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HOUSE BILL 2800

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State of Washington

62nd Legislature

2012 Regular Session

By Representatives Hunter, Orcutt, and Carlyle; by request of Governor Gregoire

Read first time 02/27/12. Referred to Committee on Ways & Means.

1 AN ACT Relating to making changes to the state business and  
2 occupation tax, which do not impact state revenues or municipal  
3 business and occupation taxes, by reducing state business and  
4 occupation tax classifications and making clarifications; amending RCW  
5 82.04.060, 82.04.230, 82.04.260, 82.04.280, 82.04.285, 82.04.290,  
6 82.04.29002, 82.04.440, and 82.32.045; reenacting and amending RCW  
7 82.04.250; adding new sections to chapter 82.04 RCW; adding a new  
8 section to chapter 82.16 RCW; creating new sections; repealing RCW  
9 82.04.2404, 82.04.272, 82.04.2905, 82.04.2906, 82.04.2907, 82.04.2908,  
10 82.04.2909, and 82.04.294; and providing an effective date.

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

12 PART I

13 STATE BUSINESS AND OCCUPATION TAX

14 **Sec. 101.** RCW 82.04.060 and 2010 c 106 s 203 are each amended to  
15 read as follows:

16 "Sale at wholesale" or "wholesale sale" means:

17 (1) Any sale, which is not a sale at retail, of:

18 (a) Tangible personal property;

- 1 (b) Services defined as a retail sale in RCW 82.04.050(2) (a) or  
2 (g);
- 3 (c) Amusement or recreation services as defined in RCW  
4 82.04.050(3)(a);
- 5 (d) Prewritten computer software;
- 6 (e) Services described in RCW 82.04.050(6)(b);
- 7 (f) Extended warranties as defined in RCW 82.04.050(7);
- 8 (g) Competitive telephone service, ancillary services, or  
9 telecommunications service as those terms are defined in RCW 82.04.065;  
10 or
- 11 (h) Digital goods, digital codes, or digital automated services;
- 12 (2) Any charge made for labor and services rendered for persons who  
13 are not consumers, in respect to real or personal property, if such  
14 charge is expressly defined as a retail sale by RCW 82.04.050 when  
15 rendered to or for consumers. For the purposes of this subsection (2),  
16 "real or personal property" does not include any natural products named  
17 in RCW 82.04.100; (~~and~~))
- 18 (3) The sale of any service for resale, if the sale is excluded  
19 from the definition of "sale at retail" and "retail sale" in RCW  
20 82.04.050(14); and
- 21 (4) Any sale of or charge made for labor and services if the sale  
22 or charge is excluded from the definition of retail sale in RCW  
23 82.04.050 (10) or (12). Nothing in this subsection may be construed as  
24 affecting the status of persons providing such services as consumers as  
25 provided in RCW 82.04.190.

26 **Sec. 102.** RCW 82.04.230 and 2006 c 300 s 5 are each amended to  
27 read as follows:

28 (1) Upon every person engaging within this state in business as an  
29 extractor ~~or extractor for hire~~, except persons taxable as an extractor  
30 ~~or extractor for hire~~ under any other provision in this chapter; as to  
31 such persons the amount of the tax with respect to such business  
32 (~~shall be~~) is, in the case of extractors, equal to the value of the  
33 products, including by-products, extracted for sale or for commercial  
34 or industrial use, and, in the case of extractors for hire, the gross  
35 income of the business of extracting for hire, multiplied by the rate  
36 of 0.484 percent.

1       (2) The measure of the tax on extractors is the value of the  
2 products, including by-products, so extracted, regardless of the place  
3 of sale or the fact that deliveries may be made to points outside the  
4 state.

5       **Sec. 103.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 are each  
6 reenacted and amended to read as follows:

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

13       (2) Upon every person engaging within this state in the business of  
14 making sales at retail that are exempt from the tax imposed under  
15 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
16 82.08.0263, except persons taxable under RCW 82.04.260(~~((+10+))~~) (2) or  
17 (~~(subsection (3) of this section)~~) eligible for the deduction in  
18 section 113 of this act, as to such persons, the amount of tax with  
19 respect to such business is equal to the gross proceeds of sales of the  
20 business, multiplied by the rate of 0.484 percent.

21       (~~((3) Until July 1, 2024, upon every person classified by the~~  
22 ~~federal aviation administration as a federal aviation regulation part~~  
23 ~~145 certificated repair station and that is engaging within this state~~  
24 ~~in the business of making sales at retail that are exempt from the tax~~  
25 ~~imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,~~  
26 ~~82.08.0262, or 82.08.0263, as to such persons, the amount of tax with~~  
27 ~~respect to such business is equal to the gross proceeds of sales of the~~  
28 ~~business, multiplied by the rate of .2904 percent.))~~

29       **Sec. 104.** RCW 82.04.260 and 2011 c 2 s 203 (Initiative Measure No.  
30 1107) are each amended to read as follows:

31       (1) (~~Upon every person engaging within this state in the business~~  
32 ~~of manufacturing:~~

33       (a) ~~Wheat into flour, barley into pearl barley, soybeans into~~  
34 ~~soybean oil, canola into canola oil, canola meal, or canola by-~~  
35 ~~products, or sunflower seeds into sunflower oil; as to such persons the~~

1 amount of tax with respect to such business is equal to the value of  
2 the flour, pearl barley, oil, canola meal, or canola by-product  
3 manufactured, multiplied by the rate of 0.138 percent;

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

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

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

1       ~~(e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel~~  
2 ~~feedstock, as those terms are defined in RCW 82.29A.135; as to such~~  
3 ~~persons the amount of tax with respect to the business is equal to the~~  
4 ~~value of alcohol fuel, biodiesel fuel, or biodiesel feedstock~~  
5 ~~manufactured, multiplied by the rate of 0.138 percent; and~~

6       ~~(f) Wood biomass fuel as defined in RCW 82.29A.135; as to such~~  
7 ~~persons the amount of tax with respect to the business is equal to the~~  
8 ~~value of wood biomass fuel manufactured, multiplied by the rate of~~  
9 ~~0.138 percent.~~

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

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

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

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

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

36       ~~(7) Upon every person engaging within this state in the business of~~  
37 ~~stevedoring and associated activities pertinent to the movement of~~  
38 ~~goods and commodities in waterborne interstate or foreign commerce; as~~

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

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

33 (b) If the gross income of the taxpayer is attributable to  
34 activities both within and without this state, the gross income  
35 attributable to this state must be determined in accordance with the  
36 methods of apportionment required under RCW 82.04.460.

37 ~~((9) Upon every person engaging within this state as an insurance  
38 producer or title insurance agent licensed under chapter 48.17 RCW or~~

1 ~~a surplus line broker licensed under chapter 48.15 RCW; as to such~~  
2 ~~persons, the amount of the tax with respect to such licensed activities~~  
3 ~~is equal to the gross income of such business multiplied by the rate of~~  
4 ~~0.484 percent.~~

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

12 ~~((11))~~ (2)(a) Beginning October 1, 2005, upon every person engaging  
13 within this state in the business of manufacturing commercial  
14 airplanes, or components of such airplanes, or making sales, at retail  
15 or wholesale, of commercial airplanes or components of such airplanes,  
16 manufactured by the seller, as to such persons the amount of tax with  
17 respect to such business is, in the case of manufacturers, equal to the  
18 value of the product manufactured and the gross proceeds of sales of  
19 the product manufactured, or in the case of processors for hire, equal  
20 to the gross income of the business, multiplied by the rate of:

21 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and

22 (ii) 0.2904 percent beginning July 1, 2007.

23 (b) Beginning July 1, 2008, upon every person who is not eligible  
24 to report under the provisions of (a) of this subsection (~~((11))~~) (2)  
25 and is engaging within this state in the business of manufacturing  
26 tooling specifically designed for use in manufacturing commercial  
27 airplanes or components of such airplanes, or making sales, at retail  
28 or wholesale, of such tooling manufactured by the seller, as to such  
29 persons the amount of tax with respect to such business is, in the case  
30 of manufacturers, equal to the value of the product manufactured and  
31 the gross proceeds of sales of the product manufactured, or in the case  
32 of processors for hire, be equal to the gross income of the business,  
33 multiplied by the rate of 0.2904 percent.

34 (c) For the purposes of this subsection (~~((11))~~) (2), "commercial  
35 airplane" and "component" have the same meanings as provided in RCW  
36 82.32.550.

37 (d) In addition to all other requirements under this title, a

1 person reporting under the tax rate provided in this subsection  
2 (~~((11))~~) (2) must file a complete annual report with the department  
3 under RCW 82.32.534.

4 (e) This subsection (~~((11))~~) (2) does not apply on and after July  
5 1, 2024.

6 (~~((12))~~) (3)(a) Until July 1, 2024, upon every person engaging  
7 within this state in the business of extracting timber or extracting  
8 timber for hire (~~(timber)~~); as to such persons the amount of tax with  
9 respect to the business is, in the case of extractors, equal to the  
10 value of products, including by-products, extracted, or in the case of  
11 extractors for hire, equal to the gross income of the business,  
12 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
13 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
14 2024.

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

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

35 (d) Until July 1, 2024, upon every person engaging within this  
36 state in the business of selling standing timber; as to such persons  
37 the amount of the tax with respect to the business is equal to the  
38 gross income of the business multiplied by the rate of 0.2904 percent.



1 For purposes of this subsection (~~((+12+))~~) (3)(d), "selling standing  
2 timber" means the sale of timber apart from the land, where the buyer  
3 is required to sever the timber within thirty months from the date of  
4 the original contract, regardless of the method of payment for the  
5 timber and whether title to the timber transfers before, upon, or after  
6 severance.

7 (e) For purposes of this subsection, the following definitions  
8 apply:

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

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

24 (iii) "Recycled paper" means paper and paper products having fifty  
25 percent or more of their fiber content that comes from postconsumer  
26 waste. For purposes of this subsection (~~((+12+))~~) (3)(e)(iii),  
27 "postconsumer waste" means a finished material that would normally be  
28 disposed of as solid waste, having completed its life cycle as a  
29 consumer item.

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

34 (v) "Timber products" means:

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

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

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

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

9 (f) Except for small harvesters as defined in RCW 84.33.035, a  
10 person reporting under the tax rate provided in this subsection  
11 ~~((+12))~~ (3) must file a complete annual survey with the department  
12 under RCW 82.32.585.

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

18 ~~(+14))~~ (4)(a) Upon every person engaging within this state in the  
19 business of printing a newspaper, publishing a newspaper, or both, the  
20 amount of tax on such business is equal to the gross income of the  
21 business multiplied by the rate of 0.2904 percent.

22 (b) A person reporting under the tax rate provided in this  
23 subsection ~~((+14))~~ (4) must file a complete annual report with the  
24 department under RCW 82.32.534.

25 **Sec. 105.** RCW 82.04.280 and 2010 c 106 s 205 are each amended to  
26 read as follows:

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

1 ~~improving, the cost of which readjustment, reconstruction, or~~  
2 ~~relocation, is the responsibility of the public authority whose street,~~  
3 ~~place, road, highway, easement, right of way, mass public~~  
4 ~~transportation terminal or parking facility, bridge, tunnel, or trestle~~  
5 ~~is being built, repaired or improved; (c) extracting for hire or~~)  
6 processing for hire, except persons taxable as ((~~extractors for hire~~  
7 ~~or~~)) processors for hire under another section of this chapter; ((~~d~~)  
8 ~~operating a cold storage warehouse or storage warehouse, but not~~  
9 ~~including the rental of cold storage lockers; (e) representing and~~  
10 ~~performing services for fire or casualty insurance companies as an~~  
11 ~~independent resident managing general agent licensed under the~~  
12 ~~provisions of chapter 48.17 RCW; (f)) or (c) radio and television~~  
13 broadcasting, excluding network, national and regional advertising  
14 computed as a standard deduction based on the national average thereof  
15 as annually reported by the federal communications commission, or in  
16 lieu thereof by itemization by the individual broadcasting station, and  
17 excluding that portion of revenue represented by the out-of-state  
18 audience computed as a ratio to the station's total audience as  
19 measured by the 100 micro-volt signal strength and delivery by wire, if  
20 any; ((~~g~~) ~~engaging in activities which bring a person within the~~  
21 ~~definition of consumer contained in RCW 82.04.190(6);~~)) as to such  
22 persons, the amount of tax on such business is equal to the gross  
23 income of the business multiplied by the rate of 0.484 percent.

24 (2) For the purposes of this section, ((~~the following definitions~~  
25 ~~apply unless the context clearly requires otherwise.~~

26 (a) ~~"Cold storage warehouse" means a storage warehouse used to~~  
27 ~~store fresh and/or frozen perishable fruits or vegetables, meat,~~  
28 ~~seafood, dairy products, or fowl, or any combination thereof, at a~~  
29 ~~desired temperature to maintain the quality of the product for orderly~~  
30 ~~marketing.~~

31 (b) ~~"Storage warehouse" means a building or structure, or any part~~  
32 ~~thereof, in which goods, wares, or merchandise are received for storage~~  
33 ~~for compensation, except field warehouses, fruit warehouses, fruit~~  
34 ~~packing plants, warehouses licensed under chapter 22.09 RCW, public~~  
35 ~~garages storing automobiles, railroad freight sheds, docks and wharves,~~  
36 ~~and "self-storage" or "mini storage" facilities whereby customers have~~  
37 ~~direct access to individual storage areas by separate entrance.~~

1 ~~"Storage warehouse" does not include a building or structure, or that~~  
2 ~~part of such building or structure, in which an activity taxable under~~  
3 ~~RCW 82.04.272 is conducted.~~

4 (e)) "periodical or magazine" means a printed publication, other  
5 than a newspaper, issued regularly at stated intervals at least once  
6 every three months, including any supplement or special edition of the  
7 publication.

8 **Sec. 106.** RCW 82.04.285 and 2005 c 369 s 5 are each amended to  
9 read as follows:

10 (1) Upon every person engaging within this state in the business of  
11 operating contests of chance; as to such persons, the amount of tax  
12 with respect to the business of operating contests of chance is equal  
13 to the gross income of the business derived from contests of chance  
14 multiplied by the rate of 1.5 percent.

15 (2) An additional tax is imposed on those persons subject to tax in  
16 subsection (1) of this section. The amount of the additional tax with  
17 respect to the business of operating contests of chance is equal to the  
18 gross income of the business derived from contests of chance multiplied  
19 by the rate of 0.1 percent through June 30, 2006, and 0.13 percent  
20 thereafter. The money collected under this subsection (2) (~~shall~~)  
21 must be deposited in the problem gambling account created in RCW  
22 43.20A.892. (~~This subsection does not apply to businesses operating~~  
23 ~~contests of chance when the gross income from the operation of contests~~  
24 ~~of chance is less than fifty thousand dollars per year.))~~

25 (3) For the purpose of this section, "contests of chance" means any  
26 contests, games, gaming schemes, or gaming devices, other than the  
27 state lottery as defined in RCW 67.70.010, in which the outcome depends  
28 in a material degree upon an element of chance, notwithstanding that  
29 skill of the contestants may also be a factor in the outcome. The term  
30 includes social card games, bingo, raffle, and punchboard games, and  
31 pull-tabs as defined in chapter 9.46 RCW. The term does not include  
32 race meets for the conduct of which a license must be secured from the  
33 Washington horse racing commission, or "amusement game" as defined in  
34 RCW 9.46.0201.

35 (4) "Gross income of the business" does not include the monetary  
36 value or actual cost of any prizes that are awarded, amounts paid to

1 players for winning wagers, accrual of prizes for progressive jackpot  
2 contests, or repayment of amounts used to seed guaranteed progressive  
3 jackpot prizes.

4 **Sec. 107.** RCW 82.04.290 and 2011 c 174 s 101 are each amended to  
5 read as follows:

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

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

17 ~~((b))~~ (2) This ~~((subsection (2) includes))~~ section applies to,  
18 among others, and without limiting the scope hereof (whether or not  
19 title to materials used in the performance of such business passes to  
20 another by accession, confusion or other than by outright sale),  
21 persons engaged in the business of rendering any type of service which  
22 does not constitute a "sale at retail" or a "sale at wholesale." This  
23 includes, but is not limited to, the business of inspecting, testing,  
24 labeling, and storing canned salmon owned by another person; conducting  
25 research and development for compensation; providing chemical  
26 dependency treatment services; providing travel agent or tour operator  
27 services; acting as an international steamship agent, international  
28 customs house broker, international freight forwarder, vessel or cargo  
29 charter broker in foreign commerce, or international air cargo agent;  
30 the business of stevedoring and associated activities pertinent to the  
31 movement of goods and commodities in waterborne interstate or foreign  
32 commerce as defined in section 109 of this act; performing aerospace  
33 product development for others; operating a warehouse; providing  
34 international investment management services as defined in RCW  
35 82.04.293; providing boarding home services as defined in section 109  
36 of this act; receiving gross income from royalties as defined in

1 section 109 of this act; providing day care services; and performing  
2 insurance services as defined in section 109 of this act.

3 (3) The value of advertising, demonstration, and promotional  
4 supplies and materials furnished to an agent by his or her principal or  
5 supplier to be used for informational, educational, and promotional  
6 purposes (~~shall~~) is not (~~be~~) considered a part of the agent's  
7 remuneration or commission and (~~shall~~) is not (~~be~~) subject to  
8 taxation under this section.

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

14 ~~(b) "Aerospace product development" has the meaning as provided in~~  
15 ~~RCW 82.04.4461.)~~

16 NEW SECTION. Sec. 108. The following acts or parts of acts are  
17 each repealed:

- 18 (1) RCW 82.04.2404 (Manufacturers--Processors for hire--  
19 Semiconductor materials) and 2010 c 114 s 105 & 2006 c 84 s 2;
- 20 (2) RCW 82.04.272 (Tax on warehousing and reselling prescription  
21 drugs) and 2003 c 168 s 401 & 1998 c 343 s 1;
- 22 (3) RCW 82.04.2905 (Tax on providing day care) and 1998 c 312 s 7;
- 23 (4) RCW 82.04.2906 (Tax on certain chemical dependency services)  
24 and 2003 c 343 s 1;
- 25 (5) RCW 82.04.2907 (Tax on royalties) and 2010 1st sp.s. c 23 s  
26 107, 2010 c 111 s 302, 2009 c 535 s 407, 2001 c 320 s 3, & 1998 c 331  
27 s 1;
- 28 (6) RCW 82.04.2908 (Tax on provision of room and domiciliary care  
29 to boarding home residents) and 2005 c 514 s 302 & 2004 c 174 s 1;
- 30 (7) RCW 82.04.2909 (Tax on aluminum smelters) and 2011 c 174 s 301;  
31 and
- 32 (8) RCW 82.04.294 (Tax on manufacturers or wholesalers of solar  
33 energy systems) and 2011 c 179 s 1, 2010 c 114 s 109, 2009 c 469 s 501,  
34 2007 c 54 s 8, & 2005 c 301 s 2.

35 NEW SECTION. Sec. 109. A new section is added to chapter 82.04  
36 RCW to read as follows:

1 (1) In computing the tax imposed under RCW 82.04.290 on engaging in  
2 a qualifying business activity, a person is entitled to a deduction as  
3 provided in this section.

4 (2) The amount of the deduction under this section is determined by  
5 multiplying the appropriate tax base reduction factor by:

6 (a) The gross income of the business during the reporting period  
7 from engaging in the qualifying business activity; or

8 (b) If the taxpayer is entitled to one or more deductions under any  
9 other statute in this chapter in computing the tax imposed under RCW  
10 82.04.290 on engaging in the qualifying business activity, the  
11 difference resulting from subtracting all other deductible amounts from  
12 the gross income of the business during the reporting period from  
13 engaging in the qualifying business activity.

14 (3) If a person engages in more than one qualifying business  
15 activity, the person is entitled to a deduction under this section with  
16 respect to each qualifying business activity.

17 (4) For purposes of subsection (2) of this section, the tax base  
18 reduction factors are as follows:

19 (a) 0.4 for performing aerospace product development for others;

20 (b) 0.67734 for the following activities:

21 (i) Conducting research and development for compensation by a  
22 nonprofit corporation or nonprofit association;

23 (ii) Inspecting, testing, labeling, and storing canned salmon owned  
24 by another person;

25 (iii) Providing eligible chemical dependency treatment services;

26 (iv) Operating a qualifying warehouse;

27 (v) Receiving gross income from royalties;

28 (vi) Providing child day care; and

29 (vii) Providing insurance services; and

30 (c) 0.81667 for the following activities:

31 (i) Engaging in qualifying travel or transportation-related  
32 activities;

33 (ii) Providing international investment management services; and

34 (iii) Providing boarding home services by a licensed boarding home.

35 (5) The deduction in this section may only be claimed on a return  
36 filed electronically using the department's online tax filing service.

37 (6) For purposes of this section, the following definitions apply:

1 (a) "Aerospace product development" has the same meaning as in RCW  
2 82.04.4461.

3 (b) "Boarding home services" means any services that a licensed  
4 boarding home is authorized to provide to residents of the boarding  
5 home, either directly or indirectly, and housing provided to residents  
6 of the boarding home.

7 (c) "Child day care" means providing child care for continuous  
8 periods of less than twenty-four hours.

9 (d) "Eligible chemical dependency treatment services" means  
10 intensive inpatient or recovery house residential treatment services  
11 for chemical dependency, certified by the department of social and  
12 health services, for which payment from the United States or any of its  
13 instrumentalities or from the state of Washington or any of its  
14 municipal corporations or political subdivisions is received as  
15 compensation for or to support those services.

16 (e) "Gross income from royalties" means compensation for the use of  
17 intangible property, including charges in the nature of royalties,  
18 regardless of where the intangible property will be used. For purposes  
19 of this subsection, "intangible property" includes copyrights, patents,  
20 licenses, franchises, trademarks, trade names, and similar items.  
21 "Gross income from royalties" does not include compensation for any  
22 natural resource, the licensing of prewritten computer software to the  
23 end user, or the licensing of digital goods, digital codes, or digital  
24 automated services to the end user as defined in RCW 82.04.190(11).

25 (e) "Insurance services" means:

26 (i) Representing and performing services for fire or casualty  
27 insurance companies as an independent resident managing general agent  
28 licensed under the provisions of chapter 48.17 RCW; or

29 (ii) The licensed activities of insurance producers or title  
30 insurance agents licensed under chapter 48.17 RCW or surplus line  
31 brokers licensed under chapter 48.15 RCW.

32 (g) "International investment management services" has the same  
33 meaning as in RCW 82.04.293.

34 (h) "Licensed boarding home" means a boarding home licensed under  
35 chapter 18.20 RCW.

36 (i) "Qualifying business activity" means:

37 (i) Conducting research and development for compensation by a  
38 nonprofit corporation or nonprofit association;



- 1 (ii) Inspecting, testing, labeling, and storing canned salmon owned  
2 by another person;  
3 (iii) Providing eligible chemical dependency treatment services;  
4 (iv) Operating a qualifying warehouse;  
5 (v) Receiving gross income from royalties;  
6 (vi) Providing child day care;  
7 (vii) Providing insurance services;  
8 (viii) Engaging in qualifying travel or transportation-related  
9 activities;  
10 (ix) Providing international investment management services;

11 or

12 (x) Providing boarding home services by a licensed boarding home.

13 (j)(i) "Qualifying travel or transportation-related activities"  
14 means engaging within this state in one or more of the following  
15 businesses: Travel agent, tour operator, international steamship  
16 agent, international customs house broker, international freight  
17 forwarder, vessel or cargo charter broker in foreign commerce,  
18 international air cargo agent, or stevedoring and associated activities  
19 pertinent to the movement of goods and commodities in waterborne  
20 interstate or foreign commerce.

21 (ii) For purposes of this subsection (6)(j), "stevedoring and  
22 associated activities pertinent to the movement of goods and  
23 commodities in waterborne interstate or foreign commerce" means all  
24 activities of a labor, service, or transportation nature whereby cargo  
25 may be loaded or unloaded to or from vessels or barges, passing over,  
26 onto, or under a wharf, pier, or similar structure; cargo may be moved  
27 to a warehouse or similar holding or storage yard or area to await  
28 further movement in import or export or may move to a consolidation  
29 freight station and be stuffed, unstuffed, containerized, separated, or  
30 otherwise segregated or aggregated for delivery or loaded on any mode  
31 of transportation for delivery to its consignee. Specific activities  
32 included in this definition are: Wharfage, handling, loading,  
33 unloading, moving of cargo to a convenient place of delivery to the  
34 consignee or a convenient place for further movement to export mode;  
35 documentation services in connection with the receipt, delivery,  
36 checking, care, custody, and control of cargo required in the transfer  
37 of cargo; imported automobile handling prior to delivery to consignee;  
38 terminal stevedoring and incidental vessel services, including but not

1 limited to plugging and unplugging refrigerator service to containers,  
2 trailers, and other refrigerated cargo receptacles, and securing ship  
3 hatch covers.

4 (k)(i) "Qualifying warehouse" means a cold storage warehouse or  
5 storage warehouse. The term does not include cold storage lockers.

6 (ii) For purposes of this subsection (6)(k), the following  
7 definitions apply:

8 (A) "Cold storage warehouse" means a storage warehouse used to  
9 store any combination of fresh or frozen perishable fruits or  
10 vegetables, meat, seafood, dairy products, or fowl, at a desired  
11 temperature to maintain the quality of the product for orderly  
12 marketing.

13 (B) "Storage warehouse" means a building or structure, or any part  
14 of a building or structure, in which goods, wares, or merchandise are  
15 received for storage for compensation, except field warehouses, fruit  
16 warehouses, fruit packing plants, warehouses licensed under chapter  
17 22.09 RCW, public garages storing automobiles, railroad freight sheds,  
18 docks and wharves, and "self-storage" or "mini storage" facilities  
19 whereby customers have direct access to individual storage areas by  
20 separate entrance. "Storage warehouse" does not include a building or  
21 structure, or that part of such building or structure, in which an  
22 activity is conducted that entitles the person conducting the activity  
23 to a deduction under section 115 of this act.

24 NEW SECTION. **Sec. 110.** A new section is added to chapter 82.04  
25 RCW to read as follows:

26 (1)(a) In computing the tax imposed under RCW 82.04.270 on the  
27 business of making wholesale sales of aluminum manufactured by the  
28 seller, an aluminum smelter is entitled to a deduction as determined in  
29 (b) of this subsection (1).

30 (b) The amount of the deduction under this subsection (1) is  
31 determined by multiplying 0.4 by:

32 (i) The gross proceeds of wholesale sales by the taxpayer, during  
33 the reporting period, of aluminum manufactured by the taxpayer; or

34 (ii) If the taxpayer is entitled to one or more deductions under  
35 any other statute in this chapter in computing the tax imposed under  
36 RCW 82.04.270 on the business of making wholesale sales of aluminum  
37 manufactured by the taxpayer, the difference resulting from subtracting

1 all other deductible amounts from the gross proceeds of wholesale sales  
2 by the taxpayer, during the reporting period, of aluminum manufactured  
3 by the taxpayer.

4 (2)(a) In computing the tax imposed under RCW 82.04.240 on the  
5 business of manufacturing aluminum, an aluminum smelter is entitled to  
6 a deduction as determined in (b) of this subsection (2).

7 (b) The amount of the deduction under this subsection (2) is  
8 determined by multiplying 0.4 by:

9 (i) The value of the product manufactured by the taxpayer during  
10 the reporting period, in the case of manufacturers, or, in the case of  
11 processors for hire, the gross income of the business from processing  
12 aluminum for hire during the reporting period; or

13 (ii) If the taxpayer is entitled to one or more deductions under  
14 any other statute in this chapter in computing the tax imposed under  
15 RCW 82.04.240 on the business of manufacturing aluminum, the difference  
16 resulting from subtracting all other deductible amounts from the value  
17 of the product manufactured by the taxpayer during the reporting  
18 period, in the case of manufacturers, or, in the case of processors for  
19 hire, the gross income of the business from processing aluminum for  
20 hire during the reporting period.

21 (3) A person claiming a deduction under this section must file a  
22 complete annual report with the department under RCW 82.32.534.  
23 However, if legislation is enacted after 2011 that replaces the annual  
24 report under RCW 82.32.534 with the annual survey under RCW 82.32.585,  
25 a person claiming a deduction under this section must file a complete  
26 annual survey with the department under RCW 82.32.585.

27 (4) The deductions in this section may only be claimed on a return  
28 filed electronically using the department's online tax filing service.

29 (5) No deduction may be claimed under this section for reporting  
30 periods beginning January 1, 2017.

31 NEW SECTION. **Sec. 111.** A new section is added to chapter 82.04  
32 RCW to read as follows:

33 (1) In computing the tax imposed under RCW 82.04.240 on the  
34 business of manufacturing semiconductor materials, a person is entitled  
35 to a deduction as determined in subsection (2) of this section.

36 (2) The amount of the deduction under this section is determined by  
37 multiplying 0.43183 by:

1 (a) The value of the product manufactured by the taxpayer during  
2 the reporting period, in the case of manufacturers, or, in the case of  
3 processors for hire, the gross income of the business from processing  
4 semiconductor materials for hire during the reporting period; or

5 (b) If the taxpayer is entitled to one or more deductions under any  
6 other statute in this chapter in computing the tax imposed under RCW  
7 82.04.240 on the business of manufacturing semiconductor materials, the  
8 difference resulting from subtracting all other deductible amounts from  
9 the value of the product manufactured by the taxpayer during the  
10 reporting period, in the case of manufacturers, or, in the case of  
11 processors for hire, the gross income of the business from processing  
12 semiconductor materials for hire during the reporting period.

13 (3) For the purposes of this section "semiconductor materials"  
14 means silicon crystals, silicon ingots, raw polished semiconductor  
15 wafers, and compound semiconductor wafers.

16 (4) A person claiming a deduction under this section must file a  
17 complete annual report with the department under RCW 82.32.534.  
18 However, if legislation is enacted after 2011 that replaces the annual  
19 report under RCW 82.32.534 with the annual survey under RCW 82.32.585,  
20 a person claiming a deduction under this section must file a complete  
21 annual survey with the department under RCW 82.32.585.

22 (5) The deduction in this section may only be claimed on a return  
23 filed electronically using the department's online tax filing service.

24 (6) No deduction may be claimed under this section for reporting  
25 periods beginning December 1, 2018.

26 NEW SECTION. **Sec. 112.** A new section is added to chapter 82.04  
27 RCW to read as follows:

28 (1)(a) In computing the tax imposed under RCW 82.04.270 on the  
29 business of making wholesale sales of qualifying solar energy systems  
30 or qualifying components by the manufacturer of the system or  
31 component, a person is entitled to a deduction as determined in (b) of  
32 this subsection (1).

33 (b) The amount of the deduction under this subsection (1) is  
34 determined by multiplying 0.43183 by:

35 (i) The gross proceeds of wholesale sales by the person, during the  
36 reporting period, of qualifying solar energy products or qualifying  
37 components, manufactured by the person; or

1 (ii) If the person is entitled to one or more deductions under any  
2 other statute in this chapter in computing the tax imposed under RCW  
3 82.04.270 on the business of making wholesale sales of qualifying solar  
4 energy systems or qualifying components manufactured by the person, the  
5 difference resulting from subtracting all other deductible amounts from  
6 the gross proceeds of wholesale sales by the person, during the  
7 reporting period, of qualifying solar energy systems or qualifying  
8 components manufactured by the person.

9 (2)(a) In computing the tax imposed under RCW 82.04.240 on the  
10 business of manufacturing qualifying solar energy systems or qualifying  
11 components, a person is entitled to a deduction as determined in (b) of  
12 this subsection (2).

13 (b) The amount of the deduction under this subsection (2) is  
14 determined by multiplying 0.43183 by:

15 (i) The value of the qualifying solar energy systems or qualifying  
16 components manufactured by the person during the reporting period, in  
17 the case of manufacturers, or, in the case of processors for hire, the  
18 gross income of the business from processing qualifying solar energy  
19 systems or qualifying components for hire during the reporting period;  
20 or

21 (ii) If the person is entitled to one or more deductions under any  
22 other statute in this chapter in computing the tax imposed under RCW  
23 82.04.240 on the business of manufacturing qualifying solar energy  
24 systems or qualifying components, the difference resulting from  
25 subtracting all other deductible amounts from the value of the  
26 qualifying solar energy systems or qualifying components manufactured  
27 by the person during the reporting period, in the case of  
28 manufacturers, or, in the case of processors for hire, the gross income  
29 of the business from processing solar energy systems or qualifying  
30 components for hire during the reporting period.

31 (3) The definitions in this subsection apply throughout this  
32 section.

33 (a) "Compound semiconductor solar wafers" means a semiconductor  
34 solar wafer composed of elements from two or more different groups of  
35 the periodic table.

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

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

3 (d) "Qualifying component" means the following products to be used  
4 exclusively in components of qualifying solar energy systems: Solar  
5 grade silicon, silicon solar wafers, silicon solar cells, thin film  
6 solar devices, or compound semiconductor solar wafers.

7 (e) "Qualifying solar energy system" means a solar energy system  
8 using photovoltaic modules or stirling converters.

9 (f) "Silicon solar cells" means a photovoltaic cell manufactured  
10 from a silicon solar wafer.

11 (g) "Silicon solar wafers" means a silicon wafer manufactured for  
12 solar conversion purposes.

13 (h) "Solar energy system" means any device or combination of  
14 devices or elements that rely upon direct sunlight as an energy source  
15 for use in the generation of electricity.

16 (i) "Solar grade silicon" means high-purity silicon used  
17 exclusively in components of solar energy systems using photovoltaic  
18 modules to capture direct sunlight. "Solar grade silicon" does not  
19 include silicon used in semiconductors.

20 (j) "Stirling converter" means a device that produces electricity  
21 by converting heat from a solar source utilizing a stirling engine.

22 (k) "Thin film solar devices" means a nonparticipating substrate on  
23 which various semiconducting materials are deposited to produce a  
24 photovoltaic cell that is used to generate electricity.

25 (4) A person claiming a deduction under this section must file a  
26 complete annual report with the department under RCW 82.32.534.  
27 However, if legislation is enacted after 2011 that replaces the annual  
28 report under RCW 82.32.534 with the annual survey under RCW 82.32.585,  
29 a person claiming a deduction under this section must file a complete  
30 annual survey with the department under RCW 82.32.585.

31 (5) The deductions in this section may only be claimed on a return  
32 filed electronically using the department's online tax filing service.

33 (6) No deduction may be claimed under this section for reporting  
34 periods beginning July 1, 2014.

35 NEW SECTION. **Sec. 113.** A new section is added to chapter 82.04  
36 RCW to read as follows:

37 (1) In computing the tax imposed under RCW 82.04.250 on the

1 business of making qualifying retail sales, an eligible person is  
2 entitled to a deduction as determined in subsection (2) of this  
3 section.

4 (2) The amount of the deduction under this section is determined by  
5 multiplying 0.38344 by:

6 (a) The eligible person's gross proceeds of qualifying retail sales  
7 during the reporting period; or

8 (b) If the eligible person is entitled to one or more deductions  
9 under any other statute in this chapter in computing the tax imposed  
10 under RCW 82.04.250 on the business of making qualifying retail sales,  
11 the difference resulting from subtracting all other deductible amounts  
12 from the eligible person's gross proceeds of qualifying retail sales  
13 during the reporting period.

14 (3) The definitions in this subsection apply throughout this  
15 section.

16 (a) "Eligible person" means a person classified by the federal  
17 aviation administration as a federal aviation regulation part 145  
18 certificated repair station.

19 (b) "Qualifying retail sales" means sales at retail that are exempt  
20 from the tax imposed under RCW 82.08.020 by reason of RCW 82.08.0261,  
21 82.08.0262, or 82.08.0263.

22 (4) A person claiming a deduction under this section must file a  
23 complete annual report with the department under RCW 82.32.534.  
24 However, if legislation is enacted after 2011 that replaces the annual  
25 report under RCW 82.32.534 with the annual survey under RCW 82.32.585,  
26 a person claiming a deduction under this section must file a complete  
27 annual survey with the department under RCW 82.32.585.

28 (5) The deduction in this section may only be claimed on a return  
29 filed electronically using the department's online tax filing service.

30 (6) No deduction may be claimed under this section for reporting  
31 periods beginning July 1, 2024.

32 NEW SECTION. **Sec. 114.** A new section is added to chapter 82.04  
33 RCW to read as follows:

34 (1) In computing the tax imposed under RCW 82.04.250 or 82.04.270  
35 on the business of making sales at retail or wholesale of prescription  
36 drugs, an eligible person is entitled to a deduction as determined in  
37 this subsection.

1 (a) The deduction under this subsection from the gross proceeds of  
2 retail sales of prescription drugs is determined by multiplying 0.70701  
3 by:

4 (i) The gross proceeds of retail sales of prescription drugs by the  
5 eligible person during the reporting period; or

6 (ii) If the eligible person is entitled to one or more deductions  
7 under any other statute in this chapter in computing the tax imposed  
8 under RCW 82.04.250 on the business of making retail sales of  
9 prescription drugs, the difference resulting from subtracting all other  
10 deductible amounts from the gross proceeds of retail sales of  
11 prescription drugs by the eligible person during the reporting period.

12 (b) The deduction under this subsection from the gross proceeds of  
13 wholesale sales of prescription drugs is determined by multiplying  
14 0.71488 by:

15 (i) The gross proceeds of wholesale sales of prescription drugs by  
16 the eligible person during the reporting period; or

17 (ii) If the eligible person is entitled to one or more deductions  
18 under any other statute in this chapter in computing the tax imposed  
19 under RCW 82.04.270 on the business of making wholesale sales of  
20 prescription drugs, the difference resulting from subtracting all other  
21 deductible amounts from the gross proceeds of wholesale sales of  
22 prescription drugs by the eligible person during the reporting period.

23 (2) The definitions in this subsection apply throughout this  
24 section:

25 (a) "Eligible person" means a person who:

26 (i) Is registered with the federal drug enforcement administration  
27 and licensed by the state board of pharmacy;

28 (ii) Buys prescription drugs from a manufacturer or another  
29 wholesaler and resells the drugs to persons selling at retail or to  
30 hospitals, clinics, health care providers, or other providers of health  
31 care services; and

32 (iii) Owns or operates a warehouse inside or outside of this state  
33 where the person's prescription drugs are stored pending delivery to  
34 buyers.

35 (b) "Prescription drugs" means drugs intended for human use  
36 pursuant to a prescription.

37 (c) "Prescription" and "drug" have the same meaning as in RCW  
38 82.08.0281.



1 (3) The deduction in this section may only be claimed on a return  
2 filed electronically using the department's online tax filing service.

3 NEW SECTION. **Sec. 115.** A new section is added to chapter 82.04  
4 RCW to read as follows:

5 (1)(a) In computing the tax imposed under RCW 82.04.270 on the  
6 business of making wholesale sales of qualifying meat products, an  
7 eligible person is entitled to a deduction as determined in (b) of this  
8 subsection (1).

9 (b) The amount of the deduction under this subsection (1) is  
10 determined by multiplying 0.71488 by:

11 (i) The gross proceeds of wholesale sales of qualifying meat  
12 products during the reporting period by the eligible person; or

13 (ii) If the eligible person is entitled to one or more deductions  
14 under any other statute in this chapter in computing the tax imposed  
15 under RCW 82.04.270 on the business of making wholesale sales of  
16 qualifying meat products, the difference resulting from subtracting all  
17 other deductible amounts from the gross proceeds of wholesale sales of  
18 qualifying meat products during the reporting period by the eligible  
19 person.

20 (2)(a) In computing the tax imposed under RCW 82.04.240 on the  
21 business of processing perishable meat products, a person is entitled  
22 to a deduction as determined in (b) of this subsection (2).

23 (b) The amount of the deduction under this subsection (2) is  
24 determined by multiplying 0.71488 by:

25 (i) The value of the meat product processed by the person for the  
26 reporting period, in the case of manufacturers, or, in the case of  
27 processors for hire, the gross income of the business for the reporting  
28 period from processing meat products for hire; or

29 (ii) If the person is entitled to one or more deductions under any  
30 other statute in this chapter in computing the tax imposed under RCW  
31 82.04.240 on the business of processing perishable meat products, the  
32 difference resulting from subtracting all other deductible amounts from  
33 the value of the meat product processed by the person for the reporting  
34 period, in the case of manufacturers, or, in the case of processors for  
35 hire, the gross income of the business for the reporting period from  
36 processing meat products for hire.

1 (3) The definitions in this subsection apply throughout this  
2 section.

3 (a) "Eligible person" means any person who sells perishable meat  
4 products at wholesale or any person who takes an animal or a perishable  
5 meat product, processes it, and sells the resulting qualifying meat  
6 product at wholesale.

7 (b) "Meat product" means a product derived in whole or in part from  
8 any part of an animal carcass, except products derived from seafood or  
9 insects. The term includes only products that are intended for human  
10 consumption as food or animal consumption as feed.

11 (c) "Perishable meat product" means a meat product having a high  
12 risk of spoilage within a period of thirty days without refrigeration  
13 or freezing.

14 (d) "Processed," "processes," or "processing" means to engage in  
15 one or more of the following activities: Slaughtering an animal,  
16 breaking an animal carcass or part of an animal carcass into any type  
17 of smaller unit, or engaging in any other manufacturing activity when  
18 perishable meat is either the finished product or an ingredient or  
19 component of the finished product.

20 (e) "Qualifying meat product" means: (i) With respect to any  
21 person, a perishable meat product; and (ii) any meat product,  
22 perishable or not, that is the result of the seller taking an animal or  
23 a perishable meat product, processing it, and selling the resulting  
24 meat product at wholesale, even if meat is only a component of the  
25 finished product.

26 (4) The deductions in this section may only be claimed on a return  
27 filed electronically using the department's online tax filing service.

28 NEW SECTION. **Sec. 116.** A new section is added to chapter 82.04  
29 RCW to read as follows:

30 (1)(a) In computing the tax imposed under RCW 82.04.240 on  
31 qualifying manufacturing activities, a person is entitled to a  
32 deduction as determined in (b) of this subsection (1).

33 (b) The amount of the deduction under this subsection is determined  
34 by multiplying 0.71488 by:

35 (i) The value of the eligible product manufactured by the person  
36 during the reporting period; or

1 (ii) If the person is entitled to one or more deductions under any  
2 other statute in this chapter in computing the tax imposed under RCW  
3 82.04.240 on qualifying manufacturing, the difference resulting from  
4 subtracting all other deductible amounts from the value of the eligible  
5 products manufactured by the person during the reporting period.

6 (2) In computing the tax imposed under RCW 82.04.250 on the  
7 business of making qualifying retail sales, a person is entitled to a  
8 deduction as determined in (b) of this subsection (2).

9 (a) The amount of the deduction under this subsection (2) is  
10 determined by multiplying 0.70701 by:

11 (i) The gross proceeds of sales for qualifying retail sales by the  
12 person during the reporting period; or

13 (ii) If the person is entitled to one or more deductions under any  
14 other statute in this chapter in computing the tax imposed under RCW  
15 82.04.250 on the business of making qualifying retail sales, the  
16 difference resulting from subtracting all other deductible amounts from  
17 the gross proceeds of sales for qualifying retail sales by the person  
18 during the reporting period.

19 (b) Persons claiming a deduction under this subsection (2) must  
20 keep and preserve records for the period required by RCW 82.32.070  
21 establishing that the qualifying retail sales were for eligible  
22 products that were transported by the purchaser in the ordinary course  
23 of business out of this state.

24 (3) In computing the tax imposed under RCW 82.04.270 on the  
25 business of making qualifying wholesale sales, a person is entitled to  
26 a deduction as determined in (b) of this subsection (3).

27 (a) The amount of the deduction under this subsection (3) is  
28 determined by multiplying 0.71488 by:

29 (i) The gross proceeds of sales for qualifying wholesale sales by  
30 the person during the reporting period; or

31 (ii) If the person is entitled to one or more deductions under any  
32 other statute in this chapter in computing the tax imposed under RCW  
33 82.04.270 on the business of making qualifying wholesale sales, the  
34 difference resulting from subtracting all other deductible amounts from  
35 the gross proceeds of sales for qualifying wholesale sales by the  
36 person during the reporting period.

37 (b) Persons claiming a deduction under this subsection (3) must  
38 keep and preserve records for the period required by RCW 82.32.070

1 establishing that the qualifying wholesale sales were for eligible  
2 products transported by the purchaser in the ordinary course of  
3 business out of this state.

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

6 (a) "Eligible product" means:

7 (i) Seafood products that remain in a raw, raw frozen, or raw  
8 salted state at the completion of the manufacturing;

9 (ii) Dairy products that as of September 20, 2001, are identified  
10 in 21 C.F.R., chapter 1, parts 131, 133, and 135, including by-products  
11 from the manufacturing process, such as whey and casein; and

12 (iii) Fruits and vegetables that have been manufactured by canning,  
13 preserving, freezing, processing, or dehydrating fresh fruits or  
14 vegetables.

15 (b) "Qualifying manufacturing" means manufacturing an eligible  
16 product.

17 (c) "Qualifying retail sales" means retail sales of an eligible  
18 product described in (a)(i) or (ii) of this subsection (4) by the  
19 manufacturer of the product, but only when the product is delivered to  
20 purchasers who transport the product out of this state in the ordinary  
21 course of business.

22 (d) "Qualifying wholesale sales" means wholesale sales of any  
23 eligible product described in (a) of this subsection (4) by the  
24 manufacturer of the product, but only when the product is delivered to  
25 purchasers who transport the product out of this state in the ordinary  
26 course of business.

27 (5) The deduction in this section may only be claimed on a return  
28 filed electronically using the department's online tax filing service.

29 NEW SECTION. **Sec. 117.** A new section is added to chapter 82.04  
30 RCW to read as follows:

31 (1) In computing the tax imposed under RCW 82.04.285(2), a credit  
32 is allowed for eligible persons. The credit equals the full amount of  
33 tax otherwise due under RCW 82.04.285(2) for the reporting period.

34 (2) For purposes of this section, "eligible person" means a person  
35 subject to tax under RCW 82.04.285 and whose gross income of the  
36 business from the operation of contests of chance is less than fifty

1 thousand dollars in the tax year in which the credit under this section  
2 is claimed.

3 **Sec. 118.** RCW 82.04.29002 and 2010 1st sp.s. c 23 s 1101 are each  
4 amended to read as follows:

5 (1) Beginning May 1, 2010, through June 30, 2013, an additional  
6 rate of tax of 0.30 percent is added to the rate provided for in RCW  
7 (~~(82.04.255,)~~) 82.04.285(~~(7)~~) and 82.04.290(~~((2)(a))~~).

8 (2)(~~(a)~~) The additional rate in subsection (1) of this section  
9 does not apply to:

10 (a) Persons engaging within this state in business as a hospital.  
11 "Hospital" has the meaning provided in chapter 70.41 RCW but also  
12 includes any hospital that comes within the scope of chapter 71.12 RCW  
13 if the hospital is also licensed under chapter 70.41 RCW(~~(7)~~);

14 ~~((The additional rate in subsection (1) of this section does~~  
15 ~~not apply to)) Amounts received from performing scientific research and  
16 development services including but not limited to aerospace product  
17 development, as defined in RCW 82.04.4461, performed for others, and  
18 research and development in the physical, engineering, and life  
19 sciences (such as agriculture, bacteriological, biotechnology,  
20 chemical, life sciences, and physical science research and development  
21 laboratories or services);~~

22 (c) Amounts received by nonprofit corporations or nonprofit  
23 associations engaging in the business of conducting research and  
24 development for compensation;

25 (d) Amounts received from inspecting, testing, labeling, and  
26 storing canned salmon owned by another person;

27 (e) Amounts received from providing eligible chemical dependency  
28 treatment services as defined in section 109 of this act;

29 (f) Amounts received from providing qualifying travel or  
30 transportation-related activities as defined in section 109 of this  
31 act;

32 (g) Amounts received from operating a qualifying warehouse as  
33 defined in section 109 of this act;

34 (h) Amounts received from providing international investment  
35 management services as defined in RCW 82.04.293;

36 (i) Amounts received by boarding homes licensed under chapter 18.20

1 RCW for providing boarding home services as defined in section 109 of  
2 this act;

3 (j) Amounts received from providing child day care as defined in  
4 section 109 of this act;

5 (k) Amounts received from providing insurance services as defined  
6 in section 109 of this act; and

7 (l) Gross income from royalties as defined in section 109 of this  
8 act.

9 **Sec. 119.** RCW 82.04.440 and 2011 c 2 s 205 (Initiative Measure No.  
10 1107) are each amended to read as follows:

11 (1) Every person engaged in activities that are subject to tax  
12 under two or more provisions of RCW 82.04.230 through 82.04.298,  
13 inclusive, is taxable under each provision applicable to those  
14 activities.

15 (2) Persons taxable under RCW ~~((82.04.2909(2),))~~ 82.04.250,  
16 82.04.270, ~~((82.04.294(2),))~~ or 82.04.260 ~~((1)(b), (c), or (d), (4),~~  
17 ~~(11), or (12))~~ (2) or (3)(c) with respect to selling products in this  
18 state, including those persons who are also taxable under RCW  
19 82.04.261, are allowed a credit against those taxes for any (a)  
20 manufacturing taxes paid with respect to the manufacturing of products  
21 so sold in this state, and/or (b) extracting taxes paid with respect to  
22 the extracting of products so sold in this state or ingredients of  
23 products so sold in this state. Extracting taxes taken as credit under  
24 subsection (3) of this section may also be taken under this subsection,  
25 if otherwise allowable under this subsection. The amount of the credit  
26 may not exceed the tax liability arising under this chapter with  
27 respect to the sale of those products.

28 (3) Persons taxable as manufacturers under RCW 82.04.240 or  
29 82.04.260 ~~((1)(b) or (12))~~ (3), including those persons who are also  
30 taxable under RCW 82.04.261, are allowed a credit against those taxes  
31 for any extracting taxes paid with respect to extracting the  
32 ingredients of the products so manufactured in this state. The amount  
33 of the credit may not exceed the tax liability arising under this  
34 chapter with respect to the manufacturing of those products.

35 (4) Persons taxable under RCW 82.04.230, 82.04.240,  
36 ~~((82.04.2909(1), 82.04.294(1), 82.04.2404,))~~ or 82.04.260 ~~((1),)~~  
37 ~~(2)((, (4), (11), or (12))~~ or (3), including those persons who are

1 also taxable under RCW 82.04.261, with respect to extracting or  
2 manufacturing products in this state are allowed a credit against those  
3 taxes for any (i) gross receipts taxes paid to another state with  
4 respect to the sales of the products so extracted or manufactured in  
5 this state, (ii) manufacturing taxes paid with respect to the  
6 manufacturing of products using ingredients so extracted in this state,  
7 or (iii) manufacturing taxes paid with respect to manufacturing  
8 activities completed in another state for products so manufactured in  
9 this state. The amount of the credit may not exceed the tax liability  
10 arising under this chapter with respect to the extraction or  
11 manufacturing of those products.

12 (5) For the purpose of this section:

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

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

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

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

24 (c) "Manufacturing tax" means a gross receipts tax imposed on the  
25 act or privilege of engaging in business as a manufacturer, and  
26 includes (i) the taxes imposed on persons who are engaged in business  
27 as a manufacturer in RCW 82.04.240(~~(, 82.04.2404, 82.04.2909(1), )~~) and  
28 82.04.260 (~~((1), )~~) (2)(~~(, (4), (11), and (12), and 82.04.294(1))~~) or  
29 (3); (ii) the tax imposed under RCW 82.04.261 on persons who are  
30 engaged in business as a manufacturer; and (iii) similar gross receipts  
31 taxes paid to other states.

32 (d) "Extracting tax" means a gross receipts tax imposed on the act  
33 or privilege of engaging in business as an extractor, and includes (i)  
34 the tax imposed on extractors in RCW 82.04.230 and 82.04.260(~~((12), )~~)  
35 (3); (ii) the tax imposed under RCW 82.04.261 on persons who are  
36 engaged in business as an extractor; and (iii) similar gross receipts  
37 taxes paid to other states.

1 (e) "Business", "manufacturer", "extractor", and other terms used  
2 in this section have the meanings given in RCW 82.04.020 through  
3 (~~82.04.212~~ [~~82.04.217~~]) 82.04.217, notwithstanding the use of those  
4 terms in the context of describing taxes imposed by other states.

5 NEW SECTION. **Sec. 120.** A new section is added to chapter 82.16  
6 RCW to read as follows:

7 Persons engaged in the business of stevedoring and associated  
8 activities pertinent to the movement of goods and commodities in  
9 waterborne interstate or foreign commerce, as that term is defined in  
10 section 109 of this act, are exempt from payment of taxes imposed by  
11 this chapter for that portion of their business subject to taxation  
12 under RCW 82.04.290(1).

13 **Sec. 121.** RCW 82.32.045 and 2010 1st sp.s. c 23 s 1103 are each  
14 amended to read as follows:

15 (1) Except as otherwise provided in this chapter, payments of the  
16 taxes imposed under chapters 82.04, 82.08, 82.12, 82.14, and 82.16 RCW,  
17 along with reports and returns on forms prescribed by the department,  
18 are due monthly within twenty-five days after the end of the month in  
19 which the taxable activities occur.

20 (2) The department of revenue may relieve any taxpayer or class of  
21 taxpayers from the obligation of remitting monthly and may require the  
22 return to cover other longer reporting periods, but in no event may  
23 returns be filed for a period greater than one year. For these  
24 taxpayers, tax payments are due on or before the last day of the month  
25 next succeeding the end of the period covered by the return.

26 (3) The department of revenue may also require verified annual  
27 returns from any taxpayer, setting forth such additional information as  
28 it may deem necessary to correctly determine tax liability.

29 (4) Notwithstanding subsections (1) and (2) of this section, the  
30 department may relieve any person of the requirement to file returns if  
31 the following conditions are met:

32 (a) The person's value of products, gross proceeds of sales, or  
33 gross income of the business, from all business activities taxable  
34 under chapter 82.04 RCW, is less than:

35 (i) Twenty-eight thousand dollars per year; or



1 (ii) Forty-six thousand six hundred sixty-seven dollars per year  
2 for persons generating at least fifty percent of their taxable amount  
3 from activities taxable under RCW (~~(82.04.255, 82.04.290(2)(a), and)~~)  
4 82.04.285 and 82.04.290, other than activities described in RCW  
5 82.04.29002(2);

6 (b) The person's gross income of the business from all activities  
7 taxable under chapter 82.16 RCW is less than twenty-four thousand  
8 dollars per year; and

9 (c) The person is not required to collect or pay to the department  
10 of revenue any other tax or fee which the department is authorized to  
11 collect.

12 **PART II**  
13 **MISCELLANEOUS PROVISIONS**

14 NEW SECTION. **Sec. 201.** The repeals in section 108 of this act do  
15 not affect any existing right acquired or liability or obligation  
16 incurred under the statutes repealed or under any rule or order adopted  
17 under the statutes repealed nor does it affect any proceedings  
18 instituted under the statutes repealed.

19 NEW SECTION. **Sec. 202.** The office of the code reviser, working  
20 with the department of revenue, must prepare a bill for introduction at  
21 the next legislative session that corrects references to the sections  
22 affected by this act.

23 NEW SECTION. **Sec. 203.** This act takes effect January 1, 2013.

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