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**SUBSTITUTE HOUSE BILL 2530**

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**State of Washington**

**62nd Legislature**

**2012 Regular Session**

**By** House Ways & Means (originally sponsored by Representatives Carlyle, Hunter, Reykdal, Roberts, and Pollet; by request of Department of Revenue)

READ FIRST TIME 02/07/12.

1       AN ACT Relating to improving accountability for tax preferences;  
2 amending RCW 82.32.590, 43.136.045, 43.136.055, 43.136.065, 82.32.585,  
3 82.32.600, 82.32.710, 82.04.240, 82.04.240, 82.04.2404, 82.04.250,  
4 82.04.260, 82.04.290, 82.04.2909, 82.04.294, 82.04.426, 82.04.4461,  
5 82.04.4463, 82.04.448, 82.04.4481, 82.08.805, 82.08.965, 82.08.9651,  
6 82.08.970, 82.08.980, 82.08.986, 82.12.022, 82.12.805, 82.12.965,  
7 82.12.9651, 82.12.970, 82.12.980, 82.16.0421, 82.29A.137, 84.36.645,  
8 84.36.655, 82.04.4277, 82.08.820, and 82.12.820; reenacting and  
9 amending RCW 82.32.790; adding new sections to chapter 82.32 RCW;  
10 creating new sections; repealing RCW 82.32.534; and providing effective  
11 dates.

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

13       **Sec. 1.** RCW 82.32.590 and 2011 c 174 s 306 are each amended to  
14 read as follows:

15       (1) If the department finds that the failure of a taxpayer to file  
16 an annual survey under RCW 82.32.585 (~~or annual report under RCW~~  
17 ~~82.32.534~~) by the due date was the result of circumstances beyond the  
18 control of the taxpayer, the department must extend the time for filing  
19 the survey (~~or report~~). The extension is for a period of thirty days

1 from the date the department issues its written notification to the  
2 taxpayer that it qualifies for an extension under this section. The  
3 department may grant additional extensions as it deems proper.

4 (2) In making a determination whether the failure of a taxpayer to  
5 file an annual survey (~~((or annual report))~~) by the due date was the  
6 result of circumstances beyond the control of the taxpayer, the  
7 department must be guided by rules adopted by the department for the  
8 waiver or cancellation of penalties when the underpayment or untimely  
9 payment of any tax was due to circumstances beyond the control of the  
10 taxpayer.

11 (3)(a) Subject to the conditions in this subsection (3), a taxpayer  
12 who fails to file an (~~(annual report or)~~) annual survey required under  
13 subsection (1) of this section by the due date of the (~~(report or)~~)  
14 survey is entitled to an extension of the due date. A request for an  
15 extension under this subsection (3) must be made in writing to the  
16 department.

17 (b) To qualify for an extension under this subsection (3), a  
18 taxpayer must have filed all annual reports and surveys, if any, due in  
19 prior years under subsection (1) of this section by their respective  
20 due dates, beginning with annual reports and surveys due in calendar  
21 year 2010. For purposes of this subsection (3)(b), "annual report"  
22 means the report that was governed by RCW 82.32.534 until its repeal.

23 (c) An extension under this subsection (3) is for ninety days from  
24 the original due date of the annual (~~(report or)~~) survey.

25 (d) No taxpayer may be granted more than one ninety-day extension  
26 under this subsection (3).

27 NEW SECTION. Sec. 2. The legislature makes the following  
28 findings:

29 (1) Accountability and effectiveness are important aspects of  
30 setting tax policy. In order to make policy choices regarding the best  
31 use of limited state resources the legislature needs information to  
32 evaluate whether the continuation of existing tax preferences is in the  
33 public interest.

34 (2) The existing annual reports and annual surveys used to gather  
35 data from taxpayers to evaluate the effectiveness of tax incentives  
36 should be improved and consolidated into a single document. This will

1 provide better information with which to evaluate the effectiveness of  
2 tax preferences. This will also provide greater consistency for  
3 taxpayers and simplify administration for the department of revenue.

4 (3) The process for evaluating tax preferences would be  
5 strengthened by:

6 (a) Establishing a ten-year expiration date for those tax  
7 preferences enacted by the legislature in the future that are subject  
8 to the annual survey; and

9 (b) Requiring that whenever the joint legislative audit and review  
10 committee recommends that a tax preference be modified or terminated  
11 immediately, the committee must include in its report to the  
12 legislative fiscal committees draft legislation to implement the  
13 recommendation.

14 **Sec. 3.** RCW 43.136.045 and 2011 c 335 s 2 are each amended to read  
15 as follows:

16 (1)(a)(i) Except as provided in (a)(ii) of this subsection, the  
17 citizen commission for performance measurement of tax preferences must  
18 develop a schedule to accomplish an orderly review of tax preferences  
19 at least once every ten years.

20 (ii) Tax preferences requiring the person receiving or benefiting  
21 from the preference to file an annual survey under the provisions of  
22 RCW 82.32.585 must be reviewed the earlier of every ten years or one  
23 year before their expiration date.

24 (b) In determining the schedule, the commission must consider the  
25 order the tax preferences were enacted into law, in addition to other  
26 factors including but not limited to grouping preferences for review by  
27 type of industry, economic sector, or policy area. The commission may  
28 elect to include, anywhere in the schedule, a tax preference that has  
29 a statutory expiration date. The commission must omit from the  
30 schedule tax preferences that are required by constitutional law, sales  
31 and use tax exemptions for machinery and equipment for manufacturing,  
32 research and development, or testing, the small business credit for the  
33 business and occupation tax, sales and use tax exemptions for food and  
34 prescription drugs, property tax relief for retired persons, and  
35 property tax valuations based on current use, and may omit any tax  
36 preference that the commission determines is a critical part of the  
37 structure of the tax system. As an alternative to the process under

1 RCW 43.136.055, the commission may recommend to the joint legislative  
2 audit and review committee an expedited review process for any tax  
3 preference.

4 (2) The commission must revise the schedule as needed each year,  
5 taking into account newly enacted or terminated tax preferences. The  
6 commission must deliver the schedule to the joint legislative audit and  
7 review committee by September 1st of each year.

8 (3) The commission must provide a process for effective citizen  
9 input during its deliberations.

10 NEW SECTION. **Sec. 4.** (1) The legislature finds that to  
11 effectively fulfill its role as a financial steward of state tax  
12 dollars, the legislature must understand the return on investment  
13 associated with each tax preference.

14 (2) The legislature therefore intends to add a return on investment  
15 measurement to the duties of the joint legislative audit and review  
16 committee to provide a rigorous and measurable analysis of value of  
17 each tax preference.

18 **Sec. 5.** RCW 43.136.055 and 2011 c 335 s 3 are each amended to read  
19 as follows:

20 (1) The joint legislative audit and review committee must review  
21 tax preferences according to the schedule developed under RCW  
22 43.136.045. The committee must consider, but not be limited to, the  
23 following factors in the review as relevant to each particular tax  
24 preference:

25 (a) The classes of individuals, types of organizations, or types of  
26 industries whose state tax liabilities are directly affected by the tax  
27 preference;

28 (b) Public policy objectives that might provide a justification for  
29 the tax preference, including but not limited to the legislative  
30 history, any legislative intent, or the extent to which the tax  
31 preference encourages business growth or relocation into this state,  
32 promotes growth or retention of high wage jobs, or helps stabilize  
33 communities;

34 (c) Evidence that the existence of the tax preference has  
35 contributed to the achievement of any of the public policy objectives;

1 (d) The extent to which continuation of the tax preference might  
2 contribute to any of the public policy objectives;

3 (e) The extent to which the tax preference may provide unintended  
4 benefits to an individual, organization, or industry other than those  
5 the legislature intended;

6 (f) The extent to which terminating the tax preference may have  
7 negative effects on the category of taxpayers that currently benefit  
8 from the tax preference, and the extent to which resulting higher taxes  
9 may have negative effects on employment and the economy;

10 (g) The feasibility of modifying the tax preference to provide for  
11 adjustment or recapture of the tax benefits of the tax preference if  
12 the objectives are not fulfilled;

13 (h) Fiscal impacts of the tax preference, including past impacts  
14 and expected future impacts if it is continued. For the purposes of  
15 this subsection, "fiscal impact" includes an analysis of the general  
16 effects of the tax preference on the overall state economy, including,  
17 but not limited to, the effects of the tax preference on the  
18 consumption and expenditures of persons and businesses within the  
19 state;

20 (i) The extent to which termination of the tax preference would  
21 affect the distribution of liability for payment of state taxes;

22 (j) The economic impact of the tax preference compared to the  
23 economic impact of government activities funded by the tax for which  
24 the tax preference is taken at the same level of expenditure as the tax  
25 preference. For purposes of this subsection the economic impact shall  
26 be determined using the Washington input-output model as published by  
27 the office of financial management;

28 (k) Consideration of similar tax preferences adopted in other  
29 states, and potential public policy benefits that might be gained by  
30 incorporating corresponding provisions in Washington;

31 (l) The rate of return of the tax preference. The "rate of return"  
32 is the ratio of: (i) The amount of direct, indirect, and induced state  
33 taxes that are paid to the state as a result of the tax preference; and  
34 (ii) the amount of state tax savings claimed by taxpayers as a result  
35 of the tax preference. Local taxes may be included as part of the  
36 ratio calculation under (l)(i) and (ii) of this subsection if the tax  
37 preference provides for a reduction in local taxes. The committee may  
38 determine the length of the time period used in the ratio calculation.

1 The rate of return of the tax preference may be considered only where  
2 a purpose of the tax preference is job creation or retention. Where  
3 appropriate, the committee may deem the seller as the taxpayer with  
4 respect to sales and use tax exemptions. The factor under this  
5 subsection (1)(1) is not required to be part of a tax preference review  
6 until 2013 and thereafter.

7 (2) For each tax preference, the committee must provide a  
8 recommendation as to whether the tax preference should be continued  
9 without modification, modified, scheduled for sunset review at a future  
10 date, or terminated immediately. The committee may recommend  
11 accountability standards for the future review of a tax preference.

12 **Sec. 6.** RCW 43.136.065 and 2006 c 197 s 6 are each amended to read  
13 as follows:

14 (1) The joint legislative audit and review committee (~~(shall)~~) must  
15 report its findings and recommendations for scheduled tax preferences  
16 to the citizen commission for performance measurement of tax  
17 preferences by August 30th of each year. The commission may review and  
18 comment on the report of the committee. The committee may revise its  
19 report based on the comments of the commission. The committee  
20 (~~(shall)~~) must prepare a final report that includes the comments of the  
21 commission (~~(and)~~). The committee must submit the final report to the  
22 (~~(finance)~~) fiscal committees of the house of representatives and the  
23 (~~(ways and means committee of the)~~) senate by December 30th.

24 (~~(2) ((The joint legislative audit and review committee shall submit~~  
25 ~~a special report reviewing all tax preferences that have statutory~~  
26 ~~expiration dates between June 30, 2005, and January 1, 2007. For the~~  
27 ~~special report, the committee shall complete a review under RCW~~  
28 ~~43.136.055, and obtain comments of the citizen commission for~~  
29 ~~performance measurement of tax preferences under subsection (1) of this~~  
30 ~~section, to the extent possible. The committee shall submit the~~  
31 ~~special report to the finance committee of the house of representatives~~  
32 ~~and the ways and means committee of the senate by January 12, 2006.~~

33 (~~3~~)) Following receipt of a report under this section, the  
34 (~~(finance)~~) fiscal committees of the house of representatives and the  
35 (~~(ways and means committee of the)~~) senate (~~(shall)~~) must jointly hold  
36 a public hearing no later than the end of the second week of any

1 regular legislative session to consider the final report and any  
2 related data.

3 **Sec. 7.** RCW 82.32.585 and 2011 c 23 s 6 are each amended to read  
4 as follows:

5 (1)(a) Unless the department extends the due date as provided in  
6 RCW 82.32.590, every person claiming a tax preference that requires a  
7 survey under this section must file a complete annual survey with the  
8 department by the due date as provided in (b) of this subsection.

9 (b)(i) Except as provided in ~~((a))~~ (b)(ii) of this subsection,  
10 the survey is due by April 30th of the year following any calendar year  
11 in which a person becomes eligible to claim the tax preference that  
12 requires a survey under this section. If a person remains eligible to  
13 claim a tax preference in subsequent calendar years, the person must  
14 file additional surveys by April 30th of each year following each  
15 calendar year that the person remains eligible to claim the tax  
16 preference.

17 (ii) If the tax preference is a deferral of tax, the first survey  
18 must be filed by April 30th of the calendar year following the calendar  
19 year in which the investment project is certified by the department as  
20 operationally complete, and a survey must be filed by April 30th of  
21 each of the seven succeeding calendar years.

22 ~~((b) The department may extend the due date for timely filing of~~  
23 ~~annual surveys under this section as provided in RCW 82.32.590.))~~

24 (2)~~((a))~~ The survey must include information as required in this  
25 subsection for the calendar year preceding the calendar year in which  
26 the survey is due.

27 (a)(i) The amount of the tax preference claimed ~~((for the calendar~~  
28 ~~year covered by))~~ must be reported on the survey.

29 (ii) For a person that claimed an exemption provided in RCW  
30 82.08.025651 or 82.12.025651, the survey must include the amount of tax  
31 exempted under those sections in the prior calendar year for each  
32 general area or category of research and development for which exempt  
33 machinery and equipment and labor and services were acquired in the  
34 prior calendar year.

35 (b) The survey must also include the following information for  
36 employment positions in Washington, not to include names of  
37 employees~~((, for the year that the tax preference was claimed))~~:

- 1 (i) The number of total employment positions;
- 2 (ii) Full-time, part-time, and temporary employment positions as a  
3 percent of total employment;
- 4 (iii) The number of employment positions according to the following  
5 wage bands: Less than thirty thousand dollars; thirty thousand dollars  
6 or greater, but less than sixty thousand dollars; and sixty thousand  
7 dollars or greater. A wage band containing fewer than three  
8 individuals may be combined with another wage band; and
- 9 (iv) The number of employment positions that have employer-provided  
10 medical, dental, and retirement benefits, by each of the wage bands.

11 (c) The survey must also include the amount of new capital  
12 investment in Washington. For purposes of this subsection (2)(c), the  
13 term "capital investment" means the cost of land, structures, and  
14 depreciable property located in Washington that are integral to the  
15 activities that qualify the business for the tax preference or  
16 preferences requiring a survey under this section.

17 (d) For persons claiming the tax preference provided under chapter  
18 82.60 or 82.63 RCW, the survey must also include the number of new  
19 products or research projects by general classification, and the number  
20 of trademarks, patents, and copyrights associated with activities at  
21 the investment project.

22 ~~((d))~~ (e) For persons claiming the credit provided under RCW  
23 82.04.4452, the survey must also include the qualified research and  
24 development expenditures ~~((during the calendar year for which the~~  
25 ~~credit was claimed))~~, the taxable amount ~~((during the calendar year for~~  
26 ~~which the credit was claimed))~~, the number of new products or research  
27 projects by general classification, the number of trademarks, patents,  
28 and copyrights associated with the research and development activities  
29 for which the credit was claimed, and whether the tax preference has  
30 been assigned, and who assigned the credit. The definitions in RCW  
31 82.04.4452 apply to this subsection (2)~~((d))~~ (e).

32 ~~((e))~~ (f) For persons claiming the tax exemption in RCW  
33 82.08.025651 or 82.12.025651, the survey must also include the general  
34 areas or categories of research and development for which machinery and  
35 equipment and labor and services were acquired, exempt from tax under  
36 RCW 82.08.025651 or 82.12.025651~~((, in the prior calendar year))~~.

37 ~~((f))~~ (g) If the person filing a survey under this section did  
38 not file a survey under this section or report under RCW 82.32.534 with



1 the department in the previous calendar year, the survey filed under  
2 this section must also include the employment, wage, ~~((and))~~ benefit,  
3 and capital investment information required under (b)~~((i) through~~  
4 ~~(iv))~~ and (c) of this subsection for the calendar year immediately  
5 preceding the calendar year for which a tax preference was claimed.

6 (3) As part of the annual survey, the department may request  
7 additional information necessary to measure the results of, or  
8 determine eligibility for, the tax preference.

9 (4)(a) All information collected under this section from annual  
10 surveys due before April 30, 2013, except the information required in  
11 subsection (2)(a) of this section, is deemed taxpayer information under  
12 RCW 82.32.330. Information required in subsection (2)(a) of this  
13 section and collected from annual surveys due before April 30, 2013, is  
14 not subject to the confidentiality provisions of RCW 82.32.330 and may  
15 be disclosed to the public upon request, except ~~((as provided in~~  
16 ~~subsection (5) of this section))~~ that persons for whom the actual  
17 amount of the tax reduced or saved is less than ten thousand dollars  
18 during the period covered by the survey may request the department to  
19 treat the amount of the tax reduction or savings as confidential under  
20 RCW 82.32.330.

21 (b) Beginning with annual surveys due April 30, 2013, all  
22 information collected under this section from annual surveys, other  
23 than information collected under subsection (3) of this section and the  
24 amount of the tax preference claimed under RCW 82.04.4461, is not  
25 subject to the confidentiality provisions of RCW 82.32.330 and may be  
26 disclosed to the public upon request.

27 (c) If the amount of the tax preference claimed as reported on the  
28 survey is different than the amount actually claimed or otherwise  
29 allowed by the department based on the taxpayer's excise tax returns or  
30 other information known to the department, the amount actually claimed  
31 or allowed may be disclosed.

32 ~~((Persons for whom the actual amount of the tax reduced or~~  
33 ~~saved is less than ten thousand dollars during the period covered by~~  
34 ~~the survey may request the department to treat the amount of the tax~~  
35 ~~reduction or savings as confidential under RCW 82.32.330.~~

36 ~~(6))~~(a) Except as otherwise provided by law, if a person claims a  
37 tax preference that requires an annual survey under this section but  
38 fails to submit a complete annual survey by the due date of the survey

1 or any extension under RCW 82.32.590, the department must declare the  
2 amount of the tax preference claimed for the previous calendar year to  
3 be immediately due. If the tax preference is a deferral of tax, twelve  
4 and one-half percent of the deferred tax is immediately due. If the  
5 economic benefits of the deferral are passed to a lessee, the lessee is  
6 responsible for payment to the extent the lessee has received the  
7 economic benefit.

8 (b) The department must assess interest, but not penalties, on the  
9 amounts due under this subsection. The interest must be assessed at  
10 the rate provided for delinquent taxes under this chapter,  
11 retroactively to the date the tax preference was claimed, and accrues  
12 until the taxes for which the tax preference was claimed are repaid.  
13 Amounts due under this subsection are not subject to the  
14 confidentiality provisions of RCW 82.32.330 and may be disclosed to the  
15 public upon request.

16 ~~((+7))~~ (6)(a) The department must use the information from this  
17 section to prepare summary descriptive statistics by category. ~~((No  
18 fewer than three taxpayers may be included in any category.))~~

19 (b)(i) The department must also use the information from this  
20 section to compute the relative tax burden, by tax type, for each  
21 taxpayer claiming a tax preference requiring a survey under this  
22 section. For purposes of this subsection, state and local sales and  
23 use taxes are considered one tax type.

24 (ii) In addition, for each tax preference requiring a survey under  
25 this section the department must compute the aggregate relative tax  
26 burden of all persons claiming the tax preference.

27 (c) Information created under this subsection and otherwise  
28 confidential under RCW 82.32.330 may be disclosed as authorized by RCW  
29 82.32.330(3)(u).

30 (d) The department must report ~~((these))~~ summary descriptive  
31 statistics and relative tax burden information to the legislature each  
32 year by ~~((October))~~ December 1st.

33 (e) For purposes of this subsection, "relative tax burden" means  
34 the ratio, measured as a percentage, between the amount of tax paid and  
35 the amount of tax that would have been paid by taxpayers without the  
36 application of any tax preferences for which a survey under this  
37 section must be filed.

38 ~~((+8))~~ (7) For the purposes of this section:

1 (a) "Person" has the meaning provided in RCW 82.04.030 and also  
2 includes the state and its departments and institutions.

3 (b) "Tax preference" has the meaning provided in RCW 43.136.021 and  
4 includes only the tax preferences requiring a survey under this  
5 section.

6 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.32 RCW  
7 to read as follows:

8 (1) Unless otherwise provided by statute, any tax preference that  
9 is passed by the legislature after the effective date of this section:

10 (a) Requires the beneficiaries of the tax preference to file a  
11 complete annual survey with the department under RCW 82.32.585 if the  
12 beneficiary is a business required to be registered with the  
13 department;

14 (b)(i) Except as otherwise provided in this subsection, expires on  
15 the date that is ten years after the date the tax preference became  
16 effective. However, if the date that is ten years after the date the  
17 tax preference became effective is not the first day of a fiscal year,  
18 the tax preference expires on the first day of the next fiscal year.

19 (ii) If a tax preference is a property tax exemption and the date  
20 that is ten years after the date the exemption became effective is not  
21 the first day of a calendar year, the exemption expires on the first  
22 day of the next calendar year; and

23 (c) Requires a statement of legislative intent describing the  
24 context making the tax preference necessary and providing clear and  
25 measurable public policy objectives.

26 (2) For purposes of subsection (1) of this section:

27 (a) Except as provided in this subsection (2)(a), the beneficiary  
28 of a tax preference is the taxpayer entitled to claim the tax  
29 preference. However, when the ability of a taxpayer to claim a tax  
30 preference is conditioned in this title on the taxpayer passing the  
31 economic benefit of that tax preference to someone else, the individual  
32 or entity receiving the economic benefit of the tax preference is the  
33 beneficiary of the tax preference, not the taxpayer.

34 (b) "Tax preference that is passed by the legislature" includes the  
35 continuation or expansion of any tax preference originally enacted by  
36 the legislature on or before the effective date of this section. For  
37 purposes of this subsection (2)(b):

1 (i) "Continuation" means that the legislature has taken affirmative  
2 action to eliminate or extend an expiration date or otherwise extend  
3 the effective period for claiming a tax preference; and

4 (ii) "Expansion" means that the legislature has made a change to a  
5 tax preference that either increases the number of persons eligible for  
6 the tax preference or reduces state tax revenue or the amount of  
7 taxable property on the property tax rolls, even if fewer taxpayers  
8 will be eligible to claim the tax preference. For purposes of this  
9 subsection (2)(b)(ii), the department is responsible for determining  
10 whether a change to a tax preference constitutes an expansion and is  
11 based on the department's estimate of the impact of the change as  
12 reflected in the department's final fiscal note for the legislation  
13 that changed the tax preference or in the department's workpapers for  
14 such fiscal note. However, if the department did not prepare a fiscal  
15 note for the legislation that changed the tax preference or the  
16 department is unable to determine from the fiscal note whether the  
17 change constitutes an expansion of the tax preference, the department  
18 must perform an estimate of the impact of the change within ninety days  
19 following the effective date of the change to determine whether the  
20 change constitutes an expansion of the tax preference.

21 (3) For purposes of this section, the following definitions apply:

22 (a) "Fiscal year" means the year beginning July 1st and ending the  
23 following June 30th.

24 (b) "Tax preference" means the following tax benefits for any state  
25 tax administered by the department, including property taxes levied by  
26 the state: Exemptions, including exemptions in the form of a  
27 remittance or refund of tax paid; deductions; credits; deferrals; or  
28 reduced tax rates.

29 NEW SECTION. **Sec. 9.** A new section is added to chapter 82.32 RCW  
30 to read as follows:

31 (1)(a) Unless otherwise provided by law, a taxpayer may claim a tax  
32 preference on and after the expiration date of the tax preference under  
33 the following circumstances:

34 (i) All conditions necessary for entitlement to the tax preference  
35 occurred before the expiration date of the tax preference;

36 (ii) The tax preference is a type that must be claimed on a tax

1 return required to be filed with the department, which includes tax  
2 exemptions that are not required to be specifically identified on the  
3 tax return but that reduce the amount of tax due on the return; and

4 (iii) The tax preference is claimed on the tax return for the  
5 reporting period that includes the date that the taxpayer became  
6 entitled to the tax preference.

7 (b) This subsection does not allow:

8 (i) A tax preference to be claimed to the extent that it would  
9 reduce the amount of tax due on the return to less than zero;

10 (ii) A credit to be carried forward to any subsequent reporting  
11 period except as specifically provided in the statute that authorized  
12 the credit; or

13 (iii) Refunds for unused tax preferences.

14 (2) The department may not assess use tax against a taxpayer based  
15 solely on the expiration of a use tax exemption.

16 (3) For purposes of this section, "tax preference" means the  
17 following tax benefits for any state tax administered by the department  
18 under this chapter: Exemptions, including exemptions in the form of a  
19 remittance or refund of tax paid; deductions; credits; deferrals; or  
20 reduced tax rates.

21 **Sec. 10.** RCW 82.32.600 and 2010 c 114 s 136 are each amended to  
22 read as follows:

23 (1) Persons required to file annual surveys (~~(or annual reports)~~)  
24 under RCW (~~(82.32.534 or)~~) 82.32.585 must electronically file with the  
25 department all surveys, reports, returns, and any other forms or  
26 information the department requires in an electronic format as provided  
27 or approved by the department. As used in this section, "returns" has  
28 the same meaning as "return" in RCW 82.32.050.

29 (2) Any survey, report, return, or any other form or information  
30 required to be filed in an electronic format under subsection (1) of  
31 this section is not filed until received by the department in an  
32 electronic format.

33 (3) The department may waive the electronic filing requirement in  
34 subsection (1) of this section for good cause shown.

35 **Sec. 11.** RCW 82.32.710 and 2010 c 114 s 137 are each amended to  
36 read as follows:

1 (1) A client under the terms of a professional employer agreement  
2 is deemed to be the sole employer of a covered employee for purposes of  
3 eligibility for any tax credit, exemption, or other tax incentive,  
4 arising as the result of the employment of covered employees, provided  
5 in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483, 82.08.965,  
6 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or 82.70 RCW, or  
7 any other provision in this title. A client, and not the professional  
8 employer organization, is entitled to the benefit of any tax credit,  
9 exemption, or other tax incentive arising as the result of the  
10 employment of covered employees of that client.

11 (2) A client under the terms of a professional employer agreement  
12 is deemed to be the sole employer of a covered employee for purposes of  
13 (~~reports or~~) surveys that require the reporting of employment  
14 information relating to covered employees of the client, as provided in  
15 RCW (~~82.32.534 or~~) 82.32.585. A client, and not the professional  
16 employer organization, is required to complete any survey (~~or report~~)  
17 that requires the reporting of employment information relating to  
18 covered employees of that client.

19 (3) For the purposes of this section, "client," "covered employee,"  
20 "professional employer agreement," and "professional employer  
21 organization" have the same meanings as in RCW 82.04.540.

22 **Sec. 12.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to read  
23 as follows:

24 (1) Upon every person engaging within this state in business as a  
25 manufacturer, except persons taxable as manufacturers under other  
26 provisions of this chapter; as to such persons the amount of the tax  
27 with respect to such business (~~shall be~~) is equal to the value of the  
28 products, including byproducts, manufactured, multiplied by the rate of  
29 0.484 percent.

30 (2) The measure of the tax is the value of the products, including  
31 byproducts, so manufactured regardless of the place of sale or the fact  
32 that deliveries may be made to points outside the state.

33 **Sec. 13.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to  
34 read as follows:

35 (1) Upon every person engaging within this state in business as a  
36 manufacturer, except persons taxable as manufacturers under other

1 provisions of this chapter; as to such persons the amount of the tax  
2 with respect to such business is equal to the value of the products,  
3 including byproducts, manufactured, multiplied by the rate of 0.484  
4 percent.

5 (2)(a) Upon every person engaging within this state in the business  
6 of manufacturing semiconductor materials, as to such persons the amount  
7 of tax with respect to such business is, in the case of manufacturers,  
8 equal to the value of the product manufactured, or, in the case of  
9 processors for hire, equal to the gross income of the business,  
10 multiplied by the rate of 0.275 percent. For the purposes of this  
11 subsection "semiconductor materials" means silicon crystals, silicon  
12 ingots, raw polished semiconductor wafers, compound semiconductors,  
13 integrated circuits, and microchips.

14 (b) A person reporting under the tax rate provided in this  
15 subsection (2) must file a complete annual (~~report~~) survey with the  
16 department under RCW (~~(82.32.534)~~) 82.32.585.

17 (c) This subsection (2) expires twelve years after the effective  
18 date of this (~~act~~) section.

19 (3) The measure of the tax is the value of the products, including  
20 byproducts, so manufactured regardless of the place of sale or the fact  
21 that deliveries may be made to points outside the state.

22 **Sec. 14.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to  
23 read as follows:

24 (1) Upon every person engaging within this state in the business of  
25 manufacturing or processing for hire semiconductor materials, as to  
26 such persons the amount of tax with respect to such business is, in the  
27 case of manufacturers, equal to the value of the product manufactured,  
28 or, in the case of processors for hire, equal to the gross income of  
29 the business, multiplied by the rate of 0.275 percent.

30 (2) For the purposes of this section "semiconductor materials"  
31 means silicon crystals, silicon ingots, raw polished semiconductor  
32 wafers, and compound semiconductor wafers.

33 (3) A person reporting under the tax rate provided in this section  
34 must file a complete annual (~~report~~) survey with the department under  
35 RCW (~~(82.32.534)~~) 82.32.585.

36 (4) This section expires December 1, 2018.

1       **Sec. 15.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 are each  
2 amended to read as follows:

3       (1) Upon every person engaging within this state in the business of  
4 making sales at retail, except persons taxable (~~(as retailers)~~) under  
5 other provisions of this chapter on the business of making sales at  
6 retail, as to such persons, the amount of tax with respect to such  
7 business is equal to the gross proceeds of sales of the business,  
8 multiplied by the rate of 0.471 percent.

9       (2) Upon every person engaging within this state in the business of  
10 making sales at retail that are exempt from the tax imposed under  
11 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
12 82.08.0263, except persons taxable under RCW 82.04.260(~~(+10)~~) (11) or  
13 subsection (3) of this section, as to such persons, the amount of tax  
14 with respect to such business is equal to the gross proceeds of sales  
15 of the business, multiplied by the rate of 0.484 percent.

16       (3)(a) Until July 1, 2024, upon every person classified by the  
17 federal aviation administration as a federal aviation regulation part  
18 145 certificated repair station and that is engaging within this state  
19 in the business of making sales at retail that are exempt from the tax  
20 imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,  
21 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with  
22 respect to such business is equal to the gross proceeds of sales of the  
23 business, multiplied by the rate of .2904 percent.

24       (b) A person reporting under the tax rate provided in this  
25 subsection (3) must file a complete annual survey with the department  
26 under RCW 82.32.585.

27       **Sec. 16.** RCW 82.04.260 and 2011 c 2 s 203 (Initiative Measure No.  
28 1107) are each amended to read as follows:

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

31       (a) Wheat into flour, barley into pearl barley, soybeans into  
32 soybean oil, canola into canola oil, canola meal, or canola by-  
33 products, or sunflower seeds into sunflower oil; as to such persons the  
34 amount of tax with respect to such business is equal to the value of  
35 the flour, pearl barley, oil, canola meal, or canola by-product  
36 manufactured, multiplied by the rate of 0.138 percent;



1 (b) Beginning July 1, 2012, seafood products that remain in a raw,  
2 raw frozen, or raw salted state at the completion of the manufacturing  
3 by that person; or selling manufactured seafood products that remain in  
4 a raw, raw frozen, or raw salted state at the completion of the  
5 manufacturing, to purchasers who transport in the ordinary course of  
6 business the goods out of this state; as to such persons the amount of  
7 tax with respect to such business is equal to the value of the products  
8 manufactured or the gross proceeds derived from such sales, multiplied  
9 by the rate of 0.138 percent. Sellers must keep and preserve records  
10 for the period required by RCW 82.32.070 establishing that the goods  
11 were transported by the purchaser in the ordinary course of business  
12 out of this state;

13 (c) Beginning July 1, 2012, dairy products that as of September 20,  
14 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,  
15 including by-products from the manufacturing of the dairy products such  
16 as whey and casein; or selling the same to purchasers who transport in  
17 the ordinary course of business the goods out of state; as to such  
18 persons the tax imposed is equal to the value of the products  
19 manufactured or the gross proceeds derived from such sales multiplied  
20 by the rate of 0.138 percent. Sellers must keep and preserve records  
21 for the period required by RCW 82.32.070 establishing that the goods  
22 were transported by the purchaser in the ordinary course of business  
23 out of this state;

24 (d) Beginning July 1, 2012, fruits or vegetables by canning,  
25 preserving, freezing, processing, or dehydrating fresh fruits or  
26 vegetables, or selling at wholesale fruits or vegetables manufactured  
27 by the seller by canning, preserving, freezing, processing, or  
28 dehydrating fresh fruits or vegetables and sold to purchasers who  
29 transport in the ordinary course of business the goods out of this  
30 state; as to such persons the amount of tax with respect to such  
31 business is equal to the value of the products manufactured or the  
32 gross proceeds derived from such sales multiplied by the rate of 0.138  
33 percent. Sellers must keep and preserve records for the period  
34 required by RCW 82.32.070 establishing that the goods were transported  
35 by the purchaser in the ordinary course of business out of this state;

36 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
37 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 is equal to the  
2 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
3 manufactured, multiplied by the rate of 0.138 percent; and

4 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
5 persons the amount of tax with respect to the business is equal to the  
6 value of wood biomass fuel manufactured, multiplied by the rate of  
7 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 is equal to the value of the peas  
11 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 is equal to the gross income derived from such activities  
16 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 is equal to the gross proceeds derived from  
21 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 is equal to the gross  
25 income derived from such activities multiplied by the rate of 0.275  
26 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 is equal to the gross income derived from such activities  
33 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 is  
38 equal to the gross proceeds derived from such activities multiplied by

1 the rate of 0.275 percent. Persons subject to taxation under this  
2 subsection are exempt from payment of taxes imposed by chapter 82.16  
3 RCW for that portion of their business subject to taxation under this  
4 subsection. Stevedoring and associated activities pertinent to the  
5 conduct of goods and commodities in waterborne interstate or foreign  
6 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 is equal to  
28 the gross income of the business, excluding any fees imposed under  
29 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 must 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 producer or title insurance agent licensed under chapter 48.17 RCW or  
36 a surplus line broker licensed under chapter 48.15 RCW; as to such  
37 persons, the amount of the tax with respect to such licensed activities

1 is equal to the gross income of such business multiplied by the rate of  
2 0.484 percent.

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

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, or making sales, at retail  
13 or wholesale, of commercial airplanes or components of such airplanes,  
14 manufactured by the seller, as to such persons the amount of tax with  
15 respect to such business is, in the case of manufacturers, equal to the  
16 value of the product manufactured and the gross proceeds of sales of  
17 the product manufactured, or in the case of processors for hire, equal  
18 to the gross income of the business, multiplied by the rate of:

- 19 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and  
20 (ii) 0.2904 percent beginning July 1, 2007.

21 (b) Beginning July 1, 2008, upon every person who is not eligible  
22 to report under the provisions of (a) of this subsection (11) and is  
23 engaging within this state in the business of manufacturing tooling  
24 specifically designed for use in manufacturing commercial airplanes or  
25 components of such airplanes, or making sales, at retail or wholesale,  
26 of such tooling manufactured by the seller, as to such persons the  
27 amount of tax with respect to such business is, in the case of  
28 manufacturers, equal to the value of the product manufactured and the  
29 gross proceeds of sales of the product manufactured, or in the case of  
30 processors for hire, be equal to the gross income of the business,  
31 multiplied by the rate of 0.2904 percent.

32 (c) For the purposes of this subsection (11), "commercial airplane"  
33 and "component" have the same meanings as provided in RCW 82.32.550.

34 (d) In addition to all other requirements under this title, a  
35 person reporting under the tax rate provided in this subsection (11)  
36 must file a complete annual (~~report~~) survey with the department under  
37 RCW (~~(82.32.534)~~) 82.32.585.

38 (e) This subsection (11) does not apply on and after July 1, 2024.

1 (12)(a) Until July 1, 2024, upon every person engaging within this  
2 state in the business of extracting timber or extracting for hire  
3 timber; as to such persons the amount of tax with respect to the  
4 business is, in the case of extractors, equal to the value of products,  
5 including by-products, extracted, or in the case of extractors for  
6 hire, equal to the gross income of the business, multiplied by the rate  
7 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
8 percent from July 1, 2007, through June 30, 2024.

9 (b) Until July 1, 2024, upon every person engaging within this  
10 state in the business of manufacturing or processing for hire: (i)  
11 Timber into timber products or wood products; or (ii) timber products  
12 into other timber products or wood products; as to such persons the  
13 amount of the tax with respect to the business is, in the case of  
14 manufacturers, equal to the value of products, including by-products,  
15 manufactured, or in the case of processors for hire, equal to the gross  
16 income of the business, multiplied by the rate of 0.4235 percent from  
17 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
18 2007, through June 30, 2024.

19 (c) Until July 1, 2024, upon every person engaging within this  
20 state in the business of selling at wholesale: (i) Timber extracted by  
21 that person; (ii) timber products manufactured by that person from  
22 timber or other timber products; or (iii) wood products manufactured by  
23 that person from timber or timber products; as to such persons the  
24 amount of the tax with respect to the business is equal to the gross  
25 proceeds of sales of the timber, timber products, or wood products  
26 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
27 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
28 2024.

29 (d) Until July 1, 2024, upon every person engaging within this  
30 state in the business of selling standing timber; as to such persons  
31 the amount of the tax with respect to the business is equal to the  
32 gross income of the business multiplied by the rate of 0.2904 percent.  
33 For purposes of this subsection (12)(d), "selling standing timber"  
34 means the sale of timber apart from the land, where the buyer is  
35 required to sever the timber within thirty months from the date of the  
36 original contract, regardless of the method of payment for the timber  
37 and whether title to the timber transfers before, upon, or after  
38 severance.

1 (e) For purposes of this subsection, the following definitions  
2 apply:

3 (i) "Biocomposite surface products" means surface material products  
4 containing, by weight or volume, more than fifty percent recycled paper  
5 and that also use nonpetroleum-based phenolic resin as a bonding agent.

6 (ii) "Paper and paper products" means products made of interwoven  
7 cellulosic fibers held together largely by hydrogen bonding. "Paper  
8 and paper products" includes newsprint; office, printing, fine, and  
9 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
10 kraft bag, construction, and other kraft industrial papers; paperboard,  
11 liquid packaging containers, containerboard, corrugated, and solid-  
12 fiber containers including linerboard and corrugated medium; and  
13 related types of cellulosic products containing primarily, by weight or  
14 volume, cellulosic materials. "Paper and paper products" does not  
15 include books, newspapers, magazines, periodicals, and other printed  
16 publications, advertising materials, calendars, and similar types of  
17 printed materials.

18 (iii) "Recycled paper" means paper and paper products having fifty  
19 percent or more of their fiber content that comes from postconsumer  
20 waste. For purposes of this subsection (12)(e)(iii), "postconsumer  
21 waste" means a finished material that would normally be disposed of as  
22 solid waste, having completed its life cycle as a consumer item.

23 (iv) "Timber" means forest trees, standing or down, on privately or  
24 publicly owned land. "Timber" does not include Christmas trees that  
25 are cultivated by agricultural methods or short-rotation hardwoods as  
26 defined in RCW 84.33.035.

27 (v) "Timber products" means:

28 (A) Logs, wood chips, sawdust, wood waste, and similar products  
29 obtained wholly from the processing of timber, short-rotation hardwoods  
30 as defined in RCW 84.33.035, or both;

31 (B) Pulp, including market pulp and pulp derived from recovered  
32 paper or paper products; and

33 (C) Recycled paper, but only when used in the manufacture of  
34 biocomposite surface products.

35 (vi) "Wood products" means paper and paper products; dimensional  
36 lumber; engineered wood products such as particleboard, oriented strand  
37 board, medium density fiberboard, and plywood; wood doors; wood  
38 windows; and biocomposite surface products.

1 (f) Except for small harvesters as defined in RCW 84.33.035, a  
2 person reporting under the tax rate provided in this subsection (12)  
3 must file a complete annual survey with the department under RCW  
4 82.32.585.

5 (13) Upon every person engaging within this state in inspecting,  
6 testing, labeling, and storing canned salmon owned by another person,  
7 as to such persons, the amount of tax with respect to such activities  
8 is equal to the gross income derived from such activities multiplied by  
9 the rate of 0.484 percent.

10 (14)(a) Upon every person engaging within this state in the  
11 business of printing a newspaper, publishing a newspaper, or both, the  
12 amount of tax on such business is equal to the gross income of the  
13 business multiplied by the rate of 0.2904 percent.

14 (b) A person reporting under the tax rate provided in this  
15 subsection (14) must file a complete annual (~~report~~) survey with the  
16 department under RCW (~~(82.32.534)~~) 82.32.585.

17 **Sec. 17.** RCW 82.04.290 and 2011 c 174 s 101 are each amended to  
18 read as follows:

19 (1) Upon every person engaging within this state in the business of  
20 providing international investment management services, as to such  
21 persons, the amount of tax with respect to such business (~~(shall be)~~)  
22 is equal to the gross income or gross proceeds of sales of the business  
23 multiplied by a rate of 0.275 percent.

24 (2)(a) Upon every person engaging within this state in any business  
25 activity other than or in addition to an activity taxed explicitly  
26 under another section in this chapter or subsection (1) or (3) of this  
27 section; as to such persons the amount of tax on account of such  
28 activities (~~(shall be)~~) is equal to the gross income of the business  
29 multiplied by the rate of 1.5 percent.

30 (b) This subsection (2) includes, among others, and without  
31 limiting the scope hereof (whether or not title to materials used in  
32 the performance of such business passes to another by accession,  
33 confusion or other than by outright sale), persons engaged in the  
34 business of rendering any type of service which does not constitute a  
35 "sale at retail" or a "sale at wholesale." The value of advertising,  
36 demonstration, and promotional supplies and materials furnished to an  
37 agent by his principal or supplier to be used for informational,

1 educational and promotional purposes (~~shall~~) is not (~~be~~) considered  
2 a part of the agent's remuneration or commission and (~~shall~~) is not  
3 (~~be~~) subject to taxation under this section.

4 (3)(a) Until July 1, 2024, upon every person engaging within this  
5 state in the business of performing aerospace product development for  
6 others, as to such persons, the amount of tax with respect to such  
7 business (~~shall be~~) is equal to the gross income of the business  
8 multiplied by a rate of 0.9 percent.

9 (b) "Aerospace product development" has the meaning as provided in  
10 RCW 82.04.4461.

11 (c) A person reporting under the tax rate provided in this  
12 subsection (3) must file a complete annual survey with the department  
13 under RCW 82.32.585.

14 **Sec. 18.** RCW 82.04.2909 and 2011 c 174 s 301 are each amended to  
15 read as follows:

16 (1) Upon every person who is an aluminum smelter engaging within  
17 this state in the business of manufacturing aluminum; as to such  
18 persons the amount of tax with respect to such business is, in the case  
19 of manufacturers, equal to the value of the product manufactured, or in  
20 the case of processors for hire, equal to the gross income of the  
21 business, multiplied by the rate of .2904 percent.

22 (2) Upon every person who is an aluminum smelter engaging within  
23 this state in the business of making sales at wholesale of aluminum  
24 manufactured by that person, as to such persons the amount of tax with  
25 respect to such business is equal to the gross proceeds of sales of the  
26 aluminum multiplied by the rate of .2904 percent.

27 (3) A person reporting under the tax rate provided in this section  
28 must file a complete annual (~~report~~) survey with the department under  
29 RCW (~~(82.32.534)~~) 82.32.585.

30 (4) This section expires January 1, 2017.

31 **Sec. 19.** RCW 82.04.294 and 2011 c 179 s 1 are each amended to read  
32 as follows:

33 (1) Upon every person engaging within this state in the business of  
34 manufacturing solar energy systems using photovoltaic modules or  
35 stirling converters, or of manufacturing solar grade silicon, silicon  
36 solar wafers, silicon solar cells, thin film solar devices, or compound



1 semiconductor solar wafers to be used exclusively in components of such  
2 systems; as to such persons the amount of tax with respect to such  
3 business is, in the case of manufacturers, equal to the value of the  
4 product manufactured, or in the case of processors for hire, equal to  
5 the gross income of the business, multiplied by the rate of 0.275  
6 percent.

7 (2) Upon every person engaging within this state in the business of  
8 making sales at wholesale of solar energy systems using photovoltaic  
9 modules or stirling converters, or of solar grade silicon, silicon  
10 solar wafers, silicon solar cells, thin film solar devices, or compound  
11 semiconductor solar wafers to be used exclusively in components of such  
12 systems, manufactured by that person; as to such persons the amount of  
13 tax with respect to such business is equal to the gross proceeds of  
14 sales of the solar energy systems using photovoltaic modules or  
15 stirling converters, or of the solar grade silicon to be used  
16 exclusively in components of such systems, multiplied by the rate of  
17 0.275 percent.

18 (3) Silicon solar wafers, silicon solar cells, thin film solar  
19 devices, or compound semiconductor solar wafers are "semiconductor  
20 materials" for the purposes of RCW 82.08.9651 and 82.12.9651.

21 (4) The definitions in this subsection apply throughout this  
22 section.

23 (a) "Compound semiconductor solar wafers" means a semiconductor  
24 solar wafer composed of elements from two or more different groups of  
25 the periodic table.

26 (b) "Module" means the smallest nondivisible self-contained  
27 physical structure housing interconnected photovoltaic cells and  
28 providing a single direct current electrical output.

29 (c) "Photovoltaic cell" means a device that converts light directly  
30 into electricity without moving parts.

31 (d) "Silicon solar cells" means a photovoltaic cell manufactured  
32 from a silicon solar wafer.

33 (e) "Silicon solar wafers" means a silicon wafer manufactured for  
34 solar conversion purposes.

35 (f) "Solar energy system" means any device or combination of  
36 devices or elements that rely upon direct sunlight as an energy source  
37 for use in the generation of electricity.

1 (g) "Solar grade silicon" means high-purity silicon used  
2 exclusively in components of solar energy systems using photovoltaic  
3 modules to capture direct sunlight. "Solar grade silicon" does not  
4 include silicon used in semiconductors.

5 (h) "Stirling converter" means a device that produces electricity  
6 by converting heat from a solar source utilizing a stirling engine.

7 (i) "Thin film solar devices" means a nonparticipating substrate on  
8 which various semiconducting materials are deposited to produce a  
9 photovoltaic cell that is used to generate electricity.

10 (5) A person reporting under the tax rate provided in this section  
11 must file a complete annual (~~(report)~~) survey with the department under  
12 RCW (~~(82.32.534)~~) 82.32.585.

13 (6) This section expires June 30, 2014.

14 **Sec. 20.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to  
15 read as follows:

16 (1) The tax imposed by RCW 82.04.240(2) does not apply to any  
17 person in respect to the manufacturing of semiconductor microchips.

18 (2) For the purposes of this section:

19 (a) "Manufacturing semiconductor microchips" means taking raw  
20 polished semiconductor wafers and embedding integrated circuits on the  
21 wafers using processes such as masking, etching, and diffusion; and

22 (b) "Integrated circuit" means a set of microminiaturized,  
23 electronic circuits.

24 (3) A person reporting under the tax rate provided in this section  
25 must file a complete annual (~~(report)~~) survey with the department under  
26 RCW (~~(82.32.534)~~) 82.32.585.

27 (4) This section expires nine years after the effective date of  
28 this (~~(act)~~) section.

29 **Sec. 21.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to  
30 read as follows:

31 (1)(a)(i) In computing the tax imposed under this chapter, a credit  
32 is allowed for each person for qualified aerospace product development.  
33 For a person who is a manufacturer or processor for hire of commercial  
34 airplanes or components of such airplanes, credit may be earned for  
35 expenditures occurring after December 1, 2003. For all other persons,

1 credit may be earned only for expenditures occurring after June 30,  
2 2008.

3 (ii) For purposes of this subsection, "commercial airplane" and  
4 "component" have the same meanings as provided in RCW 82.32.550.

5 (b) Before July 1, 2005, any credits earned under this section must  
6 be accrued and carried forward and may not be used until July 1, 2005.  
7 These carryover credits may be used at any time thereafter, and may be  
8 carried over until used. Refunds may not be granted in the place of a  
9 credit.

10 (2) The credit is equal to the amount of qualified aerospace  
11 product development expenditures of a person, multiplied by the rate of  
12 1.5 percent.

13 (3) Except as provided in subsection (1)(b) of this section the  
14 credit must be claimed against taxes due for the same calendar year in  
15 which the qualified aerospace product development expenditures are  
16 incurred. Credit earned on or after July 1, 2005, may not be carried  
17 over. The credit for each calendar year may not exceed the amount of  
18 tax otherwise due under this chapter for the calendar year. Refunds  
19 may not be granted in the place of a credit.

20 (4) Any person claiming the credit must file a form prescribed by  
21 the department that must include the amount of the credit claimed, an  
22 estimate of the anticipated aerospace product development expenditures  
23 during the calendar year for which the credit is claimed, an estimate  
24 of the taxable amount during the calendar year for which the credit is  
25 claimed, and such additional information as the department may  
26 prescribe.

27 (5) The definitions in this subsection apply throughout this  
28 section.

29 (a) "Aerospace product" has the meaning given in RCW 82.08.975.

30 (b) "Aerospace product development" means research, design, and  
31 engineering activities performed in relation to the development of an  
32 aerospace product or of a product line, model, or model derivative of  
33 an aerospace product, including prototype development, testing, and  
34 certification. The term includes the discovery of technological  
35 information, the translating of technological information into new or  
36 improved products, processes, techniques, formulas, or inventions, and  
37 the adaptation of existing products and models into new products or new  
38 models, or derivatives of products or models. The term does not

1 include manufacturing activities or other production-oriented  
2 activities, however the term does include tool design and engineering  
3 design for the manufacturing process. The term does not include  
4 surveys and studies, social science and humanities research, market  
5 research or testing, quality control, sale promotion and service,  
6 computer software developed for internal use, and research in areas  
7 such as improved style, taste, and seasonal design.

8 (c) "Qualified aerospace product development" means aerospace  
9 product development performed within this state.

10 (d) "Qualified aerospace product development expenditures" means  
11 operating expenses, including wages, compensation of a proprietor or a  
12 partner in a partnership as determined by the department, benefits,  
13 supplies, and computer expenses, directly incurred in qualified  
14 aerospace product development by a person claiming the credit provided  
15 in this section. The term does not include amounts paid to a person or  
16 to the state and any of its departments and institutions, other than a  
17 public educational or research institution to conduct qualified  
18 aerospace product development. The term does not include capital costs  
19 and overhead, such as expenses for land, structures, or depreciable  
20 property.

21 (e) "Taxable amount" means the taxable amount subject to the tax  
22 imposed in this chapter required to be reported on the person's tax  
23 returns during the year in which the credit is claimed, less any  
24 taxable amount for which a credit is allowed under RCW 82.04.440.

25 (6) In addition to all other requirements under this title, a  
26 person claiming the credit under this section must file a complete  
27 annual (~~report~~) survey with the department under RCW (~~82.32.534~~)  
28 82.32.585.

29 (7) Credit may not be claimed for expenditures for which a credit  
30 is claimed under RCW 82.04.4452.

31 (8) This section expires July 1, 2024.

32 **Sec. 22.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each  
33 amended to read as follows:

34 (1) In computing the tax imposed under this chapter, a credit is  
35 allowed for property taxes and leasehold excise taxes paid during the  
36 calendar year.

37 (2) The credit is equal to:

1 (a)(i)(A) Property taxes paid on buildings, and land upon which the  
2 buildings are located, constructed after December 1, 2003, and used  
3 exclusively in manufacturing commercial airplanes or components of such  
4 airplanes; and

5 (B) Leasehold excise taxes paid with respect to buildings  
6 constructed after January 1, 2006, the land upon which the buildings  
7 are located, or both, if the buildings are used exclusively in  
8 manufacturing commercial airplanes or components of such airplanes; and

9 (C) Property taxes or leasehold excise taxes paid on, or with  
10 respect to, buildings constructed after June 30, 2008, the land upon  
11 which the buildings are located, or both, and used exclusively for  
12 aerospace product development, manufacturing tooling specifically  
13 designed for use in manufacturing commercial airplanes or their  
14 components, or in providing aerospace services, by persons not within  
15 the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable  
16 under RCW 82.04.290(3), 82.04.260(~~(+10)~~) (11)(b), or 82.04.250(3); or

17 (ii) Property taxes attributable to an increase in assessed value  
18 due to the renovation or expansion, after: (A) December 1, 2003, of a  
19 building used exclusively in manufacturing commercial airplanes or  
20 components of such airplanes; and (B) June 30, 2008, of buildings used  
21 exclusively for aerospace product development, manufacturing tooling  
22 specifically designed for use in manufacturing commercial airplanes or  
23 their components, or in providing aerospace services, by persons not  
24 within the scope of (a)(ii)(A) of this subsection (2) and are taxable  
25 under RCW 82.04.290(3), 82.04.260(~~(+10)~~) (11)(b), or 82.04.250(3); and

26 (b) An amount equal to:

27 (i)(A) Property taxes paid, by persons taxable under RCW  
28 82.04.260(~~(+10)~~) (11)(a), on machinery and equipment exempt under RCW  
29 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

30 (B) Property taxes paid, by persons taxable under RCW  
31 82.04.260(~~(+10)~~) (11)(b), on machinery and equipment exempt under RCW  
32 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

33 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)  
34 or 82.04.290(3), on computer hardware, computer peripherals, and  
35 software exempt under RCW 82.08.975 or 82.12.975 and acquired after  
36 June 30, 2008.

37 (ii) For purposes of determining the amount eligible for credit

1 under (i)(A) and (B) of this subsection (2)(b), the amount of property  
2 taxes paid is multiplied by a fraction.

3 (A) The numerator of the fraction is the total taxable amount  
4 subject to the tax imposed under RCW 82.04.260(~~(+10+)~~) (11) (a) or (b)  
5 on the applicable business activities of manufacturing commercial  
6 airplanes, components of such airplanes, or tooling specifically  
7 designed for use in the manufacturing of commercial airplanes or  
8 components of such airplanes.

9 (B) The denominator of the fraction is the total taxable amount  
10 subject to the tax imposed under all manufacturing classifications in  
11 chapter 82.04 RCW.

12 (C) For purposes of both the numerator and denominator of the  
13 fraction, the total taxable amount refers to the total taxable amount  
14 required to be reported on the person's returns for the calendar year  
15 before the calendar year in which the credit under this section is  
16 earned. The department may provide for an alternative method for  
17 calculating the numerator in cases where the tax rate provided in RCW  
18 82.04.260(~~(+10+)~~) (11) for manufacturing was not in effect during the  
19 full calendar year before the calendar year in which the credit under  
20 this section is earned.

21 (D) No credit is available under (b)(i)(A) or (B) of this  
22 subsection (2) if either the numerator or the denominator of the  
23 fraction is zero. If the fraction is greater than or equal to nine-  
24 tenths, then the fraction is rounded to one.

25 (E) As used in (b)(ii)(C) of this subsection (2), "returns" means  
26 the tax returns for which the tax imposed under this chapter is  
27 reported to the department.

28 (3) The definitions in this subsection apply throughout this  
29 section, unless the context clearly indicates otherwise.

30 (a) "Aerospace product development" has the same meaning as  
31 provided in RCW 82.04.4461.

32 (b) "Aerospace services" has the same meaning given in RCW  
33 82.08.975.

34 (c) "Commercial airplane" and "component" have the same meanings as  
35 provided in RCW 82.32.550.

36 (4) A credit earned during one calendar year may be carried over to  
37 be credited against taxes incurred in a subsequent calendar year, but

1 may not be carried over a second year. No refunds may be granted for  
2 credits under this section.

3 (5) In addition to all other requirements under this title, a  
4 person claiming the credit under this section must file a complete  
5 annual ((report)) survey with the department under RCW ((82.32.534))  
6 82.32.585.

7 (6) This section expires July 1, 2024.

8 **Sec. 23.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to  
9 read as follows:

10 (1) Subject to the limits and provisions of this section, a credit  
11 is authorized against the tax otherwise due under RCW 82.04.240(2) for  
12 persons engaged in the business of manufacturing semiconductor  
13 materials. For the purposes of this section "semiconductor materials"  
14 has the same meaning as provided in RCW 82.04.240(2).

15 (2)(a) The credit under this section equals three thousand dollars  
16 for each employment position used in manufacturing production that  
17 takes place in a new building exempt from sales and use tax under RCW  
18 82.08.965 and 82.12.965. A credit is earned for the calendar year a  
19 person fills a position. Additionally a credit is earned for each year  
20 the position is maintained over the subsequent consecutive years, up to  
21 eight years. Those positions that are not filled for the entire year  
22 are eligible for fifty percent of the credit if filled less than six  
23 months, and the entire credit if filled more than six months.

24 (b) To qualify for the credit, the manufacturing activity of the  
25 person must be conducted at a new building that qualifies for the  
26 exemption from sales and use tax under RCW 82.08.965 and 82.12.965.

27 (c) In those situations where a production building in existence on  
28 the effective date of this section will be phased out of operation,  
29 during which time employment at the new building at the same site is  
30 increased, the person is eligible for credit for employment at the  
31 existing building and new building, with the limitation that the  
32 combined eligible employment not exceed full employment at the new  
33 building. "Full employment" has the same meaning as in RCW 82.08.965.  
34 The credit may not be earned until the commencement of commercial  
35 production, as that term is used in RCW 82.08.965.

36 (3) No application is necessary for the tax credit. The person is  
37 subject to all of the requirements of chapter 82.32 RCW. In no case

1 may a credit earned during one calendar year be carried over to be  
2 credited against taxes incurred in a subsequent calendar year. No  
3 refunds may be granted for credits under this section.

4 (4) If at any time the department finds that a person is not  
5 eligible for tax credit under this section, the amount of taxes for  
6 which a credit has been claimed is immediately due. The department  
7 must assess interest, but not penalties, on the taxes for which the  
8 person is not eligible. The interest must be assessed at the rate  
9 provided for delinquent excise taxes under chapter 82.32 RCW, is  
10 retroactive to the date the tax credit was taken, and accrues until the  
11 taxes for which a credit has been used are repaid.

12 (5) A person claiming the credit under this section must file a  
13 complete annual ~~((report))~~ survey with the department under RCW  
14 ~~((82.32.534))~~ 82.32.585.

15 (6) Credits may be claimed after twelve years after the effective  
16 date of this ~~((act))~~ section, for those buildings at which commercial  
17 production began before twelve years after the effective date of this  
18 ~~((act))~~ section, subject to all of the eligibility criteria and  
19 limitations of this section.

20 (7) This section expires twelve years after the effective date of  
21 this ~~((act))~~ section.

22 **Sec. 24.** RCW 82.04.4481 and 2011 c 174 s 302 are each amended to  
23 read as follows:

24 (1) In computing the tax imposed under this chapter, a credit is  
25 allowed for all property taxes paid during the calendar year on  
26 property owned by a direct service industrial customer and reasonably  
27 necessary for the purposes of an aluminum smelter.

28 (2) A person claiming the credit under this section is subject to  
29 all the requirements of chapter 82.32 RCW. A credit earned during one  
30 calendar year may be carried over to be credited against taxes incurred  
31 in the subsequent calendar year, but may not be carried over a second  
32 year. Credits carried over must be applied to tax liability before new  
33 credits. No refunds may be granted for credits under this section.

34 (3) Credits may not be claimed under this section for property  
35 taxes levied for collection in 2017 and thereafter.

36 (4) A person claiming the credit provided in this section must file



1 a complete annual ((~~report~~)) survey with the department under RCW  
2 ((~~82.32.534~~)) 82.32.585.

3 **Sec. 25.** RCW 82.08.805 and 2011 c 174 s 303 are each amended to  
4 read as follows:

5 (1) A person who has paid tax under RCW 82.08.020 for personal  
6 property used at an aluminum smelter, tangible personal property that  
7 will be incorporated as an ingredient or component of buildings or  
8 other structures at an aluminum smelter, or for labor and services  
9 rendered with respect to such buildings, structures, or personal  
10 property, is eligible for an exemption from the state share of the tax  
11 in the form of a credit, as provided in this section. A person  
12 claiming an exemption must pay the tax and may then take a credit equal  
13 to the state share of retail sales tax paid under RCW 82.08.020. The  
14 person must submit information, in a form and manner prescribed by the  
15 department, specifying the amount of qualifying purchases or  
16 acquisitions for which the exemption is claimed and the amount of  
17 exempted tax.

18 (2) For the purposes of this section, "aluminum smelter" has the  
19 same meaning as provided in RCW 82.04.217.

20 (3) A person claiming the tax preference provided in this section  
21 must file a complete annual ((~~report~~)) survey with the department under  
22 RCW ((~~82.32.534~~)) 82.32.585.

23 (4) Credits may not be claimed under this section for taxable  
24 events occurring on or after January 1, 2017.

25 **Sec. 26.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to  
26 read as follows:

27 (1) The tax levied by RCW 82.08.020 does not apply to charges made  
28 for labor and services rendered in respect to the constructing of new  
29 buildings used for the manufacturing of semiconductor materials, to  
30 sales of tangible personal property that will be incorporated as an  
31 ingredient or component of such buildings during the course of the  
32 constructing, or to labor and services rendered in respect to  
33 installing, during the course of constructing, building fixtures not  
34 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The  
35 exemption is available only when the buyer provides the seller with an

1 exemption certificate in a form and manner prescribed by the  
2 department. The seller must retain a copy of the certificate for the  
3 seller's files.

4 (2) To be eligible under this section the manufacturer or processor  
5 for hire must meet the following requirements for an eight-year period,  
6 such period beginning the day the new building commences commercial  
7 production, or a portion of tax otherwise due will be immediately due  
8 and payable pursuant to subsection (3) of this section:

9 (a) The manufacturer or processor for hire must maintain at least  
10 seventy-five percent of full employment at the new building for which  
11 the exemption under this section is claimed.

12 (b) Before commencing commercial production at a new facility the  
13 manufacturer or processor for hire must meet with the department to  
14 review projected employment levels in the new buildings. The  
15 department, using information provided by the taxpayer, must make a  
16 determination of the number of positions that would be filled at full  
17 employment. This number must be used throughout the eight-year period  
18 to determine whether any tax is to be repaid. This information is not  
19 subject to the confidentiality provisions of RCW 82.32.330 and may be  
20 disclosed to the public upon request.

21 (c) In those situations where a production building in existence on  
22 the effective date of this section will be phased out of operation  
23 during which time employment at the new building at the same site is  
24 increased, the manufacturer or processor for hire must maintain  
25 seventy-five percent of full employment at the manufacturing site  
26 overall.

27 (d) No application is necessary for the tax exemption. The person  
28 is subject to all the requirements of chapter 82.32 RCW. A person  
29 claiming the exemption under this section must file a complete annual  
30 ((report)) survey with the department under RCW ((82.32.534))  
31 82.32.585.

32 (3) If the employment requirement is not met for any one calendar  
33 year, one-eighth of the exempt sales and use taxes will be due and  
34 payable by April 1st of the following year. The department must assess  
35 interest to the date the tax was imposed, but not penalties, on the  
36 taxes for which the person is not eligible.

37 (4) The exemption applies to new buildings, or parts of buildings,

1 that are used exclusively in the manufacturing of semiconductor  
2 materials, including the storage of raw materials and finished product.

3 (5) For the purposes of this section:

4 (a) "Commencement of commercial production" is deemed to have  
5 occurred when the equipment and process qualifications in the new  
6 building are completed and production for sale has begun; and

7 (b) "Full employment" is the number of positions required for full  
8 capacity production at the new building, for positions such as line  
9 workers, engineers, and technicians.

10 (c) "Semiconductor materials" has the same meaning as provided in  
11 RCW 82.04.240(2).

12 (6) No exemption may be taken after twelve years after the  
13 effective date of this ~~((act))~~ section, however all of the eligibility  
14 criteria and limitations are applicable to any exemptions claimed  
15 before that date.

16 (7) This section expires twelve years after the effective date of  
17 this ~~((act))~~ section.

18 **Sec. 27.** RCW 82.08.9651 and 2010 c 114 s 124 are each amended to  
19 read as follows:

20 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
21 gases and chemicals used by a manufacturer or processor for hire in the  
22 production of semiconductor materials. This exemption is limited to  
23 gases and chemicals used in the production process to grow the product,  
24 deposit or grow permanent or sacrificial layers on the product, to etch  
25 or remove material from the product, to anneal the product, to immerse  
26 the product, to clean the product, and other such uses whereby the  
27 gases and chemicals come into direct contact with the product during  
28 the production process, or uses of gases and chemicals to clean the  
29 chambers and other like equipment in which such processing takes place.  
30 For the purposes of this section, "semiconductor materials" has the  
31 meaning provided in RCW 82.04.2404 and 82.04.294(3).

32 (2) A person claiming the exemption under this section must file a  
33 complete annual ~~((report))~~ survey with the department under RCW  
34 ~~((82.32.534))~~ 82.32.585. No application is necessary for the tax  
35 exemption. The person is subject to all of the requirements of chapter  
36 82.32 RCW.

37 (3) This section expires December 1, 2018.

1           **Sec. 28.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to  
2 read as follows:

3           (1) The tax levied by RCW 82.08.020 does not apply to sales of  
4 gases and chemicals used by a manufacturer or processor for hire in the  
5 manufacturing of semiconductor materials. This exemption is limited to  
6 gases and chemicals used in the manufacturing process to grow the  
7 product, deposit or grow permanent or sacrificial layers on the  
8 product, to etch or remove material from the product, to anneal the  
9 product, to immerse the product, to clean the product, and other such  
10 uses whereby the gases and chemicals come into direct contact with the  
11 product during the manufacturing process, or uses of gases and  
12 chemicals to clean the chambers and other like equipment in which such  
13 processing takes place. For the purposes of this section,  
14 "semiconductor materials" has the same meaning as provided in RCW  
15 82.04.240(2).

16           (2) A person claiming the exemption under this section must file a  
17 complete annual (~~report~~) survey with the department under RCW  
18 (~~82.32.534~~) 82.32.585. No application is necessary for the tax  
19 exemption. The person is subject to all of the requirements of chapter  
20 82.32 RCW.

21           (3) This section expires twelve years after the effective date of  
22 this (~~act~~) section.

23           **Sec. 29.** RCW 82.08.980 and 2010 c 114 s 126 are each amended to  
24 read as follows:

25           (1) The tax levied by RCW 82.08.020 does not apply to charges made  
26 for labor and services rendered in respect to the constructing of new  
27 buildings by a manufacturer engaged in the manufacturing of  
28 superefficient airplanes or by a port district, to be leased to a  
29 manufacturer engaged in the manufacturing of superefficient airplanes,  
30 to sales of tangible personal property that will be incorporated as an  
31 ingredient or component of such buildings during the course of the  
32 constructing, or to labor and services rendered in respect to  
33 installing, during the course of constructing, building fixtures not  
34 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The  
35 exemption is available only when the buyer provides the seller with an  
36 exemption certificate in a form and manner prescribed by the

1 department. The seller must retain a copy of the certificate for the  
2 seller's files.

3 (2) No application is necessary for the tax exemption in this  
4 section, however in order to qualify under this section before starting  
5 construction the port district must have entered into an agreement with  
6 the manufacturer to build such a facility. A person claiming the  
7 exemption under this section is subject to all the requirements of  
8 chapter 82.32 RCW. In addition, the person must file a complete annual  
9 ((report)) survey with the department under RCW ((82.32.534))  
10 82.32.585.

11 (3) The exemption in this section applies to buildings, or parts of  
12 buildings, that are used exclusively in the manufacturing of  
13 superefficient airplanes, including buildings used for the storage of  
14 raw materials and finished product.

15 (4) For the purposes of this section, "superefficient airplane" has  
16 the meaning given in RCW 82.32.550.

17 (5) This section expires July 1, 2024.

18 **Sec. 30.** RCW 82.08.986 and 2010 1st sp.s. c 23 s 1601 are each  
19 amended to read as follows:

20 (1) An exemption from the tax imposed by RCW 82.08.020 is provided  
21 for sales to qualifying businesses of eligible server equipment to be  
22 installed, without intervening use, in an eligible computer data  
23 center, and to charges made for labor and services rendered in respect  
24 to installing eligible server equipment. The exemption also applies to  
25 sales to qualifying businesses of eligible power infrastructure,  
26 including labor and services rendered in respect to constructing,  
27 installing, repairing, altering, or improving eligible power  
28 infrastructure.

29 (2)(a) In order to claim the exemption under this section, a  
30 qualifying business must submit an application to the department for an  
31 exemption certificate. The application must include the information  
32 necessary, as required by the department, to determine that a business  
33 qualifies for the exemption under this section. The department must  
34 issue exemption certificates to qualifying businesses. The department  
35 may assign a unique identification number to each exemption certificate  
36 issued under this section.

1 (b) A qualifying business claiming the exemption under this section  
2 must present the seller with an exemption certificate in a form and  
3 manner prescribed by the department. The seller must retain a copy of  
4 the certificate for the seller's files.

5 (3)(a) Within six years of the date that the department issued an  
6 exemption certificate under this section to a qualifying business with  
7 respect to an eligible computer data center, the qualifying business  
8 must establish that net employment at the eligible computer data center  
9 has increased by a minimum of:

10 (i) Thirty-five family wage employment positions; or

11 (ii) Three family wage employment positions for each twenty  
12 thousand square feet of space or less that is newly dedicated to  
13 housing working servers at the eligible computer data center. For  
14 qualifying businesses that lease space at an eligible computer data  
15 center, the number of family wage employment positions that must be  
16 increased under this subsection (3)(a)(ii) is based only on the space  
17 occupied by the lessee in the eligible computer data center.

18 (b) In calculating the net increase in family wage employment  
19 positions:

20 (i) The owner of an eligible computer data center, in addition to  
21 its own net increase in family wage employment positions, may include:

22 (A) The net increase in family wage employment positions employed  
23 by qualifying businesses leasing space within the eligible computer  
24 data center from the owner; and

25 (B) The net increase in family wage employment positions described  
26 in (c)(ii)(B) of this subsection (3).

27 (ii)(A) Lessees of the owner of an eligible computer data center,  
28 in addition to their own net increase in family wage employment  
29 positions, may include:

30 (I) A portion of the net increase in family wage employment  
31 positions employed by the owner; and

32 (II) A portion of the net increase in family wage employment  
33 positions described in (c)(ii)(B) of this subsection (3).

34 (B) The portion of the net increase in family wage employment  
35 positions to be counted under this subsection (3)(b)(ii) by each lessee  
36 must be in proportion to the amount of space in the eligible computer  
37 data center occupied by the lessee compared to the total amount of

1 space in the eligible computer data center occupied by all lessees that  
2 are qualifying businesses.

3 (c)(i) For purposes of this subsection, family wage employment  
4 positions are new permanent employment positions requiring forty hours  
5 of weekly work, or their equivalent, on a full-time basis at the  
6 eligible computer data center and receiving a wage equivalent to or  
7 greater than one hundred fifty percent of the per capita personal  
8 income of the county in which the qualified project is located. An  
9 employment position may not be counted as a family wage employment  
10 position unless the employment position is entitled to health insurance  
11 coverage provided by the employer of the employment position. For  
12 purposes of this subsection (3)(c), "new permanent employment position"  
13 means an employment position that did not exist or that had not  
14 previously been filled as of the date that the department issued an  
15 exemption certificate to the owner or lessee of an eligible computer  
16 data center, as the case may be.

17 (ii)(A) Family wage employment positions include positions filled  
18 by employees of the owner of the eligible computer data center and by  
19 employees of qualifying businesses leasing space from the owner of the  
20 eligible computer data center.

21 (B) Family wage employment positions also include individuals  
22 performing work at an eligible computer data center as an independent  
23 contractor hired by the owner of the eligible computer data center or  
24 as an employee of an independent contractor hired by the owner of the  
25 eligible computer data center, if the work is necessary for the  
26 operation of the computer data center, such as security and building  
27 maintenance, and provided that all of the requirements in (c)(i) of  
28 this subsection (3) are met.

29 (d) All previously exempted sales and use taxes are immediately due  
30 and payable for a qualifying business that does not meet the  
31 requirements of this subsection.

32 (4) A qualifying business claiming an exemption under this section  
33 or RCW 82.12.986 must complete an annual (~~report~~) survey with the  
34 department as required under RCW (~~(82.32.534)~~) 82.32.585.

35 (5)(a) The exemption provided in this section does not apply to:  
36 (i) Any person who has received the benefit of the deferral program  
37 under chapter 82.60 RCW on: (A) The construction, renovation, or

1 expansion of a structure or structures used as a computer data center;  
2 or (B) machinery or equipment used in a computer data center; and

3 (ii) Any person affiliated with a person within the scope of (a)(i)  
4 of this subsection (5). For purposes of this subsection, "affiliated"  
5 means that one person has a direct or indirect ownership interest of at  
6 least twenty percent in another person.

7 (b) If a person claims an exemption under this section and  
8 subsequently receives the benefit of the deferral program under chapter  
9 82.60 RCW on either the construction, renovation, or expansion of a  
10 structure or structures used as a computer data center or machinery or  
11 equipment used in a computer data center, the person must repay the  
12 amount of taxes exempted under this section. Interest as provided in  
13 chapter 82.32 RCW applies to amounts due under this section until paid  
14 in full.

15 (6) For purposes of this section the following definitions apply  
16 unless the context clearly requires otherwise:

17 (a)(i) "Computer data center" means a facility comprised of one or  
18 more buildings, which may be comprised of multiple businesses,  
19 constructed or refurbished specifically, and used primarily, to house  
20 working servers, where the facility has the following characteristics:  
21 (A) Uninterruptible power supplies, generator backup power, or both;  
22 (B) sophisticated fire suppression and prevention systems; and (C)  
23 enhanced physical security, such as: Restricted access to the facility  
24 to selected personnel; permanent security guards; video camera  
25 surveillance; an electronic system requiring passcodes, keycards, or  
26 biometric scans, such as hand scans and retinal or fingerprint  
27 recognition; or similar security features.

28 (ii) For a computer data center comprised of multiple buildings,  
29 each separate building constructed or refurbished specifically, and  
30 used primarily, to house working servers is considered a computer data  
31 center if it has all of the characteristics listed in (a)(i)(A) through  
32 (C) of this subsection (6).

33 (iii) A facility comprised of one building or more than one  
34 building must have a combined square footage of at least one hundred  
35 thousand square feet.

36 (b) "Electronic data storage and data management services" include,  
37 but are not limited to: Providing data storage and backup services,  
38 providing computer processing power, hosting enterprise software



1 applications, and hosting web sites. The term also includes providing  
2 services such as e-mail, web browsing and searching, media  
3 applications, and other online services, regardless of whether a charge  
4 is made for such services.

5 (c)(i) "Eligible computer data center" means a computer data  
6 center:

7 (A) Located in a rural county as defined in RCW 82.14.370;

8 (B) Having at least twenty thousand square feet dedicated to  
9 housing working servers, where the server space has not previously been  
10 dedicated to housing working servers; and

11 (C) For which the commencement of construction occurs after March  
12 31, 2010, and before July 1, 2011. For purposes of this section,  
13 "commencement of construction" means the date that a building permit is  
14 issued under the building code adopted under RCW 19.27.031 for  
15 construction of the computer data center. The construction of a  
16 computer data center includes the expansion, renovation, or other  
17 improvements made to existing facilities, including leased or rented  
18 space. "Commencement of construction" does not include soil testing,  
19 site clearing and grading, site preparation, or any other related  
20 activities that are initiated before the issuance of a building permit  
21 for the construction of the foundation of a computer data center.

22 (ii) With respect to facilities in existence on April 1, 2010, that  
23 are expanded, renovated, or otherwise improved after March 31, 2010, an  
24 eligible computer data center includes only the portion of the computer  
25 data center meeting the requirements in (c)(i)(B) of this subsection  
26 (6).

27 (d) "Eligible power infrastructure" means all fixtures and  
28 equipment necessary for the transformation, distribution, or management  
29 of electricity that is required to operate eligible server equipment  
30 within an eligible computer data center. The term includes electrical  
31 substations, generators, wiring, and cogeneration equipment.

32 (e) "Eligible server equipment" means the original server equipment  
33 installed in an eligible computer data center on or after April 1,  
34 2010, and replacement server equipment. For purposes of this  
35 subsection (6)(e), "replacement server equipment" means server  
36 equipment that: (i) Replaces existing server equipment, if the sale or  
37 use of the server equipment to be replaced qualified for an exemption

1 under this section or RCW 82.12.986; and (ii) is installed and put into  
2 regular use before April 1, 2018.

3 (f) "Qualifying business" means a business entity that exists for  
4 the primary purpose of engaging in commercial activity for profit and  
5 that is the owner of an eligible computer data center or the lessee of  
6 at least twenty thousand square feet within an eligible computer data  
7 center dedicated to housing working servers, where the server space has  
8 not previously been dedicated to housing working servers. The term  
9 does not include the state or federal government or any of their  
10 departments, agencies, and institutions; tribal governments; political  
11 subdivisions of this state; or any municipal, quasi-municipal, public,  
12 or other corporation created by the state or federal government, tribal  
13 government, municipality, or political subdivision of the state.

14 (g) "Server" means blade or rack-mount server computers used in a  
15 computer data center exclusively to provide electronic data storage and  
16 data management services for internal use by the owner or lessee of the  
17 computer data center, for clients of the owner or lessee of the  
18 computer data center, or both. "Server" does not include personal  
19 computers.

20 (h) "Server equipment" means the server chassis and all computer  
21 hardware contained within the server chassis. "Server equipment" also  
22 includes computer software necessary to operate the server. "Server  
23 equipment" does not include the racks upon which the server chassis is  
24 installed, and computer peripherals such as keyboards, monitors,  
25 printers, mice, and other devices that work outside of the computer.

26 (7) This section expires April 1, 2018.

27 **Sec. 31.** RCW 82.12.022 and 2011 c 174 s 304 are each amended to  
28 read as follows:

29 (1) A use tax is levied on every person in this state for the  
30 privilege of using natural gas or manufactured gas within this state as  
31 a consumer.

32 (2) The tax must be levied and collected in an amount equal to the  
33 value of the article used by the taxpayer multiplied by the rate in  
34 effect for the public utility tax on gas distribution businesses under  
35 RCW 82.16.020. The "value of the article used" does not include any  
36 amounts that are paid for the hire or use of a gas distribution

1 business as defined in RCW 82.16.010(2) in transporting the gas subject  
2 to tax under this subsection if those amounts are subject to tax under  
3 that chapter.

4 (3) The tax levied in this section does not apply to the use of  
5 natural or manufactured gas delivered to the consumer by other means  
6 than through a pipeline.

7 (4) The tax levied in this section does not apply to the use of  
8 natural or manufactured gas if the person who sold the gas to the  
9 consumer has paid a tax under RCW 82.16.020 with respect to the gas for  
10 which exemption is sought under this subsection.

11 (5)(a) The tax levied in this section does not apply to the use of  
12 natural or manufactured gas by an aluminum smelter as that term is  
13 defined in RCW 82.04.217 before January 1, 2017.

14 (b) A person claiming the exemption provided in this subsection (5)  
15 must file a complete annual (~~report~~) survey with the department under  
16 RCW (~~(82.32.534)~~) 82.32.585.

17 (6) There is a credit against the tax levied under this section in  
18 an amount equal to any tax paid by:

19 (a) The person who sold the gas to the consumer when that tax is a  
20 gross receipts tax similar to that imposed pursuant to RCW 82.16.020 by  
21 another state with respect to the gas for which a credit is sought  
22 under this subsection; or

23 (b) The person consuming the gas upon which a use tax similar to  
24 the tax imposed by this section was paid to another state with respect  
25 to the gas for which a credit is sought under this subsection.

26 (7) The use tax imposed in this section must be paid by the  
27 consumer to the department.

28 (8) There is imposed a reporting requirement on the person who  
29 delivered the gas to the consumer to make a quarterly report to the  
30 department. Such report must contain the volume of gas delivered, name  
31 of the consumer to whom delivered, and such other information as the  
32 department may require by rule.

33 (9) The department may adopt rules under chapter 34.05 RCW for the  
34 administration and enforcement of sections 1 through 6, chapter 384,  
35 Laws of 1989.

36 **Sec. 32.** RCW 82.12.805 and 2011 c 174 s 305 are each amended to  
37 read as follows:

1 (1) A person who is subject to tax under RCW 82.12.020 for personal  
2 property used at an aluminum smelter, or for tangible personal property  
3 that will be incorporated as an ingredient or component of buildings or  
4 other structures at an aluminum smelter, or for labor and services  
5 rendered with respect to such buildings, structures, or personal  
6 property, is eligible for an exemption from the state share of the tax  
7 in the form of a credit, as provided in this section. The amount of  
8 the credit equals the state share of use tax computed to be due under  
9 RCW 82.12.020. The person must submit information, in a form and  
10 manner prescribed by the department, specifying the amount of  
11 qualifying purchases or acquisitions for which the exemption is claimed  
12 and the amount of exempted tax.

13 (2) For the purposes of this section, "aluminum smelter" has the  
14 same meaning as provided in RCW 82.04.217.

15 (3) A person reporting under the tax rate provided in this section  
16 must file a complete annual (~~report~~) survey with the department under  
17 RCW (~~82.32.534~~) 82.32.585.

18 (4) Credits may not be claimed under this section for taxable  
19 events occurring on or after January 1, 2017.

20 **Sec. 33.** RCW 82.12.965 and 2010 c 114 s 129 are each amended to  
21 read as follows:

22 (1) The provisions of this chapter do not apply with respect to the  
23 use of tangible personal property that will be incorporated as an  
24 ingredient or component of new buildings used for the manufacturing of  
25 semiconductor materials during the course of constructing such  
26 buildings or to labor and services rendered in respect to installing,  
27 during the course of constructing, building fixtures not otherwise  
28 eligible for the exemption under RCW 82.08.02565(2)(b).

29 (2) The eligibility requirements, conditions, and definitions in  
30 RCW 82.08.965 apply to this section, including the filing of a complete  
31 annual (~~report~~) survey with the department under RCW (~~82.32.534~~)  
32 82.32.585.

33 (3) No exemption may be taken twelve years after the effective date  
34 of this (~~act~~) section, however all of the eligibility criteria and  
35 limitations are applicable to any exemptions claimed before that date.

36 (4) This section expires twelve years after the effective date of  
37 this (~~act~~) section.

1       **Sec. 34.** RCW 82.12.9651 and 2010 c 114 s 130 are each amended to  
2 read as follows:

3       (1) The provisions of this chapter do not apply with respect to the  
4 use of gases and chemicals used by a manufacturer or processor for hire  
5 in the production of semiconductor materials. This exemption is  
6 limited to gases and chemicals used in the production process to grow  
7 the product, deposit or grow permanent or sacrificial layers on the  
8 product, to etch or remove material from the product, to anneal the  
9 product, to immerse the product, to clean the product, and other such  
10 uses whereby the gases and chemicals come into direct contact with the  
11 product during the production process, or uses of gases and chemicals  
12 to clean the chambers and other like equipment in which such processing  
13 takes place. For purposes of this section, "semiconductor materials"  
14 has the meaning provided in RCW 82.04.2404 and 82.04.294(3).

15       (2) A person claiming the exemption under this section must file a  
16 complete annual (~~report~~) survey with the department under RCW  
17 (~~82.32.534~~) 82.32.585. No application is necessary for the tax  
18 exemption. The person is subject to all of the requirements of chapter  
19 82.32 RCW.

20       (3) This section expires December 1, 2018.

21       **Sec. 35.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to  
22 read as follows:

23       (1) The provisions of this chapter do not apply with respect to the  
24 use of gases and chemicals used by a manufacturer or processor for hire  
25 in the manufacturing of semiconductor materials. This exemption is  
26 limited to gases and chemicals used in the manufacturing process to  
27 grow the product, deposit or grow permanent or sacrificial layers on  
28 the product, to etch or remove material from the product, to anneal the  
29 product, to immerse the product, to clean the product, and other such  
30 uses whereby the gases and chemicals come into direct contact with the  
31 product during the manufacturing process, or uses of gases and  
32 chemicals to clean the chambers and other like equipment in which such  
33 processing takes place. For purposes of this section, "semiconductor  
34 materials" has the same meaning as provided in RCW 82.04.240(2).

35       (2) A person claiming the exemption under this section must file a  
36 complete annual (~~report~~) survey with the department under RCW

1 ((82.32.534)) 82.32.585. No application is necessary for the tax  
2 exemption. The person is subject to all of the requirements of chapter  
3 82.32 RCW.

4 (3) This section expires twelve years after the effective date of  
5 this ((act)) section.

6 **Sec. 36.** RCW 82.12.980 and 2010 c 114 s 132 are each amended to  
7 read as follows:

8 (1) The provisions of this chapter do not apply with respect to the  
9 use of tangible personal property that will be incorporated as an  
10 ingredient or component of new buildings by a manufacturer engaged in  
11 the manufacturing of superefficient airplanes or owned by a port  
12 district and to be leased to a manufacturer engaged in the  
13 manufacturing of superefficient airplanes, during the course of  
14 constructing such buildings, or to labor and services rendered in  
15 respect to installing, during the course of constructing, building  
16 fixtures not otherwise eligible for the exemption under RCW  
17 82.08.02565(2)(b).

18 (2) The eligibility requirements, conditions, and definitions in  
19 RCW 82.08.980 apply to this section, including the filing of a complete  
20 annual ((report)) survey with the department under RCW ((82.32.534))  
21 82.32.585.

22 (3) This section expires July 1, 2024.

23 **Sec. 37.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended to  
24 read as follows:

25 (1) For the purposes of this section:

26 (a) "Chlor-alkali electrolytic processing business" means a person  
27 who is engaged in a business that uses more than ten average megawatts  
28 of electricity per month in a chlor-alkali electrolytic process to  
29 split the electrochemical bonds of sodium chloride and water to make  
30 chlorine and sodium hydroxide. A "chlor-alkali electrolytic processing  
31 business" does not include direct service industrial customers or their  
32 subsidiaries that contract for the purchase of power from the  
33 Bonneville power administration as of June 10, 2004.

34 (b) "Sodium chlorate electrolytic processing business" means a  
35 person who is engaged in a business that uses more than ten average  
36 megawatts of electricity per month in a sodium chlorate electrolytic

1 process to split the electrochemical bonds of sodium chloride and water  
2 to make sodium chlorate and hydrogen. A "sodium chlorate electrolytic  
3 processing business" does not include direct service industrial  
4 customers or their subsidiaries that contract for the purchase of power  
5 from the Bonneville power administration as of June 10, 2004.

6 (2) Effective July 1, 2004, the tax levied under this chapter does  
7 not apply to sales of electricity made by a light and power business to  
8 a chlor-alkali electrolytic processing business or a sodium chlorate  
9 electrolytic processing business for the electrolytic process if the  
10 contract for sale of electricity to the business contains the following  
11 terms:

12 (a) The electricity to be used in the electrolytic process is  
13 separately metered from the electricity used for general operations of  
14 the business;

15 (b) The price charged for the electricity used in the electrolytic  
16 process will be reduced by an amount equal to the tax exemption  
17 available to the light and power business under this section; and

18 (c) Disallowance of all or part of the exemption under this section  
19 is a breach of contract and the damages to be paid by the chlor-alkali  
20 electrolytic processing business or the sodium chlorate electrolytic  
21 processing business are the amount of the tax exemption disallowed.

22 (3) The exemption provided for in this section does not apply to  
23 amounts received from the remarketing or resale of electricity  
24 originally obtained by contract for the electrolytic process.

25 (4) In order to claim an exemption under this section, the chlor-  
26 alkali electrolytic processing business or the sodium chlorate  
27 electrolytic processing business must provide the light and power  
28 business with an exemption certificate in a form and manner prescribed  
29 by the department.

30 (5) A person receiving the benefit of the exemption provided in  
31 this section must file a complete annual (~~report~~) survey with the  
32 department under RCW (~~(82.32.534)~~) 82.32.585.

33 (6)(a) This section does not apply to sales of electricity made  
34 after December 31, 2018.

35 (b) This section expires June 30, 2019.

36 **Sec. 38.** RCW 82.29A.137 and 2010 c 114 s 134 are each amended to  
37 read as follows:

1 (1) All leasehold interests in port district facilities exempt from  
2 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged  
3 in the manufacturing of superefficient airplanes, as defined in RCW  
4 82.32.550, are exempt from tax under this chapter. A person claiming  
5 the credit under RCW 82.04.4463 is not eligible for the exemption under  
6 this section.

7 (2) In addition to all other requirements under this title, a  
8 person claiming the exemption under this section must file a complete  
9 annual (~~report~~) survey with the department under RCW (~~82.32.534~~)  
10 82.32.585.

11 (3) This section expires July 1, 2024.

12 **Sec. 39.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to  
13 read as follows:

14 (1) Machinery and equipment exempt under RCW 82.08.02565 or  
15 82.12.02565 used in manufacturing semiconductor materials at a building  
16 exempt from sales and use tax and in compliance with the employment  
17 requirement under RCW 82.08.965 and 82.12.965 are exempt from property  
18 taxation. "Semiconductor materials" has the same meaning as provided  
19 in RCW 82.04.240(2).

20 (2) A person seeking this exemption must make application to the  
21 county assessor, on forms prescribed by the department.

22 (3) A person claiming an exemption under this section must file a  
23 complete annual (~~report~~) survey with the department under RCW  
24 (~~82.32.534~~) 82.32.585.

25 (4) This section is effective for taxes levied for collection one  
26 year after the effective date of this (~~act~~) section and thereafter.

27 (5) This section expires December 31st of the year occurring twelve  
28 years after the effective date of this (~~act~~) section, for taxes  
29 levied for collection in the following year.

30 **Sec. 40.** RCW 84.36.655 and 2010 c 114 s 151 are each amended to  
31 read as follows:

32 (1) Effective January 1, 2005, all buildings, machinery, equipment,  
33 and other personal property of a lessee of a port district eligible  
34 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing  
35 superefficient airplanes, are exempt from property taxation. A person  
36 taking the credit under RCW 82.04.4463 is not eligible for the



1 exemption under this section. For the purposes of this section,  
2 "superefficient airplane" and "component" have the meanings given in  
3 RCW 82.32.550.

4 (2) In addition to all other requirements under this title, a  
5 person claiming the exemption under this section must file a complete  
6 annual (~~report~~) survey with the department under RCW (~~82.32.534~~)  
7 82.32.585.

8 (3) Claims for exemption authorized by this section must be filed  
9 with the county assessor on forms prescribed by the department and  
10 furnished by the assessor. The assessor must verify and approve claims  
11 as the assessor determines to be justified and in accordance with this  
12 section. No claims may be filed after December 31, 2023. The  
13 department may adopt rules, under the provisions of chapter 34.05 RCW,  
14 as necessary to properly administer this section.

15 (4) This section applies to taxes levied for collection in 2006 and  
16 thereafter.

17 (5) This section expires July 1, 2024.

18 **Sec. 41.** RCW 82.04.4277 and 2011 1st sp.s. c 19 s 1 are each  
19 amended to read as follows:

20 (1) A health or social welfare organization may deduct from the  
21 measure of tax amounts received as compensation for providing mental  
22 health services under a government-funded program.

23 (2) A regional support network may deduct from the measure of tax  
24 amounts received from the state of Washington for distribution to a  
25 health or social welfare organization that is eligible to deduct the  
26 distribution under subsection (1) of this section.

27 (~~(3) ((A person claiming a deduction under this section must file a  
28 complete annual report with the department under RCW 82.32.534.~~

29 ~~(4))~~) The definitions in this subsection apply to this section.

30 (a) "Health or social welfare organization" has the meaning  
31 provided in RCW 82.04.431.

32 (b) "Mental health services" and "regional support network" have  
33 the meanings provided in RCW 71.24.025.

34 (~~(+5))~~ (4) This section expires August 1, 2016.

35 NEW SECTION. **Sec. 42.** RCW 82.32.534 (Annual report requirement  
36 for tax preferences) and 2010 c 114 s 103 are each repealed.

1        NEW SECTION.    **Sec. 43.**    The repeal in section 42 of this act does  
2 not affect any existing right acquired or liability or obligation  
3 incurred under that section or under any rule or order adopted under  
4 those sections, nor does it affect any proceeding instituted under that  
5 section.

6        **Sec. 44.**    RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401  
7 are each reenacted and amended to read as follows:

8        (1)(a) Sections 13, 20, 23, 26, 28, 33, 35, and 39, chapter . . . .  
9 Laws of 2012 (sections 13, 20, 23, 26, 28, 33, 35, and 39 of this act),  
10 section 206, chapter 106, Laws of 2010, sections 104, 110, 117, 123,  
11 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3, chapter  
12 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and (~~section~~  
13 47)) chapter 149, Laws of 2003 are contingent upon the siting and  
14 commercial operation of a significant semiconductor microchip  
15 fabrication facility in the state of Washington.

16        (b) For the purposes of this section:

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

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

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

24        (2) Sections 13, 20, 23, 26, 28, 33, 35, and 39, chapter . . . .  
25 Laws of 2012 (sections 13, 20, 23, 26, 28, 33, 35, and 39 of this act),  
26 section 206, chapter 106, Laws of 2010, sections 104, 110, 117, 123,  
27 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3, chapter  
28 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and chapter  
29 149, Laws of 2003 take(~~s~~) effect the first day of the month in which  
30 a contract for the construction of a significant semiconductor  
31 fabrication facility is signed, as determined by the director of the  
32 department of revenue.

33        (3)(a) The department of revenue must provide notice of the  
34 effective date of sections 13, 20, 23, 26, 28, 33, 35, and 39, chapter  
35 . . . ., Laws of 2012 (sections 13, 20, 23, 26, 28, 33, 35, and 39 of  
36 this act), section 206, chapter 106, Laws of 2010, sections 104, 110,  
37 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010(~~(f, t))~~,

1 section 3, chapter 461, Laws of 2009, section 7, chapter 300, Laws of  
2 2006, and (~~section 4,~~) chapter 149, Laws of 2003 to affected  
3 taxpayers, the legislature, and others as deemed appropriate by the  
4 department.

5 (b) If, after making a determination that a contract has been  
6 signed and chapter 149, Laws of 2003 is effective, the department  
7 discovers that commencement of commercial production did not take place  
8 within three years of the date the contract was signed, the department  
9 must make a determination that sections 13, 20, 23, 26, 28, 33, 35, and  
10 39, chapter . . . , Laws of 2012 (sections 13, 20, 23, 26, 28, 33, 35,  
11 and 39 of this act), section 206, chapter 106, Laws of 2010, sections  
12 104, 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010,  
13 section 3, chapter 461, Laws of 2009, section 7, chapter 300, Laws of  
14 2006, and chapter 149, Laws of 2003 (~~is~~) are no longer effective, and  
15 all taxes that would have been otherwise due are deemed deferred taxes  
16 and are immediately assessed and payable from any person reporting tax  
17 under RCW 82.04.240(2) or claiming an exemption or credit under  
18 (~~section 2 or 5 through 10, chapter 149, Laws of 2003~~) RCW 82.04.426,  
19 82.04.448, 82.08.965, 82.08.970, 82.12.965, 82.12.970, or 84.36.645.  
20 The department is not authorized to make a second determination  
21 regarding the effective date of chapter 149, Laws of 2003.

22 **Sec. 45.** RCW 82.08.820 and 2011 c 174 s 206 are each amended to  
23 read as follows:

24 (1) Wholesalers or third-party warehouseers who own or operate  
25 warehouses or grain elevators and retailers who own or operate  
26 distribution centers, and who have paid the tax levied by RCW 82.08.020  
27 on:

28 (a) Material-handling and racking equipment, and labor and services  
29 rendered in respect to installing, repairing, cleaning, altering, or  
30 improving the equipment; or

31 (b) Construction of a warehouse or grain elevator, including  
32 materials, and including service and labor costs,  
33 are eligible for an exemption in the form of a remittance. The amount  
34 of the remittance is computed under subsection (~~(3)~~) (4) of this  
35 section and is based on the state share of sales tax.

36 (2) A person claiming the exemption from state tax under this  
37 section or RCW 82.12.820 must file a complete annual survey with the

1 department under RCW 82.32.585. Notwithstanding RCW  
2 82.32.585(1)(b)(i), a survey due under this section in 2012 must be  
3 submitted by October 31st.

4 (3) For purposes of this section and RCW 82.12.820:

5 (a) "Agricultural products" has the meaning given in RCW 82.04.213;

6 (b) "Construction" means the actual construction of a warehouse or  
7 grain elevator that did not exist before the construction began.  
8 "Construction" includes expansion if the expansion adds at least two  
9 hundred thousand square feet of additional space to an existing  
10 warehouse or additional storage capacity of at least one million  
11 bushels to an existing grain elevator. "Construction" does not include  
12 renovation, remodeling, or repair;

13 (c) "Department" means the department of revenue;

14 (d) "Distribution center" means a warehouse that is used  
15 exclusively by a retailer solely for the storage and distribution of  
16 finished goods to retail outlets of the retailer. "Distribution  
17 center" does not include a warehouse at which retail sales occur;

18 (e) "Finished goods" means tangible personal property intended for  
19 sale by a retailer or wholesaler. "Finished goods" does not include  
20 agricultural products stored by wholesalers, third-party warehouses, or  
21 retailers if the storage takes place on the land of the person who  
22 produced the agricultural product. "Finished goods" does not include  
23 logs, minerals, petroleum, gas, or other extracted products stored as  
24 raw materials or in bulk;

25 (f) "Grain elevator" means a structure used for storage and  
26 handling of grain in bulk;

27 (g) "Material-handling equipment and racking equipment" means  
28 equipment in a warehouse or grain elevator that is primarily used to  
29 handle, store, organize, convey, package, or repackage finished goods.  
30 The term includes tangible personal property with a useful life of one  
31 year or more that becomes an ingredient or component of the equipment,  
32 including repair and replacement parts. The term does not include  
33 equipment in offices, lunchrooms, restrooms, and other like space,  
34 within a warehouse or grain elevator, or equipment used for  
35 nonwarehousing purposes. "Material-handling equipment" includes but is  
36 not limited to: Conveyers, carousels, lifts, positioners, pick-up-and-  
37 place units, cranes, hoists, mechanical arms, and robots; mechanized  
38 systems, including containers that are an integral part of the system,

1 whose purpose is to lift or move tangible personal property; and  
2 automated handling, storage, and retrieval systems, including computers  
3 that control them, whose purpose is to lift or move tangible personal  
4 property; and forklifts and other off-the-road vehicles that are used  
5 to lift or move tangible personal property and that cannot be operated  
6 legally on roads and streets. "Racking equipment" includes, but is not  
7 limited to, conveying systems, chutes, shelves, racks, bins, drawers,  
8 pallets, and other containers and storage devices that form a necessary  
9 part of the storage system;

10 (h) "Person" has the meaning given in RCW 82.04.030;

11 (i) "Retailer" means a person who makes "sales at retail" as  
12 defined in chapter 82.04 RCW of tangible personal property;

13 (j) "Square footage" means the product of the two horizontal  
14 dimensions of each floor of a specific warehouse. The entire footprint  
15 of the warehouse (~~shall~~) must be measured in calculating the square  
16 footage, including space that juts out from the building profile such  
17 as loading docks. "Square footage" does not mean the aggregate of the  
18 square footage of more than one warehouse at a location or the  
19 aggregate of the square footage of warehouses at more than one  
20 location;

21 (k) "Third-party warehouser" means a person taxable under RCW  
22 82.04.280(1)(d);

23 (l) "Warehouse" means an enclosed building or structure in which  
24 finished goods are stored. A warehouse building or structure may have  
25 more than one storage room and more than one floor. Office space,  
26 lunchrooms, restrooms, and other space within the warehouse and  
27 necessary for the operation of the warehouse are considered part of the  
28 warehouse as are loading docks and other such space attached to the  
29 building and used for handling of finished goods. Landscaping and  
30 parking lots are not considered part of the warehouse. A storage yard  
31 is not a warehouse, nor is a building in which manufacturing takes  
32 place; and

33 (m) "Wholesaler" means a person who makes "sales at wholesale" as  
34 defined in chapter 82.04 RCW of tangible personal property, but  
35 "wholesaler" does not include a person who makes sales exempt under RCW  
36 82.04.330.

37 (~~(3)~~) (4)(a) A person claiming an exemption from state tax in the  
38 form of a remittance under this section must pay the tax imposed by RCW

1 82.08.020. The buyer may then apply to the department for remittance  
2 of all or part of the tax paid under RCW 82.08.020. For grain  
3 elevators with bushel capacity of one million but less than two  
4 million, the remittance is equal to fifty percent of the amount of tax  
5 paid. For warehouses with square footage of two hundred thousand or  
6 more and for grain elevators with bushel capacity of two million or  
7 more, the remittance is equal to one hundred percent of the amount of  
8 tax paid for qualifying construction, materials, service, and labor,  
9 and fifty percent of the amount of tax paid for qualifying material-  
10 handling equipment and racking equipment, and labor and services  
11 rendered in respect to installing, repairing, cleaning, altering, or  
12 improving the equipment.

13 (b) The department (~~shall~~) must determine eligibility under this  
14 section based on information provided by the buyer and through audit  
15 and other administrative records. The buyer (~~shall~~) must on a  
16 quarterly basis submit an information sheet, in a form and manner as  
17 required by the department by rule, specifying the amount of exempted  
18 tax claimed and the qualifying purchases or acquisitions for which the  
19 exemption is claimed. The buyer (~~shall~~) must retain, in adequate  
20 detail to enable the department to determine whether the equipment or  
21 construction meets the criteria under this section: Invoices; proof of  
22 tax paid; documents describing the material-handling equipment and  
23 racking equipment; location and size of warehouses and grain elevators;  
24 and construction invoices and documents.

25 (c) The department (~~shall~~) must on a quarterly basis remit  
26 exempted amounts to qualifying persons who submitted applications  
27 during the previous quarter.

28 (~~(4)~~) (5) Warehouses, grain elevators, and material-handling  
29 equipment and racking equipment for which an exemption, credit, or  
30 deferral has been or is being received under chapter 82.60, 82.62, or  
31 82.63 RCW or RCW 82.08.02565 or 82.12.02565 are not eligible for any  
32 remittance under this section. Warehouses and grain elevators upon  
33 which construction was initiated before May 20, 1997, are not eligible  
34 for a remittance under this section.

35 (~~(5)~~) (6) The lessor or owner of a warehouse or grain elevator is  
36 not eligible for a remittance under this section unless the underlying  
37 ownership of the warehouse or grain elevator and the material-handling  
38 equipment and racking equipment vests exclusively in the same person,

1 or unless the lessor by written contract agrees to pass the economic  
2 benefit of the remittance to the lessee in the form of reduced rent  
3 payments.

4 **Sec. 46.** RCW 82.12.820 and 2006 c 354 s 13 are each amended to  
5 read as follows:

6 (1) Wholesalers or third-party warehouse owners who own or operate  
7 warehouses or grain elevators, and retailers who own or operate  
8 distribution centers, and who have paid the tax levied under RCW  
9 82.12.020 on:

10 (a) Material-handling equipment and racking equipment and labor and  
11 services rendered in respect to installing, repairing, cleaning,  
12 altering, or improving the equipment; or

13 (b) Materials incorporated in the construction of a warehouse or  
14 grain elevator, are eligible for an exemption on tax paid in the form  
15 of a remittance or credit against tax owed. The amount of the  
16 remittance or credit is computed under subsection ~~((+2))~~ (3) of this  
17 section and is based on the state share of use tax.

18 (2) A person claiming the exemption from state tax as provided  
19 under this section must file a complete annual survey with the  
20 department as required under RCW 82.08.820.

21 (3)(a) A person claiming an exemption from state tax in the form of  
22 a remittance under this section must pay the tax imposed by RCW  
23 82.12.020 to the department. The person may then apply to the  
24 department for remittance of all or part of the tax paid under RCW  
25 82.12.020. For grain elevators with bushel capacity of one million but  
26 less than two million, the remittance is equal to fifty percent of the  
27 amount of tax paid. For warehouses with square footage of two hundred  
28 thousand or more and for grain elevators with bushel capacity of two  
29 million or more, the remittance is equal to one hundred percent of the  
30 amount of tax paid for qualifying construction materials, and fifty  
31 percent of the amount of tax paid for qualifying material-handling  
32 equipment and racking equipment.

33 (b) The department ~~((shall))~~ must determine eligibility under this  
34 section based on information provided by the buyer and through audit  
35 and other administrative records. The buyer ~~((shall))~~ must on a  
36 quarterly basis submit an information sheet, in a form and manner as  
37 required by the department by rule, specifying the amount of exempted

1 tax claimed and the qualifying purchases or acquisitions for which the  
2 exemption is claimed. The buyer (~~shall~~) must retain, in adequate  
3 detail to enable the department to determine whether the equipment or  
4 construction meets the criteria under this section: Invoices; proof of  
5 tax paid; documents describing the material-handling equipment and  
6 racking equipment; location and size of warehouses, if applicable; and  
7 construction invoices and documents.

8 (c) The department (~~shall~~) must on a quarterly basis remit or  
9 credit exempted amounts to qualifying persons who submitted  
10 applications during the previous quarter.

11 (~~(3)~~) (4) Warehouse, grain elevators, and material-handling  
12 equipment and racking equipment for which an exemption, credit, or  
13 deferral has been or is being received under chapter 82.60, 82.62, or  
14 82.63 RCW or RCW 82.08.02565 or 82.12.02565 are not eligible for any  
15 remittance under this section. Materials incorporated in warehouses  
16 and grain elevators upon which construction was initiated prior to May  
17 20, 1997, are not eligible for a remittance under this section.

18 (~~(4)~~) (5) The lessor or owner of the warehouse or grain elevator  
19 is not eligible for a remittance or credit under this section unless  
20 the underlying ownership of the warehouse or grain elevator and  
21 material-handling equipment and racking equipment vests exclusively in  
22 the same person, or unless the lessor by written contract agrees to  
23 pass the economic benefit of the exemption to the lessee in the form of  
24 reduced rent payments.

25 (~~(5)~~) (6) The definitions in RCW 82.08.820 apply to this section.

26 NEW SECTION. **Sec. 47.** Sections 45 and 46 of this act apply to  
27 annual surveys due in 2012 and thereafter.

28 NEW SECTION. **Sec. 48.** Sections 45 and 46 of this act take effect  
29 July 1, 2012.

30 NEW SECTION. **Sec. 49.** Section 7 of this act takes effect January  
31 1, 2013.

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