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ENGROSSED SUBSTITUTE HOUSE BILL 2933

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State of Washington

55th Legislature

1998 Regular Session

By House Committee on Finance (originally sponsored by Representatives Radcliff, Cooper, Cooke, Morris, Doumit, Dyer, L. Thomas, Zellinsky, Grant and Thompson)

Read first time 02/09/98. Referred to Committee on .

1 AN ACT Relating to the business and occupation taxation of  
2 warehousing and reselling of pharmaceutical drugs subject to regulation  
3 by the federal drug enforcement administration and the state board of  
4 pharmacy; amending RCW 82.04.270, 82.04.280, 82.04.290, and 82.04.250;  
5 adding a new section to chapter 82.04 RCW; and providing an effective  
6 date.

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

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW  
9 to read as follows:

10 (1) Upon every person engaging within this state in the business of  
11 warehousing and reselling prescription drugs; as to such persons, the  
12 amount of the tax shall be equal to the gross income of the business  
13 multiplied by the rate of 0.138 percent.

14 (2) For the purposes of this section:

15 (a) "Prescription drug" has the same meaning as that term is given  
16 in RCW 82.08.0281; and

17 (b) "Warehousing and reselling prescription drugs" means the buying  
18 of prescription drugs from a manufacturer or another wholesaler, and  
19 reselling of the drugs to persons selling at retail or to hospitals,

1 clinics, health care providers, or other providers of health care  
2 services, by a wholesaler or retailer who is registered with the  
3 federal drug enforcement administration and licensed by the state board  
4 of pharmacy.

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

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

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

32 **Sec. 3.** RCW 82.04.280 and 1994 c 112 s 1 are each amended to read  
33 as follows:

34 Upon every person engaging within this state in the business of:  
35 (1) Printing, and of publishing newspapers, periodicals, or magazines;  
36 (2) building, repairing or improving any street, place, road, highway,  
37 easement, right of way, mass public transportation terminal or parking

1 facility, bridge, tunnel, or trestle which is owned by a municipal  
2 corporation or political subdivision of the state or by the United  
3 States and which is used or to be used, primarily for foot or vehicular  
4 traffic including mass transportation vehicles of any kind and  
5 including any readjustment, reconstruction or relocation of the  
6 facilities of any public, private or cooperatively owned utility or  
7 railroad in the course of such building, repairing or improving, the  
8 cost of which readjustment, reconstruction, or relocation, is the  
9 responsibility of the public authority whose street, place, road,  
10 highway, easement, right of way, mass public transportation terminal or  
11 parking facility, bridge, tunnel, or trestle is being built, repaired  
12 or improved; (3) extracting for hire or processing for hire; (4)  
13 operating a cold storage warehouse or storage warehouse, but not  
14 including the rental of cold storage lockers; (5) representing and  
15 performing services for fire or casualty insurance companies as an  
16 independent resident managing general agent licensed under the  
17 provisions of RCW 48.05.310; (6) radio and television broadcasting,  
18 excluding network, national and regional advertising computed as a  
19 standard deduction based on the national average thereof as annually  
20 reported by the Federal Communications Commission, or in lieu thereof  
21 by itemization by the individual broadcasting station, and excluding  
22 that portion of revenue represented by the out-of-state audience  
23 computed as a ratio to the station's total audience as measured by the  
24 100 micro-volt signal strength and delivery by wire, if any; (7)  
25 engaging in activities which bring a person within the definition of  
26 consumer contained in RCW 82.04.190(6); as to such persons, the amount  
27 of tax on such business shall be equal to the gross income of the  
28 business multiplied by the rate of 0.484 percent.

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

34 As used in this section, "storage warehouse" means a building or  
35 structure, or any part thereof, in which goods, wares, or merchandise  
36 are received for storage for compensation, except field warehouses,  
37 fruit warehouses, fruit packing plants, warehouses licensed under  
38 chapter 22.09 RCW, public garages storing automobiles, railroad freight  
39 sheds, docks and wharves, and "self-storage" or "mini storage"

1 facilities whereby customers have direct access to individual storage  
2 areas by separate entrance. "Storage warehouse" does not include a  
3 building or structure, or that part of such building or structure, in  
4 which an activity taxable under section 1 of this act is conducted.

5 As used in this section, "periodical or magazine" means a printed  
6 publication, other than a newspaper, issued regularly at stated  
7 intervals at least once every three months, including any supplement or  
8 special edition of the publication.

9 **Sec. 4.** RCW 82.04.290 and 1997 c 7 s 2 are each amended to read as  
10 follows:

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

16 (2) Upon every person engaging within this state in any business  
17 activity other than or in addition to those enumerated in RCW  
18 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,  
19 (~~and~~) 82.04.280, and section 1 of this act, and subsection (1) of  
20 this section; as to such persons the amount of tax on account of such  
21 activities shall be equal to the gross income of the business  
22 multiplied by the rate of 1.5 percent.

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

34 **Sec. 5.** RCW 82.04.250 and 1993 sp.s. c 25 s 103 are each amended  
35 to read as follows:

36 (1) Upon every person except persons taxable under RCW  
37 82.04.260(8), section 1 of this act, or subsection (2) of this section

1 engaging within this state in the business of making sales at retail,  
2 as to such persons, the amount of tax with respect to such business  
3 shall be equal to the gross proceeds of sales of the business,  
4 multiplied by the rate of 0.471 percent.

5 (2) Upon every person engaging within this state in the business of  
6 making sales at retail that are exempt from the tax imposed under  
7 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
8 82.08.0263, as to such persons, the amount of tax with respect to such  
9 business shall be equal to the gross proceeds of sales of the business,  
10 multiplied by the rate of 0.484 percent.

11 NEW SECTION. **Sec. 6.** This act takes effect July 1, 1999.

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