

SSB 6874 - H AMD 1190

By Representative McIntire

1 Strike everything after the enacting clause and insert the
2 following:

3 "**Sec. 1.** RCW 82.04.260 and 2005 c 513 s 2 and 2005 c 443 s 4 are
4 each reenacted and amended to read as follows:

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

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

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

18 (c) Dairy products that as of September 20, 2001, are identified in
19 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts
20 from the manufacturing of the dairy products such as whey and casein;
21 or selling the same to purchasers who transport in the ordinary course
22 of business the goods out of state; as to such persons the tax imposed
23 shall be equal to the value of the products manufactured multiplied by
24 the rate of 0.138 percent. As proof of sale to a person who transports
25 in the ordinary course of business goods out of this state, the seller
26 shall annually provide a statement in a form prescribed by the
27 department and retain the statement as a business record;

28 (d) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
29 feedstock, as those terms are defined in RCW 82.29A.135; as to such

1 persons the amount of tax with respect to the business shall be equal
2 to the value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
3 manufactured, multiplied by the rate of 0.138 percent; and

4 (e) Alcohol fuel or wood biomass fuel, as those terms are defined
5 in RCW 82.29A.135; as to such persons the amount of tax with respect to
6 the business shall be equal to the value of alcohol fuel or wood
7 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

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

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

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

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

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

34 (7) Upon every person engaging within this state in the business of
35 stevedoring and associated activities pertinent to the movement of
36 goods and commodities in waterborne interstate or foreign commerce; as
37 to such persons the amount of tax with respect to such business shall
38 be equal to the gross proceeds derived from such activities multiplied

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

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

30 If the gross income of the taxpayer is attributable to activities
31 both within and without this state, the gross income attributable to
32 this state shall be determined in accordance with the methods of
33 apportionment required under RCW 82.04.460.

34 (9) Upon every person engaging within this state as an insurance
35 agent, insurance broker, or insurance solicitor licensed under chapter
36 48.17 RCW; as to such persons, the amount of the tax with respect to
37 such licensed activities shall be equal to the gross income of such
38 business multiplied by the rate of 0.484 percent.

1 (10) Upon every person engaging within this state in business as a
2 hospital, as defined in chapter 70.41 RCW, that is operated as a
3 nonprofit corporation or by the state or any of its political
4 subdivisions, as to such persons, the amount of tax with respect to
5 such activities shall be equal to the gross income of the business
6 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
7 percent thereafter. The moneys collected under this subsection shall
8 be deposited in the health services account created under RCW
9 43.72.900.

10 (11)(a) Beginning October 1, 2005, upon every person engaging
11 within this state in the business of manufacturing commercial
12 airplanes, or components of such airplanes, as to such persons the
13 amount of tax with respect to such business shall, in the case of
14 manufacturers, be equal to the value of the product manufactured, or in
15 the case of processors for hire, be equal to the gross income of the
16 business, multiplied by the rate of:

17 (i) 0.4235 percent from October 1, 2005, through the later of June
18 30, 2007, or the day preceding the date final assembly of a
19 superefficient airplane begins in Washington state, as determined under
20 RCW 82.32.550; and

21 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
22 date final assembly of a superefficient airplane begins in Washington
23 state, as determined under RCW 82.32.550.

24 (b) Beginning October 1, 2005, upon every person engaging within
25 this state in the business of making sales, at retail or wholesale, of
26 commercial airplanes, or components of such airplanes, manufactured by
27 that person, as to such persons the amount of tax with respect to such
28 business shall be equal to the gross proceeds of sales of the airplanes
29 or components multiplied by the rate of:

30 (i) 0.4235 percent from October 1, 2005, through the later of June
31 30, 2007, or the day preceding the date final assembly of a
32 superefficient airplane begins in Washington state, as determined under
33 RCW 82.32.550; and

34 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
35 date final assembly of a superefficient airplane begins in Washington
36 state, as determined under RCW 82.32.550.

37 (c) For the purposes of this subsection (11), "commercial

1 airplane," "component," and "final assembly of a superefficient
2 airplane" have the meanings given in RCW 82.32.550.

3 (d) In addition to all other requirements under this title, a
4 person eligible for the tax rate under this subsection (11) must report
5 as required under RCW 82.32.545.

6 (e) This subsection (11) does not apply after the earlier of: July
7 1, 2024; or December 31, 2007, if assembly of a superefficient airplane
8 does not begin by December 31, 2007, as determined under RCW 82.32.550.

9 (12)(a) Until July 1, 2024, upon every person engaging within this
10 state in the business of extracting timber or extracting for hire
11 timber; as to such persons the amount of tax with respect to the
12 business shall, in the case of extractors, be equal to the value of
13 products, including byproducts, extracted, or in the case of extractors
14 for hire, be equal to the gross income of the business, multiplied by
15 the rate of 0.4235 percent from July 1, 2006, through June 30, 2007,
16 and 0.2904 percent from July 1, 2007, through June 30, 2024.

17 (b) Until July 1, 2024, upon every person engaging within this
18 state in the business of manufacturing or processing for hire: (i)
19 Timber into timber products or wood products; or (ii) timber products
20 into other timber products or wood products; as to such persons the
21 amount of the tax with respect to the business shall, in the case of
22 manufacturers, be equal to the value of products, including byproducts,
23 manufactured, or in the case of processors for hire, be equal to the
24 gross income of the business, multiplied by the rate of 0.4235 percent
25 from July 1, 2006, through June 30, 2007, and 0.2904 percent from July
26 1, 2007, through June 30, 2024.

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

37 (d) For purposes of this subsection, the following definitions
38 apply:

1 (i) "Timber products" means logs, wood chips, sawdust, wood waste,
2 and similar products obtained wholly from the processing of timber;
3 pulp; and recycled paper products.

4 (ii) "Wood products" means paper and paper products; dimensional
5 lumber; engineered wood products such as particleboard, oriented strand
6 board, medium density fiberboard, and plywood; wood doors; and wood
7 windows.

8 NEW SECTION. Sec. 2. A new section is added to chapter 82.04 RCW
9 to be codified between RCW 82.04.260 and 82.04.263 to read as follows:

10 (1) In addition to the taxes imposed under RCW 82.04.260(12), a
11 surcharge is imposed on those persons who are subject to any of the
12 taxes imposed under RCW 82.04.260(12). Except as otherwise provided in
13 this section, the surcharge is equal to 0.052 percent added to the
14 rates provided in RCW 82.04.260(12) (a), (b), and (c).

15 (2) All receipts from the surcharge imposed under this section
16 shall be deposited into the forest and fish support account created in
17 section 3 of this act.

18 (3)(a) The surcharge imposed under this section shall be suspended
19 if:

20 (i) Receipts from the surcharge total at least eight million
21 dollars during any fiscal biennium; or

22 (ii) The office of financial management certifies to the department
23 that the federal government has appropriated at least two million
24 dollars for participation in forest and fish report-related activities
25 by federally recognized Indian tribes located within the geographical
26 boundaries of the state of Washington for any federal fiscal year.

27 (b)(i) The suspension of the surcharge under (a)(i) of this
28 subsection (3) shall take effect on the first day of the calendar month
29 that is at least thirty days after the end of the month during which
30 the department determines that receipts from the surcharge total at
31 least eight million dollars during the fiscal biennium. The surcharge
32 shall be imposed again at the beginning of the following fiscal
33 biennium.

34 (ii) The suspension of the surcharge under (a)(ii) of this
35 subsection (3) shall take effect on the later of the first day of
36 October of any federal fiscal year for which the federal government
37 appropriates at least two million dollars for participation in forest

1 and fish report-related activities by federally recognized Indian
2 tribes located within the geographical boundaries of the state of
3 Washington, or the first day of a calendar month that is at least
4 thirty days following the date that the office of financial management
5 makes a certification to the department under subsection (5) of this
6 section. The surcharge shall be imposed again on the first day of the
7 following July.

8 (4)(a) If, by October 1st of any federal fiscal year, the office of
9 financial management certifies to the department that the federal
10 government has appropriated funds for participation in forest and fish
11 report-related activities by federally recognized Indian tribes located
12 within the geographical boundaries of the state of Washington but the
13 amount of the appropriation is less than two million dollars, the
14 department shall adjust the surcharge in accordance with this
15 subsection.

16 (b) The department shall adjust the surcharge by an amount that the
17 department estimates will cause the amount of funds deposited into the
18 forest and fish support account for the state fiscal year that begins
19 July 1st and that includes the beginning of the federal fiscal year for
20 which the federal appropriation is made, to be reduced by twice the
21 amount of the federal appropriation for participation in forest and
22 fish report-related activities by federally recognized Indian tribes
23 located within the geographical boundaries of the state of Washington.

24 (c) Any adjustment in the surcharge shall take effect at the
25 beginning of a calendar month that is at least thirty days after the
26 date that the office of financial management makes the certification
27 under subsection (5) of this section.

28 (d) The surcharge shall be imposed again at the rate provided in
29 subsection (1) of this section on the first day of the following state
30 fiscal year unless the surcharge is suspended under subsection (3) of
31 this section or adjusted for that fiscal year under this subsection.

32 (e) Adjustments of the amount of the surcharge by the department
33 are final and shall not be used to challenge the validity of the
34 surcharge imposed under this section.

35 (f) The department shall provide timely notice to affected
36 taxpayers of the suspension of the surcharge or an adjustment of the
37 surcharge.

1 (5) The office of financial management shall make the certification
2 to the department as to the status of federal appropriations for tribal
3 participation in forest and fish report-related activities.

4 NEW SECTION. **Sec. 3.** A new section is added to chapter 76.09 RCW
5 to read as follows:

6 The forest and fish support account is hereby created in the state
7 treasury. Receipts from appropriations, the surcharge imposed under
8 RCW 82.04.260(12), and other sources must be deposited into the
9 account. Expenditures from the account shall be used for activities
10 pursuant to the state's implementation of the forests and fish report
11 as defined in chapter 76.09 RCW and related activities, including, but
12 not limited to, adaptive management, monitoring, and participation
13 grants to tribes, state and local agencies, and not-for-profit public
14 interest organizations. Expenditures from the account may be made only
15 after appropriation by the legislature.

16 **Sec. 4.** RCW 34.05.030 and 2002 c 354 s 225 are each amended to
17 read as follows:

18 (1) This chapter shall not apply to:

19 (a) The state militia, or

20 (b) The board of clemency and pardons, or

21 (c) The department of corrections or the indeterminate sentencing
22 review board with respect to persons who are in their custody or are
23 subject to the jurisdiction of those agencies.

24 (2) The provisions of RCW 34.05.410 through 34.05.598 shall not
25 apply:

26 (a) To adjudicative proceedings of the board of industrial
27 insurance appeals except as provided in RCW 7.68.110 and 51.48.131;

28 (b) Except for actions pursuant to chapter 46.29 RCW, to the
29 denial, suspension, or revocation of a driver's license by the
30 department of licensing;

31 (c) To the department of labor and industries where another statute
32 expressly provides for review of adjudicative proceedings of a
33 department action, order, decision, or award before the board of
34 industrial insurance appeals;

35 (d) To actions of the Washington personnel resources board or the
36 director of personnel; ((~~or~~))

1 (e) To adjustments by the department of revenue of the amount of
2 the surcharge imposed under section 2 of this act; or

3 (f) To the extent they are inconsistent with any provisions of
4 chapter 43.43 RCW.

5 (3) Unless a party makes an election for a formal hearing pursuant
6 to RCW 82.03.140 or 82.03.190, RCW 34.05.410 through 34.05.598 do not
7 apply to a review hearing conducted by the board of tax appeals.

8 (4) The rule-making provisions of this chapter do not apply to:

9 (a) Reimbursement unit values, fee schedules, arithmetic conversion
10 factors, and similar arithmetic factors used to determine payment rates
11 that apply to goods and services purchased under contract for clients
12 eligible under chapter 74.09 RCW; and

13 (b) Adjustments by the department of revenue of the amount of the
14 surcharge imposed under section 2 of this act.

15 (5) All other agencies, whether or not formerly specifically
16 excluded from the provisions of all or any part of the Administrative
17 Procedure Act, shall be subject to the entire act.

18 **Sec. 5.** RCW 82.04.230 and 1993 sp.s. c 25 s 101 are each amended
19 to read as follows:

20 Upon every person engaging within this state in business as an
21 extractor, except persons taxable as an extractor under any other
22 provision in this chapter; as to such persons the amount of the tax
23 with respect to such business shall be equal to the value of the
24 products, including byproducts, extracted for sale or for commercial or
25 industrial use, multiplied by the rate of 0.484 percent.

26 The measure of the tax is the value of the products, including
27 byproducts, so extracted, regardless of the place of sale or the fact
28 that deliveries may be made to points outside the state.

29 **Sec. 6.** RCW 82.04.280 and 2004 c 24 s 6 are each amended to read
30 as follows:

31 Upon every person engaging within this state in the business of:
32 (1) Printing, and of publishing newspapers, periodicals, or magazines;
33 (2) building, repairing or improving any street, place, road, highway,
34 easement, right of way, mass public transportation terminal or parking
35 facility, bridge, tunnel, or trestle which is owned by a municipal
36 corporation or political subdivision of the state or by the United

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

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

33 As used in this section, "storage warehouse" means a building or
34 structure, or any part thereof, in which goods, wares, or merchandise
35 are received for storage for compensation, except field warehouses,
36 fruit warehouses, fruit packing plants, warehouses licensed under
37 chapter 22.09 RCW, public garages storing automobiles, railroad freight
38 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 RCW 82.04.272 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. 7.** RCW 82.04.280 and 2003 c 149 s 4 are each amended to read
10 as follows:

11 Upon every person engaging within this state in the business of:
12 (1) Printing, and of publishing newspapers, periodicals, or magazines;
13 (2) building, repairing or improving any street, place, road, highway,
14 easement, right of way, mass public transportation terminal or parking
15 facility, bridge, tunnel, or trestle which is owned by a municipal
16 corporation or political subdivision of the state or by the United
17 States and which is used or to be used, primarily for foot or vehicular
18 traffic including mass transportation vehicles of any kind and
19 including any readjustment, reconstruction or relocation of the
20 facilities of any public, private or cooperatively owned utility or
21 railroad in the course of such building, repairing or improving, the
22 cost of which readjustment, reconstruction, or relocation, is the
23 responsibility of the public authority whose street, place, road,
24 highway, easement, right of way, mass public transportation terminal or
25 parking facility, bridge, tunnel, or trestle is being built, repaired
26 or improved; (3) extracting for hire or processing for hire, except
27 persons taxable as extractors for hire or processors for hire under
28 another section of this chapter; (4) operating a cold storage warehouse
29 or storage warehouse, but not including the rental of cold storage
30 lockers; (5) representing and performing services for fire or casualty
31 insurance companies as an independent resident managing general agent
32 licensed under the provisions of RCW 48.05.310; (6) radio and
33 television broadcasting, excluding network, national and regional
34 advertising computed as a standard deduction based on the national
35 average thereof as annually reported by the Federal Communications
36 Commission, or in lieu thereof by itemization by the individual
37 broadcasting station, and excluding that portion of revenue represented

1 by the out-of-state audience computed as a ratio to the station's total
2 audience as measured by the 100 micro-volt signal strength and delivery
3 by wire, if any; (7) engaging in activities which bring a person within
4 the definition of consumer contained in RCW 82.04.190(6); as to such
5 persons, the amount of tax on such business shall be equal to the gross
6 income of the business multiplied by the rate of 0.484 percent.

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

12 As used in this section, "storage warehouse" means a building or
13 structure, or any part thereof, in which goods, wares, or merchandise
14 are received for storage for compensation, except field warehouses,
15 fruit warehouses, fruit packing plants, warehouses licensed under
16 chapter 22.09 RCW, public garages storing automobiles, railroad freight
17 sheds, docks and wharves, and "self-storage" or "mini storage"
18 facilities whereby customers have direct access to individual storage
19 areas by separate entrance. "Storage warehouse" does not include a
20 building or structure, or that part of such building or structure, in
21 which an activity taxable under RCW 82.04.272 is conducted.

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

26 **Sec. 8.** RCW 82.04.440 and 2005 c 301 s 3 are each amended to read
27 as follows:

28 (1) Every person engaged in activities which are within the purview
29 of the provisions of two or more of sections RCW 82.04.230 to
30 82.04.298, inclusive, shall be taxable under each paragraph applicable
31 to the activities engaged in.

32 (2) Persons taxable under RCW 82.04.2909(2), 82.04.250, 82.04.270,
33 82.04.294(2), or 82.04.260 (4) (~~or (13)~~), (11), or (12) with respect
34 to selling products in this state, including those persons who are also
35 taxable under section 2 of this act, shall be allowed a credit against
36 those taxes for any (a) manufacturing taxes paid with respect to the
37 manufacturing of products so sold in this state, and/or (b) extracting

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

8 (3) Persons taxable as manufacturers under RCW 82.04.240 or
9 82.04.260 (1)(b) or (12), including those persons who are also taxable
10 under section 2 of this act, shall be allowed a credit against those
11 taxes for any extracting taxes paid with respect to extracting the
12 ingredients of the products so manufactured in this state. The amount
13 of the credit shall not exceed the tax liability arising under this
14 chapter with respect to the manufacturing of those products.

15 (4) Persons taxable under RCW 82.04.230, 82.04.240, 82.04.2909(1),
16 82.04.294(1), or 82.04.260 (1), (2), (4), (~~((6), or (13))~~) (11), or
17 (12), including those persons who are also taxable under section 2 of
18 this act, with respect to extracting or manufacturing products in this
19 state shall be allowed a credit against those taxes for any (i) gross
20 receipts taxes paid to another state with respect to the sales of the
21 products so extracted or manufactured in this state, (ii) manufacturing
22 taxes paid with respect to the manufacturing of products using
23 ingredients so extracted in this state, or (iii) manufacturing taxes
24 paid with respect to manufacturing activities completed in another
25 state for products so manufactured in this state. The amount of the
26 credit shall not exceed the tax liability arising under this chapter
27 with respect to the extraction or manufacturing of those products.

28 (5) For the purpose of this section:

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

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

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

36 (b) "State" means (i) the state of Washington, (ii) a state of the
37 United States other than Washington, or any political subdivision of

1 such other state, (iii) the District of Columbia, and (iv) any foreign
2 country or political subdivision thereof.

3 (c) "Manufacturing tax" means a gross receipts tax imposed on the
4 act or privilege of engaging in business as a manufacturer, and
5 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2909(1),
6 82.04.260 (1), (2), (4), (~~and (13)~~) (11), and (12), and 82.04.294(1);
7 (~~and~~) (ii) the tax imposed under section 2 of this act on persons who
8 are engaged in business as a manufacturer; and (iii) similar gross
9 receipts taxes paid to other states.

10 (d) "Extracting tax" means a gross receipts tax imposed on the act
11 or privilege of engaging in business as an extractor, and includes (i)
12 the tax imposed on extractors in RCW 82.04.230 and 82.04.260(12); (ii)
13 the tax imposed under section 2 of this act on persons who are engaged
14 in business as an extractor; and (iii) similar gross receipts taxes
15 paid to other states.

16 (e) "Business", "manufacturer", "extractor", and other terms used
17 in this section have the meanings given in RCW 82.04.020 through
18 82.04.212, notwithstanding the use of those terms in the context of
19 describing taxes imposed by other states.

20 NEW SECTION. Sec. 9. A new section is added to chapter 82.32 RCW
21 to read as follows:

22 (1) The legislature finds that accountability and effectiveness are
23 important aspects of setting tax policy. In order to make policy
24 choices regarding the best use of limited state resources, the
25 legislature needs information on how a tax incentive is used.

26 (2)(a) A person who reports taxes under RCW 82.04.260(12) shall
27 file a complete annual survey with the department. The survey is due
28 by March 31st following any year in which a person reports taxes under
29 RCW 82.04.260(12). The department may extend the due date for timely
30 filing of annual surveys under this section as provided in RCW
31 82.32.590. The survey shall include the amount of tax reduced under
32 the preferential rate in RCW 82.04.260(12). The survey shall also
33 include the following information for employment positions in
34 Washington:

35 (i) The number of total employment positions;

36 (ii) Full-time, part-time, and temporary employment positions as a
37 percent of total employment;

1 (iii) The number of employment positions according to the following
2 wage bands: Less than thirty thousand dollars; thirty thousand dollars
3 or greater, but less than sixty thousand dollars; and sixty thousand
4 dollars or greater. A wage band containing fewer than three
5 individuals may be combined with another wage band; and

6 (iv) The number of employment positions that have employer-provided
7 medical, dental, and retirement benefits, by each of the wage bands.

8 (b) The first survey filed under this subsection shall include
9 employment, wage, and benefit information for the twelve-month period
10 immediately before first use of a preferential tax rate under RCW
11 82.04.260(12).

12 (c) As part of the annual survey, the department may request
13 additional information, including the amount of investment in equipment
14 used in the activities taxable under the preferential rate in RCW
15 82.04.260(12), necessary to measure the results of, or determine
16 eligibility for, the preferential tax rate in RCW 82.04.260(12).

17 (d) All information collected under this section, except the amount
18 of the tax reduced under the preferential rate in RCW 82.04.260(12), is
19 deemed taxpayer information under RCW 82.32.330. Information on the
20 amount of tax reduced is not subject to the confidentiality provisions
21 of RCW 82.32.330 and may be disclosed to the public upon request,
22 except as provided in (e) of this subsection. If the amount of the tax
23 reduced as reported on the survey is different than the amount actually
24 reduced based on the taxpayer's excise tax returns or otherwise allowed
25 by the department, the amount actually reduced may be disclosed.

26 (e) Persons for whom the actual amount of the tax reduction is less
27 than ten thousand dollars during the period covered by the survey may
28 request the department to treat the amount of the tax reduction as
29 confidential under RCW 82.32.330.

30 (3) If a person fails to submit a complete annual survey under
31 subsection (2) of this section by the due date or any extension under
32 RCW 82.32.590, the department shall declare the amount of taxes reduced
33 under the preferential rate in RCW 82.04.260(12) for the period covered
34 by the survey to be immediately due and payable. The department shall
35 assess interest, but not penalties, on the taxes. Interest shall be
36 assessed at the rate provided for delinquent excise taxes under this
37 chapter, retroactively to the date the reduced taxes were due, and
38 shall accrue until the amount of the reduced taxes is repaid.

1 (4) The department shall use the information from the annual survey
2 required under subsection (2) of this section to prepare summary
3 descriptive statistics by category. The department shall report these
4 statistics to the legislature each year by September 1st. The
5 requirement to prepare and report summary descriptive statistics shall
6 cease after September 1, 2025.

7 (5) By November 1, 2011, and November 1, 2023, the fiscal
8 committees of the house of representatives and the senate, in
9 consultation with the department, shall report to the legislature on
10 the effectiveness of the preferential tax rate provided in RCW
11 82.04.260(12). The report shall measure the effect of the preferential
12 tax rate provided in RCW 82.04.260(12) on job retention, net jobs
13 created for Washington residents, company growth, and other factors as
14 the committees select. The report shall include a discussion of
15 principles to apply in evaluating whether the legislature should
16 continue the preferential tax rate provided in RCW 82.04.260(12).

17 **Sec. 10.** RCW 82.32.590 and 2005 c 514 s 1001 are each amended to
18 read as follows:

19 (1) If the department finds that the failure of a taxpayer to file
20 an annual survey under RCW 82.04.4452 or section 9 of this act by the
21 due date was the result of circumstances beyond the control of the
22 taxpayer, the department shall extend the time for filing the survey.
23 Such extension shall be for a period of thirty days from the date the
24 department issues its written notification to the taxpayer that it
25 qualifies for an extension under this section. The department may
26 grant additional extensions as it deems proper.

27 (2) In making a determination whether the failure of a taxpayer to
28 file an annual survey by the due date was the result of circumstances
29 beyond the control of the taxpayer, the department shall be guided by
30 rules adopted by the department for the waiver or cancellation of
31 penalties when the underpayment or untimely payment of any tax was due
32 to circumstances beyond the control of the taxpayer.

33 **Sec. 11.** RCW 82.32.600 and 2005 c 514 s 1002 are each amended to
34 read as follows:

35 (1) Persons required to file surveys under RCW 82.04.4452 or
36 section 9 of this act must electronically file with the department all

1 surveys, returns, and any other forms or information the department
2 requires in an electronic format as provided or approved by the
3 department(~~(, unless the department grants relief under subsection (2)~~
4 ~~of this section)~~). As used in this section, "returns" has the same
5 meaning as "return" in RCW 82.32.050.

6 ~~(2) ((Upon request, the department may relieve a person of the~~
7 ~~obligations in subsection (1) of this section if the person's taxes~~
8 ~~have been reduced a cumulative total of less than one thousand dollars~~
9 ~~from all of the credits, exemptions, or preferential business and~~
10 ~~occupation tax rates, for which a person is required to file an annual~~
11 ~~survey under RCW 82.04.4452, 82.32.535, 82.32.545, 82.32.570,~~
12 ~~82.32.560, 82.60.070, or 82.63.020.~~

13 ~~(3) Persons who no longer qualify for relief under subsection (2)~~
14 ~~of this section will be notified in writing by the department and must~~
15 ~~comply with subsection (1) of this section by the date provided in the~~
16 ~~notice.~~

17 ~~(4))~~ Any survey, return, or any other form or information required
18 to be filed in an electronic format under subsection (1) of this
19 section is not filed until received by the department in an electronic
20 format.

21 **Sec. 12.** 2003 c 149 s 12 (uncodified) is amended to read as
22 follows:

23 (1)(a) This act (~~(is))~~ and section 7, chapter . . ., Laws of 2006
24 (section 7 of this act) are contingent upon the siting and commercial
25 operation of a significant semiconductor microchip fabrication facility
26 in the state of Washington.

27 (b) For the purposes of this section:

28 (i) "Commercial operation" means the same as "commencement of
29 commercial production" as used in RCW 82.08.965.

30 (ii) "Semiconductor microchip fabrication" means "manufacturing
31 semiconductor microchips" as defined in RCW 82.04.426.

32 (iii) "Significant" means the combined investment of new buildings
33 and new machinery and equipment in the buildings, at the commencement
34 of commercial production, will be at least one billion dollars.

35 (2) This act takes effect the first day of the month in which a
36 contract for the construction of a significant semiconductor

1 fabrication facility is signed, as determined by the director of the
2 department of revenue.

3 (3)(a) The department of revenue shall provide notice of the
4 effective date of this act to affected taxpayers, the legislature, and
5 others as deemed appropriate by the department.

6 (b) If, after making a determination that a contract has been
7 signed and this act is effective, the department discovers that
8 commencement of commercial production did not take place within three
9 years of the date the contract was signed, the department shall make a
10 determination that this act is no longer effective, and all taxes that
11 would have been otherwise due shall be deemed deferred taxes and are
12 immediately assessed and payable from any person reporting tax under
13 RCW 82.04.240(2) or claiming an exemption or credit under section 2 or
14 5 through 10 of this act. The department is not authorized to make a
15 second determination regarding the effective date of this act.

16 NEW SECTION. **Sec. 13.** (1) Sections 1, 3, 4 through 6, and 8
17 through 12 of this act take effect July 1, 2006.

18 (2) Section 2 of this act takes effect July 1, 2007.

19 (3) Section 7 of this act takes effect if the contingency in
20 section 12 of this act occurs.

21 NEW SECTION. **Sec. 14.** Section 6 of this act expires on the date
22 that section 7 of this act takes effect."

23 Correct the title.

EFFECT: Allows the lower wholesaling B&O tax rate for wholesale sales by any extractor or manufacturer of the timber, timber product, or wood product sold, not just in-state extractors and manufacturers. Phases in a lower B&O tax rate; 0.4235 percent applies from July 1, 2006, to July 1, 2007, and 0.2904 percent applies from July 1, 2007, to July 1, 2024. Allows the lower B&O tax rate for manufacturers or processors for hire of timber into timber products, or of timber products into other timber products; not just manufacturers and processors for hire of timber or timber products into wood products. Imposes a surcharge on persons subject to the preferential tax rate. Deposits the proceeds of the surcharge into a new account to be used for implementation of the state's forests and fish report. Requires an

annual accountability survey by persons subject to the preferential tax rates and requires the survey and tax returns to be filed electronically. Requires the fiscal committees of the legislature to report to the legislature by November of 2011 and 2023 on the effectiveness of the preferential tax rate.

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