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HOUSE BILL 3286

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State of Washington                      59th Legislature                      2006 Regular Session

By Representatives Blake, Kessler, Buck, Takko, Orcutt and Conway

Read first time 02/01/2006. Referred to Committee on Finance.

1            AN ACT Relating to tax incentives for persons who extract,  
2 manufacture, or process timber; amending RCW 82.04.230, 82.04.280,  
3 82.04.280, and 82.04.440; amending 2003 c 149 s 12 (uncodified);  
4 reenacting and amending RCW 82.04.260; and providing an effective date.

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

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

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

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

16            (b) Seafood products which remain in a raw, raw frozen, or raw  
17 salted state at the completion of the manufacturing by that person; as  
18 to such persons the amount of tax with respect to such business shall

1 be equal to the value of the products manufactured, multiplied by the  
2 rate of 0.138 percent;

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

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

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

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

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

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

36 (5) Upon every person engaging within this state in the business of  
37 acting as a travel agent or tour operator; as to such persons the

1 amount of the tax with respect to such activities shall be equal to the  
2 gross income derived from such activities multiplied by the rate of  
3 0.275 percent.

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

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

1 trailers, and other refrigerated cargo receptacles, and securing ship  
2 hatch covers.

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

8 If the gross income of the taxpayer is attributable to activities  
9 both within and without this state, the gross income attributable to  
10 this state shall be determined in accordance with the methods of  
11 apportionment required under RCW 82.04.460.

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

17 (10) Upon every person engaging within this state in business as a  
18 hospital, as defined in chapter 70.41 RCW, that is operated as a  
19 nonprofit corporation or by the state or any of its political  
20 subdivisions, as to such persons, the amount of tax with respect to  
21 such activities shall be equal to the gross income of the business  
22 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5  
23 percent thereafter. The moneys collected under this subsection shall  
24 be deposited in the health services account created under RCW  
25 43.72.900.

26 (11)(a) Beginning October 1, 2005, upon every person engaging  
27 within this state in the business of manufacturing commercial  
28 airplanes, or components of such airplanes, as to such persons the  
29 amount of tax with respect to such business shall, in the case of  
30 manufacturers, be equal to the value of the product manufactured, or in  
31 the case of processors for hire, be equal to the gross income of the  
32 business, multiplied by the rate of:

33 (i) 0.4235 percent from October 1, 2005, through the later of June  
34 30, 2007, or the day preceding the date final assembly of a  
35 superefficient airplane begins in Washington state, as determined under  
36 RCW 82.32.550; and

37 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the

1 date final assembly of a superefficient airplane begins in Washington  
2 state, as determined under RCW 82.32.550.

3 (b) Beginning October 1, 2005, upon every person engaging within  
4 this state in the business of making sales, at retail or wholesale, of  
5 commercial airplanes, or components of such airplanes, manufactured by  
6 that person, as to such persons the amount of tax with respect to such  
7 business shall be equal to the gross proceeds of sales of the airplanes  
8 or components multiplied by the rate of:

9 (i) 0.4235 percent from October 1, 2005, through the later of June  
10 30, 2007, or the day preceding the date final assembly of a  
11 superefficient airplane begins in Washington state, as determined under  
12 RCW 82.32.550; and

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

16 (c) For the purposes of this subsection (11), "commercial  
17 airplane," "component," and "final assembly of a superefficient  
18 airplane" have the meanings given in RCW 82.32.550.

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

22 (e) This subsection (11) does not apply after the earlier of: July  
23 1, 2024; or December 31, 2007, if assembly of a superefficient airplane  
24 does not begin by December 31, 2007, as determined under RCW 82.32.550.

25 (12) Until July 1, 2024, upon every person engaging within this  
26 state in the business of extracting or extracting for hire timber or  
27 manufacturing or processing for hire timber into lumber, pulp, paper,  
28 or other wood products, and to sales by these persons of the timber,  
29 lumber, pulp, paper, or other wood products at wholesale only and not  
30 at retail; as to such persons the amount of the tax with respect to the  
31 business shall be equal to the gross income of the business or the  
32 value of the products, including byproducts, extracted or manufactured,  
33 multiplied by the rate of 0.2904 percent.

34 **Sec. 2.** RCW 82.04.230 and 1993 sp.s. c 25 s 101 are each amended  
35 to read as follows:

36 Upon every person engaging within this state in business as an  
37 extractor, except persons taxable as an extractor under any other

1 provision in this chapter; as to such persons the amount of the tax  
2 with respect to such business shall be equal to the value of the  
3 products, including byproducts, extracted for sale or for commercial or  
4 industrial use, multiplied by the rate of 0.484 percent.

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

8 **Sec. 3.** RCW 82.04.280 and 2004 c 24 s 6 are each amended to read  
9 as follows:

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

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

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

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

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

25 **Sec. 4.** RCW 82.04.280 and 2003 c 149 s 4 are each amended to read  
26 as follows:

27 Upon every person engaging within this state in the business of:  
28 (1) Printing, and of publishing newspapers, periodicals, or magazines;  
29 (2) building, repairing or improving any street, place, road, highway,  
30 easement, right of way, mass public transportation terminal or parking  
31 facility, bridge, tunnel, or trestle which is owned by a municipal  
32 corporation or political subdivision of the state or by the United  
33 States and which is used or to be used, primarily for foot or vehicular  
34 traffic including mass transportation vehicles of any kind and  
35 including any readjustment, reconstruction or relocation of the  
36 facilities of any public, private or cooperatively owned utility or  
37 railroad in the course of such building, repairing or improving, the

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

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

28 As used in this section, "storage warehouse" means a building or  
29 structure, or any part thereof, in which goods, wares, or merchandise  
30 are received for storage for compensation, except field warehouses,  
31 fruit warehouses, fruit packing plants, warehouses licensed under  
32 chapter 22.09 RCW, public garages storing automobiles, railroad freight  
33 sheds, docks and wharves, and "self-storage" or "mini storage"  
34 facilities whereby customers have direct access to individual storage  
35 areas by separate entrance. "Storage warehouse" does not include a  
36 building or structure, or that part of such building or structure, in  
37 which an activity taxable under RCW 82.04.272 is conducted.

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

5 **Sec. 5.** RCW 82.04.440 and 2005 c 301 s 3 are each amended to read  
6 as follows:

7 (1) Every person engaged in activities which are within the purview  
8 of the provisions of two or more of sections RCW 82.04.230 to  
9 82.04.298, inclusive, shall be taxable under each paragraph applicable  
10 to the activities engaged in.

11 (2) Persons taxable under RCW 82.04.2909(2), 82.04.250, 82.04.270,  
12 82.04.294(2), or 82.04.260 (4) (~~or (13)~~), (11), or (12) with respect  
13 to selling products in this state shall be allowed a credit against  
14 those taxes for any (a) manufacturing taxes paid with respect to the  
15 manufacturing of products so sold in this state, and/or (b) extracting  
16 taxes paid with respect to the extracting of products so sold in this  
17 state or ingredients of products so sold in this state. Extracting  
18 taxes taken as credit under subsection (3) of this section may also be  
19 taken under this subsection, if otherwise allowable under this  
20 subsection. The amount of the credit shall not exceed the tax  
21 liability arising under this chapter with respect to the sale of those  
22 products.

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

29 (4) Persons taxable under RCW 82.04.230, 82.04.240, 82.04.2909(1),  
30 82.04.294(1), or 82.04.260 (1), (2), (4), (~~(6), or (13)~~) (11), or  
31 (12) with respect to extracting or manufacturing products in this state  
32 shall be allowed a credit against those taxes for any (i) gross  
33 receipts taxes paid to another state with respect to the sales of the  
34 products so extracted or manufactured in this state, (ii) manufacturing  
35 taxes paid with respect to the manufacturing of products using  
36 ingredients so extracted in this state, or (iii) manufacturing taxes  
37 paid with respect to manufacturing activities completed in another

1 state for products so manufactured in this state. The amount of the  
2 credit shall not exceed the tax liability arising under this chapter  
3 with respect to the extraction or manufacturing of those products.

4 (5) For the purpose of this section:

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

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

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

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

16 (c) "Manufacturing tax" means a gross receipts tax imposed on the  
17 act or privilege of engaging in business as a manufacturer, and  
18 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2909(1),  
19 82.04.260 (1), (2), (4), (~~and (13)~~) (11), and (12), and 82.04.294(1);  
20 and (ii) similar gross receipts taxes paid to other states.

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

25 (e) "Business", "manufacturer", "extractor", and other terms used  
26 in this section have the meanings given in RCW 82.04.020 through  
27 82.04.212, notwithstanding the use of those terms in the context of  
28 describing taxes imposed by other states.

29 **Sec. 6.** 2003 c 149 s 12 (uncodified) is amended to read as  
30 follows:

31 (1)(a) This act (~~(is)~~) and section 4, chapter . . ., Laws of 2006  
32 (section 4 of this act) are contingent upon the siting and commercial  
33 operation of a significant semiconductor microchip fabrication facility  
34 in the state of Washington.

35 (b) For the purposes of this section:

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

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

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

6 (2) This act takes effect the first day of the month in which a  
7 contract for the construction of a significant semiconductor  
8 fabrication facility is signed, as determined by the director of the  
9 department of revenue.

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

13 (b) If, after making a determination that a contract has been  
14 signed and this act is effective, the department discovers that  
15 commencement of commercial production did not take place within three  
16 years of the date the contract was signed, the department shall make a  
17 determination that this act is no longer effective, and all taxes that  
18 would have been otherwise due shall be deemed deferred taxes and are  
19 immediately assessed and payable from any person reporting tax under  
20 RCW 82.04.240(2) or claiming an exemption or credit under section 2 or  
21 5 through 10 of this act. The department is not authorized to make a  
22 second determination regarding the effective date of this act.

23 NEW SECTION. **Sec. 7.** Sections 1 through 3 and 5 of this act take  
24 effect July 1, 2006.

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