

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 5794

69th Legislature
2025 Regular Session

Passed by the Senate April 24, 2025
Yeas 26 Nays 22

President of the Senate

Passed by the House April 23, 2025
Yeas 53 Nays 45

**Speaker of the House of
Representatives**

Approved

Governor of the State of Washington

CERTIFICATE

I, Sarah Bannister, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5794** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 5794

AS AMENDED BY THE HOUSE

Passed Legislature - 2025 Regular Session

State of Washington 69th Legislature 2025 Regular Session

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

READ FIRST TIME 04/19/25.

1 AN ACT Relating to improving the administration of tax
2 preferences by adopting recommendations from the tax preference
3 performance review process, eliminating obsolete tax preferences,
4 clarifying legislative intent, and addressing changes in
5 constitutional law; amending RCW 82.04.260, 48.14.0201, 82.04.405,
6 82.04.29004, 82.04.280, 82.04.290, and 82.04.390; reenacting and
7 amending RCW 82.04.260; creating new sections; repealing RCW
8 82.04.062, 82.16.0497, 82.04.44525, 82.04.4292, 82.04.29005, and
9 82.04.434; providing effective dates; and providing an expiration
10 date.

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

12 NEW SECTION. **Sec. 1.** (1) The legislature finds that, according
13 to the most recent tax exemption study published by the department of
14 revenue, there are currently 786 tax exemptions for the major state
15 and local tax sources in Washington. The exemptions result in nearly
16 \$200,000,000,000 of taxpayer savings for the current biennium. The
17 legislature acknowledges that certain tax preferences, such as the
18 sales and use tax exemption for food and the working families tax
19 credit, are intended to rebalance Washington's tax code for working
20 people. However, the legislature further acknowledges that many

1 existing tax preferences are the result of private interests securing
2 preferential tax treatment.

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

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

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

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

8 **PART I**

9 **ELIMINATING OBSOLETE TAX PREFERENCES**

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

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

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

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

32 (c)(i) Except as provided otherwise in (c)(iii) of this
33 subsection, beginning July 1, 2035, until January 1, 2046, dairy
34 products; or selling dairy products that the person has manufactured
35 to purchasers who either transport in the ordinary course of business
36 the goods out of state or purchasers who use such dairy products as
37 an ingredient or component in the manufacturing of a dairy product;
38 as to such persons the tax imposed is equal to the value of the

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

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

10 (A) Products, not including any cannabis-infused product, that as
11 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts
12 131, 133, and 135, including by-products from the manufacturing of
13 the dairy products, such as whey and casein; and

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

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

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

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

38 (e) Wood biomass fuel; as to such persons the amount of tax with
39 respect to the business is equal to the value of wood biomass fuel
40 manufactured, multiplied by the rate of 0.138 percent. For the

1 purposes of this section, "wood biomass fuel" means a liquid or
2 gaseous fuel that is produced from lignocellulosic feedstocks,
3 including wood, forest, or field residue and dedicated energy crops,
4 and that does not include wood treated with chemical preservations
5 such as creosote, pentachlorophenol, or copper-chrome-arsenic.

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (ii) 0.2904 percent beginning July 1, 2007, through March 31,
26 2020; and

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

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

1 the case of processors for hire, be equal to the gross income of the
2 business, multiplied by the rate of:

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

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

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

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

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

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

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

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

39 (ii) Both a significant commercial airplane manufacturer
40 separately and the rest of the aerospace industry as a whole,

1 receiving the rate of 0.357 percent under this subsection (11)(e) are
2 subject to the aerospace apprenticeship utilization rates required
3 under RCW 49.04.220 by April 1, 2026, or five years after the
4 effective date of the 0.357 percent rate authorized under this
5 subsection (11)(e), whichever is later, as determined by the
6 department of labor and industries.

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

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

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

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

29 (12)(a) Until July 1, 2045, upon every person engaging within
30 this state in the business of extracting timber or extracting for
31 hire timber; as to such persons the amount of tax with respect to the
32 business is, in the case of extractors, equal to the value of
33 products, including by-products, extracted, or in the case of
34 extractors for hire, equal to the gross income of the business,
35 multiplied by the rate of 0.4235 percent from July 1, 2006, through
36 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
37 2045.

38 (b) Until July 1, 2045, upon every person engaging within this
39 state in the business of manufacturing or processing for hire: (i)
40 Timber into timber products or wood products; (ii) timber products

1 into other timber products or wood products; or (iii) products
2 defined in RCW 19.27.570(1); as to such persons the amount of the tax
3 with respect to the business is, in the case of manufacturers, equal
4 to the value of products, including by-products, manufactured, or in
5 the case of processors for hire, equal to the gross income of the
6 business, multiplied by the rate of 0.4235 percent from July 1, 2006,
7 through June 30, 2007, and 0.2904 percent from July 1, 2007, through
8 June 30, 2045.

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

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

30 (e) For purposes of this subsection, the following definitions
31 apply:

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

36 (ii) "Paper and paper products" means products made of interwoven
37 cellulosic fibers held together largely by hydrogen bonding. "Paper
38 and paper products" includes newsprint; office, printing, fine, and
39 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
40 kraft bag, construction, and other kraft industrial papers;

1 paperboard, liquid packaging containers, containerboard, corrugated,
2 and solid-fiber containers including linerboard and corrugated
3 medium; and related types of cellulosic products containing
4 primarily, by weight or volume, cellulosic materials. "Paper and
5 paper products" does not include books, newspapers, magazines,
6 periodicals, and other printed publications, advertising materials,
7 calendars, and similar types of printed materials.

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

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

17 (v) "Timber products" means:

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

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

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

25 (vi) "Wood products" means paper and paper products; dimensional
26 lumber; engineered wood products such as particleboard, oriented
27 strand board, medium density fiberboard, and plywood; wood doors;
28 wood windows; and biocomposite surface products.

29 (f) Except for small harvesters as defined in RCW 84.33.035, a
30 person reporting under the tax rate provided in this subsection (12)
31 must file a complete annual tax performance report with the
32 department under RCW 82.32.534.

33 (g) Nothing in this subsection (12) may be construed to affect
34 the taxation of any activity defined as a retail sale in RCW
35 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW
36 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

37 (13) Upon every person engaging within this state in inspecting,
38 testing, labeling, and storing canned salmon owned by another person,
39 as to such persons, the amount of tax with respect to such activities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 15 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;
- 16 (ii) 0.2904 percent beginning July 1, 2007, through March 31,
17 2020; and
- 18 (iii) Beginning April 1, 2020, 0.484 percent, subject to any
19 reduction required under (e) of this subsection (11). The tax rate in
20 this subsection (11)(a)(iii) applies to all business activities
21 described in this subsection (11)(a).

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

- 33 (i) 0.2904 percent through March 31, 2020; and
- 34 (ii) Beginning April 1, 2020, the following rates, which are
35 subject to any reduction required under (e) of this subsection (11):
 - 36 (A) The rate under RCW 82.04.250(1) on the business of making
37 retail sales of tooling specifically designed for use in
38 manufacturing commercial airplanes or components of such airplanes;
39 and

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

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

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

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

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

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

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

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

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

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

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

30 (b) Until July 1, 2045, upon every person engaging within this
31 state in the business of manufacturing or processing for hire: (i)
32 Timber into timber products or wood products; (ii) timber products
33 into other timber products or wood products; or (iii) products
34 defined in RCW 19.27.570(1); as to such persons the amount of the tax
35 with respect to the business is, in the case of manufacturers, equal
36 to the value of products, including by-products, manufactured, or in
37 the case of processors for hire, equal to the gross income of the
38 business, multiplied by the rate of 0.4235 percent from July 1, 2006,
39 through June 30, 2007, and 0.2904 percent from July 1, 2007, through
40 June 30, 2045.

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

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

22 (e) For purposes of this subsection, the following definitions
23 apply:

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

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

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

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

10 (v) "Timber products" means:

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

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

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

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

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

26 (g) Nothing in this subsection (12) may be construed to affect
27 the taxation of any activity defined as a retail sale in RCW
28 82.04.050(2)(b) or (c), defined as a wholesale sale in RCW
29 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

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

35 (14)(a) Upon every person engaging within this state in the
36 business of printing a newspaper, publishing a newspaper, or both,
37 the amount of tax on such business is equal to the gross income of
38 the business multiplied by the rate of 0.35 percent until July 1,
39 2024, and 0.484 percent thereafter.

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

4 **Sec. 103.** RCW 48.14.0201 and 2016 c 133 s 2 are each amended to
5 read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

13 (i) The medical care services program as provided in RCW
14 74.09.035; or

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

17 (c) Amounts received by any health care service contractor as
18 defined in chapter 48.44 RCW, or any health maintenance organization
19 as defined in chapter 48.46 RCW, as prepayments for health care
20 services included within the definition of practice of dentistry
21 under RCW 18.32.020, except amounts received for pediatric oral
22 services that qualify as coverage for the minimum essential coverage
23 requirement under P.L. 111-148 (2010), as amended, and for stand-
24 alone family dental plans as defined in RCW 43.71.080(4)(a), only
25 when offered in the individual market, as defined in RCW
26 48.43.005(~~((+27))~~), or to a small group, as defined in RCW
27 48.43.005(~~((+33))~~).

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

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

1 delivered by the employees of a health maintenance organization under
2 chapter 48.46 RCW.

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

13 (b) If there has not been a final determination of the legality
14 of these taxes, then beginning on the earlier of (i) the date the
15 fourth multiple employer welfare arrangement has been certified by
16 the insurance commissioner, or (ii) April 1, 2006, the arrangement
17 must deposit the taxes imposed by this section into an interest
18 bearing escrow account maintained by the arrangement. Upon a final
19 determination that the taxes are not preempted by the employee
20 retirement income security act of 1974, as amended, 29 U.S.C. Sec.
21 1001 et seq., all funds in the interest bearing escrow account must
22 be transferred to the state treasurer.

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

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

32 **Sec. 104.** RCW 82.04.405 and 1998 c 311 s 4 are each amended to
33 read as follows:

34 ~~((This))~~ (1) Except as provided in subsection (2) of this
35 section, this chapter shall not apply to the gross income of credit
36 unions organized under the laws of this state, any other state, or
37 the United States.

38 (2) (a) Beginning October 1, 2025, if a credit union organized
39 under the laws of this state merges or acquires a bank that is

1 regulated by the department of financial institutions, the credit
2 union no longer qualifies for the exemption from business and
3 occupation tax in subsection (1) of this section and is subject to
4 tax equal to the gross income of the credit union, multiplied by 1.2
5 percent.

6 (b) This subsection (2) does not apply to transactions for which
7 an application has been submitted for regulatory approval prior to
8 the effective date of this section.

9 NEW SECTION. Sec. 105. The following acts or parts of acts are
10 each repealed:

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

14 (2) RCW 82.16.0497 (Credit—Light and power business, gas
15 distribution business) and 2020 c 139 s 26, 2006 c 213 s 1, & 2001 c
16 214 s 13;

17 (3) RCW 82.04.44525 (Credit—New employment for international
18 service activities in eligible areas—Designation of census tracts for
19 eligibility—Records—Tax due upon ineligibility—Interest assessment—
20 Information from employment security department) and 2009 c 535 s
21 1104, 2008 c 81 s 9, & 1998 c 313 s 2;

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

25 (5) RCW 82.04.29005 (Tax on loan interest—2012 2nd sp.s. c 6) and
26 2012 2nd sp.s. c 6 s 101; and

27 (6) RCW 82.04.434 (Credit—Public safety standards and testing)
28 and 1991 c 13 s 1.

29 **PART II**

30 **CORRECTING INTERNAL REFERENCES**

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

33 (1) Beginning January 1, 2020, in addition to any other taxes
34 imposed under this chapter, an additional tax is imposed on specified
35 financial institutions. The additional tax is equal to the gross

1 income of the business taxable under RCW 82.04.290(2) multiplied by
2 the rate of 1.2 percent.

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

5 (a) "Affiliated" means a person that directly or indirectly,
6 through one or more intermediaries, controls, is controlled by, or is
7 under common control with another person. For purposes of this
8 subsection (2)(a), "control" means the possession, directly or
9 indirectly, of more than (~~fifty~~) 50 percent of the power to direct
10 or cause the direction of the management and policies of a person,
11 whether through the ownership of voting shares, by contract, or
12 otherwise.

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

15 (c) "Consolidated financial statement" means a consolidated
16 financial institution group's consolidated reports of condition and
17 income filed with the federal financial institutions examination
18 council, or successor agency.

19 (d) "Financial institution" means:

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

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

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

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

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

34 (vi) Any agency or branch of a foreign depository as defined in
35 12 U.S.C. Sec. 3101 (~~(that is not exempt under RCW 82.04.315)~~);

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

39 (viii) Any corporation or other business entity who receives
40 gross income taxable under RCW 82.04.290, and whose voting interests

1 are more than (~~fifty~~) 50 percent owned, directly or indirectly, by
2 any person or business entity described in (d)(i) through (vii) of
3 this subsection other than an insurance company liable for the
4 insurance premiums tax under RCW 48.14.020 or any other company
5 taxable under chapter 48.14 RCW;

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

11 (I) It is the type of lease permitted to be made by national
12 banks (see 12 U.S.C. Sec. 24(7) and (10), comptroller of the currency
13 regulations, part 23, leasing (added by 56 C.F.R. Sec. 28314, June
14 20, 1991, effective July 22, 1991), and regulation Y of the federal
15 reserve system 12 C.F.R. Part 225.25, as amended); and

16 (II) It is the economic equivalent of an extension of credit,
17 i.e., the lease is treated by the lessor as a loan for federal income
18 tax purposes. In no event does a lease qualify as an extension of
19 credit where the lessor takes depreciation on such property for
20 federal income tax purposes.

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

24 (x) Any other person or business entity, other than an insurance
25 general agent taxable under RCW 82.04.280(1)(e), an insurance
26 business exempt from the business and occupation tax under RCW
27 82.04.320, a real estate broker taxable under RCW 82.04.255, a
28 securities dealer or international investment management company
29 taxable under RCW 82.04.290(2), that receives more than (~~fifty~~) 50
30 percent of its gross receipts from activities that a person described
31 in (d)(ii) through (vii) and (ix) of this subsection is authorized to
32 transact.

33 (e)(i) "Specified financial institution" means a financial
34 institution that is a member of a consolidated financial institution
35 group that reported on its consolidated financial statement for the
36 previous calendar year annual net income of at least (~~one billion~~
37 ~~dollars~~) \$1,000,000,000, not including net income attributable to
38 noncontrolling interests, as the terms "net income" and
39 "noncontrolling interest" are used in the consolidated financial
40 statement.

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

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

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

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

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

22 (1) Upon every person engaging within this state in the business
23 of: (a) Printing materials other than newspapers, and of publishing
24 periodicals or magazines; (b) building, repairing or improving any
25 street, place, road, highway, easement, right-of-way, mass public
26 transportation terminal or parking facility, bridge, tunnel, or
27 trestle which is owned by a municipal corporation or political
28 subdivision of the state or by the United States and which is used or
29 to be used, primarily for foot or vehicular traffic including mass
30 transportation vehicles of any kind and including any readjustment,
31 reconstruction or relocation of the facilities of any public, private
32 or cooperatively owned utility or railroad in the course of such
33 building, repairing or improving, the cost of which readjustment,
34 reconstruction, or relocation, is the responsibility of the public
35 authority whose street, place, road, highway, easement, right-of-way,
36 mass public transportation terminal or parking facility, bridge,
37 tunnel, or trestle is being built, repaired or improved; (c)
38 extracting for hire or processing for hire, except persons taxable as
39 extractors for hire or processors for hire under another section of

1 this chapter; (d) operating a cold storage warehouse or storage
2 warehouse, but not including the rental of cold storage lockers; (e)
3 representing and performing services for fire or casualty insurance
4 companies as an independent resident managing general agent licensed
5 under the provisions of chapter 48.17 RCW; (f) radio and television
6 broadcasting, but excluding revenues from network, national, and
7 regional advertising computed either: (i) As a standard deduction
8 that the department must publish by rule by September 30, 2020, and
9 by September 30th of every fifth year thereafter, based on the
10 national average thereof as reported by the United States census
11 bureau's economic census; or (ii) in lieu thereof by itemization by
12 the individual broadcasting station, and excluding that portion of
13 revenue represented by the out-of-state audience computed as a ratio
14 to the broadcasting station's total audience as measured by the 0.5
15 millivolt/meter signal strength contour for AM radio, the one
16 millivolt/meter or (~~sixty~~) 60 dBu signal strength contour for FM
17 radio, the (~~twenty-eight~~) 28 dBu signal strength contour for
18 television channels two through six, the (~~thirty-six~~) 36 dBu signal
19 strength contour for television channels seven through (~~thirteen~~)
20 13, and the (~~forty-one~~) 41 dBu signal strength contour for
21 television channels (~~fourteen~~) 14 through (~~sixty-nine~~) 69 with
22 delivery by wire, satellite, or any other means, if any; (g) engaging
23 in activities which bring a person within the definition of consumer
24 contained in RCW 82.04.190(6); as to such persons, the amount of tax
25 on such business is equal to the gross income of the business
26 multiplied by the rate of 0.484 percent.

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

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

34 (b) "Storage warehouse" means a building or structure, or any
35 part thereof, in which goods, wares, or merchandise are received for
36 storage for compensation, except field warehouses, fruit warehouses,
37 fruit packing plants, warehouses licensed under chapter 22.09 RCW,
38 public garages storing automobiles, railroad freight sheds, docks and
39 wharves, and "self-storage" or "mini storage" facilities whereby
40 customers have direct access to individual storage areas by separate

1 entrance. "Storage warehouse" does not include a building or
2 structure, or that part of such building or structure, in which an
3 activity taxable under RCW 82.04.272 is conducted.

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

8 **PART III**

9 **ELIMINATING THE BUSINESS AND OCCUPATION TAX EXEMPTION FOR THE RENTAL**
10 **OR LEASE OF INDIVIDUAL STORAGE SPACE AT SELF-SERVICE STORAGE**
11 **FACILITIES**

12 **Sec. 301.** RCW 82.04.290 and 2020 c 2 s 3 are each amended to
13 read as follows:

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

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

25 (i) 1.75 percent; or

26 (ii) 1.5 percent for:

27 (A) Any person subject to the surcharge imposed under RCW
28 82.04.299;

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

37 (C) Hospitals as defined in RCW 70.41.020, including any hospital
38 that comes within the scope of chapter 71.12 RCW if the hospital is

1 also licensed under chapter 70.41 RCW. This subsection (2)(a)(ii)(C)
2 must not be construed as modifying RCW 82.04.260(10).

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

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

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

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

1 (2) the department determines that the person has come into full
2 compliance with (d)(i) of this subsection (2). This subsection (2)(d)
3 applies only with respect to persons claiming entitlement to the 1.5
4 percent tax rate solely by reason of (a)(ii)(B) of this subsection
5 (2).

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

16 (f) For purposes of this subsection (2), the definitions in this
17 subsection (2)(f) apply:

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

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

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

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

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

35 (4) The rates in subsection (2)(a) of this section apply upon
36 every person in this state engaging in the business of renting or
37 leasing individual storage space at self-service storage facilities
38 as defined in RCW 19.150.010.

