

CERTIFICATION OF ENROLLMENT

**HOUSE BILL 2335**

55th Legislature  
1998 Regular Session

Passed by the House March 12, 1998  
Yeas 85 Nays 11

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**Speaker of the  
House of Representatives**

Passed by the Senate March 12, 1998  
Yeas 45 Nays 0

\_\_\_\_\_  
**President of the Senate**

Approved

\_\_\_\_\_  
**Governor of the State of Washington**

CERTIFICATE

I, Timothy A. Martin, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2335** as passed by the House of Representatives and the Senate on the dates hereon set forth.

\_\_\_\_\_  
**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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HOUSE BILL 2335

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AS AMENDED BY THE SENATE

Passed Legislature - 1998 Regular Session

State of Washington                      55th Legislature                      1998 Regular Session

By Representatives B. Thomas, Mulliken, Thompson, Morris, Gardner, Linville, Backlund, Cooke, Carrell, Kastama, Schoesler, Van Luven, Dunn and Lambert; by request of Department of Revenue

Prefiled 01/07/98. Read first time 01/12/98. Referred to Committee on Finance.

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 82.04.260, 82.04.270, 82.04.290, and 82.04.440; adding new sections to  
4 chapter 82.04 RCW; creating a new section; and providing an effective  
5 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+)~~) (12).

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 products thereof, and  
2 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), (7))~~ (4), (5), ~~((7), (8), or (9))~~ or (6) 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))~~ (5) 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 1998 c . . . s 3 (section 3 of  
29 Z-1031.7/98) are each 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 products  
33 thereof, and selling the same at wholesale; the tax imposed shall be  
34 equal to the gross proceeds derived from such sales multiplied by the  
35 rate of 0.011 percent.~~

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

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

9       (b) Seafood products which remain in a raw, raw frozen, or raw  
10 salted state at the completion of the manufacturing by that person; as  
11 to such persons the amount of tax with respect to such business shall  
12 be equal to the value of the products manufactured, multiplied by the  
13 rate of 0.138 percent; and

14       (c) By canning, preserving, freezing, processing, or dehydrating  
15 fresh fruits and vegetables, or selling at wholesale fresh fruits and  
16 vegetables canned, preserved, frozen, processed, or dehydrated by the  
17 seller and sold to purchasers who transport in the ordinary course of  
18 business the goods out of this state; as to such persons the amount of  
19 tax with respect to such business shall be equal to the value of the  
20 products canned, preserved, frozen, processed, or dehydrated multiplied  
21 by the rate of 0.138 percent. As proof of sale to a person who  
22 transports in the ordinary course of business goods out of this state,  
23 the seller shall annually provide a statement in a form prescribed by  
24 the department and retain the statement as a business record.

25       ~~((3))~~ (2) Upon every person engaging within this state in the  
26 business of splitting or processing dried peas; as to such persons the  
27 amount of tax with respect to such business shall be equal to the value  
28 of the peas split or processed, multiplied by the rate of ~~((0.275))~~  
29 0.138 percent.

30       ~~((4) Upon every person engaging within this state in the business~~  
31 ~~of manufacturing seafood products which remain in a raw, raw frozen, or~~  
32 ~~raw salted state at the completion of the manufacturing by that person;~~  
33 ~~as to such persons the amount of tax with respect to such business~~  
34 ~~shall be equal to the value of the products manufactured, multiplied by~~  
35 ~~the rate of 0.138 percent.~~

36       ~~(5) Upon every person engaging within this state in the business of~~  
37 ~~manufacturing by canning, preserving, freezing, processing, or~~  
38 ~~dehydrating fresh fruits and vegetables, or selling at wholesale fresh~~  
39 ~~fruits and vegetables canned, preserved, frozen, processed, or~~

1 dehydrated by the seller and sold to purchasers who transport in the  
2 ordinary course of business the goods out of this state; as to such  
3 persons the amount of tax with respect to such business shall be equal  
4 to the value of the products canned, preserved, frozen, processed, or  
5 dehydrated multiplied by the rate of 0.33 percent. As proof of sale to  
6 a person who transports in the ordinary course of business goods out of  
7 this state, the seller shall annually provide a statement in a form  
8 prescribed by the department and retain the statement as a business  
9 record.

10 ~~((6))~~ (3) Upon every nonprofit corporation and nonprofit  
11 association engaging within this state in research and development, as  
12 to such corporations and associations, the amount of tax with respect  
13 to such activities shall be equal to the gross income derived from such  
14 activities multiplied by the rate of 0.484 percent.

15 ~~((7))~~ (4) Upon every person engaging within this state in the  
16 business of slaughtering, breaking and/or processing perishable meat  
17 products and/or selling the same at wholesale only and not at retail;  
18 as to such persons the tax imposed shall be equal to the gross proceeds  
19 derived from such sales multiplied by the rate of 0.138 percent.

20 ~~((8))~~ (5) Upon every person engaging within this state in the  
21 business of making sales, at retail or wholesale, of nuclear fuel  
22 assemblies manufactured by that person, as to such persons the amount  
23 of tax with respect to such business shall be equal to the gross  
24 proceeds of sales of the assemblies multiplied by the rate of 0.275  
25 percent.

26 ~~((9))~~ (6) Upon every person engaging within this state in the  
27 business of manufacturing nuclear fuel assemblies, as to such persons  
28 the amount of tax with respect to such business shall be equal to the  
29 value of the products manufactured multiplied by the rate of 0.275  
30 percent.

31 ~~((10))~~ (7) Upon every person engaging within this state in the  
32 business of acting as a travel agent or tour operator; as to such  
33 persons the amount of the tax with respect to such activities shall be  
34 equal to the gross income derived from such activities multiplied by  
35 the rate of 0.275 percent.

36 ~~((11))~~ (8) Upon every person engaging within this state in  
37 business as an international steamship agent, international customs  
38 house broker, international freight forwarder, vessel and/or cargo  
39 charter broker in foreign commerce, and/or international air cargo

1 agent; as to such persons the amount of the tax with respect to only  
2 international activities shall be equal to the gross income derived  
3 from such activities multiplied by the rate of (~~(0.363)~~) 0.275 percent.

4 (~~(12)~~) (9) Upon every person engaging within this state in the  
5 business of stevedoring and associated activities pertinent to the  
6 movement of goods and commodities in waterborne interstate or foreign  
7 commerce; as to such persons the amount of tax with respect to such  
8 business shall be equal to the gross proceeds derived from such  
9 activities multiplied by the rate of (~~(0.363)~~) 0.275 percent. Persons  
10 subject to taxation under this subsection shall be exempt from payment  
11 of taxes imposed by chapter 82.16 RCW for that portion of their  
12 business subject to taxation under this subsection. Stevedoring and  
13 associated activities pertinent to the conduct of goods and commodities  
14 in waterborne interstate or foreign commerce are defined as all  
15 activities of a labor, service or transportation nature whereby cargo  
16 may be loaded or unloaded to or from vessels or barges, passing over,  
17 onto or under a wharf, pier, or similar structure; cargo may be moved  
18 to a warehouse or similar holding or storage yard or area to await  
19 further movement in import or export or may move to a consolidation  
20 freight station and be stuffed, unstuffed, containerized, separated or  
21 otherwise segregated or aggregated for delivery or loaded on any mode  
22 of transportation for delivery to its consignee. Specific activities  
23 included in this definition are: Wharfage, handling, loading,  
24 unloading, moving of cargo to a convenient place of delivery to the  
25 consignee or a convenient place for further movement to export mode;  
26 documentation services in connection with the receipt, delivery,  
27 checking, care, custody and control of cargo required in the transfer  
28 of cargo; imported automobile handling prior to delivery to consignee;  
29 terminal stevedoring and incidental vessel services, including but not  
30 limited to plugging and unplugging refrigerator service to containers,  
31 trailers, and other refrigerated cargo receptacles, and securing ship  
32 hatch covers.

33 (~~(13)~~) (10) Upon every person engaging within this state in the  
34 business of disposing of low-level waste, as defined in RCW 43.145.010;  
35 as to such persons the amount of the tax with respect to such business  
36 shall be equal to the gross income of the business, excluding any fees  
37 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3  
38 percent.

1 If the gross income of the taxpayer is attributable to activities  
2 both within and without this state, the gross income attributable to  
3 this state shall be determined in accordance with the methods of  
4 apportionment required under RCW 82.04.460.

5 (~~(14)~~) (11) Upon every person engaging within this state as an  
6 insurance agent, insurance broker, or insurance solicitor licensed  
7 under chapter 48.17 RCW; as to such persons, the amount of the tax with  
8 respect to such licensed activities shall be equal to the gross income  
9 of such business multiplied by the rate of (~~(0.55)~~) 0.484 percent.

10 (~~(15)~~) (12) Upon every person engaging within this state in  
11 business as a hospital, as defined in chapter 70.41 RCW, that is  
12 operated as a nonprofit corporation or by the state or any of its  
13 political subdivisions, as to such persons, the amount of tax with  
14 respect to such activities shall be equal to the gross income of the  
15 business multiplied by the rate of 0.75 percent through June 30, 1995,  
16 and 1.5 percent thereafter. The moneys collected under this subsection  
17 shall be deposited in the health services account created under RCW  
18 43.72.900.

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

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

27 (2) The tax imposed by this section is levied and shall be  
28 collected from every person engaged in the business of distributing in  
29 this state articles of tangible personal property, owned by them from  
30 their own warehouse or other central location in this state to two or  
31 more of their own retail stores or outlets, where no change of title or  
32 ownership occurs, the intent hereof being to impose a tax equal to the  
33 wholesaler's tax upon persons performing functions essentially  
34 comparable to those of a wholesaler, but not actually making sales.  
35 The tax designated in this section may not be assessed twice to the  
36 same person for the same article. The amount of the tax as to such  
37 persons shall be computed by multiplying 0.484 percent of the value of  
38 the article so distributed as of the time of such distribution. The

1 department of revenue shall prescribe uniform and equitable rules for  
2 the purpose of ascertaining such value, which value shall correspond as  
3 nearly as possible to the gross proceeds from sales at wholesale in  
4 this state of similar articles of like quality and character, and in  
5 similar quantities by other taxpayers. Delivery trucks or vans will  
6 not under the purposes of this section be considered to be retail  
7 stores or outlets.

8 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.04 RCW  
9 to read as follows:

10 Upon every person engaging within this state in the business of  
11 providing child care for periods of less than twenty-four hours; as to  
12 such persons the amount of tax with respect to such business shall be  
13 equal to the gross proceeds derived from such sales multiplied by the  
14 rate of 0.484 percent.

15 **Sec. 8.** RCW 82.04.290 and 1997 c 7 s 2 are each amended to read as  
16 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) Upon every person engaging within this state in any business  
23 activity other than or in addition to those enumerated in RCW  
24 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,  
25 section 7 of this act, and 82.04.280, and subsection (1) of this  
26 section; as to such persons the amount of tax on account of such  
27 activities shall be equal to the gross income of the business  
28 multiplied by the rate of 1.5 percent.

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

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

3 **Sec. 9.** RCW 82.04.440 and 1994 c 124 s 4 are each amended to read  
4 as follows:

5 (1) Every person engaged in activities which are within the purview  
6 of the provisions of two or more of sections RCW 82.04.230 to  
7 82.04.290, inclusive, shall be taxable under each paragraph applicable  
8 to the activities engaged in.

9 (2) Persons taxable under RCW 82.04.250, 82.04.270, or  
10 82.04.260(~~((7))~~) (4) with respect to selling products in this state  
11 shall be allowed a credit against those taxes for any (a) manufacturing  
12 taxes paid with respect to the manufacturing of products so sold in  
13 this state, and/or (b) extracting taxes paid with respect to the  
14 extracting of products so sold in this state or ingredients of products  
15 so sold in this state. Extracting taxes taken as credit under  
16 subsection (3) of this section may also be taken under this subsection,  
17 if otherwise allowable under this subsection. The amount of the credit  
18 shall not exceed the tax liability arising under this chapter with  
19 respect to the sale of those products.

20 (3) Persons taxable under RCW 82.04.240 or 82.04.260 (~~(subsection~~  
21 ~~(4))~~) (1)(b) shall be allowed a credit against those taxes for any  
22 extracting taxes paid with respect to extracting the ingredients of the  
23 products so manufactured in this state. The amount of the credit shall  
24 not exceed the tax liability arising under this chapter with respect to  
25 the manufacturing of those products.

26 (4) Persons taxable under RCW 82.04.230, 82.04.240, or (~~(subsection~~  
27 ~~(2), (3), (4), (5), or (7) of)~~) RCW 82.04.260 (1), (2), (4), or (6)  
28 with respect to extracting or manufacturing products in this state  
29 shall be allowed a credit against those taxes for any (i) gross  
30 receipts taxes paid to another state with respect to the sales of the  
31 products so extracted or manufactured in this state, (ii) manufacturing  
32 taxes paid with respect to the manufacturing of products using  
33 ingredients so extracted in this state, or (iii) manufacturing taxes  
34 paid with respect to manufacturing activities completed in another  
35 state for products so manufactured in this state. The amount of the  
36 credit shall not exceed the tax liability arising under this chapter  
37 with respect to the extraction or manufacturing of those products.

38 (5) For the purpose of this section:

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

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

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

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

12 (c) "Manufacturing tax" means a gross receipts tax imposed on the  
13 act or privilege of engaging in business as a manufacturer, and  
14 includes (i) the taxes imposed in RCW 82.04.240 and (~~subsections (2),~~  
15 ~~(3), (4), (5), and (7) of~~) RCW 82.04.260 (1), (2), and (4), and (ii)  
16 similar gross receipts taxes paid to other states.

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

21 (e) "Business", "manufacturer", "extractor", and other terms used  
22 in this section have the meanings given in RCW 82.04.020 through  
23 82.04.212, notwithstanding the use of those terms in the context of  
24 describing taxes imposed by other states.

25 NEW SECTION. **Sec. 10.** This act does not affect any existing right  
26 acquired or liability or obligation incurred under the sections amended  
27 or repealed in this act or under any rule or order adopted under those  
28 sections, nor does it affect any proceeding instituted under those  
29 sections.

30 NEW SECTION. **Sec. 11.** This act takes effect July 1, 1998.

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