
SUBSTITUTE HOUSE BILL 1890

State of Washington 59th Legislature 2005 Regular Session

By House Committee on Finance (originally sponsored by Representatives McIntire, Upthegrove and Sommers)

READ FIRST TIME 03/07/05.

1 AN ACT Relating to business and occupation taxation of
2 slaughtering, breaking, and/or processing perishable meat products;
3 amending RCW 82.32.545, 82.32.550, 48.14.080, 82.04.298, and 82.04.290;
4 reenacting and amending RCW 82.04.260, 82.04.250, 82.04.250, and
5 82.04.440; adding a new section to chapter 82.04 RCW; providing an
6 effective date; providing an expiration date; and declaring an
7 emergency.

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

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

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

13 (a) Perishable meat products, by slaughtering, breaking, or
14 processing, if the finished product is a perishable meat product; as to
15 such persons the tax imposed shall be equal to the value of the
16 perishable meat products so manufactured, or in the case of a processor
17 for hire the gross proceeds from such activities, multiplied by the
18 rate of 0.138 percent;

1 (b) Meat products, by dehydration, curing, smoking, or any
2 combination of dehydration, curing, and smoking, if the finished meat
3 products are not canned; as to such persons the tax imposed shall be
4 equal to the gross proceeds derived from such sales multiplied by the
5 rate of 0.138 percent;

6 (c) Hides, tallow, meat meal, and other similar meat by-products,
7 if such products are derived in part from animals and manufactured in
8 a rendering plant licensed under chapter 16.68 RCW; as to such persons
9 the tax imposed shall be equal to the value of products manufactured
10 multiplied by the rate of 0.138 percent.

11 (2) Upon every person engaging within this state in the business of
12 selling at wholesale:

13 (a) Perishable meat products; as to such persons the tax imposed
14 shall be equal to the gross proceeds derived from such sales multiplied
15 by the rate of 0.138 percent;

16 (b) Meat products that have been manufactured by that person by
17 dehydration, curing, smoking, or any combination of dehydration,
18 curing, and smoking, if the finished meat products are not canned; as
19 to such persons the tax imposed shall be equal to the gross proceeds
20 derived from such sales multiplied by the rate of 0.138 percent;

21 (c) Hides, tallow, meat meal, and other similar meat by-products if
22 such products are derived in part from animals and manufactured by the
23 seller in a rendering plant; as to such persons the tax imposed shall
24 be equal to the gross proceeds derived from such sales multiplied by
25 the rate of 0.138 percent.

26 (3) The definitions in this subsection apply throughout this
27 section:

28 (a) "Animal" means all members of the animal kingdom except humans,
29 fish, and insects.

30 (b) "Carcass" means all or any parts, including viscera, of a
31 slaughtered animal.

32 (c) "Hide" means any unprocessed animal pelt or skin.

33 (d) "Fish" means any water-breathing animal, including shellfish.

34 (e) "Meat products" means products comprised exclusively of animal
35 carcass, except that meat products includes products such as sausage
36 and jerky that may contain water; salt; sugar; seasonings; nitrates;
37 nitrites; acids; binders and extenders; synthetic casings; flavorings
38 such as soy sauce, liquid smoke, and vinegar; and similar substances.

1 "Meat products" includes only products that are intended for human
2 consumption as food or animal consumption as feed. "Meat products"
3 does not include products containing breadings, cheese, rice, beans,
4 fruits, vegetables, cream, mushrooms, tomato paste, and similar
5 ingredients.

6 (f) "Perishable" means having a high risk of spoilage within thirty
7 days of manufacture without any refrigeration or freezing.

8 (g) "Rendering plant" means any place of business or location where
9 dead animals or any part or portion thereof, or packing house refuse,
10 are processed for the purpose of obtaining the hide, skin, grease
11 residue, or any other by-product whatsoever.

12 **Sec. 2.** RCW 82.04.260 and 2003 2nd sp.s. c 1 s 4 and 2003 2nd
13 sp.s. c 1 s 3 are each reenacted and amended to read as follows:

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

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

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

27 (c) By canning, preserving, freezing, processing, or dehydrating
28 fresh fruits and vegetables, or selling at wholesale fresh fruits and
29 vegetables canned, preserved, frozen, processed, or dehydrated by the
30 seller and sold to purchasers who transport in the ordinary course of
31 business the goods out of this state; as to such persons the amount of
32 tax with respect to such business shall be equal to the value of the
33 products canned, preserved, frozen, processed, or dehydrated multiplied
34 by the rate of 0.138 percent. As proof of sale to a person who
35 transports in the ordinary course of business goods out of this state,
36 the seller shall annually provide a statement in a form prescribed by
37 the department and retain the statement as a business record;

1 (d) Dairy products that as of September 20, 2001, are identified in
2 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts
3 from the manufacturing of the dairy products such as whey and casein;
4 or selling the same to purchasers who transport in the ordinary course
5 of business the goods out of state; as to such persons the tax imposed
6 shall be equal to the value of the products manufactured multiplied by
7 the rate of 0.138 percent. As proof of sale to a person who transports
8 in the ordinary course of business goods out of this state, the seller
9 shall annually provide a statement in a form prescribed by the
10 department and retain the statement as a business record;

11 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
12 feedstock, as those terms are defined in RCW 82.29A.135; as to such
13 persons the amount of tax with respect to the business shall be equal
14 to the value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
15 manufactured, multiplied by the rate of 0.138 percent~~((.——This~~
16 ~~subsection (1)(e) expires July 1, 2009))~~; and

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

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

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

30 ~~((Upon every person engaging within this state in the business~~
31 ~~of slaughtering, breaking and/or processing perishable meat products~~
32 ~~and/or selling the same at wholesale only and not at retail; as to such~~
33 ~~persons the tax imposed shall be equal to the gross proceeds derived~~
34 ~~from such sales multiplied by the rate of 0.138 percent.~~

35 ~~(5))~~ Upon every person engaging within this state in the business
36 of making sales, at retail or wholesale, of nuclear fuel assemblies
37 manufactured by that person, as to such persons the amount of tax with

1 respect to such business shall be equal to the gross proceeds of sales
2 of the assemblies multiplied by the rate of 0.275 percent.

3 ~~((+6))~~ (5) Upon every person engaging within this state in the
4 business of manufacturing nuclear fuel assemblies, as to such persons
5 the amount of tax with respect to such business shall be equal to the
6 value of the products manufactured multiplied by the rate of 0.275
7 percent.

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

13 ~~((+8))~~ (7) Upon every person engaging within this state in
14 business as an international steamship agent, international customs
15 house broker, international freight forwarder, vessel and/or cargo
16 charter broker in foreign commerce, and/or international air cargo
17 agent; as to such persons the amount of the tax with respect to only
18 international activities shall be equal to the gross income derived
19 from such activities multiplied by the rate of 0.275 percent.

20 ~~((+9))~~ (8) Upon every person engaging within this state in the
21 business of stevedoring and associated activities pertinent to the
22 movement of goods and commodities in waterborne interstate or foreign
23 commerce; as to such persons the amount of tax with respect to such
24 business shall be equal to the gross proceeds derived from such
25 activities multiplied by the rate of 0.275 percent. Persons subject to
26 taxation under this subsection shall be exempt from payment of taxes
27 imposed by chapter 82.16 RCW for that portion of their business subject
28 to taxation under this subsection. Stevedoring and associated
29 activities pertinent to the conduct of goods and commodities in
30 waterborne interstate or foreign commerce are defined as all activities
31 of a labor, service or transportation nature whereby cargo may be
32 loaded or unloaded to or from vessels or barges, passing over, onto or
33 under a wharf, pier, or similar structure; cargo may be moved to a
34 warehouse or similar holding or storage yard or area to await further
35 movement in import or export or may move to a consolidation freight
36 station and be stuffed, unstuffed, containerized, separated or
37 otherwise segregated or aggregated for delivery or loaded on any mode
38 of transportation for delivery to its consignee. Specific activities

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

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

17 If the gross income of the taxpayer is attributable to activities
18 both within and without this state, the gross income attributable to
19 this state shall be determined in accordance with the methods of
20 apportionment required under RCW 82.04.460.

21 ~~((+11+))~~ (10) Upon every person engaging within this state as an
22 insurance agent, insurance broker, or insurance solicitor licensed
23 under chapter 48.17 RCW; as to such persons, the amount of the tax with
24 respect to such licensed activities shall be equal to the gross income
25 of such business multiplied by the rate of 0.484 percent.

26 ~~((+12+))~~ (11) Upon every person engaging within this state in
27 business as a hospital, as defined in chapter 70.41 RCW, that is
28 operated as a nonprofit corporation or by the state or any of its
29 political subdivisions, as to such persons, the amount of tax with
30 respect to such activities shall be equal to the gross income of the
31 business multiplied by the rate of 0.75 percent through June 30, 1995,
32 and 1.5 percent thereafter. The moneys collected under this subsection
33 shall be deposited in the health services account created under RCW
34 43.72.900.

35 ~~((+13+))~~ (12)(a) Beginning October 1, 2005, upon every person
36 engaging within this state in the business of manufacturing commercial
37 airplanes, or components of such airplanes, as to such persons the
38 amount of tax with respect to such business shall, in the case of

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

4 (i) 0.4235 percent from October 1, 2005, through the later of June
5 30, 2007, or the day preceding the date final assembly of a
6 superefficient airplane begins in Washington state, as determined under
7 RCW 82.32.550; and

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

11 (b) Beginning October 1, 2005, upon every person engaging within
12 this state in the business of making sales, at retail or wholesale, of
13 commercial airplanes, or components of such airplanes, manufactured by
14 that person, as to such persons the amount of tax with respect to such
15 business shall be equal to the gross proceeds of sales of the airplanes
16 or components 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 (c) For the purposes of this subsection (~~((+13))~~) (12), "commercial
25 airplane," "component," and "final assembly of a superefficient
26 airplane" have the meanings given in RCW 82.32.550.

27 (d) In addition to all other requirements under this title, a
28 person eligible for the tax rate under this subsection (~~((+13))~~) (12)
29 must report as required under RCW 82.32.545.

30 (e) This subsection (~~((+13))~~) (12) does not apply after the earlier
31 of: July 1, 2024; or December 31, 2007, if assembly of a
32 superefficient airplane does not begin by December 31, 2007, as
33 determined under RCW 82.32.550.

34 **Sec. 3.** RCW 82.04.250 and 2003 1st sp.s. c 2 s 1 and 2003 1st
35 sp.s. c 1 s 2 are each reenacted and amended to read as follows:

36 (1) Upon every person, except persons taxable under RCW 82.04.260
37 (~~((+5))~~) (4) or (~~((+13))~~) (12), 82.04.272, or subsection (2) or (3) of

1 this section; engaging within this state in the business of making
2 sales at retail, as to such persons, the amount of tax with respect to
3 such business shall be equal to the gross proceeds of sales of the
4 business, 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 except as provided in subsection (3) of this section, except
9 persons taxable under RCW 82.04.260(~~((+13+))~~) (12) as to such persons,
10 the amount of tax with respect to such business shall be equal to the
11 gross proceeds of sales of the business, multiplied by the rate of
12 0.484 percent.

13 (3) Upon every person engaging within this state in the business of
14 making sales at retail that are exempt from the tax imposed under
15 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
16 82.08.0263, that is classified by the federal aviation administration
17 as a FAR part 145 certificated repair station with airframe and
18 instrument ratings and limited ratings for nondestructive testing,
19 radio, Class 3 Accessory, and specialized services, as to such persons,
20 the amount of tax with respect to such business shall be equal to the
21 gross proceeds of sales of the business, multiplied by the rate of .275
22 percent.

23 **Sec. 4.** RCW 82.04.250 and 2003 2nd sp.s. c 1 s 2 are each
24 reenacted and amended to read as follows:

25 (1) Upon every person, except persons taxable under RCW 82.04.260
26 (~~((+5+))~~) (4) or (~~((+13+))~~) (12), 82.04.272, or subsection (2) of this
27 section; engaging within this state in the business of making sales at
28 retail, as to such persons, the amount of tax with respect to such
29 business shall be equal to the gross proceeds of sales of the business,
30 multiplied by the rate of 0.471 percent.

31 (2) Upon every person engaging within this state in the business of
32 making sales at retail that are exempt from the tax imposed under
33 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
34 82.08.0263, except persons taxable under RCW 82.04.260(~~((+13+))~~) (12), as
35 to such persons, the amount of tax with respect to such business shall
36 be equal to the gross proceeds of sales of the business, multiplied by
37 the rate of 0.484 percent.

1 **Sec. 5.** RCW 82.32.545 and 2003 2nd sp.s. c 1 s 16 are each amended
2 to read as follows:

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

7 (2)(a) A person who reports taxes under RCW 82.04.260(~~((+13+))~~) (12)
8 or who claims an exemption or credit under RCW 82.04.4461, 82.08.980,
9 82.12.980, 82.29A.137, 84.36.655, and 82.04.4463 shall make an annual
10 report to the department detailing employment, wages, and employer-
11 provided health and retirement benefits per job at the manufacturing
12 site. The report shall not include names of employees. The report
13 shall also detail employment by the total number of full-time, part-
14 time, and temporary positions. The first report filed under this
15 subsection shall include employment, wage, and benefit information for
16 the twelve-month period immediately before first use of a preferential
17 tax rate under RCW 82.04.260(~~((+13+))~~) (12), or tax exemption or credit
18 under RCW 82.04.4461, 82.08.980, 82.12.980, 82.29A.137, 84.36.655, and
19 82.04.4463. The report is due by March 31st following any year in
20 which a preferential tax rate under RCW 82.04.260(~~((+13+))~~) (12) is used,
21 or tax exemption or credit under RCW 82.04.4461, 82.08.980, 82.12.980,
22 82.29A.137, 84.36.655, and 82.04.4463 is taken. This information is
23 not subject to the confidentiality provisions of RCW 82.32.330 and may
24 be disclosed to the public upon request.

25 (b) If a person fails to submit an annual report under (a) of this
26 subsection by the due date of the report, the department shall declare
27 the amount of taxes exempted or credited, or reduced in the case of the
28 preferential business and occupation tax rate, for that year to be
29 immediately due and payable. Excise taxes payable under this
30 subsection are subject to interest but not penalties, as provided under
31 this chapter. This information is not subject to the confidentiality
32 provisions of RCW 82.32.330 and may be disclosed to the public upon
33 request.

34 (3) By November 1, 2010, and by November 1, 2023, the fiscal
35 committees of the house of representatives and the senate, in
36 consultation with the department, shall report to the legislature on
37 the effectiveness of chapter 1, Laws of 2003 2nd sp. sess. in regard to
38 keeping Washington competitive. The report shall measure the effect of

1 chapter 1, Laws of 2003 2nd sp. sess. on job retention, net jobs
2 created for Washington residents, company growth, diversification of
3 the state's economy, cluster dynamics, and other factors as the
4 committees select. The reports shall include a discussion of
5 principles to apply in evaluating whether the legislature should
6 reenact any or all of the tax preferences in chapter 1, Laws of 2003
7 2nd sp. sess.

8 **Sec. 6.** RCW 82.32.550 and 2003 2nd sp.s. c 1 s 17 are each amended
9 to read as follows:

10 (1)(a) Chapter 1, Laws of 2003 2nd sp. sess. takes effect on the
11 first day of the month in which the governor and a manufacturer of
12 commercial airplanes sign a memorandum of agreement regarding an
13 affirmative final decision to site a significant commercial airplane
14 final assembly facility in Washington state. The department shall
15 provide notice of the effective date of chapter 1, Laws of 2003 2nd sp.
16 sess. to affected taxpayers, the legislature, and others as deemed
17 appropriate by the department.

18 (b) Chapter 1, Laws of 2003 2nd sp. sess. is contingent upon the
19 siting of a significant commercial airplane final assembly facility in
20 the state of Washington. If a memorandum of agreement under subsection
21 (1) of this section is not signed by June 30, 2005, chapter 1, Laws of
22 2003 2nd sp. sess. is null and void.

23 (c)(i) The department shall make a determination regarding the date
24 final assembly of a superefficient airplane begins in Washington state.
25 The rates in RCW 82.04.260(~~(+13)~~) (12) (a)(ii) and (b)(ii) take effect
26 the first day of the month such assembly begins, or July 1, 2007,
27 whichever is later. The department shall provide notice of the
28 effective date of such rates to affected taxpayers, the legislature,
29 and others as deemed appropriate by the department.

30 (ii) If on December 31, 2007, final assembly of a superefficient
31 airplane has not begun in Washington state, the department shall
32 provide notice of such to affected taxpayers, the legislature, and
33 others as deemed appropriate by the department.

34 (2) The definitions in this subsection apply throughout this
35 section.

36 (a) "Commercial airplane" has its ordinary meaning, which is an

1 airplane certified by the federal aviation administration for
2 transporting persons or property, and any military derivative of such
3 an airplane.

4 (b) "Component" means a part or system certified by the federal
5 aviation administration for installation or assembly into a commercial
6 airplane.

7 (c) "Final assembly of a superefficient airplane" means the
8 activity of assembling an airplane from components parts necessary for
9 its mechanical operation such that the finished commercial airplane is
10 ready to deliver to the ultimate consumer.

11 (d) "Significant commercial airplane final assembly facility" means
12 a location with the capacity to produce at least thirty-six
13 superefficient airplanes a year.

14 (e) "Siting" means a final decision by a manufacturer to locate a
15 significant commercial airplane final assembly facility in Washington
16 state.

17 (f) "Superefficient airplane" means a twin aisle airplane that
18 carries between two hundred and three hundred fifty passengers, with a
19 range of more than seven thousand two hundred nautical miles, a
20 cruising speed of approximately mach .85, and that uses fifteen to
21 twenty percent less fuel than other similar airplanes on the market.

22 **Sec. 7.** RCW 48.14.080 and 1998 c 312 s 1 are each amended to read
23 as follows:

24 As to insurers, other than title insurers and taxpayers under RCW
25 48.14.0201, the taxes imposed by this title shall be in lieu of all
26 other taxes, except taxes on real and tangible personal property,
27 excise taxes on the sale, purchase or use of such property, and the tax
28 imposed in RCW 82.04.260(~~(+12+)~~) (11).

29 **Sec. 8.** RCW 82.04.440 and 2004 c 174 s 5 and 2004 c 24 s 7 are
30 each reenacted and amended to read as follows:

31 (1) Every person engaged in activities (~~(which are within the~~
32 ~~purview of the provisions of two or more of sections))~~ that are
33 subject to tax under two or more provisions of RCW 82.04.230 to
34 82.04.298, inclusive, shall be taxable under each (~~(paragraph))~~
35 provision applicable to (~~(the))~~ those activities (~~(engaged in))~~.

1 (2) Persons taxable under RCW 82.04.2909(2), 82.04.250, 82.04.270,
2 (~~(or)~~) 82.04.260 (4) or (~~((13))~~) (12), or section 1(2) of this act,
3 with respect to selling products in this state shall be allowed a
4 credit against those taxes for any (a) manufacturing taxes paid with
5 respect to the manufacturing of products so sold in this state, and/or
6 (b) extracting taxes paid with respect to the extracting of products so
7 sold in this state or ingredients of products so sold in this state.
8 Extracting taxes taken as credit under subsection (3) of this section
9 may also be taken under this subsection, if otherwise allowable under
10 this subsection. The amount of the credit shall not exceed the tax
11 liability arising under this chapter with respect to the sale of those
12 products.

13 (3) Persons taxable under RCW 82.04.240 or 82.04.260(1)(b) shall be
14 allowed a credit against those taxes for any extracting taxes paid with
15 respect to extracting the ingredients of the products so manufactured
16 in this state. The amount of the credit shall not exceed the tax
17 liability arising under this chapter with respect to the manufacturing
18 of those products.

19 (4) Persons taxable under RCW 82.04.230, 82.04.240, 82.04.2909(1),
20 (~~(or)~~) 82.04.260 (1), (2), (~~((4), (6), or (13))~~) (5), or (12), or
21 section 1(1) of this act, with respect to extracting or manufacturing
22 products in this state shall be allowed a credit against those taxes
23 for any (i) gross receipts taxes paid to another state with respect to
24 the sales of the products so extracted or manufactured in this state,
25 (ii) manufacturing taxes paid with respect to the manufacturing of
26 products using ingredients so extracted in this state, or (iii)
27 manufacturing taxes paid with respect to manufacturing activities
28 completed in another state for products so manufactured in this state.
29 The amount of the credit shall not exceed the tax liability arising
30 under this chapter with respect to the extraction or manufacturing of
31 those products.

32 (5) For the purpose of this section:

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

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

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

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

7 (c) "Manufacturing tax" means a gross receipts tax imposed on the
8 act or privilege of engaging in business as a manufacturer, and
9 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2909(1), (~~and~~)
10 82.04.260 (1), (2), (~~(4), and (13)~~) (5), and (12), and section 1(1)
11 of this act, and (ii) similar gross receipts taxes paid to other
12 states.

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

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

21 **Sec. 9.** RCW 82.04.298 and 2001 1st sp.s. c 9 s 1 are each amended
22 to read as follows:

23 (1) The amount of tax with respect to a qualified grocery
24 distribution cooperative's sales of groceries or related goods for
25 resale, excluding items subject to tax under (~~RCW 82.04.260(4)~~)
26 section 1 of this act, to customer-owners of the grocery distribution
27 cooperative is equal to the gross proceeds of sales of the grocery
28 distribution cooperative multiplied by the rate of one and one-half
29 percent.

30 (2) A qualified grocery distribution cooperative is allowed a
31 deduction from the gross proceeds of sales of groceries or related
32 goods for resale, excluding items subject to tax under (~~RCW~~
33 ~~82.04.260(4)~~) section 1 of this act, to customer-owners of the grocery
34 distribution cooperative that is equal to the portion of the gross
35 proceeds of sales for resale that represents the actual cost of the
36 merchandise sold by the grocery distribution cooperative to customer-
37 owners.

1 (3) The definitions in this subsection apply throughout this
2 section unless the context clearly requires otherwise.

3 (a) "Grocery distribution cooperative" means an entity that sells
4 groceries and related items to customer-owners of the grocery
5 distribution cooperative and has customer-owners, in the aggregate, who
6 own a majority of the outstanding ownership interests of the grocery
7 distribution cooperative or of the entity controlling the grocery
8 distribution cooperative. "Grocery distribution cooperative" includes
9 an entity that controls a grocery distribution cooperative.

10 (b) "Qualified grocery distribution cooperative" means a grocery
11 distribution cooperative that has been determined by a court of record
12 of the state of Washington to be not engaged in wholesaling or making
13 sales at wholesale, within the meaning of RCW 82.04.270 or any similar
14 provision of a municipal ordinance that imposes a tax on gross
15 receipts, gross proceeds of sales, or gross income, with respect to
16 purchases made by customer-owners, and subsequently changes its form of
17 doing business to make sales at wholesale of groceries or related items
18 to its customer-owners.

19 (c) "Customer-owner" means a person who has an ownership interest
20 in a grocery distribution cooperative and purchases groceries and
21 related items at wholesale from that grocery distribution cooperative.

22 (d) "Controlling" means holding fifty percent or more of the voting
23 interests of an entity and having at least equal power to direct or
24 cause the direction of the management and policies of the entity,
25 whether through the ownership of voting securities, by contract, or
26 otherwise.

27 **Sec. 10.** RCW 82.04.290 and 2004 c 174 s 2 are each amended to read
28 as follows:

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

34 (2) Upon every person engaging within this state in any business
35 activity other than or in addition to those enumerated in RCW
36 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
37 82.04.298, 82.04.2905, 82.04.280, 82.04.2907, 82.04.272, 82.04.2906,

1 ((and)) 82.04.2908, and section 1 of this act, and subsection (1) of
2 this section; as to such persons the amount of tax on account of such
3 activities shall be equal to the gross income of the business
4 multiplied by the rate of 1.5 percent.

5 (3) Subsection (2) of this section includes, among others, and
6 without limiting the scope hereof (whether or not title to materials
7 used in the performance of such business passes to another by
8 accession, confusion or other than by outright sale), persons engaged
9 in the business of rendering any type of service which does not
10 constitute a "sale at retail" or a "sale at wholesale." The value of
11 advertising, demonstration, and promotional supplies and materials
12 furnished to an agent by his principal or supplier to be used for
13 informational, educational and promotional purposes shall not be
14 considered a part of the agent's remuneration or commission and shall
15 not be subject to taxation under this section.

16 NEW SECTION. **Sec. 11.** Section 3 of this act expires July 1, 2006.

17 NEW SECTION. **Sec. 12.** Section 4 of this act takes effect July 1,
18 2006.

19 NEW SECTION. **Sec. 13.** Sections 1 through 3 and 5 through 10 of
20 this act are necessary for the immediate preservation of the public
21 peace, health, or safety, or support of the state government and its
22 existing public institutions, and take effect immediately.

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