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SENATE BILL 5857

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State of Washington

62nd Legislature

2011 Regular Session

By Senators Kohl-Welles, Murray, Keiser, Kline, Prentice, Rockefeller, Chase, Ranker, White, Nelson, Conway, Harper, and Shin

Read first time 02/24/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to tax expenditure reform to provide transparency  
2 and accountability in fiscal matters; amending RCW 82.04.062,  
3 82.08.010, 82.12.0251, 82.34.015, 82.66.020, 82.04.257, 82.04.110,  
4 82.04.120, 82.04.260, 82.04.280, 82.04.280, 82.04.290, 82.04.360,  
5 82.62.020, 82.73.020, 82.04.310, 82.04.310, 43.06.400, 43.88.030,  
6 43.136.045, 43.136.055, and 43.136.065; reenacting and amending RCW  
7 82.04.050, 82.12.010, and 82.04.250; repealing RCW 82.08.02081,  
8 82.08.02087, 82.08.0253, 82.08.02565, 82.08.02566, 82.08.02568,  
9 82.08.0257, 82.08.0259, 82.08.0267, 82.08.0272, 82.08.0274,  
10 82.08.02745, 82.08.0277, 82.08.0288, 82.08.0294, 82.08.0296,  
11 82.08.0298, 82.08.0311, 82.08.0315, 82.08.036, 82.08.806, 82.08.807,  
12 82.08.810, 82.08.811, 82.08.820, 82.08.855, 82.08.865, 82.08.880,  
13 82.08.890, 82.08.900, 82.08.910, 82.08.920, 82.08.990, 82.12.02081,  
14 82.12.02087, 82.12.02565, 82.12.02566, 82.12.02568, 82.12.0258,  
15 82.12.0261, 82.12.0254, 82.12.0262, 82.12.0267, 82.12.0268,  
16 82.12.02685, 82.12.0273, 82.12.0283, 82.12.0294, 82.12.0296,  
17 82.12.0298, 82.12.0311, 82.12.0315, 82.12.038, 82.12.037, 82.12.806,  
18 82.12.807, 82.12.810, 82.12.811, 82.12.820, 82.12.855, 82.12.865,  
19 82.12.880, 82.12.890, 82.12.900, 82.12.910, 82.12.920, 82.12.024,  
20 82.12.0263, 82.12.0272, 82.12.800, 82.12.801, 82.12.802, 82.12.860,  
21 82.66.040, 82.08.0289, 82.08.850, 82.12.850, 82.12.02085, 82.04.627,

1 82.08.0282, 47.01.412, 82.08.0203, 82.08.02525, 82.08.02535,  
2 82.08.0256, 82.08.02569, 82.08.02573, 82.08.0261, 82.08.0262,  
3 82.08.0263, 82.08.0264, 82.08.0265, 82.08.0266, 82.08.02665,  
4 82.08.0268, 82.08.0269, 82.08.0271, 82.08.0273, 82.08.0275, 82.08.0278,  
5 82.08.0279, 82.08.0285, 82.08.0287, 82.08.02875, 82.08.0291, 82.08.031,  
6 82.08.700, 82.08.830, 82.08.834, 82.08.870, 82.12.02525, 82.12.0257,  
7 82.12.02569, 82.12.930, 82.12.0269, 82.12.0274, 82.12.0279, 82.12.0282,  
8 82.12.02917, 82.12.031, 82.12.700, 82.12.834, 82.12.845, 82.12.0254,  
9 82.12.02595, 82.12.0264, 82.12.0265, 82.12.0266, 82.12.0284, 82.08.995,  
10 82.12.995, 82.08.0253, 82.08.02537, 82.08.0289, 82.08.0293,  
11 82.08.0316, 82.08.832, 82.12.0345, 82.12.0347, 82.12.0256, 82.12.0293,  
12 82.12.0316, 82.12.832, 82.14.030, 82.12.035, 82.08.0205, 82.08.02082,  
13 82.08.0255, 82.08.0206, 82.08.0258, 82.08.02795, 82.08.02805,  
14 82.08.02806, 82.08.02807, 82.08.0281, 82.08.0283, 82.08.02915,  
15 82.08.0299, 82.08.803, 82.08.804, 82.08.808, 82.08.925, 82.08.935,  
16 82.08.940, 82.08.945, 82.08.985, 82.08.995, 82.08.997, 82.08.998,  
17 82.12.0259, 82.12.02745, 82.12.02747, 82.12.02748, 82.12.02749,  
18 82.12.0275, 82.12.0277, 82.12.02915, 82.12.803, 82.12.804, 82.12.808,  
19 82.12.925, 82.12.935, 82.12.940, 82.12.945, 82.12.985, 82.12.995,  
20 82.12.998, 82.04.2907, 82.04.298, 82.04.315, 82.04.317, 82.04.330,  
21 82.04.331, 82.04.332, 82.04.333, 82.04.334, 82.04.337, 82.04.392,  
22 82.04.405, 82.04.416, 82.04.421, 82.04.422, 82.04.425, 82.04.426,  
23 82.04.4261, 82.04.4262, 82.04.4267, 82.04.4281, 82.04.4287, 82.04.4292,  
24 82.04.4294, 82.04.4295, 82.04.4296, 82.04.433, 82.04.4333, 82.04.4339,  
25 82.04.4451, 82.04.44525, 82.04.447, 82.04.4482, 82.04.4486, 82.04.601,  
26 82.62.030, 82.04.2403, 82.04.255, 82.04.340, 82.04.424, 82.04.4272,  
27 82.04.4285, 82.04.43391, 82.04.540, 82.04.645, 82.04.650, 82.04.410,  
28 82.04.263, 82.04.339, 82.04.3395, 82.04.363, 82.04.3651, 82.04.367,  
29 82.04.368, 82.04.370, 82.04.380, 82.04.385, 82.04.395, 82.04.397,  
30 82.04.399, 82.04.408, 82.04.415, 82.04.418, 82.04.419, 82.04.4201,  
31 82.04.4251, 82.04.4282, 82.04.4291, 82.04.4293, 82.04.432, 82.04.4322,  
32 82.04.4324, 82.04.4326, 82.04.4327, 82.04.4332, 82.04.434, 82.04.600,  
33 82.04.610, 82.04.615, 82.04.335, 82.04.338, 82.04.394, 82.04.4271,  
34 82.04.640, 82.04.2905, 82.04.4298, 82.04.272, 82.04.2906, 82.04.2908,  
35 82.04.324, 82.04.326, 82.04.327, 82.04.355, 82.04.4263, 82.04.4264,  
36 82.04.4265, 82.04.4289, 82.04.4297, 82.04.4311, 82.04.4337, 82.04.620,  
37 and 82.04.635; providing effective dates; providing a contingent  
38 effective date; providing an expiration date; and providing a

1 contingent expiration date.

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

3 **PART I**

4 **Repealing Sales and Use Tax Exemptions**

5 NEW SECTION. **Sec. 101.** The following acts or parts of acts, as  
6 now existing or hereafter amended, are each repealed, effective July 1,  
7 2013:

8 (1) RCW 82.08.02081 (Exemptions--Audio or video programming) and  
9 2009 c 535 s 502;

10 (2) RCW 82.08.02087 (Exemptions--Digital goods and services--  
11 Purchased for business purposes) and 2010 c 111 s 402 & 2009 c 535 s  
12 504;

13 (3) RCW 82.08.0253 (Exemptions--Sale and distribution of  
14 newspapers) and 2009 c 535 s 506 & 1980 c 37 s 21;

15 (4) RCW 82.08.02565 (Exemptions--Sales of machinery and equipment  
16 for manufacturing, research and development, or a testing operation--  
17 Labor and services for installation--Exemption certificate--Rules) and  
18 2009 c 535 s 510, 1999 c 211 s 5, 1999 c 211 s 3, & 1998 c 330 s 1;

19 (5) RCW 82.08.02566 (Exemptions--Sales of tangible personal  
20 property incorporated in prototype for parts, auxiliary equipment, and  
21 aircraft modification--Limitations on yearly exemption) and 2003 c 168  
22 s 208, 1997 c 302 s 1, & 1996 c 247 s 4;

23 (6) RCW 82.08.02568 (Exemptions--Sales of carbon and similar  
24 substances that become an ingredient or component of anodes or cathodes  
25 used in producing aluminum for sale) and 1996 c 170 s 1;

26 (7) RCW 82.08.0257 (Exemptions--Auction sales of personal property  
27 used in farming) and 2009 c 535 s 511 & 1980 c 37 s 25;

28 (8) RCW 82.08.0259 (Exemptions--Sales of livestock) and 2001 c 118  
29 s 4 & 1980 c 37 s 27;

30 (9) RCW 82.08.0267 (Exemptions--Sales of poultry for producing  
31 poultry and poultry products for sale) and 1980 c 37 s 34;

32 (10) RCW 82.08.0272 (Exemptions--Sales of semen for artificial  
33 insemination of livestock) and 1980 c 37 s 38;

34 (11) RCW 82.08.0274 (Exemptions--Sales of form lumber to person

1 engaged in constructing, repairing, etc., structures for consumers) and  
2 1980 c 37 s 40;

3 (12) RCW 82.08.02745 (Exemptions--Charges for labor and services or  
4 sales of tangible personal property related to agricultural employee  
5 housing--Exemption certificate--Rules) and 2007 c 54 s 14, 1997 c 438  
6 s 1, & 1996 c 117 s 1;

7 (13) RCW 82.08.0277 (Exemptions--Sales of pollen) and 1980 c 37 s  
8 43;

9 (14) RCW 82.08.0288 (Exemptions--Lease of certain irrigation  
10 equipment) and 1983 1st ex.s. c 55 s 5;

11 (15) RCW 82.08.0294 (Exemptions--Sales of feed for cultivating or  
12 raising fish for sale) and 1985 c 148 s 3;

13 (16) RCW 82.08.0296 (Exemptions--Sales of feed consumed by  
14 livestock at a public livestock market) and 1986 c 265 s 1;

15 (17) RCW 82.08.0298 (Exemptions--Sales of diesel fuel for use in  
16 operating watercraft in commercial deep sea fishing or commercial  
17 passenger fishing boat operations outside the state) and 1987 c 494 s  
18 1;

19 (18) RCW 82.08.0311 (Exemptions--Sales of materials and supplies  
20 used in packing horticultural products) and 1988 c 68 s 1;

21 (19) RCW 82.08.0315 (Exemptions--Rentals or sales related to motion  
22 picture or video productions--Exceptions--Certificate) and 1997 c 61 s  
23 1 & 1995 2nd sp.s. c 5 s 1;

24 (20) RCW 82.08.036 (Exemptions--Vehicle battery core deposits or  
25 credits--Replacement vehicle tire fees--"Core deposits or credits"  
26 defined) and 1989 c 431 s 45;

27 (21) RCW 82.08.806 (Exemptions--Sale of computer equipment parts  
28 and services to printer or publisher) and 2010 1st sp.s. c 23 s 516,  
29 2009 c 461 s 5, & 2004 c 8 s 2;

30 (22) RCW 82.08.807 (Exemptions--Direct mail delivery charges) and  
31 2005 c 514 s 115;

32 (23) RCW 82.08.810 (Exemptions--Air pollution control facilities at  
33 a thermal electric generation facility--Exceptions--Exemption  
34 certificate--Payments on cessation of operation) and 1997 c 368 s 2;

35 (24) RCW 82.08.811 (Exemptions--Coal used at coal-fired thermal  
36 electric generation facility--Application--Demonstration of progress in  
37 air pollution control--Notice of emissions violations--Reapplication--  
38 Payments on cessation of operation) and 1997 c 368 s 4;

1 (25) RCW 82.08.820 (Exemptions--Remittance--Warehouse and grain  
2 elevators and distribution centers--Material-handling and racking  
3 equipment--Construction of warehouse or elevator--Information sheet--  
4 Rules--Records--Exceptions) and 2006 c 354 s 12, 2006 c 354 s 11, 2005  
5 c 513 s 11, & 1997 c 450 s 2;

6 (26) RCW 82.08.855 (Exemptions--Replacement parts for qualifying  
7 farm machinery and equipment) and 2007 c 332 s 1 & 2006 c 172 s 1;

8 (27) RCW 82.08.865 (Exemptions--Diesel, biodiesel, and aircraft  
9 fuel for farm fuel users) and 2010 c 106 s 218, 2007 c 443 s 1, & 2006  
10 c 7 s 1;

11 (28) RCW 82.08.880 (Exemptions--Animal pharmaceuticals) and 2001  
12 2nd sp.s. c 17 s 1;

13 (29) RCW 82.08.890 (Exemptions--Qualifying livestock nutrient  
14 management equipment and facilities) and 2010 1st sp.s. c 23 s 601,  
15 2009 c 469 s 601, 2006 c 151 s 2, & 2001 2nd sp.s. c 18 s 2;

16 (30) RCW 82.08.900 (Exemptions--Anaerobic digesters) and 2006 c 151  
17 s 4 & 2001 2nd sp.s. c 18 s 4;

18 (31) RCW 82.08.910 (Exemptions--Propane or natural gas to heat  
19 chicken structures) and 2001 2nd sp.s. c 25 s 3;

20 (32) RCW 82.08.920 (Exemptions--Chicken bedding materials) and 2001  
21 2nd sp.s. c 25 s 5;

22 (33) RCW 82.08.990 (Exemptions--Import or export commerce) and 2007  
23 c 477 s 3;

24 (34) RCW 82.12.02081 (Exemptions--Audio or video programming) and  
25 2009 c 535 s 602;

26 (35) RCW 82.12.02087 (Exemptions--Digital goods, codes, and  
27 services--Used for business purposes) and 2010 c 111 s 502 & 2009 c 535  
28 s 607;

29 (36) RCW 82.12.02565 (Exemptions--Machinery and equipment used for  
30 manufacturing, research and development, or a testing operation) and  
31 2003 c 5 s 5, 1999 c 211 s 6, 1998 c 330 s 2, 1996 c 247 s 3, & 1995  
32 1st sp.s. c 3 s 3;

33 (37) RCW 82.12.02566 (Exemptions--Use of tangible personal property  
34 incorporated in prototype for aircraft parts, auxiliary equipment, and  
35 aircraft modification--Limitations on yearly exemption) and 2003 c 168  
36 s 209, 1997 c 302 s 2, & 1996 c 247 s 5;

37 (38) RCW 82.12.02568 (Exemptions--Use of carbon and similar

1 substances that become an ingredient or component of anodes or cathodes  
2 used in producing aluminum for sale) and 1996 c 170 s 2;

3 (39) RCW 82.12.0258 (Exemptions--Use of personal property  
4 previously used in farming and purchased from farmer at auction) and  
5 2009 c 535 s 612 & 1980 c 37 s 58;

6 (40) RCW 82.12.0261 (Exemptions--Use of livestock) and 2001 c 118  
7 s 5 & 1980 c 37 s 60;

8 (41) RCW 82.12.0254 (Exemptions--Use of airplanes, locomotives,  
9 railroad cars, or watercraft used in interstate or foreign commerce or  
10 outside state's territorial waters--Components--Use of vehicles in the  
11 transportation of persons or property across state boundaries--  
12 Conditions--Use of vehicle under trip permit to point outside state)  
13 and 2010 c 161 s 905, 2009 c 503 s 2, 2003 c 5 s 3, 1998 c 311 s 7,  
14 1995 c 63 s 2, & 1980 c 37 s 54;

15 (42) RCW 82.12.0262 (Exemptions--Use of poultry for producing  
16 poultry and poultry products for sale) and 1980 c 37 s 61;

17 (43) RCW 82.12.0267 (Exemptions--Use of semen in artificial  
18 insemination of livestock) and 1980 c 37 s 66;

19 (44) RCW 82.12.0268 (Exemptions--Use of form lumber by persons  
20 engaged in constructing, repairing, etc., structures for consumers) and  
21 1980 c 37 s 67;

22 (45) RCW 82.12.02685 (Exemptions--Use of tangible personal property  
23 related to agricultural employee housing) and 1997 c 438 s 2 & 1996 c  
24 117 s 2;

25 (46) RCW 82.12.0273 (Exemptions--Use of pollen) and 1980 c 37 s 71;

26 (47) RCW 82.12.0283 (Exemptions--Use of certain irrigation  
27 equipment) and 1983 1st ex.s. c 55 s 6;

28 (48) RCW 82.12.0294 (Exemptions--Use of feed for cultivating or  
29 raising fish for sale) and 1985 c 148 s 4;

30 (49) RCW 82.12.0296 (Exemptions--Use of feed consumed by livestock  
31 at a public livestock market) and 1986 c 265 s 2;

32 (50) RCW 82.12.0298 (Exemptions--Use of diesel fuel in operating  
33 watercraft in commercial deep sea fishing or commercial passenger  
34 fishing boat operations outside the state) and 1987 c 494 s 2;

35 (51) RCW 82.12.0311 (Exemptions--Use of materials and supplies in  
36 packing horticultural products) and 1988 c 68 s 2;

37 (52) RCW 82.12.0315 (Exemptions--Rental or sales related to motion

1 picture or video productions--Exceptions) and 2009 c 535 s 614, 2003 c  
2 5 s 10, & 1995 2nd sp.s. c 5 s 2;

3 (53) RCW 82.12.038 (Exemptions--Vehicle battery core deposits or  
4 credits--Replacement vehicle tire fees--"Core deposits or credits"  
5 defined) and 1989 c 431 s 46;

6 (54) RCW 82.12.037 (Credits and refunds--Bad debts) and 2010 1st  
7 sp.s. c 23 s 1503, 2007 c 6 s 103, 2004 c 153 s 304, & 1982 1st ex.s.  
8 c 35 s 36;

9 (55) RCW 82.12.806 (Exemptions--Use of computer equipment parts and  
10 services by printer or publisher) and 2004 c 8 s 3;

11 (56) RCW 82.12.807 (Exemptions--Direct mail delivery charges) and  
12 2005 c 514 s 116;

13 (57) RCW 82.12.810 (Exemptions--Air pollution control facilities at  
14 a thermal electric generation facility--Exceptions--Payments on  
15 cessation of operation) and 2003 c 5 s 12 & 1997 c 368 s 3;

16 (58) RCW 82.12.811 (Exemptions--Coal used at coal-fired thermal  
17 electric generation facility--Application--Demonstration of progress in  
18 air pollution control--Notice of emissions violations--Reapplication--  
19 Payments on cessation of operation) and 1997 c 368 s 6;

20 (59) RCW 82.12.820 (Exemptions--Warehouse and grain elevators and  
21 distribution centers) and 2006 c 354 s 13, 2005 c 513 s 12, 2003 c 5 s  
22 13, 2000 c 103 s 9, & 1997 c 450 s 3;

23 (60) RCW 82.12.855 (Exemptions--Replacement parts for qualifying  
24 farm machinery and equipment) and 2007 c 332 s 2 & 2006 c 172 s 2;

25 (61) RCW 82.12.865 (Exemptions--Diesel, biodiesel, and aircraft  
26 fuel for farm fuel users) and 2010 c 106 s 222, 2007 c 443 s 2, & 2006  
27 c 7 s 2;

28 (62) RCW 82.12.880 (Exemptions--Animal pharmaceuticals) and 2001  
29 2nd sp.s. c 17 s 2;

30 (63) RCW 82.12.890 (Exemptions--Livestock nutrient management  
31 equipment and facilities) and 2010 1st sp.s. c 23 s 602, 2009 c 469 s  
32 602, 2006 c 151 s 3, 2003 c 5 s 15, & 2001 2nd sp.s. c 18 s 3;

33 (64) RCW 82.12.900 (Exemptions--Anaerobic digesters) and 2006 c 151  
34 s 5, 2003 c 5 s 16, & 2001 2nd sp.s. c 18 s 5;

35 (65) RCW 82.12.910 (Exemptions--Propane or natural gas to heat  
36 chicken structures) and 2001 2nd sp.s. c 25 s 4;

37 (66) RCW 82.12.920 (Exemptions--Chicken bedding materials) and 2001  
38 2nd sp.s. c 25 s 6;

1 (67) RCW 82.12.024 (Deferral of use tax on certain users of natural  
2 or manufactured gas) and 2001 c 214 s 10;

3 (68) RCW 82.12.0263 (Exemptions--Use of fuel by extractor or  
4 manufacturer thereof) and 1980 c 37 s 62;

5 (69) RCW 82.12.0272 (Exemptions--Use of personal property in single  
6 trade shows) and 2009 c 535 s 616 & 1980 c 37 s 70. Formerly RCW  
7 82.12.030(20);

8 (70) RCW 82.12.800 (Exemptions--Uses of vessel, vessel's trailer by  
9 manufacturer) and 1997 c 293 s 1;

10 (71) RCW 82.12.801 (Exemptions--Uses of vessel, vessel's trailer by  
11 dealer) and 1997 c 293 s 2;

12 (72) RCW 82.12.802 (Vessels held in inventory by dealer or  
13 manufacturer--Tax on personal use--Documentation--Rules) and 1997 c 293  
14 s 3;

15 (73) RCW 82.12.860 (Exemptions--Property and services acquired from  
16 a federal credit union) and 2009 c 535 s 621 & 2006 c 11 s 1;

17 (74) RCW 82.66.040 (Repayment schedule--Interest, penalties) and  
18 1998 c 339 s 1 & 1995 c 352 s 4;

19 (75) RCW 82.08.0289 (Exemptions--Telephone, telecommunications, and  
20 ancillary services) and 2007 c 6 s 1006, 2007 c 6 s 1005, 2002 c 67 s  
21 6, & 1983 2nd ex.s. c 3 s 30;

22 (76) RCW 82.08.850 (Exemptions--Conifer seed) and 2001 c 129 s 2;

23 (77) RCW 82.12.850 (Exemptions--Conifer seed) and 2001 c 129 s 3;

24 (78) RCW 82.12.02085 (Exemptions--Digital goods--Noncommercial--  
25 Internal audience--Not for sale) and 2009 c 535 s 605;

26 (79) RCW 82.04.627 (Exemptions--Commercial airplane parts) and 2008  
27 c 81 s 15; and

28 (80) RCW 82.08.0282 (Exemptions--Sales of returnable containers for  
29 beverages and foods) and 1980 c 37 s 47.

30 NEW SECTION. **Sec. 102.** The following acts or parts of acts, as  
31 now existing or hereafter amended, are each repealed, effective July 1,  
32 2015:

33 (1) RCW 47.01.412 (State route No. 520 improvements--Tax  
34 deferrals--Definition) and 2008 c 270 s 7;

35 (2) RCW 82.08.0203 (Exemptions--Trail grooming services) and 2008  
36 c 260 s 1;



1 (3) RCW 82.08.02525 (Exemptions--Sale of copied public records by  
2 state and local agencies) and 2009 c 535 s 505 & 1996 c 63 s 1;

3 (4) RCW 82.08.02535 (Exemptions--Sales and distribution of  
4 magazines or periodicals by subscription for fund-raising) and 2009 c  
5 535 s 507 & 1995 2nd sp.s. c 8 s 1;

6 (5) RCW 82.08.0256 (Exemptions--Sale of the operating property of  
7 a public utility to the state or a political subdivision) and 2010 c  
8 106 s 213, 2009 c 535 s 509, & 1980 c 37 s 24;

9 (6) RCW 82.08.02569 (Exemptions--Sales of tangible personal  
10 property related to a building or structure that is an integral part of  
11 a laser interferometer gravitational wave observatory) and 1996 c 113  
12 s 1;

13 (7) RCW 82.08.02573 (Exemptions--Sales by a nonprofit organization  
14 for fund-raising activities) and 2010 c 106 s 214 & 1998 c 336 s 3;

15 (8) RCW 82.08.0261 (Exemptions--Sales of personal property for use  
16 connected with private or common carriers in interstate or foreign  
17 commerce) and 1980 c 37 s 28;

18 (9) RCW 82.08.0262 (Exemptions--Sales of airplanes, locomotives,  
19 railroad cars, or watercraft for use in interstate or foreign commerce  
20 or outside the territorial waters of the state or airplanes sold to  
21 United States government--Components thereof and of motor vehicles or  
22 trailers used for constructing, repairing, cleaning, etc.--Labor and  
23 services for constructing, repairing, cleaning, etc) and 2009 c 503 s  
24 1, 1998 c 311 s 5, 1994 c 43 s 1, & 1980 c 37 s 29;

25 (10) RCW 82.08.0263 (Exemptions--Sales of motor vehicles and  
26 trailers for use in transporting persons or property in interstate or  
27 foreign commerce) and 1998 c 311 s 6, 1995 c 63 s 1, & 1980 c 37 s 30;

28 (11) RCW 82.08.0264 (Exemptions--Sales of motor vehicles, trailers,  
29 or campers to nonresidents for use outside the state) and 2010 c 161 s  
30 1165, 2007 c 135 s 1, & 1980 c 37 s 31;

31 (12) RCW 82.08.0265 (Exemptions--Sales to nonresidents of tangible  
32 personal property which becomes a component of property of the  
33 nonresident by installing, repairing, etc.--Labor and services for  
34 installing, repairing, etc) and 1980 c 37 s 32;

35 (13) RCW 82.08.0266 (Exemptions--Sales of watercraft to  
36 nonresidents for use outside the state) and 1999 c 358 s 5 & 1980 c 37  
37 s 33;

1 (14) RCW 82.08.02665 (Exemptions--Sales of watercraft, vessels to  
2 residents of foreign countries) and 1999 c 358 s 6 & 1993 c 119 s 1;  
3 (15) RCW 82.08.0268 (Exemptions--Sales of machinery and implements,  
4 and related parts and labor, for farming to nonresidents for use  
5 outside the state) and 1998 c 167 s 1 & 1980 c 37 s 35;  
6 (16) RCW 82.08.0269 (Exemptions--Sales for use in states,  
7 territories, and possessions of the United States which are not  
8 contiguous to any other state) and 1980 c 37 s 36;  
9 (17) RCW 82.08.0271 (Exemptions--Sales to municipal corporations,  
10 the state, and political subdivisions of tangible personal property,  
11 labor and services on watershed protection and flood prevention  
12 contracts) and 1980 c 37 s 37;  
13 (18) RCW 82.08.0273 (Exemptions--Sales to nonresidents of tangible  
14 personal property, digital goods, and digital codes for use outside the  
15 state--Proof of nonresident status--Penalties) and 2010 c 106 s 215,  
16 2009 c 535 s 512, 2007 c 135 s 2, 2003 c 53 s 399, 1993 c 444 s 1, 1988  
17 c 96 s 1, 1982 1st ex.s. c 5 s 1, & 1980 c 37 s 39;  
18 (19) RCW 82.08.0275 (Exemptions--Sales of and labor and service  
19 charges for mining, sorting, crushing, etc., of sand, gravel, and rock  
20 from county or city quarry for public road purposes) and 1980 c 37 s  
21 41;  
22 (20) RCW 82.08.0278 (Exemptions--Sales between political  
23 subdivisions resulting from annexation or incorporation) and 1980 c 37  
24 s 44;  
25 (21) RCW 82.08.0279 (Exemptions--Renting or leasing of motor  
26 vehicles and trailers to a nonresident for use in the transportation of  
27 persons or property across state boundaries) and 1980 c 37 s 45;  
28 (22) RCW 82.08.0285 (Exemptions--Sales of ferry vessels to the  
29 state or local governmental units--Components thereof--Labor and  
30 service charges) and 1980 c 37 s 50;  
31 (23) RCW 82.08.0287 (Exemptions--Sales of passenger motor vehicles  
32 as ride-sharing vehicles) and 2001 c 320 s 4, 1996 c 244 s 4, 1995 c  
33 274 s 2, 1993 c 488 s 2, & 1980 c 166 s 1;  
34 (24) RCW 82.08.02875 (Exemptions--Vehicle parking charges subject  
35 to tax at stadium and exhibition center) and 1997 c 220 s 203;  
36 (25) RCW 82.08.0291 (Exemptions--Sales of amusement and recreation  
37 services or personal services by nonprofit youth organization--Local

1 government physical fitness classes) and 2000 c 103 s 8, 1994 c 85 s 1,  
2 & 1981 c 74 s 2;

3 (26) RCW 82.08.031 (Exemptions--Sales to artistic or cultural  
4 organizations of certain objects acquired for exhibition or  
5 presentation) and 1981 c 140 s 4;

6 (27) RCW 82.08.700 (Exemptions--Vessels sold to nonresidents) and  
7 2010 c 106 s 219 & 2007 c 22 s 1;

8 (28) RCW 82.08.830 (Exemptions--Sales at camp or conference center  
9 by nonprofit organization) and 1997 c 388 s 2;

10 (29) RCW 82.08.834 (Exemptions--Sales/leasebacks by regional  
11 transit authorities) and 2000 2nd sp.s. c 4 s 21;

12 (30) RCW 82.08.870 (Exemptions--Motorcycles for training programs)  
13 and 2001 c 285 s 2;

14 (31) RCW 82.12.02525 (Exemptions--Sale of copied public records by  
15 state and local agencies) and 2009 c 535 s 609 & 1996 c 63 s 2;

16 (32) RCW 82.12.0257 (Exemptions--Use of personal property of the  
17 operating property of a public utility by state or political  
18 subdivision) and 2010 c 106 s 220, 2009 c 535 s 611, & 1980 c 37 s 57;

19 (33) RCW 82.12.02569 (Exemptions--Use of tangible personal property  
20 related to a building or structure that is an integral part of a laser  
21 interferometer gravitational wave observatory) and 1996 c 113 s 2;

22 (34) RCW 82.12.930 (Exemptions--Watershed protection or flood  
23 prevention) and 2003 c 5 s 17;

24 (35) RCW 82.12.0269 (Exemptions--Use of sand, gravel, or rock to  
25 extent of labor and service charges for mining, sorting, crushing,  
26 etc., thereof from county or city quarry for public road purposes) and  
27 1980 c 37 s 68;

28 (36) RCW 82.12.0274 (Exemptions--Use of tangible personal property  
29 by political subdivision resulting from annexation or incorporation)  
30 and 1980 c 37 s 72;

31 (37) RCW 82.12.0279 (Exemptions--Use of ferry vessels by the state  
32 or local governmental units--Components thereof) and 2003 c 5 s 9 &  
33 1980 c 37 s 77;

34 (38) RCW 82.12.0282 (Exemptions--Use of vans as ride-sharing  
35 vehicles) and 2001 c 320 s 5, 1999 c 358 s 11, 1996 c 88 s 4, 1993 c  
36 488 s 4, & 1980 c 166 s 2;

37 (39) RCW 82.12.02917 (Exemptions--Use of amusement and recreation  
38 services by nonprofit youth organization) and 1999 c 358 s 7;

1 (40) RCW 82.12.031 (Exemptions--Use by artistic or cultural  
2 organizations of certain objects) and 1981 c 140 s 5;  
3 (41) RCW 82.12.700 (Exemptions--Vessels sold to nonresidents) and  
4 2007 c 22 s 2;  
5 (42) RCW 82.12.834 (Exemptions--Sales/leasebacks by regional  
6 transit authorities) and 2001 c 320 s 6 & 2000 2nd sp.s. c 4 s 22;  
7 (43) RCW 82.12.845 (Use of motorcycles loaned to department of  
8 licensing) and 2001 c 121 s 1;  
9 (44) RCW 82.12.0254 (Exemptions--Use of airplanes, locomotives,  
10 railroad cars, or watercraft used in interstate or foreign commerce or  
11 outside state's territorial waters--Components--Use of vehicles in the  
12 transportation of persons or property across state boundaries--  
13 Conditions--Use of vehicle under trip permit to point outside state)  
14 and 2010 c 161 s 905, 2009 c 503 s 2, 2003 c 5 s 3, 1998 c 311 s 7,  
15 1995 c 63 s 2, & 1980 c 37 s 54;  
16 (45) RCW 82.12.02595 (Exemptions--Personal property and certain  
17 services donated to nonprofit organization or governmental entity) and  
18 2009 c 535 s 615, 2004 c 155 s 1, 2003 c 5 s 11, 1998 c 182 s 1, & 1995  
19 c 201 s 1;  
20 (46) RCW 82.12.0264 (Exemptions--Use of dual-controlled motor  
21 vehicles by school for driver training) and 1980 c 37 s 63;  
22 (47) RCW 82.12.0265 (Exemptions--Use by bailee of tangible personal  
23 property consumed in research, development, etc., activities) and 1980  
24 c 37 s 64;  
25 (48) RCW 82.12.0266 (Exemptions--Use by residents of motor vehicles  
26 and trailers acquired and used while members of the armed services and  
27 stationed outside the state) and 1980 c 37 s 65;  
28 (49) RCW 82.12.0284 (Exemptions--Use of computers or computer  
29 components, accessories, software, digital goods, or digital codes  
30 donated to schools or colleges) and 2009 c 535 s 617, 2007 c 54 s 15,  
31 2003 c 168 s 603, & 1983 1st ex.s. c 55 s 7;  
32 (50) RCW 82.08.995 (Exemptions--Certain limited purpose public  
33 corporations, commissions, and authorities) and 2009 c 535 s 514 & 2007  
34 c 381 s 2; and  
35 (51) RCW 82.12.955 (Exemptions--Use of machinery, equipment,  
36 vehicles, and services related to biodiesel or E85 motor fuel) and 2007  
37 c 309 s 5 & 2003 c 63 s 3.

1        NEW SECTION.    **Sec. 103.**    The following acts or parts of acts, as  
2 now existing or hereafter amended, are each repealed, effective July 1,  
3 2017:

4        (1)    RCW    82.08.0253    (Exemptions--Sale    and    distribution    of  
5 newspapers) and 2009 c 535 s 506 & 1980 c 37 s 21;

6        (2)    RCW 82.08.02537 (Exemptions--Sales of academic transcripts) and  
7 2009 c 535 s 508 & 1996 c 272 s 2;

8        (3)    RCW 82.08.0289 (Exemptions--Telephone, telecommunications, and  
9 ancillary services) and 2007 c 6 s 1006, 2007 c 6 s 1005, 2002 c 67 s  
10 6, & 1983 2nd ex.s. c 3 s 30;

11       (4)    RCW 82.08.0293 (Exemptions--Sales of food and food ingredients)  
12 and 2011 c 2 s 301 (Initiative Measure No. 1107), 2010 1st sp.s. c 23  
13 s 902, (2010 1st sp.s. c 23 s 901 expired July 1, 2010), 2010 c 106 s  
14 216, 2009 c 483 s 2, 2004 c 153 s 201, 2003 c 168 s 301, 1988 c 103 s  
15 1, 1986 c 182 s 1, 1985 c 104 s 1, & 1982 1st ex.s. c 35 s 33;

16       (5)    RCW 82.08.0316 (Exemptions--Sales of cigarettes by Indian  
17 retailers) and 2008 c 228 s 3, 2005 c 11 s 3, & 2001 c 235 s 4;

18       (6)    RCW 82.08.832 (Exemptions--Sales of gun safes) and 1998 c 178  
19 s 1;

20       (7)    RCW 82.12.0345 (Exemptions--Use of newspapers) and 2009 c 535  
21 s 618 & 1994 c 124 s 11;

22       (8)    RCW 82.12.0347 (Exemptions--Use of academic transcripts) and  
23 2009 c 535 s 619 & 1996 c 272 s 3;

24       (9)    RCW 82.12.0256 (Exemptions--Use of motor vehicle and special  
25 fuel--Conditions) and 2007 c 223 s 10, 2005 c 443 s 6, & 1998 c 176 s  
26 5;

27       (10)    RCW 82.12.0293 (Exemptions--Use of food and food ingredients)  
28 and 2011 c 2 s 303 (Initiative Measure No. 1107), 2010 1st sp.s. c 23  
29 s 903, 2009 c 483 s 4, 2003 c 168 s 303, 1988 c 103 s 2, 1986 c 182 s  
30 2, 1985 c 104 s 2, & 1982 1st ex.s. c 35 s 34;

31       (11)    RCW 82.12.0316 (Exemptions--Sales of cigarettes by Indian  
32 retailers) and 2008 c 228 s 4, 2005 c 11 s 4, & 2001 c 235 s 5;

33       (12)    RCW 82.12.832 (Exemptions--Use of gun safes) and 1998 c 178 s  
34 2;

35       (13)    RCW 82.14.030 (Sales and use taxes authorized--Additional  
36 taxes authorized--Maximum rates) and 2008 c 86 s 101, 1989 c 384 s 6,  
37 1982 1st ex.s. c 49 s 17, & 1970 ex.s. c 94 s 4;

1 (14) RCW 82.12.035 (Credit for retail sales or use taxes paid to  
2 other jurisdictions with respect to property used) and 2009 c 535 s  
3 1107, 2007 c 6 s 1203, 2005 c 514 s 108, 2002 c 367 s 5, 1996 c 148 s  
4 6, 1987 c 27 s 2, & 1967 ex.s. c 89 s 5;

5 (15) RCW 82.08.0205 (Exemptions--Waste vegetable oil) and 2008 c  
6 237 s 2;

7 (16) RCW 82.08.02082 (Exemptions--Digital products or services--  
8 Ingredient or component--Made available for free) and 2010 c 111 s 401  
9 & 2009 c 535 s 503;

10 (17) RCW 82.08.0255 (Exemptions--Sales of motor vehicle and special  
11 fuel--Conditions--Credit or refund of special fuel used outside this  
12 state in interstate commerce) and 2007 c 223 s 9, 2005 c 443 s 5, &  
13 1998 c 176 s 4; and

14 (18) RCW 82.08.0206 (Exemptions--Working families--Eligible low-  
15 income persons) and 2008 c 325 s 2.

16 NEW SECTION. **Sec. 104.** The following acts or parts of acts, as  
17 now existing or hereafter amended, are each repealed, effective July 1,  
18 2019:

19 (1) RCW 82.08.0258 (Exemptions--Sales to federal corporations  
20 providing aid and relief) and 1980 c 37 s 26;

21 (2) RCW 82.08.02795 (Exemptions--Sales to free hospitals) and 1993  
22 c 205 s 1;

23 (3) RCW 82.08.02805 (Exemptions--Sales to qualifying blood, tissue,  
24 or blood and tissue banks) and 2004 c 82 s 2 & 1995 2nd sp.s. c 9 s 4;

25 (4) RCW 82.08.02806 (Exemptions--Sales of human blood, tissue,  
26 organs, bodies, or body parts for medical research and quality control  
27 testing) and 1996 c 141 s 1;

28 (5) RCW 82.08.02807 (Exemptions--Sales to organ procurement  
29 organization) and 2002 c 113 s 2;

30 (6) RCW 82.08.0281 (Exemptions--Sales of prescription drugs) and  
31 2004 c 153 s 108, 2003 c 168 s 403, 1993 sp.s. c 25 s 308, & 1980 c 37  
32 s 46;

33 (7) RCW 82.08.0283 (Exemptions--Certain medical items) and 2007 c  
34 6 s 1101, 2004 c 153 s 101, 2003 c 168 s 409, 2001 c 75 s 1, 1998 c 168  
35 s 2, 1997 c 224 s 1, 1996 c 162 s 1, 1991 c 250 s 2, 1986 c 255 s 1,  
36 1980 c 86 s 1, & 1980 c 37 s 48;

1 (8) RCW 82.08.02915 (Exemptions--Sales used by health or social  
2 welfare organizations for alternative housing for youth in crisis) and  
3 1998 c 183 s 1, 1997 c 386 s 56, & 1995 c 346 s 1;  
4 (9) RCW 82.08.0299 (Exemptions--Emergency lodging for homeless  
5 persons--Conditions) and 1988 c 61 s 1;  
6 (10) RCW 82.08.803 (Exemptions--Nebulizers) and 2007 c 6 s 1103 &  
7 2004 c 153 s 104;  
8 (11) RCW 82.08.804 (Exemptions--Ostomic items) and 2004 c 153 s  
9 106;  
10 (12) RCW 82.08.808 (Exemptions--Sales of medical supplies,  
11 chemicals, or materials to comprehensive cancer centers) and 2005 c 514  
12 s 402;  
13 (13) RCW 82.08.925 (Exemptions--Dietary supplements) and 2003 c 168  
14 s 302;  
15 (14) RCW 82.08.935 (Exemptions--Disposable devices used to deliver  
16 prescription drugs for human use) and 2003 c 168 s 404;  
17 (15) RCW 82.08.940 (Exemptions--Over-the-counter drugs for human  
18 use) and 2003 c 168 s 405;  
19 (16) RCW 82.08.945 (Exemptions--Kidney dialysis devices) and 2004  
20 c 153 s 110 & 2003 c 168 s 410;  
21 (17) RCW 82.08.985 (Exemptions--Insulin) and 2004 c 153 s 102;  
22 (18) RCW 82.08.995 (Exemptions--Certain limited purpose public  
23 corporations, commissions, and authorities) and 2009 c 535 s 514 & 2007  
24 c 381 s 2;  
25 (19) RCW 82.08.997 (Exemptions--Temporary medical housing) and 2008  
26 c 137 s 2;  
27 (20) RCW 82.08.998 (Exemptions--Weatherization of a residence) and  
28 2008 c 92 s 1;  
29 (21) RCW 82.12.0259 (Exemptions--Use of personal property, digital  
30 automated services, or certain other services by federal corporations  
31 providing aid and relief) and 2009 c 535 s 613, 2003 c 5 s 7, & 1980 c  
32 37 s 59;  
33 (22) RCW 82.12.02745 (Exemptions--Use by free hospitals of certain  
34 items) and 1993 c 205 s 2;  
35 (23) RCW 82.12.02747 (Exemptions--Use of medical products by  
36 qualifying blood, tissue, or blood and tissue banks) and 2004 c 82 s 3  
37 & 1995 2nd sp.s. c 9 s 5;

1 (24) RCW 82.12.02748 (Exemptions--Use of human blood, tissue,  
2 organs, bodies, or body parts for medical research or quality control  
3 testing) and 1996 c 141 s 2;

4 (25) RCW 82.12.02749 (Exemptions--Use of medical supplies,  
5 chemicals, or materials by organ procurement organization) and 2002 c  
6 113 s 3;

7 (26) RCW 82.12.0275 (Exemptions--Use of certain drugs or family  
8 planning devices) and 2003 c 168 s 406, 1993 sp.s. c 25 s 309, & 1980  
9 c 37 s 73;

10 (27) RCW 82.12.0277 (Exemptions--Certain medical items) and 2007 c  
11 6 s 1102 & 2004 c 153 s 109;

12 (28) RCW 82.12.02915 (Exemptions--Use of items by health or social  
13 welfare organizations for alternative housing for youth in crisis) and  
14 1998 c 183 s 2, 1997 c 386 s 57, & 1995 c 346 s 2;

15 (29) RCW 82.12.803 (Exemptions--Nebulizers) and 2007 c 6 s 1104 &  
16 2004 c 153 s 105;

17 (30) RCW 82.12.804 (Exemptions--Ostomic items) and 2004 c 153 s  
18 107;

19 (31) RCW 82.12.808 (Exemptions--Use of medical supplies, chemicals,  
20 or materials by comprehensive cancer centers) and 2005 c 514 s 403;

21 (32) RCW 82.12.925 (Exemptions--Dietary supplements) and 2003 c 168  
22 s 304;

23 (33) RCW 82.12.935 (Exemptions--Disposable devices used to deliver  
24 prescription drugs for human use) and 2003 c 168 s 407;

25 (34) RCW 82.12.940 (Exemptions--Over-the-counter drugs for human  
26 use) and 2003 c 168 s 408;

27 (35) RCW 82.12.945 (Exemptions--Kidney dialysis devices) and 2004  
28 c 153 s 111 & 2003 c 168 s 411;

29 (36) RCW 82.12.985 (Exemptions--Insulin) and 2004 c 153 s 103;

30 (37) RCW 82.12.995 (Exemptions--Certain limited purpose public  
31 corporations, commissions, and authorities) and 2009 c 535 s 622 & 2007  
32 c 381 s 3; and

33 (38) RCW 82.12.998 (Exemptions--Weatherization of a residence) and  
34 2008 c 92 s 2.

35 **Sec. 105.** RCW 82.04.050 and 2010 c 112 s 14, 2010 c 111 s 201, and  
36 2010 c 106 s 202 are each reenacted and amended to read as follows:

37 (1)(a) "Sale at retail" or "retail sale" means every sale of



1 tangible personal property (including articles produced, fabricated, or  
2 imprinted) to all persons irrespective of the nature of their business  
3 and including, among others, without limiting the scope hereof, persons  
4 who install, repair, clean, alter, improve, construct, or decorate real  
5 or personal property of or for consumers other than a sale to a person  
6 who:

7 (i) Purchases for the purpose of resale as tangible personal  
8 property in the regular course of business without intervening use by  
9 such person, but a purchase for the purpose of resale by a regional  
10 transit authority under RCW 81.112.300 is not a sale for resale; or

11 (ii) Installs, repairs, cleans, alters, imprints, improves,  
12 constructs, or decorates real or personal property of or for consumers,  
13 if such tangible personal property becomes an ingredient or component  
14 of such real or personal property without intervening use by such  
15 person; or

16 (iii) Purchases for the purpose of consuming the property purchased  
17 in producing for sale as a new article of tangible personal property or  
18 substance, of which such property becomes an ingredient or component or  
19 is a chemical used in processing, when the primary purpose of such  
20 chemical is to create a chemical reaction directly through contact with  
21 an ingredient of a new article being produced for sale; or

22 (iv) Until July 1, 2013, purchases for the purpose of consuming the  
23 property purchased in producing ferrosilicon which is subsequently used  
24 in producing magnesium for sale, if the primary purpose of such  
25 property is to create a chemical reaction directly through contact with  
26 an ingredient of ferrosilicon; or

27 (v) Purchases for the purpose of providing the property to  
28 consumers as part of competitive telephone service, as defined in RCW  
29 82.04.065; or

30 (vi) Purchases for the purpose of satisfying the person's  
31 obligations under an extended warranty as defined in subsection (7) of  
32 this section, if such tangible personal property replaces or becomes an  
33 ingredient or component of property covered by the extended warranty  
34 without intervening use by such person.

35 (b) The term includes every sale of tangible personal property that  
36 is used or consumed or to be used or consumed in the performance of any  
37 activity defined as a "sale at retail" or "retail sale" even though

1 such property is resold or used as provided in (a)(i) through (vi) of  
2 this subsection following such use.

3 (c) The term also means every sale of tangible personal property to  
4 persons engaged in any business that is taxable under RCW 82.04.280  
5 (1), (2), and (7), 82.04.290, and 82.04.2908.

6 (2) The term "sale at retail" or "retail sale" includes the sale of  
7 or charge made for tangible personal property consumed and/or for labor  
8 and services rendered in respect to the following:

9 (a) The installing, repairing, cleaning, altering, imprinting, or  
10 improving of tangible personal property of or for consumers, including  
11 charges made for the mere use of facilities in respect thereto, but  
12 excluding, until July 1, 2017, charges made for the use of self-service  
13 laundry facilities, and also excluding, until July 1, 2015, sales of  
14 laundry service to nonprofit health care facilities, and excluding  
15 services rendered in respect to live animals, birds and insects;

16 (b) The constructing, repairing, decorating, or improving of new or  
17 existing buildings or other structures under, upon, or above real  
18 property of or for consumers, including the installing or attaching of  
19 any article of tangible personal property therein or thereto, whether  
20 or not such personal property becomes a part of the realty by virtue of  
21 installation, and also includes the sale of services or charges made  
22 for the clearing of land and the moving of earth excepting the mere  
23 leveling of land used in commercial farming or agriculture;

24 (c) The constructing, repairing, or improving of any structure  
25 upon, above, or under any real property owned by an owner who conveys  
26 the property by title, possession, or any other means to the person  
27 performing such construction, repair, or improvement for the purpose of  
28 performing such construction, repair, or improvement and the property  
29 is then reconveyed by title, possession, or any other means to the  
30 original owner;

31 (d) The cleaning, fumigating, razing, or moving of existing  
32 buildings or structures, but does not include the charge made for  
33 janitorial services; and for purposes of this section the term  
34 "janitorial services" means those cleaning and caretaking services  
35 ordinarily performed by commercial janitor service businesses  
36 including, but not limited to, wall and window washing, floor cleaning  
37 and waxing, and the cleaning in place of rugs, drapes and upholstery.

1 Until July 1, 2013, the term "janitorial services" does not include  
2 painting, papering, repairing, furnace or septic tank cleaning, snow  
3 removal or sandblasting;

4 (e) Automobile towing and similar automotive transportation  
5 services, but not in respect to those required to report and pay taxes  
6 under chapter 82.16 RCW;

7 (f) The furnishing of lodging and all other services by a hotel,  
8 rooming house, tourist court, motel, trailer camp, and the granting of  
9 any similar license to use real property, as distinguished from the  
10 renting or leasing of real property, and it is presumed that the  
11 occupancy of real property for a continuous period of one month or more  
12 constitutes a rental or lease of real property and not a mere license  
13 to use or enjoy the same. For the purposes of this subsection, it is  
14 presumed that the sale of and charge made for the furnishing of lodging  
15 for a continuous period of one month or more to a person is a rental or  
16 lease of real property and not a mere license to enjoy the same;

17 (g) The installing, repairing, altering, or improving of digital  
18 goods for consumers;

19 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g) of  
20 this subsection when such sales or charges are for property, labor and  
21 services which are used or consumed in whole or in part by such persons  
22 in the performance of any activity defined as a "sale at retail" or  
23 "retail sale" even though such property, labor and services may be  
24 resold after such use or consumption. Nothing contained in this  
25 subsection may be construed to modify subsection (1) of this section  
26 and nothing contained in subsection (1) of this section may be  
27 construed to modify this subsection.

28 (3) The term "sale at retail" or "retail sale" includes the sale of  
29 or charge made for personal, business, or professional services  
30 including amounts designated as interest, rents, fees, admission, and  
31 other service emoluments however designated, received by persons  
32 engaging in the following business activities:

33 (a) Amusement and recreation services including but not limited to  
34 golf, pool, billiards, skating, bowling, ski lifts and tows, day trips  
35 for sightseeing purposes, and others, when provided to consumers;

36 (b) Abstract, title insurance, and escrow services;

37 (c) Credit bureau services;

38 (d) Automobile parking and storage garage services;

1 (e) Landscape maintenance and horticultural services but excluding,  
2 until July 1, 2013, (i) horticultural services provided to farmers and  
3 (ii) pruning, trimming, repairing, removing, and clearing of trees and  
4 brush near electric transmission or distribution lines or equipment, if  
5 performed by or at the direction of an electric utility;

6 (f) Service charges associated with tickets to professional  
7 sporting events; and

8 (g) The following personal services: Physical fitness services,  
9 tanning salon services, tattoo parlor services, steam bath services,  
10 turkish bath services, escort services, and dating services.

11 (4)(a) The term also includes the renting or leasing of tangible  
12 personal property to consumers.

13 (b) The term does not include the renting or leasing of tangible  
14 personal property where the lease or rental is for the purpose of  
15 sublease or subrent.

16 (5) The term also includes the providing of "competitive telephone  
17 service," "telecommunications service," or "ancillary services," as  
18 those terms are defined in RCW 82.04.065, to consumers.

19 (6)(a) The term also includes the sale of prewritten computer  
20 software to a consumer, regardless of the method of delivery to the end  
21 user. For purposes of this subsection (6)(a), the sale of prewritten  
22 computer software includes the sale of or charge made for a key or an  
23 enabling or activation code, where the key or code is required to  
24 activate prewritten computer software and put the software into use.  
25 There is no separate sale of the key or code from the prewritten  
26 computer software, regardless of how the sale may be characterized by  
27 the vendor or by the purchaser.

28 Until July 1, 2013, the term "retail sale" does not include the  
29 sale of or charge made for:

30 (i) Custom software; or

31 (ii) The customization of prewritten computer software.

32 (b)(i) The term also includes the charge made to consumers for the  
33 right to access and use prewritten computer software, where possession  
34 of the software is maintained by the seller or a third party,  
35 regardless of whether the charge for the service is on a per use, per  
36 user, per license, subscription, or some other basis.

37 (ii)(A) The service described in (b)(i) of this subsection (6)

1 includes the right to access and use prewritten computer software to  
2 perform data processing.

3 (B) For purposes of this subsection (6)(b)(ii), "data processing"  
4 means the systematic performance of operations on data to extract the  
5 required information in an appropriate form or to convert the data to  
6 usable information. Data processing includes check processing, image  
7 processing, form processing, survey processing, payroll processing,  
8 claim processing, and similar activities.

9 (7) The term also includes the sale of or charge made for an  
10 extended warranty to a consumer. For purposes of this subsection,  
11 "extended warranty" means an agreement for a specified duration to  
12 perform the replacement or repair of tangible personal property at no  
13 additional charge or a reduced charge for tangible personal property,  
14 labor, or both, or to provide indemnification for the replacement or  
15 repair of tangible personal property, based on the occurrence of  
16 specified events. The term "extended warranty" does not include an  
17 agreement, otherwise meeting the definition of extended warranty in  
18 this subsection, if no separate charge is made for the agreement and  
19 the value of the agreement is included in the sales price of the  
20 tangible personal property covered by the agreement. For purposes of  
21 this subsection, "sales price" has the same meaning as in RCW  
22 82.08.010.

23 (8)(a) The term also includes the following sales to consumers of  
24 digital goods, digital codes, and digital automated services:

25 (i) Sales in which the seller has granted the purchaser the right  
26 of permanent use;

27 (ii) Sales in which the seller has granted the purchaser a right of  
28 use that is less than permanent;

29 (iii) Sales in which the purchaser is not obligated to make  
30 continued payment as a condition of the sale; and

31 (iv) Sales in which the purchaser is obligated to make continued  
32 payment as a condition of the sale.

33 (b) A retail sale of digital goods, digital codes, or digital  
34 automated services under this subsection (8) includes any services  
35 provided by the seller exclusively in connection with the digital  
36 goods, digital codes, or digital automated services, whether or not a  
37 separate charge is made for such services.

1 (c) For purposes of this subsection, "permanent" means perpetual or  
2 for an indefinite or unspecified length of time. A right of permanent  
3 use is presumed to have been granted unless the agreement between the  
4 seller and the purchaser specifies or the circumstances surrounding the  
5 transaction suggest or indicate that the right to use terminates on the  
6 occurrence of a condition subsequent.

7 (9) The term also includes the charge made for providing tangible  
8 personal property along with an operator for a fixed or indeterminate  
9 period of time. A consideration of this is that the operator is  
10 necessary for the tangible personal property to perform as designed.  
11 For the purpose of this subsection (9), an operator must do more than  
12 maintain, inspect, or set up the tangible personal property.

13 (10)(a) Until July 1, 2015, the term does not include the sale of  
14 or charge made for labor and services rendered in respect to the  
15 building, repairing, or improving of any street, place, road, highway,  
16 easement, right-of-way, mass public transportation terminal or parking  
17 facility, bridge, tunnel, or trestle which is owned by a municipal  
18 corporation or political subdivision of the state or by the United  
19 States and which is used or to be used primarily for foot or vehicular  
20 traffic including mass transportation vehicles of any kind.

21 (b) The term does not include the sale of or charge made for labor  
22 and services rendered in respect to the building, repairing, or  
23 improving of any street, place, road, highway, easement, right-of-way,  
24 mass public transportation terminal or parking facility, bridge,  
25 tunnel, or trestle which is owned by the United States and which is  
26 used or to be used primarily for foot or vehicular traffic including  
27 mass transportation vehicles of any kind.

28 (11) Until July 1, 2013, the term also does not include sales of  
29 chemical sprays or washes to persons for the purpose of postharvest  
30 treatment of fruit for the prevention of scald, fungus, mold, or decay,  
31 nor does it include sales of feed, seed, seedlings, fertilizer, agents  
32 for enhanced pollination including insects such as bees, and spray  
33 materials to: (a) Persons who participate in the federal conservation  
34 reserve program, the environmental quality incentives program, the  
35 wetlands reserve program, and the wildlife habitat incentives program,  
36 or their successors administered by the United States department of  
37 agriculture; (b) farmers for the purpose of producing for sale any  
38 agricultural product; and (c) farmers acting under cooperative habitat

1 development or access contracts with an organization exempt from  
2 federal income tax under 26 U.S.C. Sec. 501(c)(3) of the federal  
3 internal revenue code or the Washington state department of fish and  
4 wildlife to produce or improve wildlife habitat on land that the farmer  
5 owns or leases.

6 (12)(a) Until July 1, 2015, the term does not include the sale of  
7 or charge made for labor and services rendered in respect to the  
8 constructing, repairing, decorating, or improving of new or existing  
9 buildings or other structures under, upon, or above real property of or  
10 for the United States, any instrumentality thereof, or a county or city  
11 housing authority created pursuant to chapter 35.82 RCW, including the  
12 installing, or attaching of any article of tangible personal property  
13 therein or thereto, whether or not such personal property becomes a  
14 part of the realty by virtue of installation. Nor does the term  
15 include the sale of services or charges made for the clearing of land  
16 and the moving of earth of or for the United States, any  
17 instrumentality thereof, or a county or city housing authority. Nor  
18 does the term include the sale of services or charges made for cleaning  
19 up for the United States, or its instrumentalities, radioactive waste  
20 and other by-products of weapons production and nuclear research and  
21 development.

22 (b) The term does not include the sale of or charge made for labor  
23 and services rendered in respect to the constructing, repairing,  
24 decorating, or improving of new or existing buildings or other  
25 structures under, upon, or above real property of or for the United  
26 States or any instrumentality thereof, including the installing or  
27 attaching of any article of tangible personal property therein or  
28 thereto, whether or not such personal property becomes a part of the  
29 realty by virtue of installation. Nor does the term include the sale  
30 of services or charges made for the clearing of land and the moving of  
31 earth of or for the United States or any instrumentality thereof. Nor  
32 does the term include the sale of services or charges made for cleaning  
33 up for the United States or its instrumentalities, radioactive waste  
34 and other by-products of weapons production and nuclear research and  
35 development.

36 (13) Until July 1, 2015, the term does not include the sale of or  
37 charge made for labor, services, or tangible personal property pursuant  
38 to agreements providing maintenance services for bus, rail, or rail

1 fixed guideway equipment when a regional transit authority is the  
2 recipient of the labor, services, or tangible personal property, and a  
3 transit agency, as defined in RCW 81.104.015, performs the labor or  
4 services.

5 (14) The term does not include the sale for resale of any service  
6 described in this section if the sale would otherwise constitute a  
7 "sale at retail" and "retail sale" under this section.

8 **Sec. 106.** RCW 82.04.062 and 1985 c 471 s 5 are each amended to  
9 read as follows:

10 (1) Until July 1, 2013, for purposes of this chapter, "wholesale  
11 sale," "sale at wholesale," "retail sale," and "sale at retail" do not  
12 include the sale of precious metal bullion or monetized bullion.

13 (2) Until July 1, 2013, in computing tax under this chapter on the  
14 business of making sales of precious metal bullion or monetized  
15 bullion, the tax shall be imposed on the amounts received as  
16 commissions upon transactions for the accounts of customers over and  
17 above the amount paid to other dealers associated in such transactions,  
18 but no deduction or offset is allowed on account of salaries or  
19 commissions paid to salesmen or other employees.

20 (3) For purposes of this section, "precious metal bullion" means  
21 any precious metal which has been put through a process of smelting or  
22 refining, including, but not limited to, gold, silver, platinum,  
23 rhodium, and palladium, and which is in such state or condition that  
24 its value depends upon its contents and not upon its form. For  
25 purposes of this section, "monetized bullion" means coins or other  
26 forms of money manufactured from gold, silver, or other metals and  
27 heretofore, now, or hereafter used as a medium of exchange under the  
28 laws of this state, the United States, or any foreign nation, but does  
29 not include coins or money sold to be manufactured into jewelry or  
30 works of art.

31 **Sec. 107.** RCW 82.08.010 and 2010 c 106 s 210 are each amended to  
32 read as follows:

33 For the purposes of this chapter:

34 (1)(a) "Selling price" includes "sales price." "Sales price" means  
35 the total amount of consideration, (~~except separately stated trade-in~~  
36 ~~property of like kind,~~) including cash, credit, property, and



1 services, for which tangible personal property, extended warranties,  
2 digital goods, digital codes, digital automated services, or other  
3 services or anything else defined as a "retail sale" under RCW  
4 82.04.050 are sold, leased, or rented, valued in money, whether  
5 received in money or otherwise. No deduction from the total amount of  
6 consideration is allowed for the following: (i) The seller's cost of  
7 the property sold; (ii) the cost of materials used, labor or service  
8 cost, interest, losses, all costs of transportation to the seller, all  
9 taxes imposed on the seller, and any other expense of the seller; (iii)  
10 charges by the seller for any services necessary to complete the sale,  
11 other than delivery and installation charges; (iv) delivery charges;  
12 and (v) installation charges.

13 When tangible personal property is rented or leased under  
14 circumstances that the consideration paid does not represent a  
15 reasonable rental for the use of the articles so rented or leased, the  
16 "selling price" shall be determined as nearly as possible according to  
17 the value of such use at the places of use of similar products of like  
18 quality and character under such rules as the department may prescribe;

19 (b) "Selling price" or "sales price" does not include: Discounts,  
20 including cash, term, or coupons that are not reimbursed by a third  
21 party that are allowed by a seller and taken by a purchaser on a sale;  
22 interest, financing, and carrying charges from credit extended on the  
23 sale of tangible personal property, extended warranties, digital goods,  
24 digital codes, digital automated services, or other services or  
25 anything else defined as a retail sale in RCW 82.04.050, if the amount  
26 is separately stated on the invoice, bill of sale, or similar document  
27 given to the purchaser; and any taxes legally imposed directly on the  
28 consumer that are separately stated on the invoice, bill of sale, or  
29 similar document given to the purchaser;

30 (c) "Selling price" or "sales price" includes consideration  
31 received by the seller from a third party if:

32 (i) The seller actually receives consideration from a party other  
33 than the purchaser, and the consideration is directly related to a  
34 price reduction or discount on the sale;

35 (ii) The seller has an obligation to pass the price reduction or  
36 discount through to the purchaser;

37 (iii) The amount of the consideration attributable to the sale is

1 fixed and determinable by the seller at the time of the sale of the  
2 item to the purchaser; and

3 (iv) One of the criteria in this subsection (1)(c)(iv) is met:

4 (A) The purchaser presents a coupon, certificate, or other  
5 documentation to the seller to claim a price reduction or discount  
6 where the coupon, certificate, or documentation is authorized,  
7 distributed, or granted by a third party with the understanding that  
8 the third party will reimburse any seller to whom the coupon,  
9 certificate, or documentation is presented;

10 (B) The purchaser identifies himself or herself to the seller as a  
11 member of a group or organization entitled to a price reduction or  
12 discount, however a "preferred customer" card that is available to any  
13 patron does not constitute membership in such a group; or

14 (C) The price reduction or discount is identified as a third party  
15 price reduction or discount on the invoice received by the purchaser or  
16 on a coupon, certificate, or other documentation presented by the  
17 purchaser;

18 (d) Until July 1, 2015, "selling price" or "sales price" does not  
19 include separately stated trade-in property of like kind;

20 (2)(a) "Seller" means every person, including the state and its  
21 departments and institutions, making sales at retail or retail sales to  
22 a buyer, purchaser, or consumer, whether as agent, broker, or  
23 principal, except "seller" does not mean:

24 (i) The state and its departments and institutions when making  
25 sales to the state and its departments and institutions; or

26 (ii) A professional employer organization when a covered employee  
27 coemployed with the client under the terms of a professional employer  
28 agreement engages in activities that constitute a sale at retail that  
29 is subject to the tax imposed by this chapter. In such cases, the  
30 client, and not the professional employer organization, is deemed to be  
31 the seller and is responsible for collecting and remitting the tax  
32 imposed by this chapter.

33 (b) For the purposes of (a) of this subsection, the terms "client,"  
34 "covered employee," "professional employer agreement," and  
35 "professional employer organization" have the same meanings as in RCW  
36 82.04.540;

37 (3) "Buyer," "purchaser," and "consumer" include, without limiting  
38 the scope hereof, every individual, receiver, assignee, trustee in

1 bankruptcy, trust, estate, firm, copartnership, joint venture, club,  
2 company, joint stock company, business trust, corporation, association,  
3 society, or any group of individuals acting as a unit, whether mutual,  
4 cooperative, fraternal, nonprofit, or otherwise, municipal corporation,  
5 quasi municipal corporation, and also the state, its departments and  
6 institutions and all political subdivisions thereof, irrespective of  
7 the nature of the activities engaged in or functions performed, and  
8 also the United States or any instrumentality thereof;

9 (4) "Delivery charges" means charges by the seller of personal  
10 property or services for preparation and delivery to a location  
11 designated by the purchaser of personal property or services including,  
12 but not limited to, transportation, shipping, postage, handling,  
13 crating, and packing;

14 (5) "Direct mail" means printed material delivered or distributed  
15 by United States mail or other delivery service to a mass audience or  
16 to addressees on a mailing list provided by the purchaser or at the  
17 direction of the purchaser when the cost of the items are not billed  
18 directly to the recipients. "Direct mail" includes tangible personal  
19 property supplied directly or indirectly by the purchaser to the direct  
20 mail seller for inclusion in the package containing the printed  
21 material. "Direct mail" does not include multiple items of printed  
22 material delivered to a single address;

23 (6) The meaning attributed in chapter 82.04 RCW to the terms "tax  
24 year," "taxable year," "person," "company," "sale," "sale at  
25 wholesale," "wholesale," "business," "engaging in business," "cash  
26 discount," "successor," "consumer," "in this state" and "within this  
27 state" applies equally to the provisions of this chapter;

28 (7) For the purposes of the taxes imposed under this chapter and  
29 under chapter 82.12 RCW, "tangible personal property" means personal  
30 property that can be seen, weighed, measured, felt, or touched, or that  
31 is in any other manner perceptible to the senses. Tangible personal  
32 property includes electricity, water, gas, steam, and prewritten  
33 computer software;

34 (8) "Extended warranty" has the same meaning as in RCW  
35 82.04.050(7);

36 (9) The definitions in RCW 82.04.192 apply to this chapter;

37 (10) For the purposes of the taxes imposed under this chapter and

1 chapter 82.12 RCW, whenever the terms "property" or "personal property"  
2 are used, those terms must be construed to include digital goods and  
3 digital codes unless:

4 (a) It is clear from the context that the term "personal property"  
5 is intended only to refer to tangible personal property;

6 (b) It is clear from the context that the term "property" is  
7 intended only to refer to tangible personal property, real property, or  
8 both; or

9 (c) To construe the term "property" or "personal property" as  
10 including digital goods and digital codes would yield unlikely, absurd,  
11 or strained consequences; and

12 (11) "Retail sale" or "sale at retail" means any sale, lease, or  
13 rental for any purpose other than for resale, sublease, or subrent.

14 **Sec. 108.** RCW 82.12.010 and 2010 c 127 s 4 are each reenacted and  
15 amended to read as follows:

16 For the purposes of this chapter:

17 (1) The meaning ascribed to words and phrases in chapters 82.04 and  
18 82.08 RCW, insofar as applicable, has full force and effect with  
19 respect to taxes imposed under the provisions of this chapter.  
20 "Consumer," in addition to the meaning ascribed to it in chapters 82.04  
21 and 82.08 RCW insofar as applicable, also means any person who  
22 distributes or displays, or causes to be distributed or displayed, any  
23 article of tangible personal property, except newspapers, the primary  
24 purpose of which is to promote the sale of products or services. With  
25 respect to property distributed to persons within this state by a  
26 consumer as defined in this subsection (1), the use of the property is  
27 deemed to be by such consumer.

28 (2) "Extended warranty" has the same meaning as in RCW  
29 82.04.050(7).

30 (3) "Purchase price" means the same as sales price as defined in  
31 RCW 82.08.010.

32 (4)(a)(i) Except as provided in (a)(ii) of this subsection (4),  
33 "retailer" means every seller as defined in RCW 82.08.010 and every  
34 person engaged in the business of selling tangible personal property at  
35 retail and every person required to collect from purchasers the tax  
36 imposed under this chapter.

1 (ii) "Retailer" does not include a professional employer  
2 organization when a covered employee coemployed with the client under  
3 the terms of a professional employer agreement engages in activities  
4 that constitute a sale of tangible personal property, extended  
5 warranty, digital good, digital code, or a sale of any digital  
6 automated service or service defined as a retail sale in RCW 82.04.050  
7 (2)(a) or (g), (3)(a), or (6)(b) that is subject to the tax imposed by  
8 this chapter. In such cases, the client, and not the professional  
9 employer organization, is deemed to be the retailer and is responsible  
10 for collecting and remitting the tax imposed by this chapter.

11 (b) For the purposes of (a) of this subsection, the terms "client,"  
12 "covered employee," "professional employer agreement," and  
13 "professional employer organization" have the same meanings as in RCW  
14 82.04.540.

15 (5) "Taxpayer" and "purchaser" include all persons included within  
16 the meaning of the word "buyer" and the word "consumer" as defined in  
17 chapters 82.04 and 82.08 RCW.

18 (6) "Use," "used," "using," or "put to use" have their ordinary  
19 meaning, and mean:

20 (a) With respect to tangible personal property, except for natural  
21 gas and manufactured gas, the first act within this state by which the  
22 taxpayer takes or assumes dominion or control over the article of  
23 tangible personal property (as a consumer), and include installation,  
24 storage, withdrawal from storage, distribution, or any other act  
25 preparatory to subsequent actual use or consumption within this state;

26 (b) With respect to a service defined in RCW 82.04.050(2)(a), the  
27 first act within this state after the service has been performed by  
28 which the taxpayer takes or assumes dominion or control over the  
29 article of tangible personal property upon which the service was  
30 performed (as a consumer), and includes installation, storage,  
31 withdrawal from storage, distribution, or any other act preparatory to  
32 subsequent actual use or consumption of the article within this state;

33 (c) With respect to an extended warranty, the first act within this  
34 state after the extended warranty has been acquired by which the  
35 taxpayer takes or assumes dominion or control over the article of  
36 tangible personal property to which the extended warranty applies, and  
37 includes installation, storage, withdrawal from storage, distribution,

1 or any other act preparatory to subsequent actual use or consumption of  
2 the article within this state;

3 (d) With respect to a digital good or digital code, the first act  
4 within this state by which the taxpayer, as a consumer, views,  
5 accesses, downloads, possesses, stores, opens, manipulates, or  
6 otherwise uses or enjoys the digital good or digital code;

7 (e) With respect to a digital automated service, the first act  
8 within this state by which the taxpayer, as a consumer, uses, enjoys,  
9 or otherwise receives the benefit of the service;

10 (f) With respect to a service defined as a retail sale in RCW  
11 82.04.050(6)(b), the first act within this state by which the taxpayer,  
12 as a consumer, accesses the prewritten computer software;

13 (g) With respect to a service defined as a retail sale in RCW  
14 82.04.050(2)(g), the first act within this state after the service has  
15 been performed by which the taxpayer, as a consumer, views, accesses,  
16 downloads, possesses, stores, opens, manipulates, or otherwise uses or  
17 enjoys the digital good upon which the service was performed; and

18 (h) With respect to natural gas or manufactured gas, the use of  
19 which is taxable under RCW 82.12.022, including gas that is also  
20 taxable under the authority of RCW 82.14.230, the first act within this  
21 state by which the taxpayer consumes the gas by burning the gas or  
22 storing the gas in the taxpayer's own facilities for later consumption  
23 by the taxpayer.

24 (7)(a) "Value of the article used" is the purchase price for the  
25 article of tangible personal property, the use of which is taxable  
26 under this chapter. The term also includes, in addition to the  
27 purchase price, the amount of any tariff or duty paid with respect to  
28 the importation of the article used. In case the article used is  
29 acquired by lease or by gift or is extracted, produced, or manufactured  
30 by the person using the same or is sold under conditions wherein the  
31 purchase price does not represent the true value thereof, the value of  
32 the article used is determined as nearly as possible according to the  
33 retail selling price at place of use of similar products of like  
34 quality and character under such rules as the department may prescribe.

35 (b) In case the articles used are acquired by bailment, the value  
36 of the use of the articles so used must be in an amount representing a  
37 reasonable rental for the use of the articles so bailed, determined as  
38 nearly as possible according to the value of such use at the places of

1 use of similar products of like quality and character under such rules  
2 as the department of revenue may prescribe. In case any such articles  
3 of tangible personal property are used in respect to the construction,  
4 repairing, decorating, or improving of, and which become or are to  
5 become an ingredient or component of, new or existing buildings or  
6 other structures under, upon, or above real property of or for the  
7 United States, any instrumentality thereof, or a county or city housing  
8 authority created pursuant to chapter 35.82 RCW, including the  
9 installing or attaching of any such articles therein or thereto,  
10 whether or not such personal property becomes a part of the realty by  
11 virtue of installation, then the value of the use of such articles so  
12 used is determined according to the retail selling price of such  
13 articles, or in the absence of such a selling price, as nearly as  
14 possible according to the retail selling price at place of use of  
15 similar products of like quality and character or, in the absence of  
16 either of these selling price measures, such value may be determined  
17 upon a cost basis, in any event under such rules as the department of  
18 revenue may prescribe.

19 (c) Until July 1, 2013, in the case of articles owned by a user  
20 engaged in business outside the state which are brought into the state  
21 for no more than one hundred eighty days in any period of three hundred  
22 sixty-five consecutive days and which are temporarily used for business  
23 purposes by the person in this state, the value of the article used  
24 must be an amount representing a reasonable rental for the use of the  
25 articles, unless the person has paid tax under this chapter or chapter  
26 82.08 RCW upon the full value of the article used, as defined in (a) of  
27 this subsection.

28 (d) In the case of articles manufactured or produced by the user  
29 and used in the manufacture or production of products sold or to be  
30 sold to the department of defense of the United States, the value of  
31 the articles used is determined according to the value of the  
32 ingredients of such articles.

33 (e) In the case of an article manufactured or produced for purposes  
34 of serving as a prototype for the development of a new or improved  
35 product, the value of the article used is determined by: (i) The  
36 retail selling price of such new or improved product when first offered  
37 for sale; or (ii) the value of materials incorporated into the

1 prototype in cases in which the new or improved product is not offered  
2 for sale.

3 (f) In the case of an article purchased with a direct pay permit  
4 under RCW 82.32.087, the value of the article used is determined by the  
5 purchase price of such article if, but for the use of the direct pay  
6 permit, the transaction would have been subject to sales tax.

7 (8) "Value of the digital good or digital code used" means the  
8 purchase price for the digital good or digital code, the use of which  
9 is taxable under this chapter. If the digital good or digital code is  
10 acquired other than by purchase, the value of the digital good or  
11 digital code must be determined as nearly as possible according to the  
12 retail selling price at place of use of similar digital goods or  
13 digital codes of like quality and character under rules the department  
14 may prescribe.

15 (9) "Value of the extended warranty used" means the purchase price  
16 for the extended warranty, the use of which is taxable under this  
17 chapter. If the extended warranty is received by gift or under  
18 conditions wherein the purchase price does not represent the true value  
19 of the extended warranty, the value of the extended warranty used is  
20 determined as nearly as possible according to the retail selling price  
21 at place of use of similar extended warranties of like quality and  
22 character under rules the department may prescribe.

23 (10) "Value of the service used" means the purchase price for the  
24 digital automated service or other service, the use of which is taxable  
25 under this chapter. If the service is received by gift or under  
26 conditions wherein the purchase price does not represent the true value  
27 thereof, the value of the service used is determined as nearly as  
28 possible according to the retail selling price at place of use of  
29 similar services of like quality and character under rules the  
30 department may prescribe.

31 **Sec. 109.** RCW 82.12.0251 and 2009 c 535 s 608 are each amended to  
32 read as follows:

33 The provisions of this chapter do not apply in respect to the use:

34 (1) Of any article of tangible personal property or any digital  
35 good or digital code, and any services that were rendered in respect to  
36 such property, brought into the state of Washington by a nonresident



1 thereof for his or her use or enjoyment while temporarily within the  
2 state of Washington unless such property is used in conducting a  
3 nontransitory business activity within the state of Washington;

4 (2) By a nonresident of Washington of a motor vehicle or trailer  
5 which is registered or licensed under the laws of the state of his or  
6 her residence, and which is not required to be registered or licensed  
7 under the laws of Washington, including motor vehicles or trailers  
8 exempt pursuant to a declaration issued by the department of licensing  
9 under RCW 46.85.060, and services rendered outside the state of  
10 Washington in respect to such property;

11 (3) Until July 1, 2017, of household goods, including digital  
12 goods, and digital codes, personal effects, private motor vehicles, and  
13 services rendered in respect to such property, by a bona fide resident  
14 of Washington, or nonresident members of the armed forces who are  
15 stationed in Washington pursuant to military orders, if such articles  
16 and services were acquired and used by such person in another state  
17 while a bona fide resident thereof and such acquisition and use  
18 occurred more than ninety days prior to the time he or she entered  
19 Washington. For purposes of this subsection, private motor vehicles do  
20 not include motor homes;

21 (4) Of an extended warranty, to the extent that the property  
22 covered by the extended warranty is exempt under this section from the  
23 tax imposed under this chapter.

24 For purposes of this section, "state" means a state of the United  
25 States, any political subdivision thereof, the District of Columbia,  
26 and any foreign country or political subdivision thereof, and  
27 "services" means services defined as retail sales in RCW 82.04.050(2)  
28 (a) or (g).

29 **Sec. 110.** RCW 82.34.015 and 1984 c 42 s 2 are each amended to read  
30 as follows:

31 The department (~~shall~~) may not issue a certificate under RCW  
32 82.34.010(5)(b) before July 1, 1985, or before the promulgation of  
33 specific requirements for such facility by the appropriate control  
34 agency, whichever is later. The department (~~shall~~) may not issue a  
35 certificate under RCW 82.34.010(5)(c) before July 1, 1985. The  
36 department may not issue a certificate under this chapter on or after  
37 July 1, 2013.

1       **Sec. 111.** RCW 82.66.020 and 1995 c 352 s 2 are each amended to  
2 read as follows:

3       Application for deferral of taxes under this chapter (~~shall~~) must  
4 be made to the department in a form and manner prescribed by the  
5 department. The application (~~shall~~) must contain information  
6 regarding the location of the investment project, estimated or actual  
7 costs, time schedules for completion and operation, and other  
8 information required by the department. The department (~~shall~~) must  
9 rule on the application within sixty days. The department may not  
10 accept applications for deferral of taxes under this chapter on or  
11 after July 1, 2013.

12   **PART II**

13                                   **Repealing Business and Occupation Tax Exemptions,**  
14                                   **Credits, Deductions, and Preferential Tax Rates**

15       NEW SECTION. **Sec. 201.** The following acts or parts of acts, as  
16 now existing or hereafter amended, are each repealed, effective July 1,  
17 2013:

18       (1) RCW 82.04.2907 (Tax on royalties) and 2010 1st sp.s. c 23 s  
19 107, 2010 c 111 s 302, 2009 c 535 s 407, 2001 c 320 s 3, & 1998 c 331  
20 s 1;

21       (2) RCW 82.04.298 (Tax on qualified grocery distribution  
22 cooperatives) and 2011 c 2 s 204 (Initiative Measure No. 1107), 2010  
23 1st sp.s. c 23 s 511, 2008 c 49 s 1, & 2001 1st sp.s. c 9 s 1;

24       (3) RCW 82.04.315 (Exemptions--International banking facilities)  
25 and 1982 c 95 s 7;

26       (4) RCW 82.04.317 (Exemptions--Motor vehicle sales by manufacturers  
27 at wholesale auctions to dealers) and 1997 c 4 s 1;

28       (5) RCW 82.04.330 (Exemptions--Sales of agricultural products) and  
29 2001 c 118 s 3, 1993 sp.s. c 25 s 305, 1988 c 253 s 2, & 1987 c 23 s 4;

30       (6) RCW 82.04.331 (Exemptions--Wholesale sales to farmers of seed  
31 for planting, conditioning seed for planting owned by others) and 1998  
32 c 170 s 2;

33       (7) RCW 82.04.332 (Exemptions--Buying and selling at wholesale  
34 unprocessed milk, wheat, oats, dry peas, dry beans, lentils, triticale,  
35 canola, corn, rye, and barley) and 2007 c 131 s 1 & 1998 c 312 s 2;

1 (8) RCW 82.04.333 (Exemptions--Small harvesters) and 2007 c 48 s 5  
2 & 1990 c 141 s 1;  
3 (9) RCW 82.04.334 (Exemptions--Standing timber) and 2010 1st sp.s.  
4 c 23 s 512 & 2007 c 48 s 3;  
5 (10) RCW 82.04.337 (Exemptions--Amounts received by hop growers or  
6 dealers for processed hops shipped outside the state) and 1987 c 495 s  
7 1;  
8 (11) RCW 82.04.392 (Exemptions--Mortgage brokers' third-party  
9 provider services trust accounts) and 1998 c 311 s 3 & 1997 c 106 s 21;  
10 (12) RCW 82.04.405 (Exemptions--Credit unions) and 1998 c 311 s 4  
11 & 1970 ex.s. c 101 s 3;  
12 (13) RCW 82.04.416 (Exemptions--Operation of state route No. 16)  
13 and 1998 c 179 s 3;  
14 (14) RCW 82.04.421 (Exemptions--Out-of-state membership sales in  
15 discount programs) and 1997 c 408 s 1;  
16 (15) RCW 82.04.422 (Exemptions--Wholesale sales of motor vehicles)  
17 and 2004 c 81 s 1 & 2001 c 258 s 1;  
18 (16) RCW 82.04.425 (Exemptions--Accommodation sales) and 1980 c 37  
19 s 78, 1965 ex.s. c 173 s 9, & 1961 c 15 s 82.04.425;  
20 (17) RCW 82.04.426 (Exemptions--Semiconductor microchips) and 2010  
21 c 114 s 110 & 2003 c 149 s 2;  
22 (18) RCW 82.04.4261 (Exemptions--Federal small business innovation  
23 research program) and 2004 c 2 s 9;  
24 (19) RCW 82.04.4262 (Exemptions--Federal small business technology  
25 transfer program) and 2004 c 2 s 10;  
26 (20) RCW 82.04.4267 (Exemptions--Operation of parking/business  
27 improvement areas) and 2005 c 476 s 1;  
28 (21) RCW 82.04.4281 (Deductions--Investments, dividends, interest  
29 on loans) and 2007 c 54 s 9, 2002 c 150 s 2, & 1980 c 37 s 2;  
30 (22) RCW 82.04.4287 (Deductions--Compensation for receiving,  
31 washing, etc., horticultural products for person exempt under RCW  
32 82.04.330--Materials and supplies used) and 1980 c 37 s 8;  
33 (23) RCW 82.04.4292 (Deductions--Interest on investments or loans  
34 secured by mortgages or deeds of trust) and 2010 1st sp.s. c 23 s 301  
35 & 1980 c 37 s 12;  
36 (24) RCW 82.04.4294 (Deductions--Interest on loans to farmers and  
37 ranchers, producers or harvesters of aquatic products, or their  
38 cooperatives) and 1980 c 37 s 14;

1 (25) RCW 82.04.4295 (Deductions--Manufacturing activities completed  
2 outside the United States) and 1980 c 37 s 15;

3 (26) RCW 82.04.4296 (Deductions--Reimbursement for accommodation  
4 expenditures by funeral homes) and 1980 c 37 s 16;

5 (27) RCW 82.04.433 (Deductions--Sales of fuel for consumption  
6 outside United States' waters by vessels in foreign commerce) and 2009  
7 c 494 s 2 & 1985 c 471 s 16;

8 (28) RCW 82.04.4333 (Credit--Job training services--Approval) and  
9 1996 c 1 s 4;

10 (29) RCW 82.04.4339 (Deductions--Grants to support salmon  
11 restoration) and 2004 c 241 s 1;

12 (30) RCW 82.04.4451 (Credit against tax due--Maximum credit--Table)  
13 and 2010 1st sp.s. c 23 s 1102, 1997 c 238 s 2, & 1994 sp.s. c 2 s 1;

14 (31) RCW 82.04.44525 (Credit--New employment for international  
15 service activities in eligible areas--Designation of census tracts for  
16 eligibility--Records--Tax due upon ineligibility--Interest assessment--  
17 Information from employment security department) and 2009 c 535 s 1104,  
18 2008 c 81 s 9, & 1998 c 313 s 2;

19 (32) RCW 82.04.447 (Credit--Natural or manufactured gas purchased  
20 by direct service industrial customers--Reports) and 2001 c 214 s 9;

21 (33) RCW 82.04.4482 (Credit--Sales of electricity or gas to an  
22 aluminum smelter) and 2004 c 24 s 9;

23 (34) RCW 82.04.4486 (Credit--Syrup taxes paid by buyer) and 2006 c  
24 245 s 1;

25 (35) RCW 82.04.601 (Exemptions--Affixing stamp services for  
26 cigarette sales) and 2007 c 221 s 5;

27 (36) RCW 82.62.030 (Allowance of tax credits--Limitations) and 2007  
28 c 485 s 3, 2001 c 320 s 13, 1999 c 164 s 306, 1997 c 366 s 5, 1996 c 1  
29 s 3, & 1986 c 116 s 17;

30 (37) RCW 82.04.2403 (Manufacturer tax not applicable to cleaning  
31 fish) and 1994 c 167 s 1;

32 (38) RCW 82.04.255 (Tax on real estate brokers) and 1997 c 7 s 1,  
33 1996 c 1 s 1, 1993 sp.s. c 25 s 202, 1985 c 32 s 2, 1983 2nd ex.s. c 3  
34 s 1, 1983 c 9 s 1, & 1970 ex.s. c 65 s 3;

35 (39) RCW 82.04.340 (Exemptions--Boxing, sparring, or wrestling  
36 matches) and 2000 c 103 s 6, 1988 c 19 s 4, & 1961 c 15 s 82.04.340;

37 (40) RCW 82.04.424 (Exemptions--Certain in-state activities) and  
38 2003 c 76 s 2;

- 1 (41) RCW 82.04.4272 (Deductions--Direct mail delivery charges) and  
2 2005 c 514 s 114;
- 3 (42) RCW 82.04.4285 (Deductions--Motor vehicle fuel and special  
4 fuel taxes) and 1998 c 176 s 3 & 1980 c 37 s 6;
- 5 (43) RCW 82.04.43391 (Deductions--Commercial aircraft loan interest  
6 and fees) and 2010 1st sp.s. c 23 s 112;
- 7 (44) RCW 82.04.540 (Professional employer organizations--Taxable  
8 under RCW 82.04.290(2)--Deduction) and 2006 c 301 s 1;
- 9 (45) RCW 82.04.645 (Exemptions--Financial institutions--Amounts  
10 received from certain affiliated persons) and 2010 1st sp.s. c 23 s  
11 110;
- 12 (46) RCW 82.04.650 (Exemptions--Investment conduits and  
13 securitization entities) and 2010 1st sp.s. c 23 s 111; and
- 14 (47) RCW 82.04.410 (Exemptions--Hatching eggs and poultry) and 1967  
15 ex.s. c 149 s 15 & 1961 c 15 s 82.04.410.

16 NEW SECTION. **Sec. 202.** The following acts or parts of acts, as  
17 now existing or hereafter amended, are each repealed, effective July 1,  
18 2015:

- 19 (1) RCW 82.04.263 (Tax on cleaning up radioactive waste and other  
20 by-products of weapons production and nuclear research and development)  
21 and 2009 c 469 s 202 & 1996 c 112 s 3;
- 22 (2) RCW 82.04.339 (Exemptions--Day care provided by churches) and  
23 1992 c 81 s 1;
- 24 (3) RCW 82.04.3395 (Exemptions--Child care resource and referral  
25 services by nonprofit organizations) and 1995 2nd sp.s. c 11 s 3;
- 26 (4) RCW 82.04.363 (Exemptions--Camp or conference center--Items  
27 sold or furnished by nonprofit organization) and 2009 c 535 s 409 &  
28 1997 c 388 s 1;
- 29 (5) RCW 82.04.3651 (Exemptions--Amounts received by nonprofit  
30 organizations for fund-raising activities) and 2010 c 106 s 208, 1999  
31 c 358 s 3, & 1998 c 336 s 2;
- 32 (6) RCW 82.04.367 (Exemptions--Nonprofit organizations that are  
33 guarantee agencies, issue debt, or provide guarantees for student  
34 loans) and 1998 c 324 s 1 & 1987 c 433 s 1;
- 35 (7) RCW 82.04.368 (Exemptions--Nonprofit organizations--Credit and  
36 debt services) and 1993 c 390 s 1;

1 (8) RCW 82.04.370 (Exemptions--Certain fraternal and beneficiary  
2 organizations) and 1961 c 293 s 4 & 1961 c 15 s 82.04.370;  
3 (9) RCW 82.04.380 (Exemptions--Certain corporations furnishing aid  
4 and relief) and 1961 c 15 s 82.04.380;  
5 (10) RCW 82.04.385 (Exemptions--Operation of sheltered workshops)  
6 and 1988 c 176 s 915, 1988 c 13 s 1, 1972 ex.s. c 134 s 1, & 1970 ex.s.  
7 c 81 s 3;  
8 (11) RCW 82.04.395 (Exemptions--Certain materials printed in school  
9 district and educational service district printing facilities) and 1979  
10 ex.s. c 196 s 12;  
11 (12) RCW 82.04.397 (Exemptions--Certain materials printed in  
12 county, city, or town printing facilities) and 1979 ex.s. c 196 s 14;  
13 (13) RCW 82.04.399 (Exemptions--Sales of academic transcripts) and  
14 1996 c 272 s 1;  
15 (14) RCW 82.04.408 (Exemptions--Housing finance commission) and  
16 1983 c 161 s 25;  
17 (15) RCW 82.04.415 (Exemptions--Sand, gravel and rock taken from  
18 county or city pits or quarries, processing and handling costs) and  
19 1965 ex.s. c 173 s 10;  
20 (16) RCW 82.04.418 (Exemptions--Grants by United States government  
21 to municipal corporations or political subdivisions) and 1983 1st ex.s.  
22 c 66 s 2;  
23 (17) RCW 82.04.419 (Exemptions--County, city, town, school  
24 district, or fire district activity) and 1983 1st ex.s. c 66 s 3;  
25 (18) RCW 82.04.4201 (Exemptions--Sales/leasebacks by regional  
26 transit authorities) and 2000 2nd sp.s. c 4 s 24;  
27 (19) RCW 82.04.4251 (Exemptions--Convention and tourism promotion)  
28 and 2006 c 310 s 1;  
29 (20) RCW 82.04.4282 (Deductions--Fees, dues, charges) and 2009 c  
30 535 s 410, 1994 c 124 s 3, 1989 c 392 s 1, & 1980 c 37 s 3;  
31 (21) RCW 82.04.4291 (Deductions--Compensation received by a  
32 political subdivision from another political subdivision for services  
33 taxable under RCW 82.04.290) and 1980 c 37 s 11;  
34 (22) RCW 82.04.4293 (Deductions--Interest on obligations of the  
35 state, its political subdivisions, and municipal corporations) and 1980  
36 c 37 s 13;  
37 (23) RCW 82.04.432 (Deductions--Municipal sewer service fees or  
38 charges) and 1967 ex.s. c 149 s 17;

- 1 (24) RCW 82.04.4322 (Deductions--Artistic or cultural  
2 organization--Compensation from United States, state, etc., for  
3 artistic or cultural exhibitions, performances, or programs) and 1981  
4 c 140 s 1;
- 5 (25) RCW 82.04.4324 (Deductions--Artistic or cultural  
6 organization--Deduction for tax under RCW 82.04.240--Value of articles  
7 for use in displaying art objects or presenting artistic or cultural  
8 exhibitions, performances, or programs) and 1981 c 140 s 2;
- 9 (26) RCW 82.04.4326 (Deductions--Artistic or cultural  
10 organizations--Tuition charges for attending artistic or cultural  
11 education programs) and 1981 c 140 s 3;
- 12 (27) RCW 82.04.4327 (Deductions--Artistic and cultural  
13 organizations--Income from business activities) and 1985 c 471 s 6;
- 14 (28) RCW 82.04.4332 (Deductions--Tuition fees of foreign degree-  
15 granting institutions) and 1993 c 181 s 10;
- 16 (29) RCW 82.04.434 (Credit--Public safety standards and testing)  
17 and 1991 c 13 s 1;
- 18 (30) RCW 82.04.600 (Exemptions--Materials printed in county, city,  
19 town, school district, educational service district, library or library  
20 district) and 1979 ex.s. c 266 s 8;
- 21 (31) RCW 82.04.610 (Exemptions--Import or export commerce) and 2007  
22 c 477 s 2;
- 23 (32) RCW 82.04.615 (Exemptions--Certain limited purpose public  
24 corporations, commissions, and authorities) and 2007 c 381 s 1;
- 25 (33) RCW 82.04.335 (Exemptions--Agricultural fairs) and 1965 ex.s.  
26 c 145 s 1;
- 27 (34) RCW 82.04.338 (Exemptions--Hop commodity commission or hop  
28 commodity board business) and 1998 c 200 s 1;
- 29 (35) RCW 82.04.394 (Exemptions--Amounts received by property  
30 management company for on-site personnel) and 2010 1st sp.s. c 23 s  
31 1202, 2010 c 106 s 209, & 1998 c 338 s 2;
- 32 (36) RCW 82.04.4271 (Deductions--Membership fees and certain  
33 service fees by nonprofit youth organization) and 1981 c 74 s 1; and
- 34 (37) RCW 82.04.640 (Exemptions--Washington vaccine association--  
35 Certain assessments received) and 2010 c 174 s 16.

36 NEW SECTION. **Sec. 203.** The following acts or parts of acts, as

1 now existing or hereafter amended, are each repealed, effective July 1,  
2 2017:

3 (1) RCW 82.04.2905 (Tax on providing day care) and 1998 c 312 s 7;

4 (2) RCW 82.04.4298 (Deductions--Repair, maintenance, replacement,  
5 etc., of residential structures and commonly held property--Eligible  
6 organizations) and 1980 c 37 s 18.

7 NEW SECTION. **Sec. 204.** The following acts or parts of acts, as  
8 now existing or hereafter amended, are each repealed, effective July 1,  
9 2019:

10 (1) RCW 82.04.272 (Tax on warehousing and reselling prescription  
11 drugs) and 2003 c 168 s 401 & 1998 c 343 s 1;

12 (2) RCW 82.04.2906 (Tax on certain chemical dependency services)  
13 and 2003 c 343 s 1;

14 (3) RCW 82.04.2908 (Tax on provision of room and domiciliary care  
15 to boarding home residents) and 2005 c 514 s 302 & 2004 c 174 s 1;

16 (4) RCW 82.04.324 (Exemptions--Qualifying blood, tissue, or blood  
17 and tissue banks) and 2004 c 82 s 1 & 1995 2nd sp.s. c 9 s 3;

18 (5) RCW 82.04.326 (Exemptions--Qualified organ procurement  
19 organizations) and 2002 c 113 s 1;

20 (6) RCW 82.04.327 (Exemptions--Adult family homes) and 1987 1st  
21 ex.s. c 4 s 1;

22 (7) RCW 82.04.355 (Exemptions--Ride sharing) and 1999 c 358 s 8 &  
23 1979 c 111 s 17;

24 (8) RCW 82.04.4263 (Exemptions--Income received by the life  
25 sciences discovery fund authority) and 2005 c 424 s 11;

26 (9) RCW 82.04.4264 (Exemptions--Nonprofit boarding homes--Room and  
27 domiciliary care) and 2005 c 514 s 301;

28 (10) RCW 82.04.4265 (Exemptions--Comprehensive cancer centers) and  
29 2005 c 514 s 401;

30 (11) RCW 82.04.4289 (Exemption--Compensation for patient services  
31 or attendant sales of drugs dispensed pursuant to prescription by  
32 certain nonprofit organizations) and 2003 c 168 s 402, 1998 c 325 s 1,  
33 1993 c 492 s 305, 1981 c 178 s 2, & 1980 c 37 s 10;

34 (12) RCW 82.04.4297 (Deductions--Compensation from public entities  
35 for health or social welfare services--Exception) and 2002 c 314 s 3,  
36 2001 2nd sp.s. c 23 s 2, 1988 c 67 s 1, & 1980 c 37 s 17;



1 (13) RCW 82.04.4311 (Deductions--Compensation received under the  
2 federal medicare program by certain hospitals or health centers) and  
3 2005 c 86 s 1 & 2002 c 314 s 2;

4 (14) RCW 82.04.4337 (Deductions--Certain amounts received by  
5 boarding homes) and 2004 c 174 s 7;

6 (15) RCW 82.04.620 (Exemptions--Certain prescription drugs) and  
7 2007 c 447 s 1; and

8 (16) RCW 82.04.635 (Exemptions--Nonprofits providing legal services  
9 to low-income persons) and 2009 c 508 s 1.

10 **Sec. 205.** RCW 82.04.110 and 2009 c 535 s 405 are each amended to  
11 read as follows:

12 (1) Except as otherwise provided in this section, "manufacturer"  
13 means every person who, either directly or by contracting with others  
14 for the necessary labor or mechanical services, manufactures for sale  
15 or for commercial or industrial use from his or her own materials or  
16 ingredients any articles, substances, or commodities.

17 (2)(a) When the owner of equipment or facilities furnishes, or  
18 sells to the customer prior to manufacture, all or a portion of the  
19 materials that become a part or whole of the manufactured article, the  
20 department (~~shall~~) must prescribe equitable rules for determining tax  
21 liability.

22 (b) Until July 1, 2013, a person who produces aluminum master  
23 alloys is a processor for hire rather than a manufacturer, regardless  
24 of the portion of the aluminum provided by that person's customer. For  
25 the purposes of this subsection (2)(b), "aluminum master alloy" means  
26 an alloy registered with the aluminum association as a grain refiner or  
27 a hardener alloy using the American national standards institute  
28 designating system H35.3.

29 (3) A nonresident of this state who is the owner of materials  
30 processed for it in this state by a processor for hire (~~shall~~) may  
31 not be deemed to be engaged in business in this state as a manufacturer  
32 because of the performance of such processing work for it in this  
33 state.

34 (4) The owner of materials from which a nuclear fuel assembly is  
35 made for it by a processor for hire (~~shall~~) is not be subject to tax  
36 under this chapter as a manufacturer of the fuel assembly.

1 (5) For purposes of this section, the terms "articles,"  
2 "substances," "materials," "ingredients," and "commodities" do not  
3 include digital goods.

4 **Sec. 206.** RCW 82.04.120 and 2009 c 535 s 406 are each amended to  
5 read as follows:

6 (1) Until July 1, 2013, "to manufacture" embraces all activities of  
7 a commercial or industrial nature wherein labor or skill is applied, by  
8 hand or machinery, to materials so that as a result thereof a new,  
9 different or useful substance or article of tangible personal property  
10 is produced for sale or commercial or industrial use, and (~~shall~~)  
11 includes: (~~(1)~~) (a) The production or fabrication of special made or  
12 custom made articles; (~~(2)~~) (b) the production or fabrication of  
13 dental appliances, devices, restorations, substitutes, or other dental  
14 laboratory products by a dental laboratory or dental technician;  
15 (~~(3)~~) (c) cutting, delimiting, and measuring of felled, cut, or taken  
16 trees; and (~~(4)~~) (d) crushing and/or blending of rock, sand, stone,  
17 gravel, or ore.

18 (2) "To manufacture" (~~shall~~) does not include: Conditioning of  
19 seed for use in planting; cubing hay or alfalfa; activities which  
20 consist of cutting, grading, or ice glazing seafood which has been  
21 cooked, frozen, or canned outside this state; the growing, harvesting,  
22 or producing of agricultural products; packing of agricultural  
23 products, including sorting, washing, rinsing, grading, waxing,  
24 treating with fungicide, packaging, chilling, or placing in controlled  
25 atmospheric storage; the production of digital goods; or the production  
26 of computer software if the computer software is delivered from the  
27 seller to the purchaser by means other than tangible storage media,  
28 including the delivery by use of a tangible storage media where the  
29 tangible storage media is not physically transferred to the purchaser.

30 **Sec. 207.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 and 2010 1st  
31 sp.s. c 23 s 508 are each reenacted and amended to read as follows:

32 (1) Upon every person engaging within this state in the business of  
33 making sales at retail, except persons taxable as retailers under other  
34 provisions of this chapter, as to such persons, the amount of tax with  
35 respect to such business is equal to the gross proceeds of sales of the

1 business, multiplied by the rate of 0.471 percent until July 1, 2013,  
2 and 0.484 percent thereafter.

3 (2) Upon every person engaging within this state in the business of  
4 making sales at retail that are exempt from the tax imposed under  
5 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
6 82.08.0263, except persons taxable under RCW 82.04.260(~~(+10)~~) (11) or  
7 subsection (3) of this section, as to such persons, the amount of tax  
8 with respect to such business is equal to the gross proceeds of sales  
9 of the business, multiplied by the rate of 0.484 percent.

10 (3) Until July 1, 2024, upon every person classified by the federal  
11 aviation administration as a federal aviation regulation part 145  
12 certificated repair station and that is engaging within this state in  
13 the business of making sales at retail that are exempt from the tax  
14 imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,  
15 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with  
16 respect to such business is equal to the gross proceeds of sales of the  
17 business, multiplied by the rate of .2904 percent.

18 **Sec. 208.** RCW 82.04.257 and 2010 c 111 s 301 are each amended to  
19 read as follows:

20 (1) Except as provided in subsection (2) of this section, upon  
21 every person engaging within this state in the business of making sales  
22 at retail or wholesale of digital goods, digital codes, digital  
23 automated services, or services described in RCW 82.04.050 (2)(g) or  
24 (6)(b), as to such persons, the amount of tax with respect to such  
25 business is equal to the gross proceeds of sales of the business,  
26 multiplied by the rate of 0.471 percent in the case of retail sales and  
27 by the rate of 0.484 percent in the case of wholesale sales. Beginning  
28 July 1, 2013, in the case of retail sales, the rate is 0.484 percent.

29 (2) Persons providing subscription television services or  
30 subscription radio services are subject to tax under RCW 82.04.290(2)  
31 on the gross income of the business received from providing such  
32 services.

33 (3) For purposes of this section, a person is considered to be  
34 engaging within this state in the business of making sales of digital  
35 goods, digital codes, digital automated services, or services described  
36 in RCW 82.04.050 (2)(g) or (6)(b), if the person makes sales of digital  
37 goods, digital codes, digital automated services, or services described

1 in RCW 82.04.050 (2)(g) or (6)(b) and the sales are sourced to this  
2 state under RCW 82.32.730 for sales tax purposes or would have been  
3 sourced to this state under RCW 82.32.730 if the sale had been taxable  
4 under chapter 82.08 RCW.

5 (4) A person subject to tax under this section is subject to the  
6 mandatory electronic filing and payment requirements in RCW 82.32.080.

7 **Sec. 209.** RCW 82.04.260 and 2011 c 2 s 203 (Initiative Measure No.  
8 1107) are each amended to read as follows:

9 (1) Until July 1, 2013, upon every person engaging within this  
10 state in the business of manufacturing:

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

17 (b) Beginning July 1, 2012, and through June 30, 2013, seafood  
18 products that remain in a raw, raw frozen, or raw salted state at the  
19 completion of the manufacturing by that person; or selling manufactured  
20 seafood products that remain in a raw, raw frozen, or raw salted state  
21 at the completion of the manufacturing, to purchasers who transport in  
22 the ordinary course of business the goods out of this state; as to such  
23 persons the amount of tax with respect to such business is equal to the  
24 value of the products manufactured or the gross proceeds derived from  
25 such sales, multiplied by the rate of 0.138 percent. Sellers must keep  
26 and preserve records for the period required by RCW 82.32.070  
27 establishing that the goods were transported by the purchaser in the  
28 ordinary course of business out of this state;

29 (c) Beginning July 1, 2012, and through June 30, 2013, dairy  
30 products that as of September 20, 2001, are identified in 21 C.F.R.,  
31 chapter 1, parts 131, 133, and 135, including by-products from the  
32 manufacturing of the dairy products such as whey and casein; or selling  
33 the same to purchasers who transport in the ordinary course of business  
34 the goods out of state; as to such persons the tax imposed is equal to  
35 the value of the products manufactured or the gross proceeds derived  
36 from such sales multiplied by the rate of 0.138 percent. Sellers must

1 keep and preserve records for the period required by RCW 82.32.070  
2 establishing that the goods were transported by the purchaser in the  
3 ordinary course of business out of this state;

4 (d) Beginning July 1, 2012, fruits or vegetables by canning,  
5 preserving, freezing, processing, or dehydrating fresh fruits or  
6 vegetables, or selling at wholesale fruits or vegetables manufactured  
7 by the seller by canning, preserving, freezing, processing, or  
8 dehydrating fresh fruits or vegetables and sold to purchasers who  
9 transport in the ordinary course of business the goods out of this  
10 state; as to such persons the amount of tax with respect to such  
11 business is equal to the value of the products manufactured or the  
12 gross proceeds derived from such sales multiplied by the rate of 0.138  
13 percent. Sellers must keep and preserve records for the period  
14 required by RCW 82.32.070 establishing that the goods were transported  
15 by the purchaser in the ordinary course of business out of this state;

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

21 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
22 persons the amount of tax with respect to the business is equal to the  
23 value of wood biomass fuel manufactured, multiplied by the rate of  
24 0.138 percent.

25 (2) Until July 1, 2013, upon every person engaging within this  
26 state in the business of splitting or processing dried peas; as to such  
27 persons the amount of tax with respect to such business is equal to the  
28 value of the peas split or processed, multiplied by the rate of 0.138  
29 percent.

30 (3) Until July 1, 2015, upon every nonprofit corporation and  
31 nonprofit association engaging within this state in research and  
32 development, as to such corporations and associations, the amount of  
33 tax with respect to such activities is equal to the gross income  
34 derived from such activities multiplied by the rate of 0.484 percent.

35 (4) Until July 1, 2013, upon every person engaging within this  
36 state in the business of slaughtering, breaking and/or processing  
37 perishable meat products and/or selling the same at wholesale only and

1 not at retail; as to such persons the tax imposed is equal to the gross  
2 proceeds derived from such sales multiplied by the rate of 0.138  
3 percent.

4 (5) Until July 1, 2013, upon every person engaging within this  
5 state in the business of acting as a travel agent or tour operator; as  
6 to such persons the amount of the tax with respect to such activities  
7 is equal to the gross income derived from such activities multiplied by  
8 the rate of 0.275 percent.

9 (6) Until July 1, 2013, upon every person engaging within this  
10 state in business as an international steamship agent, international  
11 customs house broker, international freight forwarder, vessel and/or  
12 cargo charter broker in foreign commerce, and/or international air  
13 cargo agent; as to such persons the amount of the tax with respect to  
14 only international activities is equal to the gross income derived from  
15 such activities multiplied by the rate of 0.275 percent.

16 (7) Until July 1, 2013, upon every person engaging within this  
17 state in the business of stevedoring and associated activities  
18 pertinent to the movement of goods and commodities in waterborne  
19 interstate or foreign commerce; as to such persons the amount of tax  
20 with respect to such business is equal to the gross proceeds derived  
21 from such activities multiplied by the rate of 0.275 percent. Persons  
22 subject to taxation under this subsection are exempt from payment of  
23 taxes imposed by chapter 82.16 RCW for that portion of their business  
24 subject to taxation under this subsection. Stevedoring and associated  
25 activities pertinent to the conduct of goods and commodities in  
26 waterborne interstate or foreign commerce are defined as all activities  
27 of a labor, service or transportation nature whereby cargo may be  
28 loaded or unloaded to or from vessels or barges, passing over, onto or  
29 under a wharf, pier, or similar structure; cargo may be moved to a  
30 warehouse or similar holding or storage yard or area to await further  
31 movement in import or export or may move to a consolidation freight  
32 station and be stuffed, unstuffed, containerized, separated or  
33 otherwise segregated or aggregated for delivery or loaded on any mode  
34 of transportation for delivery to its consignee. Specific activities  
35 included in this definition are: Wharfage, handling, loading,  
36 unloading, moving of cargo to a convenient place of delivery to the  
37 consignee or a convenient place for further movement to export mode;  
38 documentation services in connection with the receipt, delivery,

1 checking, care, custody and control of cargo required in the transfer  
2 of cargo; imported automobile handling prior to delivery to consignee;  
3 terminal stevedoring and incidental vessel services, including but not  
4 limited to plugging and unplugging refrigerator service to containers,  
5 trailers, and other refrigerated cargo receptacles, and securing ship  
6 hatch covers.

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

12 If the gross income of the taxpayer is attributable to activities  
13 both within and without this state, the gross income attributable to  
14 this state must be determined in accordance with the methods of  
15 apportionment required under RCW 82.04.460.

16 (9) Until July 1, 2013, upon every person engaging within this  
17 state as an insurance producer or title insurance agent licensed under  
18 chapter 48.17 RCW or a surplus line broker licensed under chapter 48.15  
19 RCW; as to such persons, the amount of the tax with respect to such  
20 licensed activities is equal to the gross income of such business  
21 multiplied by the rate of 0.484 percent.

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

29 (11)(a) Beginning October 1, 2005, upon every person engaging  
30 within this state in the business of manufacturing commercial  
31 airplanes, or components of such airplanes, or making sales, at retail  
32 or wholesale, of commercial airplanes or components of such airplanes,  
33 manufactured by the seller, as to such persons the amount of tax with  
34 respect to such business is, in the case of manufacturers, equal to the  
35 value of the product manufactured and the gross proceeds of sales of  
36 the product manufactured, or in the case of processors for hire, equal  
37 to the gross income of the business, multiplied by the rate of:

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

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

2 (b) Beginning July 1, 2008, upon every person who is not eligible  
3 to report under the provisions of (a) of this subsection (11) and is  
4 engaging within this state in the business of manufacturing tooling  
5 specifically designed for use in manufacturing commercial airplanes or  
6 components of such airplanes, or making sales, at retail or wholesale,  
7 of such tooling manufactured by the seller, as to such persons the  
8 amount of tax with respect to such business is, in the case of  
9 manufacturers, equal to the value of the product manufactured and the  
10 gross proceeds of sales of the product manufactured, or in the case of  
11 processors for hire, be equal to the gross income of the business,  
12 multiplied by the rate of 0.2904 percent.

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

15 (d) In addition to all other requirements under this title, a  
16 person reporting under the tax rate provided in this subsection (11)  
17 must file a complete annual report with the department under RCW  
18 82.32.534.

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

20 (12)(a) Until July 1, 2024, upon every person engaging within this  
21 state in the business of extracting timber or extracting for hire  
22 timber; as to such persons the amount of tax with respect to the  
23 business is, in the case of extractors, equal to the value of products,  
24 including by-products, extracted, or in the case of extractors for  
25 hire, equal to the gross income of the business, multiplied by the rate  
26 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
27 percent from July 1, 2007, through June 30, 2024.

28 (b) Until July 1, 2024, upon every person engaging within this  
29 state in the business of manufacturing or processing for hire: (i)  
30 Timber into timber products or wood products; or (ii) timber products  
31 into other timber products or wood products; as to such persons the  
32 amount of the tax with respect to the business is, in the case of  
33 manufacturers, equal to the value of products, including by-products,  
34 manufactured, or in the case of processors for hire, equal to the gross  
35 income of the business, multiplied by the rate of 0.4235 percent from  
36 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
37 2007, through June 30, 2024.



1 (c) Until July 1, 2024, upon every person engaging within this  
2 state in the business of selling at wholesale: (i) Timber extracted by  
3 that person; (ii) timber products manufactured by that person from  
4 timber or other timber products; or (iii) wood products manufactured by  
5 that person from timber or timber products; as to such persons the  
6 amount of the tax with respect to the business is equal to the gross  
7 proceeds of sales of the timber, timber products, or wood products  
8 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
9 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
10 2024.

11 (d) Until July 1, 2024, upon every person engaging within this  
12 state in the business of selling standing timber; as to such persons  
13 the amount of the tax with respect to the business is equal to the  
14 gross income of the business multiplied by the rate of 0.2904 percent.  
15 For purposes of this subsection (12)(d), "selling standing timber"  
16 means the sale of timber apart from the land, where the buyer is  
17 required to sever the timber within thirty months from the date of the  
18 original contract, regardless of the method of payment for the timber  
19 and whether title to the timber transfers before, upon, or after  
20 severance.

21 (e) For purposes of this subsection, the following definitions  
22 apply:

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

26 (ii) "Paper and paper products" means products made of interwoven  
27 cellulosic fibers held together largely by hydrogen bonding. "Paper  
28 and paper products" includes newsprint; office, printing, fine, and  
29 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
30 kraft bag, construction, and other kraft industrial papers; paperboard,  
31 liquid packaging containers, containerboard, corrugated, and solid-  
32 fiber containers including linerboard and corrugated medium; and  
33 related types of cellulosic products containing primarily, by weight or  
34 volume, cellulosic materials. "Paper and paper products" does not  
35 include books, newspapers, magazines, periodicals, and other printed  
36 publications, advertising materials, calendars, and similar types of  
37 printed materials.

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

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

10 (v) "Timber products" means:

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

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

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

18 (vi) "Wood products" means paper and paper products; dimensional  
19 lumber; engineered wood products such as particleboard, oriented strand  
20 board, medium density fiberboard, and plywood; wood doors; wood  
21 windows; and biocomposite surface products.

22 (f) Except for small harvesters as defined in RCW 84.33.035, a  
23 person reporting under the tax rate provided in this subsection (12)  
24 must file a complete annual survey with the department under RCW  
25 82.32.585.

26 (13) Until July 1, 2013, upon every person engaging within this  
27 state in inspecting, testing, labeling, and storing canned salmon owned  
28 by another person, as to such persons, the amount of tax with respect  
29 to such activities is equal to the gross income derived from such  
30 activities multiplied by the rate of 0.484 percent.

31 (14)(a) Until July 1, 2013, upon every person engaging within this  
32 state in the business of printing a newspaper, publishing a newspaper,  
33 or both, the amount of tax on such business is equal to the gross  
34 income of the business multiplied by the rate of 0.2904 percent.

35 (b) A person reporting under the tax rate provided in this  
36 subsection (14) must file a complete annual report with the department  
37 under RCW 82.32.534.

1       (15) Subsequent to the expiration of a tax rate under this section,  
2 the activity is subject to the rate that would otherwise apply under  
3 this chapter.

4       **Sec. 210.** RCW 82.04.280 and 2010 c 106 s 205 are each amended to  
5 read as follows:

6       (1) Upon every person engaging within this state in the business  
7 of: (a) Printing materials other than newspapers, and of publishing  
8 periodicals or magazines; (b) building, repairing or improving any  
9 street, place, road, highway, easement, right-of-way, mass public  
10 transportation terminal or parking facility, bridge, tunnel, or trestle  
11 which is owned by a municipal corporation or political subdivision of  
12 the state or by the United States and which is used or to be used,  
13 primarily for foot or vehicular traffic including mass transportation  
14 vehicles of any kind and including any readjustment, reconstruction or  
15 relocation of the facilities of any public, private or cooperatively  
16 owned utility or railroad in the course of such building, repairing or  
17 improving, the cost of which readjustment, reconstruction, or  
18 relocation, is the responsibility of the public authority whose street,  
19 place, road, highway, easement, right-of-way, mass public  
20 transportation terminal or parking facility, bridge, tunnel, or trestle  
21 is being built, repaired or improved; (c) extracting for hire or  
22 processing for hire, except persons taxable as extractors for hire or  
23 processors for hire under another section of this chapter; (d)  
24 operating a cold storage warehouse or storage warehouse, but not  
25 including the rental of cold storage lockers; (e) representing and  
26 performing services for fire or casualty insurance companies as an  
27 independent resident managing general agent licensed under the  
28 provisions of chapter 48.17 RCW; (f) radio and television broadcasting,  
29 excluding network, national and regional advertising computed as a  
30 standard deduction based on the national average thereof as annually  
31 reported by the federal communications commission, or in lieu thereof  
32 by itemization by the individual broadcasting station, and excluding  
33 that portion of revenue represented by the out-of-state audience  
34 computed as a ratio to the station's total audience as measured by the  
35 100 micro-volt signal strength and delivery by wire, if any; (g)  
36 engaging in activities which bring a person within the definition of

1 consumer contained in RCW 82.04.190(6); as to such persons, the amount  
2 of tax on such business is equal to the gross income of the business  
3 multiplied by the rate of 0.484 percent.

4 (2) For the purposes of this section, the following definitions  
5 apply unless the context clearly requires otherwise.

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

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

21 (c) "Periodical or magazine" means a printed publication, other  
22 than a newspaper, issued regularly at stated intervals at least once  
23 every three months, including any supplement or special edition of the  
24 publication.

25 (3) The 0.484 percent tax rate applicable to subsection (1)(a),  
26 (d), (e), and (f) of this section does not apply on or after July 1,  
27 2013.

28 **Sec. 211.** RCW 82.04.280 and 2010 c 106 s 206 are each amended to  
29 read as follows:

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

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

27 (2) For the purposes of this section, the following definitions  
28 apply unless the context clearly requires otherwise.

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

34 (b) "Storage warehouse" means a building or structure, or any part  
35 thereof, in which goods, wares, or merchandise are received for storage  
36 for compensation, except field warehouses, fruit warehouses, fruit  
37 packing plants, warehouses licensed under chapter 22.09 RCW, public  
38 garages storing automobiles, railroad freight sheds, docks and wharves,

1 and "self-storage" or "mini storage" facilities whereby customers have  
2 direct access to individual storage areas by separate entrance.  
3 "Storage warehouse" does not include a building or structure, or that  
4 part of such building or structure, in which an activity taxable under  
5 RCW 82.04.272 is conducted.

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

10 (3) The 0.484 percent tax rate applicable to subsection (1)(a),  
11 (d), (e), and (f) of this section does not apply on or after July 1,  
12 2013.

13 **Sec. 212.** RCW 82.04.290 and 2008 c 81 s 6 are each amended to read  
14 as follows:

15 (1) Until July 1, 2013, upon every person engaging within this  
16 state in the business of providing international investment management  
17 services, as to such persons, the amount of tax with respect to such  
18 business (~~shall be~~) is equal to the gross income or gross proceeds of  
19 sales of the business multiplied by a rate of 0.275 percent.

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

26 (b) This subsection (2) includes, among others, and without  
27 limiting the scope hereof (whether or not title to materials used in  
28 the performance of such business passes to another by accession,  
29 confusion or other than by outright sale), persons engaged in the  
30 business of rendering any type of service which does not constitute a  
31 "sale at retail" or a "sale at wholesale." The value of advertising,  
32 demonstration, and promotional supplies and materials furnished to an  
33 agent by his or her principal or supplier to be used for informational,  
34 educational, and promotional purposes (~~shall~~) is not (~~be~~)  
35 considered a part of the agent's remuneration or commission and  
36 (~~shall~~) is not (~~be~~) subject to taxation under this section.

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

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

8 **Sec. 213.** RCW 82.04.360 and 2010 1st sp.s. c 23 s 702 are each  
9 amended to read as follows:

10 (1) This chapter does not apply to any person in respect to his or  
11 her employment in the capacity of an employee or servant as  
12 distinguished from that of an independent contractor. Until July 1,  
13 2013, and for the purposes of this section, the definition of employee  
14 includes those persons that are defined in section 3121(d)(3)(B) of the  
15 federal internal revenue code of 1986, as amended through January 1,  
16 1991.

17 (2) Until July 1, 2010, this chapter does not apply to amounts  
18 received by an individual from a corporation as compensation for  
19 serving as a member of that corporation's board of directors.  
20 Beginning on July 1, 2010, such amounts are taxable under RCW  
21 82.04.290(2).

22 (3) A booth renter is an independent contractor for purposes of  
23 this chapter. For purposes of this section, "booth renter" means any  
24 person who:

25 (a) Performs cosmetology, barbering, esthetics, or manicuring  
26 services for which a license is required under chapter 18.16 RCW; and

27 (b) Pays a fee for the use of salon or shop facilities and receives  
28 no compensation or other consideration from the owner of the salon or  
29 shop for the services performed.

30 **Sec. 214.** RCW 82.62.020 and 2007 c 485 s 2 are each amended to  
31 read as follows:

32 Application for tax credits under this chapter must be made within  
33 ninety consecutive days after the first qualified employment position  
34 is filled. The application (~~shall~~) must be made to the department in  
35 a form and manner prescribed by the department. The application  
36 (~~shall~~) must contain information regarding the location of the

1 business project, the applicant's average employment, if any, at the  
2 facility for the four consecutive full calendar quarters immediately  
3 preceding the earlier of the calendar quarter during which the  
4 application required by this section is submitted to the department or  
5 the first qualified employment position is filled, estimated or actual  
6 new employment related to the project, estimated or actual wages of  
7 employees related to the project, estimated or actual costs, time  
8 schedules for completion and operation, and other information required  
9 by the department. The department (~~shall~~) must prescribe a method  
10 for calculating a seasonal employer's average employment levels. The  
11 department (~~shall~~) must rule on the application within sixty days.  
12 The department may not accept applications after June 30, 2013.

13 **Sec. 215.** RCW 82.73.020 and 2005 c 514 s 903 are each amended to  
14 read as follows:

15 (1) Application for tax credits under this chapter must be made to  
16 the department before making a contribution to a program or the main  
17 street trust fund. The application (~~shall~~) must be made to the  
18 department in a form and manner prescribed by the department. The  
19 application (~~shall~~) must contain information regarding the proposed  
20 amount of contribution to a program or the main street trust fund, and  
21 other information required by the department to determine eligibility  
22 under chapter 514, Laws of 2005. The department (~~shall~~) must rule on  
23 the application within forty-five days. Applications (~~shall~~) must be  
24 approved on a first-come basis.

25 (2) The person must make the contribution described in the approved  
26 application by the end of the calendar year in which the application is  
27 approved to claim a credit allowed under RCW 82.73.030.

28 (3) The department (~~shall~~) may not accept any applications before  
29 January 1, 2006, or after June 30, 2013.

30 **Sec. 216.** RCW 82.04.310 and 2010 c 295 s 1 are each amended to  
31 read as follows:

32 (1) This chapter does not apply to any person in respect to a  
33 business activity with respect to which tax liability is specifically  
34 imposed under the provisions of chapter 82.16 RCW including amounts  
35 derived from activities for which a deduction is allowed under RCW  
36 82.16.050.



1 (2) Until July 1, 2013, this chapter does not apply to amounts  
2 received by any person for the sale of electrical energy for resale  
3 within or outside the state.

4 (3)(a) This chapter does not apply to amounts received by any  
5 person for the sale of natural or manufactured gas in a calendar year  
6 if that person sells within the United States a total amount of natural  
7 or manufactured gas in that calendar year that is no more than twenty  
8 percent of the amount of natural or manufactured gas that it consumes  
9 within the United States in the same calendar year.

10 (b) For purposes of determining whether a person has sold within  
11 the United States a total amount of natural or manufactured gas in a  
12 calendar year that is no more than twenty percent of the amount of  
13 natural or manufactured gas that it consumes within the United States  
14 in the same calendar year, the following transfers of gas are not  
15 considered to be the sale of natural or manufactured gas:

16 (i) The transfer of any natural or manufactured gas as a result of  
17 the acquisition of another business, through merger or otherwise; or

18 (ii) The transfer of any natural or manufactured gas accomplished  
19 solely to comply with federal regulatory requirements imposed on the  
20 pipeline transportation of such gas when it is shipped by a third-party  
21 manager of a person's pipeline transportation.

22 (4) This chapter does not apply to amounts received by any person  
23 in the form of credits against power contracts with the Bonneville  
24 power administration, or funds provided by the Bonneville power  
25 administration, for the purpose of implementing energy conservation  
26 programs or demand-side management programs.

27 **Sec. 217.** RCW 82.04.310 and 2007 c 58 s 1 are each amended to read  
28 as follows:

29 (1) Until July 1, 2017, this chapter ((shall)) does not apply to  
30 any person in respect to a business activity with respect to which tax  
31 liability is specifically imposed under the provisions of chapter 82.16  
32 RCW including amounts derived from activities for which a deduction is  
33 allowed under RCW 82.16.050.

34 (2) Until July 1, 2013, this chapter does not apply to amounts  
35 received by any person for the sale of electrical energy for resale  
36 within or outside the state.

1 (3)(a) This chapter does not apply to amounts received by any  
2 person for the sale of natural or manufactured gas in a calendar year  
3 if that person sells within the United States a total amount of natural  
4 or manufactured gas in that calendar year that is no more than twenty  
5 percent of the amount of natural or manufactured gas that it consumes  
6 within the United States in the same calendar year.

7 (b) For purposes of determining whether a person has sold within  
8 the United States a total amount of natural or manufactured gas in a  
9 calendar year that is no more than twenty percent of the amount of  
10 natural or manufactured gas that it consumes within the United States  
11 in the same calendar year, the following transfers of gas are not  
12 considered to be the sale of natural or manufactured gas:

13 (i) The transfer of any natural or manufactured gas as a result of  
14 the acquisition of another business, through merger or otherwise; or

15 (ii) The transfer of any natural or manufactured gas accomplished  
16 solely to comply with federal regulatory requirements imposed on the  
17 pipeline transportation of such gas when it is shipped by a third-party  
18 manager of a person's pipeline transportation.

### 19 PART III

#### 20 Incorporating State Tax Expenditures into the State Budget Process

21 **Sec. 301.** RCW 43.06.400 and 1999 c 372 s 5 are each amended to  
22 read as follows:

23 (~~Beginning in January 1984, and in January of every fourth year~~  
24 ~~thereafter~~) By September 1, 2012, and every two years thereafter, the  
25 department of revenue (~~shall submit to the legislature prior to the~~  
26 ~~regular session~~) must prepare a listing of the amount of reduction for  
27 the current and next biennium in the revenues of the state or the  
28 revenues of local government collected by the state as a result of tax  
29 (~~exemptions~~) expenditures. The listing (~~shall~~) must include an  
30 estimate of the revenue lost from the tax (~~exemption~~) expenditure,  
31 the purpose of the tax (~~exemption~~) expenditure, the persons,  
32 organizations, or parts of the population which benefit from the tax  
33 (~~exemption~~) expenditure, and whether or not the tax (~~exemption~~)  
34 expenditure conflicts with another state program. The listing  
35 (~~shall~~) must include but not be limited to the following revenue  
36 sources:

- 1 (1) Real and personal property tax exemptions under Title 84 RCW;
- 2 (2) Business and occupation tax exemptions, deductions, and credits
- 3 under chapter 82.04 RCW;
- 4 (3) Retail sales and use tax exemptions under chapters 82.08,
- 5 82.12, and 82.14 RCW;
- 6 (4) Public utility tax exemptions and deductions under chapter
- 7 82.16 RCW;
- 8 (5) Food fish and shellfish tax exemptions under chapter 82.27 RCW;
- 9 (6) Leasehold excise tax exemptions under chapter 82.29A RCW;
- 10 (7) Motor vehicle and special fuel tax exemptions and refunds under
- 11 chapters 82.36 and 82.38 RCW;
- 12 (8) Aircraft fuel tax exemptions under chapter 82.42 RCW;
- 13 (9) Motor vehicle excise tax exclusions under chapter 82.44 RCW;
- 14 and
- 15 (10) Insurance premiums tax exemptions under chapter 48.14 RCW.

16 The department of revenue (~~shall~~) must prepare the listing  
17 required by this section with the assistance of any other agencies or  
18 departments as may be required.

19 The department of revenue (~~shall present the listing to the ways~~  
20 ~~and means committees of each house in public hearings~~) must submit the  
21 listing to the governor at the time biennial budget requests are due  
22 under RCW 43.88.030.

23 (~~Beginning in January 1984, and every four years thereafter~~) The  
24 governor is requested to review the report from the department of  
25 revenue and prepare a tax expenditure report as part of the biennial  
26 budget documents under RCW 43.88.030. The tax expenditure report must  
27 include the listing of expenditures prepared by the department of  
28 revenue and a budget analysis of each expenditure. The budget analysis  
29 must categorize each expenditure according to the programs or functions  
30 each expenditure supports. The tax expenditure report does not have to  
31 address tax expenditures required under the state Constitution, federal  
32 Constitution, or federal law.

33 The tax expenditure report must provide a separate section with a  
34 list and budget analysis for tax expenditures set to expire in the next  
35 biennium. The governor must make a recommendation as to whether the  
36 expenditure set to expire in the next biennium should be allowed to  
37 terminate, continue, or continue with modification. The governor also  
38 may submit other recommendations to the legislature with respect to the

1 repeal or modification of any tax (~~(exemption)~~) expenditure. The  
2 (~~(ways and means)~~) fiscal committees of each house and the appropriate  
3 standing committee of each house (~~(shall)~~) must hold public hearings  
4 and take appropriate action on the tax expenditure report and  
5 recommendations submitted by the governor.

6 As used in this section, "tax (~~(exemption)~~) expenditure" means an  
7 exemption, exclusion, or deduction from the base of a tax; a credit  
8 against a tax; a deferral of a tax; or a preferential tax rate.

9 **Sec. 302.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to  
10 read as follows:

11 (1) The director of financial management (~~(shall)~~) must provide all  
12 agencies with a complete set of instructions for submitting biennial  
13 budget requests to the director at least three months before agency  
14 budget documents are due into the office of financial management. The  
15 budget document or documents (~~(shall)~~) must consist of the governor's  
16 budget message which (~~(shall)~~) must be explanatory of the budget and  
17 (~~(shall)~~) must contain an outline of the proposed financial policies of  
18 the state for the ensuing fiscal period, as well as an outline of the  
19 proposed six-year financial policies where applicable, and (~~(shall)~~)  
20 must describe in connection therewith the important features of the  
21 budget. The biennial budget document or documents (~~(shall)~~) must also  
22 describe performance indicators that demonstrate measurable progress  
23 towards priority results. The message (~~(shall)~~) must set forth the  
24 reasons for salient changes from the previous fiscal period in  
25 expenditure and revenue items and (~~(shall)~~) must explain any major  
26 changes in financial policy. Attached to the budget message (~~(shall)~~)  
27 must be such supporting schedules, exhibits and other explanatory  
28 material in respect to both current operations and capital improvements  
29 as the governor (~~(shall)~~) deems to be useful to the legislature. The  
30 budget document or documents (~~(shall)~~) must set forth a proposal for  
31 expenditures in the ensuing fiscal period, or six-year period where  
32 applicable, based upon the estimated revenues and caseloads as approved  
33 by the economic and revenue forecast council and caseload forecast  
34 council or upon the estimated revenues and caseloads of the office of  
35 financial management for those funds, accounts, sources, and programs  
36 for which the forecast councils do not prepare an official forecast.  
37 Revenues (~~(shall)~~) must be estimated for such fiscal period from the

1 source and at the rates existing by law at the time of submission of  
2 the budget document, including the supplemental budgets submitted in  
3 the even-numbered years of a biennium. However, the estimated revenues  
4 and caseloads for use in the governor's budget document may be adjusted  
5 to reflect budgetary revenue transfers and revenue and caseload  
6 estimates dependent upon budgetary assumptions of enrollments,  
7 workloads, and caseloads. All adjustments to the approved estimated  
8 revenues and caseloads must be set forth in the budget document. The  
9 governor may additionally submit, as an appendix to each supplemental,  
10 biennial, or six-year agency budget or to the budget document or  
11 documents, a proposal for expenditures in the ensuing fiscal period  
12 from revenue sources derived from proposed changes in existing  
13 statutes.

14 The budget document or documents (~~(shall)~~) must also contain:

15 (a) Revenues classified by fund and source for the immediately past  
16 fiscal period, those received or anticipated for the current fiscal  
17 period, and those anticipated for the ensuing biennium;

18 (b) The tax expenditure report prepared under RCW 43.06.400;

19 (c) The undesignated fund balance or deficit, by fund;

20 ~~((e))~~ (d) Such additional information dealing with expenditures,  
21 revenues, workload, performance, and personnel as the legislature may  
22 direct by law or concurrent resolution;

23 ~~((d))~~ (e) Such additional information dealing with revenues and  
24 expenditures as the governor (~~(shall)~~) deems pertinent and useful to  
25 the legislature;

26 ~~((e))~~ (f) Tabulations showing expenditures classified by fund,  
27 function, and agency;

28 ~~((f))~~ (g) The expenditures that include nonbudgeted,  
29 nonappropriated accounts outside the state treasury;

30 ~~((g))~~ (h) Identification of all proposed direct expenditures to  
31 implement the Puget Sound water quality plan under chapter 90.71 RCW,  
32 shown by agency and in total; and

33 ~~((h))~~ (i) Tabulations showing each postretirement adjustment by  
34 retirement system established after fiscal year 1991, to include, but  
35 not be limited to, estimated total payments made to the end of the  
36 previous biennial period, estimated payments for the present biennium,  
37 and estimated payments for the ensuing biennium.

1           (2) The budget document or documents (~~shall~~) must include  
2 detailed estimates of all anticipated revenues applicable to proposed  
3 operating or capital expenditures and shall also include all proposed  
4 operating or capital expenditures. The total of beginning undesignated  
5 fund balance and estimated revenues less working capital and other  
6 reserves shall equal or exceed the total of proposed applicable  
7 expenditures. The budget document or documents (~~shall~~) must further  
8 include:

9           (a) Interest, amortization and redemption charges on the state  
10 debt;

11           (b) Payments of all reliefs, judgments, and claims;

12           (c) Other statutory expenditures;

13           (d) Expenditures incident to the operation for each agency;

14           (e) Revenues derived from agency operations;

15           (f) Expenditures and revenues (~~shall~~) must be given in  
16 comparative form showing those incurred or received for the immediately  
17 past fiscal period and those anticipated for the current biennium and  
18 next ensuing biennium;

19           (g) A showing and explanation of amounts of general fund and other  
20 funds obligations for debt service and any transfers of moneys that  
21 otherwise would have been available for appropriation;

22           (h) Common school expenditures on a fiscal-year basis;

23           (i) A showing, by agency, of the value and purpose of financing  
24 contracts for the lease/purchase or acquisition of personal or real  
25 property for the current and ensuing fiscal periods; and

26           (j) A showing and explanation of anticipated amounts of general  
27 fund and other funds required to amortize the unfunded actuarial  
28 accrued liability of the retirement system specified under chapter  
29 41.45 RCW, and the contributions to meet such amortization, stated in  
30 total dollars and as a level percentage of total compensation.

31           (3) The governor's operating budget document or documents (~~shall~~)  
32 must reflect the statewide priorities as required by RCW 43.88.090.

33           (4) The governor's operating budget document or documents (~~shall~~)  
34 must identify activities that are not addressing the statewide  
35 priorities.

36           (5) A separate capital budget document or schedule (~~shall~~) must  
37 be submitted that will contain the following:

- 1 (a) A statement setting forth a long-range facilities plan for the
- 2 state that identifies and includes the highest priority needs within
- 3 affordable spending levels;
- 4 (b) A capital program consisting of proposed capital projects for
- 5 the next biennium and the two biennia succeeding the next biennium
- 6 consistent with the long-range facilities plan. Insomuch as is
- 7 practical, and recognizing emergent needs, the capital program shall
- 8 reflect the priorities, projects, and spending levels proposed in
- 9 previously submitted capital budget documents in order to provide a
- 10 reliable long-range planning tool for the legislature and state
- 11 agencies;
- 12 (c) A capital plan consisting of proposed capital spending for at
- 13 least four biennia succeeding the next biennium;
- 14 (d) A strategic plan for reducing backlogs of maintenance and
- 15 repair projects. The plan (~~shall~~) must include a prioritized list of
- 16 specific facility deficiencies and capital projects to address the
- 17 deficiencies for each agency, cost estimates for each project, a
- 18 schedule for completing projects over a reasonable period of time, and
- 19 identification of normal maintenance activities to reduce future
- 20 backlogs;
- 21 (e) A statement of the reason or purpose for a project;
- 22 (f) Verification that a project is consistent with the provisions
- 23 set forth in chapter 36.70A RCW;
- 24 (g) A statement about the proposed site, size, and estimated life
- 25 of the project, if applicable;
- 26 (h) Estimated total project cost;
- 27 (i) For major projects valued over five million dollars, estimated
- 28 costs for the following project components: Acquisition, consultant
- 29 services, construction, equipment, project management, and other costs
- 30 included as part of the project. Project component costs (~~shall~~)
- 31 must be displayed in a standard format defined by the office of
- 32 financial management to allow comparisons between projects;
- 33 (j) Estimated total project cost for each phase of the project as
- 34 defined by the office of financial management;
- 35 (k) Estimated ensuing biennium costs;
- 36 (l) Estimated costs beyond the ensuing biennium;
- 37 (m) Estimated construction start and completion dates;
- 38 (n) Source and type of funds proposed;

1 (o) Estimated ongoing operating budget costs or savings resulting  
2 from the project, including staffing and maintenance costs;

3 (p) For any capital appropriation requested for a state agency for  
4 the acquisition of land or the capital improvement of land in which the  
5 primary purpose of the acquisition or improvement is recreation or  
6 wildlife habitat conservation, the capital budget document, or an  
7 omnibus list of recreation and habitat acquisitions provided with the  
8 governor's budget document, (~~shall~~) must identify the projected costs  
9 of operation and maintenance for at least the two biennia succeeding  
10 the next biennium. Omnibus lists of habitat and recreation land  
11 acquisitions (~~shall~~) must include individual project cost estimates  
12 for operation and maintenance as well as a total for all state projects  
13 included in the list. The document (~~shall~~) must identify the source  
14 of funds from which the operation and maintenance costs are proposed to  
15 be funded;

16 (q) Such other information bearing upon capital projects as the  
17 governor deems to be useful;

18 (r) Standard terms, including a standard and uniform definition of  
19 normal maintenance, for all capital projects;

20 (s) Such other information as the legislature may direct by law or  
21 concurrent resolution.

22 For purposes of this subsection (5), the term "capital project"  
23 (~~shall~~) must be defined subsequent to the analysis, findings, and  
24 recommendations of a joint committee comprised of representatives from  
25 the house capital appropriations committee, senate ways and means  
26 committee, legislative evaluation and accountability program committee,  
27 and office of financial management.

28 (6) No change affecting the comparability of agency or program  
29 information relating to expenditures, revenues, workload, performance  
30 and personnel (~~shall~~) may be made in the format of any budget  
31 document or report presented to the legislature under this section or  
32 RCW 43.88.160(1) relative to the format of the budget document or  
33 report which was presented to the previous regular session of the  
34 legislature during an odd-numbered year without prior legislative  
35 concurrence. Prior legislative concurrence (~~shall~~) must consist of  
36 (a) a favorable majority vote on the proposal by the standing  
37 committees on ways and means of both houses if the legislature is in



1 session or (b) a favorable majority vote on the proposal by members of  
2 the legislative evaluation and accountability program committee if the  
3 legislature is not in session.

4 **PART IV**

5 **Modifying the Tax Preference Review by the Joint Legislative Audit**  
6 **and Review Committee**

7 **Sec. 401.** RCW 43.136.045 and 2006 c 197 s 4 are each amended to  
8 read as follows:

9 (1) The citizen commission for performance measurement of tax  
10 preferences (~~shall~~) must develop a schedule to accomplish an orderly  
11 review of tax preferences at least once every ten years. (~~The~~  
12 ~~commission shall schedule tax preferences for review in~~) In  
13 determining the schedule, the commission must consider the order the  
14 tax preferences were enacted into law, (~~except that~~) in addition to  
15 other factors including, but not limited to, grouping tax preferences  
16 for review by type of industry, economic sector, or policy area. The  
17 commission (~~may elect to~~) must include, (~~anywhere in the schedule~~)  
18 as necessary, a tax preference that has a statutory expiration date.  
19 The commission (~~shall~~) must omit from the schedule tax preferences  
20 that are required by constitutional law(~~, sales and use tax exemptions~~  
21 ~~for machinery and equipment for manufacturing, research and~~  
22 ~~development, or testing, the small business credit for the business and~~  
23 ~~occupation tax, sales and use tax exemptions for food and prescription~~  
24 ~~drugs, property tax relief for retired persons, and property tax~~  
25 ~~valuations based on current use, and may omit any tax preference that~~  
26 ~~the commission determines is a critical part of the structure of the~~  
27 ~~tax system~~). The commission may exclude from review any tax  
28 preference that has an estimated biennial fiscal impact of five million  
29 dollars or less. As an alternative to the process under RCW  
30 43.136.055, the commission may recommend to the joint legislative audit  
31 and review committee an expedited review process for any tax preference  
32 that has an estimated biennial fiscal impact of ten million dollars or  
33 less.

34 (2) The commission (~~shall~~) must revise the schedule as needed  
35 each year, taking into account newly enacted or terminated tax  
36 preferences. The commission (~~shall~~) must deliver the schedule to the

1 joint legislative audit and review committee by September 1st of each  
2 year. The commission may revise the schedule as necessary to reflect  
3 tax preferences set to expire under Parts 1 and 2 of this act.

4 (3) The commission (~~shall~~) must provide a process for effective  
5 citizen input during its deliberations.

6 **Sec. 402.** RCW 43.136.055 and 2006 c 197 s 5 are each amended to  
7 read as follows:

8 (1) The joint legislative audit and review committee (~~shall~~) must  
9 review tax preferences according to the schedule developed under RCW  
10 43.136.045. The committee (~~shall~~) must consider, but not be limited  
11 to, the following factors in the review as relevant to each particular  
12 tax preference:

13 (a) The classes of individuals, types of organizations, or types of  
14 industries whose state tax liabilities are directly affected by the tax  
15 preference;

16 (b) Public policy objectives that might provide a justification for  
17 the tax preference, including but not limited to the legislative  
18 history, any legislative intent, or the extent to which the tax  
19 preference encourages business growth or relocation into this state,  
20 promotes growth or retention of high wage jobs, or helps stabilize  
21 communities;

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

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

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

29 (f) The extent to which terminating the tax preference may have  
30 negative effects on the category of taxpayers that currently benefit  
31 from the tax preference, and the extent to which resulting higher taxes  
32 may have negative effects on employment and the economy;

33 (g) The feasibility of modifying the tax preference to provide for  
34 adjustment or recapture of the tax benefits of the tax preference if  
35 the objectives are not fulfilled;

36 (h) Fiscal impacts of the tax preference, including past impacts  
37 and expected future impacts if it is continued. For the purposes of

1 this subsection, "fiscal impact" includes an analysis of the general  
2 effects of the tax preference on the overall state economy, including,  
3 but not limited to, the effects of the tax preference on the  
4 consumption and expenditures of persons and businesses within the  
5 state;

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

8 (j) Consideration of similar tax preferences adopted in other  
9 states, and potential public policy benefits that might be gained by  
10 incorporating corresponding provisions in Washington.

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

16 **Sec. 403.** RCW 43.136.065 and 2006 c 197 s 6 are each amended to  
17 read as follows:

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

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

