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**SENATE BILL 6113**

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**State of Washington**

**69th Legislature**

**2026 Regular Session**

**By** Senators Frame, Robinson, and Saldaña; by request of Department of Revenue

Read first time 01/14/26. Referred to Committee on Ways & Means.

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; creating new  
10 sections; repealing RCW 82.04.29001; and providing an expiration  
11 date.

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 term "sale at retail" or "retail sale" includes the sale  
8 of or charge made for personal, business, or professional services  
9 including amounts designated as interest, rents, fees, admission, and  
10 other service emoluments however designated, received by persons  
11 engaging in the following business activities:

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

13 (b) Credit bureau services;

14 (c) Automobile parking and storage garage services;

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

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

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

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

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

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

38 (i) Investigation services, security services, security  
39 monitoring services, and armored car services including, but not  
40 limited to, background checks, security guard and patrol services,

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

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

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

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

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

25 (A) "Temporary staffing services" has the same meaning as  
26 "staffing service" in RCW 82.04.540.

27 (B) "Paymaster services" has the same meaning as in RCW  
28 82.04.43393;

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

33 (A) Layout, art direction, graphic design, mechanical  
34 preparation, production supervision, placement, referrals,  
35 acquisition of advertising space, and rendering advice concerning the  
36 best methods of advertising products or services; and

37 (B) Online referrals, search engine marketing, ~~((and))~~ lead  
38 generation optimization, web campaign planning, the acquisition of  
39 advertising space in the internet media, and the monitoring and

1 evaluation of website traffic for purposes of determining the  
2 effectiveness of an advertising campaign.

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

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

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

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

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

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

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

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

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

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

26 (A) Classes provided by preschools;

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

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

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

32 (E) Presentations given at the physical location of a facility  
33 exempt from property tax under RCW 84.36.020(2). For the purposes of  
34 this subsection (3)(l)(ii)(E):

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

38 (II) Presentations where all participants, other than the  
39 presenter, attend at the physical location of a facility exempt from  
40 property tax under RCW 84.36.020(2) are given at the physical

1 location of the participants regardless of the location of the  
2 presenter at the time of the presentation; and

3 (F) Youth camps; and

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

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

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

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

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

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

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

38 (F) Services provided in the regular course of employment by an  
39 employee with access to an athletic or fitness facility maintained by

1 the employer for use without charge by its employees or their family  
2 members;

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

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

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

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

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

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

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

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

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

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

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

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

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

29       (ii) (A) The service described in (b) (i) of this subsection (6)  
30 includes the right to access and use prewritten computer software,  
31 custom software, and customization of prewritten computer software to  
32 perform data processing.

33       (B) For purposes of this subsection (6) (b) (ii), "data processing"  
34 means the systematic performance of operations on data to extract the  
35 required information in an appropriate form or to convert the data to  
36 usable information. Data processing includes check processing, image  
37 processing, form processing, survey processing, payroll processing,  
38 claim processing, and similar activities.

39       (7) The term also includes the sale of or charge made for an  
40 extended warranty to a consumer. For purposes of this subsection,

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

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

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

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

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

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

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

29 ~~(c) ((A retail sale of digital goods, digital codes, or digital~~  
30 ~~automated services does not include the following services if the~~  
31 ~~sale occurs between members of an affiliated group as defined in RCW~~  
32 ~~82.04.299(1)(f):~~

33 ~~(i) Any service that primarily involves the application of human~~  
34 ~~effort by the seller, and the human effort originated after the~~  
35 ~~customer requested the service;~~

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

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

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

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

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

39       (10) The term does not include the sale of or charge made for  
40 labor and services rendered in respect to the building, repairing, or

1 improving of any street, place, road, highway, easement, right-of-  
2 way, mass public transportation terminal or parking facility, bridge,  
3 tunnel, or trestle which is owned by a municipal corporation or  
4 political subdivision of the state or by the United States and which  
5 is used or to be used primarily for foot or vehicular traffic  
6 including mass transportation vehicles of any kind.

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

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

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

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

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

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

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

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

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

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

12 (v) Batting cage activities;

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

19 (vii) Climbing on artificial climbing structures, whether indoors  
20 or outdoors;

21 (viii) Day trips for sightseeing purposes;

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

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

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

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

37 (xiii) Swimming, but only in respect to (A) recreational or  
38 fitness swimming that is open to the public, such as open swim, lap  
39 swimming, and special events like kids night out and pool parties  
40 during open swim time, and (B) pool parties for private events, such

1 as birthdays, family gatherings, and employee outings. Fees for  
2 swimming lessons, to participate in swim meets and other  
3 competitions, or to join a swim team, club, or aquatic facility are  
4 not retail sales under this subsection (15) (a) (xiii);

5 (xiv) Go-karting, bumper cars, and other motorized activities  
6 where the seller provides the vehicle and the premises where the  
7 buyer will operate the vehicle;

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

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

22 (xvii) Paintball and airsoft activities;

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

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

1 lands; and (C) permits or leases granted by an owner of private  
2 timberland for recreational access to areas used primarily for  
3 growing and harvesting timber; and

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

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

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

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

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

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

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

1 82.04.767 or a grant deductible under RCW 82.04.4339, or by any other  
2 person.

3 (b) For purposes of this subsection (16), "specified services"  
4 means:

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

11 (ii) The clearing of land or the moving of earth, whether or not  
12 associated with activities described in (b)(i) of this subsection  
13 (16);

14 (iii) The razing or moving of existing buildings or structures;  
15 and

16 (iv) Landscape maintenance and horticultural services.

17 (17) The terms "sale at retail" and "retail sale" do not include  
18 the following services if the sale occurs between members of an  
19 affiliated group as defined in RCW 82.04.299(1)(f):

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

23 (b) Custom software and customization of prewritten computer  
24 software to a consumer, regardless of the method of delivery to the  
25 end user;

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

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

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

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

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

36 (a) Tangible personal property;

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

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

- 1 (d) Prewritten computer software;
- 2 (e) Services described in RCW 82.04.050 (6) (~~(+e)~~) (b);
- 3 (f) Extended warranties as defined in RCW 82.04.050 (7);
- 4 (g) Competitive telephone service, ancillary services, or  
5 telecommunications service as those terms are defined in RCW  
6 82.04.065; or
- 7 (h) Digital goods, digital codes, or digital automated services;
- 8 (2) Any charge made for labor and services rendered for persons  
9 who are not consumers, in respect to real or personal property, if  
10 such charge is expressly defined as a retail sale by RCW 82.04.050  
11 when rendered to or for consumers. For the purposes of this  
12 subsection (2), "real or personal property" does not include any  
13 natural products named in RCW 82.04.100; and
- 14 (3) The sale of any service for resale, if the sale is excluded  
15 from the definition of "sale at retail" and "retail sale" in RCW  
16 82.04.050 (14).

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

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

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

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

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

29 (i) The loaning or transferring of money or the purchase, sale,  
30 or transfer of financial instruments. For purposes of this subsection

31 (3) (b) (i), "financial instruments" include cash, accounts receivable  
32 and payable, loans and notes receivable and payable, debt securities,  
33 equity securities, as well as derivative contracts such as forward  
34 contracts, swap contracts, and options;

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

36 (iii) Payment processing services;

37 (iv) Parimutuel wagering and handicapping contests as authorized  
38 by chapter 67.16 RCW;

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

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

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

6 (viii) Online educational programs provided by a:

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

8 (B) An institution of higher education as defined in sections  
9 1001 or 1002 of the federal higher education act of 1965 (Title 20  
10 U.S.C. Secs. 1001 and 1002), as existing on July 1, 2009. For  
11 purposes of this subsection (3)(b)(viii)(B), an online educational  
12 program must be encompassed within the institution's accreditation;

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

15 (x) (A) A service that allows the person receiving the service to  
16 make online sales of products or services, digital or otherwise,  
17 using either: (I) The service provider's website; or (II) the service  
18 recipient's website, but only when the service provider's technology  
19 is used in creating or hosting the service recipient's website or is  
20 used in processing orders from customers using the service  
21 recipient's website.

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

25 (xi) Telehealth as defined in RCW 18.134.010 or telemedicine as  
26 defined in RCW 48.43.735;

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

32 (xiii) Digital goods;

33 (xiv) (A) The use of a digital automated service that is  
34 incidental to the underlying service. The department may establish  
35 factors that demonstrate the use of the digital automated service is  
36 incidental to an underlying service, which must include, at a  
37 minimum, but is not limited to, the following:

38 (I) The buyer of the underlying service uses the digital  
39 automated service provided by the service provider solely for the

1 purpose of transmitting or exchanging communications between the  
2 service provider and the buyer; and

3 (II) There is no consideration from the buyer of the underlying  
4 service for the use of a digital automated service when the use is  
5 solely for the purposes of transmitting or exchanging communications  
6 between the service provider and the buyer of the underlying service.

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

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

9 (II) "Service provider" means a person providing an underlying  
10 service;

11 (III) "Underlying service" means any service provided by a person  
12 whose gross income of the business from such service would be subject  
13 to business and occupation tax under any business and occupation tax  
14 classification other than the retailing service tax classification  
15 under RCW 82.04.250, if the exclusion in this subsection (3) (b) (xiv)  
16 were to apply.

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

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

30 (6) (a) "Digital goods," except as provided in (b) of this  
31 subsection (6), means sounds, images, data, facts, or information, or  
32 any combination thereof, transferred electronically, including, but  
33 not limited to, specified digital products and other products  
34 transferred electronically not included within the definition of  
35 specified digital products.

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

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

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

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

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

9 (B) The exclusion in (b) (iv) (A) of this subsection (6) does not  
10 apply to photographers in respect to amounts received for the taking  
11 of photographs that are transferred electronically to the customer,  
12 but only if the customer is an end user, as defined in RCW  
13 82.04.190(11), of the photographs. Such amounts are considered to be  
14 for the sale of digital goods; and

15 (v) Services and activities excluded from the definition of  
16 digital automated services in subsection (3) (b) (i) through (xii) of  
17 this section and not otherwise described in (b) (i) through (iv) of  
18 this subsection (6).

19 (7) "Digital products" means digital goods and digital automated  
20 services.

21 (8) "Electronically transferred" or "transferred electronically"  
22 means obtained by the purchaser by means other than tangible storage  
23 media. It is not necessary that a copy of the product be physically  
24 transferred to the purchaser. So long as the purchaser may access the  
25 product, it will be considered to have been electronically  
26 transferred to the purchaser.

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

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

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

1 service, but only if the seller is not subject to a franchise fee in  
2 this state under the authority of Title 47 U.S.C. Sec. 542(a) on the  
3 gross revenue derived from the sale.

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

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

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

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

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

20 (c) For persons subject to the surcharge imposed under this  
21 subsection (1) that report under one or more tax classifications, the  
22 surcharge applies only to business activities taxed under RCW  
23 82.04.290 (2) and (4).

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

30 (e)(i) To aid in the effective administration of the surcharge in  
31 this subsection (1), the department may require persons believed to  
32 be engaging in advanced computing or affiliated with a person  
33 believed to be engaging in advanced computing to disclose whether  
34 they are a member of an affiliated group and, if so, to identify all  
35 other members of the affiliated group subject to the surcharge.

36 (ii) If the department establishes, by clear, cogent, and  
37 convincing evidence, that one or more members of an affiliated group,  
38 with intent to evade the surcharge under this subsection (1), failed  
39 to fully comply with this subsection (1)(e), the department must

1 assess against that person, or those persons collectively, a penalty  
2 equal to 50 percent of the amount of the total surcharge payable by  
3 all members of that affiliated group for the calendar year during  
4 which the person or persons failed to fully comply with this  
5 subsection (1)(e). The penalty under this subsection (1)(e) is in  
6 lieu of and not in addition to the evasion penalty under RCW  
7 82.32.090(7).

8 (f) For the purposes of this subsection (1) the following  
9 definitions apply:

10 (i) "Advanced computing" means designing or developing computer  
11 software or computer hardware, whether directly or contracting with  
12 another person, including: Modifications to computer software or  
13 computer hardware; cloud computing services; or operating as a  
14 marketplace facilitator as defined by RCW 82.08.0531, an online  
15 search engine, or online social networking platform;

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

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

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

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

28 (vi) "Select advanced computing business" means a person who is a  
29 member of an affiliated group with at least one member of the  
30 affiliated group engaging in the business of advanced computing, and  
31 the affiliated group has worldwide gross revenue of more than  
32 \$25,000,000,000 during the immediately preceding calendar year. A  
33 person who is primarily engaged within this state in the provision of  
34 commercial mobile service, as that term is defined in 47 U.S.C. Sec.  
35 332(d)(1), shall not be considered a select advanced computing  
36 business. A person who is primarily engaged in this state in the  
37 operation and provision of access to transmission facilities and  
38 infrastructure that the person owns or leases for the transmission of  
39 voice, data, text, sound, and video using wired telecommunications  
40 networks shall not be considered a select advanced computing

1 business. A person that is primarily engaged in business as a  
2 "financial institution" as defined in RCW 82.04.29004, as that  
3 section existed on January 1, 2020, shall not be considered a select  
4 advanced computing business. For purposes of this subsection  
5 (1)(f)(vi), "primarily" is determined based on gross income of the  
6 business.

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

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

12 (ii) A provider clinic offering primary care, multispecialty and  
13 surgical services, including behavioral health services, and any  
14 affiliate of the provider clinic if the affiliate is an organization  
15 that offers health care services or provides administrative support  
16 for a provider clinic, or is an independent practice association or  
17 accountable care organization.

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

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

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

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

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

30 (4) Beginning in fiscal year 2028, and each year thereafter, when  
31 the number of qualified Washington state applicants exceeds the  
32 available enrollments by 100 at computer science engineering degree  
33 programs in four-year state universities, then a commensurate number  
34 of computer science and engineering degree enrollments at those state  
35 universities must be automatically added and funded for the surcharge  
36 imposed under this section to accommodate the additional demand.

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

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

3       (1)(a) From January 1, 2020, through September 30, 2025, in  
4 addition to any other taxes imposed under this chapter, an additional  
5 tax is imposed on specified financial institutions. The additional  
6 tax is equal to the gross income of the business taxable under RCW  
7 82.04.290 (2) and (4) multiplied by the rate of 1.2 percent.

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

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

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

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

24       (c) "Consolidated financial statement" means a consolidated  
25 financial institution group's consolidated reports of condition and  
26 income filed with the federal financial institutions examination  
27 council, or successor agency.

28       (d) "Financial institution" means:

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

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

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

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

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

3 (vi) Any agency or branch of a foreign depository as defined in  
4 12 U.S.C. Sec. 3101;

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

8 (viii) Any corporation or other business entity who receives  
9 gross income taxable under RCW 82.04.290, and whose voting interests  
10 are more than 50 percent owned, directly or indirectly, by any person  
11 or business entity described in (d)(i) through (vii) of this  
12 subsection other than an insurance company liable for the insurance  
13 premiums tax under RCW 48.14.020 or any other company taxable under  
14 chapter 48.14 RCW;

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

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

24 (II) It is the economic equivalent of an extension of credit,  
25 i.e., the lease is treated by the lessor as a loan for federal income  
26 tax purposes. In no event does a lease qualify as an extension of  
27 credit where the lessor takes depreciation on such property for  
28 federal income tax purposes.

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

32 (x) Any other person or business entity, other than an insurance  
33 general agent taxable under RCW 82.04.280(1)(e), an insurance  
34 business exempt from the business and occupation tax under RCW  
35 82.04.320, a real estate broker taxable under RCW 82.04.255, a  
36 securities dealer or international investment management company  
37 taxable under RCW 82.04.290(2), that receives more than 50 percent of  
38 its gross receipts from activities that a person described in (d)(ii)  
39 through (vii) and (ix) of this subsection is authorized to transact.

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

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

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

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

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

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

29 (1) In computing the tax imposed under this chapter, a credit is  
30 allowed against the amount of tax otherwise due under this chapter,  
31 as provided in this section. Except for taxpayers that report at  
32 least 50 percent of their taxable amount under RCW 82.04.255,  
33 82.04.290(2)(a), ~~((and))~~ 82.04.285, and 82.04.405, the maximum credit  
34 for a taxpayer for a reporting period is \$55 multiplied by the number  
35 of months in the reporting period, as determined under RCW 82.32.045.  
36 For a taxpayer that reports at least 50 percent of its taxable amount  
37 under RCW 82.04.255, 82.04.290(2)(a), ~~((and))~~ 82.04.285, and  
38 82.04.405, the maximum credit for a reporting period is \$160

1 multiplied by the number of months in the reporting period, as  
2 determined under RCW 82.32.045.

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

6 (3) When the amount of tax otherwise due under this chapter  
7 exceeds the maximum credit, a reduced credit is allowed equal to  
8 twice the maximum credit, minus the tax otherwise due under this  
9 chapter, but not less than zero.

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

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

21 For the purposes of this chapter:

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

38 (ii) When tangible personal property is rented or leased under  
39 circumstances that the consideration paid does not represent a

1 reasonable rental for the use of the articles so rented or leased,  
2 the "selling price" must be determined as nearly as possible  
3 according to the value of such use at the places of use of similar  
4 products of like quality and character under such rules as the  
5 department may prescribe;

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

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

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

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

25 (iii) The amount of the consideration attributable to the sale is  
26 fixed and determinable by the seller at the time of the sale of the  
27 item to the purchaser; and

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

29 (A) The purchaser presents a coupon, certificate, or other  
30 documentation to the seller to claim a price reduction or discount  
31 where the coupon, certificate, or documentation is authorized,  
32 distributed, or granted by a third party with the understanding that  
33 the third party will reimburse any seller to whom the coupon,  
34 certificate, or documentation is presented;

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

39 (C) The price reduction or discount is identified as a third  
40 party price reduction or discount on the invoice received by the

1 purchaser or on a coupon, certificate, or other documentation  
2 presented by the purchaser;

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

7 (ii) "Seller" includes marketplace facilitators, whether making  
8 sales in their own right or facilitating sales on behalf of  
9 marketplace sellers.

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

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

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

20 (ii) For the purposes of this subsection (2) (b), the terms  
21 "client," "covered employee," "professional employer agreement," and  
22 "professional employer organization" have the same meanings as in RCW  
23 82.04.540;

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

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

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

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

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

22 (8) "Extended warranty" has the same meaning as in RCW  
23 82.04.050(7);

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

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

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

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

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

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

39 (12) The terms "agriculture," "farming," "horticulture,"  
40 "horticultural," and "horticultural product" may not be construed to

1 include or relate to cannabis, useable cannabis, or cannabis-infused  
2 products unless the applicable term is explicitly defined to include  
3 cannabis, useable cannabis, or cannabis-infused products.

4 (13)(a) "Affiliated person" means a person that, with respect to  
5 another person:

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

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

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

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

15 (ii) An indirect ownership interest in a person is an ownership  
16 interest in an entity that has an ownership interest in the person or  
17 in an entity that has an indirect ownership interest in the person.

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

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

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

28 (ii) Engages directly or indirectly, through one or more  
29 affiliated persons, in transmitting or otherwise communicating the  
30 offer or acceptance between the buyer and seller. For purposes of  
31 this subsection, mere advertising does not constitute transmitting or  
32 otherwise communicating the offer or acceptance between the buyer and  
33 seller; and

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

- 37 (A) Payment processing services;
- 38 (B) Fulfillment or storage services;
- 39 (C) Listing products for sale;
- 40 (D) Setting prices;

1 (E) Branding sales as those of the marketplace facilitator;  
2 (F) Taking orders; or  
3 (G) Providing customer service or accepting or assisting with  
4 returns or exchanges.  
5 (b) (i) "Marketplace facilitator" does not include:  
6 (A) A person who provides internet advertising services,  
7 including listing products for sale, so long as the person does not  
8 also engage in the activity described in (a) (ii) of this subsection  
9 (15) in addition to any of the activities described in (a) (iii) of  
10 this subsection (15); or  
11 (B) A person with respect to the provision of travel agency  
12 services or the operation of a marketplace or that portion of a  
13 marketplace that enables consumers to purchase transient lodging  
14 accommodations in a hotel or other commercial transient lodging  
15 facility.  
16 (ii) The exclusion in this subsection (15) (b) does not apply to a  
17 marketplace or that portion of a marketplace that facilitates the  
18 retail sale of transient lodging accommodations in homes, apartments,  
19 cabins, or other residential dwelling units.  
20 (iii) For purposes of this subsection (15) (b), the following  
21 definitions apply:  
22 (A) "Hotel" has the same meaning as in RCW 19.48.010.  
23 (B) "Travel agency services" means arranging or booking, for a  
24 commission, fee or other consideration, vacation or travel packages,  
25 rental car or other travel reservations or accommodations, tickets  
26 for domestic or foreign travel by air, rail, ship, bus, or other  
27 medium of transportation, or hotel or other lodging accommodations.  
28 (16) "Marketplace seller" means a seller that makes retail sales  
29 through any marketplace operated by a marketplace facilitator,  
30 regardless of whether the seller is required to be registered with  
31 the department under RCW 82.32.030.  
32 (17) "Remote seller" means any seller, including a marketplace  
33 facilitator, who does not have a physical presence in this state and  
34 makes retail sales to purchasers or facilitates retail sales on  
35 behalf of marketplace sellers.

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

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

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

6 (b) Digital goods, digital codes, and digital automated services,  
7 if the sale is included within the RCW 82.04.050 definition of retail  
8 sale;

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

11 (d) Extended warranties to consumers; and

12 (e) Anything else, the sale of which is included within the RCW  
13 82.04.050 definition of retail sale.

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

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

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

21 (B) The revenue collected under (a) of this subsection must be  
22 deposited in the multimodal transportation account created in RCW  
23 47.66.070.

24 (b)(i) Beginning January 1, 2027, there is levied and collected  
25 an additional tax on peer-to-peer car sharing transactions equal to  
26 the selling price multiplied by the rate of tax imposed under (a) of  
27 this subsection. This subsection (2)(b) applies only to peer-to-peer  
28 car sharing transactions where the vehicle owner obtained the shared  
29 vehicle as a vehicle for resale using a reseller permit or an  
30 approved exemption certificate under RCW 82.04.470. The vehicle owner  
31 must submit documentation in a form and manner prescribed by the  
32 department to the business facilitating peer-to-peer car sharing  
33 transactions indicating whether the shared vehicle owner paid state  
34 sales tax or use tax on the shared vehicle at the time the vehicle  
35 was obtained. Businesses facilitating peer-to-peer car sharing  
36 transactions must retain copies of this documentation for the period  
37 required in RCW 82.32.070. The revenue collected under this  
38 subsection (2)(b) must be deposited in the multimodal transportation  
39 account created in RCW 47.66.070.

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

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

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

6 (3) There is levied and collected an additional tax of five-  
7 tenths of one percent of the selling price on each retail sale of a  
8 motor vehicle in this state, other than retail car rentals and peer-  
9 to-peer car sharing transactions taxed under subsection (2) of this  
10 section. The revenue collected under this subsection must be  
11 deposited in the multimodal transportation account created in RCW  
12 47.66.070.

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

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

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

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

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

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

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

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

34 (d) Snowmobiles as defined in RCW 46.04.546.

35 (6) Beginning on December 8, 2005, 0.16 percent of the taxes  
36 collected under subsection (1) of this section must be dedicated to  
37 funding comprehensive performance audits required under RCW  
38 43.09.470. The revenue identified in this subsection must be  
39 deposited in the performance audits of government account created in  
40 RCW 43.09.475.

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

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

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

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

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

15 (2)(a) The tax imposed by RCW 82.08.020 does not apply to a  
16 business or other organization for the purpose of making the digital  
17 good or digital automated service, including a digital good or  
18 digital automated service acquired through the use of a digital code,  
19 or service defined as a retail sale in RCW 82.04.050(6) ~~((e))~~ (b),  
20 available free of charge for the use or enjoyment of the general  
21 public. The exemption provided in this subsection (2) does not apply  
22 unless the purchaser has the legal right to broadcast, rebroadcast,  
23 transmit, retransmit, license, relicense, distribute, redistribute,  
24 or exhibit the product, in whole or in part, to the general public.

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

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

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

32 (3)(a) The tax imposed by RCW 82.08.020 does not apply to the  
33 sale to a business of digital goods, and services rendered in respect  
34 to digital goods, if the digital goods and services rendered in  
35 respect to digital goods are purchased solely for business purposes.  
36 The exemption provided by this subsection (3) also applies to the  
37 sale to a business of a digital code if all of the digital goods to  
38 be obtained through the use of the code will be used solely for  
39 business purposes.

1 (b) For purposes of this subsection (3), the following  
2 definitions apply:

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

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

11 (4)(a) The tax imposed by RCW 82.08.020 does not apply to the  
12 sale of digital goods, digital codes, digital automated services,  
13 prewritten computer software, or services defined as a retail sale in  
14 RCW 82.04.050(6) ~~((e))~~ (b) to a buyer that provides the seller with  
15 an exemption certificate claiming multiple points of use. An  
16 exemption certificate claiming multiple points of use must be in a  
17 form and contain such information as required by the department.

18 (b) A buyer is entitled to use an exemption certificate claiming  
19 multiple points of use only if the buyer is a business or other  
20 organization and the digital goods or digital automated services  
21 purchased, or the digital goods or digital automated services to be  
22 obtained by the digital code purchased, or the prewritten computer  
23 software or services defined as a retail sale in RCW 82.04.050(6)  
24 ~~((e))~~ (b) purchased will be concurrently available for use within  
25 and outside this state. A buyer is not entitled to use an exemption  
26 certificate claiming multiple points of use for digital goods,  
27 digital codes, digital automated services, prewritten computer  
28 software, or services defined as a retail sale in RCW 82.04.050(6)  
29 ~~((e))~~ (b) purchased for personal use.

30 (c) A buyer claiming an exemption under this subsection (4) must  
31 report and pay the tax imposed in RCW 82.12.020 and any local use  
32 taxes imposed under the authority of chapter 82.14 RCW and RCW  
33 81.104.170 directly to the department in accordance with RCW  
34 82.12.0208 and 82.14.457.

35 (d) For purposes of this subsection (4), "concurrently available  
36 for use within and outside this state" means that employees or other  
37 agents of the buyer may use the digital goods, digital automated  
38 services, prewritten computer software, or services defined as a  
39 retail sale in RCW 82.04.050(6) ~~((e))~~ (b) simultaneously from one or  
40 more locations within this state and one or more locations outside

1 this state. A digital code is concurrently available for use within  
2 and outside this state if employees or other agents of the buyer may  
3 use the digital goods or digital automated services to be obtained by  
4 the code simultaneously at one or more locations within this state  
5 and one or more locations outside this state.

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

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

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

19 (c) For purposes of this subsection (5), "radio or television  
20 broadcaster" includes satellite radio providers, satellite television  
21 providers, cable television providers, and providers of subscription  
22 internet television.

23 (6) (a) The tax imposed by RCW 82.08.020 does not apply to the  
24 sale of advertising services when the buyer of the advertising  
25 service provides the seller with an exemption certificate claiming  
26 multiple points of use.

27 (b) A buyer may use an exemption certificate claiming multiple  
28 points of use only if the buyer is a business or other organization  
29 and the buyer purchased advertising services that will be  
30 concurrently available for use within and outside this state. A buyer  
31 may not use an exemption certificate claiming multiple points of use  
32 for advertising services purchased for personal use.

33 (c) A buyer claiming an exemption under this section must report  
34 and pay the tax imposed in RCW 82.12.020, and any local use taxes  
35 imposed under the authority of chapter 82.14 RCW and RCW 81.104.170,  
36 directly to the department in accordance with RCW 82.12.0208 and  
37 82.14.457.

38 (d) For purposes of this subsection, the following definitions  
39 apply:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 (B) The total lease payments made plus any additional selling  
6 price of the leased vehicle if the original lessee purchases the  
7 leased vehicle before the qualification period end date, for lease  
8 agreements signed.

9 (ii) Based on the purchase date or the date the lease agreement  
10 was signed of the vehicle if the vehicle is a new vehicle at the time  
11 of the purchase date or the date the lease agreement was signed:

12 (A) From the qualification period start date until July 31, 2021,  
13 the maximum amount eligible under (b) (i) of this subsection is  
14 \$25,000;

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

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

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

22 (2) The seller must keep records necessary for the department to  
23 verify eligibility under this section. A person claiming the  
24 exemption must also submit itemized information to the department for  
25 all vehicles for which an exemption is claimed that must include the  
26 following: Vehicle make; vehicle model; model year; whether the  
27 vehicle has been sold or leased; date of sale or start date of lease;  
28 length of lease; sales price for purchased vehicles and fair market  
29 value at the inception of the lease for leased vehicles; and the  
30 total amount qualifying for the incentive claimed for each vehicle,  
31 in addition to the future monthly amount to be claimed for each  
32 leased vehicle. This information must be provided in a form and  
33 manner prescribed by the department.

34 (3) (a) The department of licensing must maintain and publish a  
35 list of all vehicle models qualifying for the tax exemptions under  
36 this section or RCW 82.12.9999 until the expiration date of this  
37 section, and is authorized to issue final rulings on vehicle model  
38 qualification for these criteria. A seller is not responsible for  
39 repayment of the tax exemption under this section and RCW 82.12.9999  
40 for a vehicle if the department of licensing's published list of

1 qualifying vehicle models on the purchase date or the date the lease  
2 agreement was signed includes the vehicle model and the department of  
3 licensing subsequently removes the vehicle model from the published  
4 list, and, if applicable, the vehicle meets the qualifying criterion  
5 under subsection (1)(a)(iii)(B) of this section and RCW  
6 82.12.9999(1)(a)(iii)(B).

7 (b) The department of revenue retains responsibility for  
8 determining whether a vehicle meets the applicable qualifying  
9 criterion under subsection (1)(a)(iii)(B) of this section and RCW  
10 82.12.9999(1)(a)(iii)(B).

11 (4) By the last day of October 2019, and every six months  
12 thereafter until (~~(this section expires)~~) October 31, 2025, based on  
13 the best available data, the department must report the following  
14 information to the transportation committees of the legislature: The  
15 cumulative number of vehicles that qualified for the exemption under  
16 this section and RCW 82.12.9999 by month of purchase or lease start  
17 and vehicle make and model; the dollar amount of all state retail  
18 sales and use taxes exempted on or after the qualification period  
19 start date, under this section and RCW 82.12.9999; and estimates of  
20 the future costs of leased vehicles that qualified for the exemption  
21 under this section and RCW 82.12.9999.

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

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

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

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

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

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

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

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

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

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

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

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

12 The tax levied by RCW 82.08.020 does not apply to sales  
13 (including transfers of title through decree of appropriation)  
14 heretofore or hereafter made of the entire operating property of a  
15 publicly or privately owned public utility, or of a complete  
16 operating integral section thereof, to the state or a political  
17 subdivision thereof for use in conducting any public service business  
18 as defined in RCW 82.16.010. For purposes of this section, "operating  
19 property" includes digital goods and products sold through the use of  
20 digital codes.

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

23 For the purposes of this chapter:

24 (1) The meaning ascribed to words and phrases in chapters 82.04  
25 and 82.08 RCW, insofar as applicable, has full force and effect with  
26 respect to taxes imposed under the provisions of this chapter.  
27 "Consumer," in addition to the meaning ascribed to it in chapters  
28 82.04 and 82.08 RCW insofar as applicable, also means any person who  
29 distributes or displays, or causes to be distributed or displayed,  
30 any article of tangible personal property, except newspapers, the  
31 primary purpose of which is to promote the sale of products or  
32 services. With respect to property distributed to persons within this  
33 state by a consumer as defined in this subsection (1), the use of the  
34 property is deemed to be by such consumer.

35 (2) "Extended warranty" has the same meaning as in RCW  
36 82.04.050(7).

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

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

6 (ii) "Retailer" does not include a professional employer  
7 organization when a covered employee coemployed with the client under  
8 the terms of a professional employer agreement engages in activities  
9 that constitute a sale of tangible personal property, extended  
10 warranty, digital good, (~~(digital code)~~) or a sale of any digital  
11 automated service or service defined as a retail sale in RCW  
12 82.04.050 (2) (a) or (g) or (6) (~~(e)~~) (b) that is subject to the tax  
13 imposed by this chapter. In such cases, the client, and not the  
14 professional employer organization, is deemed to be the retailer and  
15 is responsible for collecting and remitting the tax imposed by this  
16 chapter.

17 (b) For the purposes of (a) of this subsection, the terms  
18 "client," "covered employee," "professional employer agreement," and  
19 "professional employer organization" have the same meanings as in RCW  
20 82.04.540.

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

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

26 (a) With respect to tangible personal property, except for  
27 natural gas and manufactured gas, the first act within this state by  
28 which the taxpayer takes or assumes dominion or control over the  
29 article of tangible personal property (as a consumer), and include  
30 installation, storage, withdrawal from storage, distribution, or any  
31 other act preparatory to subsequent actual use or consumption within  
32 this state;

33 (b) With respect to a service defined in RCW 82.04.050(2)(a), the  
34 first act within this state after the service has been performed by  
35 which the taxpayer takes or assumes dominion or control over the  
36 article of tangible personal property upon which the service was  
37 performed (as a consumer), and includes installation, storage,  
38 withdrawal from storage, distribution, or any other act preparatory  
39 to subsequent actual use or consumption of the article within this  
40 state;

1 (c) With respect to an extended warranty, the first act within  
2 this state after the extended warranty has been acquired by which the  
3 taxpayer takes or assumes dominion or control over the article of  
4 tangible personal property to which the extended warranty applies,  
5 and includes installation, storage, withdrawal from storage,  
6 distribution, or any other act preparatory to subsequent actual use  
7 or consumption of the article within this state;

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

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

17 (f) With respect to a service defined as a retail sale in RCW  
18 82.04.050(6) (~~(or)~~) (b), the first act within this state by which the  
19 taxpayer, as a consumer, accesses the prewritten computer software;

20 (g) With respect to a service defined as a retail sale in RCW  
21 82.04.050(2)(g), the first act within this state after the service  
22 has been performed by which the taxpayer, as a consumer, views,  
23 accesses, downloads, possesses, stores, opens, manipulates, or  
24 otherwise uses or enjoys the digital good upon which the service was  
25 performed; and

26 (h) With respect to natural gas or manufactured gas, the use of  
27 which is taxable under RCW 82.12.022, including gas that is also  
28 taxable under the authority of RCW 82.14.230, the first act within  
29 this state by which the taxpayer consumes the gas by burning the gas  
30 or storing the gas in the taxpayer's own facilities for later  
31 consumption by the taxpayer.

32 (7)(a) "Value of the article used" is the purchase price for the  
33 article of tangible personal property, the use of which is taxable  
34 under this chapter. The term also includes, in addition to the  
35 purchase price, the amount of any tariff or duty paid with respect to  
36 the importation of the article used. In case the article used is  
37 acquired by lease or by gift or is extracted, produced, or  
38 manufactured by the person using the same or is sold under conditions  
39 wherein the purchase price does not represent the true value thereof,  
40 the value of the article used is determined as nearly as possible

1 according to the retail selling price at place of use of similar  
2 products of like quality and character under such rules as the  
3 department may prescribe.

4 (b) In case the articles used are acquired by bailment, the value  
5 of the use of the articles so used must be in an amount representing  
6 a reasonable rental for the use of the articles so bailed, determined  
7 as nearly as possible according to the value of such use at the  
8 places of use of similar products of like quality and character under  
9 such rules as the department of revenue may prescribe. In case any  
10 such articles of tangible personal property are used in respect to  
11 the construction, repairing, decorating, or improving of, and which  
12 become or are to become an ingredient or component of, new or  
13 existing buildings or other structures under, upon, or above real  
14 property of or for the United States, any instrumentality thereof, or  
15 a county or city housing authority created pursuant to chapter 35.82  
16 RCW, including the installing or attaching of any such articles  
17 therein or thereto, whether or not such personal property becomes a  
18 part of the realty by virtue of installation, then the value of the  
19 use of such articles so used is determined according to the retail  
20 selling price of such articles, or in the absence of such a selling  
21 price, as nearly as possible according to the retail selling price at  
22 place of use of similar products of like quality and character or, in  
23 the absence of either of these selling price measures, such value may  
24 be determined upon a cost basis, in any event under such rules as the  
25 department of revenue may prescribe.

26 (c) In the case of articles owned by a user engaged in business  
27 outside the state which are brought into the state for no more than  
28 180 days in any period of 365 consecutive days and which are  
29 temporarily used for business purposes by the person in this state,  
30 the value of the article used must be an amount representing a  
31 reasonable rental for the use of the articles, unless the person has  
32 paid tax under this chapter or chapter 82.08 RCW upon the full value  
33 of the article used, as defined in (a) of this subsection.

34 (d) In the case of articles manufactured or produced by the user  
35 and used in the manufacture or production of products sold or to be  
36 sold to the department of defense of the United States, the value of  
37 the articles used is determined according to the value of the  
38 ingredients of such articles.

39 (e) In the case of an article manufactured or produced for  
40 purposes of serving as a prototype for the development of a new or

1 improved product, the value of the article used is determined by: (i)  
2 The retail selling price of such new or improved product when first  
3 offered for sale; or (ii) the value of materials incorporated into  
4 the prototype in cases in which the new or improved product is not  
5 offered for sale.

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

10 (g) In the case of asphalt or aggregates manufactured or  
11 extracted by a person providing services taxable under RCW  
12 82.04.280(1)(b) and used by that person in providing those services,  
13 the value of the asphalt or aggregates is equal to the sum of all  
14 direct and indirect costs attributable to the asphalt or aggregates  
15 used, plus a public road construction market adjustment of five  
16 percent of those costs.

17 (8) "Value of the digital good (~~(or digital code)~~) used" means  
18 the purchase price for the digital good (~~(or digital code)~~), the use  
19 of which is taxable under this chapter. If the digital good (~~(or~~  
20 ~~digital code)~~) is acquired other than by purchase, the value of the  
21 digital good (~~(or digital code)~~) must be determined as nearly as  
22 possible according to the retail selling price at place of use of  
23 similar digital goods (~~(or digital codes)~~) of like quality and  
24 character under rules the department may prescribe.

25 (9) "Value of the extended warranty used" means the purchase  
26 price for the extended warranty, the use of which is taxable under  
27 this chapter. If the extended warranty is received by gift or under  
28 conditions wherein the purchase price does not represent the true  
29 value of the extended warranty, the value of the extended warranty  
30 used is determined as nearly as possible according to the retail  
31 selling price at place of use of similar extended warranties of like  
32 quality and character under rules the department may prescribe.

33 (10) "Value of the service used" means the purchase price for the  
34 digital automated service or other service, the use of which is  
35 taxable under this chapter. If the service is received by gift or  
36 under conditions wherein the purchase price does not represent the  
37 true value thereof, the value of the service used is determined as  
38 nearly as possible according to the retail selling price at place of  
39 use of similar services of like quality and character under rules the  
40 department may prescribe.

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

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

6       (a) Article of tangible personal property acquired by the user in  
7 any manner, including tangible personal property acquired at a casual  
8 or isolated sale, and including by-products used by the manufacturer  
9 thereof, except as otherwise provided in this chapter, irrespective  
10 of whether the article or similar articles are manufactured or are  
11 available for purchase within this state;

12       (b) Prewritten computer software, regardless of the method of  
13 delivery, but excluding prewritten computer software that is either  
14 provided free of charge or is provided for temporary use in viewing  
15 information, or both;

16       (c) (~~(Services)~~) (i) Until September 30, 2025, services defined  
17 as a retail sale in RCW 82.04.050 (2) (a) or (g) or (6) (~~(+e))~~ (b),  
18 excluding services defined as a retail sale in RCW 82.04.050(6)  
19 (~~(+e))~~ (b) that are provided free of charge;

20       (ii) Beginning October 1, 2025, services defined as a retail sale  
21 in RCW 82.04.050 (2) (a) or (g), (3) (g), (h), (i), (j), or (k), or  
22 (6) (b), excluding services defined as a retail sale in RCW  
23 82.04.050(6) (b) that are provided free of charge;

24       (d) Extended warranty; or

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

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

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

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

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

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

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

6 (2) ~~((The))~~ (a) Until September 30, 2025, the provisions of this  
7 chapter do not apply in respect to the use of any article of tangible  
8 personal property, extended warranty, digital good, digital code,  
9 digital automated service, or service taxable under RCW 82.04.050 (2)  
10 (a) or (g) or (6) ~~((+))~~ (b), if the sale to, or the use by, the  
11 present user or the present user's bailor or donor has already been  
12 subjected to the tax under chapter 82.08 RCW or this chapter and the  
13 tax has been paid by the present user or by the present user's bailor  
14 or donor.

15 (b) Beginning October 1, 2025, the provisions of this chapter do  
16 not apply in respect to the use of any article of tangible personal  
17 property, extended warranty, digital good, digital code, digital  
18 automated service, or service taxable under RCW 82.04.050 (2) (a) or  
19 (g), (3) (g), (h), (i), (j), or (k), or (6) (b), if the sale to, or  
20 the use by, the present user or the present user's bailor or donor  
21 has already been subjected to the tax under chapter 82.08 RCW or this  
22 chapter and the tax has been paid by the present user or by the  
23 present user's bailor or donor.

24 (3)(a) Except as provided in this section, payment of the tax  
25 imposed by this chapter or chapter 82.08 RCW by one purchaser or user  
26 of tangible personal property, extended warranty, digital good,  
27 digital code, digital automated service, or other service does not  
28 have the effect of exempting any other purchaser or user of the same  
29 property, extended warranty, digital good, digital code, digital  
30 automated service, or other service from the taxes imposed by such  
31 chapters.

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

33 (i) If the sale to, or the use by, the present user or his or her  
34 bailor or donor has already been subjected to the tax under chapter  
35 82.08 RCW or this chapter and the tax has been paid by the present  
36 user or by his or her bailor or donor;

37 (ii) In respect to the use of any article of tangible personal  
38 property acquired by bailment and the tax has once been paid based on  
39 reasonable rental as determined by RCW 82.12.060 measured by the  
40 value of the article at time of first use multiplied by the tax rate

1 imposed by chapter 82.08 RCW or this chapter as of the time of first  
2 use;

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

7 (iv) To the use of digital goods or digital automated services,  
8 which were obtained through the use of a digital code, if the sale of  
9 the digital code to, or the use of the digital code by, the present  
10 user or the present user's bailor or donor has already been subjected  
11 to the tax under chapter 82.08 RCW or this chapter and the tax has  
12 been paid by the present user or by the present user's bailor or  
13 donor.

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

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

24 (5) Beginning July 1, 2027, the portion of taxes collected by the  
25 state under subsection (1) of this section equal to 0.1 percent of  
26 the value of the article used, value of the digital good or digital  
27 code used, value of the extended warranty used, or value of the  
28 service used by the taxpayer, must be deposited in the multimodal  
29 transportation account created in RCW 47.66.070.

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

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

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

1 (c) 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 **Sec. 15.** RCW 82.12.0208 and 2020 c 139 s 18 are each amended to  
5 read as follows:

6 (1) The provisions of this chapter do not apply in respect to the  
7 use of a digital code for one or more digital products, if the use of  
8 the digital products to which the digital code relates is exempt from  
9 the tax levied by RCW 82.12.020.

10 (2) The provisions of this chapter do not apply to the use by a  
11 business or other organization of digital goods, digital codes,  
12 digital automated services, or services defined as a retail sale in  
13 RCW 82.04.050(6)(~~(e)~~) (b) for the purpose of making the digital  
14 good or digital automated service, including a digital good or  
15 digital automated service acquired through the use of a digital code,  
16 or service defined as a retail sale in RCW 82.04.050(6)(~~(e)~~) (b)  
17 available free of charge for the use or enjoyment of the general  
18 public. For purposes of this subsection (2), "general public" has the  
19 same meaning as in RCW 82.08.0208. The exemption provided in this  
20 subsection (2) does not apply unless the user has the legal right to  
21 broadcast, rebroadcast, transmit, retransmit, license, relicense,  
22 distribute, redistribute, or exhibit the product, in whole or in  
23 part, to the general public.

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

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

31 (i) Of a noncommercial nature, such as personal email  
32 communications;

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

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

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

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

4 (6) The provisions of this chapter do not apply to the use by a  
5 business of digital goods, and services rendered in respect to  
6 digital goods, where the digital goods and services rendered in  
7 respect to digital goods are used solely for business purposes. The  
8 exemption provided by this subsection (6) also applies to the use by  
9 a business of a digital code if all of the digital goods to be  
10 obtained through the use of the code will be used solely for business  
11 purposes. For purposes of this subsection (6), the definitions in RCW  
12 82.08.0208 apply.

13 (7)(a) A business or other organization subject to the tax  
14 imposed in RCW 82.12.020 on the use of digital goods, digital codes,  
15 digital automated services, prewritten computer software, or services  
16 defined as a retail sale in RCW 82.04.050 (3)(k) and (6)((+e)) (b)  
17 that are concurrently available for use within and outside this state  
18 is entitled to apportion the amount of tax due this state based on  
19 users in this state compared to users everywhere.

20 (b)(i) The department may authorize or require an alternative  
21 method of apportionment supported by the taxpayer's records that  
22 fairly reflects the proportion of in-state to out-of-state use by the  
23 taxpayer of the digital goods, digital automated services, prewritten  
24 computer software, or services defined as a retail sale in RCW  
25 82.04.050(6)((+e)) (b).

26 ((+b)) (ii) For advertising services, as defined in RCW  
27 82.04.050(3)(k), the determination of in-state and out-of-state use,  
28 for purposes of this subsection (7)(b), is based on the locations  
29 where the related advertisements are viewed by a user or otherwise  
30 interacted with by a user. If a taxpayer is unable to determine after  
31 exercising due diligence the locations where the related  
32 advertisements are either viewed by a user, or otherwise interacted  
33 with by a user, the department may authorize or require an  
34 alternative method that includes, but is not limited to, internet  
35 statistics and population.

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

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

1 (i) "Concurrently available for use within and outside this  
2 state" means that the taxpayer, employees, or other agents of the  
3 taxpayer may use the digital goods, digital automated services,  
4 prewritten computer software, or services defined as a retail sale in  
5 RCW 82.04.050(6) ~~((e))~~ (b) simultaneously at one or more locations  
6 within this state and one or more locations outside this state. A  
7 digital code is concurrently available for use within and outside  
8 this state if employees or other agents of the taxpayer may use the  
9 digital goods or digital automated services to be obtained by the  
10 code simultaneously at one or more locations within this state and  
11 one or more locations outside this state; and

12 (ii) ~~("User")~~ (A) Except as provided otherwise in (d)(ii)(B) of  
13 this subsection (7), for the purposes of this subsection (7), "user"  
14 means an employee or agent of the taxpayer who is authorized by the  
15 taxpayer to use the digital goods, digital automated services,  
16 prewritten computer software, or services defined as a retail sale in  
17 RCW 82.04.050(6) ~~((e))~~ (b) in the performance of his or her duties  
18 as an employee or other agent of the taxpayer.

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

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

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

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

38 (c) For purposes of this subsection (8), "radio or television  
39 broadcaster" includes satellite radio providers, satellite television  
40 providers, cable television providers, providers of subscription

1 internet television, and persons who provide radio or television  
2 broadcasting to listeners or viewers for no charge.

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

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

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

13 (1) The director may grant a direct pay permit to a taxpayer who  
14 demonstrates, to the satisfaction of the director, that the taxpayer  
15 meets the requirements of this section. The direct pay permit allows  
16 the taxpayer to accrue and remit directly to the department use tax  
17 on the acquisition of tangible personal property or sales tax on the  
18 sale of or charges made for labor and/or services, in accordance with  
19 all of the applicable provisions of this title. Any taxpayer that  
20 uses a direct pay permit must remit state and local sales or use tax  
21 directly to the department. The agreement by the purchaser to remit  
22 tax directly to the department, rather than pay sales or use tax to  
23 the seller, relieves the seller of the obligation to collect sales or  
24 use tax and requires the buyer to pay use tax on the tangible  
25 personal property and sales tax on the sale of or charges made for  
26 labor and/or services.

27 (2)(a) A taxpayer may apply for a permit under this section if:

28 (i) The taxpayer's cumulative tax liability is reasonably expected to  
29 be two hundred forty thousand dollars or more in the current calendar  
30 year; or (ii) the taxpayer makes purchases subject to the taxes  
31 imposed under chapter 82.08 or 82.12 RCW in excess of ten million  
32 dollars per calendar year. For the purposes of this section, "tax  
33 liability" means the amount required to be remitted to the department  
34 for taxes administered under this chapter, except for the taxes  
35 imposed or authorized by chapters 82.14A, 82.14B, 82.24, 82.27,  
36 82.29A, and 84.33 RCW.

37 (b) Application for a permit must be made in writing to the  
38 director in a form and manner prescribed by the department. A

1 taxpayer who transacts business in two or more locations may submit  
2 one application to cover the multiple locations.

3 (c) The director must review a direct pay permit application in a  
4 timely manner and must notify the applicant, in writing, of the  
5 approval or denial of the application. The department must approve or  
6 deny an application based on the applicant's ability to comply with  
7 local government use tax coding capabilities and responsibilities;  
8 requirements for vendor notification; recordkeeping obligations;  
9 electronic data capabilities; and tax reporting procedures.  
10 Additionally, an application may be denied if the director determines  
11 that denial would be in the best interest of collecting taxes due  
12 under this title. The department must provide a direct pay permit to  
13 an approved applicant with the notice of approval. The direct pay  
14 permit must clearly state that the holder is solely responsible for  
15 the accrual and payment of the tax imposed under chapters 82.08 and  
16 82.12 RCW and that the seller is relieved of liability to collect tax  
17 imposed under chapters 82.08 and 82.12 RCW on all sales to the direct  
18 pay permit holder. The taxpayer may petition the director for  
19 reconsideration of a denial.

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

25 (3) Taxes for which the direct pay permit is used are due and  
26 payable on the tax return for the reporting period in which the  
27 taxpayer (a) receives the tangible personal property purchased or in  
28 which the labor and/or services are performed or (b) receives an  
29 invoice for such property or such labor and/or services, whichever  
30 period is earlier.

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

38 (5) A direct pay permit is subject to revocation by the director  
39 at any time the department determines that the taxpayer has violated  
40 any provision of this section or that revocation would be in the best

1 interests of collecting the taxes due under this title. The notice of  
2 revocation must be in writing and is effective either as of the end  
3 of the taxpayer's next normal reporting period or a date deemed  
4 appropriate by the director and identified in the revocation notice.  
5 The taxpayer may petition the director for reconsideration of a  
6 revocation and reinstatement of the permit.

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

12 (7) Except as provided in this subsection, the direct pay permit  
13 may be used for any purchase of tangible personal property and any  
14 retail sale under RCW 82.04.050. The direct pay permit may not be  
15 used for:

16 (a) Purchases of meals or beverages;

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

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

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

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

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

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

36 (a) When tangible personal property, an extended warranty, a  
37 digital good, ~~((digital code,))~~ digital automated service, or other  
38 service defined as a retail sale under RCW 82.04.050 is received by

1 the purchaser at a business location of the seller, the sale is  
2 sourced to that business location.

3 (b) When the tangible personal property, extended warranty,  
4 digital good, (~~(digital code)~~) digital automated service, or other  
5 service defined as a retail sale under RCW 82.04.050 is not received  
6 by the purchaser at a business location of the seller, the sale is  
7 sourced to the location where receipt by the purchaser or the  
8 purchaser's donee, designated as such by the purchaser, occurs,  
9 including the location indicated by instructions for delivery to the  
10 purchaser or donee, known to the seller.

11 (c) When (a) and (b) of this subsection do not apply, the sale is  
12 sourced to the location indicated by an address for the purchaser  
13 that is available from the business records of the seller that are  
14 maintained in the ordinary course of the seller's business when use  
15 of this address does not constitute bad faith.

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

21 (e) When (a), (b), (c), or (d) of this subsection do not apply,  
22 including the circumstance where the seller is without sufficient  
23 information to apply those provisions, then the location shall be  
24 determined by the address from which tangible personal property was  
25 shipped, from which the digital good (~~(or digital code)~~) or the  
26 computer software delivered electronically was first available for  
27 transmission by the seller, or from which the extended warranty or  
28 digital automated service or other service defined as a retail sale  
29 under RCW 82.04.050 was provided, disregarding for these purposes any  
30 location that merely provided the digital transfer of the product  
31 sold.

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

35 (a) For a lease or rental that requires recurring periodic  
36 payments, the first periodic payment is sourced the same as a retail  
37 sale in accordance with subsection (1) of this section. Periodic  
38 payments made subsequent to the first payment are sourced to the  
39 primary property location for each period covered by the payment. The  
40 primary property location shall be as indicated by an address for the

1 property provided by the lessee that is available to the lessor from  
2 its records maintained in the ordinary course of business, when use  
3 of this address does not constitute bad faith. The property location  
4 is not altered by intermittent use at different locations, such as  
5 use of business property that accompanies employees on business trips  
6 and service calls.

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

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

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

17 (a) For a lease or rental that requires recurring periodic  
18 payments, each periodic payment is sourced to the primary property  
19 location. The primary property location is as indicated by an address  
20 for the property provided by the lessee that is available to the  
21 lessor from its records maintained in the ordinary course of  
22 business, when use of this address does not constitute bad faith.  
23 This location is not altered by intermittent use at different  
24 locations.

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

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

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

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

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

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

40 (A) A direct pay permit;

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

4 (C) Information showing the jurisdictions to which the  
5 advertising and promotional direct mail is to be delivered to  
6 recipients.

7 (ii) If the purchaser provides the permit, certificate, or  
8 statement referred to in (a)(i)(A) or (B) of this subsection (5), the  
9 seller, in the absence of bad faith, is relieved of all obligations  
10 to collect, pay, or remit any tax on any transaction involving  
11 advertising and promotional direct mail to which the permit,  
12 certificate, or statement applies. The purchaser must source the sale  
13 to the jurisdictions to which the advertising and promotional direct  
14 mail is to be delivered to the recipients and must report and pay any  
15 applicable tax due.

16 (iii) If the purchaser provides the seller information showing  
17 the jurisdictions to which the advertising and promotional direct  
18 mail is to be delivered to recipients, the seller must source the  
19 sale to the jurisdictions to which the advertising and promotional  
20 direct mail is to be delivered and must collect and remit the  
21 applicable tax. In the absence of bad faith, the seller is relieved  
22 of any further obligation to collect any additional tax on the sale  
23 of advertising and promotional direct mail where the seller has  
24 sourced the sale according to the delivery information provided by  
25 the purchaser.

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

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

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

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

35 (A) A direct pay permit; or

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

39 (iii) If the purchaser provides the permit, certificate, or  
40 statement referred to in (b)(ii)(A) or (B) of this subsection (5),

1 the seller, in the absence of bad faith, is relieved of all  
2 obligations to collect, pay, or remit any tax on any transaction  
3 involving other direct mail to which the permit, certificate, or  
4 statement applies. Notwithstanding (b)(i) of this subsection (5), the  
5 sale must be sourced to the jurisdictions to which the other direct  
6 mail is to be delivered to the recipients, and the purchaser must  
7 report and pay any applicable tax due.

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

11 (b) If the purchaser of direct mail provides the seller with a  
12 direct pay permit or a streamlined sales and use tax agreement  
13 certificate of exemption claiming direct mail (or other written  
14 statement approved, authorized, or accepted by the department), the  
15 seller, in the absence of bad faith, is relieved of all obligations  
16 to collect, pay, or remit the applicable tax on any transaction  
17 involving direct mail to which the permit, certificate, or statement  
18 applies. The purchaser must report and pay any applicable tax due. A  
19 streamlined sales and use tax agreement certificate of exemption  
20 claiming direct mail will remain in effect for all future sales of  
21 direct mail by the seller to the purchaser until it is revoked in  
22 writing.

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

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

30 (iii) Notwithstanding (c)(i) and (ii) of this subsection (6), a  
31 seller may elect to use the provisions of subsection (5) of this  
32 section to source all sales of advertising and promotional direct  
33 mail.

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

36 (a) A retail sale of watercraft;

37 (b) A retail sale of a modular home, manufactured home, or mobile  
38 home;

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

4 (d) Florist sales. In the case of a sale in which one florist  
5 takes an order from a customer and then communicates that order to  
6 another florist who delivers the items purchased to the place  
7 designated by the customer, the location at or from which the  
8 delivery is made to the consumer is deemed to be the location of the  
9 florist originally taking the order.

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

13 (b) A retail sale of the providing of ancillary services, as that  
14 term is defined in RCW 82.04.065, is sourced to the customer's place  
15 of primary use of the telecommunications services in respect to which  
16 the ancillary services are associated with or incidental to. The  
17 definitions of "customer" and "place of primary use" in RCW 82.32.520  
18 apply to this subsection (8)(b).

19 (9) The definitions in this subsection apply throughout this  
20 section.

21 (a) "Advertising and promotional direct mail" means printed  
22 material that meets the definition of direct mail, the primary  
23 purpose of which is to attract public attention to a product, person,  
24 business, or organization, or to attempt to sell, popularize, or  
25 secure financial support for a product, person, business, or  
26 organization. As used in this subsection (9)(a), the word "product"  
27 means tangible personal property, a product transferred  
28 electronically, or a service.

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

31 (c) "Direct mail" means printed material delivered or distributed  
32 by United States mail or other delivery service to a mass audience or  
33 to addressees on a mailing list provided by the purchaser or at the  
34 direction of the purchaser when the cost of the items are not billed  
35 directly to the recipients. "Direct mail" includes tangible personal  
36 property supplied directly or indirectly by the purchaser to the  
37 direct mail seller for inclusion in the package containing the  
38 printed material. "Direct mail" does not include multiple items of  
39 printed material delivered to a single address.

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

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

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

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

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

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

22 (f) "Receive" and "receipt" mean taking possession of tangible  
23 personal property, making first use of digital automated services or  
24 other services, or taking possession or making first use of digital  
25 goods (~~(or digital codes)~~), whichever comes first. "Receive" and  
26 "receipt" do not include possession by a shipping company on behalf  
27 of the purchaser.

28 (g) "Transportation equipment" means:

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

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

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

35 (B) Operated under authority of a carrier authorized and  
36 certificated by the United States department of transportation or  
37 another federal authority to engage in the carriage of persons or  
38 property in interstate commerce;

39 (iii) Aircraft that are operated by air carriers authorized and  
40 certificated by the United States department of transportation or

1 another federal or foreign authority to engage in the carriage of  
2 persons or property in interstate or foreign commerce; or

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

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

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

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

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

22 (2) The tax imposed in this section does not apply if the sale  
23 to, or the use by, the present user or his or her bailor or donor has  
24 already been subjected to the tax under this section or RCW  
25 82.48A.010 and the tax has been paid by the present user or by his or  
26 her bailor or donor.

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

31 (4) For the purposes of this section, "value" means the fair  
32 market value of the noncommercial aircraft. In the case of a leased  
33 noncommercial aircraft in which the consumer is required to make  
34 periodic lease payments, "value" of the aircraft means the fair  
35 market value of the aircraft at the inception of the lease.

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

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

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

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

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

14 (ii) There was material participation, within the meaning of  
15 section 2032A(e)(6) of the internal revenue code, by the decedent or  
16 a member of the decedent's family in the operation of the trade or  
17 business to which such interests relate;

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

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

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

27 (b) Amounts deductible under RCW 83.100.046 may not be deducted  
28 under this section.

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

32 (i) The material participation requirements described in section  
33 2032A(c)(6)(b)(ii) of the internal revenue code are not met with  
34 respect to the qualified family-owned business interest which was  
35 acquired or passed from the decedent;

36 (ii) The qualified heir disposes of any portion of a qualified  
37 family-owned business interest, other than by a disposition to a  
38 member of the qualified heir's family or a person with an ownership  
39 interest in the qualified family-owned business or through a

1 qualified conservation contribution under section 170(h) of the  
2 internal revenue code;

3 (iii) The qualified heir loses United States citizenship within  
4 the meaning of section 877 of the internal revenue code or with  
5 respect to whom section 877(e)(1) applies, and such heir does not  
6 comply with the requirements of section 877(g) of the internal  
7 revenue code; or

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

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

15 (c) Interest applies to the tax due under this subsection for the  
16 period beginning on the date that the estate tax liability was due  
17 under this chapter and ending on the date the additional estate tax  
18 due under this subsection is paid. Interest under this subsection  
19 must be computed as provided in RCW 83.100.070(2).

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

24 (e) The qualified heir is personally liable for the additional  
25 tax imposed by this subsection unless he or she has furnished a bond  
26 in favor of the department for such amount and for such time as the  
27 department determines necessary to secure the payment of amounts due  
28 under this subsection. The qualified heir, on furnishing a bond  
29 satisfactory to the department, is discharged from personal liability  
30 for any additional tax and interest under this subsection and is  
31 entitled to a receipt or writing showing such discharge.

32 (f) Amounts due under this subsection attributable to any  
33 qualified family-owned business interest are secured by a lien in  
34 favor of the state on the property in respect to which such interest  
35 relates. The lien under this subsection (3)(f) arises at the time the  
36 Washington return is filed on which a deduction under this section is  
37 taken and continues in effect until: (i) The tax liability under this  
38 subsection has been satisfied or has become unenforceable by reason  
39 of lapse of time; or (ii) the department is satisfied that no further  
40 tax liability will arise under this subsection.

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

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

7 (i) For purposes of this subsection, a qualified heir may not be  
8 treated as disposing of an interest described in section  
9 2057(e)(1)(A) of the internal revenue code by reason of ceasing to be  
10 engaged in a trade or business so long as the property to which such  
11 interest relates is used in a trade or business by any member of the  
12 qualified heir's family.

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

16 (b) The department may also require any qualified heir to submit  
17 to the department on an ongoing basis such information as the  
18 department determines necessary or useful in determining whether the  
19 qualified heir is subject to the additional tax imposed in subsection  
20 (3) of this section. The department may not require such information  
21 more frequently than twice per year. The department may impose a  
22 penalty on a qualified heir who fails to provide the information  
23 requested within 30 days of the date the department's written request  
24 for the information was sent to the qualified heir. The amount of the  
25 penalty under this subsection is \$500 and may be collected in the  
26 same manner as the tax imposed under subsection (3) of this section.

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

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

32 (a) "Applicable deduction amount" means:

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

35 (ii) \$3,000,000 for estates of decedents dying on or after July  
36 1, 2025, but before (~~July~~) January 1, 2026; and

37 (iii) For estates of decedents dying in calendar year 2026 and  
38 each calendar year thereafter, the amount in (a)(ii) of this  
39 subsection must be adjusted annually, except as otherwise provided in  
40 this subsection (6)(a)(iii). The annual adjustment is determined by

1 multiplying \$3,000,000 by the sum of one and the percentage by which  
2 the most recent October consumer price index exceeds the consumer  
3 price index for October 2024, and rounding the result to the nearest  
4 \$1,000. No adjustment is made for a calendar year if the adjustment  
5 would result in the same or a lesser applicable deduction amount than  
6 the applicable deduction amount for the immediately preceding  
7 calendar year.

8 (b) "Consumer price index" has the same meaning as in RCW  
9 83.100.020.

10 (c) "Member of the decedent's family" and "member of the  
11 qualified heir's family" have the same meaning as "member of the  
12 family" in RCW 83.100.046.

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

16 (e) "Qualified heir" has the same meaning as provided in section  
17 2057(i) of the internal revenue code of 1986.

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

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

22 The definitions in this section apply throughout this chapter  
23 unless the context clearly requires otherwise.

24 (1) "Open space land" means (a) any land area so designated by an  
25 official comprehensive land use plan adopted by any city or county  
26 and zoned accordingly; or (b) any land area, the preservation of  
27 which in its present use would (i) conserve and enhance natural or  
28 scenic resources, or (ii) protect streams or water supply, or (iii)  
29 promote conservation of soils, wetlands, beaches or tidal marshes, or  
30 (iv) enhance the value to the public of abutting or neighboring  
31 parks, forests, wildlife preserves, nature reservations or  
32 sanctuaries or other open space, or (v) enhance recreation  
33 opportunities, or (vi) preserve historic sites, or (vii) preserve  
34 visual quality along highway, road, and street corridors or scenic  
35 vistas, or (viii) retain in its natural state tracts of land not less  
36 than one acre situated in an urban area and open to public use on  
37 such conditions as may be reasonably required by the legislative body  
38 granting the open space classification; or (c) any land meeting the  
39 definition of farm and agricultural conservation land under

1 subsection (8) of this section. As a condition of granting open space  
2 classification, the legislative body may not require public access on  
3 land classified under (b)(iii) of this subsection for the purpose of  
4 promoting conservation of wetlands.

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

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

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

10 (ii) Enrolled in the federal conservation reserve program or its  
11 successor administered by the United States department of  
12 agriculture; or

13 (iii) Other similar commercial activities as may be established  
14 by rule;

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

19 (A) \$100 or more per acre per year for three of the five calendar  
20 years preceding the date of application for classification under this  
21 chapter for all parcels of land that are classified under this  
22 subsection or all parcels of land for which an application for  
23 classification under this subsection is made with the granting  
24 authority prior to January 1, 1993; and

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

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

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

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

35 (c) Any parcel of land of less than five acres devoted primarily  
36 to agricultural uses which has produced a gross income as of January  
37 1, 1993, of:

38 (i) \$1,000 or more per year for three of the five calendar years  
39 preceding the date of application for classification under this  
40 chapter for all parcels of land that are classified under this

1 subsection or all parcels of land for which an application for  
2 classification under this subsection is made with the granting  
3 authority prior to January 1, 1993; and

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

11 (d) Any parcel of land that is five acres or more but less than  
12 20 acres devoted primarily to agricultural uses, which meet one of  
13 the following criteria:

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

18 (ii) Has standing crops with an expectation of harvest within  
19 seven years, except as provided in (d)(iii) of this subsection, and a  
20 demonstrable investment in the production of those crops equivalent  
21 to \$100 or more per acre in the current or previous calendar year.  
22 For the purposes of this subsection (2)(d)(ii), "standing crop" means  
23 Christmas trees, vineyards, fruit trees, or other perennial crops  
24 that: (A) Are planted using agricultural methods normally used in the  
25 commercial production of that particular crop; and (B) typically do  
26 not produce harvestable quantities in the initial years after  
27 planting; or

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

32 (e) Any lands including incidental uses and the land on which  
33 appurtenances necessary to the production, preparation, or sale of  
34 the agricultural products exist in conjunction with the lands  
35 producing such products. Agricultural lands also include any parcel  
36 of land of one to five acres, which is not contiguous, but which  
37 otherwise constitutes an integral part of farming operations being  
38 conducted on land qualifying under this section as "farm and  
39 agricultural lands";

1 (f) The land on which housing for employees and the principal  
2 place of residence of the farm operator or owner of land classified  
3 pursuant to (a) of this subsection is sited if: The housing or  
4 residence is on or contiguous to the classified parcel; and the use  
5 of the housing or the residence is integral to the use of the  
6 classified land for agricultural purposes;

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

12 (h) Any land primarily used for commercial horticultural  
13 purposes, including growing seedlings, trees, shrubs, vines, fruits,  
14 vegetables, flowers, herbs, and other plants in containers, whether  
15 under a structure or not, subject to the following:

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

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

23 (iii) If more than 20 percent of the land used for growing plants  
24 in containers qualifying under this subsection (2)(h) is covered by  
25 pavement, none of the paved area is eligible for classification as  
26 "farm and agricultural land" under this subsection (2)(h). The  
27 eligibility limitations described in this subsection (2)(h)(iii) do  
28 not affect the land's eligibility to qualify under (e) of this  
29 subsection; and

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

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

36 (3) "Timberland" means any parcel of land that is five or more  
37 acres or multiple parcels of land that are contiguous and total five  
38 or more acres which is or are devoted primarily to the growth and  
39 harvest of timber for commercial purposes. Timberland means the land  
40 only and does not include a residential homesite. The term includes

1 land used for incidental uses (~~((that are compatible with the growing~~  
2 ~~and harvesting of timber but no more than 10 percent of the land may~~  
3 ~~be used for such incidental uses))~~). It also includes the land on  
4 which appurtenances necessary for the production, preparation, or  
5 sale of the timber products exist in conjunction with land producing  
6 these products.

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

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

12 (6) (a) "Contiguous" means land adjoining and touching other  
13 property held by the same ownership. Land divided by a public road,  
14 but otherwise an integral part of a farming operation, is considered  
15 contiguous.

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

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

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

21 (B) Owned by:

22 (I) Members of the same family;

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

25 (III) An individual who owns at least one of the parcels and a  
26 legal entity or entities that own the other parcel or parcels if the  
27 entity or entities are wholly owned by that individual, members of  
28 his or her family, or that individual and members of his or her  
29 family.

30 (ii) "Family" includes only:

31 (A) An individual and his or her spouse or domestic partner,  
32 child, stepchild, adopted child, grandchild, parent, stepparent,  
33 grandparent, cousin, or sibling;

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

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

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

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

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

7 (a) Land that was previously classified under subsection (2) of  
8 this section, that no longer meets the criteria of subsection (2) of  
9 this section, and that is reclassified under subsection (1) of this  
10 section; or

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

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

21 (a) In terms of farm and agricultural land, an "appurtenance" is  
22 something used for a particular sort of farm and is widely and  
23 routinely used in the operation of the commercial agricultural  
24 enterprise.

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

28 (10) "~~Incidental use~~" means (~~a use of land classified as farm~~  
29 ~~and agricultural land or timberland that is compatible with~~  
30 ~~commercial agricultural purposes. "Incidental use" for land~~  
31 ~~classified as farm and agricultural land may not exceed 20 percent of~~  
32 ~~the total classified land, while incidental use for timberland may~~  
33 ~~not exceed 10 percent of the total classified land~~) the following:

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

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

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

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

1 (i) Is compatible with commercial growing and harvesting of  
2 timber; and

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

4 (c) An "incidental use" under (a) and (b) of this subsection may  
5 include, but is not limited to, wetland preservation, a gravel pit, a  
6 farm woodlot, a produce stand, or an unpaved parking area necessary  
7 for the safe visiting or viewing of classified land. An "incidental  
8 use" under (a) of this subsection may also include, but it is not  
9 limited to, a farm woodlot or a produce stand.

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

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

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

18 (2) If a person with a qualifying existing contract makes no  
19 election under subsection (1) of this section during the transition  
20 period, amounts received from performing the services of that  
21 contract during the transition period, such amounts are gross income  
22 of the business subject to the tax under RCW 82.04.250.

23 (3) If a person either elects to treat either amounts received as  
24 gross income of the business subject to the tax under RCW 82.04.250  
25 or amounts are gross income of the business subject to the tax under  
26 RCW 82.04.250(2), or both, the amounts are subject to the tax imposed  
27 under chapter 82.08 RCW.

28 (4) For the purposes of this section:

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

30 (i) Materially or substantively changed;

31 (ii) Amended; or

32 (iii) Renewed;

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

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

36 (ii) The underlying services provided continued after October 1,  
37 2025;

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

4 (iv) The contract was not altered during the transition period;  
5 and

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

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

10 NEW SECTION. **Sec. 23.** RCW 82.04.29001 (Creation and  
11 distribution of custom software—Customization of prewritten computer  
12 software—Taxable services) and 2003 c 168 s 602 & 1998 c 332 s 4 are  
13 each repealed.

14 NEW SECTION. **Sec. 24.** Sections 2, 3, 4, 8, 10, 12 through 18,  
15 and 22 of this act apply both prospectively and retroactively to  
16 October 1, 2025.

17 NEW SECTION. **Sec. 25.** Sections 5 and 6 of this act apply both  
18 prospectively and retroactively to January 1, 2026.

19 NEW SECTION. **Sec. 26.** If any provision excluding activities  
20 from the definition of advertising services under RCW  
21 82.04.050(3)(k)(ii) is held invalid, the entirety of RCW  
22 82.04.050(3)(k)(ii) is invalid. It is the intent of the legislature  
23 to broadly define the sale of advertising services as a retail sale.

--- END ---