
SENATE BILL 6342

State of Washington

62nd Legislature

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By Senators Prentice, Honeyford, Hatfield, Schoesler, Haugen, Hobbs, Delvin, and Parlette

Read first time 01/18/12. Referred to Committee on Ways & Means.

1 AN ACT Relating to extending business and occupation tax
2 preferences for fruit, vegetable, dairy, and seafood businesses;
3 amending RCW 82.04.4266, 82.04.4268, 82.04.4269, and 82.04.260; and
4 providing expiration dates.

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

6 **Sec. 1.** RCW 82.04.4266 and 2011 c 2 s 202 (Initiative Measure No.
7 1107) are each amended to read as follows:

8 (1) This chapter does not apply to the value of products or the
9 gross proceeds of sales derived from:

10 (a) Manufacturing fruits or vegetables by canning, preserving,
11 freezing, processing, or dehydrating fresh fruits or vegetables; or

12 (b) Selling at wholesale fruits or vegetables manufactured by the
13 seller by canning, preserving, freezing, processing, or dehydrating
14 fresh fruits or vegetables and sold to purchasers who transport in the
15 ordinary course of business the goods out of this state. A person
16 taking an exemption under this subsection (1)(b) must keep and preserve
17 records for the period required by RCW 82.32.070 establishing that the
18 goods were transported by the purchaser in the ordinary course of
19 business out of this state.

1 (2) A person claiming the exemption provided in this section must
2 file a complete annual survey with the department under RCW 82.32.585.

3 (3) This section expires July 1, (~~2012~~) 2022.

4 **Sec. 2.** RCW 82.04.4268 and 2010 c 114 s 112 are each amended to
5 read as follows:

6 (1) This chapter does not apply to the value of products or the
7 gross proceeds of sales derived from:

8 (a) Manufacturing dairy products; or

9 (b) Selling manufactured dairy products to purchasers who transport
10 in the ordinary course of business the goods out of this state. A
11 person taking an exemption under this subsection (1)(b) must keep and
12 preserve records for the period required by RCW 82.32.070 establishing
13 that the goods were transported by the purchaser in the ordinary course
14 of business out of this state.

15 (2) "Dairy products" means dairy products that as of September 20,
16 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
17 including byproducts from the manufacturing of the dairy products such
18 as whey and casein.

19 (3) A person claiming the exemption provided in this section must
20 file a complete annual survey with the department under RCW 82.32.585.

21 (4) This section expires July 1, (~~2012~~) 2022.

22 **Sec. 3.** RCW 82.04.4269 and 2010 c 114 s 113 are each amended to
23 read as follows:

24 (1) This chapter does not apply to the value of products or the
25 gross proceeds of sales derived from:

26 (a) Manufacturing seafood products that remain in a raw, raw
27 frozen, or raw salted state at the completion of the manufacturing by
28 that person; or

29 (b) Selling manufactured seafood products that remain in a raw, raw
30 frozen, or raw salted state to purchasers who transport in the ordinary
31 course of business the goods out of this state. A person taking an
32 exemption under this subsection (1)(b) must keep and preserve records
33 for the period required by RCW 82.32.070 establishing that the goods
34 were transported by the purchaser in the ordinary course of business
35 out of this state.

1 (2) A person claiming the exemption provided in this section must
2 file a complete annual survey with the department under RCW 82.32.585.

3 (3) This section expires July 1, (~~2012~~) 2022.

4 **Sec. 4.** RCW 82.04.260 and 2011 c 2 s 203 (Initiative Measure No.
5 1107) are each amended to read as follows:

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

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

14 (b) Beginning July 1, (~~2012~~) 2022, seafood products that remain
15 in a raw, raw frozen, or raw salted state at the completion of the
16 manufacturing by that person; or selling manufactured seafood products
17 that remain in a raw, raw frozen, or raw salted state at the completion
18 of the manufacturing, to purchasers who transport in the ordinary
19 course of business the goods out of this state; as to such persons the
20 amount of tax with respect to such business is equal to the value of
21 the products manufactured or the gross proceeds derived from such
22 sales, multiplied by the rate of 0.138 percent. Sellers must keep and
23 preserve records for the period required by RCW 82.32.070 establishing
24 that the goods were transported by the purchaser in the ordinary course
25 of business out of this state;

26 (c) Beginning July 1, (~~2012~~) 2022, dairy products that as of
27 September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131,
28 133, and 135, including by-products from the manufacturing of the dairy
29 products such as whey and casein; or selling the same to purchasers who
30 transport in the ordinary course of business the goods out of state; as
31 to such persons the tax imposed is equal to the value of the products
32 manufactured or the gross proceeds derived from such sales multiplied
33 by the rate of 0.138 percent. Sellers must keep and preserve records
34 for the period required by RCW 82.32.070 establishing that the goods
35 were transported by the purchaser in the ordinary course of business
36 out of this state;

1 (d) Beginning July 1, (~~2012~~) 2022, fruits or vegetables by
2 canning, preserving, freezing, processing, or dehydrating fresh fruits
3 or vegetables, or selling at wholesale fruits or vegetables
4 manufactured by the seller by canning, preserving, freezing,
5 processing, or dehydrating fresh fruits or vegetables and sold to
6 purchasers who transport in the ordinary course of business the goods
7 out of this state; as to such persons the amount of tax with respect to
8 such business is equal to the value of the products manufactured or the
9 gross proceeds derived from such sales multiplied by the rate of 0.138
10 percent. Sellers must keep and preserve records for the period
11 required by RCW 82.32.070 establishing that the goods were transported
12 by the purchaser in the ordinary course of business out of this state;

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

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

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

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

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

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

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

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

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

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

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

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

12 (9) Upon every person engaging within this state as an insurance
13 producer or title insurance agent licensed under chapter 48.17 RCW or
14 a surplus line broker licensed under chapter 48.15 RCW; as to such
15 persons, the amount of the tax with respect to such licensed activities
16 is equal to the gross income of such business multiplied by the rate of
17 0.484 percent.

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

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

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

36 (b) Beginning July 1, 2008, upon every person who is not eligible
37 to report under the provisions of (a) of this subsection (11) and is
38 engaging within this state in the business of manufacturing tooling

1 specifically designed for use in manufacturing commercial airplanes or
2 components of such airplanes, or making sales, at retail or wholesale,
3 of such tooling manufactured by the seller, as to such persons the
4 amount of tax with respect to such business is, in the case of
5 manufacturers, equal to the value of the product manufactured and the
6 gross proceeds of sales of the product manufactured, or in the case of
7 processors for hire, be equal to the gross income of the business,
8 multiplied by the rate of 0.2904 percent.

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

11 (d) In addition to all other requirements under this title, a
12 person reporting under the tax rate provided in this subsection (11)
13 must file a complete annual report with the department under RCW
14 82.32.534.

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

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

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

34 (c) Until July 1, 2024, upon every person engaging within this
35 state in the business of selling at wholesale: (i) Timber extracted by
36 that person; (ii) timber products manufactured by that person from
37 timber or other timber products; or (iii) wood products manufactured by
38 that person from timber or timber products; as to such persons the

1 amount of the tax with respect to the business is equal to the gross
2 proceeds of sales of the timber, timber products, or wood products
3 multiplied by the rate of 0.4235 percent from July 1, 2006, through
4 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
5 2024.

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

16 (e) For purposes of this subsection, the following definitions
17 apply:

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

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

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

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

5 (v) "Timber products" means:

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

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

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

13 (vi) "Wood products" means paper and paper products; dimensional
14 lumber; engineered wood products such as particleboard, oriented strand
15 board, medium density fiberboard, and plywood; wood doors; wood
16 windows; and biocomposite surface products.

17 (f) Except for small harvesters as defined in RCW 84.33.035, a
18 person reporting under the tax rate provided in this subsection (12)
19 must file a complete annual survey with the department under RCW
20 82.32.585.

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

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

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

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