim processing, and similar~~
32 ~~activities. Data processing does not include the service described in~~
33 ~~subsection (6)(b) of this section.~~

34 ~~(d)) For purposes of this subsection, "permanent" means~~
35 ~~perpetual or for an indefinite or unspecified length of time. A right~~
36 ~~of permanent use is presumed to have been granted unless the~~
37 ~~agreement between the seller and the purchaser specifies or the~~
38 ~~circumstances surrounding the transaction suggest or indicate that~~
39 ~~the right to use terminates on the occurrence of a condition~~
40 ~~subsequent.~~

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

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

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

32 (12) The term does not include the sale of or charge made for
33 labor and services rendered in respect to the constructing,
34 repairing, decorating, or improving of new or existing buildings or
35 other structures under, upon, or above real property of or for the
36 United States, any instrumentality thereof, or a county or city
37 housing authority created pursuant to chapter 35.82 RCW, including
38 the installing, or attaching of any article of tangible personal
39 property therein or thereto, whether or not such personal property
40 becomes a part of the realty by virtue of installation. Nor does the

1 term include the sale of services or charges made for the clearing of
2 land and the moving of earth of or for the United States, any
3 instrumentality thereof, or a county or city housing authority. Nor
4 does the term include the sale of services or charges made for
5 cleaning up for the United States, or its instrumentalities,
6 radioactive waste and other by-products of weapons production and
7 nuclear research and development.

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

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

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

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

34 (B) Notwithstanding (a)(i)(A) of this subsection (15) and except
35 as otherwise provided in this subsection (15)(a)(i)(B), the term
36 "sale at retail" or "retail sale" does not include amounts charged to
37 participate in, or conduct, a golf tournament or other competitive
38 event. However, amounts paid by event participants to the golf
39 facility operator are retail sales under this subsection (15)(a)(i).
40 Likewise, amounts paid by the event organizer to the golf facility

1 are retail sales under this subsection (15)(a)(i), if such amounts
2 vary based on the number of event participants;

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

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

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

18 (v) Batting cage activities;

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

25 (vii) Climbing on artificial climbing structures, whether indoors
26 or outdoors;

27 (viii) Day trips for sightseeing purposes;

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

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

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

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

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

12 (xiv) Go-karting, bumper cars, and other motorized activities
13 where the seller provides the vehicle and the premises where the
14 buyer will operate the vehicle;

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

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

29 (xvii) Paintball and airsoft activities;

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

36 (xix) Nonmotorized snow sports and activities, such as downhill
37 and cross-country skiing, snowboarding, ski jumping, sledding, snow
38 tubing, snowshoeing, and similar snow sports and activities, whether
39 engaged in outdoors or in an indoor facility with or without snow,
40 but only in respect to discrete charges to the public for the use of

1 land or facilities to engage in nonmotorized snow sports and
2 activities, such as fees, however labeled, for the use of ski lifts
3 and tows and daily or season passes for access to trails or other
4 areas where nonmotorized snow sports and activities are conducted.
5 However, fees for the following are not retail sales under this
6 subsection (15)(a)(xix): (A) Instructional lessons; (B) permits
7 issued by a governmental entity to park a vehicle on or access public
8 lands; and (C) permits or leases granted by an owner of private
9 timberland for recreational access to areas used primarily for
10 growing and harvesting timber; and

11 (xx) Scuba diving; snorkeling; river rafting; surfing;
12 kiteboarding; flyboarding; water slides; inflatables, such as water
13 pillows, water trampolines, and water rollers; and similar water
14 sports and activities.

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

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

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

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

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

38 (16)(a) The term "sale at retail" or "retail sale" includes the
39 purchase or acquisition of tangible personal property and specified
40 services by a person who receives either a qualifying grant exempt

1 from tax under RCW 82.04.767 or 82.16.320 or a grant deductible under
2 RCW 82.04.4339, except for transactions excluded from the definition
3 of "sale at retail" or "retail sale" by any other provision of this
4 section. Nothing in this subsection (16) may be construed to limit
5 the application of any other provision of this section to purchases
6 by a recipient of either a qualifying grant exempt from tax under RCW
7 82.04.767 or a grant deductible under RCW 82.04.4339, or by any other
8 person.

9 (b) For purposes of this subsection (16), "specified services"
10 means:

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

17 (ii) The clearing of land or the moving of earth, whether or not
18 associated with activities described in (b)(i) of this subsection
19 (16);

20 (iii) The razing or moving of existing buildings or structures;
21 and

22 (iv) Landscape maintenance and horticultural services.

23 (17) The term "sale at retail" or "retail sale" does not include
24 the following services if the sale occurs between members of an
25 affiliated group as defined in RCW 82.04.299(1)(f):

26 (a) Services described in subsection (3)(g) through (i), (k), and
27 (l) of this section whether provided in-person or transferred
28 electronically;

29 (b) Custom software and customization of prewritten computer
30 software to a consumer, regardless of the method of delivery to the
31 end user;

32 (c) Any digital automated services that primarily involves the
33 application of human effort by the seller, and the human effort
34 originated after the customer requested the service; and

35 (d) Data processing services. For purposes of this subsection
36 (17), "data processing service" has the same meaning as in subsection
37 (3)(g)(ii) of this section.

38 (18) The term "sale at retail" or "retail sale" does not include
39 services provided by a public agency to another public agency
40 pursuant to an interlocal agreement under chapter 39.34 RCW.

1 **Sec. 3.** RCW 82.04.060 and 2017 c 323 s 512 are each amended to
2 read as follows:

3 "Sale at wholesale" or "wholesale sale" means:

4 (1) Any sale, which is not a sale at retail, of:

5 (a) Tangible personal property;

6 (b) Services defined as a retail sale in RCW 82.04.050(2) (a) or
7 (g) or (3) (g) through (k);

8 (c) Activities defined as a retail sale in RCW 82.04.050(15);

9 (d) Prewritten computer software;

10 (e) Services described in RCW 82.04.050(6) (~~(+e)~~) (b);

11 (f) Extended warranties as defined in RCW 82.04.050(7);

12 (g) Competitive telephone service, ancillary services, or
13 telecommunications service as those terms are defined in RCW
14 82.04.065; or

15 (h) Digital goods, digital codes, or digital automated services;

16 (2) Any charge made for labor and services rendered for persons
17 who are not consumers, in respect to real or personal property, if
18 such charge is expressly defined as a retail sale by RCW 82.04.050
19 when rendered to or for consumers. For the purposes of this
20 subsection (2), "real or personal property" does not include any
21 natural products named in RCW 82.04.100; and

22 (3) The sale of any service for resale, if the sale is excluded
23 from the definition of "sale at retail" and "retail sale" in RCW
24 82.04.050(14).

25 **Sec. 4.** RCW 82.04.192 and 2025 c 422 s 201 are each amended to
26 read as follows:

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

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

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

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

37 (i) The loaning or transferring of money or the purchase, sale,
38 or transfer of financial instruments. For purposes of this subsection
39 (3)(b)(i), "financial instruments" include cash, accounts receivable

1 and payable, loans and notes receivable and payable, debt securities,
2 equity securities, as well as derivative contracts such as forward
3 contracts, swap contracts, and options;

4 (ii) Dispensing cash or other physical items from a machine;

5 (iii) Payment processing services;

6 (iv) Parimutuel wagering and handicapping contests as authorized
7 by chapter 67.16 RCW;

8 (v) Telecommunications services and ancillary services as those
9 terms are defined in RCW 82.04.065;

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

12 (vii) The service described in RCW 82.04.050(6)(b);

13 (viii) Online educational programs provided by a:

14 (A) Public or private elementary or secondary school; or

15 (B) An institution of higher education as defined in sections
16 1001 or 1002 of the federal higher education act of 1965 (Title 20
17 U.S.C. Secs. 1001 and 1002), as existing on July 1, 2009. For
18 purposes of this subsection (3)(b)(viii)(B), an online educational
19 program must be encompassed within the institution's accreditation;

20 (ix) Travel agent services, including online travel services, and
21 automated systems used by travel agents to book reservations;

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

29 (B) The service described in this subsection (3)(b)(x) does not
30 include the underlying sale of the products or services, digital or
31 otherwise, by the person receiving the service;

32 (xi) Telehealth as defined in RCW 18.134.010 or telemedicine as
33 defined in RCW 48.43.735;

34 (xii) The mere storage of digital products, digital codes,
35 computer software, or master copies of software. This exclusion from
36 the definition of digital automated services includes providing space
37 on a server for web hosting or the backing up of data or other
38 information; (~~and~~)

39 (xiii) Digital goods;

1 (xiv) (A) The use of a digital automated service that is
2 incidental to the underlying service. The department may establish
3 factors that demonstrate the use of the digital automated service is
4 incidental to an underlying service, which must include, at a
5 minimum, but is not limited to, the following:

6 (I) The buyer of the underlying service uses the digital
7 automated service provided by the service provider solely for the
8 purpose of transmitting or exchanging communications between the
9 service provider and the buyer; and

10 (II) There is no consideration from the buyer of the underlying
11 service for the use of a digital automated service when the use is
12 solely for the purposes of transmitting or exchanging communications
13 between the service provider and the buyer of the underlying service.

14 (B) For the purposes of this subsection (3) (b) (xiv):

15 (I) "Buyer" has the same meaning as provided in RCW 82.08.010;

16 (II) "Service provider" means a person providing an underlying
17 service;

18 (III) "Underlying service" means any service provided by a person
19 whose gross income of the business from such service would be subject
20 to business and occupation tax under any business and occupation tax
21 classification other than the retailing service tax classification
22 under RCW 82.04.250, if the exclusion in this subsection (3) (b) (xiv)
23 were to apply.

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

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

37 (6) (a) "Digital goods," except as provided in (b) of this
38 subsection (6), means sounds, images, data, facts, or information, or
39 any combination thereof, transferred electronically, including, but
40 not limited to, specified digital products and other products

1 transferred electronically not included within the definition of
2 specified digital products.

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

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

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

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

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

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

21 (v) Services and activities excluded from the definition of
22 digital automated services in subsection (3) (b) (i) through (xii) of
23 this section and not otherwise described in (b) (i) through (iv) of
24 this subsection (6).

25 (7) "Digital products" means digital goods and digital automated
26 services.

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

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

35 (10) "Subscription radio services" means the sale of audio
36 programming by a radio broadcaster as defined in RCW 82.08.0208,
37 except as otherwise provided in this subsection. "Subscription radio
38 services" does not include audio programming that is sold on a pay-
39 per-program basis or that allows the buyer to access a library of
40 programs at any time for a specific charge for that service.

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

10 **Sec. 5.** RCW 82.04.299 and 2025 c 420 s 301 and 2025 c 401 s 5
11 are each reenacted and amended to read as follows:

12 (1)(a) Beginning with business activities occurring on or after
13 April 1, 2020, in addition to the taxes imposed under RCW 82.04.290
14 (2) and (4), a workforce education investment surcharge is imposed on
15 select advanced computing businesses.

16 (i) Beginning April 1, 2020, through December 31, 2025, the
17 surcharge is equal to the gross income of the business subject to the
18 tax under RCW 82.04.290 (2) and (4), multiplied by the rate of 1.22
19 percent.

20 (ii) Beginning January 1, 2026, the surcharge is equal to the
21 gross income of the business subject to the tax under RCW 82.04.290
22 (2) and (4), multiplied by the rate of 7.5 percent.

23 (b) Except as provided in (e) of this subsection (1), in no case
24 will the combined surcharge imposed under this subsection (1) paid by
25 all members of an affiliated group be more than \$75,000,000 annually.

26 (c) For persons subject to the surcharge imposed under this
27 subsection (1) that report under one or more tax classifications, the
28 surcharge applies only to business activities taxed under RCW
29 82.04.290 (2) and (4).

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

36 (e)(i) To aid in the effective administration of the surcharge in
37 this subsection (1), the department may require persons believed to
38 be engaging in advanced computing or affiliated with a person
39 believed to be engaging in advanced computing to disclose whether

1 they are a member of an affiliated group and, if so, to identify all
2 other members of the affiliated group subject to the surcharge.

3 (ii) If the department establishes, by clear, cogent, and
4 convincing evidence, that one or more members of an affiliated group,
5 with intent to evade the surcharge under this subsection (1), failed
6 to fully comply with this subsection (1)(e), the department must
7 assess against that person, or those persons collectively, a penalty
8 equal to 50 percent of the amount of the total surcharge payable by
9 all members of that affiliated group for the calendar year during
10 which the person or persons failed to fully comply with this
11 subsection (1)(e). The penalty under this subsection (1)(e) is in
12 lieu of and not in addition to the evasion penalty under RCW
13 82.32.090(7).

14 (f) For the purposes of this subsection (1) the following
15 definitions apply:

16 (i) "Advanced computing" means designing or developing computer
17 software or computer hardware, whether directly or contracting with
18 another person, including: Modifications to computer software or
19 computer hardware; cloud computing services; or operating as a
20 marketplace facilitator as defined by RCW 82.08.0531, an online
21 search engine, or online social networking platform;

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

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

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

30 (v) "Control" means the possession, directly or indirectly, of
31 more than 50 percent of the power to direct or cause the direction of
32 the management and policies of a person, whether through the
33 ownership of voting shares, by contract, or otherwise; and

34 (vi) "Select advanced computing business" means a person who is a
35 member of an affiliated group with at least one member of the
36 affiliated group engaging in the business of advanced computing, and
37 the affiliated group has worldwide gross revenue of more than
38 \$25,000,000,000 during the immediately preceding calendar year. A
39 person who is primarily engaged within this state in the provision of
40 commercial mobile service, as that term is defined in 47 U.S.C. Sec.

1 332(d)(1), shall not be considered a select advanced computing
2 business. A person who is primarily engaged in this state in the
3 operation and provision of access to transmission facilities and
4 infrastructure that the person owns or leases for the transmission of
5 voice, data, text, sound, and video using wired telecommunications
6 networks shall not be considered a select advanced computing
7 business. A person that is primarily engaged in business as a
8 "financial institution" as defined in RCW 82.04.29004, as that
9 section existed on January 1, 2020, shall not be considered a select
10 advanced computing business. For purposes of this subsection
11 (1)(f)(vi), "primarily" is determined based on gross income of the
12 business.

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

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

18 (ii) A provider clinic offering primary care, multispecialty and
19 surgical services, including behavioral health services, and any
20 affiliate of the provider clinic if the affiliate is an organization
21 that offers health care services or provides administrative support
22 for a provider clinic, or is an independent practice association or
23 accountable care organization.

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

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

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

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

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

36 (4) Beginning in fiscal year 2028, and each year thereafter, when
37 the number of qualified Washington state applicants exceeds the
38 available enrollments by 100 at computer science engineering degree
39 programs in four-year state universities, then a commensurate number
40 of computer science and engineering degree enrollments at those state

1 universities must be automatically added and funded for the surcharge
2 imposed under this section to accommodate the additional demand.

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

6 **Sec. 6.** RCW 82.04.29004 and 2025 c 423 s 201, 2025 c 420 s 202,
7 and 2025 c 401 s 4 are each reenacted and amended to read as follows:

8 (1)(a) From January 1, 2020, through September 30, 2025, in
9 addition to any other taxes imposed under this chapter, an additional
10 tax is imposed on specified financial institutions. The additional
11 tax is equal to the gross income of the business taxable under RCW
12 82.04.290 (2) and (4) multiplied by the rate of 1.2 percent.

13 (b) Beginning October 1, 2025, in addition to any other taxes
14 imposed under this chapter, an additional tax is imposed on specified
15 financial institutions. The additional tax is equal to the gross
16 income of the business taxable under RCW 82.04.290 (2) and (4)
17 multiplied by the rate of 1.5 percent.

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

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

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

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

33 (d) "Financial institution" means:

34 (i) Any corporation or other business entity chartered under
35 Titles 30A, 30B, 31, 32, and 33 RCW, or registered under the federal
36 bank holding company act of 1956, as amended, or registered as a
37 savings and loan holding company under the federal national housing
38 act, as amended;

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

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

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

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

10 (vi) Any agency or branch of a foreign depository as defined in
11 12 U.S.C. Sec. 3101;

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

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

22 (ix)(A) A corporation or other business entity that receives more
23 than 50 percent of its total gross income for federal income tax
24 purposes from finance leases. For purposes of this subsection, a
25 "finance lease" means a lease that meets two requirements:

26 (I) It is the type of lease permitted to be made by national
27 banks (see 12 U.S.C. Sec. 24(7) and (10), comptroller of the currency
28 regulations, part 23, leasing (added by 56 C.F.R. Sec. 28314, June
29 20, 1991, effective July 22, 1991), and regulation Y of the federal
30 reserve system 12 C.F.R. Part 225.25, as amended); and

31 (II) It is the economic equivalent of an extension of credit,
32 i.e., the lease is treated by the lessor as a loan for federal income
33 tax purposes. In no event does a lease qualify as an extension of
34 credit where the lessor takes depreciation on such property for
35 federal income tax purposes.

36 (B) For this classification to apply, the average of the gross
37 income in the current tax year and immediately preceding two tax
38 years must satisfy the more than 50 percent requirement;

39 (x) Any other person or business entity, other than an insurance
40 general agent taxable under RCW 82.04.280(1)(e), an insurance

1 business exempt from the business and occupation tax under RCW
2 82.04.320, a real estate broker taxable under RCW 82.04.255, a
3 securities dealer or international investment management company
4 taxable under RCW 82.04.290(2), that receives more than 50 percent of
5 its gross receipts from activities that a person described in (d) (ii)
6 through (vii) and (ix) of this subsection is authorized to transact.

7 (e) (i) "Specified financial institution" means a financial
8 institution that is a member of a consolidated financial institution
9 group that reported on its consolidated financial statement for the
10 previous calendar year annual net income of at least \$1,000,000,000,
11 not including net income attributable to noncontrolling interests, as
12 the terms "net income" and "noncontrolling interest" are used in the
13 consolidated financial statement.

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

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

21 (4) To aid in the effective administration of the additional tax
22 imposed in this section, the department may require a person believed
23 to be a specified financial institution to disclose whether it is a
24 member of a consolidated financial institution group and, if so, to
25 identify all other members of its consolidated financial institution
26 group. A person failing to comply with this subsection is deemed to
27 have intended to evade tax payable under this section and is subject
28 to the penalty in RCW 82.32.090(7) on any tax due under this section
29 by the person and any financial institution affiliated with the
30 person.

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

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

35 (1) In computing the tax imposed under this chapter, a credit is
36 allowed against the amount of tax otherwise due under this chapter,
37 as provided in this section. Except for taxpayers that report at
38 least 50 percent of their taxable amount under RCW 82.04.255,
39 82.04.290(2) (a), (~~and~~) 82.04.285, and 82.04.405, the maximum credit

1 for a taxpayer for a reporting period is \$55 multiplied by the number
2 of months in the reporting period, as determined under RCW 82.32.045.
3 For a taxpayer that reports at least 50 percent of its taxable amount
4 under RCW 82.04.255, 82.04.290(2)(a), ~~((and))~~ 82.04.285, and
5 82.04.405, the maximum credit for a reporting period is \$160
6 multiplied by the number of months in the reporting period, as
7 determined under RCW 82.32.045.

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

11 (3) When the amount of tax otherwise due under this chapter
12 exceeds the maximum credit, a reduced credit is allowed equal to
13 twice the maximum credit, minus the tax otherwise due under this
14 chapter, but not less than zero.

15 (4) The department may prepare a tax credit table consisting of
16 tax ranges using increments of no more than five dollars and a
17 corresponding tax credit to be applied to those tax ranges. The table
18 shall be prepared in such a manner that no taxpayer will owe a
19 greater amount of tax by using the table than would be owed by
20 performing the calculation under subsections (1) through (3) of this
21 section. A table prepared by the department under this subsection
22 must be used by all taxpayers in taking the credit provided in this
23 section.

24 **Sec. 8.** RCW 82.08.010 and 2022 c 16 s 144 are each amended to
25 read as follows:

26 For the purposes of this chapter:

27 (1)(a)(i) "Selling price" includes "sales price." "Sales price"
28 means the total amount of consideration, except separately stated
29 trade-in property of like kind, including cash, credit, property, and
30 services, for which tangible personal property, extended warranties,
31 digital goods, digital codes, digital automated services, or other
32 services or anything else defined as a "retail sale" under RCW
33 82.04.050 are sold, leased, or rented, valued in money, whether
34 received in money or otherwise. Except as otherwise provided in this
35 subsection (1), no deduction from the total amount of consideration
36 is allowed for the following: (A) The seller's cost of the property
37 sold; (B) the cost of materials used, labor or service cost,
38 interest, losses, all costs of transportation to the seller, all
39 taxes imposed on the seller, and any other expense of the seller; (C)

1 charges by the seller for any services necessary to complete the
2 sale, other than delivery and installation charges; (D) delivery
3 charges; and (E) installation charges.

4 (ii) When tangible personal property is rented or leased under
5 circumstances that the consideration paid does not represent a
6 reasonable rental for the use of the articles so rented or leased,
7 the "selling price" must be determined as nearly as possible
8 according to the value of such use at the places of use of similar
9 products of like quality and character under such rules as the
10 department may prescribe;

11 (b) "Selling price" or "sales price" does not include: Discounts,
12 including cash, term, or coupons that are not reimbursed by a third
13 party that are allowed by a seller and taken by a purchaser on a
14 sale; interest, financing, and carrying charges from credit extended
15 on the sale of tangible personal property, extended warranties,
16 digital goods, digital codes, digital automated services, or other
17 services or anything else defined as a retail sale in RCW 82.04.050,
18 if the amount is separately stated on the invoice, bill of sale, or
19 similar document given to the purchaser; and any taxes legally
20 imposed directly on the consumer, or collected from the consumer
21 pursuant to RCW 35.87A.010(2)(b), that are separately stated on the
22 invoice, bill of sale, or similar document given to the purchaser;

23 (c) "Selling price" or "sales price" includes consideration
24 received by the seller from a third party if:

25 (i) The seller actually receives consideration from a party other
26 than the purchaser, and the consideration is directly related to a
27 price reduction or discount on the sale;

28 (ii) The seller has an obligation to pass the price reduction or
29 discount through to the purchaser;

30 (iii) The amount of the consideration attributable to the sale is
31 fixed and determinable by the seller at the time of the sale of the
32 item to the purchaser; and

33 (iv) One of the criteria in this subsection (1)(c)(iv) is met:

34 (A) The purchaser presents a coupon, certificate, or other
35 documentation to the seller to claim a price reduction or discount
36 where the coupon, certificate, or documentation is authorized,
37 distributed, or granted by a third party with the understanding that
38 the third party will reimburse any seller to whom the coupon,
39 certificate, or documentation is presented;

1 (B) The purchaser identifies himself or herself to the seller as
2 a member of a group or organization entitled to a price reduction or
3 discount, however a "preferred customer" card that is available to
4 any patron does not constitute membership in such a group; or

5 (C) The price reduction or discount is identified as a third
6 party price reduction or discount on the invoice received by the
7 purchaser or on a coupon, certificate, or other documentation
8 presented by the purchaser;

9 (2)(a)(i) "Seller" means every person, including the state and
10 its departments and institutions, making sales at retail or retail
11 sales to a buyer, purchaser, or consumer, whether as agent, broker,
12 or principal, except as otherwise provided in this subsection (2).

13 (ii) "Seller" includes marketplace facilitators, whether making
14 sales in their own right or facilitating sales on behalf of
15 marketplace sellers.

16 (b)(i) "Seller" does not include:

17 (A) The state and its departments and institutions when making
18 sales to the state and its departments and institutions; or

19 (B) A professional employer organization when a covered employee
20 coemployed with the client under the terms of a professional employer
21 agreement engages in activities that constitute a sale at retail that
22 is subject to the tax imposed by this chapter. In such cases, the
23 client, and not the professional employer organization, is deemed to
24 be the seller and is responsible for collecting and remitting the tax
25 imposed by this chapter.

26 (ii) For the purposes of this subsection (2)(b), the terms
27 "client," "covered employee," "professional employer agreement," and
28 "professional employer organization" have the same meanings as in RCW
29 82.04.540;

30 (3) "Buyer," "purchaser," and "consumer" include, without
31 limiting the scope hereof, every individual, receiver, assignee,
32 trustee in bankruptcy, trust, estate, firm, copartnership, joint
33 venture, club, company, joint stock company, business trust,
34 corporation, association, society, or any group of individuals acting
35 as a unit, whether mutual, cooperative, fraternal, nonprofit, or
36 otherwise, municipal corporation, quasi municipal corporation, and
37 also the state, its departments and institutions and all political
38 subdivisions thereof, irrespective of the nature of the activities
39 engaged in or functions performed, and also the United States or any
40 instrumentality thereof;

1 (4) "Delivery charges" means charges by the seller of personal
2 property or services for preparation and delivery to a location
3 designated by the purchaser of personal property or services
4 including, but not limited to, transportation, shipping, postage,
5 handling, crating, and packing;

6 (5) "Direct mail" means printed material delivered or distributed
7 by United States mail or other delivery service to a mass audience or
8 to addressees on a mailing list provided by the purchaser or at the
9 direction of the purchaser when the cost of the items are not billed
10 directly to the recipients. "Direct mail" includes tangible personal
11 property supplied directly or indirectly by the purchaser to the
12 direct mail seller for inclusion in the package containing the
13 printed material. "Direct mail" does not include multiple items of
14 printed material delivered to a single address;

15 (6) The meaning attributed in chapter 82.04 RCW to the terms "tax
16 year," "taxable year," "person," "company," "sale," "sale at
17 wholesale," "wholesale," "business," "engaging in business," "cash
18 discount," "successor," "consumer," "in this state," "within this
19 state," "cannabis," "useable cannabis," and "cannabis-infused
20 products" applies equally to the provisions of this chapter;

21 (7) For the purposes of the taxes imposed under this chapter and
22 under chapter 82.12 RCW, "tangible personal property" means personal
23 property that can be seen, weighed, measured, felt, or touched, or
24 that is in any other manner perceptible to the senses. Tangible
25 personal property includes electricity, water, gas, steam, and
26 prewritten computer software;

27 (8) "Extended warranty" has the same meaning as in RCW
28 82.04.050(7);

29 (9) The definitions in RCW 82.04.192 apply to this chapter;

30 (10) For the purposes of the taxes imposed under this chapter and
31 chapter 82.12 RCW, whenever the terms "property" or "personal
32 property" are used, those terms must be construed to include digital
33 goods and products sold through the use of digital codes unless:

34 (a) It is clear from the context that the term "personal
35 property" is intended only to refer to tangible personal property;

36 (b) It is clear from the context that the term "property" is
37 intended only to refer to tangible personal property, real property,
38 or both; or

1 (c) To construe the term "property" or "personal property" as
2 including digital goods and products sold through the use of digital
3 codes would yield unlikely, absurd, or strained consequences; and

4 (11) "Retail sale" or "sale at retail" means any sale, lease, or
5 rental for any purpose other than for resale, sublease, or subrent.

6 (12) The terms "agriculture," "farming," "horticulture,"
7 "horticultural," and "horticultural product" may not be construed to
8 include or relate to cannabis, useable cannabis, or cannabis-infused
9 products unless the applicable term is explicitly defined to include
10 cannabis, useable cannabis, or cannabis-infused products.

11 (13)(a) "Affiliated person" means a person that, with respect to
12 another person:

13 (i) Has an ownership interest of more than five percent, whether
14 direct or indirect, in the other person; or

15 (ii) Is related to the other person because a third person, or
16 group of third persons who are affiliated persons with respect to
17 each other, holds an ownership interest of more than five percent,
18 whether direct or indirect, in the related persons.

19 (b) For purposes of this subsection (13):

20 (i) "Ownership interest" means the possession of equity in the
21 capital, the stock, or the profits of the other person; and

22 (ii) An indirect ownership interest in a person is an ownership
23 interest in an entity that has an ownership interest in the person or
24 in an entity that has an indirect ownership interest in the person.

25 (14) "Marketplace" means a physical or electronic place,
26 including, but not limited to, a store, a booth, an internet website,
27 a catalog or a dedicated sales software application, where tangible
28 personal property, products sold through the use of digital codes and
29 digital products, or services are offered for sale.

30 (15)(a) "Marketplace facilitator" means a person that:

31 (i) Contracts with sellers to facilitate for consideration,
32 regardless of whether deducted as fees from the transaction, the sale
33 of the seller's products through a marketplace owned or operated by
34 the person;

35 (ii) Engages directly or indirectly, through one or more
36 affiliated persons, in transmitting or otherwise communicating the
37 offer or acceptance between the buyer and seller. For purposes of
38 this subsection, mere advertising does not constitute transmitting or
39 otherwise communicating the offer or acceptance between the buyer and
40 seller; and

1 (iii) Engages directly or indirectly, through one or more
2 affiliated persons, in any of the following activities with respect
3 to the seller's products:

4 (A) Payment processing services;

5 (B) Fulfillment or storage services;

6 (C) Listing products for sale;

7 (D) Setting prices;

8 (E) Branding sales as those of the marketplace facilitator;

9 (F) Taking orders; or

10 (G) Providing customer service or accepting or assisting with
11 returns or exchanges.

12 (b) (i) "Marketplace facilitator" does not include:

13 (A) A person who provides internet advertising services,
14 including listing products for sale, so long as the person does not
15 also engage in the activity described in (a) (ii) of this subsection
16 (15) in addition to any of the activities described in (a) (iii) of
17 this subsection (15); or

18 (B) A person with respect to the provision of travel agency
19 services or the operation of a marketplace or that portion of a
20 marketplace that enables consumers to purchase transient lodging
21 accommodations in a hotel or other commercial transient lodging
22 facility.

23 (ii) The exclusion in this subsection (15) (b) does not apply to a
24 marketplace or that portion of a marketplace that facilitates the
25 retail sale of transient lodging accommodations in homes, apartments,
26 cabins, or other residential dwelling units.

27 (iii) For purposes of this subsection (15) (b), the following
28 definitions apply:

29 (A) "Hotel" has the same meaning as in RCW 19.48.010.

30 (B) "Travel agency services" means arranging or booking, for a
31 commission, fee or other consideration, vacation or travel packages,
32 rental car or other travel reservations or accommodations, tickets
33 for domestic or foreign travel by air, rail, ship, bus, or other
34 medium of transportation, or hotel or other lodging accommodations.

35 (16) "Marketplace seller" means a seller that makes retail sales
36 through any marketplace operated by a marketplace facilitator,
37 regardless of whether the seller is required to be registered with
38 the department under RCW 82.32.030.

39 (17) "Remote seller" means any seller, including a marketplace
40 facilitator, who does not have a physical presence in this state and

1 makes retail sales to purchasers or facilitates retail sales on
2 behalf of marketplace sellers.

3 **Sec. 9.** RCW 82.08.020 and 2025 c 418 s 3 and 2025 c 417 s 201
4 are each reenacted and amended to read as follows:

5 (1) There is levied and collected a tax equal to six and five-
6 tenths percent of the selling price on each retail sale in this state
7 of:

8 (a) Tangible personal property, unless the sale is specifically
9 excluded from the RCW 82.04.050 definition of retail sale;

10 (b) Digital goods, digital codes, and digital automated services,
11 if the sale is included within the RCW 82.04.050 definition of retail
12 sale;

13 (c) Services, other than digital automated services, included
14 within the RCW 82.04.050 definition of retail sale;

15 (d) Extended warranties to consumers; and

16 (e) Anything else, the sale of which is included within the RCW
17 82.04.050 definition of retail sale.

18 (2)(a) There is levied and collected an additional tax on each
19 retail car rental, regardless of whether the vehicle is licensed in
20 this state, equal to:

21 (i) Eleven and nine-tenths percent of the selling price from
22 January 1, 2026, through December 31, 2026; and

23 (ii)(A) Nine and nine-tenths percent of the selling price
24 beginning January 1, 2027.

25 (B) The revenue collected under (a) of this subsection must be
26 deposited in the multimodal transportation account created in RCW
27 47.66.070.

28 (b)(i) Beginning January 1, 2027, there is levied and collected
29 an additional tax on peer-to-peer car sharing transactions equal to
30 the selling price multiplied by the rate of tax imposed under (a) of
31 this subsection. This subsection (2)(b) applies only to peer-to-peer
32 car sharing transactions where the vehicle owner obtained the shared
33 vehicle as a vehicle for resale using a reseller permit or an
34 approved exemption certificate under RCW 82.04.470. The revenue
35 collected under this subsection (2)(b) must be deposited in the
36 multimodal transportation account created in RCW 47.66.070.

37 (ii) A peer-to-peer car sharing program must not allow a vehicle
38 to be placed on a digital network or software application of the
39 peer-to-peer car sharing program for the purpose of making the

1 vehicle available for sharing through the peer-to-peer car sharing
2 program unless the peer-to-peer car sharing program first requests an
3 electronic certification from the shared vehicle owner as to whether
4 the shared vehicle owner obtained the shared vehicle as a vehicle for
5 resale using a reseller permit or an approved exemption certificate
6 under RCW 82.04.470. The peer-to-peer car sharing program must
7 maintain a record of such certification for a period of no less than
8 five years.

9 (iii) A peer-to-peer car sharing program may rely in good faith
10 on the shared vehicle owner's certification as to whether the shared
11 vehicle owner obtained the shared vehicle as a vehicle for resale
12 using a reseller permit or an approved exemption certificate under
13 RCW 82.04.470. Such good faith reliance on the shared vehicle owner's
14 certification does not subject the peer-to-peer car sharing program
15 to any tax liability, or penalties or interest, that may be imposed
16 on the shared vehicle owner.

17 (iv) For purposes of this ((subsection (2)(b))) section, "peer-
18 to-peer car sharing" has the same meaning as in RCW 46.74A.010.
19 "Peer-to-peer car sharing" does not mean:

20 (A) "Retail car rental" as defined in RCW 82.08.011; or

21 (B) "Rental car" as defined in RCW 46.04.465 or 48.115.005.

22 (3) There is levied and collected an additional tax of five-
23 tenths of one percent of the selling price on each retail sale of a
24 motor vehicle in this state, other than retail car rentals and peer-
25 to-peer car sharing transactions taxed under subsection (2) of this
26 section. The revenue collected under this subsection must be
27 deposited in the multimodal transportation account created in RCW
28 47.66.070.

29 (4)(a) Beginning July 1, 2026, in addition to taxes required
30 under this chapter and chapters 82.12 and 82.49 RCW, there is levied
31 and collected an additional tax of five-tenths of one percent on the
32 selling price, plus trade-in property of like kind, for purchased
33 recreational vessels.

34 (b) In the case of a lease requiring periodic payments, the tax
35 is imposed on the fair market value of the recreational vessel at the
36 inception of the lease.

37 (c) The revenue collected under this subsection must be deposited
38 in the multimodal transportation account created in RCW 47.66.070.

1 (d) For purposes of this subsection, "recreational vessel" means
2 a vessel as defined in RCW 88.02.310 that is subject to watercraft
3 excise tax under chapter 82.49 RCW.

4 (5) For purposes of subsection (3) of this section, "motor
5 vehicle" has the meaning provided in RCW 46.04.320, but does not
6 include:

7 (a) Farm tractors or farm vehicles as defined in RCW 46.04.180
8 and 46.04.181, unless the farm tractor or farm vehicle is for use in
9 the production of cannabis;

10 (b) Off-road vehicles as defined in RCW 46.04.365;

11 (c) Nonhighway vehicles as defined in RCW 46.09.310; and

12 (d) Snowmobiles as defined in RCW 46.04.546.

13 (6) Beginning on December 8, 2005, 0.16 percent of the taxes
14 collected under subsection (1) of this section must be dedicated to
15 funding comprehensive performance audits required under RCW
16 43.09.470. The revenue identified in this subsection must be
17 deposited in the performance audits of government account created in
18 RCW 43.09.475.

19 (7) Beginning July 1, 2027, the portion of taxes collected by the
20 state under subsection (1) of this section equal to 0.1 percent of
21 the selling price on each retail sale in this state must be deposited
22 in the multimodal transportation account created in RCW 47.66.070.

23 (8) The taxes imposed under this chapter apply to successive
24 retail sales of the same property.

25 (9) The rates provided in this section apply to taxes imposed
26 under chapter 82.12 RCW as provided in RCW 82.12.020.

27 **Sec. 10.** RCW 82.08.0208 and 2020 c 139 s 11 are each amended to
28 read as follows:

29 (1) The tax imposed by RCW 82.08.020 does not apply to the sale
30 of a digital code for one or more digital products if the sale of the
31 digital products to which the digital code relates is exempt from the
32 tax levied by RCW 82.08.020.

33 (2)(a) The tax imposed by RCW 82.08.020 does not apply to a
34 business or other organization for the purpose of making the digital
35 good or digital automated service, including a digital good or
36 digital automated service acquired through the use of a digital code,
37 or service defined as a retail sale in RCW 82.04.050(6)(~~(e)~~)(b),
38 available free of charge for the use or enjoyment of the general
39 public. The exemption provided in this subsection (2) does not apply

1 unless the purchaser has the legal right to broadcast, rebroadcast,
2 transmit, retransmit, license, relicense, distribute, redistribute,
3 or exhibit the product, in whole or in part, to the general public.

4 (b) For purposes of this subsection (2), "general public" means
5 all persons and not limited or restricted to a particular class of
6 persons, except that the general public includes:

7 (i) A class of persons that is defined as all persons residing or
8 owning property within the boundaries of a state, political
9 subdivision of a state, or a municipal corporation; and

10 (ii) With respect to libraries, authorized library patrons.

11 (3)(a) The tax imposed by RCW 82.08.020 does not apply to the
12 sale to a business of digital goods, and services rendered in respect
13 to digital goods, if the digital goods and services rendered in
14 respect to digital goods are purchased solely for business purposes.
15 The exemption provided by this subsection (3) also applies to the
16 sale to a business of a digital code if all of the digital goods to
17 be obtained through the use of the code will be used solely for
18 business purposes.

19 (b) For purposes of this subsection (3), the following
20 definitions apply:

21 (i) "Business purposes" means any purpose relevant to the
22 business needs of the taxpayer claiming an exemption under this
23 subsection (3). Business purposes do not include any personal,
24 family, or household purpose. The term also does not include any
25 activity conducted by a government entity as that term is defined in
26 RCW 7.25.005; and

27 (ii) "Services rendered in respect to digital goods" means those
28 services defined as a retail sale in RCW 82.04.050(2)(g).

29 (4)(a) The tax imposed by RCW 82.08.020 does not apply to the
30 sale of digital goods, digital codes, digital automated services,
31 prewritten computer software, or services defined as a retail sale in
32 RCW 82.04.050(6) ~~((+e))~~ (b) to a buyer that provides the seller with
33 an exemption certificate claiming multiple points of use. An
34 exemption certificate claiming multiple points of use must be in a
35 form and contain such information as required by the department.

36 (b) A buyer is entitled to use an exemption certificate claiming
37 multiple points of use only if the buyer is a business or other
38 organization and the digital goods or digital automated services
39 purchased, or the digital goods or digital automated services to be
40 obtained by the digital code purchased, or the prewritten computer

1 software or services defined as a retail sale in RCW 82.04.050(6)
2 (~~(e)~~) (b) purchased will be concurrently available for use within
3 and outside this state. A buyer is not entitled to use an exemption
4 certificate claiming multiple points of use for digital goods,
5 digital codes, digital automated services, prewritten computer
6 software, or services defined as a retail sale in RCW 82.04.050(6)
7 (~~(e)~~) (b) purchased for personal use.

8 (c) A buyer claiming an exemption under this subsection (4) must
9 report and pay the tax imposed in RCW 82.12.020 and any local use
10 taxes imposed under the authority of chapter 82.14 RCW and RCW
11 81.104.170 directly to the department in accordance with RCW
12 82.12.0208 and 82.14.457.

13 (d) For purposes of this subsection (4), "concurrently available
14 for use within and outside this state" means that employees or other
15 agents of the buyer may use the digital goods, digital automated
16 services, prewritten computer software, or services defined as a
17 retail sale in RCW 82.04.050(6) (~~(e)~~) (b) simultaneously from one or
18 more locations within this state and one or more locations outside
19 this state. A digital code is concurrently available for use within
20 and outside this state if employees or other agents of the buyer may
21 use the digital goods or digital automated services to be obtained by
22 the code simultaneously at one or more locations within this state
23 and one or more locations outside this state.

24 (5) (a) Except as provided in (b) of this subsection (5), the tax
25 imposed by RCW 82.08.020 does not apply to sales of audio or video
26 programming by a radio or television broadcaster.

27 (b) (i) Except as provided in (b) (ii) of this subsection (5), the
28 exemption provided in this subsection (5) does not apply in respect
29 to programming that is sold on a pay-per-program basis or that allows
30 the buyer to access a library of programs at any time for a specific
31 charge for that service.

32 (ii) The exemption provided in this subsection (5) applies to the
33 sale of programming described in (b) (i) of this subsection (5) if the
34 seller is subject to a franchise fee in this state under the
35 authority of Title 47 U.S.C. Sec. 542(a) on the gross revenue derived
36 from the sale.

37 (c) For purposes of this subsection (5), "radio or television
38 broadcaster" includes satellite radio providers, satellite television
39 providers, cable television providers, and providers of subscription
40 internet television.

1 (6)(a) The tax imposed by RCW 82.08.020 does not apply to the
2 sale of advertising services when the buyer of the advertising
3 services provides the seller with an exemption certificate claiming
4 multiple points of use.

5 (b) A buyer may use an exemption certificate claiming multiple
6 points of use only if the buyer is a business or other organization
7 and the buyer purchased advertising services that will be
8 concurrently available for use within and outside this state. A buyer
9 may not use an exemption certificate claiming multiple points of use
10 for advertising services purchased for personal use.

11 (c) A buyer claiming an exemption under this section must report
12 and pay the tax imposed in RCW 82.12.020, and any local use taxes
13 imposed under the authority of chapter 82.14 RCW and RCW 81.104.170,
14 directly to the department in accordance with RCW 82.12.0208 and
15 82.14.457.

16 (d) For purposes of this subsection, the following definitions
17 apply:

18 (i) "Advertising services" means "advertising services" that are
19 defined as a "retail sale" or "sale at retail" in RCW
20 82.04.050(3)(k);

21 (ii) "Concurrently available for use within and outside this
22 state" has the same meaning as provided in RCW 82.12.0208.

23 (7) Sellers making tax-exempt sales under subsection (2) (~~(6)~~),
24 (3), or (6) of this section must obtain an exemption certificate from
25 the buyer in a form and manner prescribed by the department. The
26 seller must retain a copy of the exemption certificate for the
27 seller's files. In lieu of an exemption certificate, a seller may
28 capture the relevant data elements as allowed under the streamlined
29 sales and use tax agreement.

30 **Sec. 11.** RCW 82.08.9999 and 2022 c 182 s 305 are each amended to
31 read as follows:

32 (1) Beginning August 1, 2019, with sales made or lease agreements
33 signed on or after the qualification period start date:

34 (a) The tax levied by RCW 82.08.020 does not apply as provided in
35 (b) of this subsection to sales or leases of new or used passenger
36 cars, light duty trucks, and medium duty passenger vehicles that:

37 (i) Are exclusively powered by a clean alternative fuel; or

1 (ii) Use at least one method of propulsion that is capable of
2 being reenergized by an external source of electricity and are
3 capable of traveling at least 30 miles using only battery power; and

4 (iii) (A) Have a vehicle selling price plus trade-in property of
5 like kind for purchased vehicles that:

6 (I) For a vehicle that is a new vehicle at the time of the
7 purchase date or the date the lease agreement was signed, does not
8 exceed \$45,000; or

9 (II) For a vehicle that is a used vehicle at the time of the
10 purchase date or the date the lease agreement was signed, does not
11 exceed \$30,000; or

12 (B) Have a fair market value at the inception of the lease for
13 leased vehicles that:

14 (I) For a vehicle that is a new vehicle at the time of the
15 purchase date or the date the lease agreement was signed, does not
16 exceed \$45,000; or

17 (II) For a vehicle that is a used vehicle at the time of the
18 purchase date or the date the lease agreement was signed, does not
19 exceed \$30,000;

20 (b) (i) The exemption in this section is applicable for up to the
21 amounts specified in (b) (ii) or (iii) of this subsection of:

22 (A) The total amount of the vehicle's selling price, for sales
23 made; or

24 (B) The total lease payments made plus any additional selling
25 price of the leased vehicle if the original lessee purchases the
26 leased vehicle before the qualification period end date, for lease
27 agreements signed.

28 (ii) Based on the purchase date or the date the lease agreement
29 was signed of the vehicle if the vehicle is a new vehicle at the time
30 of the purchase date or the date the lease agreement was signed:

31 (A) From the qualification period start date until July 31, 2021,
32 the maximum amount eligible under (b) (i) of this subsection is
33 \$25,000;

34 (B) From August 1, 2021, until July 31, 2023, the maximum amount
35 eligible under (b) (i) of this subsection is \$20,000;

36 (C) From August 1, 2023, until July 31, 2025, the maximum amount
37 eligible under (b) (i) of this subsection is \$15,000.

38 (iii) If the vehicle is a used vehicle at the time of the
39 purchase date or the date the lease agreement was signed, the maximum
40 amount eligible under (b) (i) of this subsection is \$16,000.

1 (2) The seller must keep records necessary for the department to
2 verify eligibility under this section. A person claiming the
3 exemption must also submit itemized information to the department for
4 all vehicles for which an exemption is claimed that must include the
5 following: Vehicle make; vehicle model; model year; whether the
6 vehicle has been sold or leased; date of sale or start date of lease;
7 length of lease; sales price for purchased vehicles and fair market
8 value at the inception of the lease for leased vehicles; and the
9 total amount qualifying for the incentive claimed for each vehicle,
10 in addition to the future monthly amount to be claimed for each
11 leased vehicle. This information must be provided in a form and
12 manner prescribed by the department.

13 (3) (a) The department of licensing must maintain and publish a
14 list of all vehicle models qualifying for the tax exemptions under
15 this section or RCW 82.12.9999 until the expiration date of this
16 section, and is authorized to issue final rulings on vehicle model
17 qualification for these criteria. A seller is not responsible for
18 repayment of the tax exemption under this section and RCW 82.12.9999
19 for a vehicle if the department of licensing's published list of
20 qualifying vehicle models on the purchase date or the date the lease
21 agreement was signed includes the vehicle model and the department of
22 licensing subsequently removes the vehicle model from the published
23 list, and, if applicable, the vehicle meets the qualifying criterion
24 under subsection (1) (a) (iii) (B) of this section and RCW
25 82.12.9999(1) (a) (iii) (B).

26 (b) The department of revenue retains responsibility for
27 determining whether a vehicle meets the applicable qualifying
28 criterion under subsection (1) (a) (iii) (B) of this section and RCW
29 82.12.9999(1) (a) (iii) (B).

30 (4) By the last day of October 2019, and every six months
31 thereafter until (~~this section expires~~) October 31, 2025, based on
32 the best available data, the department must report the following
33 information to the transportation committees of the legislature: The
34 cumulative number of vehicles that qualified for the exemption under
35 this section and RCW 82.12.9999 by month of purchase or lease start
36 and vehicle make and model; the dollar amount of all state retail
37 sales and use taxes exempted on or after the qualification period
38 start date, under this section and RCW 82.12.9999; and estimates of
39 the future costs of leased vehicles that qualified for the exemption
40 under this section and RCW 82.12.9999.

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

3 (a) "Clean alternative fuel" means natural gas, propane,
4 hydrogen, or electricity, when used as a fuel in a motor vehicle that
5 meets the California motor vehicle emission standards in Title 13 of
6 the California Code of Regulations, effective January 1, 2019, and
7 the rules of the Washington state department of ecology.

8 (b) "Fair market value" has the same meaning as "value of the
9 article used" in RCW 82.12.010.

10 (c) "New vehicle" has the same meaning as "new motor vehicle" in
11 RCW 46.04.358.

12 (d) "Qualification period end date" means August 1, 2025.

13 (e) "Qualification period start date" means August 1, 2019.

14 (f) "Used vehicle" has the same meaning as in RCW 46.04.660.

15 (6)(a) Sales of vehicles delivered to the buyer or leased
16 vehicles for which the lease agreement was signed after the
17 qualification period end date do not qualify for the exemption under
18 this section.

19 (b) All leased vehicles that qualified for the exemption under
20 this section before the qualification period end date must continue
21 to receive the exemption as described under subsection (1)(b) of this
22 section on any lease payments due through the remainder of the lease
23 before August 1, 2028.

24 (7) This section expires August 1, 2028.

25 (8) This section is supported by the revenues generated in RCW
26 46.17.324, and therefore takes effect only if RCW 46.17.324 is
27 enacted by June 30, 2019.

28 **Sec. 12.** RCW 82.08.0256 and 2010 c 106 s 213 are each amended to
29 read as follows:

30 The tax levied by RCW 82.08.020 does not apply to sales
31 (including transfers of title through decree of appropriation)
32 heretofore or hereafter made of the entire operating property of a
33 publicly or privately owned public utility, or of a complete
34 operating integral section thereof, to the state or a political
35 subdivision thereof for use in conducting any public service business
36 as defined in RCW 82.16.010. For purposes of this section, "operating
37 property" includes digital goods and products sold through the use of
38 digital codes.

1 **Sec. 13.** RCW 82.12.010 and 2023 c 307 s 2 are each amended to
2 read as follows:

3 For the purposes of this chapter:

4 (1) The meaning ascribed to words and phrases in chapters 82.04
5 and 82.08 RCW, insofar as applicable, has full force and effect with
6 respect to taxes imposed under the provisions of this chapter.
7 "Consumer," in addition to the meaning ascribed to it in chapters
8 82.04 and 82.08 RCW insofar as applicable, also means any person who
9 distributes or displays, or causes to be distributed or displayed,
10 any article of tangible personal property, except newspapers, the
11 primary purpose of which is to promote the sale of products or
12 services. With respect to property distributed to persons within this
13 state by a consumer as defined in this subsection (1), the use of the
14 property is deemed to be by such consumer.

15 (2) "Extended warranty" has the same meaning as in RCW
16 82.04.050(7).

17 (3) "Purchase price" means the same as sales price as defined in
18 RCW 82.08.010.

19 (4) (a) (i) Except as provided in (a) (ii) of this subsection (4),
20 "retailer" means every seller as defined in RCW 82.08.010 and every
21 person engaged in the business of selling tangible personal property
22 at retail and every person required to collect from purchasers the
23 tax imposed under this chapter.

24 (ii) "Retailer" does not include a professional employer
25 organization when a covered employee coemployed with the client under
26 the terms of a professional employer agreement engages in activities
27 that constitute a sale of tangible personal property, extended
28 warranty, digital good, (~~(digital code)~~) or a sale of any digital
29 automated service or service defined as a retail sale in RCW
30 82.04.050 (2) (a) or (g) or (6) (~~(e)~~) (b) that is subject to the tax
31 imposed by this chapter. In such cases, the client, and not the
32 professional employer organization, is deemed to be the retailer and
33 is responsible for collecting and remitting the tax imposed by this
34 chapter.

35 (b) For the purposes of (a) of this subsection, the terms
36 "client," "covered employee," "professional employer agreement," and
37 "professional employer organization" have the same meanings as in RCW
38 82.04.540.

1 (5) "Taxpayer" and "purchaser" include all persons included
2 within the meaning of the word "buyer" and the word "consumer" as
3 defined in chapters 82.04 and 82.08 RCW.

4 (6) "Use," "used," "using," or "put to use" have their ordinary
5 meaning, and mean:

6 (a) With respect to tangible personal property, except for
7 natural gas and manufactured gas, the first act within this state by
8 which the taxpayer takes or assumes dominion or control over the
9 article of tangible personal property (as a consumer), and include
10 installation, storage, withdrawal from storage, distribution, or any
11 other act preparatory to subsequent actual use or consumption within
12 this state;

13 (b) With respect to a service defined in RCW 82.04.050(2)(a), the
14 first act within this state after the service has been performed by
15 which the taxpayer takes or assumes dominion or control over the
16 article of tangible personal property upon which the service was
17 performed (as a consumer), and includes installation, storage,
18 withdrawal from storage, distribution, or any other act preparatory
19 to subsequent actual use or consumption of the article within this
20 state;

21 (c) With respect to an extended warranty, the first act within
22 this state after the extended warranty has been acquired by which the
23 taxpayer takes or assumes dominion or control over the article of
24 tangible personal property to which the extended warranty applies,
25 and includes installation, storage, withdrawal from storage,
26 distribution, or any other act preparatory to subsequent actual use
27 or consumption of the article within this state;

28 (d) With respect to a digital good (~~(or)~~), including a digital
29 good obtained through the use of a digital code, the first act within
30 this state by which the taxpayer, as a consumer, views, accesses,
31 downloads, possesses, stores, opens, manipulates, or otherwise uses
32 or enjoys the digital good (~~(or digital code)~~);

33 (e) With respect to a digital automated service, including a
34 digital automated service obtained through the use of a digital code,
35 the first act within this state by which the taxpayer, as a consumer,
36 uses, enjoys, or otherwise receives the benefit of the service;

37 (f) With respect to a service defined as a retail sale in RCW
38 82.04.050(6) (~~(or)~~) (b), the first act within this state by which the
39 taxpayer, as a consumer, accesses the prewritten computer software;

1 (g) With respect to a service defined as a retail sale in RCW
2 82.04.050(2)(g), the first act within this state after the service
3 has been performed by which the taxpayer, as a consumer, views,
4 accesses, downloads, possesses, stores, opens, manipulates, or
5 otherwise uses or enjoys the digital good upon which the service was
6 performed; and

7 (h) With respect to natural gas or manufactured gas, the use of
8 which is taxable under RCW 82.12.022, including gas that is also
9 taxable under the authority of RCW 82.14.230, the first act within
10 this state by which the taxpayer consumes the gas by burning the gas
11 or storing the gas in the taxpayer's own facilities for later
12 consumption by the taxpayer.

13 (7)(a) "Value of the article used" is the purchase price for the
14 article of tangible personal property, the use of which is taxable
15 under this chapter. The term also includes, in addition to the
16 purchase price, the amount of any tariff or duty paid with respect to
17 the importation of the article used. In case the article used is
18 acquired by lease or by gift or is extracted, produced, or
19 manufactured by the person using the same or is sold under conditions
20 wherein the purchase price does not represent the true value thereof,
21 the value of the article used is determined as nearly as possible
22 according to the retail selling price at place of use of similar
23 products of like quality and character under such rules as the
24 department may prescribe.

25 (b) In case the articles used are acquired by bailment, the value
26 of the use of the articles so used must be in an amount representing
27 a reasonable rental for the use of the articles so bailed, determined
28 as nearly as possible according to the value of such use at the
29 places of use of similar products of like quality and character under
30 such rules as the department of revenue may prescribe. In case any
31 such articles of tangible personal property are used in respect to
32 the construction, repairing, decorating, or improving of, and which
33 become or are to become an ingredient or component of, new or
34 existing buildings or other structures under, upon, or above real
35 property of or for the United States, any instrumentality thereof, or
36 a county or city housing authority created pursuant to chapter 35.82
37 RCW, including the installing or attaching of any such articles
38 therein or thereto, whether or not such personal property becomes a
39 part of the realty by virtue of installation, then the value of the
40 use of such articles so used is determined according to the retail

1 selling price of such articles, or in the absence of such a selling
2 price, as nearly as possible according to the retail selling price at
3 place of use of similar products of like quality and character or, in
4 the absence of either of these selling price measures, such value may
5 be determined upon a cost basis, in any event under such rules as the
6 department of revenue may prescribe.

7 (c) In the case of articles owned by a user engaged in business
8 outside the state which are brought into the state for no more than
9 180 days in any period of 365 consecutive days and which are
10 temporarily used for business purposes by the person in this state,
11 the value of the article used must be an amount representing a
12 reasonable rental for the use of the articles, unless the person has
13 paid tax under this chapter or chapter 82.08 RCW upon the full value
14 of the article used, as defined in (a) of this subsection.

15 (d) In the case of articles manufactured or produced by the user
16 and used in the manufacture or production of products sold or to be
17 sold to the department of defense of the United States, the value of
18 the articles used is determined according to the value of the
19 ingredients of such articles.

20 (e) In the case of an article manufactured or produced for
21 purposes of serving as a prototype for the development of a new or
22 improved product, the value of the article used is determined by: (i)
23 The retail selling price of such new or improved product when first
24 offered for sale; or (ii) the value of materials incorporated into
25 the prototype in cases in which the new or improved product is not
26 offered for sale.

27 (f) In the case of an article purchased with a direct pay permit
28 under RCW 82.32.087, the value of the article used is determined by
29 the purchase price of such article if, but for the use of the direct
30 pay permit, the transaction would have been subject to sales tax.

31 (g) In the case of asphalt or aggregates manufactured or
32 extracted by a person providing services taxable under RCW
33 82.04.280(1)(b) and used by that person in providing those services,
34 the value of the asphalt or aggregates is equal to the sum of all
35 direct and indirect costs attributable to the asphalt or aggregates
36 used, plus a public road construction market adjustment of five
37 percent of those costs.

38 (8) "Value of the digital good (~~(or digital code)~~) used" means
39 the purchase price for the digital good (~~(or digital code)~~), the use
40 of which is taxable under this chapter. If the digital good (~~(or~~

1 ~~digital code~~) is acquired other than by purchase, the value of the
2 digital good (~~or digital code~~) must be determined as nearly as
3 possible according to the retail selling price at place of use of
4 similar digital goods (~~or digital codes~~) of like quality and
5 character under rules the department may prescribe.

6 (9) "Value of the extended warranty used" means the purchase
7 price for the extended warranty, the use of which is taxable under
8 this chapter. If the extended warranty is received by gift or under
9 conditions wherein the purchase price does not represent the true
10 value of the extended warranty, the value of the extended warranty
11 used is determined as nearly as possible according to the retail
12 selling price at place of use of similar extended warranties of like
13 quality and character under rules the department may prescribe.

14 (10) "Value of the service used" means the purchase price for the
15 digital automated service or other service, the use of which is
16 taxable under this chapter. If the service is received by gift or
17 under conditions wherein the purchase price does not represent the
18 true value thereof, the value of the service used is determined as
19 nearly as possible according to the retail selling price at place of
20 use of similar services of like quality and character under rules the
21 department may prescribe.

22 **Sec. 14.** RCW 82.12.020 and 2025 c 418 s 4 and 2025 c 417 s 202
23 are each reenacted and amended to read as follows:

24 (1) There is levied and collected from every person in this state
25 a tax or excise for the privilege of using within this state as a
26 consumer any:

27 (a) Article of tangible personal property acquired by the user in
28 any manner, including tangible personal property acquired at a casual
29 or isolated sale, and including by-products used by the manufacturer
30 thereof, except as otherwise provided in this chapter, irrespective
31 of whether the article or similar articles are manufactured or are
32 available for purchase within this state;

33 (b) Prewritten computer software, regardless of the method of
34 delivery, but excluding prewritten computer software that is either
35 provided free of charge or is provided for temporary use in viewing
36 information, or both;

37 (c) (~~Services~~) (i) Until September 30, 2025, services defined
38 as a retail sale in RCW 82.04.050 (2) (a) or (g) or (6) (~~(+e)~~) (b),

1 excluding services defined as a retail sale in RCW 82.04.050(6)
2 (~~(e)~~) (b) that are provided free of charge;

3 (ii) Beginning October 1, 2025, services defined as a retail sale
4 in RCW 82.04.050 (2) (a) or (g), (3) (g), (h), (i), (j), or (k), or
5 (6)(b), excluding services defined as a retail sale in RCW
6 82.04.050(6)(b) that are provided free of charge and services
7 excluded from the definition of "sale at retail" or "retail sale"
8 under RCW 82.04.050(17);

9 (d) Extended warranty; or

10 (e)(i) Digital good, digital code, or digital automated service,
11 including the use of any services provided by a seller exclusively in
12 connection with digital goods, digital codes, or digital automated
13 services, whether or not a separate charge is made for such services.

14 (ii) With respect to the use of digital goods, digital automated
15 services, and digital codes acquired by purchase, the tax imposed in
16 this subsection (1)(e) applies in respect to:

17 (A) Sales in which the seller has granted the purchaser the right
18 of permanent use;

19 (B) Sales in which the seller has granted the purchaser a right
20 of use that is less than permanent;

21 (C) Sales in which the purchaser is not obligated to make
22 continued payment as a condition of the sale; and

23 (D) Sales in which the purchaser is obligated to make continued
24 payment as a condition of the sale.

25 (iii) With respect to digital goods, digital automated services,
26 and digital codes acquired other than by purchase, the tax imposed in
27 this subsection (1)(e) applies regardless of whether or not the
28 consumer has a right of permanent use or is obligated to make
29 continued payment as a condition of use.

30 (2) (~~The~~) (a) Until September 30, 2025, the provisions of this
31 chapter do not apply in respect to the use of any article of tangible
32 personal property, extended warranty, digital good, digital code,
33 digital automated service, or service taxable under RCW 82.04.050 (2)
34 (a) or (g) or (6)(~~e~~) (b), if the sale to, or the use by, the
35 present user or the present user's bailor or donor has already been
36 subjected to the tax under chapter 82.08 RCW or this chapter and the
37 tax has been paid by the present user or by the present user's bailor
38 or donor.

39 (b) Beginning October 1, 2025, the provisions of this chapter do
40 not apply in respect to the use of any article of tangible personal

1 property, extended warranty, digital good, digital code, digital
2 automated service, or service taxable under RCW 82.04.050 (2) (a) or
3 (g), (3) (g), (h), (i), (j), or (k), or (6) (b), if the sale to, or
4 the use by, the present user or the present user's bailor or donor
5 has already been subjected to the tax under chapter 82.08 RCW or this
6 chapter and the tax has been paid by the present user or by the
7 present user's bailor or donor.

8 (3) (a) Except as provided in this section, payment of the tax
9 imposed by this chapter or chapter 82.08 RCW by one purchaser or user
10 of tangible personal property, extended warranty, digital good,
11 digital code, digital automated service, or other service does not
12 have the effect of exempting any other purchaser or user of the same
13 property, extended warranty, digital good, digital code, digital
14 automated service, or other service from the taxes imposed by such
15 chapters.

16 (b) The tax imposed by this chapter does not apply:

17 (i) If the sale to, or the use by, the present user or his or her
18 bailor or donor has already been subjected to the tax under chapter
19 82.08 RCW or this chapter and the tax has been paid by the present
20 user or by his or her bailor or donor;

21 (ii) In respect to the use of any article of tangible personal
22 property acquired by bailment and the tax has once been paid based on
23 reasonable rental as determined by RCW 82.12.060 measured by the
24 value of the article at time of first use multiplied by the tax rate
25 imposed by chapter 82.08 RCW or this chapter as of the time of first
26 use;

27 (iii) In respect to the use of any article of tangible personal
28 property acquired by bailment, if the property was acquired by a
29 previous bailee from the same bailor for use in the same general
30 activity and the original bailment was prior to June 9, 1961; ((~~or~~))

31 (iv) To the use of digital goods or digital automated services,
32 which were obtained through the use of a digital code, if the sale of
33 the digital code to, or the use of the digital code by, the present
34 user or the present user's bailor or donor has already been subjected
35 to the tax under chapter 82.08 RCW or this chapter and the tax has
36 been paid by the present user or by the present user's bailor or
37 donor; or

38 (v) The use of any service taxable under RCW 82.04.050 if the
39 service is rendered by the taxpayer's own employees in the course of
40 their employment.

1 (4) (a) Except as provided in (b) of this subsection (4), the tax
2 is levied and must be collected in an amount equal to the value of
3 the article used, value of the digital good or digital code used,
4 value of the extended warranty used, or value of the service used by
5 the taxpayer, multiplied by the applicable rates in effect for the
6 retail sales tax under RCW 82.08.020.

7 (b) In the case of a seller required to collect use tax from the
8 purchaser, the tax must be collected in an amount equal to the
9 purchase price multiplied by the applicable rate in effect for the
10 retail sales tax under RCW 82.08.020.

11 (5) Beginning July 1, 2027, the portion of taxes collected by the
12 state under subsection (1) of this section equal to 0.1 percent of
13 the value of the article used, value of the digital good or digital
14 code used, value of the extended warranty used, or value of the
15 service used by the taxpayer, must be deposited in the multimodal
16 transportation account created in RCW 47.66.070.

17 (6) For purposes of the tax imposed in this section, "person"
18 includes anyone within the definition of "buyer," "purchaser," and
19 "consumer" in RCW 82.08.010.

20 (7) (a) Beginning July 1, 2026, the tax imposed in this section at
21 the rate provided in RCW 82.08.020(4) applies to the use of a
22 recreational vessel at the time that it is first used in this state
23 by the consumer.

24 (b) The revenue collected under this subsection must be deposited
25 in the multimodal transportation account created in RCW 47.66.070.

26 (c) For purposes of this subsection, "recreational vessel" means
27 a vessel as defined in RCW 88.02.310 that is subject to watercraft
28 excise tax under chapter 82.49 RCW.

29 **Sec. 15.** RCW 82.12.0208 and 2020 c 139 s 18 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 a digital code for one or more digital products, if the use of
33 the digital products to which the digital code relates is exempt from
34 the tax levied by RCW 82.12.020.

35 (2) The provisions of this chapter do not apply to the use by a
36 business or other organization of digital goods, digital codes,
37 digital automated services, or services defined as a retail sale in
38 RCW 82.04.050(6) ~~((e))~~ (b) for the purpose of making the digital
39 good or digital automated service, including a digital good or

1 digital automated service acquired through the use of a digital code,
2 or service defined as a retail sale in RCW 82.04.050(6)((+e)) (b)
3 available free of charge for the use or enjoyment of the general
4 public. For purposes of this subsection (2), "general public" has the
5 same meaning as in RCW 82.08.0208. The exemption provided in this
6 subsection (2) does not apply unless the user has the legal right to
7 broadcast, rebroadcast, transmit, retransmit, license, relicense,
8 distribute, redistribute, or exhibit the product, in whole or in
9 part, to the general public.

10 (3) The provisions of this chapter do not apply to the use by
11 students of digital goods furnished by a public or private elementary
12 or secondary school, or an institution of higher education as defined
13 in section 1001 or 1002 of the federal higher education act of 1965
14 (Title 20 U.S.C. Secs. 1001 and 1002), as existing on July 1, 2009.

15 (4)(a) The provisions of this chapter do not apply in respect to
16 the use of digital goods that are:

17 (i) Of a noncommercial nature, such as personal email
18 communications;

19 (ii) Created solely for an internal audience; or

20 (iii) Created solely for the business needs of the person who
21 created the digital good, including business email communications,
22 but not including the type of digital good that is offered for sale.

23 (b) This subsection (4) does not apply to the use of any digital
24 goods purchased by the user, the user's donor, or anybody on the
25 user's behalf.

26 (5) The provisions of this chapter do not apply in respect to the
27 use of digital products or digital codes obtained by the end user
28 free of charge.

29 (6) The provisions of this chapter do not apply to the use by a
30 business of digital goods, and services rendered in respect to
31 digital goods, where the digital goods and services rendered in
32 respect to digital goods are used solely for business purposes. The
33 exemption provided by this subsection (6) also applies to the use by
34 a business of a digital code if all of the digital goods to be
35 obtained through the use of the code will be used solely for business
36 purposes. For purposes of this subsection (6), the definitions in RCW
37 82.08.0208 apply.

38 (7)(a) A business or other organization subject to the tax
39 imposed in RCW 82.12.020 on the use of digital goods, digital codes,
40 digital automated services, prewritten computer software, or services

1 defined as a retail sale in RCW 82.04.050 (3)(k) and (6)((+e)) (b)
2 that are concurrently available for use within and outside this state
3 is entitled to apportion the amount of tax due this state based on
4 users in this state compared to users everywhere.

5 (b)(i) The department may authorize or require an alternative
6 method of apportionment supported by the taxpayer's records that
7 fairly reflects the proportion of in-state to out-of-state use by the
8 taxpayer of the digital goods, digital automated services, prewritten
9 computer software, or services defined as a retail sale in RCW
10 82.04.050(6)((+e)) (b).

11 ((+b)) (ii) For advertising services, as defined in RCW
12 82.04.050(3)(k), the determination of in-state and out-of-state use,
13 for purposes of this subsection (7)(b), is based on the locations
14 where the related advertisements are viewed by a user or otherwise
15 interacted with by a user. If a taxpayer is unable to determine after
16 exercising due diligence the locations where the related
17 advertisements are either viewed by a user, or otherwise interacted
18 with by a user, the department may authorize or require an
19 alternative method that includes, but is not limited to, internet
20 statistics and population.

21 (c) No apportionment under this subsection (7) is allowed unless
22 the apportionment method is supported by the taxpayer's records kept
23 in the ordinary course of business.

24 ((+e)) (d) For purposes of this subsection (7), the following
25 definitions apply:

26 (i) "Concurrently available for use within and outside this
27 state" means that the taxpayer, employees, or other agents of the
28 taxpayer may use the digital goods, digital automated services,
29 prewritten computer software, or services defined as a retail sale in
30 RCW 82.04.050(6)((+e)) (b) simultaneously at one or more locations
31 within this state and one or more locations outside this state. A
32 digital code is concurrently available for use within and outside
33 this state if employees or other agents of the taxpayer may use the
34 digital goods or digital automated services to be obtained by the
35 code simultaneously at one or more locations within this state and
36 one or more locations outside this state; and

37 (ii) ("User") (A) Except as provided otherwise in (d)(ii)(B) of
38 this subsection (7), for the purposes of this subsection (7), "user"
39 means an employee or agent of the taxpayer who is authorized by the
40 taxpayer to use the digital goods, digital automated services,

1 prewritten computer software, or services defined as a retail sale in
2 RCW 82.04.050(6) ~~((e))~~ (b) in the performance of his or her duties
3 as an employee or other agent of the taxpayer.

4 (B) With respect to advertising services, if an alternative
5 method of apportionment is used as allowed or required under (a) of
6 this subsection (7), "user" may also mean a person who views or
7 otherwise interacts with the taxpayer's advertisement. For purposes
8 of this subsection (7)(d)(ii), "advertising service" has the same
9 meaning as provided in RCW 82.04.050(3)(k).

10 (8)(a) Except as provided in (b) of this subsection (8), the
11 provisions of this chapter do not apply to the use of audio or video
12 programming provided by a radio or television broadcaster.

13 (b)(i) Except as provided in (b)(ii) of this subsection (8), the
14 exemption provided in this subsection (8) does not apply in respect
15 to programming that is sold on a pay-per-program basis or that allows
16 the buyer to access a library of programs at any time for a specific
17 charge for that service.

18 (ii) The exemption provided in this subsection (8) applies to the
19 sale of programming described in (b)(i) of this subsection (8) if the
20 seller is subject to a franchise fee in this state under the
21 authority of Title 47 U.S.C. Sec. 542(a) on the gross revenue derived
22 from the sale.

23 (c) For purposes of this subsection (8), "radio or television
24 broadcaster" includes satellite radio providers, satellite television
25 providers, cable television providers, providers of subscription
26 internet television, and persons who provide radio or television
27 broadcasting to listeners or viewers for no charge.

28 **Sec. 16.** RCW 82.32.023 and 2009 c 535 s 1112 are each amended to
29 read as follows:

30 For purposes of construing those provisions of the streamlined
31 sales and use tax agreement that have been incorporated into this
32 title, and unless the context requires otherwise, the terms "product"
33 and "products" refer to tangible personal property, digital goods,
34 ~~((digital—codes,))~~ digital automated services, other services,
35 extended warranties, and anything else that can be sold or used.

36 **Sec. 17.** RCW 82.32.087 and 2015 c 169 s 11 are each amended to
37 read as follows:

1 (1) The director may grant a direct pay permit to a taxpayer who
2 demonstrates, to the satisfaction of the director, that the taxpayer
3 meets the requirements of this section. The direct pay permit allows
4 the taxpayer to accrue and remit directly to the department use tax
5 on the acquisition of tangible personal property or sales tax on the
6 sale of or charges made for labor and/or services, in accordance with
7 all of the applicable provisions of this title. Any taxpayer that
8 uses a direct pay permit must remit state and local sales or use tax
9 directly to the department. The agreement by the purchaser to remit
10 tax directly to the department, rather than pay sales or use tax to
11 the seller, relieves the seller of the obligation to collect sales or
12 use tax and requires the buyer to pay use tax on the tangible
13 personal property and sales tax on the sale of or charges made for
14 labor and/or services.

15 (2)(a) A taxpayer may apply for a permit under this section if:
16 (i) The taxpayer's cumulative tax liability is reasonably expected to
17 be two hundred forty thousand dollars or more in the current calendar
18 year; or (ii) the taxpayer makes purchases subject to the taxes
19 imposed under chapter 82.08 or 82.12 RCW in excess of ten million
20 dollars per calendar year. For the purposes of this section, "tax
21 liability" means the amount required to be remitted to the department
22 for taxes administered under this chapter, except for the taxes
23 imposed or authorized by chapters 82.14A, 82.14B, 82.24, 82.27,
24 82.29A, and 84.33 RCW.

25 (b) Application for a permit must be made in writing to the
26 director in a form and manner prescribed by the department. A
27 taxpayer who transacts business in two or more locations may submit
28 one application to cover the multiple locations.

29 (c) The director must review a direct pay permit application in a
30 timely manner and must notify the applicant, in writing, of the
31 approval or denial of the application. The department must approve or
32 deny an application based on the applicant's ability to comply with
33 local government use tax coding capabilities and responsibilities;
34 requirements for vendor notification; recordkeeping obligations;
35 electronic data capabilities; and tax reporting procedures.
36 Additionally, an application may be denied if the director determines
37 that denial would be in the best interest of collecting taxes due
38 under this title. The department must provide a direct pay permit to
39 an approved applicant with the notice of approval. The direct pay
40 permit must clearly state that the holder is solely responsible for

1 the accrual and payment of the tax imposed under chapters 82.08 and
2 82.12 RCW and that the seller is relieved of liability to collect tax
3 imposed under chapters 82.08 and 82.12 RCW on all sales to the direct
4 pay permit holder. The taxpayer may petition the director for
5 reconsideration of a denial.

6 (d) A taxpayer who uses a direct pay permit must continue to
7 maintain records that are necessary to a determination of the tax
8 liability in accordance with this title. A direct pay permit is not
9 transferable and the use of a direct pay permit may not be assigned
10 to a third party.

11 (3) Taxes for which the direct pay permit is used are due and
12 payable on the tax return for the reporting period in which the
13 taxpayer (a) receives the tangible personal property purchased or in
14 which the labor and/or services are performed or (b) receives an
15 invoice for such property or such labor and/or services, whichever
16 period is earlier.

17 (4) The holder of a direct pay permit must furnish a copy of the
18 direct pay permit to each vendor with whom the taxpayer has opted to
19 use a direct pay permit. Sellers who make sales upon which the sales
20 or use tax is not collected by reason of the provisions of this
21 section, in addition to existing requirements under this title, must
22 maintain a copy of the direct pay permit and any such records or
23 information as the department may specify.

24 (5) A direct pay permit is subject to revocation by the director
25 at any time the department determines that the taxpayer has violated
26 any provision of this section or that revocation would be in the best
27 interests of collecting the taxes due under this title. The notice of
28 revocation must be in writing and is effective either as of the end
29 of the taxpayer's next normal reporting period or a date deemed
30 appropriate by the director and identified in the revocation notice.
31 The taxpayer may petition the director for reconsideration of a
32 revocation and reinstatement of the permit.

33 (6) Any taxpayer who chooses to no longer use a direct pay permit
34 or whose permit is revoked by the department, must return the permit
35 to the department and immediately make a good faith effort to notify
36 all vendors to whom the permit was given, advising them that the
37 permit is no longer valid.

38 (7) Except as provided in this subsection, the direct pay permit
39 may be used for any purchase of tangible personal property and any

1 retail sale under RCW 82.04.050. The direct pay permit may not be
2 used for:

3 (a) Purchases of meals or beverages;

4 (b) Purchases of motor vehicles, trailers, boats, airplanes, and
5 other property subject to requirements for title transactions by the
6 department of licensing;

7 (c) Purchases for which a reseller permit or other documentation
8 authorized under RCW 82.04.470 may be used;

9 (d) Purchases that meet the definitions of RCW 82.04.050 (2) (e)
10 and (f), (3) (a) through (c), (e), (f), and (~~(g)~~) (m), (5), and
11 (15); or

12 (e) Other activities subject to tax under chapter 82.08 or 82.12
13 RCW that the department by rule designates, consistent with the
14 purposes of this section, as activities for which a direct pay permit
15 is not appropriate and may not be used.

16 **Sec. 18.** RCW 82.32.730 and 2010 c 106 s 229 are each amended to
17 read as follows:

18 (1) Except as provided in subsections (5) through (8) of this
19 section, for purposes of collecting or paying sales or use taxes to
20 the appropriate jurisdictions, all sales at retail shall be sourced
21 in accordance with this subsection and subsections (2) through (4) of
22 this section.

23 (a) When tangible personal property, an extended warranty, a
24 digital good, (~~(digital code,~~) digital automated service, or other
25 service defined as a retail sale under RCW 82.04.050 is received by
26 the purchaser at a business location of the seller, the sale is
27 sourced to that business location.

28 (b) When the tangible personal property, extended warranty,
29 digital good, (~~(digital code,~~) digital automated service, or other
30 service defined as a retail sale under RCW 82.04.050 is not received
31 by the purchaser at a business location of the seller, the sale is
32 sourced to the location where receipt by the purchaser or the
33 purchaser's donee, designated as such by the purchaser, occurs,
34 including the location indicated by instructions for delivery to the
35 purchaser or donee, known to the seller.

36 (c) When (a) and (b) of this subsection do not apply, the sale is
37 sourced to the location indicated by an address for the purchaser
38 that is available from the business records of the seller that are

1 maintained in the ordinary course of the seller's business when use
2 of this address does not constitute bad faith.

3 (d) When (a), (b), and (c) of this subsection do not apply, the
4 sale is sourced to the location indicated by an address for the
5 purchaser obtained during the consummation of the sale, including the
6 address of a purchaser's payment instrument, if no other address is
7 available, when use of this address does not constitute bad faith.

8 (e) When (a), (b), (c), or (d) of this subsection do not apply,
9 including the circumstance where the seller is without sufficient
10 information to apply those provisions, then the location shall be
11 determined by the address from which tangible personal property was
12 shipped, from which the digital good (~~or digital code~~) or the
13 computer software delivered electronically was first available for
14 transmission by the seller, or from which the extended warranty or
15 digital automated service or other service defined as a retail sale
16 under RCW 82.04.050 was provided, disregarding for these purposes any
17 location that merely provided the digital transfer of the product
18 sold.

19 (2) The lease or rental of tangible personal property, other than
20 property identified in subsection (3) or (4) of this section, shall
21 be sourced as provided in this subsection.

22 (a) For a lease or rental that requires recurring periodic
23 payments, the first periodic payment is sourced the same as a retail
24 sale in accordance with subsection (1) of this section. Periodic
25 payments made subsequent to the first payment are sourced to the
26 primary property location for each period covered by the payment. The
27 primary property location shall be as indicated by an address for the
28 property provided by the lessee that is available to the lessor from
29 its records maintained in the ordinary course of business, when use
30 of this address does not constitute bad faith. The property location
31 is not altered by intermittent use at different locations, such as
32 use of business property that accompanies employees on business trips
33 and service calls.

34 (b) For a lease or rental that does not require recurring
35 periodic payments, the payment is sourced the same as a retail sale
36 in accordance with subsection (1) of this section.

37 (c) This subsection (2) does not affect the imposition or
38 computation of sales or use tax on leases or rentals based on a lump
39 sum or accelerated basis, or on the acquisition of property for
40 lease.

1 (3) The lease or rental of motor vehicles, trailers,
2 semitrailers, or aircraft that do not qualify as transportation
3 equipment shall be sourced as provided in this subsection.

4 (a) For a lease or rental that requires recurring periodic
5 payments, each periodic payment is sourced to the primary property
6 location. The primary property location is as indicated by an address
7 for the property provided by the lessee that is available to the
8 lessor from its records maintained in the ordinary course of
9 business, when use of this address does not constitute bad faith.
10 This location is not altered by intermittent use at different
11 locations.

12 (b) For a lease or rental that does not require recurring
13 periodic payments, the payment is sourced the same as a retail sale
14 in accordance with subsection (1) of this section.

15 (c) This subsection does not affect the imposition or computation
16 of sales or use tax on leases or rentals based on a lump sum or
17 accelerated basis, or on the acquisition of property for lease.

18 (4) The retail sale, including lease or rental, of transportation
19 equipment shall be sourced the same as a retail sale in accordance
20 with subsection (1) of this section.

21 (5) This subsection applies to direct mail transactions not
22 governed by subsection (6) of this section.

23 (a) This subsection (5)(a) applies to sales of advertising and
24 promotional direct mail.

25 (i) A purchaser of advertising and promotional direct mail may
26 provide the seller with either:

27 (A) A direct pay permit;

28 (B) A streamlined sales and use tax agreement certificate of
29 exemption claiming direct mail (or other written statement approved,
30 authorized, or accepted by the department); or

31 (C) Information showing the jurisdictions to which the
32 advertising and promotional direct mail is to be delivered to
33 recipients.

34 (ii) If the purchaser provides the permit, certificate, or
35 statement referred to in (a)(i)(A) or (B) of this subsection (5), the
36 seller, in the absence of bad faith, is relieved of all obligations
37 to collect, pay, or remit any tax on any transaction involving
38 advertising and promotional direct mail to which the permit,
39 certificate, or statement applies. The purchaser must source the sale
40 to the jurisdictions to which the advertising and promotional direct

1 mail is to be delivered to the recipients and must report and pay any
2 applicable tax due.

3 (iii) If the purchaser provides the seller information showing
4 the jurisdictions to which the advertising and promotional direct
5 mail is to be delivered to recipients, the seller must source the
6 sale to the jurisdictions to which the advertising and promotional
7 direct mail is to be delivered and must collect and remit the
8 applicable tax. In the absence of bad faith, the seller is relieved
9 of any further obligation to collect any additional tax on the sale
10 of advertising and promotional direct mail where the seller has
11 sourced the sale according to the delivery information provided by
12 the purchaser.

13 (iv) If the purchaser does not provide the seller with any of the
14 items listed in (a)(i)(A), (B), or (C) of this subsection (5), the
15 sale must be sourced according to subsection (1)(e) of this section.

16 (b) This subsection (5)(b) applies to sales of other direct mail.

17 (i) Except as otherwise provided in this subsection (5)(b), sales
18 of other direct mail are sourced in accordance with subsection (1)(c)
19 of this section.

20 (ii) A purchaser of other direct mail may provide the seller with
21 either:

22 (A) A direct pay permit; or

23 (B) A streamlined sales and use tax agreement certificate of
24 exemption claiming direct mail (or other written statement approved,
25 authorized, or accepted by the department).

26 (iii) If the purchaser provides the permit, certificate, or
27 statement referred to in (b)(ii)(A) or (B) of this subsection (5),
28 the seller, in the absence of bad faith, is relieved of all
29 obligations to collect, pay, or remit any tax on any transaction
30 involving other direct mail to which the permit, certificate, or
31 statement applies. Notwithstanding (b)(i) of this subsection (5), the
32 sale must be sourced to the jurisdictions to which the other direct
33 mail is to be delivered to the recipients, and the purchaser must
34 report and pay any applicable tax due.

35 (6)(a) This subsection applies only with respect to transactions
36 in which direct mail is delivered or distributed from a location
37 within this state to a location within this state.

38 (b) If the purchaser of direct mail provides the seller with a
39 direct pay permit or a streamlined sales and use tax agreement
40 certificate of exemption claiming direct mail (or other written

1 statement approved, authorized, or accepted by the department), the
2 seller, in the absence of bad faith, is relieved of all obligations
3 to collect, pay, or remit the applicable tax on any transaction
4 involving direct mail to which the permit, certificate, or statement
5 applies. The purchaser must report and pay any applicable tax due. A
6 streamlined sales and use tax agreement certificate of exemption
7 claiming direct mail will remain in effect for all future sales of
8 direct mail by the seller to the purchaser until it is revoked in
9 writing.

10 (c)(i) Except as provided in (b), (c)(ii), and (c)(iii) of this
11 subsection (6), the seller must collect the tax according to
12 subsection (1)(e) of this section.

13 (ii) To the extent the seller knows that a portion of the sale of
14 direct mail will be delivered or distributed to locations in another
15 state, the seller must collect the tax on that portion according to
16 subsection (5) of this section.

17 (iii) Notwithstanding (c)(i) and (ii) of this subsection (6), a
18 seller may elect to use the provisions of subsection (5) of this
19 section to source all sales of advertising and promotional direct
20 mail.

21 (7) The following are sourced to the location at or from which
22 delivery is made to the consumer:

23 (a) A retail sale of watercraft;

24 (b) A retail sale of a modular home, manufactured home, or mobile
25 home;

26 (c) A retail sale, excluding the lease and rental, of a motor
27 vehicle, trailer, semitrailer, or aircraft, that do not qualify as
28 transportation equipment; and

29 (d) Florist sales. In the case of a sale in which one florist
30 takes an order from a customer and then communicates that order to
31 another florist who delivers the items purchased to the place
32 designated by the customer, the location at or from which the
33 delivery is made to the consumer is deemed to be the location of the
34 florist originally taking the order.

35 (8)(a) A retail sale of the providing of telecommunications
36 services, as that term is defined in RCW 82.04.065, is sourced in
37 accordance with RCW 82.32.520.

38 (b) A retail sale of the providing of ancillary services, as that
39 term is defined in RCW 82.04.065, is sourced to the customer's place
40 of primary use of the telecommunications services in respect to which

1 the ancillary services are associated with or incidental to. The
2 definitions of "customer" and "place of primary use" in RCW 82.32.520
3 apply to this subsection (8)(b).

4 (9) The definitions in this subsection apply throughout this
5 section.

6 (a) "Advertising and promotional direct mail" means printed
7 material that meets the definition of direct mail, the primary
8 purpose of which is to attract public attention to a product, person,
9 business, or organization, or to attempt to sell, popularize, or
10 secure financial support for a product, person, business, or
11 organization. As used in this subsection (9)(a), the word "product"
12 means tangible personal property, a product transferred
13 electronically, or a service.

14 (b) "Delivered electronically" means delivered to the purchaser
15 by means other than tangible storage media.

16 (c) "Direct mail" means printed material delivered or distributed
17 by United States mail or other delivery service to a mass audience or
18 to addressees on a mailing list provided by the purchaser or at the
19 direction of the purchaser when the cost of the items are not billed
20 directly to the recipients. "Direct mail" includes tangible personal
21 property supplied directly or indirectly by the purchaser to the
22 direct mail seller for inclusion in the package containing the
23 printed material. "Direct mail" does not include multiple items of
24 printed material delivered to a single address.

25 (d)(i) "Other direct mail" means any direct mail that is not
26 advertising and promotional direct mail, regardless of whether
27 advertising and promotional direct mail is included in the same
28 mailing. The term includes, but is not limited to:

29 (A) Transactional direct mail that contains personal information
30 specific to the addressee including, but not limited to, invoices,
31 bills, statements of account, and payroll advices;

32 (B) Any legally required mailings including, but not limited to,
33 privacy notices, tax reports, and stockholder reports; and

34 (C) Other nonpromotional direct mail delivered to existing or
35 former shareholders, customers, employees, or agents including, but
36 not limited to, newsletters and informational pieces.

37 (ii) Other direct mail does not include the development of
38 billing information or the provision of any data processing service
39 that is more than incidental.

1 (e) "Florist sales" means the retail sale of tangible personal
2 property by a florist. For purposes of this subsection (9)(e),
3 "florist" means a person whose primary business activity is the
4 retail sale of fresh cut flowers, potted ornamental plants, floral
5 arrangements, floral bouquets, wreaths, or any similar products, used
6 for decorative and not landscaping purposes.

7 (f) "Receive" and "receipt" mean taking possession of tangible
8 personal property, making first use of digital automated services or
9 other services, or taking possession or making first use of digital
10 goods (~~(or digital codes)~~), whichever comes first. "Receive" and
11 "receipt" do not include possession by a shipping company on behalf
12 of the purchaser.

13 (g) "Transportation equipment" means:

14 (i) Locomotives and railcars that are used for the carriage of
15 persons or property in interstate commerce;

16 (ii) Trucks and truck tractors with a gross vehicle weight rating
17 of ten thousand one pounds or greater, trailers, semitrailers, or
18 passenger buses that are:

19 (A) Registered through the international registration plan; and

20 (B) Operated under authority of a carrier authorized and
21 certificated by the United States department of transportation or
22 another federal authority to engage in the carriage of persons or
23 property in interstate commerce;

24 (iii) Aircraft that are operated by air carriers authorized and
25 certificated by the United States department of transportation or
26 another federal or foreign authority to engage in the carriage of
27 persons or property in interstate or foreign commerce; or

28 (iv) Containers designed for use on and component parts attached
29 or secured on the items described in (g)(i) through (iii) of this
30 subsection.

31 (10) In those instances where there is no obligation on the part
32 of a seller to collect or remit this state's sales or use tax, the
33 use of tangible personal property, digital good, (~~(digital code)~~) or
34 of a digital automated service or other service, subject to use tax,
35 is sourced to the place of first use in this state. The definition of
36 use in RCW 82.12.010 applies to this subsection.

37 **Sec. 19.** RCW 82.48A.020 and 2025 c 417 s 208 are each amended to
38 read as follows:

1 (1) (a) In addition to taxes required under chapters 82.08, 82.12,
2 and 82.48 RCW, there is levied and collected from every person in
3 this state a tax for the privilege of using within this state as a
4 consumer any noncommercial aircraft if the value of the aircraft
5 exceeds \$500,000.

6 (b) The tax is levied and must be collected in an amount equal to
7 the value of the aircraft that exceeds \$500,000, multiplied by 10
8 percent.

9 (2) The tax imposed in this section does not apply if the sale
10 to, or the use by, the present user or his or her bailor or donor has
11 already been subjected to the tax under this section or RCW
12 82.48A.010 and the tax has been paid by the present user or by his or
13 her bailor or donor.

14 (3) The tax imposed in this section does not apply in respect to
15 the use by a nonresident of Washington of a noncommercial aircraft,
16 which is registered or licensed under the laws of the state of his or
17 her residence.

18 (4) For the purposes of this section, "value" means the fair
19 market value of the noncommercial aircraft. In the case of a leased
20 noncommercial aircraft in which the consumer is required to make
21 periodic lease payments, "value" of the aircraft means the fair
22 market value of the aircraft at the inception of the lease.

23 **Sec. 20.** RCW 83.100.048 and 2025 c 421 s 203 are each amended to
24 read as follows:

25 (1) For the purposes of determining the tax due under this
26 chapter, a deduction is allowed for the value of the decedent's
27 qualified family-owned business interests, not to exceed the
28 applicable deduction amount, if:

29 (a) The value of the decedent's qualified family-owned business
30 interests exceed 50 percent of the decedent's Washington taxable
31 estate determined without regard to the deduction for the applicable
32 exclusion amount;

33 (b) During the eight-year period ending on the date of the
34 decedent's death, there have been periods aggregating five years or
35 more during which:

36 (i) Such interests were owned by the decedent or a member of the
37 decedent's family;

38 (ii) There was material participation, within the meaning of
39 section 2032A(e)(6) of the internal revenue code, by the decedent or

1 a member of the decedent's family in the operation of the trade or
2 business to which such interests relate;

3 (c) The qualified family-owned business interests are acquired by
4 any qualified heir from, or passed to any qualified heir from, the
5 decedent, within the meaning of RCW 83.100.046(2), and the decedent
6 was at the time of his or her death a citizen or resident of the
7 United States; and

8 (d) The value of the decedent's qualified family-owned business
9 interests is not more than \$6,000,000.

10 (2)(a) Only amounts included in the decedent's federal taxable
11 estate may be deducted under this subsection.

12 (b) Amounts deductible under RCW 83.100.046 may not be deducted
13 under this section.

14 (3)(a) There is imposed an additional estate tax on a qualified
15 heir if, within three years of the decedent's death and before the
16 date of the qualified heir's death:

17 (i) The material participation requirements described in section
18 2032A(c)(6)(b)(ii) of the internal revenue code are not met with
19 respect to the qualified family-owned business interest which was
20 acquired or passed from the decedent;

21 (ii) The qualified heir disposes of any portion of a qualified
22 family-owned business interest, other than by a disposition to a
23 member of the qualified heir's family or a person with an ownership
24 interest in the qualified family-owned business or through a
25 qualified conservation contribution under section 170(h) of the
26 internal revenue code;

27 (iii) The qualified heir loses United States citizenship within
28 the meaning of section 877 of the internal revenue code or with
29 respect to whom section 877(e)(1) applies, and such heir does not
30 comply with the requirements of section 877(g) of the internal
31 revenue code; or

32 (iv) The principal place of business of a trade or business of
33 the qualified family-owned business interest ceases to be located in
34 the United States.

35 (b) The amount of the additional estate tax imposed under this
36 subsection is equal to the amount of tax savings under this section
37 with respect to the qualified family-owned business interest acquired
38 or passed from the decedent.

39 (c) Interest applies to the tax due under this subsection for the
40 period beginning on the date that the estate tax liability was due

1 under this chapter and ending on the date the additional estate tax
2 due under this subsection is paid. Interest under this subsection
3 must be computed as provided in RCW 83.100.070(2).

4 (d) The tax imposed by this subsection is due the day that is six
5 months after any taxable event described in (a) of this subsection
6 occurred and must be reported on a return as provided by the
7 department.

8 (e) The qualified heir is personally liable for the additional
9 tax imposed by this subsection unless he or she has furnished a bond
10 in favor of the department for such amount and for such time as the
11 department determines necessary to secure the payment of amounts due
12 under this subsection. The qualified heir, on furnishing a bond
13 satisfactory to the department, is discharged from personal liability
14 for any additional tax and interest under this subsection and is
15 entitled to a receipt or writing showing such discharge.

16 (f) Amounts due under this subsection attributable to any
17 qualified family-owned business interest are secured by a lien in
18 favor of the state on the property in respect to which such interest
19 relates. The lien under this subsection (3)(f) arises at the time the
20 Washington return is filed on which a deduction under this section is
21 taken and continues in effect until: (i) The tax liability under this
22 subsection has been satisfied or has become unenforceable by reason
23 of lapse of time; or (ii) the department is satisfied that no further
24 tax liability will arise under this subsection.

25 (g) Security acceptable to the department may be substituted for
26 the lien imposed by (f) of this subsection.

27 (h) For purposes of the assessment or correction of an assessment
28 for additional taxes and interest imposed under this subsection, the
29 limitations period in RCW 83.100.095 begins to run on the due date of
30 the return required under (d) of this subsection.

31 (i) For purposes of this subsection, a qualified heir may not be
32 treated as disposing of an interest described in section
33 2057(e)(1)(A) of the internal revenue code by reason of ceasing to be
34 engaged in a trade or business so long as the property to which such
35 interest relates is used in a trade or business by any member of the
36 qualified heir's family.

37 (4)(a) The department may require a taxpayer claiming a deduction
38 under this section to provide the department with the names and
39 contact information of all qualified heirs.

1 (b) The department may also require any qualified heir to submit
2 to the department on an ongoing basis such information as the
3 department determines necessary or useful in determining whether the
4 qualified heir is subject to the additional tax imposed in subsection
5 (3) of this section. The department may not require such information
6 more frequently than twice per year. The department may impose a
7 penalty on a qualified heir who fails to provide the information
8 requested within 30 days of the date the department's written request
9 for the information was sent to the qualified heir. The amount of the
10 penalty under this subsection is \$500 and may be collected in the
11 same manner as the tax imposed under subsection (3) of this section.

12 (5) For purposes of this section, references to section 2057 of
13 the internal revenue code refer to section 2057 of the internal
14 revenue code, as existing on December 31, 2003.

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

17 (a) "Applicable deduction amount" means:

18 (i) \$2,500,000 for estates of decedents dying on or after
19 (~~July~~) January 1, 2014, but before July 1, 2025;

20 (ii) \$3,000,000 for estates of decedents dying on or after July
21 1, 2025, but before (~~July~~) January 1, 2026; and

22 (iii) For estates of decedents dying in calendar year 2026 and
23 each calendar year thereafter, the amount in (a)(ii) of this
24 subsection must be adjusted annually, except as otherwise provided in
25 this subsection (6)(a)(iii). The annual adjustment is determined by
26 multiplying \$3,000,000 by the sum of one and the percentage by which
27 the most recent October consumer price index exceeds the consumer
28 price index for October 2024, and rounding the result to the nearest
29 \$1,000. No adjustment is made for a calendar year if the adjustment
30 would result in the same or a lesser applicable deduction amount than
31 the applicable deduction amount for the immediately preceding
32 calendar year.

33 (b) "Consumer price index" has the same meaning as in RCW
34 83.100.020.

35 (c) "Member of the decedent's family" and "member of the
36 qualified heir's family" have the same meaning as "member of the
37 family" in RCW 83.100.046.

38 (d) "Qualified family-owned business interest" has the same
39 meaning as provided in section 2057(e) of the internal revenue code
40 of 1986.

1 (e) "Qualified heir" has the same meaning as provided in section
2 2057(i) of the internal revenue code of 1986.

3 (7) This section applies to the estates of decedents dying on or
4 after January 1, 2014.

5 **Sec. 21.** RCW 84.34.020 and 2025 c 265 s 4 and 2025 c 138 s 1 are
6 each reenacted and amended to read as follows:

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

9 (1) "Open space land" means (a) any land area so designated by an
10 official comprehensive land use plan adopted by any city or county
11 and zoned accordingly; or (b) any land area, the preservation of
12 which in its present use would (i) conserve and enhance natural or
13 scenic resources, or (ii) protect streams or water supply, or (iii)
14 promote conservation of soils, wetlands, beaches or tidal marshes, or
15 (iv) enhance the value to the public of abutting or neighboring
16 parks, forests, wildlife preserves, nature reservations or
17 sanctuaries or other open space, or (v) enhance recreation
18 opportunities, or (vi) preserve historic sites, or (vii) preserve
19 visual quality along highway, road, and street corridors or scenic
20 vistas, or (viii) retain in its natural state tracts of land not less
21 than one acre situated in an urban area and open to public use on
22 such conditions as may be reasonably required by the legislative body
23 granting the open space classification; or (c) any land meeting the
24 definition of farm and agricultural conservation land under
25 subsection (8) of this section. As a condition of granting open space
26 classification, the legislative body may not require public access on
27 land classified under (b)(iii) of this subsection for the purpose of
28 promoting conservation of wetlands.

29 (2) "Farm and agricultural land" means:

30 (a) Any parcel of land that is 20 or more acres or multiple
31 parcels of land that are contiguous and total 20 or more acres:

32 (i) Devoted primarily to the production of livestock or
33 agricultural commodities for commercial purposes;

34 (ii) Enrolled in the federal conservation reserve program or its
35 successor administered by the United States department of
36 agriculture; or

37 (iii) Other similar commercial activities as may be established
38 by rule;

1 (b) (i) Any parcel of land that is five acres or more but less
2 than 20 acres devoted primarily to agricultural uses, which has
3 produced a gross income from agricultural uses equivalent to, as of
4 January 1, 1993:

5 (A) \$100 or more per acre per year for three of the five calendar
6 years preceding the date of application for classification under this
7 chapter for all parcels of land that are classified under this
8 subsection or all parcels of land for which an application for
9 classification under this subsection is made with the granting
10 authority prior to January 1, 1993; and

11 (B) On or after January 1, 1993, \$200 or more per acre per year
12 for three of the five calendar years preceding the date of
13 application for classification under this chapter;

14 (ii) For the purposes of (b) (i) of this subsection, "gross income
15 from agricultural uses" includes, but is not limited to:

16 (A) The wholesale value of agricultural products donated to
17 nonprofit food banks or feeding programs; and

18 (B) The wholesale value of agricultural products sold to persons
19 allowed to harvest the agricultural products they purchase, if the
20 products harvested are grown on the same land;

21 (c) Any parcel of land of less than five acres devoted primarily
22 to agricultural uses which has produced a gross income as of January
23 1, 1993, of:

24 (i) \$1,000 or more per year for three of the five calendar years
25 preceding the date of application for classification under this
26 chapter for all parcels of land that are classified under this
27 subsection or all parcels of land for which an application for
28 classification under this subsection is made with the granting
29 authority prior to January 1, 1993; and

30 (ii) On or after January 1, 1993, \$1,500 or more per year for
31 three of the five calendar years preceding the date of application
32 for classification under this chapter. Parcels of land described in
33 (b) (i) (A) and (c) (i) of this subsection will, upon any transfer of
34 the property excluding a transfer to a surviving spouse or surviving
35 state registered domestic partner, be subject to the limits of
36 (b) (i) (B) and (c) (ii) of this subsection;

37 (d) Any parcel of land that is five acres or more but less than
38 20 acres devoted primarily to agricultural uses, which meet one of
39 the following criteria:

1 (i) Has produced a gross income from agricultural uses equivalent
2 to \$200 or more per acre per year for three of the five calendar
3 years preceding the date of application for classification under this
4 chapter;

5 (ii) Has standing crops with an expectation of harvest within
6 seven years, except as provided in (d)(iii) of this subsection, and a
7 demonstrable investment in the production of those crops equivalent
8 to \$100 or more per acre in the current or previous calendar year.
9 For the purposes of this subsection (2)(d)(ii), "standing crop" means
10 Christmas trees, vineyards, fruit trees, or other perennial crops
11 that: (A) Are planted using agricultural methods normally used in the
12 commercial production of that particular crop; and (B) typically do
13 not produce harvestable quantities in the initial years after
14 planting; or

15 (iii) Has a standing crop of short rotation hardwoods with an
16 expectation of harvest within 15 years and a demonstrable investment
17 in the production of those crops equivalent to \$100 or more per acre
18 in the current or previous calendar year;

19 (e) Any lands including incidental uses and the land on which
20 appurtenances necessary to the production, preparation, or sale of
21 the agricultural products exist in conjunction with the lands
22 producing such products. Agricultural lands also include any parcel
23 of land of one to five acres, which is not contiguous, but which
24 otherwise constitutes an integral part of farming operations being
25 conducted on land qualifying under this section as "farm and
26 agricultural lands";

27 (f) The land on which housing for employees and the principal
28 place of residence of the farm operator or owner of land classified
29 pursuant to (a) of this subsection is sited if: The housing or
30 residence is on or contiguous to the classified parcel; and the use
31 of the housing or the residence is integral to the use of the
32 classified land for agricultural purposes;

33 (g) Any land that is used primarily for equestrian related
34 activities for which a charge is made, including, but not limited to,
35 stabling, training, riding, clinics, schooling, shows, or grazing for
36 feed and that otherwise meet the requirements of (a), (b), or (c) of
37 this subsection;

38 (h) Any land primarily used for commercial horticultural
39 purposes, including growing seedlings, trees, shrubs, vines, fruits,

1 vegetables, flowers, herbs, and other plants in containers, whether
2 under a structure or not, subject to the following:

3 (i) The land is not primarily used for the storage, care, or
4 selling of plants purchased from other growers for retail sale;

5 (ii) If the land is less than five acres and used primarily to
6 grow plants in containers, such land does not qualify as "farm and
7 agricultural land" if more than 25 percent of the land used primarily
8 to grow plants in containers is open to the general public for on-
9 site retail sales;

10 (iii) If more than 20 percent of the land used for growing plants
11 in containers qualifying under this subsection (2)(h) is covered by
12 pavement, none of the paved area is eligible for classification as
13 "farm and agricultural land" under this subsection (2)(h). The
14 eligibility limitations described in this subsection (2)(h)(iii) do
15 not affect the land's eligibility to qualify under (e) of this
16 subsection; and

17 (iv) If the land classified under this subsection (2)(h), in
18 addition to any contiguous land classified under this subsection, is
19 less than 20 acres, it must meet the applicable income or investment
20 requirements in (b), (c), or (d) of this subsection; or

21 (i) Lands identified in (a) through (h) of this subsection on
22 which an agrivoltaic facility is located.

23 (3) "Timberland" means any parcel of land that is five or more
24 acres or multiple parcels of land that are contiguous and total five
25 or more acres which is or are devoted primarily to the growth and
26 harvest of timber for commercial purposes. Timberland means the land
27 only and does not include a residential homesite. The term includes
28 land used for incidental uses (~~((that are compatible with the growing
29 and harvesting of timber but no more than 10 percent of the land may
30 be used for such incidental uses))~~). It also includes the land on
31 which appurtenances necessary for the production, preparation, or
32 sale of the timber products exist in conjunction with land producing
33 these products.

34 (4) "Current" or "currently" means as of the date on which
35 property is to be listed and valued by the assessor.

36 (5) "Owner" means the party or parties having the fee interest in
37 land, except that where land is subject to real estate contract
38 "owner" means the contract vendee.

39 (6)(a) "Contiguous" means land adjoining and touching other
40 property held by the same ownership. Land divided by a public road,

1 but otherwise an integral part of a farming operation, is considered
2 contiguous.

3 (b) For purposes of this subsection (6):

4 (i) "Same ownership" means owned by the same person or persons,
5 except that parcels owned by different persons are deemed held by the
6 same ownership if the parcels are:

7 (A) Managed as part of a single operation; and

8 (B) Owned by:

9 (I) Members of the same family;

10 (II) Legal entities that are wholly owned by members of the same
11 family; or

12 (III) An individual who owns at least one of the parcels and a
13 legal entity or entities that own the other parcel or parcels if the
14 entity or entities are wholly owned by that individual, members of
15 his or her family, or that individual and members of his or her
16 family.

17 (ii) "Family" includes only:

18 (A) An individual and his or her spouse or domestic partner,
19 child, stepchild, adopted child, grandchild, parent, stepparent,
20 grandparent, cousin, or sibling;

21 (B) The spouse or domestic partner of an individual's child,
22 stepchild, adopted child, grandchild, parent, stepparent,
23 grandparent, cousin, or sibling;

24 (C) A child, stepchild, adopted child, grandchild, parent,
25 stepparent, grandparent, cousin, or sibling of the individual's
26 spouse or the individual's domestic partner; and

27 (D) The spouse or domestic partner of any individual described in
28 (b)(ii)(C) of this subsection (6).

29 (7) "Granting authority" means the appropriate agency or official
30 who acts on an application for classification of land pursuant to
31 this chapter.

32 (8) "Farm and agricultural conservation land" means either:

33 (a) Land that was previously classified under subsection (2) of
34 this section, that no longer meets the criteria of subsection (2) of
35 this section, and that is reclassified under subsection (1) of this
36 section; or

37 (b) Land that is traditional farmland that is not classified
38 under chapter 84.33 or 84.34 RCW, that has not been irrevocably
39 devoted to a use inconsistent with agricultural uses, and that has a
40 high potential for returning to commercial agriculture.

1 (9) "Appurtenance" means something used with, and related to or
2 dependent upon another thing that is, something that belongs to
3 something else, an adjunct. The thing appurtenant is strictly
4 necessary and essential to the proper use and enjoyment of the land,
5 as well as useful or necessary for carrying out the purposes for
6 which the land is classified under this chapter.

7 (a) In terms of farm and agricultural land, an "appurtenance" is
8 something used for a particular sort of farm and is widely and
9 routinely used in the operation of the commercial agricultural
10 enterprise.

11 (b) An "appurtenance" includes, but is not limited to, portable
12 sanitation equipment, barn, or tool shed, or equipment used for a
13 particular purpose or task, such as tools, instruments, or machinery.

14 (10) ~~"Incidental use" means ((a use of land classified as farm
15 and agricultural land or timberland that is compatible with
16 commercial agricultural purposes. "Incidental use" for land
17 classified as farm and agricultural land may not exceed 20 percent of
18 the total classified land, while incidental use for timberland may
19 not exceed 10 percent of the total classified land))~~ the following:

20 (a) In the case of land classified as farm and agricultural land,
21 a use of the classified land that:

22 (i) Is compatible with commercial agricultural purposes; and

23 (ii) Does not exceed 20 percent of the total classified land.

24 (b) In the case of land classified as timberland, a use of the
25 classified land that:

26 (i) Is compatible with commercial growing and harvesting of
27 timber; and

28 (ii) Does not exceed 10 percent of the total classified land.

29 (c) An "incidental use" under (a) and (b) of this subsection may
30 include, but is not limited to, wetland preservation, a gravel pit, a
31 farm woodlot, a produce stand, or an unpaved parking area necessary
32 for the safe visiting or viewing of classified land. An "incidental
33 use" under (a) of this subsection may also include, but it is not
34 limited to, a farm woodlot or a produce stand.

35 (11) "Agrivoltaic facility" has the same meaning as described in
36 RCW 43.21F.100.

37 NEW SECTION. Sec. 22. A new section is added to chapter 82.04
38 RCW to read as follows:

1 (1) For amounts received during the chapter 422, Laws of 2025
2 transition period, a person with a qualifying existing contract may
3 elect to treat such amounts as gross income of the business subject
4 to the tax under either RCW 82.04.250 or 82.04.290(2).

5 (2) If a person with a qualifying existing contract makes no
6 election under subsection (1) of this section during the transition
7 period, amounts received from performing the services of that
8 contract during the transition period are gross income of the
9 business subject to the tax under RCW 82.04.250.

10 (3) If a person either elects to treat amounts received under a
11 qualifying existing contract as gross income of the business subject
12 to the tax under RCW 82.04.250, gross income of the business subject
13 to the tax under RCW 82.04.250(2), or both, the amounts are subject
14 to the tax imposed under chapter 82.08 RCW.

15 (4) For the purposes of this section:

16 (a) "Altered" means any of the following:

17 (i) Materially or substantively changed;

18 (ii) Amended; or

19 (iii) Renewed;

20 (b) "Qualifying existing contract" means a contract that meets
21 all the following criteria:

22 (i) The contract was signed and executed before October 1, 2025;

23 (ii) The underlying services provided continued after October 1,
24 2025;

25 (iii) The underlying services of that contract would be services
26 defined as a retail sale under RCW 82.04.050(3) (g) through (l)
27 beginning October 1, 2025; and

28 (iv) The contract was not altered during the transition period;
29 and

30 (c) "Transition period" and "chapter 422, Laws of 2025 transition
31 period" mean the period of time beginning October 1, 2025, and ending
32 on March 31, 2026.

33 (5) This section expires July 1, 2031.

34 NEW SECTION. **Sec. 23.** A new section is added to chapter 82.32
35 RCW to read as follows:

36 (1) Except as otherwise provided in subsections (2) through (5)
37 of this section, the department shall waive penalties otherwise due
38 under this chapter if all of the following conditions are met:

1 (a) (i) The penalties are imposed with respect to state and local
2 sales taxes; and (ii) tax liability is a result of a failure to
3 collect sales taxes on the additional select services subject to
4 sales tax as provided in section 101, chapter 422, Laws of 2025 for
5 tax reporting periods through December 31, 2026;

6 (b) The taxpayer files with the department any amended or
7 outstanding returns covering tax liabilities with respect to which a
8 penalty waiver under this section is requested;

9 (c) The taxpayer remits full payment to the department of the
10 balance due on all tax liabilities for which a penalty waiver under
11 this section is requested;

12 (d) The taxpayer has timely filed returns and remitted payment on
13 all taxes due for a period of 24 months immediately preceding the
14 period covered by the return for which the waiver is being requested;
15 and

16 (e) The taxpayer must never have had an evasion penalty assessed
17 against the taxpayer by the department under RCW 82.32.090 or a
18 penalty assessed against the taxpayer by the department under RCW
19 82.32.291 for misusing a reseller permit or resale certificate.

20 (2) (a) The taxpayer must submit a completed application for a
21 penalty waiver under this section in a form and manner prescribed by
22 the department.

23 (b) Applications for a penalty waiver under this section must be
24 submitted to the department on or before September 30, 2027.

25 (3) The department must assess interest on unpaid tax liability
26 for which a penalty waiver under this section is requested. The
27 interest must be assessed at the rate provided for delinquent taxes
28 under this chapter.

29 (4) All tax liability reported and paid as required in subsection
30 (1) of this section is subject to verification by the department as
31 provided in RCW 82.32.050. This section does not preclude the
32 assessment of taxes, penalties, and interest with respect to any
33 amounts determined by the department to have been underpaid for any
34 tax period for which the taxpayer previously received penalty relief
35 under this section.

36 (5) This section does not apply to sales tax liabilities for tax
37 reporting periods beginning on or after January 1, 2027.

38 (6) This section expires January 1, 2029.

1 NEW SECTION. **Sec. 24.** RCW 82.04.29001 (Creation and
2 distribution of custom software—Customization of prewritten computer
3 software—Taxable services) and 2003 c 168 s 602 & 1998 c 332 s 4 are
4 each repealed.

5 NEW SECTION. **Sec. 25.** Sections 2, 3, 4, 8, 10, 12 through 18,
6 and 22 of this act apply both prospectively and retroactively to
7 October 1, 2025.

8 NEW SECTION. **Sec. 26.** Sections 5 and 6 of this act apply both
9 prospectively and retroactively to January 1, 2026.

10 NEW SECTION. **Sec. 27.** If any provision excluding activities
11 from the definition of advertising services under RCW
12 82.04.050(3)(k)(ii) is held invalid, or held to create a
13 discriminatory tax on advertising services under federal or
14 Washington law, the entirety of RCW 82.04.050(3)(k)(ii) is invalid.

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