
SUBSTITUTE SENATE BILL 6874

State of Washington

59th Legislature

2006 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Doumit, Zarelli, Hargrove, Morton, Sheldon and Rasmussen)

READ FIRST TIME 02/17/06.

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

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

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

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

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

17 (b) Seafood products which remain in a raw, raw frozen, or raw
18 salted state at the completion of the manufacturing by that person; as

1 to such persons the amount of tax with respect to such business shall
2 be equal to the value of the products manufactured, multiplied by the
3 rate of 0.138 percent;

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

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

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

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

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

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

37 (5) Upon every person engaging within this state in the business of
38 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)(a) 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 and timber products into
28 wood products, and to sales by these persons of the timber or wood
29 products at wholesale only and not at retail; as to such persons the
30 amount of the tax with respect to the business shall be equal to the
31 gross income of the business or the value of the products, including
32 byproducts, extracted or manufactured, multiplied by the rate of 0.2904
33 percent.

34 (b) For purposes of this subsection, the following definitions
35 apply:

36 (i) "Timber products" means logs, wood chips, sawdust, wood waste,
37 or similar product obtained wholly from the processing of timber.

1 (ii) "Wood products" includes pulp, paper, lumber, and engineered
2 wood products such as particleboard, oriented strand board, medium
3 density fiberboard, and plywood.

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

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

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

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

17 Upon every person engaging within this state in the business of:
18 (1) Printing, and of publishing newspapers, periodicals, or magazines;
19 (2) building, repairing or improving any street, place, road, highway,
20 easement, right of way, mass public transportation terminal or parking
21 facility, bridge, tunnel, or trestle which is owned by a municipal
22 corporation or political subdivision of the state or by the United
23 States and which is used or to be used, primarily for foot or vehicular
24 traffic including mass transportation vehicles of any kind and
25 including any readjustment, reconstruction or relocation of the
26 facilities of any public, private or cooperatively owned utility or
27 railroad in the course of such building, repairing or improving, the
28 cost of which readjustment, reconstruction, or relocation, is the
29 responsibility of the public authority whose street, place, road,
30 highway, easement, right of way, mass public transportation terminal or
31 parking facility, bridge, tunnel, or trestle is being built, repaired
32 or improved; (3) extracting for hire or processing for hire, except
33 persons taxable as extractors for hire or processors for hire under
34 another section of this chapter; (4) operating a cold storage warehouse
35 or storage warehouse, but not including the rental of cold storage
36 lockers; (5) representing and performing services for fire or casualty

1 insurance companies as an independent resident managing general agent
2 licensed under the provisions of RCW 48.05.310; (6) radio and
3 television broadcasting, excluding network, national and regional
4 advertising computed as a standard deduction based on the national
5 average thereof as annually reported by the Federal Communications
6 Commission, or in lieu thereof by itemization by the individual
7 broadcasting station, and excluding that portion of revenue represented
8 by the out-of-state audience computed as a ratio to the station's total
9 audience as measured by the 100 micro-volt signal strength and delivery
10 by wire, if any; (7) engaging in activities which bring a person within
11 the definition of consumer contained in RCW 82.04.190(6); as to such
12 persons, the amount of tax on such business shall be equal to the gross
13 income of the business multiplied by the rate of 0.484 percent.

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

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

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

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

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

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

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

36 As used in this section, "storage warehouse" means a building or
37 structure, or any part thereof, in which goods, wares, or merchandise
38 are received for storage for compensation, except field warehouses,

1 fruit warehouses, fruit packing plants, warehouses licensed under
2 chapter 22.09 RCW, public garages storing automobiles, railroad freight
3 sheds, docks and wharves, and "self-storage" or "mini storage"
4 facilities whereby customers have direct access to individual storage
5 areas by separate entrance. "Storage warehouse" does not include a
6 building or structure, or that part of such building or structure, in
7 which an activity taxable under RCW 82.04.272 is conducted.

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

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

14 (1) Every person engaged in activities which are within the purview
15 of the provisions of two or more of sections RCW 82.04.230 to
16 82.04.298, inclusive, shall be taxable under each paragraph applicable
17 to the activities engaged in.

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

30 (3) Persons taxable as manufacturers under RCW 82.04.240 or
31 82.04.260 (1)(b) or (12) shall be allowed a credit against those taxes
32 for any extracting taxes paid with respect to extracting the
33 ingredients of the products so manufactured in this state. The amount
34 of the credit shall not exceed the tax liability arising under this
35 chapter with respect to the manufacturing of those products.

36 (4) Persons taxable under RCW 82.04.230, 82.04.240, 82.04.2909(1),
37 82.04.294(1), or 82.04.260 (1), (2), (4), (~~(6), or (13)~~) (11), or

1 (12) with respect to extracting or manufacturing products in this state
2 shall be allowed a credit against those taxes for any (i) gross
3 receipts taxes paid to another state with respect to the sales of the
4 products so extracted or manufactured in this state, (ii) manufacturing
5 taxes paid with respect to the manufacturing of products using
6 ingredients so extracted in this state, or (iii) manufacturing taxes
7 paid with respect to manufacturing activities completed in another
8 state for products so manufactured in this state. The amount of the
9 credit shall not exceed the tax liability arising under this chapter
10 with respect to the extraction or manufacturing of those products.

11 (5) For the purpose of this section:

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

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

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

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

23 (c) "Manufacturing tax" means a gross receipts tax imposed on the
24 act or privilege of engaging in business as a manufacturer, and
25 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2909(1),
26 82.04.260 (1), (2), (4), (~~and (13)~~) (11), and (12), and 82.04.294(1);
27 and (ii) similar gross receipts taxes paid to other states.

28 (d) "Extracting tax" means a gross receipts tax imposed on the act
29 or privilege of engaging in business as an extractor, and includes the
30 tax imposed on extractors in RCW 82.04.230 and 82.04.260(12) and
31 similar gross receipts taxes paid to other states.

32 (e) "Business", "manufacturer", "extractor", and other terms used
33 in this section have the meanings given in RCW 82.04.020 through
34 82.04.212, notwithstanding the use of those terms in the context of
35 describing taxes imposed by other states.

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

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

5 (b) For the purposes of this section:

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

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

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

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

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

20 (b) If, after making a determination that a contract has been
21 signed and this act is effective, the department discovers that
22 commencement of commercial production did not take place within three
23 years of the date the contract was signed, the department shall make a
24 determination that this act is no longer effective, and all taxes that
25 would have been otherwise due shall be deemed deferred taxes and are
26 immediately assessed and payable from any person reporting tax under
27 RCW 82.04.240(2) or claiming an exemption or credit under section 2 or
28 5 through 10 of this act. The department is not authorized to make a
29 second determination regarding the effective date of this act.

30 NEW SECTION. Sec. 7. Sections 1 through 3 and 5 of this act take
31 effect July 1, 2006.

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