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HOUSE BILL 2284

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State of Washington

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By Representatives B. Thomas, Kastama, Pennington, Dunshee, Sterk, Boldt, Carrell, DeBolt, Alexander, Van Luven, Schoesler, Mulliken and Backlund

Read first time 04/16/97.

1 AN ACT Relating to consolidating business and occupation tax rates  
2 into fewer categories; amending RCW 48.14.080, 82.04.240, 82.04.250,  
3 82.04.270, and 82.04.440; reenacting and amending RCW 82.04.260; adding  
4 a new section to chapter 82.04 RCW; creating a new section; and  
5 providing an effective date.

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

7 **Sec. 1.** RCW 48.14.080 and 1993 sp.s. c 25 s 602 are each amended  
8 to read as follows:

9 As to insurers, other than title insurers and taxpayers under RCW  
10 48.14.0201, the taxes imposed by this title shall be in lieu of all  
11 other taxes, except taxes on real and tangible personal property,  
12 excise taxes on the sale, purchase or use of such property, and the tax  
13 imposed in RCW 82.04.260(~~(+15)~~) (14).

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW  
15 to read as follows:

16 This chapter does not apply to amounts received from buying wheat,  
17 oats, dry peas, dry beans, lentils, triticale, canola, corn, rye, and

1 barley, but not including any manufactured or processed products  
2 thereof, and selling the same at wholesale.

3 **Sec. 3.** RCW 82.04.240 and 1993 sp.s. c 25 s 102 are each amended  
4 to read as follows:

5 Upon every person except persons taxable under RCW 82.04.260 (1),  
6 (2), (3), (4), ~~((+5))~~ (6), (7), or (8)~~((, or (9))~~) engaging within  
7 this state in business as a manufacturer; as to such persons the amount  
8 of the tax with respect to such business shall be equal to the value of  
9 the products, including byproducts, manufactured, multiplied by the  
10 rate of 0.484 percent.

11 The measure of the tax is the value of the products, including  
12 byproducts, so manufactured regardless of the place of sale or the fact  
13 that deliveries may be made to points outside the state.

14 **Sec. 4.** RCW 82.04.250 and 1993 sp.s. c 25 s 103 are each amended  
15 to read as follows:

16 (1) Upon every person except persons taxable under RCW  
17 82.04.260~~((+8))~~ (7) or subsection (2) of this section engaging within  
18 this state in the business of making sales at retail, as to such  
19 persons, the amount of tax with respect to such business shall be equal  
20 to the gross proceeds of sales of the business, multiplied by the rate  
21 of 0.471 percent.

22 (2) Upon every person engaging within this state in the business of  
23 making sales at retail that are exempt from the tax imposed under  
24 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
25 82.08.0263, as to such persons, the amount of tax with respect to such  
26 business shall be equal to the gross proceeds of sales of the business,  
27 multiplied by the rate of 0.484 percent.

28 **Sec. 5.** RCW 82.04.260 and 1996 c 148 s 2 and 1996 c 115 s 1 are  
29 each reenacted and amended to read as follows:

30 ~~(1) ((Upon every person engaging within this state in the business  
31 of buying wheat, oats, dry peas, dry beans, lentils, triticale, canola,  
32 corn, rye and barley, but not including any manufactured or processed  
33 products thereof, and selling the same at wholesale; the tax imposed  
34 shall be equal to the gross proceeds derived from such sales multiplied  
35 by the rate of 0.011 percent.~~

1       ~~(2)~~) Upon every person engaging within this state in the business  
2 of manufacturing wheat into flour, barley into pearl barley, soybeans  
3 into soybean oil, canola into canola oil, canola meal, or canola  
4 byproducts, or sunflower seeds into sunflower oil; as to such persons  
5 the amount of tax with respect to such business shall be equal to the  
6 value of the flour, pearl barley, oil, canola meal, or canola byproduct  
7 manufactured, multiplied by the rate of 0.138 percent.

8       ~~((3))~~ (2) Upon every person engaging within this state in the  
9 business of splitting or processing dried peas; as to such persons the  
10 amount of tax with respect to such business shall be equal to the value  
11 of the peas split or processed, multiplied by the rate of ~~((0.275))~~  
12 0.138 percent.

13       ~~((4))~~ (3) Upon every person engaging within this state in the  
14 business of manufacturing seafood products which remain in a raw, raw  
15 frozen, or raw salted state at the completion of the manufacturing by  
16 that person; as to such persons the amount of tax with respect to such  
17 business shall be equal to the value of the products manufactured,  
18 multiplied by the rate of 0.138 percent.

19       ~~((5))~~ (4) Upon every person engaging within this state in the  
20 business of manufacturing by canning, preserving, freezing, processing,  
21 or dehydrating fresh fruits and vegetables, or selling at wholesale  
22 fresh fruits and vegetables canned, preserved, frozen, processed, or  
23 dehydrated by the seller and sold to purchasers who transport in the  
24 ordinary course of business the goods out of this state; as to such  
25 persons the amount of tax with respect to such business shall be equal  
26 to the value of the products canned, preserved, frozen, processed, or  
27 dehydrated multiplied by the rate of ~~((0.33))~~ 0.138 percent. As proof  
28 of sale to a person who transports in the ordinary course of business  
29 goods out of this state, the seller shall annually provide a statement  
30 in a form prescribed by the department and retain the statement as a  
31 business record.

32       ~~((6))~~ (5) Upon every nonprofit corporation and nonprofit  
33 association engaging within this state in research and development, as  
34 to such corporations and associations, the amount of tax with respect  
35 to such activities shall be equal to the gross income derived from such  
36 activities multiplied by the rate of 0.484 percent.

37       ~~((7))~~ (6) Upon every person engaging within this state in the  
38 business of slaughtering, breaking and/or processing perishable meat  
39 products and/or selling the same at wholesale only and not at retail;

1 as to such persons the tax imposed shall be equal to the gross proceeds  
2 derived from such sales multiplied by the rate of 0.138 percent.

3 ~~((+8))~~ (7) Upon every person engaging within this state in the  
4 business of making sales, at retail or wholesale, of nuclear fuel  
5 assemblies manufactured by that person, as to such persons the amount  
6 of tax with respect to such business shall be equal to the gross  
7 proceeds of sales of the assemblies multiplied by the rate of 0.275  
8 percent.

9 ~~((+9))~~ (8) Upon every person engaging within this state in the  
10 business of manufacturing nuclear fuel assemblies, as to such persons  
11 the amount of tax with respect to such business shall be equal to the  
12 value of the products manufactured multiplied by the rate of 0.275  
13 percent.

14 ~~((+10))~~ (9) Upon every person engaging within this state in the  
15 business of acting as a travel agent or tour operator; as to such  
16 persons the amount of the tax with respect to such activities shall be  
17 equal to the gross income derived from such activities multiplied by  
18 the rate of 0.275 percent.

19 ~~((+11))~~ (10) Upon every person engaging within this state in  
20 business as an international steamship agent, international customs  
21 house broker, international freight forwarder, vessel and/or cargo  
22 charter broker in foreign commerce, and/or international air cargo  
23 agent; as to such persons the amount of the tax with respect to only  
24 international activities shall be equal to the gross income derived  
25 from such activities multiplied by the rate of ~~((0.363))~~ 0.275 percent.

26 ~~((+12))~~ (11) Upon every person engaging within this state in the  
27 business of stevedoring and associated activities pertinent to the  
28 movement of goods and commodities in waterborne interstate or foreign  
29 commerce; as to such persons the amount of tax with respect to such  
30 business shall be equal to the gross proceeds derived from such  
31 activities multiplied by the rate of ~~((0.363))~~ 0.275 percent. Persons  
32 subject to taxation under this subsection shall be exempt from payment  
33 of taxes imposed by chapter 82.16 RCW for that portion of their  
34 business subject to taxation under this subsection. Stevedoring and  
35 associated activities pertinent to the conduct of goods and commodities  
36 in waterborne interstate or foreign commerce are defined as all  
37 activities of a labor, service or transportation nature whereby cargo  
38 may be loaded or unloaded to or from vessels or barges, passing over,  
39 onto or under a wharf, pier, or similar structure; cargo may be moved

1 to a warehouse or similar holding or storage yard or area to await  
2 further movement in import or export or may move to a consolidation  
3 freight station and be stuffed, unstuffed, containerized, separated or  
4 otherwise segregated or aggregated for delivery or loaded on any mode  
5 of transportation for delivery to its consignee. Specific activities  
6 included in this definition are: Wharfage, handling, loading,  
7 unloading, moving of cargo to a convenient place of delivery to the  
8 consignee or a convenient place for further movement to export mode;  
9 documentation services in connection with the receipt, delivery,  
10 checking, care, custody and control of cargo required in the transfer  
11 of cargo; imported automobile handling prior to delivery to consignee;  
12 terminal stevedoring and incidental vessel services, including but not  
13 limited to plugging and unplugging refrigerator service to containers,  
14 trailers, and other refrigerated cargo receptacles, and securing ship  
15 hatch covers.

16 ~~((13))~~ (12) Upon every person engaging within this state in the  
17 business of disposing of low-level waste, as defined in RCW 43.145.010;  
18 as to such persons the amount of the tax with respect to such business  
19 shall be equal to the gross income of the business, excluding any fees  
20 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3  
21 percent.

22 If the gross income of the taxpayer is attributable to activities  
23 both within and without this state, the gross income attributable to  
24 this state shall be determined in accordance with the methods of  
25 apportionment required under RCW 82.04.460.

26 ~~((14))~~ (13) Upon every person engaging within this state as an  
27 insurance agent, insurance broker, or insurance solicitor licensed  
28 under chapter 48.17 RCW; as to such persons, the amount of the tax with  
29 respect to such licensed activities shall be equal to the gross income  
30 of such business multiplied by the rate of ~~((0.55))~~ 0.484 percent.

31 ~~((15))~~ (14) Upon every person engaging within this state in  
32 business as a hospital, as defined in chapter 70.41 RCW, that is  
33 operated as a nonprofit corporation or by the state or any of its  
34 political subdivisions, as to such persons, the amount of tax with  
35 respect to such activities shall be equal to the gross income of the  
36 business multiplied by the rate of 0.75 percent through June 30, 1995,  
37 and 1.5 percent thereafter. The moneys collected under this subsection  
38 shall be deposited in the health services account created under RCW  
39 43.72.900.

1       **Sec. 6.** RCW 82.04.270 and 1994 c 124 s 2 are each amended to read  
2 as follows:

3       (1) Upon every person except persons taxable under ((subsections  
4 ~~(1) or (8) of~~) RCW 82.04.260(7) or section 2 of this act engaging  
5 within this state in the business of making sales at wholesale; as to  
6 such persons the amount of tax with respect to such business shall be  
7 equal to the gross proceeds of sales of such business multiplied by the  
8 rate of 0.484 percent.

9       (2) The tax imposed by this section is levied and shall be  
10 collected from every person engaged in the business of distributing in  
11 this state articles of tangible personal property, owned by them from  
12 their own warehouse or other central location in this state to two or  
13 more of their own retail stores or outlets, where no change of title or  
14 ownership occurs, the intent hereof being to impose a tax equal to the  
15 wholesaler's tax upon persons performing functions essentially  
16 comparable to those of a wholesaler, but not actually making sales.  
17 The tax designated in this section may not be assessed twice to the  
18 same person for the same article. The amount of the tax as to such  
19 persons shall be computed by multiplying 0.484 percent of the value of  
20 the article so distributed as of the time of such distribution. The  
21 department of revenue shall prescribe uniform and equitable rules for  
22 the purpose of ascertaining such value, which value shall correspond as  
23 nearly as possible to the gross proceeds from sales at wholesale in  
24 this state of similar articles of like quality and character, and in  
25 similar quantities by other taxpayers. Delivery trucks or vans will  
26 not under the purposes of this section be considered to be retail  
27 stores or outlets.

28       **Sec. 7.** RCW 82.04.440 and 1994 c 124 s 4 are each amended to read  
29 as follows:

30       (1) Every person engaged in activities which are within the purview  
31 of the provisions of two or more of sections RCW 82.04.230 to  
32 82.04.290, inclusive, shall be taxable under each paragraph applicable  
33 to the activities engaged in.

34       (2) Persons taxable under RCW 82.04.250, 82.04.270, or  
35 82.04.260(~~(+7)~~) (6) with respect to selling products in this state  
36 shall be allowed a credit against those taxes for any (a) manufacturing  
37 taxes paid with respect to the manufacturing of products so sold in  
38 this state, and/or (b) extracting taxes paid with respect to the

1 extracting of products so sold in this state or ingredients of products  
2 so sold in this state. Extracting taxes taken as credit under  
3 subsection (3) of this section may also be taken under this subsection,  
4 if otherwise allowable under this subsection. The amount of the credit  
5 shall not exceed the tax liability arising under this chapter with  
6 respect to the sale of those products.

7 (3) Persons taxable under RCW 82.04.240 or 82.04.260 (~~subsection~~  
8 ~~(4)~~) (3) shall be allowed a credit against those taxes for any  
9 extracting taxes paid with respect to extracting the ingredients of the  
10 products so manufactured in this state. The amount of the credit shall  
11 not exceed the tax liability arising under this chapter with respect to  
12 the manufacturing of those products.

13 (4) Persons taxable under RCW 82.04.230, 82.04.240, or (~~subsection~~  
14 ~~(2), (3), (4), (5), or (7) of RCW~~) 82.04.260 (1), (2), (3), (4), or  
15 (6) with respect to extracting or manufacturing products in this state  
16 shall be allowed a credit against those taxes for any (i) gross  
17 receipts taxes paid to another state with respect to the sales of the  
18 products so extracted or manufactured in this state, (ii) manufacturing  
19 taxes paid with respect to the manufacturing of products using  
20 ingredients so extracted in this state, or (iii) manufacturing taxes  
21 paid with respect to manufacturing activities completed in another  
22 state for products so manufactured in this state. The amount of the  
23 credit shall not exceed the tax liability arising under this chapter  
24 with respect to the extraction or manufacturing of those products.

25 (5) For the purpose of this section:

26 (a) "Gross receipts tax" means a tax:

27 (i) Which is imposed on or measured by the gross volume of  
28 business, in terms of gross receipts or in other terms, and in the  
29 determination of which the deductions allowed would not constitute the  
30 tax an income tax or value added tax; and

31 (ii) Which is also not, pursuant to law or custom, separately  
32 stated from the sales price.

33 (b) "State" means (i) the state of Washington, (ii) a state of the  
34 United States other than Washington, or any political subdivision of  
35 such other state, (iii) the District of Columbia, and (iv) any foreign  
36 country or political subdivision thereof.

37 (c) "Manufacturing tax" means a gross receipts tax imposed on the  
38 act or privilege of engaging in business as a manufacturer, and  
39 includes (i) the taxes imposed in RCW 82.04.240 and (~~subsections (2),~~

1 ~~(3), (4), (5), and (7) of RCW)~~ 82.04.260 (1), (2), (3), (4), and (6),  
2 and (ii) similar gross receipts taxes paid to other states.

3 (d) "Extracting tax" means a gross receipts tax imposed on the act  
4 or privilege of engaging in business as an extractor, and includes the  
5 tax imposed in RCW 82.04.230 and similar gross receipts taxes paid to  
6 other states.

7 (e) "Business", "manufacturer", "extractor", and other terms used  
8 in this section have the meanings given in RCW 82.04.020 through  
9 82.04.212, notwithstanding the use of those terms in the context of  
10 describing taxes imposed by other states.

11 NEW SECTION. **Sec. 8.** This act does not affect any existing right  
12 acquired or liability or obligation incurred under the sections amended  
13 or repealed in this act or under any rule or order adopted under those  
14 sections, nor does it affect any proceeding instituted under those  
15 sections.

16 NEW SECTION. **Sec. 9.** This act takes effect July 1, 1998.

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