

CERTIFICATION OF ENROLLMENT

**ENGROSSED SUBSTITUTE SENATE BILL 6113**

Chapter 250, Laws of 2026

(partial veto)

69th Legislature  
2026 Regular Session

TAXES—ADMINISTRATION—VARIOUS PROVISIONS

EFFECTIVE DATE: June 11, 2026

Passed by the Senate March 10, 2026  
Yeas 44 Nays 4

DENNY HECK

**President of the Senate**

Passed by the House March 6, 2026  
Yeas 92 Nays 4

LAURIE JINKINS

**Speaker of the House of  
Representatives**

Approved March 30, 2026 3:03 PM with  
the exception of sections 19 and 23,  
which are vetoed.

BOB FERGUSON

**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 6113** as  
passed by the Senate and the House  
of Representatives on the dates  
hereon set forth.

SARAH BANNISTER

**Secretary**

FILED

March 31, 2026

**Secretary of State  
State of Washington**

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**ENGROSSED SUBSTITUTE SENATE BILL 6113**

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AS AMENDED BY THE HOUSE

Passed Legislature - 2026 Regular Session

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

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

READ FIRST TIME 02/09/26.

1            AN ACT Relating to improving the tax law administered by the  
2 department of revenue by making technical corrections, clarifying  
3 ambiguities, and providing administrative efficiencies in a manner  
4 that is not estimated to affect state or local tax; amending RCW  
5 70A.205.405, 82.04.050, 82.04.060, 82.04.192, 82.04.4451, 82.08.010,  
6 82.08.0208, 82.08.9999, 82.08.0256, 82.12.010, 82.12.0208, 82.32.023,  
7 82.32.087, 82.32.730, 82.48A.020, 83.100.048, 26.28.080, and  
8 70.155.010; reenacting and amending RCW 82.04.299, 82.04.29004,  
9 82.08.020, 82.12.020, and 84.34.020; adding a new section to chapter  
10 82.04 RCW; adding a new section to chapter 82.32 RCW; creating new  
11 sections; repealing RCW 82.04.29001; and providing expiration dates.

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

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

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

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

7 (a) The number of tires sold; and

8 (b) The fee levied in this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (b) Credit bureau services;

15 (c) Automobile parking and storage garage services;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 (A) Classes provided by preschools;

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

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

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

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

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

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

6       (F) Youth camps; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (v) Batting cage activities;

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

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

27 (viii) Day trips for sightseeing purposes;

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

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

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

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

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

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

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

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

29 (xvii) Paintball and airsoft activities;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 (iv) Landscape maintenance and horticultural services.

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

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

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

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

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

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

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

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

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

5       (a) Tangible personal property;

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

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

9       (d) Prewritten computer software;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 (iii) Payment processing services;

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

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

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

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

13 (viii) Online educational programs provided by a:

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

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

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

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

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

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

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

39 (xiii) Digital goods;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 (d) "Financial institution" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 For the purposes of this chapter:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 (A) Payment processing services;

5 (B) Fulfillment or storage services;

6 (C) Listing products for sale;

7 (D) Setting prices;

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

9 (F) Taking orders; or

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

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

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

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

23 (ii) The exclusion in this subsection (15) (b) does not apply to a  
24 marketplace or that portion of a marketplace that facilitates the  
25 (~~retail~~):

26 (A) Retail sale of transient lodging accommodations in homes,  
27 apartments, cabins, or other residential dwelling units; or

28 (B) Sharing of motor vehicles through a peer-to-peer car sharing  
29 program, as defined in RCW 46.74A.010.

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

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

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

38 "Travel agency services" does not mean facilitating or engaging in  
39 peer-to-peer car sharing or operating a peer-to-peer car sharing  
40 program, as those terms are defined in RCW 46.74A.010.

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

5 (17) "Remote seller" means any seller, including a marketplace  
6 facilitator, who does not have a physical presence in this state and  
7 makes retail sales to purchasers or facilitates retail sales on  
8 behalf of marketplace sellers.

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

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

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

16 (b) Digital goods, digital codes, and digital automated services,  
17 if the sale is included within the RCW 82.04.050 definition of retail  
18 sale;

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

21 (d) Extended warranties to consumers; and

22 (e) Anything else, the sale of which is included within the RCW  
23 82.04.050 definition of retail sale.

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

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

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

31 (B) The revenue collected under (a) of this subsection must be  
32 deposited in the multimodal transportation account created in RCW  
33 47.66.070.

34 (b)(i) Beginning January 1, 2027, there is levied and collected  
35 an additional tax on peer-to-peer car sharing transactions equal to  
36 the selling price multiplied by the rate of tax imposed under (a) of  
37 this subsection. This subsection (2)(b) applies only to peer-to-peer  
38 car sharing transactions where the vehicle owner obtained the shared  
39 vehicle as a vehicle for resale using a reseller permit or an

1 approved exemption certificate under RCW 82.04.470. The revenue  
2 collected under this subsection (2)(b) must be deposited in the  
3 multimodal transportation account created in RCW 47.66.070.

4 (ii)(A) Beginning January 1, 2027, a peer-to-peer car sharing  
5 program may not allow a vehicle to be placed on a digital network or  
6 software application of the peer-to-peer car sharing program for the  
7 purpose of making the vehicle available for sharing through the peer-  
8 to-peer car sharing program unless the peer-to-peer car sharing  
9 program receives an electronic certification from the shared vehicle  
10 owner as to whether the shared vehicle owner obtained the shared  
11 vehicle as a vehicle for resale using a reseller permit or an  
12 approved exemption certificate under RCW 82.04.470.

13 (B) The peer-to-peer car sharing program shall maintain a record  
14 of such certification for a period of no less than five years.

15 (iii) A peer-to-peer car sharing program may rely in good faith  
16 on the shared vehicle owner's certification as to whether the shared  
17 vehicle owner obtained the shared vehicle as a vehicle for resale  
18 using a reseller permit or an approved exemption certificate under  
19 RCW 82.04.470. If the peer-to-peer car sharing program relies in good  
20 faith on the shared vehicle owner's certification as to whether the  
21 shared vehicle owner obtained the shared vehicle as a vehicle for  
22 resale using a reseller permit or an approved exemption certificate  
23 under RCW 82.04.470, the peer-to-peer car sharing program is not  
24 liable for any tax, penalty, fee, or other sanction imposed on the  
25 shared vehicle owner.

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

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

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

31 (3) There is levied and collected an additional tax of five-  
32 tenths of one percent of the selling price on each retail sale of a  
33 motor vehicle in this state, other than retail car rentals and peer-  
34 to-peer car sharing transactions taxed under subsection (2) of this  
35 section. The revenue collected under this subsection must be  
36 deposited in the multimodal transportation account created in RCW  
37 47.66.070.

38 (4)(a) Beginning July 1, 2026, in addition to taxes required  
39 under this chapter and chapters 82.12 and 82.49 RCW, there is levied  
40 and collected an additional tax of five-tenths of one percent on the

1 selling price, plus trade-in property of like kind, for purchased  
2 recreational vessels.

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

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

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

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

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

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

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

19 (d) Snowmobiles as defined in RCW 46.04.546.

20 (6) Beginning on December 8, 2005, 0.16 percent of the taxes  
21 collected under subsection (1) of this section must be dedicated to  
22 funding comprehensive performance audits required under RCW  
23 43.09.470. The revenue identified in this subsection must be  
24 deposited in the performance audits of government account created in  
25 RCW 43.09.475.

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

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

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

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

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

1           (2)(a) The tax imposed by RCW 82.08.020 does not apply to a  
2 business or other organization for the purpose of making the digital  
3 good or digital automated service, including a digital good or  
4 digital automated service acquired through the use of a digital code,  
5 or service defined as a retail sale in RCW 82.04.050(6) ~~((e))~~ (b),  
6 available free of charge for the use or enjoyment of the general  
7 public. The exemption provided in this subsection (2) does not apply  
8 unless the purchaser has the legal right to broadcast, rebroadcast,  
9 transmit, retransmit, license, relicense, distribute, redistribute,  
10 or exhibit the product, in whole or in part, to the general public.

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

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

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

18           (3)(a) The tax imposed by RCW 82.08.020 does not apply to the  
19 sale to a business of digital goods, and services rendered in respect  
20 to digital goods, if the digital goods and services rendered in  
21 respect to digital goods are purchased solely for business purposes.  
22 The exemption provided by this subsection (3) also applies to the  
23 sale to a business of a digital code if all of the digital goods to  
24 be obtained through the use of the code will be used solely for  
25 business purposes.

26           (b) For purposes of this subsection (3), the following  
27 definitions apply:

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

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

36           (4)(a) The tax imposed by RCW 82.08.020 does not apply to the  
37 sale of digital goods, digital codes, digital automated services,  
38 prewritten computer software, or services defined as a retail sale in  
39 RCW 82.04.050(6) ~~((e))~~ (b) to a buyer that provides the seller with  
40 an exemption certificate claiming multiple points of use. An

1 exemption certificate claiming multiple points of use must be in a  
2 form and contain such information as required by the department.

3 (b) A buyer is entitled to use an exemption certificate claiming  
4 multiple points of use only if the buyer is a business or other  
5 organization and the digital goods or digital automated services  
6 purchased, or the digital goods or digital automated services to be  
7 obtained by the digital code purchased, or the prewritten computer  
8 software or services defined as a retail sale in RCW 82.04.050(6)  
9 (~~(e)~~) (b) purchased will be concurrently available for use within  
10 and outside this state. A buyer is not entitled to use an exemption  
11 certificate claiming multiple points of use for digital goods,  
12 digital codes, digital automated services, prewritten computer  
13 software, or services defined as a retail sale in RCW 82.04.050(6)  
14 (~~(e)~~) (b) purchased for personal use.

15 (c) A buyer claiming an exemption under this subsection (4) must  
16 report and pay the tax imposed in RCW 82.12.020 and any local use  
17 taxes imposed under the authority of chapter 82.14 RCW and RCW  
18 81.104.170 directly to the department in accordance with RCW  
19 82.12.0208 and 82.14.457.

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

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

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

39 (ii) The exemption provided in this subsection (5) applies to the  
40 sale of programming described in (b)(i) of this subsection (5) if the

1 seller is subject to a franchise fee in this state under the  
2 authority of Title 47 U.S.C. Sec. 542(a) on the gross revenue derived  
3 from the sale.

4 (c) For purposes of this subsection (5), "radio or television  
5 broadcaster" includes satellite radio providers, satellite television  
6 providers, cable television providers, and providers of subscription  
7 internet television.

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

12 (b) A buyer may use an exemption certificate claiming multiple  
13 points of use only if the buyer is a business or other organization  
14 and the buyer purchased advertising services that will be  
15 concurrently available for use within and outside this state. A buyer  
16 may not use an exemption certificate claiming multiple points of use  
17 for advertising services purchased for personal use.

18 (c) A buyer claiming an exemption under this section must report  
19 and pay the tax imposed in RCW 82.12.020, and any local use taxes  
20 imposed under the authority of chapter 82.14 RCW and RCW 81.104.170,  
21 directly to the department in accordance with RCW 82.12.0208 and  
22 82.14.457.

23 (d) For purposes of this subsection, the following definitions  
24 apply:

25 (i) "Advertising services" means "advertising services" that are  
26 defined as a "retail sale" or "sale at retail" in RCW  
27 82.04.050(3)(k);

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (B) The total lease payments made plus any additional selling  
31 price of the leased vehicle if the original lessee purchases the  
32 leased vehicle before the qualification period end date, for lease  
33 agreements signed.

34 (ii) Based on the purchase date or the date the lease agreement  
35 was signed of the vehicle if the vehicle is a new vehicle at the time  
36 of the purchase date or the date the lease agreement was signed:

37 (A) From the qualification period start date until July 31, 2021,  
38 the maximum amount eligible under (b) (i) of this subsection is  
39 \$25,000;

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

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

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

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

20 (3)(a) The department of licensing must maintain and publish a  
21 list of all vehicle models qualifying for the tax exemptions under  
22 this section or RCW 82.12.9999 until the expiration date of this  
23 section, and is authorized to issue final rulings on vehicle model  
24 qualification for these criteria. A seller is not responsible for  
25 repayment of the tax exemption under this section and RCW 82.12.9999  
26 for a vehicle if the department of licensing's published list of  
27 qualifying vehicle models on the purchase date or the date the lease  
28 agreement was signed includes the vehicle model and the department of  
29 licensing subsequently removes the vehicle model from the published  
30 list, and, if applicable, the vehicle meets the qualifying criterion  
31 under subsection (1)(a)(iii)(B) of this section and RCW  
32 82.12.9999(1)(a)(iii)(B).

33 (b) The department of revenue retains responsibility for  
34 determining whether a vehicle meets the applicable qualifying  
35 criterion under subsection (1)(a)(iii)(B) of this section and RCW  
36 82.12.9999(1)(a)(iii)(B).

37 (4) By the last day of October 2019, and every six months  
38 thereafter until (~~this section expires~~) October 31, 2025, based on  
39 the best available data, the department must report the following  
40 information to the transportation committees of the legislature: The

1 cumulative number of vehicles that qualified for the exemption under  
2 this section and RCW 82.12.9999 by month of purchase or lease start  
3 and vehicle make and model; the dollar amount of all state retail  
4 sales and use taxes exempted on or after the qualification period  
5 start date, under this section and RCW 82.12.9999; and estimates of  
6 the future costs of leased vehicles that qualified for the exemption  
7 under this section and RCW 82.12.9999.

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

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

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

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

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

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

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

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

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

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

32 (8) This section is supported by the revenues generated in RCW  
33 46.17.324, and therefore takes effect only if RCW 46.17.324 is  
34 enacted by June 30, 2019.

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

37 The tax levied by RCW 82.08.020 does not apply to sales  
38 (including transfers of title through decree of appropriation)  
39 heretofore or hereafter made of the entire operating property of a

1 publicly or privately owned public utility, or of a complete  
2 operating integral section thereof, to the state or a political  
3 subdivision thereof for use in conducting any public service business  
4 as defined in RCW 82.16.010. For purposes of this section, "operating  
5 property" includes digital goods and products sold through the use of  
6 digital codes.

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

9 For the purposes of this chapter:

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

21 (2) "Extended warranty" has the same meaning as in RCW  
22 82.04.050(7).

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

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

30 (ii) "Retailer" does not include a professional employer  
31 organization when a covered employee coemployed with the client under  
32 the terms of a professional employer agreement engages in activities  
33 that constitute a sale of tangible personal property, extended  
34 warranty, digital good, (~~digital code,~~) or a sale of any digital  
35 automated service or service defined as a retail sale in RCW  
36 82.04.050 (2) (a) or (g) or (6) (~~(e)~~) (b) that is subject to the tax  
37 imposed by this chapter. In such cases, the client, and not the  
38 professional employer organization, is deemed to be the retailer and

1 is responsible for collecting and remitting the tax imposed by this  
2 chapter.

3 (b) For the purposes of (a) of this subsection, the terms  
4 "client," "covered employee," "professional employer agreement," and  
5 "professional employer organization" have the same meanings as in RCW  
6 82.04.540.

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

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

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

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

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

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

39 (e) With respect to a digital automated service, including a  
40 digital automated service obtained through the use of a digital code,

1 the first act within this state by which the taxpayer, as a consumer,  
2 uses, enjoys, or otherwise receives the benefit of the service;

3 (f) With respect to a service defined as a retail sale in RCW  
4 82.04.050(6) ~~((+e+))~~ (b), the first act within this state by which the  
5 taxpayer, as a consumer, accesses the prewritten computer software;

6 (g) With respect to a service defined as a retail sale in RCW  
7 82.04.050(2)(g), the first act within this state after the service  
8 has been performed by which the taxpayer, as a consumer, views,  
9 accesses, downloads, possesses, stores, opens, manipulates, or  
10 otherwise uses or enjoys the digital good upon which the service was  
11 performed; and

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

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

30 (b) In case the articles used are acquired by bailment, the value  
31 of the use of the articles so used must be in an amount representing  
32 a reasonable rental for the use of the articles so bailed, determined  
33 as nearly as possible according to the value of such use at the  
34 places of use of similar products of like quality and character under  
35 such rules as the department of revenue may prescribe. In case any  
36 such articles of tangible personal property are used in respect to  
37 the construction, repairing, decorating, or improving of, and which  
38 become or are to become an ingredient or component of, new or  
39 existing buildings or other structures under, upon, or above real  
40 property of or for the United States, any instrumentality thereof, or

1 a county or city housing authority created pursuant to chapter 35.82  
2 RCW, including the installing or attaching of any such articles  
3 therein or thereto, whether or not such personal property becomes a  
4 part of the realty by virtue of installation, then the value of the  
5 use of such articles so used is determined according to the retail  
6 selling price of such articles, or in the absence of such a selling  
7 price, as nearly as possible according to the retail selling price at  
8 place of use of similar products of like quality and character or, in  
9 the absence of either of these selling price measures, such value may  
10 be determined upon a cost basis, in any event under such rules as the  
11 department of revenue may prescribe.

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

20 (d) In the case of articles manufactured or produced by the user  
21 and used in the manufacture or production of products sold or to be  
22 sold to the department of defense of the United States, the value of  
23 the articles used is determined according to the value of the  
24 ingredients of such articles.

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

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

36 (g) In the case of asphalt or aggregates manufactured or  
37 extracted by a person providing services taxable under RCW  
38 82.04.280(1)(b) and used by that person in providing those services,  
39 the value of the asphalt or aggregates is equal to the sum of all  
40 direct and indirect costs attributable to the asphalt or aggregates

1 used, plus a public road construction market adjustment of five  
2 percent of those costs.

3 (8) "Value of the digital good (~~(or digital code)~~) used" means  
4 the purchase price for the digital good (~~(or digital code)~~), the use  
5 of which is taxable under this chapter. If the digital good (~~(or~~  
6 ~~digital code)~~) is acquired other than by purchase, the value of the  
7 digital good (~~(or digital code)~~) must be determined as nearly as  
8 possible according to the retail selling price at place of use of  
9 similar digital goods (~~(or digital codes)~~) of like quality and  
10 character under rules the department may prescribe.

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

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

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

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

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

38 (b) Prewritten computer software, regardless of the method of  
39 delivery, but excluding prewritten computer software that is either

1 provided free of charge or is provided for temporary use in viewing  
2 information, or both;

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

7 (ii) Beginning October 1, 2025, services defined as a retail sale  
8 in RCW 82.04.050 (2) (a) or (g), (3) (g), (h), (i), (j), or (k), or  
9 (6) (b), excluding services defined as a retail sale in RCW  
10 82.04.050(6) (b) that are provided free of charge and services  
11 excluded from the definition of "sale at retail" or "retail sale"  
12 under RCW 82.04.050(17);

13 (d) Extended warranty; or

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

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

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

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

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

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

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

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

1 tax has been paid by the present user or by the present user's bailor  
2 or donor.

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

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

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

21 (i) If the sale to, or the use by, the present user or his or her  
22 bailor or donor has already been subjected to the tax under chapter  
23 82.08 RCW or this chapter and the tax has been paid by the present  
24 user or by his or her bailor or donor;

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

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

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

1 been paid by the present user or by the present user's bailor or  
2 donor; or

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

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

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

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

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

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

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

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

34 **Sec. 15.** RCW 82.12.0208 and 2020 c 139 s 18 are each amended to  
35 read as follows:

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

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

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

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

22           (i) Of a noncommercial nature, such as personal email  
23 communications;

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

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

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

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

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

1 purposes. For purposes of this subsection (6), the definitions in RCW  
2 82.08.0208 apply.

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

10 (b) (i) The department may authorize or require an alternative  
11 method of apportionment supported by the taxpayer's records that  
12 fairly reflects the proportion of in-state to out-of-state use by the  
13 taxpayer of the digital goods, digital automated services, prewritten  
14 computer software, or services defined as a retail sale in RCW  
15 82.04.050 (6) ((+e+)) (b).

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

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

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

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

1 code simultaneously at one or more locations within this state and  
2 one or more locations outside this state; and

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

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

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

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

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

29 (c) For purposes of this subsection (8), "radio or television  
30 broadcaster" includes satellite radio providers, satellite television  
31 providers, cable television providers, providers of subscription  
32 internet television, and persons who provide radio or television  
33 broadcasting to listeners or viewers for no charge.

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

36 For purposes of construing those provisions of the streamlined  
37 sales and use tax agreement that have been incorporated into this  
38 title, and unless the context requires otherwise, the terms "product"  
39 and "products" refer to tangible personal property, digital goods,

1 ((~~digital—codes,~~) digital automated services, other services,  
2 extended warranties, and anything else that can be sold or used.

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

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

19 (2)(a) A taxpayer may apply for a permit under this section if:  
20 (i) The taxpayer's cumulative tax liability is reasonably expected to  
21 be two hundred forty thousand dollars or more in the current calendar  
22 year; or (ii) the taxpayer makes purchases subject to the taxes  
23 imposed under chapter 82.08 or 82.12 RCW in excess of ten million  
24 dollars per calendar year. For the purposes of this section, "tax  
25 liability" means the amount required to be remitted to the department  
26 for taxes administered under this chapter, except for the taxes  
27 imposed or authorized by chapters 82.14A, 82.14B, 82.24, 82.27,  
28 82.29A, and 84.33 RCW.

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

33 (c) The director must review a direct pay permit application in a  
34 timely manner and must notify the applicant, in writing, of the  
35 approval or denial of the application. The department must approve or  
36 deny an application based on the applicant's ability to comply with  
37 local government use tax coding capabilities and responsibilities;  
38 requirements for vendor notification; recordkeeping obligations;  
39 electronic data capabilities; and tax reporting procedures.

1 Additionally, an application may be denied if the director determines  
2 that denial would be in the best interest of collecting taxes due  
3 under this title. The department must provide a direct pay permit to  
4 an approved applicant with the notice of approval. The direct pay  
5 permit must clearly state that the holder is solely responsible for  
6 the accrual and payment of the tax imposed under chapters 82.08 and  
7 82.12 RCW and that the seller is relieved of liability to collect tax  
8 imposed under chapters 82.08 and 82.12 RCW on all sales to the direct  
9 pay permit holder. The taxpayer may petition the director for  
10 reconsideration of a denial.

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

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

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

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

38 (6) Any taxpayer who chooses to no longer use a direct pay permit  
39 or whose permit is revoked by the department, must return the permit  
40 to the department and immediately make a good faith effort to notify

1 all vendors to whom the permit was given, advising them that the  
2 permit is no longer valid.

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

7 (a) Purchases of meals or beverages;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (A) A direct pay permit;

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

35 (C) Information showing the jurisdictions to which the  
36 advertising and promotional direct mail is to be delivered to  
37 recipients.

38 (ii) If the purchaser provides the permit, certificate, or  
39 statement referred to in (a)(i)(A) or (B) of this subsection (5), the  
40 seller, in the absence of bad faith, is relieved of all obligations

1 to collect, pay, or remit any tax on any transaction involving  
2 advertising and promotional direct mail to which the permit,  
3 certificate, or statement applies. The purchaser must source the sale  
4 to the jurisdictions to which the advertising and promotional direct  
5 mail is to be delivered to the recipients and must report and pay any  
6 applicable tax due.

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

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

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

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

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

26 (A) A direct pay permit; or

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

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

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

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

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

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

23 (iii) Notwithstanding (c) (i) and (ii) of this subsection (6), a  
24 seller may elect to use the provisions of subsection (5) of this  
25 section to source all sales of advertising and promotional direct  
26 mail.

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

29 (a) A retail sale of watercraft;

30 (b) A retail sale of a modular home, manufactured home, or mobile  
31 home;

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

35 (d) Florist sales. In the case of a sale in which one florist  
36 takes an order from a customer and then communicates that order to  
37 another florist who delivers the items purchased to the place  
38 designated by the customer, the location at or from which the  
39 delivery is made to the consumer is deemed to be the location of the  
40 florist originally taking the order.

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

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

10 (9) The definitions in this subsection apply throughout this  
11 section.

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

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

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

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

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

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

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

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

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

13 (f) "Receive" and "receipt" mean taking possession of tangible  
14 personal property, making first use of digital automated services or  
15 other services, or taking possession or making first use of digital  
16 goods (~~(or digital codes)~~), whichever comes first. "Receive" and  
17 "receipt" do not include possession by a shipping company on behalf  
18 of the purchaser.

19 (g) "Transportation equipment" means:

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

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

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

26 (B) Operated under authority of a carrier authorized and  
27 certificated by the United States department of transportation or  
28 another federal authority to engage in the carriage of persons or  
29 property in interstate commerce;

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

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

37 (10) In those instances where there is no obligation on the part  
38 of a seller to collect or remit this state's sales or use tax, the  
39 use of tangible personal property, digital good, (~~(digital code,~~) or  
40 of a digital automated service or other service, subject to use tax,

1 is sourced to the place of first use in this state. The definition of  
2 use in RCW 82.12.010 applies to this subsection.

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

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

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

13 (2) The tax imposed in this section does not apply if the sale  
14 to, or the use by, the present user or his or her bailor or donor has  
15 already been subjected to the tax under this section or RCW  
16 82.48A.010 and the tax has been paid by the present user or by his or  
17 her bailor or donor.

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

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

**\*Sec. 19 was vetoed. See message at end of chapter.**

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

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

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

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

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

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

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

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

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

19 (b) Amounts deductible under RCW 83.100.046 may not be deducted  
20 under this section.

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

24 (i) The material participation requirements described in section  
25 2032A(c)(6)(b)(ii) of the internal revenue code are not met with  
26 respect to the qualified family-owned business interest which was  
27 acquired or passed from the decedent;

28 (ii) The qualified heir disposes of any portion of a qualified  
29 family-owned business interest, other than by a disposition to a  
30 member of the qualified heir's family or a person with an ownership  
31 interest in the qualified family-owned business or through a  
32 qualified conservation contribution under section 170(h) of the  
33 internal revenue code;

34 (iii) The qualified heir loses United States citizenship within  
35 the meaning of section 877 of the internal revenue code or with  
36 respect to whom section 877(e)(1) applies, and such heir does not  
37 comply with the requirements of section 877(g) of the internal  
38 revenue code; or

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

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

8 (c) Interest applies to the tax due under this subsection for the  
9 period beginning on the date that the estate tax liability was due  
10 under this chapter and ending on the date the additional estate tax  
11 due under this subsection is paid. Interest under this subsection  
12 must be computed as provided in RCW 83.100.070(2).

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

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

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

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

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

1 (i) For purposes of this subsection, a qualified heir may not be  
2 treated as disposing of an interest described in section  
3 2057(e)(1)(A) of the internal revenue code by reason of ceasing to be  
4 engaged in a trade or business so long as the property to which such  
5 interest relates is used in a trade or business by any member of the  
6 qualified heir's family.

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

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

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

24 (6) For purposes of this section, the following definitions  
25 apply:

26 (a) "Applicable deduction amount" means:

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

29 (ii) \$3,000,000 for estates of decedents dying on or after July  
30 1, 2025, but before ~~((July))~~ January 1, 2026; and

31 (iii) For estates of decedents dying in calendar year 2026 and  
32 each calendar year thereafter, the amount in (a)(ii) of this  
33 subsection must be adjusted annually, except as otherwise provided in  
34 this subsection (6)(a)(iii). The annual adjustment is determined by  
35 multiplying \$3,000,000 by the sum of one and the percentage by which  
36 the most recent October consumer price index exceeds the consumer  
37 price index for October 2024, and rounding the result to the nearest  
38 \$1,000. No adjustment is made for a calendar year if the adjustment  
39 would result in the same or a lesser applicable deduction amount than

1 the applicable deduction amount for the immediately preceding  
2 calendar year.

3 (b) "Consumer price index" has the same meaning as in RCW  
4 83.100.020.

5 (c) "Member of the decedent's family" and "member of the  
6 qualified heir's family" have the same meaning as "member of the  
7 family" in RCW 83.100.046.

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

11 (e) "Qualified heir" has the same meaning as provided in section  
12 2057(i) of the internal revenue code of 1986.

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

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

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

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

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

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

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

5 (ii) Enrolled in the federal conservation reserve program or its  
6 successor administered by the United States department of  
7 agriculture; or

8 (iii) Other similar commercial activities as may be established  
9 by rule;

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

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

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

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

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

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

30 (c) Any parcel of land of less than five acres devoted primarily  
31 to agricultural uses which has produced a gross income as of January  
32 1, 1993, of:

33 (i) \$1,000 or more per year for three of the five calendar years  
34 preceding the date of application for classification under this  
35 chapter for all parcels of land that are classified under this  
36 subsection or all parcels of land for which an application for  
37 classification under this subsection is made with the granting  
38 authority prior to January 1, 1993; and

39 (ii) On or after January 1, 1993, \$1,500 or more per year for  
40 three of the five calendar years preceding the date of application

1 for classification under this chapter. Parcels of land described in  
2 (b)(i)(A) and (c)(i) of this subsection will, upon any transfer of  
3 the property excluding a transfer to a surviving spouse or surviving  
4 state registered domestic partner, be subject to the limits of  
5 (b)(i)(B) and (c)(ii) of this subsection;

6 (d) Any parcel of land that is five acres or more but less than  
7 20 acres devoted primarily to agricultural uses, which meet one of  
8 the following criteria:

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

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

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

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

35 (f) The land on which housing for employees and the principal  
36 place of residence of the farm operator or owner of land classified  
37 pursuant to (a) of this subsection is sited if: The housing or  
38 residence is on or contiguous to the classified parcel; and the use  
39 of the housing or the residence is integral to the use of the  
40 classified land for agricultural purposes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 (B) Owned by:

16 (I) Members of the same family;

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

19 (III) An individual who owns at least one of the parcels and a  
20 legal entity or entities that own the other parcel or parcels if the  
21 entity or entities are wholly owned by that individual, members of  
22 his or her family, or that individual and members of his or her  
23 family.

24 (ii) "Family" includes only:

25 (A) An individual and his or her spouse or domestic partner,  
26 child, stepchild, adopted child, grandchild, parent, stepparent,  
27 grandparent, cousin, or sibling;

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

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

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

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

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

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

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

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

15 (a) In terms of farm and agricultural land, an "appurtenance" is  
16 something used for a particular sort of farm and is widely and  
17 routinely used in the operation of the commercial agricultural  
18 enterprise.

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

22 (10) ~~"Incidental use" means ((a use of land classified as farm  
23 and agricultural land or timberland that is compatible with  
24 commercial agricultural purposes. "Incidental use" for land  
25 classified as farm and agricultural land may not exceed 20 percent of  
26 the total classified land, while incidental use for timberland may  
27 not exceed 10 percent of the total classified land))~~ the following:

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

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

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

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

34 (i) Is compatible with commercial growing and harvesting of  
35 timber; and

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

37 (c) An "incidental use" under (a) and (b) of this subsection may  
38 include, but is not limited to, wetland preservation, a gravel pit, a  
39 farm woodlot, a produce stand, or an unpaved parking area necessary  
40 for the safe visiting or viewing of classified land. An "incidental

1 use" under (a) of this subsection may also include, but it is not  
2 limited to, a farm woodlot or a produce stand.

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

5 NEW SECTION. **Sec. 22.** A new section is added to chapter 82.04  
6 RCW to read as follows:

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

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

16 (3) If a person either elects to treat amounts received under a  
17 qualifying existing contract as gross income of the business subject  
18 to the tax under RCW 82.04.250, gross income of the business subject  
19 to the tax under RCW 82.04.250(2), or both, the amounts are subject  
20 to the tax imposed under chapter 82.08 RCW.

21 (4) For the purposes of this section:

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

23 (i) Materially or substantively changed;

24 (ii) Amended; or

25 (iii) Renewed;

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

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

29 (ii) The underlying services provided continued after October 1,  
30 2025;

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

34 (iv) The contract was not altered during the transition period;  
35 and

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

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

1        **\*NEW SECTION.**    *Sec. 23. A new section is added to chapter 82.32*  
2 *RCW to read as follows:*

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

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

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

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

17        *(d) The taxpayer has timely filed returns and remitted payment on*  
18 *all taxes due for a period of 24 months immediately preceding the*  
19 *period covered by the return for which the waiver is being requested;*  
20 *and*

21        *(e) The taxpayer must never have had an evasion penalty assessed*  
22 *against the taxpayer by the department under RCW 82.32.090 or a*  
23 *penalty assessed against the taxpayer by the department under RCW*  
24 *82.32.291 for misusing a reseller permit or resale certificate.*

25        *(2) (a) The taxpayer must submit a completed application for a*  
26 *penalty waiver under this section in a form and manner prescribed by*  
27 *the department.*

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

30        *(3) The department must assess interest on unpaid tax liability*  
31 *for which a penalty waiver under this section is requested. The*  
32 *interest must be assessed at the rate provided for delinquent taxes*  
33 *under this chapter.*

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

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

3           **(6) This section expires January 1, 2029.**

**\*Sec. 23 was vetoed. See message at end of chapter.**

4           **Sec. 24.** RCW 26.28.080 and 2019 c 15 s 1 are each amended to  
5 read as follows:

6           (1) A person who sells or gives, or permits to be sold or given,  
7 to any person under the age of (~~twenty-one~~) 21 years any cigar,  
8 cigarette, cigarette paper or wrapper, tobacco in any form,  
9 alternative nicotine product, or a vapor product is guilty of a gross  
10 misdemeanor.

11           (2) It is not a defense to a prosecution for a violation of this  
12 section that the person acted, or was believed by the defendant to  
13 act, as agent or representative of another.

14           (3) For the purposes of this section, (~~"vapor"~~) the following  
15 definitions apply:

16           (a) "Alternative nicotine product" has the same meaning as  
17 provided in RCW 70.155.010.

18           (b) "Vapor product" has the same meaning as provided in RCW  
19 70.345.010.

20           **Sec. 25.** RCW 70.155.010 and 2019 c 15 s 3 are each amended to  
21 read as follows:

22           The definitions set forth in RCW 82.24.010 apply to this chapter.  
23 In addition, for the purposes of this chapter, unless otherwise  
24 required by the context:

25           (1) "Board" means the Washington state liquor and cannabis board.

26           (2) "Internet" means any computer network, telephonic network, or  
27 other electronic network.

28           (3) "Sample" means a tobacco product distributed to members of  
29 the general public at no cost or at nominal cost for product  
30 promotion purposes.

31           (4) "Sampling" means the distribution of samples to members of  
32 the public.

33           (5) "Tobacco product" means a product that contains tobacco and  
34 is intended for human use, including any product defined in RCW  
35 82.24.010(2) or 82.26.010(21), except that for the purposes of RCW  
36 70.155.140 only, "tobacco product" does not include (~~cigars~~):

1        (a) Cigars defined in RCW 82.26.010 as to which (~~one thousand~~)  
2        1,000 units weigh more than three pounds; or

3        (b) Alternative nicotine products. For the purposes of this  
4        subsection (5), "alternative nicotine product" means any  
5        noncombustible product containing nicotine from any source that is  
6        intended for human consumption, whether chewed, absorbed, dissolved,  
7        inhaled, or ingested by any other means.

8        (6) "Vapor product" has the same meaning as defined in RCW  
9        70.345.010.

10        NEW SECTION.        Sec. 26.        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. 27.        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. 28.        Sections 5 and 6 of this act apply both  
18        prospectively and retroactively to January 1, 2026.

      Passed by the Senate March 10, 2026.

      Passed by the House March 6, 2026.

      Approved by the Governor March 30, 2026, with the exception of  
certain items that were vetoed.

      Filed in Office of Secretary of State March 31, 2026.

      Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to Sections 19 and  
23, Engrossed Substitute Senate Bill No. 6113 entitled:

"AN ACT Relating to improving the tax law administered by the  
department of revenue by making technical corrections, clarifying  
ambiguities, and providing administrative efficiencies in a manner  
that is not estimated to affect state or local tax."

One section of the bill, Section 19, raises the issue of a "double  
amendment," which is when the Legislature passes two bills in the  
same session that amend the same statute in ways that conflict with  
one another. Section 19 of SB 6113 clarifies that the noncommercial  
aircraft tax is only due once. However, another bill, ESHB 2711  
repeals that tax immediately, meaning the clarification in Section 19  
of SB 6113 is no longer necessary. This is a technical conflict, and  
the chairs of the Transportation Committees requested that I veto  
Section 19. Therefore, I am vetoing Section 19 of this bill so that  
the noncommercial aircraft tax is repealed immediately under ESHB  
2711.

Section 23 of the bill creates a new tax penalty waiver program related to taxes created in a bill passed in the 2025 legislative session, SHB 5814. While I appreciate the intent of this section, the Department already administers a tax penalty waiver program. Creating a completely new waiver program would cost the Department of Revenue over \$550,000, which was not provided for in the legislative budget. When directing agencies to accomplish work associated with bills, the Legislature must include adequate funding to do so.

For these reasons I am vetoing Sections 19 and 23 of Engrossed Substitute Senate Bill No. 6113.

With the exception of Sections 19 and 23, Engrossed Substitute Senate Bill No. 6113 is approved."

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