
HOUSE BILL 2201

State of Washington

63rd Legislature

2014 Regular Session

By Representative Carlyle

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1 AN ACT Relating to improving fiscal accountability and transparency
2 standards with respect to state tax preferences; amending RCW
3 82.32.330, 82.32.090, 82.32.590, 82.32.600, 82.32.605, 82.32.607,
4 82.32.710, 82.32.808, 82.04.240, 82.04.250, 82.04.250, 82.04.2404,
5 82.04.260, 82.04.260, 82.04.260, 82.04.260, 82.04.290, 82.04.290,
6 82.04.2909, 82.04.294, 82.04.426, 82.04.4266, 82.04.4268, 82.04.4269,
7 82.04.4277, 82.04.4452, 82.04.4461, 82.04.4461, 82.04.4463, 82.04.4463,
8 82.04.448, 82.04.4481, 82.04.4483, 82.04.449, 82.08.805, 82.08.965,
9 82.08.9651, 82.08.970, 82.08.980, 82.08.980, 82.08.986, 82.12.022,
10 82.12.025651, 82.12.805, 82.12.965, 82.12.9651, 82.12.970, 82.12.980,
11 82.12.980, 82.16.0421, 82.29A.137, 82.29A.137, 82.60.070, 82.63.020,
12 82.63.045, 82.74.040, 82.74.050, 82.75.040, 82.75.070, 82.82.020,
13 82.82.040, 84.36.645, 84.36.655, and 84.36.655; adding new sections to
14 chapter 82.32 RCW; creating a new section; repealing RCW 82.32.534 and
15 82.32.585; providing an effective date; providing a contingent
16 effective date; providing expiration dates; and providing a contingent
17 expiration date.

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

1 NEW SECTION. **Sec. 1.** (1) The legislature finds that Washington
2 has among the largest number of tax preferences (i.e. credits,
3 exemptions, deductions, and preferential rates) in the nation due in
4 large part to the unique nature of the state's tax structure. The
5 legislature finds that measuring and assessing the efficacy of such
6 preferences is essential to ensure the most effective use of public
7 resources, and that public access to easily available data is vital to
8 conduct such evaluations.

9 (2) The legislature finds that comprehensive analysis and
10 evaluation of the efficacy of tax preferences assists lawmakers and the
11 public in understanding the benefits of specific tax policy decisions
12 to taxpayers, local economies, and the state. The legislature further
13 finds the relevant information critical for such analysis is frequently
14 not reported to the state department of revenue by taxpayers or is not
15 publicly available. The legislature further finds the lack of accurate
16 and ascertainable information has prevented the joint legislative audit
17 and review committee tax preference performance review process from
18 achieving the rigor of evaluation necessary to draw firm conclusions.
19 The legislature further finds that this also limits the ability of
20 lawmakers to access data of material importance for assessing proposed
21 tax preference legislation or to fairly and accurately evaluate the
22 merits of existing tax preferences. The legislature further finds that
23 Washington state has been a leader among states since passage of the
24 public disclosure act by initiative in 1972 in public disclosure of
25 government records, state budget documents, and campaign finance and
26 spending. The legislature further finds that similar leadership in the
27 area of the public disclosure of tax preferences would allow the
28 legislature and the public to assess the true impact of current tax
29 policy or proposed tax legislation in a manner that is currently
30 unattainable due to aggregated, anonymous data. The legislature
31 further finds that streamlining the reporting of tax preference data
32 collected by the department of revenue and eliminating unnecessary
33 reporting requirements of little usefulness for evaluation would
34 simplify and reduce the obligations of taxpayers, saving time and
35 effort. Therefore, the legislature intends to establish consistent
36 standards for the collection of data for the purposes of improving
37 analysis of tax preferences and their benefits and public policy
38 objective outcomes for taxpayers and relevant industries. The

1 legislature further intends to make such information subject to public
2 disclosure wherever possible to enable and improve lawmakers' and the
3 public's understanding of the benefits and costs of tax preferences
4 while ensuring that the release of such information does not cause
5 economic harm to taxpayers claiming such preferences.

6 **Part I**

7 **Improving Tax Preference Data Collection**

8 **Sec. 101.** RCW 82.32.090 and 2011 c 24 s 3 are each amended to read
9 as follows:

10 (1) If payment of any tax due on a return to be filed by a taxpayer
11 is not received by the department of revenue by the due date, there is
12 assessed a penalty of five percent of the amount of the tax; and if the
13 tax is not received on or before the last day of the month following
14 the due date, there is assessed a total penalty of fifteen percent of
15 the amount of the tax under this subsection; and if the tax is not
16 received on or before the last day of the second month following the
17 due date, there is assessed a total penalty of twenty-five percent of
18 the amount of the tax under this subsection. No penalty so added may
19 be less than five dollars.

20 (2) If the department of revenue determines that any tax has been
21 substantially underpaid, there is assessed a penalty of five percent of
22 the amount of the tax determined by the department to be due. If
23 payment of any tax determined by the department to be due is not
24 received by the department by the due date specified in the notice, or
25 any extension thereof, there is assessed a total penalty of fifteen
26 percent of the amount of the tax under this subsection; and if payment
27 of any tax determined by the department to be due is not received on or
28 before the thirtieth day following the due date specified in the notice
29 of tax due, or any extension thereof, there is assessed a total penalty
30 of twenty-five percent of the amount of the tax under this subsection.
31 No penalty so added may be less than five dollars. As used in this
32 section, "substantially underpaid" means that the taxpayer has paid
33 less than eighty percent of the amount of tax determined by the
34 department to be due for all of the types of taxes included in, and for
35 the entire period of time covered by, the department's examination, and
36 the amount of underpayment is at least one thousand dollars.

1 (3) If a warrant is issued by the department of revenue for the
2 collection of taxes, increases, and penalties, there is added thereto
3 a penalty of ten percent of the amount of the tax, but not less than
4 ten dollars.

5 (4) If the department finds that a person has engaged in any
6 business or performed any act upon which a tax is imposed under this
7 title and that person has not obtained from the department a
8 registration certificate as required by RCW 82.32.030, the department
9 must impose a penalty of five percent of the amount of tax due from
10 that person for the period that the person was not registered as
11 required by RCW 82.32.030. The department may not impose the penalty
12 under this subsection (4) if a person who has engaged in business
13 taxable under this title without first having registered as required by
14 RCW 82.32.030, prior to any notification by the department of the need
15 to register, obtains a registration certificate from the department.

16 (5) If the department finds that a taxpayer has disregarded
17 specific written instructions as to reporting or tax liabilities, or
18 willfully disregarded the requirement to file returns or remit payment
19 electronically, as provided by RCW 82.32.080, the department must add
20 a penalty of ten percent of the amount of the tax that should have been
21 reported and/or paid electronically or the additional tax found due if
22 there is a deficiency because of the failure to follow the
23 instructions. A taxpayer disregards specific written instructions when
24 the department has informed the taxpayer in writing of the taxpayer's
25 tax obligations and the taxpayer fails to act in accordance with those
26 instructions unless, in the case of a deficiency, the department has
27 not issued final instructions because the matter is under appeal
28 pursuant to this chapter or departmental regulations. The department
29 may not assess the penalty under this section upon any taxpayer who has
30 made a good faith effort to comply with the specific written
31 instructions provided by the department to that taxpayer. A taxpayer
32 will be considered to have made a good faith effort to comply with
33 specific written instructions to file returns and/or remit taxes
34 electronically only if the taxpayer can show good cause, as defined in
35 RCW 82.32.080, for the failure to comply with such instructions. A
36 taxpayer will be considered to have willfully disregarded the
37 requirement to file returns or remit payment electronically if the
38 department has mailed or otherwise delivered the specific written

1 instructions to the taxpayer on at least two occasions. Specific
2 written instructions may be given as a part of a tax assessment, audit,
3 determination, closing agreement, or other written communication,
4 provided that such specific written instructions apply only to the
5 taxpayer addressed or referenced on such communication. Any specific
6 written instructions by the department must be clearly identified as
7 such and must inform the taxpayer that failure to follow the
8 instructions may subject the taxpayer to the penalties imposed by this
9 subsection. If the department determines that it is necessary to
10 provide specific written instructions to a taxpayer that does not
11 comply with the requirement to file returns or remit payment
12 electronically as provided in RCW 82.32.080, the specific written
13 instructions must provide the taxpayer with a minimum of forty-five
14 days to come into compliance with its electronic filing and/or payment
15 obligations before the department may impose the penalty authorized in
16 this subsection.

17 (6) If the department finds that all or any part of a deficiency
18 resulted from engaging in a disregarded transaction, as described in
19 RCW 82.32.655(3), the department must assess a penalty of thirty-five
20 percent of the additional tax found to be due as a result of engaging
21 in a transaction disregarded by the department under RCW 82.32.655(2).
22 The penalty provided in this subsection may be assessed together with
23 any other applicable penalties provided in this section on the same tax
24 found to be due, except for the evasion penalty provided in subsection
25 (7) of this section. The department may not assess the penalty under
26 this subsection if, before the department discovers the taxpayer's use
27 of a transaction described under RCW 82.32.655(3), the taxpayer
28 discloses its participation in the transaction to the department.

29 (7) If the department finds that all or any part of the deficiency
30 resulted from an intent to evade the tax payable hereunder, a further
31 penalty of fifty percent of the additional tax found to be due must be
32 added.

33 (8)(a) If the department finds that all or any part of a tax
34 preference listed under (b) of this subsection has not been reported on
35 a return or addendum, as required under this subsection, a penalty
36 equal to the lesser of: Fifty dollars or one-half of one percent of
37 the unreported amount must be added. The penalty under this subsection

1 (8) is separate and additional to any other penalties that may be
2 assessed under this section.

3 (b) The following tax preferences are subject to the penalty under
4 (a) of this subsection:

5 (i) Deductions claimed by taxpayers under chapter 82.04 or 82.16
6 RCW for taxpayers required to electronically report taxes to the
7 department on a monthly or quarterly basis; and

8 (ii) Sales and use tax exemptions claimed by buyers who are
9 required to electronically report taxes to the department on a monthly
10 or quarterly basis and who are required to submit an exemption
11 certificate, or similar document, to the seller to establish
12 eligibility for the sales or use tax exemption.

13 (c) The penalty under (a) of this subsection does not apply to tax
14 preferences required by constitutional law.

15 (d) The penalty under (a) of this subsection does not apply to an
16 unreported business and occupation or public utility deduction if the
17 gross amount to which the deduction would apply was reported on the
18 return.

19 (e) The penalty under this subsection (8) applies to unreported
20 amounts for reporting periods beginning on or after January 1, 2015.

21 (9) The penalties imposed under subsections (1) through (4) of this
22 section can each be imposed on the same tax found to be due. This
23 subsection does not prohibit or restrict the application of other
24 penalties authorized by law.

25 ~~((+9))~~ (10) The department may not impose the evasion penalty in
26 combination with the penalty for disregarding specific written
27 instructions or the penalty provided in subsection (6) of this section
28 on the same tax found to be due.

29 ~~((+10))~~ (11) For the purposes of this section, "return" means any
30 document a person is required by the state of Washington to file to
31 satisfy or establish a tax or fee obligation that is administered or
32 collected by the department, and that has a statutorily defined due
33 date.

34 NEW SECTION. Sec. 102. A new section is added to chapter 82.32
35 RCW to read as follows:

36 (1) In determining a taxpayer's taxable amount, a taxpayer must

1 separately report the amount of any tax deduction on a return required
2 under this chapter for taxes due under chapter 82.04 or 82.16 RCW.

3 (2) For sales and use tax exemptions described under RCW 82.32.090
4 (8)(b)(ii), the total sales or uses subject to the exemption claimed by
5 the buyer must be reported on an addendum to the taxpayer's tax return
6 in a form and manner required by the department.

7 NEW SECTION. **Sec. 103.** A new section is added to chapter 82.32
8 RCW to read as follows:

9 (1) For tax reporting periods beginning on or after January 1,
10 2015, the department must establish a reporting code to uniquely
11 identify:

- 12 (a) All deductions and credits under chapters 82.04 and 82.16 RCW;
- 13 (b) Sales and use tax exemptions reported on returns submitted by
14 sellers; and
- 15 (c) Sales and use tax exemptions reported on addendums submitted by
16 buyers under RCW 82.32.090(8).

17 (2) Subsection (1) of this section applies only to returns filed
18 electronically.

19 **Part II**

20 **Incorporating Department of Revenue-Led Workgroup**
21 **Recommendations for Improving DOR Annual Surveys and Reports**

22 NEW SECTION. **Sec. 201.** A new section is added to chapter 82.32
23 RCW to read as follows:

24 (1)(a) Every person claiming a tax preference that requires an
25 annual tax preference report under this section must file a complete
26 report with the department. A tax preference report is due by April
27 30th of the year following any calendar year in which a person claims
28 a tax preference that requires a report under this section.

29 (b) In addition to the reporting requirements under (a) of this
30 subsection, if the tax preference is a sales and use tax deferral on
31 labor and materials used in the construction or expansion of a building
32 that is part of an investment project, a report must also be filed by
33 April 30th of each of the seven succeeding calendar years after the
34 investment project has been certified by the department as being
35 operationally complete.

1 (c)(i) The department may extend the due date for timely filing of
2 annual reports under this section as provided in RCW 82.32.590.

3 (ii) A person may amend its tax return under this chapter to claim
4 a tax preference requiring a report under this section only when a
5 report is filed for each calendar year for which the taxpayer is
6 claiming a tax preference on an amended return. All of the tax
7 preference reports required under this subsection (1)(c)(ii) must be
8 filed at the same time the amended returns are submitted to the
9 department.

10 (2)(a) The report must include the amount of tax preference claimed
11 for the calendar year covered by the report.

12 (b) The report must also include the following information for
13 employment positions in Washington, not to include names of employees,
14 for the year the tax preference was claimed:

15 (i) The total number of employment positions;

16 (ii) The total wages paid for all employment positions;

17 (iii) Full-time, part-time, and seasonal employment positions as a
18 percent of total employment;

19 (iv) The number of full-time and part-time employment positions
20 according to the following general job categories: Management
21 occupations; computer, mathematical, architectural, and engineering
22 occupations; production occupations; office and administrative support
23 occupations; or any other occupation type not otherwise specified under
24 this subsection (2)(b)(iv);

25 (v) The number of full-time and part-time employment positions that
26 have employer-provided medical, dental, and retirement benefits, by
27 each of the general job categories in (b)(iv) of this subsection; and

28 (vi) The average wage for each general job category in (b)(iv) of
29 this subsection. The average wage must be reported for full-time
30 employment positions and part-time employment positions for each job
31 category.

32 (c) For persons claiming the credit provided under RCW 82.04.4452,
33 the report must also include the qualified research and development
34 expenditures during the calendar year for which the credit was claimed
35 and whether the tax preference has been assigned, and who assigned the
36 credit. The definitions in RCW 82.04.4452 apply to this subsection
37 (2)(c).

1 (d) For persons claiming the tax exemption in RCW 82.08.025651 or
2 82.12.025651, the report must also include the general areas or
3 categories of research and development for which machinery and
4 equipment and labor and services were acquired, exempt from tax under
5 RCW 82.08.025651 or 82.12.025651, in the prior calendar year.

6 (e) If the person filing a report under this section did not file
7 a report with the department in the previous calendar year, the report
8 filed under this section must also include the employment, wage, and
9 benefit information required under (b)(i) through (vi) of this
10 subsection for the calendar year immediately preceding the calendar
11 year for which a tax preference was claimed.

12 (3) As part of the annual report, the department may request
13 additional information necessary to measure the results of, or
14 determine eligibility for, the tax preference.

15 (4) Other than information requested under subsection (3) of this
16 section, information required in this section is not subject to the
17 confidentiality provisions of RCW 82.32.330 and may be disclosed to the
18 public upon request, except as provided in subsection (5) of this
19 section. If the amount of the tax preference claimed as reported on
20 the report is different than the amount actually claimed or otherwise
21 allowed by the department based on the taxpayer's excise tax returns or
22 other information known to the department, the amount actually claimed
23 or allowed may be disclosed.

24 (5) Persons for whom the actual amount of the tax reduced or saved
25 for a tax preference is less than ten thousand dollars during the
26 period covered by the report may request the department to treat the
27 amount of the tax reduction or savings as confidential under RCW
28 82.32.330.

29 (6)(a) Except as otherwise provided by law, if a person claims a
30 tax preference that requires an annual report under this section but
31 fails to submit a complete annual report by the due date of the report
32 or any extension under RCW 82.32.590, the department must declare the
33 amount of the tax preference claimed for the previous calendar year to
34 be immediately due.

35 (b) If the tax preference is a deferral of tax, and the investment
36 project has not been certified operationally complete, the department
37 must declare the amount of tax preference claimed for the previous
38 calendar year to be immediately due. If the investment project has

1 been certified operationally complete, twelve and one-half percent of
2 the deferred tax is immediately due. If the economic benefits of the
3 deferral are passed to a lessee, the lessee is responsible for payment
4 to the extent the lessee has received the economic benefit.

5 (c) The department must assess interest, but not penalties, on the
6 amounts due under this subsection. The interest must be assessed at
7 the rate provided for delinquent taxes under this chapter,
8 retroactively to the date the tax preference was claimed, and accrues
9 until the taxes for which the tax preference was claimed are repaid.
10 Amounts due under this subsection are not subject to the
11 confidentiality provisions of RCW 82.32.330 and may be disclosed to the
12 public upon request.

13 (7) The department must use the information from this section to
14 prepare summary descriptive statistics by category. No fewer than
15 three taxpayers may be included in any category. The department must
16 report these statistics to the legislature each year by December 1st.

17 (8) For the purposes of this section:

18 (a) "Person" has the meaning provided in RCW 82.04.030 and also
19 includes the state and its departments and institutions.

20 (b) "Tax preference" has the meaning provided in RCW 43.136.021 and
21 includes only the tax preferences requiring a survey under this
22 section.

23 (c) "Full-time employment position" means an employment position
24 where an employee works thirty-five hours a week or more on average.

25 (d) "Part-time employment position" means an employment position
26 where an employee works less than thirty-five hours a week on average.

27 (e) "Seasonal employment position" means an employment position
28 where an employee has continuous employment of less than twelve
29 consecutive months.

30 NEW SECTION. **Sec. 202.** The following acts or parts of acts are
31 each repealed:

32 (1) RCW 82.32.534 (Annual report requirement for tax preferences)
33 and 2010 c 114 s 103; and

34 (2) RCW 82.32.585 (Annual survey requirement for tax preferences)
35 and 2011 c 23 s 6 & 2010 c 114 s 102.

1 **Sec. 203.** RCW 82.32.590 and 2011 c 174 s 306 are each amended to
2 read as follows:

3 (1) If the department finds that the failure of a taxpayer to file
4 an annual (~~(survey under RCW 82.32.585 or annual report under RCW~~
5 ~~82.32.534)) report under section 201 of this act by the due date was
6 the result of circumstances beyond the control of the taxpayer, the
7 department must extend the time for filing the (~~(survey or))~~ report.
8 The extension is for a period of thirty days from the date the
9 department issues its written notification to the taxpayer that it
10 qualifies for an extension under this section. The department may
11 grant additional extensions as it deems proper.~~

12 (2) In making a determination whether the failure of a taxpayer to
13 file an (~~(annual survey or))~~ annual report by the due date was the
14 result of circumstances beyond the control of the taxpayer, the
15 department must be guided by rules adopted by the department for the
16 waiver or cancellation of penalties when the underpayment or untimely
17 payment of any tax was due to circumstances beyond the control of the
18 taxpayer.

19 (3)(a) Subject to the conditions in this subsection (3), a taxpayer
20 who fails to file an annual report (~~(or annual survey))~~ required under
21 subsection (1) of this section by the due date of the report (~~(or~~
22 ~~survey))~~ is entitled to an extension of the due date. A request for an
23 extension under this subsection (3) must be made in writing to the
24 department.

25 (b) To qualify for an extension under this subsection (3), a
26 taxpayer must have filed all annual reports (~~(and surveys))~~, if any,
27 due in prior years under subsection (1) of this section by their
28 respective due dates, beginning with annual reports (~~(and surveys))~~ due
29 in calendar year 2010.

30 (c) An extension under this subsection (3) is for ninety days from
31 the original due date of the annual report (~~(or survey))~~.

32 (d) No taxpayer may be granted more than one ninety-day extension
33 under this subsection (3).

34 **Sec. 204.** RCW 82.32.600 and 2010 c 114 s 136 are each amended to
35 read as follows:

36 (1) Persons required to file annual (~~(surveys or annual reports~~
37 ~~under RCW 82.32.534 or 82.32.585)) reports under section 201 of this~~

1 act must electronically file with the department all (~~surveys,~~)
2 reports, returns, and any other forms or information the department
3 requires in an electronic format as provided or approved by the
4 department. As used in this section, "returns" has the same meaning as
5 "return" in RCW 82.32.050.

6 (2) Any (~~survey,~~) report, return, or any other form or
7 information required to be filed in an electronic format under
8 subsection (1) of this section is not filed until received by the
9 department in an electronic format.

10 (3) The department may waive the electronic filing requirement in
11 subsection (1) of this section for good cause shown.

12 **Sec. 205.** RCW 82.32.605 and 2013 2nd sp.s. c 13 s 1004 are each
13 amended to read as follows:

14 (1) Every taxpayer claiming an exemption under RCW 82.08.956 or
15 82.12.956 must file with the department a complete annual (~~survey as~~
16 ~~required under RCW 82.32.585~~) report under section 201 of this act,
17 except that the taxpayer must file a separate (~~survey~~) report for
18 each facility owned or operated in the state of Washington.

19 (2) This section expires June 30, 2024.

20 **Sec. 206.** RCW 82.32.607 and 2013 2nd sp.s. c 13 s 1503 are each
21 amended to read as follows:

22 Every taxpayer claiming an exemption under RCW 82.08.962 or
23 82.12.962 must file with the department a complete annual (~~survey as~~
24 ~~required under RCW 82.32.585~~) report under section 201 of this act,
25 except that the taxpayer must file a separate (~~survey~~) report for
26 each facility owned or operated in the state of Washington developed
27 with machinery, equipment, services, or labor for which the exemption
28 under RCW 43.136.058, 82.08.962, and 82.12.962 is claimed.

29 **Sec. 207.** RCW 82.32.710 and 2010 c 114 s 137 are each amended to
30 read as follows:

31 (1) A client under the terms of a professional employer agreement
32 is deemed to be the sole employer of a covered employee for purposes of
33 eligibility for any tax credit, exemption, or other tax incentive,
34 arising as the result of the employment of covered employees, provided
35 in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483, 82.08.965,

1 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or 82.70 RCW, or
2 any other provision in this title. A client, and not the professional
3 employer organization, is entitled to the benefit of any tax credit,
4 exemption, or other tax incentive arising as the result of the
5 employment of covered employees of that client.

6 (2) A client under the terms of a professional employer agreement
7 is deemed to be the sole employer of a covered employee for purposes of
8 reports (~~(or surveys)~~) that require the reporting of employment
9 information relating to covered employees of the client, as provided in
10 (~~(RCW 82.32.534 or 82.32.585)~~) section 201 of this act. A client, and
11 not the professional employer organization, is required to complete any
12 (~~(survey or)~~) report that requires the reporting of employment
13 information relating to covered employees of that client.

14 (3) For the purposes of this section, "client," "covered employee,"
15 "professional employer agreement," and "professional employer
16 organization" have the same meanings as in RCW 82.04.540.

17 **Sec. 208.** RCW 82.32.808 and 2013 2nd sp.s. c 13 s 1702 are each
18 amended to read as follows:

19 (1) As provided in this section, every bill enacting a new tax
20 preference must include a tax preference performance statement.

21 (2) A tax preference performance statement must state the
22 legislative purpose for the new tax preference. The tax preference
23 performance statement must indicate one or more of the following
24 general categories, by reference to the applicable category specified
25 in this subsection, as the legislative purpose of the new tax
26 preference:

27 (a) Tax preferences intended to induce certain designated behavior
28 by taxpayers;

29 (b) Tax preferences intended to improve industry competitiveness;

30 (c) Tax preferences intended to create or retain jobs;

31 (d) Tax preferences intended to reduce structural inefficiencies in
32 the tax structure;

33 (e) Tax preferences intended to provide tax relief for certain
34 businesses or individuals; or

35 (f) A general purpose not identified in (a) through (e) of this
36 subsection.

1 (3) In addition to identifying the general legislative purpose of
2 the tax preference under subsection (2) of this section, the tax
3 preference performance statement must provide additional detailed
4 information regarding the legislative purpose of the new tax
5 preference.

6 (4) A new tax preference performance statement must specify clear,
7 relevant, and ascertainable metrics and data requirements that allow
8 the joint legislative audit and review committee and the legislature to
9 measure the effectiveness of the new tax preference in achieving the
10 purpose designated under subsection (2) of this section.

11 (5) If the tax preference performance statement for a new tax
12 preference indicates a legislative purpose described in subsection
13 (2)(b) or (c) of this section, any taxpayer claiming the new tax
14 preference must file an annual (~~survey~~) report in accordance with
15 (~~RCW 82.32.585~~) section 201 of this act.

16 (6)(a) Taxpayers claiming a new tax preference must report the
17 amount of the tax preference claimed by the taxpayer to the department
18 as otherwise required by statute or determined by the department as
19 part of the taxpayer's regular tax reporting responsibilities. For new
20 tax preferences allowing certain types of gross income of the business
21 to be excluded from business and occupation or public utility taxation,
22 the tax return must explicitly report the amount of the exclusion,
23 regardless of whether it is structured as an exemption or deduction, if
24 the taxpayer is otherwise required to report taxes to the department on
25 a monthly or quarterly basis. For a new sales and use tax exemption,
26 the total sales or uses subject to the exemption claimed by the buyer
27 must be reported on an addendum to the buyer's tax return if the buyer
28 is otherwise required to report taxes to the department on a monthly or
29 quarterly basis and the buyer is required to submit an exemption
30 certificate, or similar document, to the seller.

31 (b) This subsection does not apply to:

32 (i) Property tax exemptions;

33 (ii) Tax preferences required by constitutional law;

34 (iii) Tax preferences for which the tax benefit to the taxpayer is
35 less than one thousand dollars per calendar year; or

36 (iv) Taxpayers who are annual filers.

37 (c) The department may waive the filing requirements of this

1 subsection for taxpayers who are not required to file electronically
2 any return(~~(7)~~) or report(~~(7, or survey)~~) under this chapter.

3 (7)(a) Except as otherwise provided in this subsection, the amount
4 claimed by a taxpayer for any new tax preference is subject to public
5 disclosure and is not considered confidential tax information under RCW
6 82.32.330, if the reporting periods subject to disclosure ended at
7 least twenty-four months prior to the date of disclosure and the
8 taxpayer is required to report the amount of the tax preference claimed
9 by the taxpayer to the department under subsection (6) of this section.

10 (b)(i) The department may waive the public disclosure requirement
11 under (a) of this subsection (7) for good cause. Good cause may be
12 demonstrated by a reasonable showing of economic harm to a taxpayer if
13 the information specified under this subsection is disclosed. The
14 waiver under this subsection (7)(b)(i) only applies to the new tax
15 preferences provided in chapter 13, Laws of 2013 2nd sp. sess.

16 (ii) The amount of the tax preference claimed by a taxpayer during
17 a calendar year is confidential under RCW 82.32.330 and may not be
18 disclosed under this subsection if the amount for the calendar year is
19 less than ten thousand dollars.

20 (c) In lieu of the disclosure and waiver requirements under this
21 subsection, the requirements under (~~(RCW 82.32.585)~~) section 201 of
22 this act apply to any tax preference that requires a (~~(survey)~~) report.

23 (8) If a new tax preference does not include the information
24 required under subsections (2) through (4) of this section, the joint
25 legislative audit and review committee is not required to perform a tax
26 preference review under chapter 43.136 RCW, and it is legislatively
27 presumed that it is the intent of the legislature to allow the new tax
28 preference to expire upon its scheduled expiration date.

29 (9) For the purposes of this section, "tax preference" and "new tax
30 preference" have the same meaning as provided in RCW 82.32.805.

31 **Sec. 209.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to
32 read as follows:

33 (1) Upon every person engaging within this state in business as a
34 manufacturer, except persons taxable as manufacturers under other
35 provisions of this chapter; as to such persons the amount of the tax
36 with respect to such business is equal to the value of the products,

1 including byproducts, manufactured, multiplied by the rate of 0.484
2 percent.

3 (2)(a) Upon every person engaging within this state in the business
4 of manufacturing semiconductor materials, as to such persons the amount
5 of tax with respect to such business is, in the case of manufacturers,
6 equal to the value of the product manufactured, or, in the case of
7 processors for hire, equal to the gross income of the business,
8 multiplied by the rate of 0.275 percent. For the purposes of this
9 subsection "semiconductor materials" means silicon crystals, silicon
10 ingots, raw polished semiconductor wafers, compound semiconductors,
11 integrated circuits, and microchips.

12 (b) A person reporting under the tax rate provided in this
13 subsection (2) must file a complete annual report with the department
14 under (~~RCW 82.32.534~~) section 201 of this act.

15 (c) This subsection (2) expires twelve years after the effective
16 date of this act.

17 (3) The measure of the tax is the value of the products, including
18 byproducts, so manufactured regardless of the place of sale or the fact
19 that deliveries may be made to points outside the state.

20 **Sec. 210.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 are each
21 amended to read as follows:

22 (1) Upon every person engaging within this state in the business of
23 making sales at retail, except persons taxable as retailers under other
24 provisions of this chapter, as to such persons, the amount of tax with
25 respect to such business is equal to the gross proceeds of sales of the
26 business, multiplied by the rate of 0.471 percent.

27 (2) Upon every person engaging within this state in the business of
28 making sales at retail that are exempt from the tax imposed under
29 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
30 82.08.0263, except persons taxable under RCW 82.04.260(~~(+10)~~) (11) or
31 subsection (3) of this section, as to such persons, the amount of tax
32 with respect to such business is equal to the gross proceeds of sales
33 of the business, multiplied by the rate of 0.484 percent.

34 (3) Until July 1, 2024, upon every person classified by the federal
35 aviation administration as a federal aviation regulation part 145
36 certificated repair station and that is engaging within this state in
37 the business of making sales at retail that are exempt from the tax

1 imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,
2 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with
3 respect to such business is equal to the gross proceeds of sales of the
4 business, multiplied by the rate of .2904 percent.

5 (4) A person reporting under the tax rate provided in subsection
6 (3) of this section must file a complete annual report with the
7 department under section 201 of this act.

8 **Sec. 211.** RCW 82.04.250 and 2013 3rd sp.s. c 2 s 7 are each
9 amended to read as follows:

10 (1) Upon every person engaging within this state in the business of
11 making sales at retail, except persons taxable as retailers under other
12 provisions of this chapter, as to such persons, the amount of tax with
13 respect to such business is equal to the gross proceeds of sales of the
14 business, multiplied by the rate of 0.471 percent.

15 (2) Upon every person engaging within this state in the business of
16 making sales at retail that are exempt from the tax imposed under
17 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
18 82.08.0263, except persons taxable under RCW 82.04.260(11) or
19 subsection (3) of this section, as to such persons, the amount of tax
20 with respect to such business is equal to the gross proceeds of sales
21 of the business, multiplied by the rate of 0.484 percent.

22 (3) Until July 1, 2040, upon every person classified by the federal
23 aviation administration as a federal aviation regulation part 145
24 certificated repair station and that is engaging within this state in
25 the business of making sales at retail that are exempt from the tax
26 imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,
27 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with
28 respect to such business is equal to the gross proceeds of sales of the
29 business, multiplied by the rate of .2904 percent.

30 (4) A person reporting under the tax rate provided in subsection
31 (3) of this section must file a complete annual report with the
32 department under section 201 of this act.

33 **Sec. 212.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to
34 read as follows:

35 (1) Upon every person engaging within this state in the business of
36 manufacturing or processing for hire semiconductor materials, as to

1 such persons the amount of tax with respect to such business is, in the
2 case of manufacturers, equal to the value of the product manufactured,
3 or, in the case of processors for hire, equal to the gross income of
4 the business, multiplied by the rate of 0.275 percent.

5 (2) For the purposes of this section "semiconductor materials"
6 means silicon crystals, silicon ingots, raw polished semiconductor
7 wafers, and compound semiconductor wafers.

8 (3) A person reporting under the tax rate provided in this section
9 must file a complete annual report with the department under ((RCW
10 ~~82.32.534~~) section 201 of this act.

11 (4) This section expires December 1, 2018.

12 **Sec. 213.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 202 are each
13 amended to read as follows:

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

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

22 (b) Beginning July 1, 2015, seafood products that remain in a raw,
23 raw frozen, or raw salted state at the completion of the manufacturing
24 by that person; or selling manufactured seafood products that remain in
25 a raw, raw frozen, or raw salted state at the completion of the
26 manufacturing, to purchasers who transport in the ordinary course of
27 business the goods out of this state; as to such persons the amount of
28 tax with respect to such business is equal to the value of the products
29 manufactured or the gross proceeds derived from such sales, multiplied
30 by the rate of 0.138 percent. Sellers must keep and preserve records
31 for the period required by RCW 82.32.070 establishing that the goods
32 were transported by the purchaser in the ordinary course of business
33 out of this state;

34 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
35 products that the person has manufactured to purchasers who either
36 transport in the ordinary course of business the goods out of state or
37 purchasers who use such dairy products as an ingredient or component in

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

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

11 (A) Products that as of September 20, 2001, are identified in 21
12 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
13 the manufacturing of the dairy products, such as whey and casein; and

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

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

22 (d) Beginning July 1, 2015, fruits or vegetables by canning,
23 preserving, freezing, processing, or dehydrating fresh fruits or
24 vegetables, or selling at wholesale fruits or vegetables manufactured
25 by the seller by canning, preserving, freezing, processing, or
26 dehydrating fresh fruits or vegetables and sold to purchasers who
27 transport in the ordinary course of business the goods out of this
28 state; as to such persons the amount of tax with respect to such
29 business is equal to the value of the products manufactured or the
30 gross proceeds derived from such sales multiplied by the rate of 0.138
31 percent. Sellers must keep and preserve records for the period
32 required by RCW 82.32.070 establishing that the goods were transported
33 by the purchaser in the ordinary course of business out of this state;

34 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
35 feedstock, as those terms are defined in RCW 82.29A.135; as to such
36 persons the amount of tax with respect to the business is equal to the
37 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
38 manufactured, multiplied by the rate of 0.138 percent; and

1 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
2 persons the amount of tax with respect to the business is equal to the
3 value of wood biomass fuel manufactured, multiplied by the rate of
4 0.138 percent.

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

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

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

19 (5) Upon every person engaging within this state in the business of
20 acting as a travel agent or tour operator; as to such persons the
21 amount of the tax with respect to such activities is equal to the gross
22 income derived from such activities multiplied by the rate of 0.275
23 percent.

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

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

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

22 (8) Upon every person engaging within this state in the business of
23 disposing of low-level waste, as defined in RCW 43.145.010; as to such
24 persons the amount of the tax with respect to such business is equal to
25 the gross income of the business, excluding any fees imposed under
26 chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

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

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

37 (10) Upon every person engaging within this state in business as a
38 hospital, as defined in chapter 70.41 RCW, that is operated as a

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

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

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

16 (ii) 0.2904 percent beginning July 1, 2007.

17 (b) Beginning July 1, 2008, upon every person who is not eligible
18 to report under the provisions of (a) of this subsection (11) and is
19 engaging within this state in the business of manufacturing tooling
20 specifically designed for use in manufacturing commercial airplanes or
21 components of such airplanes, or making sales, at retail or wholesale,
22 of such tooling manufactured by the seller, as to such persons the
23 amount of tax with respect to such business is, in the case of
24 manufacturers, equal to the value of the product manufactured and the
25 gross proceeds of sales of the product manufactured, or in the case of
26 processors for hire, be equal to the gross income of the business,
27 multiplied by the rate of 0.2904 percent.

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

30 (d) In addition to all other requirements under this title, a
31 person reporting under the tax rate provided in this subsection (11)
32 must file a complete annual report with the department under ((RCW
33 ~~82.32.534~~)) section 201 of this act.

34 (e) This subsection (11) does not apply on and after July 1, 2024.

35 (12)(a) Until July 1, 2024, upon every person engaging within this
36 state in the business of extracting timber or extracting for hire
37 timber; as to such persons the amount of tax with respect to the
38 business is, in the case of extractors, equal to the value of products,

1 including by-products, extracted, or in the case of extractors for
2 hire, equal to the gross income of the business, multiplied by the rate
3 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904
4 percent from July 1, 2007, through June 30, 2024.

5 (b) Until July 1, 2024, upon every person engaging within this
6 state in the business of manufacturing or processing for hire: (i)
7 Timber into timber products or wood products; or (ii) timber products
8 into other timber products or wood products; as to such persons the
9 amount of the tax with respect to the business is, in the case of
10 manufacturers, equal to the value of products, including by-products,
11 manufactured, or in the case of processors for hire, equal to the gross
12 income of the business, multiplied by the rate of 0.4235 percent from
13 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
14 2007, through June 30, 2024.

15 (c) Until July 1, 2024, upon every person engaging within this
16 state in the business of selling at wholesale: (i) Timber extracted by
17 that person; (ii) timber products manufactured by that person from
18 timber or other timber products; or (iii) wood products manufactured by
19 that person from timber or timber products; as to such persons the
20 amount of the tax with respect to the business is equal to the gross
21 proceeds of sales of the timber, timber products, or wood products
22 multiplied by the rate of 0.4235 percent from July 1, 2006, through
23 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
24 2024.

25 (d) Until July 1, 2024, upon every person engaging within this
26 state in the business of selling standing timber; as to such persons
27 the amount of the tax with respect to the business is equal to the
28 gross income of the business multiplied by the rate of 0.2904 percent.
29 For purposes of this subsection (12)(d), "selling standing timber"
30 means the sale of timber apart from the land, where the buyer is
31 required to sever the timber within thirty months from the date of the
32 original contract, regardless of the method of payment for the timber
33 and whether title to the timber transfers before, upon, or after
34 severance.

35 (e) For purposes of this subsection, the following definitions
36 apply:

37 (i) "Biocomposite surface products" means surface material products

1 containing, by weight or volume, more than fifty percent recycled paper
2 and that also use nonpetroleum-based phenolic resin as a bonding agent.

3 (ii) "Paper and paper products" means products made of interwoven
4 cellulosic fibers held together largely by hydrogen bonding. "Paper
5 and paper products" includes newsprint; office, printing, fine, and
6 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
7 kraft bag, construction, and other kraft industrial papers; paperboard,
8 liquid packaging containers, containerboard, corrugated, and solid-
9 fiber containers including linerboard and corrugated medium; and
10 related types of cellulosic products containing primarily, by weight or
11 volume, cellulosic materials. "Paper and paper products" does not
12 include books, newspapers, magazines, periodicals, and other printed
13 publications, advertising materials, calendars, and similar types of
14 printed materials.

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

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

24 (v) "Timber products" means:

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

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

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

32 (vi) "Wood products" means paper and paper products; dimensional
33 lumber; engineered wood products such as particleboard, oriented strand
34 board, medium density fiberboard, and plywood; wood doors; wood
35 windows; and biocomposite surface products.

36 (f) Except for small harvesters as defined in RCW 84.33.035, a
37 person reporting under the tax rate provided in this subsection (12)

1 must file a complete annual (~~(survey)~~) report with the department under
2 (~~(RCW 82.32.585)~~) section 201 of this act.

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

8 (14)(a) Upon every person engaging within this state in the
9 business of printing a newspaper, publishing a newspaper, or both, the
10 amount of tax on such business is equal to the gross income of the
11 business multiplied by the rate of 0.365 percent through June 30, 2013,
12 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

13 (b) A person reporting under the tax rate provided in this
14 subsection (14) must file a complete annual report with the department
15 under (~~(RCW 82.32.534)~~) section 201 of this act.

16 **Sec. 214.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 203 are each
17 amended to read as follows:

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

20 (a) Wheat into flour, barley into pearl barley, soybeans into
21 soybean oil, canola into canola oil, canola meal, or canola by-
22 products, or sunflower seeds into sunflower oil; as to such persons the
23 amount of tax with respect to such business is equal to the value of
24 the flour, pearl barley, oil, canola meal, or canola by-product
25 manufactured, multiplied by the rate of 0.138 percent;

26 (b) Beginning July 1, 2015, seafood products that remain in a raw,
27 raw frozen, or raw salted state at the completion of the manufacturing
28 by that person; or selling manufactured seafood products that remain in
29 a raw, raw frozen, or raw salted state at the completion of the
30 manufacturing, to purchasers who transport in the ordinary course of
31 business the goods out of this state; as to such persons the amount of
32 tax with respect to such business is equal to the value of the products
33 manufactured or the gross proceeds derived from such sales, multiplied
34 by the rate of 0.138 percent. Sellers must keep and preserve records
35 for the period required by RCW 82.32.070 establishing that the goods
36 were transported by the purchaser in the ordinary course of business
37 out of this state;

1 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
2 products that the person has manufactured to purchasers who either
3 transport in the ordinary course of business the goods out of state or
4 purchasers who use such dairy products as an ingredient or component in
5 the manufacturing of a dairy product; as to such persons the tax
6 imposed is equal to the value of the products manufactured or the gross
7 proceeds derived from such sales multiplied by the rate of 0.138
8 percent. Sellers must keep and preserve records for the period
9 required by RCW 82.32.070 establishing that the goods were transported
10 by the purchaser in the ordinary course of business out of this state
11 or sold to a manufacturer for use as an ingredient or component in the
12 manufacturing of a dairy product.

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

15 (A) Products that as of September 20, 2001, are identified in 21
16 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
17 the manufacturing of the dairy products, such as whey and casein; and

18 (B) Products comprised of not less than seventy percent dairy
19 products that qualify under (c)(ii)(A) of this subsection, measured by
20 weight or volume.

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

26 (d) Beginning July 1, 2015, fruits or vegetables by canning,
27 preserving, freezing, processing, or dehydrating fresh fruits or
28 vegetables, or selling at wholesale fruits or vegetables manufactured
29 by the seller by canning, preserving, freezing, processing, or
30 dehydrating fresh fruits or vegetables and sold to purchasers who
31 transport in the ordinary course of business the goods out of this
32 state; as to such persons the amount of tax with respect to such
33 business is equal to the value of the products manufactured or the
34 gross proceeds derived from such sales multiplied by the rate of 0.138
35 percent. Sellers must keep and preserve records for the period
36 required by RCW 82.32.070 establishing that the goods were transported
37 by the purchaser in the ordinary course of business out of this state;

1 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
2 feedstock, as those terms are defined in RCW 82.29A.135; as to such
3 persons the amount of tax with respect to the business is equal to the
4 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
5 manufactured, multiplied by the rate of 0.138 percent; and

6 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
7 persons the amount of tax with respect to the business is equal to the
8 value of wood biomass fuel manufactured, multiplied by the rate of
9 0.138 percent.

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

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

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

24 (5) Upon every person engaging within this state in the business of
25 acting as a travel agent or tour operator; as to such persons the
26 amount of the tax with respect to such activities is equal to the gross
27 income derived from such activities multiplied by the rate of 0.275
28 percent.

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

36 (7) Upon every person engaging within this state in the business of
37 stevedoring and associated activities pertinent to the movement of
38 goods and commodities in waterborne interstate or foreign commerce; as

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

27 (8)(a) Upon every person engaging within this state in the business
28 of disposing of low-level waste, as defined in RCW 43.145.010; as to
29 such persons the amount of the tax with respect to such business is
30 equal to the gross income of the business, excluding any fees imposed
31 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

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

36 (9) Upon every person engaging within this state as an insurance
37 producer or title insurance agent licensed under chapter 48.17 RCW or
38 a surplus line broker licensed under chapter 48.15 RCW; as to such

1 persons, the amount of the tax with respect to such licensed activities
2 is equal to the gross income of such business multiplied by the rate of
3 0.484 percent.

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

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

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

21 (ii) 0.2904 percent beginning July 1, 2007.

22 (b) Beginning July 1, 2008, upon every person who is not eligible
23 to report under the provisions of (a) of this subsection (11) and is
24 engaging within this state in the business of manufacturing tooling
25 specifically designed for use in manufacturing commercial airplanes or
26 components of such airplanes, or making sales, at retail or wholesale,
27 of such tooling manufactured by the seller, as to such persons the
28 amount of tax with respect to such business is, in the case of
29 manufacturers, equal to the value of the product manufactured and the
30 gross proceeds of sales of the product manufactured, or in the case of
31 processors for hire, be equal to the gross income of the business,
32 multiplied by the rate of 0.2904 percent.

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

35 (d) In addition to all other requirements under this title, a
36 person reporting under the tax rate provided in this subsection (11)
37 must file a complete annual report with the department under (~~RCW~~
38 ~~82.32.534~~) section 201 of this act.

1 (e) This subsection (11) does not apply on and after July 1, 2024.

2 (12)(a) Until July 1, 2024, upon every person engaging within this
3 state in the business of extracting timber or extracting for hire
4 timber; as to such persons the amount of tax with respect to the
5 business is, in the case of extractors, equal to the value of products,
6 including by-products, extracted, or in the case of extractors for
7 hire, equal to the gross income of the business, multiplied by the rate
8 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904
9 percent from July 1, 2007, through June 30, 2024.

10 (b) Until July 1, 2024, upon every person engaging within this
11 state in the business of manufacturing or processing for hire: (i)
12 Timber into timber products or wood products; or (ii) timber products
13 into other timber products or wood products; as to such persons the
14 amount of the tax with respect to the business is, in the case of
15 manufacturers, equal to the value of products, including by-products,
16 manufactured, or in the case of processors for hire, equal to the gross
17 income of the business, multiplied by the rate of 0.4235 percent from
18 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
19 2007, through June 30, 2024.

20 (c) Until July 1, 2024, upon every person engaging within this
21 state in the business of selling at wholesale: (i) Timber extracted by
22 that person; (ii) timber products manufactured by that person from
23 timber or other timber products; or (iii) wood products manufactured by
24 that person from timber or timber products; as to such persons the
25 amount of the tax with respect to the business is equal to the gross
26 proceeds of sales of the timber, timber products, or wood products
27 multiplied by the rate of 0.4235 percent from July 1, 2006, through
28 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
29 2024.

30 (d) Until July 1, 2024, upon every person engaging within this
31 state in the business of selling standing timber; as to such persons
32 the amount of the tax with respect to the business is equal to the
33 gross income of the business multiplied by the rate of 0.2904 percent.
34 For purposes of this subsection (12)(d), "selling standing timber"
35 means the sale of timber apart from the land, where the buyer is
36 required to sever the timber within thirty months from the date of the
37 original contract, regardless of the method of payment for the timber

1 and whether title to the timber transfers before, upon, or after
2 severance.

3 (e) For purposes of this subsection, the following definitions
4 apply:

5 (i) "Biocomposite surface products" means surface material products
6 containing, by weight or volume, more than fifty percent recycled paper
7 and that also use nonpetroleum-based phenolic resin as a bonding agent.

8 (ii) "Paper and paper products" means products made of interwoven
9 cellulosic fibers held together largely by hydrogen bonding. "Paper
10 and paper products" includes newsprint; office, printing, fine, and
11 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
12 kraft bag, construction, and other kraft industrial papers; paperboard,
13 liquid packaging containers, containerboard, corrugated, and solid-
14 fiber containers including linerboard and corrugated medium; and
15 related types of cellulosic products containing primarily, by weight or
16 volume, cellulosic materials. "Paper and paper products" does not
17 include books, newspapers, magazines, periodicals, and other printed
18 publications, advertising materials, calendars, and similar types of
19 printed materials.

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

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

29 (v) "Timber products" means:

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

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

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

37 (vi) "Wood products" means paper and paper products; dimensional

1 lumber; engineered wood products such as particleboard, oriented strand
2 board, medium density fiberboard, and plywood; wood doors; wood
3 windows; and biocomposite surface products.

4 (f) Except for small harvesters as defined in RCW 84.33.035, a
5 person reporting under the tax rate provided in this subsection (12)
6 must file a complete annual (~~(survey)~~) report with the department under
7 (~~(RCW 82.32.585)~~) section 201 of this act.

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

13 (14)(a) Upon every person engaging within this state in the
14 business of printing a newspaper, publishing a newspaper, or both, the
15 amount of tax on such business is equal to the gross income of the
16 business multiplied by the rate of 0.2904 percent.

17 (b) A person reporting under the tax rate provided in this
18 subsection (14) must file a complete annual report with the department
19 under (~~(RCW 82.32.534)~~) section 201 of this act.

20 **Sec. 215.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 5 are each
21 amended to read as follows:

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

24 (a) Wheat into flour, barley into pearl barley, soybeans into
25 soybean oil, canola into canola oil, canola meal, or canola by-
26 products, or sunflower seeds into sunflower oil; as to such persons the
27 amount of tax with respect to such business is equal to the value of
28 the flour, pearl barley, oil, canola meal, or canola by-product
29 manufactured, multiplied by the rate of 0.138 percent;

30 (b) Beginning July 1, 2015, seafood products that remain in a raw,
31 raw frozen, or raw salted state at the completion of the manufacturing
32 by that person; or selling manufactured seafood products that remain in
33 a raw, raw frozen, or raw salted state at the completion of the
34 manufacturing, to purchasers who transport in the ordinary course of
35 business the goods out of this state; as to such persons the amount of
36 tax with respect to such business is equal to the value of the products
37 manufactured or the gross proceeds derived from such sales, multiplied

1 by the rate of 0.138 percent. Sellers must keep and preserve records
2 for the period required by RCW 82.32.070 establishing that the goods
3 were transported by the purchaser in the ordinary course of business
4 out of this state;

5 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
6 products that the person has manufactured to purchasers who either
7 transport in the ordinary course of business the goods out of state or
8 purchasers who use such dairy products as an ingredient or component in
9 the manufacturing of a dairy product; as to such persons the tax
10 imposed is equal to the value of the products manufactured or the gross
11 proceeds derived from such sales multiplied by the rate of 0.138
12 percent. Sellers must keep and preserve records for the period
13 required by RCW 82.32.070 establishing that the goods were transported
14 by the purchaser in the ordinary course of business out of this state
15 or sold to a manufacturer for use as an ingredient or component in the
16 manufacturing of a dairy product.

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

19 (A) Products that as of September 20, 2001, are identified in 21
20 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
21 the manufacturing of the dairy products, such as whey and casein; and

22 (B) Products comprised of not less than seventy percent dairy
23 products that qualify under (c)(ii)(A) of this subsection, measured by
24 weight or volume.

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

30 (d) Beginning July 1, 2015, fruits or vegetables by canning,
31 preserving, freezing, processing, or dehydrating fresh fruits or
32 vegetables, or selling at wholesale fruits or vegetables manufactured
33 by the seller by canning, preserving, freezing, processing, or
34 dehydrating fresh fruits or vegetables and sold to purchasers who
35 transport in the ordinary course of business the goods out of this
36 state; as to such persons the amount of tax with respect to such
37 business is equal to the value of the products manufactured or the
38 gross proceeds derived from such sales multiplied by the rate of 0.138

1 percent. Sellers must keep and preserve records for the period
2 required by RCW 82.32.070 establishing that the goods were transported
3 by the purchaser in the ordinary course of business out of this state;

4 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
5 feedstock, as those terms are defined in RCW 82.29A.135; as to such
6 persons the amount of tax with respect to the business is equal to the
7 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
8 manufactured, multiplied by the rate of 0.138 percent; and

9 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
10 persons the amount of tax with respect to the business is equal to the
11 value of wood biomass fuel manufactured, multiplied by the rate of
12 0.138 percent.

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

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

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

27 (5) Upon every person engaging within this state in the business of
28 acting as a travel agent or tour operator; as to such persons the
29 amount of the tax with respect to such activities is equal to the gross
30 income derived from such activities multiplied by the rate of 0.275
31 percent.

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

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

30 (8)(a) Upon every person engaging within this state in the business
31 of disposing of low-level waste, as defined in RCW 43.145.010; as to
32 such persons the amount of the tax with respect to such business is
33 equal to the gross income of the business, excluding any fees imposed
34 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

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

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

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

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

- 23 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and
- 24 (ii) 0.2904 percent beginning July 1, 2007.

25 (b) Beginning July 1, 2008, upon every person who is not eligible
26 to report under the provisions of (a) of this subsection (11) and is
27 engaging within this state in the business of manufacturing tooling
28 specifically designed for use in manufacturing commercial airplanes or
29 components of such airplanes, or making sales, at retail or wholesale,
30 of such tooling manufactured by the seller, as to such persons the
31 amount of tax with respect to such business is, in the case of
32 manufacturers, equal to the value of the product manufactured and the
33 gross proceeds of sales of the product manufactured, or in the case of
34 processors for hire, be equal to the gross income of the business,
35 multiplied by the rate of 0.2904 percent.

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

1 (d) In addition to all other requirements under this title, a
2 person reporting under the tax rate provided in this subsection (11)
3 must file a complete annual report with the department under ((RCW
4 ~~82.32.534~~) section 201 of this act.

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

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

18 (12)(a) Until July 1, 2024, upon every person engaging within this
19 state in the business of extracting timber or extracting for hire
20 timber; as to such persons the amount of tax with respect to the
21 business is, in the case of extractors, equal to the value of products,
22 including by-products, extracted, or in the case of extractors for
23 hire, equal to the gross income of the business, multiplied by the rate
24 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904
25 percent from July 1, 2007, through June 30, 2024.

26 (b) Until July 1, 2024, upon every person engaging within this
27 state in the business of manufacturing or processing for hire: (i)
28 Timber into timber products or wood products; or (ii) timber products
29 into other timber products or wood products; as to such persons the
30 amount of the tax with respect to the business is, in the case of
31 manufacturers, equal to the value of products, including by-products,
32 manufactured, or in the case of processors for hire, equal to the gross
33 income of the business, multiplied by the rate of 0.4235 percent from
34 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
35 2007, through June 30, 2024.

36 (c) Until July 1, 2024, upon every person engaging within this
37 state in the business of selling at wholesale: (i) Timber extracted by
38 that person; (ii) timber products manufactured by that person from

1 timber or other timber products; or (iii) wood products manufactured by
2 that person from timber or timber products; as to such persons the
3 amount of the tax with respect to the business is equal to the gross
4 proceeds of sales of the timber, timber products, or wood products
5 multiplied by the rate of 0.4235 percent from July 1, 2006, through
6 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
7 2024.

8 (d) Until July 1, 2024, upon every person engaging within this
9 state in the business of selling standing timber; as to such persons
10 the amount of the tax with respect to the business is equal to the
11 gross income of the business multiplied by the rate of 0.2904 percent.
12 For purposes of this subsection (12)(d), "selling standing timber"
13 means the sale of timber apart from the land, where the buyer is
14 required to sever the timber within thirty months from the date of the
15 original contract, regardless of the method of payment for the timber
16 and whether title to the timber transfers before, upon, or after
17 severance.

18 (e) For purposes of this subsection, the following definitions
19 apply:

20 (i) "Biocomposite surface products" means surface material products
21 containing, by weight or volume, more than fifty percent recycled paper
22 and that also use nonpetroleum-based phenolic resin as a bonding agent.

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

35 (iii) "Recycled paper" means paper and paper products having fifty
36 percent or more of their fiber content that comes from postconsumer
37 waste. For purposes of this subsection (12)(e)(iii), "postconsumer

1 waste" means a finished material that would normally be disposed of as
2 solid waste, having completed its life cycle as a consumer item.

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

7 (v) "Timber products" means:

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

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

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

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

19 (f) Except for small harvesters as defined in RCW 84.33.035, a
20 person reporting under the tax rate provided in this subsection (12)
21 must file a complete annual (~~(survey)~~) report with the department under
22 (~~(RCW 82.32.585)~~) section 201 of this act.

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

28 (14)(a) Upon every person engaging within this state in the
29 business of printing a newspaper, publishing a newspaper, or both, the
30 amount of tax on such business is equal to the gross income of the
31 business multiplied by the rate of 0.365 percent through June 30, 2013,
32 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

33 (b) A person reporting under the tax rate provided in this
34 subsection (14) must file a complete annual report with the department
35 under (~~(RCW 82.32.534)~~) section 201 of this act.

36 **Sec. 216.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 6 are each
37 amended to read as follows:

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

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

9 (b) Beginning July 1, 2015, seafood products that remain in a raw,
10 raw frozen, or raw salted state at the completion of the manufacturing
11 by that person; or selling manufactured seafood products that remain in
12 a raw, raw frozen, or raw salted state at the completion of the
13 manufacturing, to purchasers who transport in the ordinary course of
14 business the goods out of this state; as to such persons the amount of
15 tax with respect to such business is equal to the value of the products
16 manufactured or the gross proceeds derived from such sales, multiplied
17 by the rate of 0.138 percent. Sellers must keep and preserve records
18 for the period required by RCW 82.32.070 establishing that the goods
19 were transported by the purchaser in the ordinary course of business
20 out of this state;

21 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
22 products that the person has manufactured to purchasers who either
23 transport in the ordinary course of business the goods out of state or
24 purchasers who use such dairy products as an ingredient or component in
25 the manufacturing of a dairy product; as to such persons the tax
26 imposed is equal to the value of the products manufactured or the gross
27 proceeds derived from such sales multiplied by the rate of 0.138
28 percent. Sellers must keep and preserve records for the period
29 required by RCW 82.32.070 establishing that the goods were transported
30 by the purchaser in the ordinary course of business out of this state
31 or sold to a manufacturer for use as an ingredient or component in the
32 manufacturing of a dairy product.

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

35 (A) Products that as of September 20, 2001, are identified in 21
36 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
37 the manufacturing of the dairy products, such as whey and casein; and

1 (B) Products comprised of not less than seventy percent dairy
2 products that qualify under (c)(ii)(A) of this subsection, measured by
3 weight or volume.

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

9 (d) Beginning July 1, 2015, fruits or vegetables by canning,
10 preserving, freezing, processing, or dehydrating fresh fruits or
11 vegetables, or selling at wholesale fruits or vegetables manufactured
12 by the seller by canning, preserving, freezing, processing, or
13 dehydrating fresh fruits or vegetables and sold to purchasers who
14 transport in the ordinary course of business the goods out of this
15 state; as to such persons the amount of tax with respect to such
16 business is equal to the value of the products manufactured or the
17 gross proceeds derived from such sales multiplied by the rate of 0.138
18 percent. Sellers must keep and preserve records for the period
19 required by RCW 82.32.070 establishing that the goods were transported
20 by the purchaser in the ordinary course of business out of this state;

21 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
22 feedstock, as those terms are defined in RCW 82.29A.135; as to such
23 persons the amount of tax with respect to the business is equal to the
24 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
25 manufactured, multiplied by the rate of 0.138 percent; and

26 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
27 persons the amount of tax with respect to the business is equal to the
28 value of wood biomass fuel manufactured, multiplied by the rate of
29 0.138 percent.

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

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

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

6 (5) Upon every person engaging within this state in the business of
7 acting as a travel agent or tour operator; as to such persons the
8 amount of the tax with respect to such activities is equal to the gross
9 income derived from such activities multiplied by the rate of 0.275
10 percent.

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

18 (7) Upon every person engaging within this state in the business of
19 stevedoring and associated activities pertinent to the movement of
20 goods and commodities in waterborne interstate or foreign commerce; as
21 to such persons the amount of tax with respect to such business is
22 equal to the gross proceeds derived from such activities multiplied by
23 the rate of 0.275 percent. Persons subject to taxation under this
24 subsection are exempt from payment of taxes imposed by chapter 82.16
25 RCW for that portion of their business subject to taxation under this
26 subsection. Stevedoring and associated activities pertinent to the
27 conduct of goods and commodities in waterborne interstate or foreign
28 commerce are defined as all activities of a labor, service or
29 transportation nature whereby cargo may be loaded or unloaded to or
30 from vessels or barges, passing over, onto or under a wharf, pier, or
31 similar structure; cargo may be moved to a warehouse or similar holding
32 or storage yard or area to await further movement in import or export
33 or may move to a consolidation freight station and be stuffed,
34 unstuffed, containerized, separated or otherwise segregated or
35 aggregated for delivery or loaded on any mode of transportation for
36 delivery to its consignee. Specific activities included in this
37 definition are: Wharfage, handling, loading, unloading, moving of
38 cargo to a convenient place of delivery to the consignee or a

1 convenient place for further movement to export mode; documentation
2 services in connection with the receipt, delivery, checking, care,
3 custody and control of cargo required in the transfer of cargo;
4 imported automobile handling prior to delivery to consignee; terminal
5 stevedoring and incidental vessel services, including but not limited
6 to plugging and unplugging refrigerator service to containers,
7 trailers, and other refrigerated cargo receptacles, and securing ship
8 hatch covers.

9 (8)(a) Upon every person engaging within this state in the business
10 of disposing of low-level waste, as defined in RCW 43.145.010; as to
11 such persons the amount of the tax with respect to such business is
12 equal to the gross income of the business, excluding any fees imposed
13 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

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

18 (9) Upon every person engaging within this state as an insurance
19 producer or title insurance agent licensed under chapter 48.17 RCW or
20 a surplus line broker licensed under chapter 48.15 RCW; as to such
21 persons, the amount of the tax with respect to such licensed activities
22 is equal to the gross income of such business multiplied by the rate of
23 0.484 percent.

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

31 (11)(a) Beginning October 1, 2005, upon every person engaging
32 within this state in the business of manufacturing commercial
33 airplanes, or components of such airplanes, or making sales, at retail
34 or wholesale, of commercial airplanes or components of such airplanes,
35 manufactured by the seller, as to such persons the amount of tax with
36 respect to such business is, in the case of manufacturers, equal to the
37 value of the product manufactured and the gross proceeds of sales of

1 the product manufactured, or in the case of processors for hire, equal
2 to the gross income of the business, multiplied by the rate of:

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

4 (ii) 0.2904 percent beginning July 1, 2007.

5 (b) Beginning July 1, 2008, upon every person who is not eligible
6 to report under the provisions of (a) of this subsection (11) and is
7 engaging within this state in the business of manufacturing tooling
8 specifically designed for use in manufacturing commercial airplanes or
9 components of such airplanes, or making sales, at retail or wholesale,
10 of such tooling manufactured by the seller, as to such persons the
11 amount of tax with respect to such business is, in the case of
12 manufacturers, equal to the value of the product manufactured and the
13 gross proceeds of sales of the product manufactured, or in the case of
14 processors for hire, be equal to the gross income of the business,
15 multiplied by the rate of 0.2904 percent.

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

18 (d) In addition to all other requirements under this title, a
19 person reporting under the tax rate provided in this subsection (11)
20 must file a complete annual report with the department under (~~RCW~~
21 ~~82.32.534~~) section 201 of this act.

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

24 (ii) With respect to the manufacturing of commercial airplanes or
25 making sales, at retail or wholesale, of commercial airplanes, this
26 subsection (11) does not apply on and after July 1st of the year in
27 which the department makes a determination that any final assembly or
28 wing assembly of any version or variant of a commercial airplane that
29 is the basis of a siting of a significant commercial airplane
30 manufacturing program in the state under RCW 82.32.850 has been sited
31 outside the state of Washington. This subsection (11)(e)(ii) only
32 applies to the manufacturing or sale of commercial airplanes that are
33 the basis of a siting of a significant commercial airplane
34 manufacturing program in the state under RCW 82.32.850.

35 (12)(a) Until July 1, 2024, upon every person engaging within this
36 state in the business of extracting timber or extracting for hire
37 timber; as to such persons the amount of tax with respect to the
38 business is, in the case of extractors, equal to the value of products,

1 including by-products, extracted, or in the case of extractors for
2 hire, equal to the gross income of the business, multiplied by the rate
3 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904
4 percent from July 1, 2007, through June 30, 2024.

5 (b) Until July 1, 2024, upon every person engaging within this
6 state in the business of manufacturing or processing for hire: (i)
7 Timber into timber products or wood products; or (ii) timber products
8 into other timber products or wood products; as to such persons the
9 amount of the tax with respect to the business is, in the case of
10 manufacturers, equal to the value of products, including by-products,
11 manufactured, or in the case of processors for hire, equal to the gross
12 income of the business, multiplied by the rate of 0.4235 percent from
13 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
14 2007, through June 30, 2024.

15 (c) Until July 1, 2024, upon every person engaging within this
16 state in the business of selling at wholesale: (i) Timber extracted by
17 that person; (ii) timber products manufactured by that person from
18 timber or other timber products; or (iii) wood products manufactured by
19 that person from timber or timber products; as to such persons the
20 amount of the tax with respect to the business is equal to the gross
21 proceeds of sales of the timber, timber products, or wood products
22 multiplied by the rate of 0.4235 percent from July 1, 2006, through
23 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
24 2024.

25 (d) Until July 1, 2024, upon every person engaging within this
26 state in the business of selling standing timber; as to such persons
27 the amount of the tax with respect to the business is equal to the
28 gross income of the business multiplied by the rate of 0.2904 percent.
29 For purposes of this subsection (12)(d), "selling standing timber"
30 means the sale of timber apart from the land, where the buyer is
31 required to sever the timber within thirty months from the date of the
32 original contract, regardless of the method of payment for the timber
33 and whether title to the timber transfers before, upon, or after
34 severance.

35 (e) For purposes of this subsection, the following definitions
36 apply:

37 (i) "Biocomposite surface products" means surface material products

1 containing, by weight or volume, more than fifty percent recycled paper
2 and that also use nonpetroleum-based phenolic resin as a bonding agent.

3 (ii) "Paper and paper products" means products made of interwoven
4 cellulosic fibers held together largely by hydrogen bonding. "Paper
5 and paper products" includes newsprint; office, printing, fine, and
6 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
7 kraft bag, construction, and other kraft industrial papers; paperboard,
8 liquid packaging containers, containerboard, corrugated, and solid-
9 fiber containers including linerboard and corrugated medium; and
10 related types of cellulosic products containing primarily, by weight or
11 volume, cellulosic materials. "Paper and paper products" does not
12 include books, newspapers, magazines, periodicals, and other printed
13 publications, advertising materials, calendars, and similar types of
14 printed materials.

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

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

24 (v) "Timber products" means:

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

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

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

32 (vi) "Wood products" means paper and paper products; dimensional
33 lumber; engineered wood products such as particleboard, oriented strand
34 board, medium density fiberboard, and plywood; wood doors; wood
35 windows; and biocomposite surface products.

36 (f) Except for small harvesters as defined in RCW 84.33.035, a
37 person reporting under the tax rate provided in this subsection (12)

1 must file a complete annual (~~(survey)~~) report with the department under
2 (~~(RCW 82.32.585)~~) section 201 of this act.

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

8 (14)(a) Upon every person engaging within this state in the
9 business of printing a newspaper, publishing a newspaper, or both, the
10 amount of tax on such business is equal to the gross income of the
11 business multiplied by the rate of 0.2904 percent.

12 (b) A person reporting under the tax rate provided in this
13 subsection (14) must file a complete annual report with the department
14 under (~~(RCW 82.32.534)~~) section 201 of this act.

15 **Sec. 217.** RCW 82.04.290 and 2013 c 23 s 314 are each amended to
16 read as follows:

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

22 (2)(a) Upon every person engaging within this state in any business
23 activity other than or in addition to an activity taxed explicitly
24 under another section in this chapter or subsection (1) or (3) of this
25 section; as to such persons the amount of tax on account of such
26 activities shall be equal to the gross income of the business
27 multiplied by the rate of 1.5 percent.

28 (b) This subsection (2) includes, among others, and without
29 limiting the scope hereof (whether or not title to materials used in
30 the performance of such business passes to another by accession,
31 confusion or other than by outright sale), persons engaged in the
32 business of rendering any type of service which does not constitute a
33 "sale at retail" or a "sale at wholesale." The value of advertising,
34 demonstration, and promotional supplies and materials furnished to an
35 agent by his or her principal or supplier to be used for informational,
36 educational, and promotional purposes shall not be considered a part of

1 the agent's remuneration or commission and shall not be subject to
2 taxation under this section.

3 (3)(a) Until July 1, 2024, upon every person engaging within this
4 state in the business of performing aerospace product development for
5 others, as to such persons, the amount of tax with respect to such
6 business shall be equal to the gross income of the business multiplied
7 by a rate of 0.9 percent.

8 (b) "Aerospace product development" has the meaning as provided in
9 RCW 82.04.4461.

10 (c) A person reporting under the tax rate provided in this
11 subsection (3) must file a complete annual report with the department
12 under section 201 of this act.

13 **Sec. 218.** RCW 82.04.290 and 2013 3rd sp.s. c 2 s 8 are each
14 amended to read as follows:

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

20 (2)(a) Upon every person engaging within this state in any business
21 activity other than or in addition to an activity taxed explicitly
22 under another section in this chapter or subsection (1) or (3) of this
23 section; as to such persons the amount of tax on account of such
24 activities is equal to the gross income of the business multiplied by
25 the rate of 1.5 percent.

26 (b) This subsection (2) includes, among others, and without
27 limiting the scope hereof (whether or not title to materials used in
28 the performance of such business passes to another by accession,
29 confusion or other than by outright sale), persons engaged in the
30 business of rendering any type of service which does not constitute a
31 "sale at retail" or a "sale at wholesale." The value of advertising,
32 demonstration, and promotional supplies and materials furnished to an
33 agent by his or her principal or supplier to be used for informational,
34 educational, and promotional purposes is not considered a part of the
35 agent's remuneration or commission and is not subject to taxation under
36 this section.

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

6 (b) "Aerospace product development" has the meaning as provided in
7 RCW 82.04.4461.

8 (c) A person reporting under the tax rate provided in this
9 subsection (3) must file a complete annual report with the department
10 under section 201 of this act.

11 **Sec. 219.** RCW 82.04.2909 and 2011 c 174 s 301 are each amended to
12 read as follows:

13 (1) Upon every person who is an aluminum smelter engaging within
14 this state in the business of manufacturing aluminum; as to such
15 persons the amount of tax with respect to such business is, in the case
16 of manufacturers, equal to the value of the product manufactured, or in
17 the case of processors for hire, equal to the gross income of the
18 business, multiplied by the rate of .2904 percent.

19 (2) Upon every person who is an aluminum smelter engaging within
20 this state in the business of making sales at wholesale of aluminum
21 manufactured by that person, as to such persons the amount of tax with
22 respect to such business is equal to the gross proceeds of sales of the
23 aluminum multiplied by the rate of .2904 percent.

24 (3) A person reporting under the tax rate provided in this section
25 must file a complete annual report with the department under ((RCW
26 ~~82.32.534~~) section 201 of this act.

27 (4) This section expires January 1, 2017.

28 **Sec. 220.** RCW 82.04.294 and 2013 2nd sp.s. c 13 s 902 are each
29 amended to read as follows:

30 (1) Upon every person engaging within this state in the business of
31 manufacturing solar energy systems using photovoltaic modules or
32 stirling converters, or of manufacturing solar grade silicon, silicon
33 solar wafers, silicon solar cells, thin film solar devices, or compound
34 semiconductor solar wafers to be used exclusively in components of such
35 systems; as to such persons the amount of tax with respect to such
36 business is, in the case of manufacturers, equal to the value of the

1 product manufactured, or in the case of processors for hire, equal to
2 the gross income of the business, multiplied by the rate of 0.275
3 percent.

4 (2) Upon every person engaging within this state in the business of
5 making sales at wholesale of solar energy systems using photovoltaic
6 modules or stirling converters, or of solar grade silicon, silicon
7 solar wafers, silicon solar cells, thin film solar devices, or compound
8 semiconductor solar wafers to be used exclusively in components of such
9 systems, manufactured by that person; as to such persons the amount of
10 tax with respect to such business is equal to the gross proceeds of
11 sales of the solar energy systems using photovoltaic modules or
12 stirling converters, or of the solar grade silicon to be used
13 exclusively in components of such systems, multiplied by the rate of
14 0.275 percent.

15 (3) Silicon solar wafers, silicon solar cells, thin film solar
16 devices, solar grade silicon, or compound semiconductor solar wafers
17 are "semiconductor materials" for the purposes of RCW 82.08.9651 and
18 82.12.9651.

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

21 (a) "Compound semiconductor solar wafers" means a semiconductor
22 solar wafer composed of elements from two or more different groups of
23 the periodic table.

24 (b) "Module" means the smallest nondivisible self-contained
25 physical structure housing interconnected photovoltaic cells and
26 providing a single direct current electrical output.

27 (c) "Photovoltaic cell" means a device that converts light directly
28 into electricity without moving parts.

29 (d) "Silicon solar cells" means a photovoltaic cell manufactured
30 from a silicon solar wafer.

31 (e) "Silicon solar wafers" means a silicon wafer manufactured for
32 solar conversion purposes.

33 (f) "Solar energy system" means any device or combination of
34 devices or elements that rely upon direct sunlight as an energy source
35 for use in the generation of electricity.

36 (g) "Solar grade silicon" means high-purity silicon used
37 exclusively in components of solar energy systems using photovoltaic

1 modules to capture direct sunlight. "Solar grade silicon" does not
2 include silicon used in semiconductors.

3 (h) "Stirling converter" means a device that produces electricity
4 by converting heat from a solar source utilizing a stirling engine.

5 (i) "Thin film solar devices" means a nonparticipating substrate on
6 which various semiconducting materials are deposited to produce a
7 photovoltaic cell that is used to generate electricity.

8 (5) A person reporting under the tax rate provided in this section
9 must file a complete annual (~~(survey)~~) report with the department under
10 (~~(RCW 82.32.585)~~) section 201 of this act.

11 (6) This section expires June 30, 2017.

12 **Sec. 221.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to
13 read as follows:

14 (1) The tax imposed by RCW 82.04.240(2) does not apply to any
15 person in respect to the manufacturing of semiconductor microchips.

16 (2) For the purposes of this section:

17 (a) "Manufacturing semiconductor microchips" means taking raw
18 polished semiconductor wafers and embedding integrated circuits on the
19 wafers using processes such as masking, etching, and diffusion; and

20 (b) "Integrated circuit" means a set of microminiaturized,
21 electronic circuits.

22 (3) A person reporting under the tax rate provided in this section
23 must file a complete annual report with the department under (~~(RCW~~
24 ~~82.32.534)~~) section 201 of this act.

25 (4) This section expires nine years after the effective date of
26 this act.

27 **Sec. 222.** RCW 82.04.4266 and 2012 2nd sp.s. c 6 s 201 are each
28 amended to read as follows:

29 (1) This chapter does not apply to the value of products or the
30 gross proceeds of sales derived from:

31 (a) Manufacturing fruits or vegetables by canning, preserving,
32 freezing, processing, or dehydrating fresh fruits or vegetables; or

33 (b) Selling at wholesale fruits or vegetables manufactured by the
34 seller by canning, preserving, freezing, processing, or dehydrating
35 fresh fruits or vegetables and sold to purchasers who transport in the
36 ordinary course of business the goods out of this state. A person

1 taking an exemption under this subsection (1)(b) must keep and preserve
2 records for the period required by RCW 82.32.070 establishing that the
3 goods were transported by the purchaser in the ordinary course of
4 business out of this state.

5 (2) A person claiming the exemption provided in this section must
6 file a complete annual (~~(survey)~~) report with the department under
7 (~~(RCW 82.32.585)~~) section 201 of this act.

8 (3) This section expires July 1, 2015.

9 **Sec. 223.** RCW 82.04.4268 and 2013 2nd sp.s. c 13 s 204 are each
10 amended to read as follows:

11 (1) In computing tax there may be deducted from the measure of tax,
12 the value of products or the gross proceeds of sales derived from:

- 13 (a) Manufacturing dairy products; or
- 14 (b) Selling dairy products manufactured by the seller to purchasers
15 who either transport in the ordinary course of business the goods out
16 of this state or purchasers who use such dairy products as an
17 ingredient or component in the manufacturing of a dairy product. A
18 person taking an exemption under this subsection (1)(b) must keep and
19 preserve records for the period required by RCW 82.32.070 establishing
20 that the goods were transported by the purchaser in the ordinary course
21 of business out of this state or sold to a manufacturer for use as an
22 ingredient or component in the manufacturing of a dairy product.

23 (2) "Dairy products" has the same meaning as provided in RCW
24 82.04.260.

25 (3) A person claiming the exemption provided in this section must
26 file a complete annual (~~(survey)~~) report with the department under
27 (~~(RCW 82.32.585)~~) section 201 of this act.

28 (4) This section expires July 1, 2015.

29 **Sec. 224.** RCW 82.04.4269 and 2012 2nd sp.s. c 6 s 203 are each
30 amended to read as follows:

31 (1) This chapter does not apply to the value of products or the
32 gross proceeds of sales derived from:

- 33 (a) Manufacturing seafood products that remain in a raw, raw
34 frozen, or raw salted state at the completion of the manufacturing by
35 that person; or

1 (b) Selling manufactured seafood products that remain in a raw, raw
2 frozen, or raw salted state to purchasers who transport in the ordinary
3 course of business the goods out of this state. A person taking an
4 exemption under this subsection (1)(b) must keep and preserve records
5 for the period required by RCW 82.32.070 establishing that the goods
6 were transported by the purchaser in the ordinary course of business
7 out of this state.

8 (2) A person claiming the exemption provided in this section must
9 file a complete annual ((survey)) report with the department under
10 ((RCW 82.32.585)) section 201 of this act.

11 (3) This section expires July 1, 2015.

12 **Sec. 225.** RCW 82.04.4277 and 2011 1st sp.s. c 19 s 1 are each
13 amended to read as follows:

14 (1) A health or social welfare organization may deduct from the
15 measure of tax amounts received as compensation for providing mental
16 health services under a government-funded program.

17 (2) A regional support network may deduct from the measure of tax
18 amounts received from the state of Washington for distribution to a
19 health or social welfare organization that is eligible to deduct the
20 distribution under subsection (1) of this section.

21 (3) A person claiming a deduction under this section must file a
22 complete annual report with the department under ((RCW 82.32.534))
23 section 201 of this act.

24 (4) The definitions in this subsection apply to this section.

25 (a) "Health or social welfare organization" has the meaning
26 provided in RCW 82.04.431.

27 (b) "Mental health services" and "regional support network" have
28 the meanings provided in RCW 71.24.025.

29 (5) This section expires August 1, 2016.

30 **Sec. 226.** RCW 82.04.4452 and 2010 c 114 s 114 are each amended to
31 read as follows:

32 (1) In computing the tax imposed under this chapter, a credit is
33 allowed for each person whose research and development spending during
34 the year in which the credit is claimed exceeds 0.92 percent of the
35 person's taxable amount during the same calendar year.

36 (2) The credit is calculated as follows:

1 (a) Determine the greater of the amount of qualified research and
2 development expenditures of a person or eighty percent of amounts
3 received by a person other than a public educational or research
4 institution in compensation for the conduct of qualified research and
5 development;

6 (b) Subtract 0.92 percent of the person's taxable amount from the
7 amount determined under (a) of this subsection;

8 (c) Multiply the amount determined under (b) of this subsection by
9 the following:

10 (i) For the period June 10, 2004, through December 31, 2006, the
11 person's average tax rate for the calendar year for which the credit is
12 claimed;

13 (ii) For the calendar year ending December 31, 2007, the greater of
14 the person's average tax rate for that calendar year or 0.75 percent;

15 (iii) For the calendar year ending December 31, 2008, the greater
16 of the person's average tax rate for that calendar year or 1.0 percent;

17 (iv) For the calendar year ending December 31, 2009, the greater of
18 the person's average tax rate for that calendar year or 1.25 percent;

19 (v) For the calendar year ending December 31, 2010, and thereafter,
20 1.50 percent.

21 For purposes of calculating the credit, if a person's reporting
22 period is less than annual, the person may use an estimated average tax
23 rate for the calendar year for which the credit is claimed by using the
24 person's average tax rate for each reporting period. A person who uses
25 an estimated average tax rate must make an adjustment to the total
26 credit claimed for the calendar year using the person's actual average
27 tax rate for the calendar year when the person files its last return
28 for the calendar year for which the credit is claimed.

29 (3) Any person entitled to the credit provided in subsection (2) of
30 this section as a result of qualified research and development
31 conducted under contract may assign all or any portion of the credit to
32 the person contracting for the performance of the qualified research
33 and development.

34 (4) The credit, including any credit assigned to a person under
35 subsection (3) of this section, must be claimed against taxes due for
36 the same calendar year in which the qualified research and development
37 expenditures are incurred. The credit, including any credit assigned

1 to a person under subsection (3) of this section, for each calendar
2 year may not exceed the lesser of two million dollars or the amount of
3 tax otherwise due under this chapter for the calendar year.

4 (5) For any person claiming the credit, including any credit
5 assigned to a person under subsection (3) of this section, whose
6 research and development spending during the calendar year in which the
7 credit is claimed fails to exceed 0.92 percent of the person's taxable
8 amount during the same calendar year or who is otherwise ineligible,
9 the department must declare the taxes against which the credit was
10 claimed to be immediately due and payable. The department must assess
11 interest, but not penalties, on the taxes against which the credit was
12 claimed. Interest must be assessed at the rate provided for delinquent
13 excise taxes under chapter 82.32 RCW, retroactively to the date the
14 credit was claimed, and accrues until the taxes against which the
15 credit was claimed are repaid. Any credit assigned to a person under
16 subsection (3) of this section that is disallowed as a result of this
17 section may be claimed by the person who performed the qualified
18 research and development subject to the limitations set forth in
19 subsection (4) of this section.

20 (6) A person claiming the credit provided in this section must file
21 a complete annual ((survey)) report with the department under ((RCW
22 82.32.585)) section 201 of this act.

23 (7) For the purpose of this section:

24 (a) "Average tax rate" means a person's total tax liability under
25 this chapter for the calendar year for which the credit is claimed
26 divided by the taxpayer's total taxable amount under this chapter for
27 the calendar year for which the credit is claimed.

28 (b) "Qualified research and development expenditures" means
29 operating expenses, including wages, compensation of a proprietor or a
30 partner in a partnership as determined under rules adopted by the
31 department, benefits, supplies, and computer expenses, directly
32 incurred in qualified research and development by a person claiming the
33 credit provided in this section. The term does not include amounts
34 paid to a person other than a public educational or research
35 institution to conduct qualified research and development. Nor does
36 the term include capital costs and overhead, such as expenses for land,
37 structures, or depreciable property.

1 (c) "Qualified research and development" shall have the same
2 meaning as in RCW 82.63.010.

3 (d) "Research and development spending" means qualified research
4 and development expenditures plus eighty percent of amounts paid to a
5 person other than a public educational or research institution to
6 conduct qualified research and development.

7 (e) "Taxable amount" means the taxable amount subject to the tax
8 imposed in this chapter required to be reported on the person's
9 combined excise tax returns for the calendar year for which the credit
10 is claimed, less any taxable amount for which a credit is allowed under
11 RCW 82.04.440.

12 (8) This section expires January 1, 2015.

13 **Sec. 227.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to
14 read as follows:

15 (1)(a)(i) In computing the tax imposed under this chapter, a credit
16 is allowed for each person for qualified aerospace product development.
17 For a person who is a manufacturer or processor for hire of commercial
18 airplanes or components of such airplanes, credit may be earned for
19 expenditures occurring after December 1, 2003. For all other persons,
20 credit may be earned only for expenditures occurring after June 30,
21 2008.

22 (ii) For purposes of this subsection, "commercial airplane" and
23 "component" have the same meanings as provided in RCW 82.32.550.

24 (b) Before July 1, 2005, any credits earned under this section must
25 be accrued and carried forward and may not be used until July 1, 2005.
26 These carryover credits may be used at any time thereafter, and may be
27 carried over until used. Refunds may not be granted in the place of a
28 credit.

29 (2) The credit is equal to the amount of qualified aerospace
30 product development expenditures of a person, multiplied by the rate of
31 1.5 percent.

32 (3) Except as provided in subsection (1)(b) of this section the
33 credit must be claimed against taxes due for the same calendar year in
34 which the qualified aerospace product development expenditures are
35 incurred. Credit earned on or after July 1, 2005, may not be carried
36 over. The credit for each calendar year may not exceed the amount of

1 tax otherwise due under this chapter for the calendar year. Refunds
2 may not be granted in the place of a credit.

3 (4) Any person claiming the credit must file a form prescribed by
4 the department that must include the amount of the credit claimed, an
5 estimate of the anticipated aerospace product development expenditures
6 during the calendar year for which the credit is claimed, an estimate
7 of the taxable amount during the calendar year for which the credit is
8 claimed, and such additional information as the department may
9 prescribe.

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

12 (a) "Aerospace product" has the meaning given in RCW 82.08.975.

13 (b) "Aerospace product development" means research, design, and
14 engineering activities performed in relation to the development of an
15 aerospace product or of a product line, model, or model derivative of
16 an aerospace product, including prototype development, testing, and
17 certification. The term includes the discovery of technological
18 information, the translating of technological information into new or
19 improved products, processes, techniques, formulas, or inventions, and
20 the adaptation of existing products and models into new products or new
21 models, or derivatives of products or models. The term does not
22 include manufacturing activities or other production-oriented
23 activities, however the term does include tool design and engineering
24 design for the manufacturing process. The term does not include
25 surveys and studies, social science and humanities research, market
26 research or testing, quality control, sale promotion and service,
27 computer software developed for internal use, and research in areas
28 such as improved style, taste, and seasonal design.

29 (c) "Qualified aerospace product development" means aerospace
30 product development performed within this state.

31 (d) "Qualified aerospace product development expenditures" means
32 operating expenses, including wages, compensation of a proprietor or a
33 partner in a partnership as determined by the department, benefits,
34 supplies, and computer expenses, directly incurred in qualified
35 aerospace product development by a person claiming the credit provided
36 in this section. The term does not include amounts paid to a person or
37 to the state and any of its departments and institutions, other than a
38 public educational or research institution to conduct qualified

1 aerospace product development. The term does not include capital costs
2 and overhead, such as expenses for land, structures, or depreciable
3 property.

4 (e) "Taxable amount" means the taxable amount subject to the tax
5 imposed in this chapter required to be reported on the person's tax
6 returns during the year in which the credit is claimed, less any
7 taxable amount for which a credit is allowed under RCW 82.04.440.

8 (6) In addition to all other requirements under this title, a
9 person claiming the credit under this section must file a complete
10 annual report with the department under (~~RCW 82.32.534~~) section 201
11 of this act.

12 (7) Credit may not be claimed for expenditures for which a credit
13 is claimed under RCW 82.04.4452.

14 (8) This section expires July 1, 2024.

15 **Sec. 228.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each
16 amended to read as follows:

17 (1)(a)(i) In computing the tax imposed under this chapter, a credit
18 is allowed for each person for qualified aerospace product development.
19 For a person who is a manufacturer or processor for hire of commercial
20 airplanes or components of such airplanes, credit may be earned for
21 expenditures occurring after December 1, 2003. For all other persons,
22 credit may be earned only for expenditures occurring after June 30,
23 2008.

24 (ii) For purposes of this subsection, "commercial airplane" and
25 "component" have the same meanings as provided in RCW 82.32.550.

26 (b) Before July 1, 2005, any credits earned under this section must
27 be accrued and carried forward and may not be used until July 1, 2005.
28 These carryover credits may be used at any time thereafter, and may be
29 carried over until used. Refunds may not be granted in the place of a
30 credit.

31 (2) The credit is equal to the amount of qualified aerospace
32 product development expenditures of a person, multiplied by the rate of
33 1.5 percent.

34 (3) Except as provided in subsection (1)(b) of this section the
35 credit must be claimed against taxes due for the same calendar year in
36 which the qualified aerospace product development expenditures are
37 incurred. Credit earned on or after July 1, 2005, may not be carried

1 over. The credit for each calendar year may not exceed the amount of
2 tax otherwise due under this chapter for the calendar year. Refunds
3 may not be granted in the place of a credit.

4 (4) Any person claiming the credit must file a form prescribed by
5 the department that must include the amount of the credit claimed, an
6 estimate of the anticipated aerospace product development expenditures
7 during the calendar year for which the credit is claimed, an estimate
8 of the taxable amount during the calendar year for which the credit is
9 claimed, and such additional information as the department may
10 prescribe.

11 (5) The definitions in this subsection apply throughout this
12 section.

13 (a) "Aerospace product" has the meaning given in RCW 82.08.975.

14 (b) "Aerospace product development" means research, design, and
15 engineering activities performed in relation to the development of an
16 aerospace product or of a product line, model, or model derivative of
17 an aerospace product, including prototype development, testing, and
18 certification. The term includes the discovery of technological
19 information, the translating of technological information into new or
20 improved products, processes, techniques, formulas, or inventions, and
21 the adaptation of existing products and models into new products or new
22 models, or derivatives of products or models. The term does not
23 include manufacturing activities or other production-oriented
24 activities, however the term does include tool design and engineering
25 design for the manufacturing process. The term does not include
26 surveys and studies, social science and humanities research, market
27 research or testing, quality control, sale promotion and service,
28 computer software developed for internal use, and research in areas
29 such as improved style, taste, and seasonal design.

30 (c) "Qualified aerospace product development" means aerospace
31 product development performed within this state.

32 (d) "Qualified aerospace product development expenditures" means
33 operating expenses, including wages, compensation of a proprietor or a
34 partner in a partnership as determined by the department, benefits,
35 supplies, and computer expenses, directly incurred in qualified
36 aerospace product development by a person claiming the credit provided
37 in this section. The term does not include amounts paid to a person or
38 to the state and any of its departments and institutions, other than a

1 public educational or research institution to conduct qualified
2 aerospace product development. The term does not include capital costs
3 and overhead, such as expenses for land, structures, or depreciable
4 property.

5 (e) "Taxable amount" means the taxable amount subject to the tax
6 imposed in this chapter required to be reported on the person's tax
7 returns during the year in which the credit is claimed, less any
8 taxable amount for which a credit is allowed under RCW 82.04.440.

9 (6) In addition to all other requirements under this title, a
10 person claiming the credit under this section must file a complete
11 annual report with the department under (~~RCW 82.32.534~~) section 201
12 of this act.

13 (7) Credit may not be claimed for expenditures for which a credit
14 is claimed under RCW 82.04.4452.

15 (8) This section expires July 1, 2040.

16 **Sec. 229.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each
17 amended to read as follows:

18 (1) In computing the tax imposed under this chapter, a credit is
19 allowed for property taxes and leasehold excise taxes paid during the
20 calendar year.

21 (2) The credit is equal to:

22 (a)(i)(A) Property taxes paid on buildings, and land upon which the
23 buildings are located, constructed after December 1, 2003, and used
24 exclusively in manufacturing commercial airplanes or components of such
25 airplanes; and

26 (B) Leasehold excise taxes paid with respect to buildings
27 constructed after January 1, 2006, the land upon which the buildings
28 are located, or both, if the buildings are used exclusively in
29 manufacturing commercial airplanes or components of such airplanes; and

30 (C) Property taxes or leasehold excise taxes paid on, or with
31 respect to, buildings constructed after June 30, 2008, the land upon
32 which the buildings are located, or both, and used exclusively for
33 aerospace product development, manufacturing tooling specifically
34 designed for use in manufacturing commercial airplanes or their
35 components, or in providing aerospace services, by persons not within
36 the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable
37 under RCW 82.04.290(3), 82.04.260(~~(+10)~~) (11)(b), or 82.04.250(3); or

1 (ii) Property taxes attributable to an increase in assessed value
2 due to the renovation or expansion, after: (A) December 1, 2003, of a
3 building used exclusively in manufacturing commercial airplanes or
4 components of such airplanes; and (B) June 30, 2008, of buildings used
5 exclusively for aerospace product development, manufacturing tooling
6 specifically designed for use in manufacturing commercial airplanes or
7 their components, or in providing aerospace services, by persons not
8 within the scope of (a)(ii)(A) of this subsection (2) and are taxable
9 under RCW 82.04.290(3), 82.04.260(~~(+10+)~~) (11)(b), or 82.04.250(3); and

10 (b) An amount equal to:

11 (i)(A) Property taxes paid, by persons taxable under RCW
12 82.04.260(~~(+10+)~~) (11)(a), on machinery and equipment exempt under RCW
13 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

14 (B) Property taxes paid, by persons taxable under RCW
15 82.04.260(~~(+10+)~~) (11)(b), on machinery and equipment exempt under RCW
16 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

17 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)
18 or 82.04.290(3), on computer hardware, computer peripherals, and
19 software exempt under RCW 82.08.975 or 82.12.975 and acquired after
20 June 30, 2008.

21 (ii) For purposes of determining the amount eligible for credit
22 under (i)(A) and (B) of this subsection (2)(b), the amount of property
23 taxes paid is multiplied by a fraction.

24 (A) The numerator of the fraction is the total taxable amount
25 subject to the tax imposed under RCW 82.04.260(~~(+10+)~~) (11) (a) or (b)
26 on the applicable business activities of manufacturing commercial
27 airplanes, components of such airplanes, or tooling specifically
28 designed for use in the manufacturing of commercial airplanes or
29 components of such airplanes.

30 (B) The denominator of the fraction is the total taxable amount
31 subject to the tax imposed under all manufacturing classifications in
32 chapter 82.04 RCW.

33 (C) For purposes of both the numerator and denominator of the
34 fraction, the total taxable amount refers to the total taxable amount
35 required to be reported on the person's returns for the calendar year
36 before the calendar year in which the credit under this section is
37 earned. The department may provide for an alternative method for
38 calculating the numerator in cases where the tax rate provided in RCW

1 82.04.260(~~(+10)~~) (11) for manufacturing was not in effect during the
2 full calendar year before the calendar year in which the credit under
3 this section is earned.

4 (D) No credit is available under (b)(i)(A) or (B) of this
5 subsection (2) if either the numerator or the denominator of the
6 fraction is zero. If the fraction is greater than or equal to nine-
7 tenths, then the fraction is rounded to one.

8 (E) As used in (b)(ii)(C) of this subsection (2), "returns" means
9 the tax returns for which the tax imposed under this chapter is
10 reported to the department.

11 (3) The definitions in this subsection apply throughout this
12 section, unless the context clearly indicates otherwise.

13 (a) "Aerospace product development" has the same meaning as
14 provided in RCW 82.04.4461.

15 (b) "Aerospace services" has the same meaning given in RCW
16 82.08.975.

17 (c) "Commercial airplane" and "component" have the same meanings as
18 provided in RCW 82.32.550.

19 (4) A credit earned during one calendar year may be carried over to
20 be credited against taxes incurred in a subsequent calendar year, but
21 may not be carried over a second year. No refunds may be granted for
22 credits under this section.

23 (5) In addition to all other requirements under this title, a
24 person claiming the credit under this section must file a complete
25 annual report with the department under (~~RCW 82.32.534~~) section 201
26 of this act.

27 (6) This section expires July 1, 2024.

28 **Sec. 230.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each
29 amended to read as follows:

30 (1) In computing the tax imposed under this chapter, a credit is
31 allowed for property taxes and leasehold excise taxes paid during the
32 calendar year.

33 (2) The credit is equal to:

34 (a)(i)(A) Property taxes paid on buildings, and land upon which the
35 buildings are located, constructed after December 1, 2003, and used
36 exclusively in manufacturing commercial airplanes or components of such
37 airplanes; and

1 (B) Leasehold excise taxes paid with respect to buildings
2 constructed after January 1, 2006, the land upon which the buildings
3 are located, or both, if the buildings are used exclusively in
4 manufacturing commercial airplanes or components of such airplanes; and

5 (C) Property taxes or leasehold excise taxes paid on, or with
6 respect to, buildings constructed after June 30, 2008, the land upon
7 which the buildings are located, or both, and used exclusively for
8 aerospace product development, manufacturing tooling specifically
9 designed for use in manufacturing commercial airplanes or their
10 components, or in providing aerospace services, by persons not within
11 the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable
12 under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); or

13 (ii) Property taxes attributable to an increase in assessed value
14 due to the renovation or expansion, after: (A) December 1, 2003, of a
15 building used exclusively in manufacturing commercial airplanes or
16 components of such airplanes; and (B) June 30, 2008, of buildings used
17 exclusively for aerospace product development, manufacturing tooling
18 specifically designed for use in manufacturing commercial airplanes or
19 their components, or in providing aerospace services, by persons not
20 within the scope of (a)(ii)(A) of this subsection (2) and are taxable
21 under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); and

22 (b) An amount equal to:

23 (i)(A) Property taxes paid, by persons taxable under RCW
24 82.04.260(11)(a), on machinery and equipment exempt under RCW
25 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

26 (B) Property taxes paid, by persons taxable under RCW
27 82.04.260(11)(b), on machinery and equipment exempt under RCW
28 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

29 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)
30 or 82.04.290(3), on computer hardware, computer peripherals, and
31 software exempt under RCW 82.08.975 or 82.12.975 and acquired after
32 June 30, 2008.

33 (ii) For purposes of determining the amount eligible for credit
34 under (i)(A) and (B) of this subsection (2)(b), the amount of property
35 taxes paid is multiplied by a fraction.

36 (A) The numerator of the fraction is the total taxable amount
37 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the
38 applicable business activities of manufacturing commercial airplanes,

1 components of such airplanes, or tooling specifically designed for use
2 in the manufacturing of commercial airplanes or components of such
3 airplanes.

4 (B) The denominator of the fraction is the total taxable amount
5 subject to the tax imposed under all manufacturing classifications in
6 chapter 82.04 RCW.

7 (C) For purposes of both the numerator and denominator of the
8 fraction, the total taxable amount refers to the total taxable amount
9 required to be reported on the person's returns for the calendar year
10 before the calendar year in which the credit under this section is
11 earned. The department may provide for an alternative method for
12 calculating the numerator in cases where the tax rate provided in RCW
13 82.04.260(11) for manufacturing was not in effect during the full
14 calendar year before the calendar year in which the credit under this
15 section is earned.

16 (D) No credit is available under (b)(i)(A) or (B) of this
17 subsection (2) if either the numerator or the denominator of the
18 fraction is zero. If the fraction is greater than or equal to nine-
19 tenths, then the fraction is rounded to one.

20 (E) As used in (b)(ii)(C) of this subsection (2), "returns" means
21 the tax returns for which the tax imposed under this chapter is
22 reported to the department.

23 (3) The definitions in this subsection apply throughout this
24 section, unless the context clearly indicates otherwise.

25 (a) "Aerospace product development" has the same meaning as
26 provided in RCW 82.04.4461.

27 (b) "Aerospace services" has the same meaning given in RCW
28 82.08.975.

29 (c) "Commercial airplane" and "component" have the same meanings as
30 provided in RCW 82.32.550.

31 (4) A credit earned during one calendar year may be carried over to
32 be credited against taxes incurred in a subsequent calendar year, but
33 may not be carried over a second year. No refunds may be granted for
34 credits under this section.

35 (5) In addition to all other requirements under this title, a
36 person claiming the credit under this section must file a complete
37 annual report with the department under (~~RCW 82.32.534~~) section 201
38 of this act.

1 (6) This section expires July 1, 2040.

2 **Sec. 231.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to
3 read as follows:

4 (1) Subject to the limits and provisions of this section, a credit
5 is authorized against the tax otherwise due under RCW 82.04.240(2) for
6 persons engaged in the business of manufacturing semiconductor
7 materials. For the purposes of this section "semiconductor materials"
8 has the same meaning as provided in RCW 82.04.240(2).

9 (2)(a) The credit under this section equals three thousand dollars
10 for each employment position used in manufacturing production that
11 takes place in a new building exempt from sales and use tax under RCW
12 82.08.965 and 82.12.965. A credit is earned for the calendar year a
13 person fills a position. Additionally a credit is earned for each year
14 the position is maintained over the subsequent consecutive years, up to
15 eight years. Those positions that are not filled for the entire year
16 are eligible for fifty percent of the credit if filled less than six
17 months, and the entire credit if filled more than six months.

18 (b) To qualify for the credit, the manufacturing activity of the
19 person must be conducted at a new building that qualifies for the
20 exemption from sales and use tax under RCW 82.08.965 and 82.12.965.

21 (c) In those situations where a production building in existence on
22 the effective date of this section will be phased out of operation,
23 during which time employment at the new building at the same site is
24 increased, the person is eligible for credit for employment at the
25 existing building and new building, with the limitation that the
26 combined eligible employment not exceed full employment at the new
27 building. "Full employment" has the same meaning as in RCW 82.08.965.
28 The credit may not be earned until the commencement of commercial
29 production, as that term is used in RCW 82.08.965.

30 (3) No application is necessary for the tax credit. The person is
31 subject to all of the requirements of chapter 82.32 RCW. In no case
32 may a credit earned during one calendar year be carried over to be
33 credited against taxes incurred in a subsequent calendar year. No
34 refunds may be granted for credits under this section.

35 (4) If at any time the department finds that a person is not
36 eligible for tax credit under this section, the amount of taxes for
37 which a credit has been claimed is immediately due. The department

1 must assess interest, but not penalties, on the taxes for which the
2 person is not eligible. The interest must be assessed at the rate
3 provided for delinquent excise taxes under chapter 82.32 RCW, is
4 retroactive to the date the tax credit was taken, and accrues until the
5 taxes for which a credit has been used are repaid.

6 (5) A person claiming the credit under this section must file a
7 complete annual report with the department under (~~RCW 82.32.534~~)
8 section 201 of this act.

9 (6) Credits may be claimed after twelve years after the effective
10 date of this act, for those buildings at which commercial production
11 began before twelve years after the effective date of this act, subject
12 to all of the eligibility criteria and limitations of this section.

13 (7) This section expires twelve years after the effective date of
14 this act.

15 **Sec. 232.** RCW 82.04.4481 and 2011 c 174 s 302 are each amended to
16 read as follows:

17 (1) In computing the tax imposed under this chapter, a credit is
18 allowed for all property taxes paid during the calendar year on
19 property owned by a direct service industrial customer and reasonably
20 necessary for the purposes of an aluminum smelter.

21 (2) A person claiming the credit under this section is subject to
22 all the requirements of chapter 82.32 RCW. A credit earned during one
23 calendar year may be carried over to be credited against taxes incurred
24 in the subsequent calendar year, but may not be carried over a second
25 year. Credits carried over must be applied to tax liability before new
26 credits. No refunds may be granted for credits under this section.

27 (3) Credits may not be claimed under this section for property
28 taxes levied for collection in 2017 and thereafter.

29 (4) A person claiming the credit provided in this section must file
30 a complete annual report with the department under (~~RCW 82.32.534~~)
31 section 201 of this act.

32 **Sec. 233.** RCW 82.04.4483 and 2010 c 114 s 119 are each amended to
33 read as follows:

34 (1) Subject to the limits and provisions of this section, a credit
35 is authorized against the tax otherwise due under this chapter for

1 persons engaged in a rural county in the business of manufacturing
2 computer software or programming, as those terms are defined in this
3 section.

4 (2) A person who partially or totally relocates a business from one
5 rural county to another rural county is eligible for any new qualifying
6 employment positions created as a result of the relocation but is not
7 eligible to receive credit for the jobs moved from one county to the
8 other.

9 (3)(a) To qualify for the credit, the qualifying activity of the
10 person must be conducted in a rural county and the new qualified
11 employment position must be located in the rural county.

12 (b) If an activity is conducted both from a rural county and
13 outside of a rural county, the credit is available if at least ninety
14 percent of the qualifying activity is conducted within a rural county.
15 If the qualifying activity is a service taxable activity, the place
16 where the work is performed is the place at which the activity is
17 conducted.

18 (4)(a) The credit under this section (~~shall~~) equals one thousand
19 dollars for each new qualified employment position created after
20 January 1, 2004, in an eligible area. A credit is earned for the
21 calendar year the person is hired to fill the position. Additionally
22 a credit is earned for each year the position is maintained over the
23 subsequent consecutive years, up to four years. The county must meet
24 the definition of a rural county at the time the position is filled.
25 If the county does not have a rural county status the following year or
26 years, the position is still eligible for the remaining years if all
27 other conditions are met.

28 (b) Participants who claimed credit under RCW 82.04.4456 for
29 qualified employment positions created before December 31, 2003, are
30 eligible to earn credit for each year the position is maintained over
31 the subsequent consecutive years, for up to four years, which four
32 years include any years claimed under RCW 82.04.4456. Those persons
33 who did not receive a credit under RCW 82.04.4456 before December 31,
34 2003, are not eligible to earn credit for qualified employment
35 positions created before December 31, 2003.

36 (c) Credit is authorized for new employees hired for new qualified
37 employment positions created on or after January 1, 2004. New
38 qualified employment positions filled by existing employees are

1 eligible for the credit under this section only if the position vacated
2 by the existing employee is filled by a new hire. A business that is
3 a sole proprietorship without any employees is equivalent to one
4 employee position and this type of business is eligible to receive
5 credit for one position.

6 (d) If a position is filled before July 1st, the position is
7 eligible for the full yearly credit for that calendar year. If it is
8 filled after June 30th, the position is eligible for half of the credit
9 for that calendar year.

10 (5) No application is necessary for the tax credit. The person
11 must keep records necessary for the department to verify eligibility
12 under this section. This information includes information relating to
13 description of qualifying activity conducted in the rural county and
14 outside the rural county by the person as well as detailed records on
15 positions and employees.

16 (6) If at any time the department finds that a person is not
17 eligible for tax credit under this section, the amount of taxes for
18 which a credit has been claimed is immediately due. The department
19 must assess interest, but not penalties, on the taxes for which the
20 person is not eligible. The interest must be assessed at the rate
21 provided for delinquent excise taxes under chapter 82.32 RCW, applies
22 retroactively to the date the tax credit was taken, and accrues until
23 the taxes for which a credit has been used are repaid.

24 (7) The credit under this section may be used against any tax due
25 under this chapter, but in no case may a credit earned during one
26 calendar year be carried over to be credited against taxes incurred in
27 a subsequent calendar year. A person is not eligible to receive a
28 credit under this section if the person is receiving credit for the
29 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking
30 a credit under this chapter for information technology help desk
31 services conducted from a rural county. No refunds may be granted for
32 credits under this section.

33 (8) Transfer of ownership does not affect credit eligibility.
34 However, the successive credits are available to the successor for
35 remaining periods in the five years only if the eligibility conditions
36 of this section are met.

37 (9) A person claiming a tax credit under this section must file a

1 complete annual ((survey)) report with the department under ((RCW
2 ~~82.32.585~~) section 201 of this act.

3 (10) As used in this section:

4 (a) "Computer software" has the meaning as defined in RCW 82.04.215
5 after June 30, 2004, and includes "software" as defined in RCW
6 82.04.215 before July 1, 2004.

7 (b) "Manufacturing" means the same as "to manufacture" under RCW
8 82.04.120. Manufacturing includes the activities of both manufacturers
9 and processors for hire.

10 (c) "Programming" means the activities that involve the creation or
11 modification of computer software, as that term is defined in this
12 chapter, and that are taxable as a service under RCW 82.04.290(2) or as
13 a retail sale under RCW 82.04.050.

14 (d) "Qualifying activity" means manufacturing of computer software
15 or programming.

16 (e) "Qualified employment position" means a permanent full-time
17 position doing programming of computer software or manufacturing of
18 computer software. This excludes administrative, professional,
19 service, executive, and other similar positions. If an employee is
20 either voluntarily or involuntarily separated from employment, the
21 employment position is considered filled on a full-time basis if the
22 employer is either training or actively recruiting a replacement
23 employee. Full-time means a position for at least thirty-five hours a
24 week.

25 (f) "Rural county" means the same as in RCW 82.14.370.

26 (11) No credit may be taken or accrued under this section on or
27 after January 1, 2011.

28 **Sec. 234.** RCW 82.04.449 and 2012 c 46 s 3 are each amended to read
29 as follows:

30 (1) In computing the tax imposed under this chapter, a credit is
31 allowed for participants in the Washington customized employment
32 training program created in RCW 28B.67.020. The credit allowed under
33 this section is equal to fifty percent of the value of a participant's
34 payments to the employment training finance account created in RCW
35 28B.67.030. If a participant in the program does not meet the
36 requirements of RCW 28B.67.020(2)(b)(ii), the participant must remit to
37 the department the value of any credits taken plus interest. The

1 credit earned by a participant in one calendar year may be carried over
2 to be credited against taxes incurred in a subsequent calendar year.
3 No credit may be allowed for repayment of training allowances received
4 from the Washington customized employment training program on or after
5 July 1, 2021.

6 (2) A person claiming the credit provided in this section must file
7 a complete annual ((survey)) report with the department under ((RCW
8 ~~82.32.585~~) section 201 of this act).

9 **Sec. 235.** RCW 82.08.805 and 2011 c 174 s 303 are each amended to
10 read as follows:

11 (1) A person who has paid tax under RCW 82.08.020 for personal
12 property used at an aluminum smelter, tangible personal property that
13 will be incorporated as an ingredient or component of buildings or
14 other structures at an aluminum smelter, or for labor and services
15 rendered with respect to such buildings, structures, or personal
16 property, is eligible for an exemption from the state share of the tax
17 in the form of a credit, as provided in this section. A person
18 claiming an exemption must pay the tax and may then take a credit equal
19 to the state share of retail sales tax paid under RCW 82.08.020. The
20 person must submit information, in a form and manner prescribed by the
21 department, specifying the amount of qualifying purchases or
22 acquisitions for which the exemption is claimed and the amount of
23 exempted tax.

24 (2) For the purposes of this section, "aluminum smelter" has the
25 same meaning as provided in RCW 82.04.217.

26 (3) A person claiming the tax preference provided in this section
27 must file a complete annual report with the department under ((RCW
28 ~~82.32.534~~) section 201 of this act).

29 (4) Credits may not be claimed under this section for taxable
30 events occurring on or after January 1, 2017.

31 **Sec. 236.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to
32 read as follows:

33 (1) The tax levied by RCW 82.08.020 does not apply to charges made
34 for labor and services rendered in respect to the constructing of new
35 buildings used for the manufacturing of semiconductor materials, to
36 sales of tangible personal property that will be incorporated as an

1 ingredient or component of such buildings during the course of the
2 constructing, or to labor and services rendered in respect to
3 installing, during the course of constructing, building fixtures not
4 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The
5 exemption is available only when the buyer provides the seller with an
6 exemption certificate in a form and manner prescribed by the
7 department. The seller must retain a copy of the certificate for the
8 seller's files.

9 (2) To be eligible under this section the manufacturer or processor
10 for hire must meet the following requirements for an eight-year period,
11 such period beginning the day the new building commences commercial
12 production, or a portion of tax otherwise due will be immediately due
13 and payable pursuant to subsection (3) of this section:

14 (a) The manufacturer or processor for hire must maintain at least
15 seventy-five percent of full employment at the new building for which
16 the exemption under this section is claimed.

17 (b) Before commencing commercial production at a new facility the
18 manufacturer or processor for hire must meet with the department to
19 review projected employment levels in the new buildings. The
20 department, using information provided by the taxpayer, must make a
21 determination of the number of positions that would be filled at full
22 employment. This number must be used throughout the eight-year period
23 to determine whether any tax is to be repaid. This information is not
24 subject to the confidentiality provisions of RCW 82.32.330 and may be
25 disclosed to the public upon request.

26 (c) In those situations where a production building in existence on
27 the effective date of this section will be phased out of operation
28 during which time employment at the new building at the same site is
29 increased, the manufacturer or processor for hire must maintain
30 seventy-five percent of full employment at the manufacturing site
31 overall.

32 (d) No application is necessary for the tax exemption. The person
33 is subject to all the requirements of chapter 82.32 RCW. A person
34 claiming the exemption under this section must file a complete annual
35 report with the department under ((RCW 82.32.534)) section 201 of this
36 act.

37 (3) If the employment requirement is not met for any one calendar
38 year, one-eighth of the exempt sales and use taxes will be due and

1 payable by April 1st of the following year. The department must assess
2 interest to the date the tax was imposed, but not penalties, on the
3 taxes for which the person is not eligible.

4 (4) The exemption applies to new buildings, or parts of buildings,
5 that are used exclusively in the manufacturing of semiconductor
6 materials, including the storage of raw materials and finished product.

7 (5) For the purposes of this section:

8 (a) "Commencement of commercial production" is deemed to have
9 occurred when the equipment and process qualifications in the new
10 building are completed and production for sale has begun; and

11 (b) "Full employment" is the number of positions required for full
12 capacity production at the new building, for positions such as line
13 workers, engineers, and technicians.

14 (c) "Semiconductor materials" has the same meaning as provided in
15 RCW 82.04.240(2).

16 (6) No exemption may be taken after twelve years after the
17 effective date of this act, however all of the eligibility criteria and
18 limitations are applicable to any exemptions claimed before that date.

19 (7) This section expires twelve years after the effective date of
20 this act.

21 **Sec. 237.** RCW 82.08.9651 and 2010 c 114 s 124 are each amended to
22 read as follows:

23 (1) The tax levied by RCW 82.08.020 does not apply to sales of
24 gases and chemicals used by a manufacturer or processor for hire in the
25 production of semiconductor materials. This exemption is limited to
26 gases and chemicals used in the production process to grow the product,
27 deposit or grow permanent or sacrificial layers on the product, to etch
28 or remove material from the product, to anneal the product, to immerse
29 the product, to clean the product, and other such uses whereby the
30 gases and chemicals come into direct contact with the product during
31 the production process, or uses of gases and chemicals to clean the
32 chambers and other like equipment in which such processing takes place.
33 For the purposes of this section, "semiconductor materials" has the
34 meaning provided in RCW 82.04.2404 and 82.04.294(3).

35 (2) A person claiming the exemption under this section must file a
36 complete annual report with the department under ((RCW 82.32.534))

1 section 201 of this act. No application is necessary for the tax
2 exemption. The person is subject to all of the requirements of chapter
3 82.32 RCW.

4 (3) This section expires December 1, 2018.

5 **Sec. 238.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to
6 read as follows:

7 (1) The tax levied by RCW 82.08.020 does not apply to sales of
8 gases and chemicals used by a manufacturer or processor for hire in the
9 manufacturing of semiconductor materials. This exemption is limited to
10 gases and chemicals used in the manufacturing process to grow the
11 product, deposit or grow permanent or sacrificial layers on the
12 product, to etch or remove material from the product, to anneal the
13 product, to immerse the product, to clean the product, and other such
14 uses whereby the gases and chemicals come into direct contact with the
15 product during the manufacturing process, or uses of gases and
16 chemicals to clean the chambers and other like equipment in which such
17 processing takes place. For the purposes of this section,
18 "semiconductor materials" has the same meaning as provided in RCW
19 82.04.240(2).

20 (2) A person claiming the exemption under this section must file a
21 complete annual report with the department under (~~RCW 82.32.534~~)
22 section 201 of this act. No application is necessary for the tax
23 exemption. The person is subject to all of the requirements of chapter
24 82.32 RCW.

25 (3) This section expires twelve years after the effective date of
26 this act.

27 **Sec. 239.** RCW 82.08.980 and 2010 c 114 s 126 are each amended to
28 read as follows:

29 (1) The tax levied by RCW 82.08.020 does not apply to charges made
30 for labor and services rendered in respect to the constructing of new
31 buildings by a manufacturer engaged in the manufacturing of
32 superefficient airplanes or by a port district, to be leased to a
33 manufacturer engaged in the manufacturing of superefficient airplanes,
34 to sales of tangible personal property that will be incorporated as an
35 ingredient or component of such buildings during the course of the
36 constructing, or to labor and services rendered in respect to

1 installing, during the course of constructing, building fixtures not
2 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The
3 exemption is available only when the buyer provides the seller with an
4 exemption certificate in a form and manner prescribed by the
5 department. The seller must retain a copy of the certificate for the
6 seller's files.

7 (2) No application is necessary for the tax exemption in this
8 section, however in order to qualify under this section before starting
9 construction the port district must have entered into an agreement with
10 the manufacturer to build such a facility. A person claiming the
11 exemption under this section is subject to all the requirements of
12 chapter 82.32 RCW. In addition, the person must file a complete annual
13 report with the department under ((RCW 82.32.534)) section 201 of this
14 act.

15 (3) The exemption in this section applies to buildings, or parts of
16 buildings, that are used exclusively in the manufacturing of
17 superefficient airplanes, including buildings used for the storage of
18 raw materials and finished product.

19 (4) For the purposes of this section, "superefficient airplane" has
20 the meaning given in RCW 82.32.550.

21 (5) This section expires July 1, 2024.

22 **Sec. 240.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each
23 amended to read as follows:

24 (1) The tax levied by RCW 82.08.020 does not apply to:

25 (a) Charges, for labor and services rendered in respect to the
26 constructing of new buildings, made to (i) a manufacturer engaged in
27 the manufacturing of commercial airplanes or the fuselages or wings of
28 commercial airplanes or (ii) a port district, political subdivision, or
29 municipal corporation, to be leased to a manufacturer engaged in the
30 manufacturing of commercial airplanes or the fuselages or wings of
31 commercial airplanes;

32 (b) Sales of tangible personal property that will be incorporated
33 as an ingredient or component of such buildings during the course of
34 the constructing; or

35 (c) Charges made for labor and services rendered in respect to
36 installing, during the course of constructing such buildings, building

1 fixtures not otherwise eligible for the exemption under RCW
2 82.08.02565(2)(b).

3 (2) The exemption is available only when the buyer provides the
4 seller with an exemption certificate in a form and manner prescribed by
5 the department. The seller must retain a copy of the certificate for
6 the seller's files.

7 (3) No application is necessary for the tax exemption in this
8 section. However, in order to qualify under this section before
9 starting construction, the port district, political subdivision, or
10 municipal corporation must have entered into an agreement with the
11 manufacturer to build such a facility. A person claiming the exemption
12 under this section is subject to all the requirements of chapter 82.32
13 RCW. In addition, the person must file a complete annual report with
14 the department under (~~RCW 82.32.534~~) section 201 of this act.

15 (4) The exemption in this section applies to buildings or parts of
16 buildings, including buildings or parts of buildings used for the
17 storage of raw materials or finished product, that are used primarily
18 in the manufacturing of any one or more of the following products:

- 19 (a) Commercial airplanes;
- 20 (b) Fuselages of commercial airplanes; or
- 21 (c) Wings of commercial airplanes.

22 (5) For the purposes of this section, "commercial airplane" has the
23 meaning given in RCW 82.32.550.

24 (6) This section expires July 1, 2040.

25 **Sec. 241.** RCW 82.08.986 and 2012 2nd sp.s. c 6 s 302 are each
26 amended to read as follows:

27 (1) An exemption from the tax imposed by RCW 82.08.020 is provided
28 for sales to qualifying businesses and to qualifying tenants of
29 eligible server equipment to be installed, without intervening use, in
30 an eligible computer data center, and to charges made for labor and
31 services rendered in respect to installing eligible server equipment.
32 The exemption also applies to sales to qualifying businesses and to
33 qualifying tenants of eligible power infrastructure, including labor
34 and services rendered in respect to constructing, installing,
35 repairing, altering, or improving eligible power infrastructure.

36 (2)(a) In order to claim the exemption under this section, a
37 qualifying business or a qualifying tenant must submit an application

1 to the department for an exemption certificate. The application must
2 include the information necessary, as required by the department, to
3 determine that a business or tenant qualifies for the exemption under
4 this section. The department must issue exemption certificates to
5 qualifying businesses and qualifying tenants. The department may
6 assign a unique identification number to each exemption certificate
7 issued under this section.

8 (b) A qualifying business or a qualifying tenant claiming the
9 exemption under this section must present the seller with an exemption
10 certificate in a form and manner prescribed by the department. The
11 seller must retain a copy of the certificate for the seller's files.

12 (3)(a) Within six years of the date that the department issued an
13 exemption certificate under this section to a qualifying business or a
14 qualifying tenant with respect to an eligible computer data center, the
15 qualifying business or qualifying tenant must establish that net
16 employment at the eligible computer data center has increased by a
17 minimum of:

- 18 (i) Thirty-five family wage employment positions; or
- 19 (ii) Three family wage employment positions for each twenty
20 thousand square feet of space or less that is newly dedicated to
21 housing working servers at the eligible computer data center. For
22 qualifying tenants, the number of family wage employment positions that
23 must be increased under this subsection (3)(a)(ii) is based only on the
24 space occupied by the qualifying tenant in the eligible computer data
25 center.

26 (b) In calculating the net increase in family wage employment
27 positions:

28 (i) The owner of an eligible computer data center, in addition to
29 its own net increase in family wage employment positions, may include:

30 (A) The net increase in family wage employment positions employed
31 by qualifying tenants; and

32 (B) The net increase in family wage employment positions described
33 in (c)(ii)(B) of this subsection (3).

34 (ii)(A) Qualifying tenants, in addition to their own net increase
35 in family wage employment positions, may include:

36 (I) A portion of the net increase in family wage employment
37 positions employed by the owner; and

1 (II) A portion of the net increase in family wage employment
2 positions described in (c)(ii)(B) of this subsection (3).

3 (B) The portion of the net increase in family wage employment
4 positions to be counted under this subsection (3)(b)(ii) by each
5 qualifying tenant must be in proportion to the amount of space in the
6 eligible computer data center occupied by the qualifying tenant
7 compared to the total amount of space in the eligible computer data
8 center occupied by all qualifying tenants.

9 (c)(i) For purposes of this subsection, family wage employment
10 positions are new permanent employment positions requiring forty hours
11 of weekly work, or their equivalent, on a full-time basis at the
12 eligible computer data center and receiving a wage equivalent to or
13 greater than one hundred fifty percent of the per capita personal
14 income of the county in which the qualified project is located. An
15 employment position may not be counted as a family wage employment
16 position unless the employment position is entitled to health insurance
17 coverage provided by the employer of the employment position. For
18 purposes of this subsection (3)(c), "new permanent employment position"
19 means an employment position that did not exist or that had not
20 previously been filled as of the date that the department issued an
21 exemption certificate to the owner or qualifying tenant of an eligible
22 computer data center, as the case may be.

23 (ii)(A) Family wage employment positions include positions filled
24 by employees of the owner of the eligible computer data center and by
25 employees of qualifying tenants.

26 (B) Family wage employment positions also include individuals
27 performing work at an eligible computer data center as an independent
28 contractor hired by the owner of the eligible computer data center or
29 as an employee of an independent contractor hired by the owner of the
30 eligible computer data center, if the work is necessary for the
31 operation of the computer data center, such as security and building
32 maintenance, and provided that all of the requirements in (c)(i) of
33 this subsection (3) are met.

34 (d) All previously exempted sales and use taxes are immediately due
35 and payable for a qualifying business or qualifying tenant that does
36 not meet the requirements of this subsection.

37 (4) A qualifying business or a qualifying tenant claiming an

1 exemption under this section or RCW 82.12.986 must complete an annual
2 report with the department as required under (~~RCW 82.32.534~~) section
3 201 of this act.

4 (5)(a) The exemption provided in this section does not apply to:

5 (i) Any person who has received the benefit of the deferral program
6 under chapter 82.60 RCW on: (A) The construction, renovation, or
7 expansion of a structure or structures used as a computer data center;
8 or (B) machinery or equipment used in a computer data center; and

9 (ii) Any person affiliated with a person within the scope of (a)(i)
10 of this subsection (5).

11 (b) If a person claims an exemption under this section and
12 subsequently receives the benefit of the deferral program under chapter
13 82.60 RCW on either the construction, renovation, or expansion of a
14 structure or structures used as a computer data center or machinery or
15 equipment used in a computer data center, the person must repay the
16 amount of taxes exempted under this section. Interest as provided in
17 chapter 82.32 RCW applies to amounts due under this section until paid
18 in full.

19 (6) For purposes of this section the following definitions apply
20 unless the context clearly requires otherwise:

21 (a) "Affiliated" means that one person has a direct or indirect
22 ownership interest of at least twenty percent in another person.

23 (b)(i) "Computer data center" means a facility comprised of one or
24 more buildings, which may be comprised of multiple businesses,
25 constructed or refurbished specifically, and used primarily, to house
26 working servers, where the facility has the following characteristics:
27 (A) Uninterruptible power supplies, generator backup power, or both;
28 (B) sophisticated fire suppression and prevention systems; and (C)
29 enhanced physical security, such as: Restricted access to the facility
30 to selected personnel; permanent security guards; video camera
31 surveillance; an electronic system requiring passcodes, keycards, or
32 biometric scans, such as hand scans and retinal or fingerprint
33 recognition; or similar security features.

34 (ii) For a computer data center comprised of multiple buildings,
35 each separate building constructed or refurbished specifically, and
36 used primarily, to house working servers is considered a computer data
37 center if it has all of the characteristics listed in (b)(i)(A) through
38 (C) of this subsection (6).

1 (iii) A facility comprised of one building or more than one
2 building must have a combined square footage of at least one hundred
3 thousand square feet.

4 (c) "Electronic data storage and data management services" include,
5 but are not limited to: Providing data storage and backup services,
6 providing computer processing power, hosting enterprise software
7 applications, and hosting web sites. The term also includes providing
8 services such as e-mail, web browsing and searching, media
9 applications, and other online services, regardless of whether a charge
10 is made for such services.

11 (d)(i) "Eligible computer data center" means a computer data
12 center:

13 (A) Located in a rural county as defined in RCW 82.14.370;

14 (B) Having at least twenty thousand square feet dedicated to
15 housing working servers, where the server space has not previously been
16 dedicated to housing working servers; and

17 (C) For which the commencement of construction occurs:

18 (I) After March 31, 2010, and before July 1, 2011; or

19 (II) After March 31, 2012, and before July 1, 2015.

20 (ii) For purposes of this section, "commencement of construction"
21 means the date that a building permit is issued under the building code
22 adopted under RCW 19.27.031 for construction of the computer data
23 center. The construction of a computer data center includes the
24 expansion, renovation, or other improvements made to existing
25 facilities, including leased or rented space. "Commencement of
26 construction" does not include soil testing, site clearing and grading,
27 site preparation, or any other related activities that are initiated
28 before the issuance of a building permit for the construction of the
29 foundation of a computer data center.

30 (iii) With respect to facilities in existence on April 1, 2010,
31 that are expanded, renovated, or otherwise improved after March 31,
32 2010, or facilities in existence on April 1, 2012, that are expanded,
33 renovated, or otherwise improved after March 31, 2012, an eligible
34 computer data center includes only the portion of the computer data
35 center meeting the requirements in (d)(i)(B) of this subsection (6).

36 (e) "Eligible power infrastructure" means all fixtures and
37 equipment owned by a qualifying business or qualifying tenant and
38 necessary for the transformation, distribution, or management of

1 electricity that is required to operate eligible server equipment
2 within an eligible computer data center. The term includes generators;
3 wiring; cogeneration equipment; and associated fixtures and equipment,
4 such as electrical switches, batteries, and distribution, testing, and
5 monitoring equipment.

6 (f) "Eligible server equipment" means:

7 (i) For a qualifying business whose computer data center qualifies
8 as an eligible computer data center under (d)(i)(C)(I) of this
9 subsection (6), the original server equipment installed in an eligible
10 computer data center on or after April 1, 2010, and replacement server
11 equipment. For purposes of this subsection (6)(f)(i), "replacement
12 server equipment" means server equipment that:

13 (A) Replaces existing server equipment, if the sale or use of the
14 server equipment to be replaced qualified for an exemption under this
15 section or RCW 82.12.986; and

16 (B) Is installed and put into regular use before April 1, 2018.

17 (ii) For a qualifying business whose computer data center qualifies
18 as an eligible computer data center under (d)(i)(C)(II) of this
19 subsection (6), "eligible server equipment" means the original server
20 equipment installed in an eligible computer data center on or after
21 April 1, 2012, and replacement server equipment. For purposes of this
22 subsection (6)(f)(ii), "replacement server equipment" means server
23 equipment that:

24 (A) Replaces existing server equipment, if the sale or use of the
25 server equipment to be replaced qualified for an exemption under this
26 section or RCW 82.12.986; and

27 (B) Is installed and put into regular use before April 1, 2020.

28 (iii) For a qualifying tenant who leases space within an eligible
29 computer data center, "eligible server equipment" means the original
30 server equipment installed within the space it leases from an eligible
31 computer data center on or after April 1, 2010, and replacement server
32 equipment. For purposes of this subsection (6)(f)(iii), "replacement
33 server equipment" means server equipment that:

34 (A) Replaces existing server equipment, if the sale or use of the
35 server equipment to be replaced qualified for an exemption under this
36 section or RCW 82.12.986; and

37 (B) Is installed and put into regular use before April 1, 2020.

1 (g) "Qualifying business" means a business entity that exists for
2 the primary purpose of engaging in commercial activity for profit and
3 that is the owner of an eligible computer data center. The term does
4 not include the state or federal government or any of their
5 departments, agencies, and institutions; tribal governments; political
6 subdivisions of this state; or any municipal, quasi-municipal, public,
7 or other corporation created by the state or federal government, tribal
8 government, municipality, or political subdivision of the state.

9 (h) "Qualifying tenant" means a business entity that exists for the
10 primary purpose of engaging in commercial activity for profit and that
11 leases space from a qualifying business within an eligible computer
12 data center. The term does not include the state or federal government
13 or any of their departments, agencies, and institutions; tribal
14 governments; political subdivisions of this state; or any municipal,
15 quasi-municipal, public, or other corporation created by the state or
16 federal government, tribal government, municipality, or political
17 subdivision of the state. The term also does not include a lessee of
18 space in an eligible computer data center under (d)(i)(C)(I) of this
19 subsection (6), if the lessee and lessor are affiliated and:

20 (i) That space will be used by the lessee to house server equipment
21 that replaces server equipment previously installed and operated in
22 that eligible computer data center by the lessor or another person
23 affiliated with the lessee; or

24 (ii) Prior to May 2, 2012, the primary use of the server equipment
25 installed in that eligible computer data center was to provide
26 electronic data storage and data management services for the business
27 purposes of either the lessor, persons affiliated with the lessor, or
28 both.

29 (i) "Server equipment" means the computer hardware located in an
30 eligible computer data center and used exclusively to provide
31 electronic data storage and data management services for internal use
32 by the owner or lessee of the computer data center, for clients of the
33 owner or lessee of the computer data center, or both. "Server
34 equipment" also includes computer software necessary to operate the
35 computer hardware. "Server equipment" does not include personal
36 computers, the racks upon which the server equipment is installed, and
37 computer peripherals such as keyboards, monitors, printers, and mice.

38 (7) This section expires April 1, 2020.

1 **Sec. 242.** RCW 82.12.022 and 2011 c 174 s 304 are each amended to
2 read as follows:

3 (1) A use tax is levied on every person in this state for the
4 privilege of using natural gas or manufactured gas within this state as
5 a consumer.

6 (2) The tax must be levied and collected in an amount equal to the
7 value of the article used by the taxpayer multiplied by the rate in
8 effect for the public utility tax on gas distribution businesses under
9 RCW 82.16.020. The "value of the article used" does not include any
10 amounts that are paid for the hire or use of a gas distribution
11 business as defined in RCW 82.16.010(2) in transporting the gas subject
12 to tax under this subsection if those amounts are subject to tax under
13 that chapter.

14 (3) The tax levied in this section does not apply to the use of
15 natural or manufactured gas delivered to the consumer by other means
16 than through a pipeline.

17 (4) The tax levied in this section does not apply to the use of
18 natural or manufactured gas if the person who sold the gas to the
19 consumer has paid a tax under RCW 82.16.020 with respect to the gas for
20 which exemption is sought under this subsection.

21 (5)(a) The tax levied in this section does not apply to the use of
22 natural or manufactured gas by an aluminum smelter as that term is
23 defined in RCW 82.04.217 before January 1, 2017.

24 (b) A person claiming the exemption provided in this subsection (5)
25 must file a complete annual report with the department under ((RCW
26 ~~82.32.534~~)) section 201 of this act.

27 (6) There is a credit against the tax levied under this section in
28 an amount equal to any tax paid by:

29 (a) The person who sold the gas to the consumer when that tax is a
30 gross receipts tax similar to that imposed pursuant to RCW 82.16.020 by
31 another state with respect to the gas for which a credit is sought
32 under this subsection; or

33 (b) The person consuming the gas upon which a use tax similar to
34 the tax imposed by this section was paid to another state with respect
35 to the gas for which a credit is sought under this subsection.

36 (7) The use tax imposed in this section must be paid by the
37 consumer to the department.

1 (8) There is imposed a reporting requirement on the person who
2 delivered the gas to the consumer to make a quarterly report to the
3 department. Such report must contain the volume of gas delivered, name
4 of the consumer to whom delivered, and such other information as the
5 department may require by rule.

6 (9) The department may adopt rules under chapter 34.05 RCW for the
7 administration and enforcement of sections 1 through 6, chapter 384,
8 Laws of 1989.

9 **Sec. 243.** RCW 82.12.025651 and 2011 c 23 s 5 are each amended to
10 read as follows:

11 (1) The provisions of this chapter do not apply in respect to the
12 use by a public research institution of machinery and equipment used
13 primarily in a research and development operation, or to the use of
14 labor and services rendered in respect to installing, repairing,
15 cleaning, altering, or improving the machinery and equipment.

16 (2) The definitions in RCW 82.08.025651 apply to this section.

17 (3) A public research institution receiving the benefit of the
18 exemption provided in this section must file a complete annual
19 ((survey)) report with the department under ((RCW 82.32.585)) section
20 201 of this act.

21 **Sec. 244.** RCW 82.12.805 and 2011 c 174 s 305 are each amended to
22 read as follows:

23 (1) A person who is subject to tax under RCW 82.12.020 for personal
24 property used at an aluminum smelter, or for tangible personal property
25 that will be incorporated as an ingredient or component of buildings or
26 other structures at an aluminum smelter, or for labor and services
27 rendered with respect to such buildings, structures, or personal
28 property, is eligible for an exemption from the state share of the tax
29 in the form of a credit, as provided in this section. The amount of
30 the credit equals the state share of use tax computed to be due under
31 RCW 82.12.020. The person must submit information, in a form and
32 manner prescribed by the department, specifying the amount of
33 qualifying purchases or acquisitions for which the exemption is claimed
34 and the amount of exempted tax.

35 (2) For the purposes of this section, "aluminum smelter" has the
36 same meaning as provided in RCW 82.04.217.

1 (3) A person reporting under the tax rate provided in this section
2 must file a complete annual report with the department under ((RCW
3 ~~82.32.534~~) section 201 of this act.

4 (4) Credits may not be claimed under this section for taxable
5 events occurring on or after January 1, 2017.

6 **Sec. 245.** RCW 82.12.965 and 2010 c 114 s 129 are each amended to
7 read as follows:

8 (1) The provisions of this chapter do not apply with respect to the
9 use of tangible personal property that will be incorporated as an
10 ingredient or component of new buildings used for the manufacturing of
11 semiconductor materials during the course of constructing such
12 buildings or to labor and services rendered in respect to installing,
13 during the course of constructing, building fixtures not otherwise
14 eligible for the exemption under RCW 82.08.02565(2)(b).

15 (2) The eligibility requirements, conditions, and definitions in
16 RCW 82.08.965 apply to this section, including the filing of a complete
17 annual report with the department under ((RCW ~~82.32.534~~) section 201
18 of this act.

19 (3) No exemption may be taken twelve years after the effective date
20 of this act, however all of the eligibility criteria and limitations
21 are applicable to any exemptions claimed before that date.

22 (4) This section expires twelve years after the effective date of
23 this act.

24 **Sec. 246.** RCW 82.12.9651 and 2010 c 114 s 130 are each amended to
25 read as follows:

26 (1) The provisions of this chapter do not apply with respect to the
27 use of gases and chemicals used by a manufacturer or processor for hire
28 in the production of semiconductor materials. This exemption is
29 limited to gases and chemicals used in the production process to grow
30 the product, deposit or grow permanent or sacrificial layers on the
31 product, to etch or remove material from the product, to anneal the
32 product, to immerse the product, to clean the product, and other such
33 uses whereby the gases and chemicals come into direct contact with the
34 product during the production process, or uses of gases and chemicals
35 to clean the chambers and other like equipment in which such processing

1 takes place. For purposes of this section, "semiconductor materials"
2 has the meaning provided in RCW 82.04.2404 and 82.04.294(3).

3 (2) A person claiming the exemption under this section must file a
4 complete annual report with the department under (~~RCW 82.32.534~~)
5 section 201 of this act. No application is necessary for the tax
6 exemption. The person is subject to all of the requirements of chapter
7 82.32 RCW.

8 (3) This section expires December 1, 2018.

9 **Sec. 247.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to
10 read as follows:

11 (1) The provisions of this chapter do not apply with respect to the
12 use of gases and chemicals used by a manufacturer or processor for hire
13 in the manufacturing of semiconductor materials. This exemption is
14 limited to gases and chemicals used in the manufacturing process to
15 grow the product, deposit or grow permanent or sacrificial layers on
16 the product, to etch or remove material from the product, to anneal the
17 product, to immerse the product, to clean the product, and other such
18 uses whereby the gases and chemicals come into direct contact with the
19 product during the manufacturing process, or uses of gases and
20 chemicals to clean the chambers and other like equipment in which such
21 processing takes place. For purposes of this section, "semiconductor
22 materials" has the same meaning as provided in RCW 82.04.240(2).

23 (2) A person claiming the exemption under this section must file a
24 complete annual report with the department under (~~RCW 82.32.534~~)
25 section 201 of this act. No application is necessary for the tax
26 exemption. The person is subject to all of the requirements of chapter
27 82.32 RCW.

28 (3) This section expires twelve years after the effective date of
29 this act.

30 **Sec. 248.** RCW 82.12.980 and 2010 c 114 s 132 are each amended to
31 read as follows:

32 (1) The provisions of this chapter do not apply with respect to the
33 use of tangible personal property that will be incorporated as an
34 ingredient or component of new buildings by a manufacturer engaged in
35 the manufacturing of superefficient airplanes or owned by a port
36 district and to be leased to a manufacturer engaged in the

1 manufacturing of superefficient airplanes, during the course of
2 constructing such buildings, or to labor and services rendered in
3 respect to installing, during the course of constructing, building
4 fixtures not otherwise eligible for the exemption under RCW
5 82.08.02565(2)(b).

6 (2) The eligibility requirements, conditions, and definitions in
7 RCW 82.08.980 apply to this section, including the filing of a complete
8 annual report with the department under ((~~RCW 82.32.534~~)) section 201
9 of this act.

10 (3) This section expires July 1, 2024.

11 **Sec. 249.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each
12 amended to read as follows:

13 (1) The provisions of this chapter do not apply with respect to the
14 use of:

15 (a) Tangible personal property that will be incorporated as an
16 ingredient or component in constructing new buildings for (i) a
17 manufacturer engaged in the manufacturing of commercial airplanes or
18 the fuselages or wings of commercial airplanes or (ii) a port district,
19 political subdivision, or municipal corporation, to be leased to a
20 manufacturer engaged in the manufacturing of commercial airplanes or
21 the fuselages or wings of commercial airplanes; or

22 (b) Labor and services rendered in respect to installing, during
23 the course of constructing such buildings, building fixtures not
24 otherwise eligible for the exemption under RCW 82.08.02565(2)(b).

25 (2) The eligibility requirements, conditions, and definitions in
26 RCW 82.08.980 apply to this section, including the filing of a complete
27 annual report with the department under ((~~RCW 82.32.534~~)) section 201
28 of this act.

29 (3) This section expires July 1, 2040.

30 **Sec. 250.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended to
31 read as follows:

32 (1) For the purposes of this section:

33 (a) "Chlor-alkali electrolytic processing business" means a person
34 who is engaged in a business that uses more than ten average megawatts
35 of electricity per month in a chlor-alkali electrolytic process to
36 split the electrochemical bonds of sodium chloride and water to make

1 chlorine and sodium hydroxide. A "chlor-alkali electrolytic processing
2 business" does not include direct service industrial customers or their
3 subsidiaries that contract for the purchase of power from the
4 Bonneville power administration as of June 10, 2004.

5 (b) "Sodium chlorate electrolytic processing business" means a
6 person who is engaged in a business that uses more than ten average
7 megawatts of electricity per month in a sodium chlorate electrolytic
8 process to split the electrochemical bonds of sodium chloride and water
9 to make sodium chlorate and hydrogen. A "sodium chlorate electrolytic
10 processing business" does not include direct service industrial
11 customers or their subsidiaries that contract for the purchase of power
12 from the Bonneville power administration as of June 10, 2004.

13 (2) Effective July 1, 2004, the tax levied under this chapter does
14 not apply to sales of electricity made by a light and power business to
15 a chlor-alkali electrolytic processing business or a sodium chlorate
16 electrolytic processing business for the electrolytic process if the
17 contract for sale of electricity to the business contains the following
18 terms:

19 (a) The electricity to be used in the electrolytic process is
20 separately metered from the electricity used for general operations of
21 the business;

22 (b) The price charged for the electricity used in the electrolytic
23 process will be reduced by an amount equal to the tax exemption
24 available to the light and power business under this section; and

25 (c) Disallowance of all or part of the exemption under this section
26 is a breach of contract and the damages to be paid by the chlor-alkali
27 electrolytic processing business or the sodium chlorate electrolytic
28 processing business are the amount of the tax exemption disallowed.

29 (3) The exemption provided for in this section does not apply to
30 amounts received from the remarketing or resale of electricity
31 originally obtained by contract for the electrolytic process.

32 (4) In order to claim an exemption under this section, the chlor-
33 alkali electrolytic processing business or the sodium chlorate
34 electrolytic processing business must provide the light and power
35 business with an exemption certificate in a form and manner prescribed
36 by the department.

37 (5) A person receiving the benefit of the exemption provided in

1 this section must file a complete annual report with the department
2 under ((~~RCW 82.32.534~~)) section 201 of this act.

3 (6)(a) This section does not apply to sales of electricity made
4 after December 31, 2018.

5 (b) This section expires June 30, 2019.

6 **Sec. 251.** RCW 82.29A.137 and 2010 c 114 s 134 are each amended to
7 read as follows:

8 (1) All leasehold interests in port district facilities exempt from
9 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged
10 in the manufacturing of superefficient airplanes, as defined in RCW
11 82.32.550, are exempt from tax under this chapter. A person claiming
12 the credit under RCW 82.04.4463 is not eligible for the exemption under
13 this section.

14 (2) In addition to all other requirements under this title, a
15 person claiming the exemption under this section must file a complete
16 annual report with the department under ((~~RCW 82.32.534~~)) section 201
17 of this act.

18 (3) This section expires July 1, 2024.

19 **Sec. 252.** RCW 82.29A.137 and 2013 3rd sp.s. c 2 s 13 are each
20 amended to read as follows:

21 (1) All leasehold interests in port district facilities exempt from
22 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged
23 in the manufacturing of superefficient airplanes, as defined in RCW
24 82.32.550, are exempt from tax under this chapter. A person claiming
25 the credit under RCW 82.04.4463 is not eligible for the exemption under
26 this section.

27 (2) In addition to all other requirements under this title, a
28 person claiming the exemption under this section must file a complete
29 annual report with the department under ((~~RCW 82.32.534~~)) section 201
30 of this act.

31 (3) This section expires July 1, 2040.

32 **Sec. 253.** RCW 82.60.070 and 2010 1st sp.s. c 16 s 9 are each
33 amended to read as follows:

34 (1)(a) Each recipient of a deferral of taxes granted under this
35 chapter must file a complete annual ((~~survey~~)) report with the

1 department under (~~RCW 82.32.585~~) section 201 of this act. If the
2 economic benefits of the deferral are passed to a lessee as provided in
3 RCW 82.60.025, the lessee must file a complete annual (~~survey~~)
4 report, and the applicant is not required to file a complete annual
5 (~~survey~~) report.

6 (b) The department must use the information reported on the annual
7 (~~survey~~) report required by this section to study the tax deferral
8 program authorized under this chapter. The department must report to
9 the legislature by December 1, 2019. The report must measure the
10 effect of the program on job creation, the number of jobs created for
11 residents of eligible areas, company growth, the introduction of new
12 products, the diversification of the state's economy, growth in
13 research and development investment, the movement of firms or the
14 consolidation of firms' operations into the state, and such other
15 factors as the department selects.

16 (2) Except as provided in RCW 82.60.063, if, on the basis of a
17 (~~survey under RCW 82.32.585~~) report under section 201 of this act or
18 other information, the department finds that an investment project is
19 not eligible for tax deferral under this chapter, the amount of
20 deferred taxes outstanding for the project, according to the repayment
21 schedule in RCW 82.60.060, is immediately due. For purposes of this
22 subsection (2), the repayment schedule in RCW 82.60.060 is tolled
23 during the period of time that a taxpayer is receiving relief from
24 repayment of deferred taxes under RCW 82.60.063.

25 (3) A recipient who must repay deferred taxes under subsection (2)
26 of this section because the department has found that an investment
27 project is not eligible for tax deferral under this chapter is no
28 longer required to file annual (~~surveys under RCW 82.32.585~~) reports
29 under section 201 of this act beginning on the date an investment
30 project is used for nonqualifying purposes.

31 (4) Notwithstanding any other provision of this section or (~~RCW~~
32 ~~82.32.585~~) under section 201 of this act, deferred taxes on the
33 following need not be repaid:

34 (a) Machinery and equipment, and sales of or charges made for labor
35 and services, which at the time of purchase would have qualified for
36 exemption under RCW 82.08.02565; and

37 (b) Machinery and equipment which at the time of first use would
38 have qualified for exemption under RCW 82.12.02565.

1 **Sec. 254.** RCW 82.63.020 and 2010 c 114 s 140 are each amended to
2 read as follows:

3 (1) Application for deferral of taxes under this chapter must be
4 made before initiation of construction of, or acquisition of equipment
5 or machinery for the investment project. In the case of an investment
6 project involving multiple qualified buildings, applications must be
7 made for, and before the initiation of construction of, each qualified
8 building. The application must be made to the department in a form and
9 manner prescribed by the department. The application must contain
10 information regarding the location of the investment project, the
11 applicant's average employment in the state for the prior year,
12 estimated or actual new employment related to the project, estimated or
13 actual wages of employees related to the project, estimated or actual
14 costs, time schedules for completion and operation, and other
15 information required by the department. The department must rule on
16 the application within sixty days.

17 (2) Each recipient of a deferral of taxes under this chapter must
18 file a complete annual ~~((survey))~~ report with the department under
19 ~~((RCW 82.32.585))~~ section 201 of this act. If the economic benefits of
20 the deferral are passed to a lessee as provided in RCW 82.63.010(7),
21 the lessee must file a complete annual ~~((survey))~~ report, and the
22 applicant is not required to file the annual ~~((survey))~~ report.

23 ~~(3) ((The department must use the information reported on the
24 annual survey required by this section to study the tax deferral
25 program authorized under this chapter. The department must report to
26 the legislature by December 1, 2009, and December 1, 2013. The reports
27 must measure the effect of the program on job creation, the number of
28 jobs created for Washington residents, company growth, the introduction
29 of new products, the diversification of the state's economy, growth in
30 research and development investment, the movement of firms or the
31 consolidation of firms' operations into the state, and such other
32 factors as the department selects.~~

33 ~~(4))~~ A recipient who must repay deferred taxes under RCW 82.63.045
34 because the department has found that an investment project is used for
35 purposes other than research and development performed within this
36 state in the fields of advanced computing, advanced materials,
37 biotechnology, electronic device technology, and environmental

1 technology is no longer required to file annual (~~surveys under RCW~~
2 ~~82.32.585~~) reports under section 201 of this act beginning on the date
3 an investment project is used for nonqualifying purposes.

4 **Sec. 255.** RCW 82.63.045 and 2010 c 114 s 141 are each amended to
5 read as follows:

6 (1) Except as provided in subsection (2) of this section and (~~RCW~~
7 ~~82.32.585~~) section 201 of this act, taxes deferred under this chapter
8 need not be repaid.

9 (2)(a) If, on the basis of the (~~survey under RCW 82.32.585~~)
10 report under section 201 of this act or other information, the
11 department finds that an investment project is used for purposes other
12 than qualified research and development or pilot scale manufacturing at
13 any time during the calendar year in which the investment project is
14 certified by the department as having been operationally completed, or
15 at any time during any of the seven succeeding calendar years, a
16 portion of deferred taxes is immediately due according to the following
17 schedule:

18

19	Year in which use occurs	% of deferred taxes due
20	1	100%
21	2	87.5%
22	3	75%
23	4	62.5%
24	5	50%
25	6	37.5%
26	7	25%
27	8	12.5%

28 (b) If the economic benefits of the deferral are passed to a lessee
29 as provided in RCW 82.63.010(7), the lessee is responsible for payment
30 to the extent the lessee has received the economic benefit.

31 (3)(a) Notwithstanding subsection (2) of this section, in the case
32 of an investment project consisting of multiple qualified buildings,
33 the lessee is solely liable for payment of any deferred tax determined

1 by the department to be due and payable under this section beginning on
2 the date the department certifies that the project is operationally
3 complete.

4 (b) This subsection does not relieve the lessors of its obligation
5 to the lessee under RCW 82.63.010(7) to pass the economic benefit of
6 the deferral to the lessee.

7 (4) The department must assess interest at the rate provided for
8 delinquent taxes, but not penalties, retroactively to the date of
9 deferral. The debt for deferred taxes will not be extinguished by
10 insolvency or other failure of the recipient. Transfer of ownership
11 does not terminate the deferral. The deferral is transferred, subject
12 to the successor meeting the eligibility requirements of this chapter,
13 for the remaining periods of the deferral.

14 (5) Notwithstanding subsection (2) of this section or ((RCW
15 ~~82.32.585~~)) section 201 of this act, deferred taxes on the following
16 need not be repaid:

17 (a) Machinery and equipment, and sales of or charges made for labor
18 and services, which at the time of purchase would have qualified for
19 exemption under RCW 82.08.02565; and

20 (b) Machinery and equipment which at the time of first use would
21 have qualified for exemption under RCW 82.12.02565.

22 **Sec. 256.** RCW 82.74.040 and 2010 c 114 s 142 are each amended to
23 read as follows:

24 (1) Each recipient of a deferral of taxes granted under this
25 chapter must file a complete annual ((survey)) report with the
26 department under ((RCW 82.32.585)) section 201 of this act. If the
27 economic benefits of the deferral are passed to a lessee as provided in
28 RCW 82.74.010(6), the lessee must file a complete annual ((survey))
29 report, and the applicant is not required to file the annual ((survey))
30 report.

31 (2) A recipient who must repay deferred taxes under RCW
32 82.74.050(2) because the department has found that an investment
33 project is used for purposes other than fresh fruit and vegetable
34 processing, dairy product manufacturing, seafood product manufacturing,
35 cold storage warehousing, or research and development is no longer
36 required to file annual ((surveys under RCW 82.32.585)) reports under

1 section 201 of this act beginning on the date an investment project is
2 used for nonqualifying purposes.

3 **Sec. 257.** RCW 82.74.050 and 2010 c 114 s 143 are each amended to
4 read as follows:

5 (1) Except as provided in subsection (2) of this section and ((RCW
6 ~~82.32.585~~)) section 201 of this act, taxes deferred under this chapter
7 need not be repaid.

8 (2)(a) If, on the basis of the ((~~survey under RCW 82.32.585~~))
9 report under section 201 of this act or other information, the
10 department finds that an investment project is used for purposes other
11 than fresh fruit and vegetable processing, dairy product manufacturing,
12 seafood product manufacturing, cold storage warehousing, or research
13 and development at any time during the calendar year in which the
14 investment project is certified by the department as having been
15 operationally completed, or at any time during any of the seven
16 succeeding calendar years, a portion of deferred taxes is immediately
17 due according to the following schedule:

18	Year in which nonqualifying use occurs	% of deferred taxes due
19	1	100%
20	2	87.5%
21	3	75%
22	4	62.5%
23	5	50%
24	6	37.5%
25	7	25%
26	8	12.5%

27 (b) If the economic benefits of the deferral are passed to a lessee
28 as provided in RCW 82.74.010(6), the lessee is responsible for payment
29 to the extent the lessee has received the economic benefit.

30 (3) The department must assess interest, but not penalties, on the
31 deferred taxes under subsection (2) of this section. The interest must
32 be assessed at the rate provided for delinquent taxes under chapter
33 82.32 RCW, retroactively to the date of deferral, and will accrue until
34 the deferred taxes are repaid. The debt for deferred taxes will not be

1 extinguished by insolvency or other failure of the recipient. Transfer
2 of ownership does not terminate the deferral. The deferral is
3 transferred, subject to the successor meeting the eligibility
4 requirements of this chapter, for the remaining periods of the
5 deferral.

6 (4) Notwithstanding subsection (2) of this section or ((RCW
7 ~~82.32.585~~)) section 201 of this act, deferred taxes on the following
8 need not be repaid:

9 (a) Machinery and equipment, and sales of or charges made for labor
10 and services, which at the time of purchase would have qualified for
11 exemption under RCW 82.08.02565; and

12 (b) Machinery and equipment which at the time of first use would
13 have qualified for exemption under RCW 82.12.02565.

14 **Sec. 258.** RCW 82.75.040 and 2010 c 114 s 147 are each amended to
15 read as follows:

16 (1) Except as provided in subsection (2) of this section and ((RCW
17 ~~82.32.585~~)) section 201 of this act, taxes deferred under this chapter
18 need not be repaid.

19 (2)(a) If, on the basis of the ((~~survey under RCW 82.32.585~~))
20 report under section 201 of this act or other information, the
21 department finds that an investment project is used for purposes other
22 than qualified biotechnology product manufacturing or medical device
23 manufacturing activities at any time during the calendar year in which
24 the eligible investment project is certified by the department as
25 having been operationally completed, or at any time during any of the
26 seven succeeding calendar years, a portion of deferred taxes is
27 immediately due and payable according to the following schedule:

28	Year in which use occurs	% of deferred taxes due
29	1	100%
30	2	87.5%
31	3	75%
32	4	62.5%
33	5	50%
34	6	37.5%
35	7	25%

2 (b) If the economic benefits of the deferral are passed to a lessee
3 as provided in RCW 82.75.010, the lessee is responsible for payment to
4 the extent the lessee has received the economic benefit.

5 (3) For a violation of subsection (2)(a) of this section, the
6 department must assess interest at the rate provided for delinquent
7 taxes, but not penalties, retroactively to the date of deferral. The
8 debt for deferred taxes will not be extinguished by insolvency or other
9 failure of the recipient. Transfer of ownership does not terminate the
10 deferral. The deferral is transferred, subject to the successor
11 meeting the eligibility requirements of this chapter, for the remaining
12 periods of the deferral.

13 (4) Notwithstanding subsection (2) of this section or ((RCW
14 ~~82.32.585~~)) section 201 of this act, deferred taxes on the following
15 need not be repaid:

16 (a) Machinery and equipment, and sales of or charges made for labor
17 and services, which at the time of purchase would have qualified for
18 exemption under RCW 82.08.02565; and

19 (b) Machinery and equipment which at the time of first use would
20 have qualified for exemption under RCW 82.12.02565.

21 **Sec. 259.** RCW 82.75.070 and 2010 c 114 s 144 are each amended to
22 read as follows:

23 (1) Each recipient of a deferral of taxes granted under this
24 chapter must file a complete annual ((survey)) report with the
25 department under ((RCW 82.32.585)) section 201 of this act. If the
26 economic benefits of the deferral are passed to a lessee as provided in
27 RCW 82.75.010(5), the lessee must file a complete annual ((survey))
28 report, and the applicant is not required to file the annual ((survey))
29 report.

30 (2) A recipient who must repay deferred taxes under RCW
31 82.75.040(2) because the department has found that an investment
32 project is used for purposes other than qualified biotechnology product
33 manufacturing or medical device manufacturing activities is no longer
34 required to file annual ((surveys under RCW 82.32.585)) reports under
35 section 201 of this act beginning on the date an investment project is
36 used for nonqualifying purposes.

1 **Sec. 260.** RCW 82.82.020 and 2010 c 114 s 148 are each amended to
2 read as follows:

3 (1) Application for deferral of taxes under this chapter can be
4 made at any time prior to completion of construction of a qualified
5 building or buildings, but tax liability incurred prior to the
6 department's receipt of an application may not be deferred. The
7 application must be made to the department in a form and manner
8 prescribed by the department. The application must contain information
9 regarding the location of the investment project, the applicant's
10 average employment in the state for the prior year, estimated or actual
11 new employment related to the project, estimated or actual wages of
12 employees related to the project, estimated or actual costs, time
13 schedules for completion and operation, and other information required
14 by the department. The department must rule on the application within
15 sixty days.

16 (2) Applications for deferral of taxes under this section may not
17 be made after December 31, 2020.

18 (3) Each recipient of a deferral of taxes under this chapter must
19 file a complete annual ((~~survey~~)) report with the department under
20 ((~~RCW 82.32.585~~)) section 201 of this act. If the economic benefits of
21 the deferral are passed to a lessee as provided in RCW 82.82.010(5),
22 the lessee must file a complete annual ((~~survey~~)) report, and the
23 applicant is not required to file the annual ((~~survey~~)) report.

24 (4) A recipient who must repay deferred taxes under RCW 82.82.040
25 because the department has found that an investment project is no
26 longer an eligible investment project is no longer required to file
27 annual ((~~surveys under RCW 82.32.585~~)) reports under section 201 of
28 this act beginning on the date an investment project is used for
29 nonqualifying purposes.

30 **Sec. 261.** RCW 82.82.040 and 2010 c 114 s 149 are each amended to
31 read as follows:

32 (1) Except as provided in subsection (2) of this section and ((~~RCW~~
33 ~~82.32.585~~)) section 201 of this act, taxes deferred under this chapter
34 need not be repaid.

35 (2)(a) If, on the basis of the ((~~survey under RCW 82.32.585~~))
36 report under section 201 of this act or other information, the
37 department finds that an investment project is no longer an "eligible

1 investment project" under RCW 82.82.010 at any time during the calendar
2 year in which the investment project is certified by the department as
3 having been operationally completed, or at any time during any of the
4 seven succeeding calendar years, a portion of deferred taxes are
5 immediately due according to the following schedule:

6	Year in which use occurs	% of deferred taxes due
7	1	100%
8	2	87.5%
9	3	75%
10	4	62.5%
11	5	50%
12	6	37.5%
13	7	25%
14	8	12.5%

15 (b) If the economic benefits of the deferral are passed to a lessee
16 as provided in RCW 82.82.010(5), the lessee is responsible for payment
17 to the extent the lessee has received the economic benefit.

18 (3) The department must assess interest at the rate provided for
19 delinquent taxes under chapter 82.32 RCW, but not penalties,
20 retroactively to the date of deferral. The debt for deferred taxes
21 will not be extinguished by insolvency or other failure of the
22 recipient. Transfer of ownership does not terminate the deferral. The
23 deferral is transferred, subject to the successor meeting the
24 eligibility requirements of this chapter, for the remaining periods of
25 the deferral.

26 **Sec. 262.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to
27 read as follows:

28 (1) Machinery and equipment exempt under RCW 82.08.02565 or
29 82.12.02565 used in manufacturing semiconductor materials at a building
30 exempt from sales and use tax and in compliance with the employment
31 requirement under RCW 82.08.965 and 82.12.965 are exempt from property
32 taxation. "Semiconductor materials" has the same meaning as provided
33 in RCW 82.04.240(2).

1 (2) A person seeking this exemption must make application to the
2 county assessor, on forms prescribed by the department.

3 (3) A person claiming an exemption under this section must file a
4 complete annual report with the department under ((~~RCW 82.32.534~~))
5 section 201 of this act.

6 (4) This section is effective for taxes levied for collection one
7 year after the effective date of this act and thereafter.

8 (5) This section expires December 31st of the year occurring twelve
9 years after the effective date of this act, for taxes levied for
10 collection in the following year.

11 **Sec. 263.** RCW 84.36.655 and 2010 c 114 s 151 are each amended to
12 read as follows:

13 (1) Effective January 1, 2005, all buildings, machinery, equipment,
14 and other personal property of a lessee of a port district eligible
15 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing
16 superefficient airplanes, are exempt from property taxation. A person
17 taking the credit under RCW 82.04.4463 is not eligible for the
18 exemption under this section. For the purposes of this section,
19 "superefficient airplane" and "component" have the meanings given in
20 RCW 82.32.550.

21 (2) In addition to all other requirements under this title, a
22 person claiming the exemption under this section must file a complete
23 annual report with the department under ((~~RCW 82.32.534~~)) section 201
24 of this act.

25 (3) Claims for exemption authorized by this section must be filed
26 with the county assessor on forms prescribed by the department and
27 furnished by the assessor. The assessor must verify and approve claims
28 as the assessor determines to be justified and in accordance with this
29 section. No claims may be filed after December 31, 2023. The
30 department may adopt rules, under the provisions of chapter 34.05 RCW,
31 as necessary to properly administer this section.

32 (4) This section applies to taxes levied for collection in 2006 and
33 thereafter.

34 (5) This section expires July 1, 2024.

35 **Sec. 264.** RCW 84.36.655 and 2013 3rd sp.s. c 2 s 14 are each
36 amended to read as follows:

1 (1) Effective January 1, 2005, all buildings, machinery, equipment,
2 and other personal property of a lessee of a port district eligible
3 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing
4 superefficient airplanes, are exempt from property taxation. A person
5 taking the credit under RCW 82.04.4463 is not eligible for the
6 exemption under this section. For the purposes of this section,
7 "superefficient airplane" and "component" have the meanings given in
8 RCW 82.32.550.

9 (2) In addition to all other requirements under this title, a
10 person claiming the exemption under this section must file a complete
11 annual report with the department under (~~RCW 82.32.534~~) section 201
12 of this act.

13 (3) Claims for exemption authorized by this section must be filed
14 with the county assessor on forms prescribed by the department and
15 furnished by the assessor. The assessor must verify and approve claims
16 as the assessor determines to be justified and in accordance with this
17 section. No claims may be filed after December 31, 2039. The
18 department may adopt rules, under the provisions of chapter 34.05 RCW,
19 as necessary to properly administer this section.

20 (4) This section applies to taxes levied for collection in 2006 and
21 thereafter.

22 (5) This section expires July 1, 2040.

23 Part III

24 Authorizing Public Disclosure of Certain Firm-Specific Tax Information

25 **Sec. 301.** RCW 82.32.330 and 2011 c 174 s 404 are each amended to
26 read as follows:

27 (1) For purposes of this section:

28 (a) "Disclose" means to make known to any person in any manner
29 whatever a return or tax information;

30 (b) "Return" means a tax or information return or claim for refund
31 required by, or provided for or permitted under, the laws of this state
32 which is filed with the department of revenue by, on behalf of, or with
33 respect to a person, and any amendment or supplement thereto, including
34 supporting schedules, attachments, or lists that are supplemental to,
35 or part of, the return so filed;

1 (c) "Tax information" means (i) a taxpayer's identity, (ii) the
2 nature, source, or amount of the taxpayer's income, payments, receipts,
3 deductions, exemptions, credits, assets, liabilities, net worth, tax
4 liability deficiencies, overassessments, or tax payments, whether taken
5 from the taxpayer's books and records or any other source, (iii)
6 whether the taxpayer's return was, is being, or will be examined or
7 subject to other investigation or processing, (iv) a part of a written
8 determination that is not designated as a precedent and disclosed
9 pursuant to RCW 82.32.410, or a background file document relating to a
10 written determination, and (v) other data received by, recorded by,
11 prepared by, furnished to, or collected by the department of revenue
12 with respect to the determination of the existence, or possible
13 existence, of liability, or the amount thereof, of a person under the
14 laws of this state for a tax, penalty, interest, fine, forfeiture, or
15 other imposition, or offense. However, data, material, or documents
16 that do not disclose information related to a specific or identifiable
17 taxpayer do not constitute tax information under this section. Except
18 as provided by RCW 82.32.410, nothing in this chapter requires any
19 person possessing data, material, or documents made confidential and
20 privileged by this section to delete information from such data,
21 material, or documents so as to permit its disclosure;

22 (d) "State agency" means every Washington state office, department,
23 division, bureau, board, commission, or other state agency;

24 (e) "Taxpayer identity" means the taxpayer's name, address,
25 telephone number, registration number, or any combination thereof, or
26 any other information disclosing the identity of the taxpayer; and

27 (f) "Department" means the department of revenue or its officer,
28 agent, employee, or representative.

29 (2) Returns and tax information are confidential and privileged,
30 and except as authorized by this section, neither the department of
31 revenue nor any other person may disclose any return or tax
32 information.

33 (3) This section does not prohibit the department of revenue from:

34 (a) Disclosing such return or tax information in a civil or
35 criminal judicial proceeding or an administrative proceeding:

36 (i) In respect of any tax imposed under the laws of this state if
37 the taxpayer or its officer or other person liable under this title or
38 chapter 83.100 RCW is a party in the proceeding;

1 (ii) In which the taxpayer about whom such return or tax
2 information is sought and another state agency are adverse parties in
3 the proceeding; or

4 (iii) Brought by the department under RCW 18.27.040 or 19.28.071;

5 (b) Disclosing, subject to such requirements and conditions as the
6 director prescribes by rules adopted pursuant to chapter 34.05 RCW,
7 such return or tax information regarding a taxpayer to such taxpayer or
8 to such person or persons as that taxpayer may designate in a request
9 for, or consent to, such disclosure, or to any other person, at the
10 taxpayer's request, to the extent necessary to comply with a request
11 for information or assistance made by the taxpayer to such other
12 person. However, tax information not received from the taxpayer must
13 not be so disclosed if the director determines that such disclosure
14 would compromise any investigation or litigation by any federal, state,
15 or local government agency in connection with the civil or criminal
16 liability of the taxpayer or another person, or that such disclosure
17 would identify a confidential informant, or that such disclosure is
18 contrary to any agreement entered into by the department that provides
19 for the reciprocal exchange of information with other government
20 agencies which agreement requires confidentiality with respect to such
21 information unless such information is required to be disclosed to the
22 taxpayer by the order of any court;

23 (c) Disclosing the name of a taxpayer against whom a warrant under
24 RCW 82.32.210 has been either issued or filed and remains outstanding
25 for a period of at least ten working days. The department is not
26 required to disclose any information under this subsection if a
27 taxpayer has entered a deferred payment arrangement with the department
28 for the payment of a warrant that has not been filed and is making
29 payments upon such deficiency that will fully satisfy the indebtedness
30 within twelve months;

31 (d) Publishing statistics so classified as to prevent the
32 identification of particular returns or reports or items thereof;

33 (e) Disclosing such return or tax information, for official
34 purposes only, to the governor or attorney general, or to any state
35 agency, or to any committee or subcommittee of the legislature dealing
36 with matters of taxation, revenue, trade, commerce, the control of
37 industry or the professions;

1 (f) Permitting the department of revenue's records to be audited
2 and examined by the proper state officer, his or her agents and
3 employees;

4 (g) Disclosing any such return or tax information to a peace
5 officer as defined in RCW 9A.04.110 or county prosecuting attorney, for
6 official purposes. The disclosure may be made only in response to a
7 search warrant, subpoena, or other court order, unless the disclosure
8 is for the purpose of criminal tax enforcement. A peace officer or
9 county prosecuting attorney who receives the return or tax information
10 may disclose that return or tax information only for use in the
11 investigation and a related court proceeding, or in the court
12 proceeding for which the return or tax information originally was
13 sought;

14 (h) Disclosing any such return or tax information to the proper
15 officer of the internal revenue service of the United States, the
16 Canadian government or provincial governments of Canada, or to the
17 proper officer of the tax department of any state or city or town or
18 county, for official purposes, but only if the statutes of the United
19 States, Canada or its provincial governments, or of such other state or
20 city or town or county, as the case may be, grants substantially
21 similar privileges to the proper officers of this state;

22 (i) Disclosing any such return or tax information to the United
23 States department of justice, including the bureau of alcohol, tobacco,
24 firearms and explosives, the department of defense, the immigration and
25 customs enforcement and the customs and border protection agencies of
26 the United States department of homeland security, the United States
27 coast guard, the alcohol and tobacco tax and trade bureau of the United
28 States department of treasury, and the United States department of
29 transportation, or any authorized representative of these federal
30 agencies, for official purposes;

31 (j) Publishing or otherwise disclosing the text of a written
32 determination designated by the director as a precedent pursuant to RCW
33 82.32.410;

34 (k) Disclosing, in a manner that is not associated with other tax
35 information, the taxpayer name, entity type, business address, mailing
36 address, revenue tax registration numbers, reseller permit numbers and
37 the expiration date and status of such permits, North American industry
38 classification system or standard industrial classification code of a

1 taxpayer, and the dates of opening and closing of business. This
2 subsection may not be construed as giving authority to the department
3 to give, sell, or provide access to any list of taxpayers for any
4 commercial purpose;

5 (l) Disclosing such return or tax information that is also
6 maintained by another Washington state or local governmental agency as
7 a public record available for inspection and copying under the
8 provisions of chapter 42.56 RCW or is a document maintained by a court
9 of record and is not otherwise prohibited from disclosure;

10 (m) Disclosing such return or tax information to the United States
11 department of agriculture for the limited purpose of investigating food
12 stamp fraud by retailers;

13 (n) Disclosing to a financial institution, escrow company, or title
14 company, in connection with specific real property that is the subject
15 of a real estate transaction, current amounts due the department for a
16 filed tax warrant, judgment, or lien against the real property;

17 (o) Disclosing to a person against whom the department has asserted
18 liability as a successor under RCW 82.32.140 return or tax information
19 pertaining to the specific business of the taxpayer to which the person
20 has succeeded;

21 (p) Disclosing real estate excise tax affidavit forms filed under
22 RCW 82.45.150 in the possession of the department, including real
23 estate excise tax affidavit forms for transactions exempt or otherwise
24 not subject to tax;

25 (q) Disclosing to local taxing jurisdictions the identity of
26 sellers granted relief under RCW 82.32.430(5)(b)(i) and the period for
27 which relief is granted;

28 (r) Disclosing such return or tax information to the court in
29 respect to the department's application for a subpoena under RCW
30 82.32.117;

31 (s) Disclosing to a person against whom the department has asserted
32 liability under RCW 83.100.120 return or tax information pertaining to
33 that person's liability for tax under chapter 83.100 RCW;

34 (t) Disclosing such return or tax information to the streamlined
35 sales tax governing board, member states of the streamlined sales tax
36 governing board, or authorized representatives of such board or states,
37 for the limited purposes of:

1 (i) Conducting on behalf of member states sales and use tax audits
2 of taxpayers; or

3 (ii) Auditing certified service providers or certified automated
4 systems providers; or

5 (u) Disclosing the amount of any tax preference claimed by a
6 taxpayer filing an annual report under section 201 of this act or any
7 new tax preference, as defined in RCW 82.32.805;

8 (v) Disclosing the gross income, tax due under chapters 82.04 and
9 82.16 RCW, and the amount of any tax preference claimed, by any
10 corporation, partnership, or limited liability company, if the
11 following criteria are met, of which verification of (v)(i) of this
12 subsection must be provided to the department in a form and manner
13 prescribed by the department:

14 (i) The ownership interests in the taxpayer, regardless of whether
15 such interests are in the form of stock or any other type of security,
16 are covered securities under 15 U.S.C. Sec. 77 r(b)(1) or the entity is
17 controlled, directly or indirectly, by an entity with ownership
18 interests that are covered securities under 15 U.S.C. Sec. 77 r(b)(1);

19 (ii) The taxpayer electronically files a tax return on a monthly or
20 quarterly basis;

21 (iii) The taxpayer claims one or more tax preferences and the
22 amount of any single tax preference claimed by the taxpayer is ten
23 thousand dollars or more for any calendar year subject to disclosure.
24 If the amount of any single tax preference claimed by the taxpayer is
25 ten thousand dollars or more for the calendar year subject to
26 disclosure, the amount of any other tax preference claimed by the
27 taxpayer for the calendar year is subject to disclosure regardless of
28 the amount claimed; and

29 (iv) The tax reporting periods subject to disclosure ended at least
30 twenty-four months prior to the date of disclosure. For purposes of
31 this subsection (3)(v), "tax preference" means a tax preference, as
32 defined under RCW 43.136.021, for which the department has firm-
33 specific data on the amount of tax preference claimed by taxpayers.

34 (w) Disclosing any such return or tax information when the
35 disclosure is specifically authorized under any other section of the
36 Revised Code of Washington.

37 (4)(a) The department may disclose return or taxpayer information
38 to a person under investigation or during any court or administrative

1 proceeding against a person under investigation as provided in this
2 subsection (4). The disclosure must be in connection with the
3 department's official duties relating to an audit, collection activity,
4 or a civil or criminal investigation. The disclosure may occur only
5 when the person under investigation and the person in possession of
6 data, materials, or documents are parties to the return or tax
7 information to be disclosed. The department may disclose return or tax
8 information such as invoices, contracts, bills, statements, resale or
9 exemption certificates, or checks. However, the department may not
10 disclose general ledgers, sales or cash receipt journals, check
11 registers, accounts receivable/payable ledgers, general journals,
12 financial statements, expert's workpapers, income tax returns, state
13 tax returns, tax return workpapers, or other similar data, materials,
14 or documents.

15 (b) Before disclosure of any tax return or tax information under
16 this subsection (4), the department must, through written
17 correspondence, inform the person in possession of the data, materials,
18 or documents to be disclosed. The correspondence must clearly identify
19 the data, materials, or documents to be disclosed. The department may
20 not disclose any tax return or tax information under this subsection
21 (4) until the time period allowed in (c) of this subsection has expired
22 or until the court has ruled on any challenge brought under (c) of this
23 subsection.

24 (c) The person in possession of the data, materials, or documents
25 to be disclosed by the department has twenty days from the receipt of
26 the written request required under (b) of this subsection to petition
27 the superior court of the county in which the petitioner resides for
28 injunctive relief. The court must limit or deny the request of the
29 department if the court determines that:

30 (i) The data, materials, or documents sought for disclosure are
31 cumulative or duplicative, or are obtainable from some other source
32 that is more convenient, less burdensome, or less expensive;

33 (ii) The production of the data, materials, or documents sought
34 would be unduly burdensome or expensive, taking into account the needs
35 of the department, the amount in controversy, limitations on the
36 petitioner's resources, and the importance of the issues at stake; or

37 (iii) The data, materials, or documents sought for disclosure

1 contain trade secret information that, if disclosed, could harm the
2 petitioner.

3 (d) The department must reimburse reasonable expenses for the
4 production of data, materials, or documents incurred by the person in
5 possession of the data, materials, or documents to be disclosed.

6 (e) Requesting information under (b) of this subsection that may
7 indicate that a taxpayer is under investigation does not constitute a
8 disclosure of tax return or tax information under this section.

9 (5) Service of a subpoena issued under RCW 82.32.117 does not
10 constitute a disclosure of return or tax information under this
11 section. Notwithstanding anything else to the contrary in this
12 section, a person served with a subpoena under RCW 82.32.117 may
13 disclose the existence or content of the subpoena to that person's
14 legal counsel.

15 (6) Any person acquiring knowledge of any return or tax information
16 in the course of his or her employment with the department of revenue
17 and any person acquiring knowledge of any return or tax information as
18 provided under subsection (3) (e), (f), (g), (h), (i), or (m) of this
19 section, who discloses any such return or tax information to another
20 person not entitled to knowledge of such return or tax information
21 under the provisions of this section, is guilty of a misdemeanor. If
22 the person guilty of such violation is an officer or employee of the
23 state, such person must forfeit such office or employment and is
24 incapable of holding any public office or employment in this state for
25 a period of two years thereafter.

26 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.32
27 RCW to read as follows:

28 The department must provide tax information that is subject to
29 public disclosure under RCW 82.32.330(3) (u) and (v) on its web site in
30 the form of a searchable database and any additional format it deems
31 appropriate.

32 **Part IV**
33 **Miscellaneous Provisions**

34 NEW SECTION. **Sec. 401.** Section 213 of this act expires July 1,
35 2015.

1 NEW SECTION. **Sec. 402.** Section 214 of this act takes effect July
2 1, 2015.

3 NEW SECTION. **Sec. 403.** Section 215 of this act expires July 1,
4 2015, subject to the contingency stated in section 2, chapter 2, Laws
5 of 2013 3rd sp. sess.

6 NEW SECTION. **Sec. 404.** Section 216 of this act takes effect July
7 1, 2015, subject to the contingency stated in section 2, chapter 2,
8 Laws of 2013 3rd sp. sess.

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