

SUBSTITUTE HOUSE BILL 2201

State of Washington

63rd Legislature

2014 Regular Session

By House Finance (originally sponsored by Representatives Carlyle, Pollet, Jinkins, Tharinger, Ormsby, Walkinshaw, and Hudgins)

READ FIRST TIME 02/11/14.

1 AN ACT Relating to improving fiscal accountability and transparency
2 standards with respect to state tax preferences; amending RCW
3 82.32.330, 82.32.090, 82.32.590, 82.32.600, 82.32.605, 82.32.607,
4 82.32.710, 82.32.808, 82.04.240, 82.04.2404, 82.04.260, 82.04.260,
5 82.04.260, 82.04.260, 82.04.2909, 82.04.294, 82.04.426, 82.04.4266,
6 82.04.4268, 82.04.4269, 82.04.4277, 82.04.4452, 82.04.4461, 82.04.4461,
7 82.04.4463, 82.04.4463, 82.04.448, 82.04.4481, 82.04.4483, 82.04.449,
8 82.08.805, 82.08.965, 82.08.9651, 82.08.970, 82.08.980, 82.08.980,
9 82.08.986, 82.12.022, 82.12.025651, 82.12.805, 82.12.965, 82.12.9651,
10 82.12.970, 82.12.980, 82.12.980, 82.16.0421, 82.29A.137, 82.29A.137,
11 82.60.070, 82.63.020, 82.63.045, 82.74.040, 82.74.050, 82.75.040,
12 82.75.070, 82.82.020, 82.82.040, 84.36.645, 84.36.655, and 84.36.655;
13 adding new sections to chapter 82.32 RCW; creating a new section;
14 repealing RCW 82.32.534 and 82.32.585; providing an effective date;
15 providing a contingent effective date; providing expiration dates; and
16 providing a contingent expiration date.

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

18 NEW SECTION. **Sec. 1.** (1) The legislature finds that Washington
19 has among the largest number of tax preferences (i.e. credits,

1 exemptions, deductions, and preferential rates) in the nation due in
2 large part to the unique nature of the state's tax structure. The
3 legislature finds that measuring and assessing the efficacy of such
4 preferences is essential to ensure the most effective use of public
5 resources, and that public access to easily available data is vital to
6 conduct such evaluations.

7 (2) The legislature finds that comprehensive analysis and
8 evaluation of the efficacy of tax preferences assists lawmakers and the
9 public in understanding the benefits of specific tax policy decisions
10 to taxpayers, local economies, and the state. The legislature further
11 finds the relevant information critical for such analysis is frequently
12 not reported to the state department of revenue by taxpayers or is not
13 publicly available. The legislature further finds the lack of accurate
14 and ascertainable information has prevented the joint legislative audit
15 and review committee tax preference performance review process from
16 achieving the rigor of evaluation necessary to draw firm conclusions.
17 The legislature further finds that this also limits the ability of
18 lawmakers to access data of material importance for assessing proposed
19 tax preference legislation or to fairly and accurately evaluate the
20 merits of existing tax preferences. The legislature further finds that
21 Washington state has been a leader among states since passage of the
22 public disclosure act by initiative in 1972 in public disclosure of
23 government records, state budget documents, and campaign finance and
24 spending. The legislature further finds that similar leadership in the
25 area of the public disclosure of tax preferences would allow the
26 legislature and the public to assess the true impact of current tax
27 policy or proposed tax legislation in a manner that is currently
28 unattainable due to aggregated, anonymous data. The legislature
29 further finds that streamlining the reporting of tax preference data
30 collected by the department of revenue and eliminating unnecessary
31 reporting requirements of little usefulness for evaluation would
32 simplify and reduce the obligations of taxpayers, saving time and
33 effort. Therefore, the legislature intends to establish consistent
34 standards for the collection of data for the purposes of improving
35 analysis of tax preferences and their benefits and public policy
36 objective outcomes for taxpayers and relevant industries. The
37 legislature further intends to make such information subject to public
38 disclosure wherever possible to enable and improve lawmakers' and the

1 public's understanding of the benefits and costs of tax preferences
2 while ensuring that the release of such information does not cause
3 economic harm to taxpayers claiming such preferences.

4 **Part I**

5 **Improving Tax Preference Data Collection**

6 **Sec. 101.** RCW 82.32.090 and 2011 c 24 s 3 are each amended to read
7 as follows:

8 (1) If payment of any tax due on a return to be filed by a taxpayer
9 is not received by the department of revenue by the due date, there is
10 assessed a penalty of five percent of the amount of the tax; and if the
11 tax is not received on or before the last day of the month following
12 the due date, there is assessed a total penalty of fifteen percent of
13 the amount of the tax under this subsection; and if the tax is not
14 received on or before the last day of the second month following the
15 due date, there is assessed a total penalty of twenty-five percent of
16 the amount of the tax under this subsection. No penalty so added may
17 be less than five dollars.

18 (2) If the department of revenue determines that any tax has been
19 substantially underpaid, there is assessed a penalty of five percent of
20 the amount of the tax determined by the department to be due. If
21 payment of any tax determined by the department to be due is not
22 received by the department by the due date specified in the notice, or
23 any extension thereof, there is assessed a total penalty of fifteen
24 percent of the amount of the tax under this subsection; and if payment
25 of any tax determined by the department to be due is not received on or
26 before the thirtieth day following the due date specified in the notice
27 of tax due, or any extension thereof, there is assessed a total penalty
28 of twenty-five percent of the amount of the tax under this subsection.
29 No penalty so added may be less than five dollars. As used in this
30 section, "substantially underpaid" means that the taxpayer has paid
31 less than eighty percent of the amount of tax determined by the
32 department to be due for all of the types of taxes included in, and for
33 the entire period of time covered by, the department's examination, and
34 the amount of underpayment is at least one thousand dollars.

35 (3) If a warrant is issued by the department of revenue for the

1 collection of taxes, increases, and penalties, there is added thereto
2 a penalty of ten percent of the amount of the tax, but not less than
3 ten dollars.

4 (4) If the department finds that a person has engaged in any
5 business or performed any act upon which a tax is imposed under this
6 title and that person has not obtained from the department a
7 registration certificate as required by RCW 82.32.030, the department
8 must impose a penalty of five percent of the amount of tax due from
9 that person for the period that the person was not registered as
10 required by RCW 82.32.030. The department may not impose the penalty
11 under this subsection (4) if a person who has engaged in business
12 taxable under this title without first having registered as required by
13 RCW 82.32.030, prior to any notification by the department of the need
14 to register, obtains a registration certificate from the department.

15 (5) If the department finds that a taxpayer has disregarded
16 specific written instructions as to reporting or tax liabilities, or
17 willfully disregarded the requirement to file returns or remit payment
18 electronically, as provided by RCW 82.32.080, the department must add
19 a penalty of ten percent of the amount of the tax that should have been
20 reported and/or paid electronically or the additional tax found due if
21 there is a deficiency because of the failure to follow the
22 instructions. A taxpayer disregards specific written instructions when
23 the department has informed the taxpayer in writing of the taxpayer's
24 tax obligations and the taxpayer fails to act in accordance with those
25 instructions unless, in the case of a deficiency, the department has
26 not issued final instructions because the matter is under appeal
27 pursuant to this chapter or departmental regulations. The department
28 may not assess the penalty under this section upon any taxpayer who has
29 made a good faith effort to comply with the specific written
30 instructions provided by the department to that taxpayer. A taxpayer
31 will be considered to have made a good faith effort to comply with
32 specific written instructions to file returns and/or remit taxes
33 electronically only if the taxpayer can show good cause, as defined in
34 RCW 82.32.080, for the failure to comply with such instructions. A
35 taxpayer will be considered to have willfully disregarded the
36 requirement to file returns or remit payment electronically if the
37 department has mailed or otherwise delivered the specific written
38 instructions to the taxpayer on at least two occasions. Specific

1 written instructions may be given as a part of a tax assessment, audit,
2 determination, closing agreement, or other written communication,
3 provided that such specific written instructions apply only to the
4 taxpayer addressed or referenced on such communication. Any specific
5 written instructions by the department must be clearly identified as
6 such and must inform the taxpayer that failure to follow the
7 instructions may subject the taxpayer to the penalties imposed by this
8 subsection. If the department determines that it is necessary to
9 provide specific written instructions to a taxpayer that does not
10 comply with the requirement to file returns or remit payment
11 electronically as provided in RCW 82.32.080, the specific written
12 instructions must provide the taxpayer with a minimum of forty-five
13 days to come into compliance with its electronic filing and/or payment
14 obligations before the department may impose the penalty authorized in
15 this subsection.

16 (6) If the department finds that all or any part of a deficiency
17 resulted from engaging in a disregarded transaction, as described in
18 RCW 82.32.655(3), the department must assess a penalty of thirty-five
19 percent of the additional tax found to be due as a result of engaging
20 in a transaction disregarded by the department under RCW 82.32.655(2).
21 The penalty provided in this subsection may be assessed together with
22 any other applicable penalties provided in this section on the same tax
23 found to be due, except for the evasion penalty provided in subsection
24 (7) of this section. The department may not assess the penalty under
25 this subsection if, before the department discovers the taxpayer's use
26 of a transaction described under RCW 82.32.655(3), the taxpayer
27 discloses its participation in the transaction to the department.

28 (7) If the department finds that all or any part of the deficiency
29 resulted from an intent to evade the tax payable hereunder, a further
30 penalty of fifty percent of the additional tax found to be due must be
31 added.

32 (8)(a) If the department finds that all or any part of a tax
33 preference listed under (b) of this subsection has not been reported on
34 a return, as required under this subsection, a penalty equal to the
35 lesser of: Twenty-five dollars or one-half of one percent of the
36 unreported amount must be added. The penalty under this subsection (8)
37 is separate and additional to any other penalties that may be assessed
38 under this section.

1 (b) Taxpayers required to electronically report taxes to the
2 department on a monthly or quarterly basis and claiming a deduction
3 under chapter 82.04 or 82.16 RCW are subject to the penalty under (a)
4 of this subsection.

5 (c) The penalty under (a) of this subsection does not apply to:

6 (i) Tax preferences required by constitutional law; or

7 (ii) Unreported business and occupation or public utility
8 deductions if the gross amount to which the deduction would apply was
9 reported on the return.

10 (d) The penalty under this subsection (8) applies to unreported
11 amounts for reporting periods beginning on or after January 1, 2015.

12 (9) The penalties imposed under subsections (1) through (4) of this
13 section can each be imposed on the same tax found to be due. This
14 subsection does not prohibit or restrict the application of other
15 penalties authorized by law.

16 ~~((+9))~~ (10) The department may not impose the evasion penalty in
17 combination with the penalty for disregarding specific written
18 instructions or the penalty provided in subsection (6) of this section
19 on the same tax found to be due.

20 ~~((+10))~~ (11) For the purposes of this section, "return" means any
21 document a person is required by the state of Washington to file to
22 satisfy or establish a tax or fee obligation that is administered or
23 collected by the department, and that has a statutorily defined due
24 date.

25 NEW SECTION. Sec. 102. A new section is added to chapter 82.32
26 RCW to read as follows:

27 In determining a taxpayer's taxable amount, a taxpayer must
28 separately report the amount of any tax deduction on a return required
29 under this chapter for taxes due under chapter 82.04 or 82.16 RCW.

30 NEW SECTION. Sec. 103. A new section is added to chapter 82.32
31 RCW to read as follows:

32 (1) The department must establish a reporting code to uniquely
33 identify:

34 (a) All deductions and credits under chapters 82.04 and 82.16 RCW;

35 (b) Sales and use tax exemptions reported on returns submitted by
36 sellers; and

1 (c) Preferential business and occupation tax rates.

2 (2) Subsection (1) of this section applies only to returns filed
3 electronically.

4 (3) The department must establish unique reporting codes described
5 under subsection (1)(b) and (c) of this section by January 1, 2015.
6 The department must establish the remaining unique reporting codes in
7 conjunction with the department's legacy business systems replacement.

8 **Part II**

9 **Incorporating Department of Revenue-Led Workgroup**

10 **Recommendations for Improving DOR Annual Surveys and Reports**

11 NEW SECTION. **Sec. 201.** A new section is added to chapter 82.32
12 RCW to read as follows:

13 (1)(a) Every person claiming a tax preference that requires an
14 annual tax preference accountability report under this section must
15 file a complete report with the department. A tax preference
16 accountability report is due by April 30th of the year following any
17 calendar year in which a person claims a tax preference that requires
18 a report under this section.

19 (b) In addition to the reporting requirements under (a) of this
20 subsection, if the tax preference is a sales and use tax deferral on
21 labor and materials used in the construction or expansion of a building
22 that is part of an investment project, a report must also be filed by
23 April 30th of each of the seven succeeding calendar years after the
24 investment project has been certified by the department as being
25 operationally complete.

26 (c)(i) The department may extend the due date for timely filing of
27 annual reports under this section as provided in RCW 82.32.590.

28 (ii) A person may amend its tax return under this chapter to claim
29 a tax preference requiring a report under this section only when a
30 report is filed for each calendar year for which the taxpayer is
31 claiming a tax preference on an amended return. All of the tax
32 preference accountability reports required under this subsection
33 (1)(c)(ii) must be filed at the same time the amended returns are
34 submitted to the department.

35 (2)(a) The report must include the amount of tax preference claimed

1 for the calendar year covered by the report if the amount is not
2 reported to the department directly by the taxpayer as part of the
3 taxpayer's regular tax reporting obligations under this chapter.

4 (b) Except as provided in (c) of this subsection, the report must
5 also include the following information for employment positions in
6 Washington, not to include names of employees, for the year the tax
7 preference was claimed:

8 (i) The total number of employment positions as of December 31st
9 for the calendar year covered by the report;

10 (ii) The total wages paid for all employment positions for the
11 calendar year covered by the report;

12 (iii) An estimate of the percentage of employees, as of December
13 31st of the calendar year covered by the report, within each of the
14 following general job categories: Management occupations; computer,
15 mathematical, architectural, and engineering occupations; production
16 occupations; office and administrative support occupations; or any
17 other occupation type not otherwise specified under this subsection
18 (2)(b)(iii);

19 (iv) The percentage of employment positions for which employer-
20 provided medical, dental, and retirement benefits are available.

21 (c) The taxpayer is not required to provide the employment and wage
22 information under (b)(i) and (ii) of this subsection if similar
23 information is reported to the employment security department by the
24 taxpayer for the same period. For taxpayers reporting to the
25 employment security department, the total number of employment
26 positions under (b)(ii) of this subsection is the number of employees
27 included on the return provided by the taxpayer to the employment
28 security department for the fourth calendar quarter for the calendar
29 year covered by the report. A taxpayer must provide the department
30 with its employment security department account number or numbers.

31 (d) For persons claiming the credit provided under RCW 82.04.4452,
32 the report must also include the qualified research and development
33 expenditures during the calendar year for which the credit was claimed
34 and whether the tax preference has been assigned, and who assigned the
35 credit. The definitions in RCW 82.04.4452 apply to this subsection
36 (2)(d). This subsection (2)(d) only applies to the report due in
37 calendar year 2014.

1 (e) For persons claiming the tax exemption in RCW 82.08.025651 or
2 82.12.025651, the report must also include the general areas or
3 categories of research and development for which machinery and
4 equipment and labor and services were acquired, exempt from tax under
5 RCW 82.08.025651 or 82.12.025651, in the prior calendar year.

6 (f) If the person filing a report under this section did not file
7 a report with the department in the previous calendar year, the report
8 filed under this section must also include the employment, wage, and
9 benefit information required under (b)(i) through (iv) of this
10 subsection for the calendar year immediately preceding the calendar
11 year for which a tax preference was claimed.

12 (3) As part of the annual report, the department and the joint
13 legislative audit and review committee may request additional
14 information necessary to measure the results of, or determine
15 eligibility for, the tax preference.

16 (4) Other than information requested under subsection (3) of this
17 section, information required in this section is not subject to the
18 confidentiality provisions of RCW 82.32.330 and may be disclosed to the
19 public upon request, except as provided in subsection (5) of this
20 section. If the amount of the tax preference claimed as reported on
21 the report is different than the amount actually claimed or otherwise
22 allowed by the department based on the taxpayer's excise tax returns or
23 other information known to the department, the amount actually claimed
24 or allowed may be disclosed.

25 (5) Persons for whom the actual amount of the tax reduced or saved
26 for a tax preference is less than ten thousand dollars during the
27 period covered by the report may request the department to treat the
28 amount of the tax reduction or savings as confidential under RCW
29 82.32.330.

30 (6)(a) Except as otherwise provided by law, if a person claims a
31 tax preference that requires an annual report under this section but
32 fails to submit a complete annual report by the due date of the report
33 or any extension under RCW 82.32.590, the department must declare the
34 amount of the tax preference claimed for the previous calendar year to
35 be immediately due.

36 (b) If the tax preference is a deferral of tax, and the investment
37 project has not been certified operationally complete, the department
38 must declare the amount of tax preference claimed for the previous

1 calendar year to be immediately due. If the investment project has
2 been certified operationally complete, twelve and one-half percent of
3 the deferred tax is immediately due. If the economic benefits of the
4 deferral are passed to a lessee, the lessee is responsible for payment
5 to the extent the lessee has received the economic benefit.

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

14 (d) If the tax preference is a property tax exemption, the tax
15 preference amount collected by the department under this subsection
16 must be distributed in the same manner in which current taxes
17 applicable to the subject land are distributed.

18 (7) The department must use the information from this section to
19 prepare summary descriptive statistics by category. No fewer than
20 three taxpayers may be included in any category. The department must
21 report these statistics to the legislature each year by December 1st.

22 (8) For the purposes of this section:

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

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

28 NEW SECTION. **Sec. 202.** The following acts or parts of acts are
29 each repealed:

30 (1) RCW 82.32.534 (Annual report requirement for tax preferences)
31 and 2010 c 114 s 103; and

32 (2) RCW 82.32.585 (Annual survey requirement for tax preferences)
33 and 2011 c 23 s 6 & 2010 c 114 s 102.

34 **Sec. 203.** RCW 82.32.590 and 2011 c 174 s 306 are each amended to
35 read as follows:

36 (1) If the department finds that the failure of a taxpayer to file

1 an annual (~~survey under RCW 82.32.585 or annual report under RCW~~
2 ~~82.32.534~~) report under section 201 of this act by the due date was
3 the result of circumstances beyond the control of the taxpayer, the
4 department must extend the time for filing the (~~survey or~~) report.
5 The extension is for a period of thirty days from the date the
6 department issues its written notification to the taxpayer that it
7 qualifies for an extension under this section. The department may
8 grant additional extensions as it deems proper.

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

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

22 (b) To qualify for an extension under this subsection (3), a
23 taxpayer must have filed all annual reports (~~and surveys~~), if any,
24 due in prior years under subsection (1) of this section by their
25 respective due dates, beginning with annual reports (~~and surveys~~) due
26 in calendar year 2010.

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

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

31 **Sec. 204.** RCW 82.32.600 and 2010 c 114 s 136 are each amended to
32 read as follows:

33 (1) Persons required to file annual (~~surveys or annual reports~~
34 ~~under RCW 82.32.534 or 82.32.585~~) reports under section 201 of this
35 act must electronically file with the department all (~~surveys,~~)
36 reports, returns, and any other forms or information the department

1 requires in an electronic format as provided or approved by the
2 department. As used in this section, "returns" has the same meaning as
3 "return" in RCW 82.32.050.

4 (2) Any (~~survey,~~) report, return, or any other form or
5 information required to be filed in an electronic format under
6 subsection (1) of this section is not filed until received by the
7 department in an electronic format.

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

10 **Sec. 205.** RCW 82.32.605 and 2013 2nd sp.s. c 13 s 1004 are each
11 amended to read as follows:

12 (1) Every taxpayer claiming an exemption under RCW 82.08.956 or
13 82.12.956 must file with the department a complete annual (~~survey as~~
14 ~~required under RCW 82.32.585~~) report under section 201 of this act,
15 except that the taxpayer must file a separate (~~survey~~) report for
16 each facility owned or operated in the state of Washington.

17 (2) This section expires June 30, 2024.

18 **Sec. 206.** RCW 82.32.607 and 2013 2nd sp.s. c 13 s 1503 are each
19 amended to read as follows:

20 Every taxpayer claiming an exemption under RCW 82.08.962 or
21 82.12.962 must file with the department a complete annual (~~survey as~~
22 ~~required under RCW 82.32.585~~) report under section 201 of this act,
23 except that the taxpayer must file a separate (~~survey~~) report for
24 each facility owned or operated in the state of Washington developed
25 with machinery, equipment, services, or labor for which the exemption
26 under RCW 43.136.058, 82.08.962, and 82.12.962 is claimed.

27 **Sec. 207.** RCW 82.32.710 and 2010 c 114 s 137 are each amended to
28 read as follows:

29 (1) A client under the terms of a professional employer agreement
30 is deemed to be the sole employer of a covered employee for purposes of
31 eligibility for any tax credit, exemption, or other tax incentive,
32 arising as the result of the employment of covered employees, provided
33 in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483, 82.08.965,
34 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or 82.70 RCW, or
35 any other provision in this title. A client, and not the professional

1 employer organization, is entitled to the benefit of any tax credit,
2 exemption, or other tax incentive arising as the result of the
3 employment of covered employees of that client.

4 (2) A client under the terms of a professional employer agreement
5 is deemed to be the sole employer of a covered employee for purposes of
6 reports (~~(or surveys)~~) that require the reporting of employment
7 information relating to covered employees of the client, as provided in
8 (~~(RCW 82.32.534 or 82.32.585)~~) section 201 of this act. A client, and
9 not the professional employer organization, is required to complete any
10 (~~(survey or)~~) report that requires the reporting of employment
11 information relating to covered employees of that client.

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

15 **Sec. 208.** RCW 82.32.808 and 2013 2nd sp.s. c 13 s 1702 are each
16 amended to read as follows:

17 (1) As provided in this section, every bill enacting a new tax
18 preference must include a tax preference performance statement.

19 (2) A tax preference performance statement must state the
20 legislative purpose for the new tax preference. The tax preference
21 performance statement must indicate one or more of the following
22 general categories, by reference to the applicable category specified
23 in this subsection, as the legislative purpose of the new tax
24 preference:

25 (a) Tax preferences intended to induce certain designated behavior
26 by taxpayers;

27 (b) Tax preferences intended to improve industry competitiveness;

28 (c) Tax preferences intended to create or retain jobs;

29 (d) Tax preferences intended to reduce structural inefficiencies in
30 the tax structure;

31 (e) Tax preferences intended to provide tax relief for certain
32 businesses or individuals; or

33 (f) A general purpose not identified in (a) through (e) of this
34 subsection.

35 (3) In addition to identifying the general legislative purpose of
36 the tax preference under subsection (2) of this section, the tax

1 preference performance statement must provide additional detailed
2 information regarding the legislative purpose of the new tax
3 preference.

4 (4) A new tax preference performance statement must specify clear,
5 relevant, and ascertainable metrics and data requirements that allow
6 the joint legislative audit and review committee and the legislature to
7 measure the effectiveness of the new tax preference in achieving the
8 purpose designated under subsection (2) of this section.

9 (5) If the tax preference performance statement for a new tax
10 preference indicates a legislative purpose described in subsection
11 (2)(b) or (c) of this section, any taxpayer claiming the new tax
12 preference must file an annual (~~survey~~) report in accordance with
13 (~~RCW 82.32.585~~) section 201 of this act.

14 (6)(a) Taxpayers claiming a new tax preference must report the
15 amount of the tax preference claimed by the taxpayer to the department
16 as otherwise required by statute or determined by the department as
17 part of the taxpayer's regular tax reporting responsibilities. For new
18 tax preferences allowing certain types of gross income of the business
19 to be excluded from business and occupation or public utility taxation,
20 the tax return must explicitly report the amount of the exclusion,
21 regardless of whether it is structured as an exemption or deduction, if
22 the taxpayer is otherwise required to report taxes to the department on
23 a monthly or quarterly basis. For a new sales and use tax exemption,
24 the total sales or uses subject to the exemption claimed by the buyer
25 must be reported on an addendum to the buyer's tax return if the buyer
26 is otherwise required to report taxes to the department on a monthly or
27 quarterly basis and the buyer is required to submit an exemption
28 certificate, or similar document, to the seller.

29 (b) This subsection does not apply to:

30 (i) Property tax exemptions;

31 (ii) Tax preferences required by constitutional law;

32 (iii) Tax preferences for which the tax benefit to the taxpayer is
33 less than one thousand dollars per calendar year; or

34 (iv) Taxpayers who are annual filers.

35 (c) The department may waive the filing requirements of this
36 subsection for taxpayers who are not required to file electronically
37 any return(~~(r)~~) or report(~~(r or survey)~~) under this chapter.

1 (7)(a) Except as otherwise provided in this subsection, the amount
2 claimed by a taxpayer for any new tax preference is subject to public
3 disclosure and is not considered confidential tax information under RCW
4 82.32.330, if the reporting periods subject to disclosure ended at
5 least twenty-four months prior to the date of disclosure and the
6 taxpayer is required to report the amount of the tax preference claimed
7 by the taxpayer to the department under subsection (6) of this section.

8 (b)(i) The department may waive the public disclosure requirement
9 under (a) of this subsection (7) for good cause. Good cause may be
10 demonstrated by a reasonable showing of economic harm to a taxpayer if
11 the information specified under this subsection is disclosed. The
12 waiver under this subsection (7)(b)(i) only applies to the new tax
13 preferences provided in chapter 13, Laws of 2013 2nd sp. sess.

14 (ii) The amount of the tax preference claimed by a taxpayer during
15 a calendar year is confidential under RCW 82.32.330 and may not be
16 disclosed under this subsection if the amount for the calendar year is
17 less than ten thousand dollars.

18 (c) In lieu of the disclosure and waiver requirements under this
19 subsection, the requirements under ((RCW 82.32.585)) section 201 of
20 this act apply to any tax preference that requires a ((survey)) report.

21 (8) If a new tax preference does not include the information
22 required under subsections (2) through (4) of this section, the joint
23 legislative audit and review committee is not required to perform a tax
24 preference review under chapter 43.136 RCW, and it is legislatively
25 presumed that it is the intent of the legislature to allow the new tax
26 preference to expire upon its scheduled expiration date.

27 (9) For the purposes of this section, "tax preference" and "new tax
28 preference" have the same meaning as provided in RCW 82.32.805.

29 **Sec. 209.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to
30 read as follows:

31 (1) Upon every person engaging within this state in business as a
32 manufacturer, except persons taxable as manufacturers under other
33 provisions of this chapter; as to such persons the amount of the tax
34 with respect to such business is equal to the value of the products,
35 including byproducts, manufactured, multiplied by the rate of 0.484
36 percent.

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

10 (b) A person reporting under the tax rate provided in this
11 subsection (2) must file a complete annual report with the department
12 under (~~RCW 82.32.534~~) section 201 of this act.

13 (c) This subsection (2) expires twelve years after the effective
14 date of this act.

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

18 **Sec. 210.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to
19 read as follows:

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

26 (2) For the purposes of this section "semiconductor materials"
27 means silicon crystals, silicon ingots, raw polished semiconductor
28 wafers, and compound semiconductor wafers.

29 (3) A person reporting under the tax rate provided in this section
30 must file a complete annual report with the department under (~~RCW
31 82.32.534~~) section 201 of this act.

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

33 **Sec. 211.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 202 are each
34 amended to read as follows:

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

1 (a) Wheat into flour, barley into pearl barley, soybeans into
2 soybean oil, canola into canola oil, canola meal, or canola by-
3 products, or sunflower seeds into sunflower oil; as to such persons the
4 amount of tax with respect to such business is equal to the value of
5 the flour, pearl barley, oil, canola meal, or canola by-product
6 manufactured, multiplied by the rate of 0.138 percent;

7 (b) Beginning July 1, 2015, seafood products that remain in a raw,
8 raw frozen, or raw salted state at the completion of the manufacturing
9 by that person; or selling manufactured seafood products that remain in
10 a raw, raw frozen, or raw salted state at the completion of the
11 manufacturing, to purchasers who transport in the ordinary course of
12 business the goods out of this state; as to such persons the amount of
13 tax with respect to such business is equal to the value of the products
14 manufactured or the gross proceeds derived from such sales, multiplied
15 by the rate of 0.138 percent. Sellers must keep and preserve records
16 for the period required by RCW 82.32.070 establishing that the goods
17 were transported by the purchaser in the ordinary course of business
18 out of this state;

19 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
20 products that the person has manufactured to purchasers who either
21 transport in the ordinary course of business the goods out of state or
22 purchasers who use such dairy products as an ingredient or component in
23 the manufacturing of a dairy product; as to such persons the tax
24 imposed is equal to the value of the products manufactured or the gross
25 proceeds derived from such sales multiplied by the rate of 0.138
26 percent. Sellers must keep and preserve records for the period
27 required by RCW 82.32.070 establishing that the goods were transported
28 by the purchaser in the ordinary course of business out of this state
29 or sold to a manufacturer for use as an ingredient or component in the
30 manufacturing of a dairy product.

31 (ii) For the purposes of this subsection (1)(c), "dairy products"
32 means:

33 (A) Products that as of September 20, 2001, are identified in 21
34 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
35 the manufacturing of the dairy products, such as whey and casein; and

36 (B) Products comprised of not less than seventy percent dairy
37 products that qualify under (c)(ii)(A) of this subsection, measured by
38 weight or volume.

1 (iii) The preferential tax rate provided to taxpayers under this
2 subsection (1)(c) does not apply to sales of dairy products on or after
3 July 1, 2023, where a dairy product is used by the purchaser as an
4 ingredient or component in the manufacturing in Washington of a dairy
5 product;

6 (d) Beginning July 1, 2015, fruits or vegetables by canning,
7 preserving, freezing, processing, or dehydrating fresh fruits or
8 vegetables, or selling at wholesale fruits or vegetables manufactured
9 by the seller by canning, preserving, freezing, processing, or
10 dehydrating fresh fruits or vegetables and sold to purchasers who
11 transport in the ordinary course of business the goods out of this
12 state; as to such persons the amount of tax with respect to such
13 business is equal to the value of the products manufactured or the
14 gross proceeds derived from such sales multiplied by the rate of 0.138
15 percent. Sellers must keep and preserve records for the period
16 required by RCW 82.32.070 establishing that the goods were transported
17 by the purchaser in the ordinary course of business out of this state;

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

23 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
24 persons the amount of tax with respect to the business is equal to the
25 value of wood biomass fuel manufactured, multiplied by the rate of
26 0.138 percent.

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

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

36 (4) Upon every person engaging within this state in the business of
37 slaughtering, breaking and/or processing perishable meat products

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

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

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

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

1 custody and control of cargo required in the transfer of cargo;
2 imported automobile handling prior to delivery to consignee; terminal
3 stevedoring and incidental vessel services, including but not limited
4 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) Upon every person engaging within this state as an insurance
17 producer or title insurance agent licensed under chapter 48.17 RCW or
18 a surplus line broker licensed under chapter 48.15 RCW; as to such
19 persons, the amount of the tax with respect to such licensed activities
20 is equal to the gross income of such business multiplied by the rate of
21 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~~)) section 201 of this act.

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)~~) report with the department under
25 (~~(RCW 82.32.585)~~) section 201 of this act.

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

31 (14)(a) Upon every person engaging within this state in the
32 business of printing a newspaper, publishing a newspaper, or both, the
33 amount of tax on such business is equal to the gross income of the
34 business multiplied by the rate of 0.365 percent through June 30, 2013,
35 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

36 (b) A person reporting under the tax rate provided in this
37 subsection (14) must file a complete annual report with the department
38 under (~~(RCW 82.32.534)~~) section 201 of this act.

1 **Sec. 212.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 203 are each
2 amended to read as follows:

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

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

11 (b) Beginning July 1, 2015, seafood products that remain in a raw,
12 raw frozen, or raw salted state at the completion of the manufacturing
13 by that person; or selling manufactured seafood products that remain in
14 a raw, raw frozen, or raw salted state at the completion of the
15 manufacturing, to purchasers who transport in the ordinary course of
16 business the goods out of this state; as to such persons the amount of
17 tax with respect to such business is equal to the value of the products
18 manufactured or the gross proceeds derived from such sales, multiplied
19 by the rate of 0.138 percent. Sellers must keep and preserve records
20 for the period required by RCW 82.32.070 establishing that the goods
21 were transported by the purchaser in the ordinary course of business
22 out of this state;

23 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
24 products that the person has manufactured to purchasers who either
25 transport in the ordinary course of business the goods out of state or
26 purchasers who use such dairy products as an ingredient or component in
27 the manufacturing of a dairy product; as to such persons the tax
28 imposed is equal to the value of the products manufactured or the gross
29 proceeds derived from such sales multiplied by the rate of 0.138
30 percent. Sellers must keep and preserve records for the period
31 required by RCW 82.32.070 establishing that the goods were transported
32 by the purchaser in the ordinary course of business out of this state
33 or sold to a manufacturer for use as an ingredient or component in the
34 manufacturing of a dairy product.

35 (ii) For the purposes of this subsection (1)(c), "dairy products"
36 means:

37 (A) Products that as of September 20, 2001, are identified in 21

1 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
2 the manufacturing of the dairy products, such as whey and casein; and

3 (B) Products comprised of not less than seventy percent dairy
4 products that qualify under (c)(ii)(A) of this subsection, measured by
5 weight or volume.

6 (iii) The preferential tax rate provided to taxpayers under this
7 subsection (1)(c) does not apply to sales of dairy products on or after
8 July 1, 2023, where a dairy product is used by the purchaser as an
9 ingredient or component in the manufacturing in Washington of a dairy
10 product;

11 (d) Beginning July 1, 2015, fruits or vegetables by canning,
12 preserving, freezing, processing, or dehydrating fresh fruits or
13 vegetables, or selling at wholesale fruits or vegetables manufactured
14 by the seller by canning, preserving, freezing, processing, or
15 dehydrating fresh fruits or vegetables and sold to purchasers who
16 transport in the ordinary course of business the goods out of this
17 state; as to such persons the amount of tax with respect to such
18 business is equal to the value of the products manufactured or the
19 gross proceeds derived from such sales multiplied by the rate of 0.138
20 percent. Sellers must keep and preserve records for the period
21 required by RCW 82.32.070 establishing that the goods were transported
22 by the purchaser in the ordinary course of business out of this state;

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

28 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
29 persons the amount of tax with respect to the business is equal to the
30 value of wood biomass fuel manufactured, multiplied by the rate of
31 0.138 percent.

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

36 (3) Upon every nonprofit corporation and nonprofit association
37 engaging within this state in research and development, as to such

1 corporations and associations, the amount of tax with respect to such
2 activities is equal to the gross income derived from such activities
3 multiplied by the rate of 0.484 percent.

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

9 (5) Upon every person engaging within this state in the business of
10 acting as a travel agent or tour operator; as to such persons the
11 amount of the tax with respect to such activities is equal to the gross
12 income derived from such activities multiplied by the rate of 0.275
13 percent.

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

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

1 delivery to its consignee. Specific activities included in this
2 definition are: Wharfage, handling, loading, unloading, moving of
3 cargo to a convenient place of delivery to the consignee or a
4 convenient place for further movement to export mode; documentation
5 services in connection with the receipt, delivery, checking, care,
6 custody and control of cargo required in the transfer of cargo;
7 imported automobile handling prior to delivery to consignee; terminal
8 stevedoring and incidental vessel services, including but not limited
9 to plugging and unplugging refrigerator service to containers,
10 trailers, and other refrigerated cargo receptacles, and securing ship
11 hatch covers.

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

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

21 (9) Upon every person engaging within this state as an insurance
22 producer or title insurance agent licensed under chapter 48.17 RCW or
23 a surplus line broker licensed under chapter 48.15 RCW; as to such
24 persons, the amount of the tax with respect to such licensed activities
25 is equal to the gross income of such business multiplied by the rate of
26 0.484 percent.

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

34 (11)(a) Beginning October 1, 2005, upon every person engaging
35 within this state in the business of manufacturing commercial
36 airplanes, or components of such airplanes, or making sales, at retail
37 or wholesale, of commercial airplanes or components of such airplanes,
38 manufactured by the seller, as to such persons the amount of tax with

1 respect to such business is, in the case of manufacturers, equal to the
2 value of the product manufactured and the gross proceeds of sales of
3 the product manufactured, or in the case of processors for hire, equal
4 to the gross income of the business, multiplied by the rate of:

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

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

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

20 (d) In addition to all other requirements under this title, a
21 person reporting under the tax rate provided in this subsection (11)
22 must file a complete annual report with the department under ((RCW
23 ~~82.32.534~~)) section 201 of this act.

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

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

33 (b) Until July 1, 2024, upon every person engaging within this
34 state in the business of manufacturing or processing for hire: (i)
35 Timber into timber products or wood products; or (ii) timber products
36 into other timber products or wood products; as to such persons the
37 amount of the tax with respect to the business is, in the case of
38 manufacturers, equal to the value of products, including by-products,

1 manufactured, or in the case of processors for hire, equal to the gross
2 income of the business, multiplied by the rate of 0.4235 percent from
3 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
4 2007, through June 30, 2024.

5 (c) Until July 1, 2024, upon every person engaging within this
6 state in the business of selling at wholesale: (i) Timber extracted by
7 that person; (ii) timber products manufactured by that person from
8 timber or other timber products; or (iii) wood products manufactured by
9 that person from timber or timber products; as to such persons the
10 amount of the tax with respect to the business is equal to the gross
11 proceeds of sales of the timber, timber products, or wood products
12 multiplied by the rate of 0.4235 percent from July 1, 2006, through
13 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
14 2024.

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

25 (e) For purposes of this subsection, the following definitions
26 apply:

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

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

1 include books, newspapers, magazines, periodicals, and other printed
2 publications, advertising materials, calendars, and similar types of
3 printed materials.

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

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

13 (v) "Timber products" means:

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

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

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

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

25 (f) Except for small harvesters as defined in RCW 84.33.035, a
26 person reporting under the tax rate provided in this subsection (12)
27 must file a complete annual (~~(survey)~~) report with the department under
28 (~~(RCW 82.32.585)~~) section 201 of this act.

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

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

1 (b) A person reporting under the tax rate provided in this
2 subsection (14) must file a complete annual report with the department
3 under (~~RCW 82.32.534~~) section 201 of this act.

4 **Sec. 213.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 5 are each
5 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, 2015, seafood products that remain in a raw,
15 raw frozen, or raw salted state at the completion of the manufacturing
16 by that person; or selling manufactured seafood products that remain in
17 a raw, raw frozen, or raw salted state at the completion of the
18 manufacturing, to purchasers who transport in the ordinary course of
19 business the goods out of this state; as to such persons the amount of
20 tax with respect to such business is equal to the value of the products
21 manufactured or the gross proceeds derived from such sales, multiplied
22 by the rate of 0.138 percent. Sellers must keep and preserve records
23 for the period required by RCW 82.32.070 establishing that the goods
24 were transported by the purchaser in the ordinary course of business
25 out of this state;

26 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
27 products that the person has manufactured to purchasers who either
28 transport in the ordinary course of business the goods out of state or
29 purchasers who use such dairy products as an ingredient or component in
30 the manufacturing of a dairy product; as to such persons the tax
31 imposed is equal to the value of the products manufactured or the gross
32 proceeds derived from such sales multiplied by the rate of 0.138
33 percent. Sellers must keep and preserve records for the period
34 required by RCW 82.32.070 establishing that the goods were transported
35 by the purchaser in the ordinary course of business out of this state
36 or sold to a manufacturer for use as an ingredient or component in the
37 manufacturing of a dairy product.

1 (ii) For the purposes of this subsection (1)(c), "dairy products"
2 means:

3 (A) Products that as of September 20, 2001, are identified in 21
4 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
5 the manufacturing of the dairy products, such as whey and casein; and

6 (B) Products comprised of not less than seventy percent dairy
7 products that qualify under (c)(ii)(A) of this subsection, measured by
8 weight or volume.

9 (iii) The preferential tax rate provided to taxpayers under this
10 subsection (1)(c) does not apply to sales of dairy products on or after
11 July 1, 2023, where a dairy product is used by the purchaser as an
12 ingredient or component in the manufacturing in Washington of a dairy
13 product;

14 (d) Beginning July 1, 2015, fruits or vegetables by canning,
15 preserving, freezing, processing, or dehydrating fresh fruits or
16 vegetables, or selling at wholesale fruits or vegetables manufactured
17 by the seller by canning, preserving, freezing, processing, or
18 dehydrating fresh fruits or vegetables and sold to purchasers who
19 transport in the ordinary course of business the goods out of this
20 state; as to such persons the amount of tax with respect to such
21 business is equal to the value of the products manufactured or the
22 gross proceeds derived from such sales multiplied by the rate of 0.138
23 percent. Sellers must keep and preserve records for the period
24 required by RCW 82.32.070 establishing that the goods were transported
25 by the purchaser in the ordinary course of business out of this state;

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

31 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
32 persons the amount of tax with respect to the business is equal to the
33 value of wood biomass fuel manufactured, multiplied by the rate of
34 0.138 percent.

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

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

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

11 (5) Upon every person engaging within this state in the business of
12 acting as a travel agent or tour operator; as to such persons the
13 amount of the tax with respect to such activities is equal to the gross
14 income derived from such activities multiplied by the rate of 0.275
15 percent.

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

23 (7) Upon every person engaging within this state in the business of
24 stevedoring and associated activities pertinent to the movement of
25 goods and commodities in waterborne interstate or foreign commerce; as
26 to such persons the amount of tax with respect to such business is
27 equal to the gross proceeds derived from such activities multiplied by
28 the rate of 0.275 percent. Persons subject to taxation under this
29 subsection are exempt from payment of taxes imposed by chapter 82.16
30 RCW for that portion of their business subject to taxation under this
31 subsection. Stevedoring and associated activities pertinent to the
32 conduct of goods and commodities in waterborne interstate or foreign
33 commerce are defined as all activities of a labor, service or
34 transportation nature whereby cargo may be loaded or unloaded to or
35 from vessels or barges, passing over, onto or under a wharf, pier, or
36 similar structure; cargo may be moved to a warehouse or similar holding
37 or storage yard or area to await further movement in import or export
38 or may move to a consolidation freight station and be stuffed,

1 unstuffed, containerized, separated or otherwise segregated or
2 aggregated for delivery or loaded on any mode of transportation for
3 delivery to its consignee. Specific activities included in this
4 definition are: Wharfage, handling, loading, unloading, moving of
5 cargo to a convenient place of delivery to the consignee or a
6 convenient place for further movement to export mode; documentation
7 services in connection with the receipt, delivery, checking, care,
8 custody and control of cargo required in the transfer of cargo;
9 imported automobile handling prior to delivery to consignee; terminal
10 stevedoring and incidental vessel services, including but not limited
11 to plugging and unplugging refrigerator service to containers,
12 trailers, and other refrigerated cargo receptacles, and securing ship
13 hatch covers.

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

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

23 (9) Upon every person engaging within this state as an insurance
24 producer or title insurance agent licensed under chapter 48.17 RCW or
25 a surplus line broker licensed under chapter 48.15 RCW; as to such
26 persons, the amount of the tax with respect to such licensed activities
27 is equal to the gross income of such business multiplied by the rate of
28 0.484 percent.

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

36 (11)(a) Beginning October 1, 2005, upon every person engaging
37 within this state in the business of manufacturing commercial
38 airplanes, or components of such airplanes, or making sales, at retail

1 or wholesale, of commercial airplanes or components of such airplanes,
2 manufactured by the seller, as to such persons the amount of tax with
3 respect to such business is, in the case of manufacturers, equal to the
4 value of the product manufactured and the gross proceeds of sales of
5 the product manufactured, or in the case of processors for hire, equal
6 to the gross income of the business, multiplied by the rate of:

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

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

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

22 (d) In addition to all other requirements under this title, a
23 person reporting under the tax rate provided in this subsection (11)
24 must file a complete annual report with the department under ((RCW
25 ~~82.32.534~~) section 201 of this act.

26 (e)(i) Except as provided in (e)(ii) of this subsection (11), this
27 subsection (11) does not apply on and after July 1, 2040.

28 (ii) With respect to the manufacturing of commercial airplanes or
29 making sales, at retail or wholesale, of commercial airplanes, this
30 subsection (11) does not apply on and after July 1st of the year in
31 which the department makes a determination that any final assembly or
32 wing assembly of any version or variant of a commercial airplane that
33 is the basis of a siting of a significant commercial airplane
34 manufacturing program in the state under RCW 82.32.850 has been sited
35 outside the state of Washington. This subsection (11)(e)(ii) only
36 applies to the manufacturing or sale of commercial airplanes that are
37 the basis of a siting of a significant commercial airplane
38 manufacturing program in the state under RCW 82.32.850.

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

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

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

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

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

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

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

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

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

27 (v) "Timber products" means:

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

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

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

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

1 (f) Except for small harvesters as defined in RCW 84.33.035, a
2 person reporting under the tax rate provided in this subsection (12)
3 must file a complete annual (~~(survey)~~) report with the department under
4 (~~(RCW 82.32.585)~~) section 201 of this act.

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

10 (14)(a) Upon every person engaging within this state in the
11 business of printing a newspaper, publishing a newspaper, or both, the
12 amount of tax on such business is equal to the gross income of the
13 business multiplied by the rate of 0.365 percent through June 30, 2013,
14 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

15 (b) A person reporting under the tax rate provided in this
16 subsection (14) must file a complete annual report with the department
17 under (~~(RCW 82.32.534)~~) section 201 of this act.

18 **Sec. 214.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 6 are each
19 amended to read as follows:

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

22 (a) Wheat into flour, barley into pearl barley, soybeans into
23 soybean oil, canola into canola oil, canola meal, or canola by-
24 products, or sunflower seeds into sunflower oil; as to such persons the
25 amount of tax with respect to such business is equal to the value of
26 the flour, pearl barley, oil, canola meal, or canola by-product
27 manufactured, multiplied by the rate of 0.138 percent;

28 (b) Beginning July 1, 2015, seafood products that remain in a raw,
29 raw frozen, or raw salted state at the completion of the manufacturing
30 by that person; or selling manufactured seafood products that remain in
31 a raw, raw frozen, or raw salted state at the completion of the
32 manufacturing, to purchasers who transport in the ordinary course of
33 business the goods out of this state; as to such persons the amount of
34 tax with respect to such business is equal to the value of the products
35 manufactured or the gross proceeds derived from such sales, multiplied
36 by the rate of 0.138 percent. Sellers must keep and preserve records

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

4 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
5 products that the person has manufactured to purchasers who either
6 transport in the ordinary course of business the goods out of state or
7 purchasers who use such dairy products as an ingredient or component in
8 the manufacturing of a dairy product; as to such persons the tax
9 imposed is equal to the value of the products manufactured or the gross
10 proceeds derived from such sales multiplied by the rate of 0.138
11 percent. Sellers must keep and preserve records for the period
12 required by RCW 82.32.070 establishing that the goods were transported
13 by the purchaser in the ordinary course of business out of this state
14 or sold to a manufacturer for use as an ingredient or component in the
15 manufacturing of a dairy product.

16 (ii) For the purposes of this subsection (1)(c), "dairy products"
17 means:

18 (A) Products that as of September 20, 2001, are identified in 21
19 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from
20 the manufacturing of the dairy products, such as whey and casein; and

21 (B) Products comprised of not less than seventy percent dairy
22 products that qualify under (c)(ii)(A) of this subsection, measured by
23 weight or volume.

24 (iii) The preferential tax rate provided to taxpayers under this
25 subsection (1)(c) does not apply to sales of dairy products on or after
26 July 1, 2023, where a dairy product is used by the purchaser as an
27 ingredient or component in the manufacturing in Washington of a dairy
28 product;

29 (d) Beginning July 1, 2015, fruits or vegetables by canning,
30 preserving, freezing, processing, or dehydrating fresh fruits or
31 vegetables, or selling at wholesale fruits or vegetables manufactured
32 by the seller by canning, preserving, freezing, processing, or
33 dehydrating fresh fruits or vegetables and sold to purchasers who
34 transport in the ordinary course of business the goods out of this
35 state; as to such persons the amount of tax with respect to such
36 business is equal to the value of the products manufactured or the
37 gross proceeds derived from such sales multiplied by the rate of 0.138

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

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

9 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
10 persons the amount of tax with respect to the business is equal to the
11 value of wood biomass fuel manufactured, multiplied by the rate of
12 0.138 percent.

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

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

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

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

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

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

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

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

1 (9) Upon every person engaging within this state as an insurance
2 producer or title insurance agent licensed under chapter 48.17 RCW or
3 a surplus line broker licensed under chapter 48.15 RCW; as to such
4 persons, the amount of the tax with respect to such licensed activities
5 is equal to the gross income of such business multiplied by the rate of
6 0.484 percent.

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

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

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

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

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

1 (d) In addition to all other requirements under this title, a
2 person reporting under the tax rate provided in this subsection (11)
3 must file a complete annual report with the department under ((RCW
4 ~~82.32.534~~) section 201 of this act.

5 (e)(i) Except as provided in (e)(ii) of this subsection (11), this
6 subsection (11) does not apply on and after July 1, 2040.

7 (ii) With respect to the manufacturing of commercial airplanes or
8 making sales, at retail or wholesale, of commercial airplanes, this
9 subsection (11) does not apply on and after July 1st of the year in
10 which the department makes a determination that any final assembly or
11 wing assembly of any version or variant of a commercial airplane that
12 is the basis of a siting of a significant commercial airplane
13 manufacturing program in the state under RCW 82.32.850 has been sited
14 outside the state of Washington. This subsection (11)(e)(ii) only
15 applies to the manufacturing or sale of commercial airplanes that are
16 the basis of a siting of a significant commercial airplane
17 manufacturing program in the state under RCW 82.32.850.

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

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

36 (c) Until July 1, 2024, upon every person engaging within this
37 state in the business of selling at wholesale: (i) Timber extracted by
38 that person; (ii) timber products manufactured by that person from

1 timber or other timber products; or (iii) wood products manufactured by
2 that person from timber or timber products; as to such persons the
3 amount of the tax with respect to the business is equal to the gross
4 proceeds of sales of the timber, timber products, or wood products
5 multiplied by the rate of 0.4235 percent from July 1, 2006, through
6 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
7 2024.

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

18 (e) For purposes of this subsection, the following definitions
19 apply:

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

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

35 (iii) "Recycled paper" means paper and paper products having fifty
36 percent or more of their fiber content that comes from postconsumer
37 waste. For purposes of this subsection (12)(e)(iii), "postconsumer

1 waste" means a finished material that would normally be disposed of as
2 solid waste, having completed its life cycle as a consumer item.

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

7 (v) "Timber products" means:

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

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

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

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

19 (f) Except for small harvesters as defined in RCW 84.33.035, a
20 person reporting under the tax rate provided in this subsection (12)
21 must file a complete annual (~~(survey)~~) report with the department under
22 (~~(RCW 82.32.585)~~) section 201 of this act.

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

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

32 (b) A person reporting under the tax rate provided in this
33 subsection (14) must file a complete annual report with the department
34 under (~~(RCW 82.32.534)~~) section 201 of this act.

35 **Sec. 215.** RCW 82.04.2909 and 2011 c 174 s 301 are each amended to
36 read as follows:

37 (1) Upon every person who is an aluminum smelter engaging within

1 this state in the business of manufacturing aluminum; as to such
2 persons the amount of tax with respect to such business is, in the case
3 of manufacturers, equal to the value of the product manufactured, or in
4 the case of processors for hire, equal to the gross income of the
5 business, multiplied by the rate of .2904 percent.

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

11 (3) A person reporting under the tax rate provided in this section
12 must file a complete annual report with the department under ((RCW
13 ~~82.32.534~~) section 201 of this act.

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

15 **Sec. 216.** RCW 82.04.294 and 2013 2nd sp.s. c 13 s 902 are each
16 amended to read as follows:

17 (1) Upon every person engaging within this state in the business of
18 manufacturing solar energy systems using photovoltaic modules or
19 stirling converters, or of manufacturing solar grade silicon, silicon
20 solar wafers, silicon solar cells, thin film solar devices, or compound
21 semiconductor solar wafers to be used exclusively in components of such
22 systems; as to such persons the amount of tax with respect to such
23 business is, in the case of manufacturers, equal to the value of the
24 product manufactured, or in the case of processors for hire, equal to
25 the gross income of the business, multiplied by the rate of 0.275
26 percent.

27 (2) Upon every person engaging within this state in the business of
28 making sales at wholesale of solar energy systems using photovoltaic
29 modules or stirling converters, or of solar grade silicon, silicon
30 solar wafers, silicon solar cells, thin film solar devices, or compound
31 semiconductor solar wafers to be used exclusively in components of such
32 systems, manufactured by that person; as to such persons the amount of
33 tax with respect to such business is equal to the gross proceeds of
34 sales of the solar energy systems using photovoltaic modules or
35 stirling converters, or of the solar grade silicon to be used
36 exclusively in components of such systems, multiplied by the rate of
37 0.275 percent.

1 (3) Silicon solar wafers, silicon solar cells, thin film solar
2 devices, solar grade silicon, or compound semiconductor solar wafers
3 are "semiconductor materials" for the purposes of RCW 82.08.9651 and
4 82.12.9651.

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

7 (a) "Compound semiconductor solar wafers" means a semiconductor
8 solar wafer composed of elements from two or more different groups of
9 the periodic table.

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

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

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

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

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

22 (g) "Solar grade silicon" means high-purity silicon used
23 exclusively in components of solar energy systems using photovoltaic
24 modules to capture direct sunlight. "Solar grade silicon" does not
25 include silicon used in semiconductors.

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

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

31 (5) A person reporting under the tax rate provided in this section
32 must file a complete annual (~~(survey)~~) report with the department under
33 (~~(RCW 82.32.585)~~) section 201 of this act.

34 (6) This section expires June 30, 2017.

35 **Sec. 217.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to
36 read as follows:

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

3 (2) For the purposes of this section:

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

7 (b) "Integrated circuit" means a set of microminiaturized,
8 electronic circuits.

9 (3) A person reporting under the tax rate provided in this section
10 must file a complete annual report with the department under ((RCW
11 82.32.534)) section 201 of this act.

12 (4) This section expires nine years after the effective date of
13 this act.

14 **Sec. 218.** RCW 82.04.4266 and 2012 2nd sp.s. c 6 s 201 are each
15 amended to read as follows:

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

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

20 (b) Selling at wholesale fruits or vegetables manufactured by the
21 seller by canning, preserving, freezing, processing, or dehydrating
22 fresh fruits or vegetables and sold to purchasers who transport in the
23 ordinary course of business the goods out of this state. A person
24 taking an exemption under this subsection (1)(b) must keep and preserve
25 records for the period required by RCW 82.32.070 establishing that the
26 goods were transported by the purchaser in the ordinary course of
27 business out of this state.

28 (2) A person claiming the exemption provided in this section must
29 file a complete annual ((survey)) report with the department under
30 ((RCW 82.32.585)) section 201 of this act.

31 (3) This section expires July 1, 2015.

32 **Sec. 219.** RCW 82.04.4268 and 2013 2nd sp.s. c 13 s 204 are each
33 amended to read as follows:

34 (1) In computing tax there may be deducted from the measure of tax,
35 the value of products or the gross proceeds of sales derived from:

36 (a) Manufacturing dairy products; or

1 (b) Selling dairy products manufactured by the seller to purchasers
2 who either transport in the ordinary course of business the goods out
3 of this state or purchasers who use such dairy products as an
4 ingredient or component in the manufacturing of a dairy product. A
5 person taking an exemption under this subsection (1)(b) must keep and
6 preserve records for the period required by RCW 82.32.070 establishing
7 that the goods were transported by the purchaser in the ordinary course
8 of business out of this state or sold to a manufacturer for use as an
9 ingredient or component in the manufacturing of a dairy product.

10 (2) "Dairy products" has the same meaning as provided in RCW
11 82.04.260.

12 (3) A person claiming the exemption provided in this section must
13 file a complete annual ((survey)) report with the department under
14 ((RCW 82.32.585)) section 201 of this act.

15 (4) This section expires July 1, 2015.

16 **Sec. 220.** RCW 82.04.4269 and 2012 2nd sp.s. c 6 s 203 are each
17 amended to read as follows:

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

20 (a) Manufacturing seafood products that remain in a raw, raw
21 frozen, or raw salted state at the completion of the manufacturing by
22 that person; or

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

30 (2) A person claiming the exemption provided in this section must
31 file a complete annual ((survey)) report with the department under
32 ((RCW 82.32.585)) section 201 of this act.

33 (3) This section expires July 1, 2015.

34 **Sec. 221.** RCW 82.04.4277 and 2011 1st sp.s. c 19 s 1 are each
35 amended to read as follows:

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

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

8 (3) A person claiming a deduction under this section must file a
9 complete annual report with the department under (~~RCW 82.32.534~~)
10 section 201 of this act.

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

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

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

16 (5) This section expires August 1, 2016.

17 **Sec. 222.** RCW 82.04.4452 and 2010 c 114 s 114 are each amended to
18 read as follows:

19 (1) In computing the tax imposed under this chapter, a credit is
20 allowed for each person whose research and development spending during
21 the year in which the credit is claimed exceeds 0.92 percent of the
22 person's taxable amount during the same calendar year.

23 (2) The credit is calculated as follows:

24 (a) Determine the greater of the amount of qualified research and
25 development expenditures of a person or eighty percent of amounts
26 received by a person other than a public educational or research
27 institution in compensation for the conduct of qualified research and
28 development;

29 (b) Subtract 0.92 percent of the person's taxable amount from the
30 amount determined under (a) of this subsection;

31 (c) Multiply the amount determined under (b) of this subsection by
32 the following:

33 (i) For the period June 10, 2004, through December 31, 2006, the
34 person's average tax rate for the calendar year for which the credit is
35 claimed;

36 (ii) For the calendar year ending December 31, 2007, the greater of
37 the person's average tax rate for that calendar year or 0.75 percent;

1 (iii) For the calendar year ending December 31, 2008, the greater
2 of the person's average tax rate for that calendar year or 1.0 percent;
3 (iv) For the calendar year ending December 31, 2009, the greater of
4 the person's average tax rate for that calendar year or 1.25 percent;
5 (v) For the calendar year ending December 31, 2010, and thereafter,
6 1.50 percent.

7 For purposes of calculating the credit, if a person's reporting
8 period is less than annual, the person may use an estimated average tax
9 rate for the calendar year for which the credit is claimed by using the
10 person's average tax rate for each reporting period. A person who uses
11 an estimated average tax rate must make an adjustment to the total
12 credit claimed for the calendar year using the person's actual average
13 tax rate for the calendar year when the person files its last return
14 for the calendar year for which the credit is claimed.

15 (3) Any person entitled to the credit provided in subsection (2) of
16 this section as a result of qualified research and development
17 conducted under contract may assign all or any portion of the credit to
18 the person contracting for the performance of the qualified research
19 and development.

20 (4) The credit, including any credit assigned to a person under
21 subsection (3) of this section, must be claimed against taxes due for
22 the same calendar year in which the qualified research and development
23 expenditures are incurred. The credit, including any credit assigned
24 to a person under subsection (3) of this section, for each calendar
25 year may not exceed the lesser of two million dollars or the amount of
26 tax otherwise due under this chapter for the calendar year.

27 (5) For any person claiming the credit, including any credit
28 assigned to a person under subsection (3) of this section, whose
29 research and development spending during the calendar year in which the
30 credit is claimed fails to exceed 0.92 percent of the person's taxable
31 amount during the same calendar year or who is otherwise ineligible,
32 the department must declare the taxes against which the credit was
33 claimed to be immediately due and payable. The department must assess
34 interest, but not penalties, on the taxes against which the credit was
35 claimed. Interest must be assessed at the rate provided for delinquent
36 excise taxes under chapter 82.32 RCW, retroactively to the date the
37 credit was claimed, and accrues until the taxes against which the
38 credit was claimed are repaid. Any credit assigned to a person under

1 subsection (3) of this section that is disallowed as a result of this
2 section may be claimed by the person who performed the qualified
3 research and development subject to the limitations set forth in
4 subsection (4) of this section.

5 (6) A person claiming the credit provided in this section must file
6 a complete annual ((survey)) report with the department under ((RCW
7 82.32.585)) section 201 of this act.

8 (7) For the purpose of this section:

9 (a) "Average tax rate" means a person's total tax liability under
10 this chapter for the calendar year for which the credit is claimed
11 divided by the taxpayer's total taxable amount under this chapter for
12 the calendar year for which the credit is claimed.

13 (b) "Qualified research and development expenditures" means
14 operating expenses, including wages, compensation of a proprietor or a
15 partner in a partnership as determined under rules adopted by the
16 department, benefits, supplies, and computer expenses, directly
17 incurred in qualified research and development by a person claiming the
18 credit provided in this section. The term does not include amounts
19 paid to a person other than a public educational or research
20 institution to conduct qualified research and development. Nor does
21 the term include capital costs and overhead, such as expenses for land,
22 structures, or depreciable property.

23 (c) "Qualified research and development" ((shall have)) has the
24 same meaning as in RCW 82.63.010.

25 (d) "Research and development spending" means qualified research
26 and development expenditures plus eighty percent of amounts paid to a
27 person other than a public educational or research institution to
28 conduct qualified research and development.

29 (e) "Taxable amount" means the taxable amount subject to the tax
30 imposed in this chapter required to be reported on the person's
31 combined excise tax returns for the calendar year for which the credit
32 is claimed, less any taxable amount for which a credit is allowed under
33 RCW 82.04.440.

34 (8) This section expires January 1, 2015.

35 **Sec. 223.** RCW 82.04.4461 and 2010 c 114 s 115 are each amended to
36 read as follows:

37 (1)(a)(i) In computing the tax imposed under this chapter, a credit

1 is allowed for each person for qualified aerospace product development.
2 For a person who is a manufacturer or processor for hire of commercial
3 airplanes or components of such airplanes, credit may be earned for
4 expenditures occurring after December 1, 2003. For all other persons,
5 credit may be earned only for expenditures occurring after June 30,
6 2008.

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

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

14 (2) The credit is equal to the amount of qualified aerospace
15 product development expenditures of a person, multiplied by the rate of
16 1.5 percent.

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

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

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

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

34 (b) "Aerospace product development" means research, design, and
35 engineering activities performed in relation to the development of an
36 aerospace product or of a product line, model, or model derivative of
37 an aerospace product, including prototype development, testing, and
38 certification. The term includes the discovery of technological

1 information, the translating of technological information into new or
2 improved products, processes, techniques, formulas, or inventions, and
3 the adaptation of existing products and models into new products or new
4 models, or derivatives of products or models. The term does not
5 include manufacturing activities or other production-oriented
6 activities, however the term does include tool design and engineering
7 design for the manufacturing process. The term does not include
8 surveys and studies, social science and humanities research, market
9 research or testing, quality control, sale promotion and service,
10 computer software developed for internal use, and research in areas
11 such as improved style, taste, and seasonal design.

12 (c) "Qualified aerospace product development" means aerospace
13 product development performed within this state.

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

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

29 (6) In addition to all other requirements under this title, a
30 person claiming the credit under this section must file a complete
31 annual report with the department under (~~RCW 82.32.534~~) section 201
32 of this act.

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

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

36 **Sec. 224.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each
37 amended to read as follows:

1 (1)(a)(i) In computing the tax imposed under this chapter, a credit
2 is allowed for each person for qualified aerospace product development.
3 For a person who is a manufacturer or processor for hire of commercial
4 airplanes or components of such airplanes, credit may be earned for
5 expenditures occurring after December 1, 2003. For all other persons,
6 credit may be earned only for expenditures occurring after June 30,
7 2008.

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

10 (b) Before July 1, 2005, any credits earned under this section must
11 be accrued and carried forward and may not be used until July 1, 2005.
12 These carryover credits may be used at any time thereafter, and may be
13 carried over until used. Refunds may not be granted in the place of a
14 credit.

15 (2) The credit is equal to the amount of qualified aerospace
16 product development expenditures of a person, multiplied by the rate of
17 1.5 percent.

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

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

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

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

35 (b) "Aerospace product development" means research, design, and
36 engineering activities performed in relation to the development of an
37 aerospace product or of a product line, model, or model derivative of
38 an aerospace product, including prototype development, testing, and

1 certification. The term includes the discovery of technological
2 information, the translating of technological information into new or
3 improved products, processes, techniques, formulas, or inventions, and
4 the adaptation of existing products and models into new products or new
5 models, or derivatives of products or models. The term does not
6 include manufacturing activities or other production-oriented
7 activities, however the term does include tool design and engineering
8 design for the manufacturing process. The term does not include
9 surveys and studies, social science and humanities research, market
10 research or testing, quality control, sale promotion and service,
11 computer software developed for internal use, and research in areas
12 such as improved style, taste, and seasonal design.

13 (c) "Qualified aerospace product development" means aerospace
14 product development performed within this state.

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

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

30 (6) In addition to all other requirements under this title, a
31 person claiming the credit under this section must file a complete
32 annual report with the department under (~~RCW 82.32.534~~) section 201
33 of this act.

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

36 (8) This section expires July 1, 2040.

1 **Sec. 225.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each
2 amended to read as follows:

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

6 (2) The credit is equal to:

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

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

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

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

32 (b) An amount equal to:

33 (i)(A) Property taxes paid, by persons taxable under RCW
34 82.04.260(~~((+10+))~~) (11)(a), on machinery and equipment exempt under RCW
35 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

36 (B) Property taxes paid, by persons taxable under RCW
37 82.04.260(~~((+10+))~~) (11)(b), on machinery and equipment exempt under RCW
38 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

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

5 (ii) For purposes of determining the amount eligible for credit
6 under (i)(A) and (B) of this subsection (2)(b), the amount of property
7 taxes paid is multiplied by a fraction.

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

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

17 (C) For purposes of both the numerator and denominator of the
18 fraction, the total taxable amount refers to the total taxable amount
19 required to be reported on the person's returns for the calendar year
20 before the calendar year in which the credit under this section is
21 earned. The department may provide for an alternative method for
22 calculating the numerator in cases where the tax rate provided in RCW
23 82.04.260(~~((+10+))~~) (11) for manufacturing was not in effect during the
24 full calendar year before the calendar year in which the credit under
25 this section is earned.

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

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

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

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

37 (b) "Aerospace services" has the same meaning given in RCW
38 82.08.975.

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

3 (4) A credit earned during one calendar year may be carried over to
4 be credited against taxes incurred in a subsequent calendar year, but
5 may not be carried over a second year. No refunds may be granted for
6 credits under this section.

7 (5) In addition to all other requirements under this title, a
8 person claiming the credit under this section must file a complete
9 annual report with the department under (~~RCW 82.32.534~~) section 201
10 of this act.

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

12 **Sec. 226.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each
13 amended to read as follows:

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

17 (2) The credit is equal to:

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

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

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

34 (ii) Property taxes attributable to an increase in assessed value
35 due to the renovation or expansion, after: (A) December 1, 2003, of a
36 building used exclusively in manufacturing commercial airplanes or
37 components of such airplanes; and (B) June 30, 2008, of buildings used

1 exclusively for aerospace product development, manufacturing tooling
2 specifically designed for use in manufacturing commercial airplanes or
3 their components, or in providing aerospace services, by persons not
4 within the scope of (a)(ii)(A) of this subsection (2) and are taxable
5 under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); and

6 (b) An amount equal to:

7 (i)(A) Property taxes paid, by persons taxable under RCW
8 82.04.260(11)(a), on machinery and equipment exempt under RCW
9 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

10 (B) Property taxes paid, by persons taxable under RCW
11 82.04.260(11)(b), on machinery and equipment exempt under RCW
12 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

13 (C) Property taxes paid, by persons taxable under RCW 82.04.250(3)
14 or 82.04.290(3), on computer hardware, computer peripherals, and
15 software exempt under RCW 82.08.975 or 82.12.975 and acquired after
16 June 30, 2008.

17 (ii) For purposes of determining the amount eligible for credit
18 under (i)(A) and (B) of this subsection (2)(b), the amount of property
19 taxes paid is multiplied by a fraction.

20 (A) The numerator of the fraction is the total taxable amount
21 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the
22 applicable business activities of manufacturing commercial airplanes,
23 components of such airplanes, or tooling specifically designed for use
24 in the manufacturing of commercial airplanes or components of such
25 airplanes.

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

29 (C) For purposes of both the numerator and denominator of the
30 fraction, the total taxable amount refers to the total taxable amount
31 required to be reported on the person's returns for the calendar year
32 before the calendar year in which the credit under this section is
33 earned. The department may provide for an alternative method for
34 calculating the numerator in cases where the tax rate provided in RCW
35 82.04.260(11) for manufacturing was not in effect during the full
36 calendar year before the calendar year in which the credit under this
37 section is earned.

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

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

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

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

12 (b) "Aerospace services" has the same meaning given in RCW
13 82.08.975.

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

16 (4) A credit earned during one calendar year may be carried over to
17 be credited against taxes incurred in a subsequent calendar year, but
18 may not be carried over a second year. No refunds may be granted for
19 credits under this section.

20 (5) In addition to all other requirements under this title, a
21 person claiming the credit under this section must file a complete
22 annual report with the department under (~~RCW 82.32.534~~) section 201
23 of this act.

24 (6) This section expires July 1, 2040.

25 **Sec. 227.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to
26 read as follows:

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

32 (2)(a) The credit under this section equals three thousand dollars
33 for each employment position used in manufacturing production that
34 takes place in a new building exempt from sales and use tax under RCW
35 82.08.965 and 82.12.965. A credit is earned for the calendar year a
36 person fills a position. Additionally a credit is earned for each year
37 the position is maintained over the subsequent consecutive years, up to

1 eight years. Those positions that are not filled for the entire year
2 are eligible for fifty percent of the credit if filled less than six
3 months, and the entire credit if filled more than six months.

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

7 (c) In those situations where a production building in existence on
8 the effective date of this section will be phased out of operation,
9 during which time employment at the new building at the same site is
10 increased, the person is eligible for credit for employment at the
11 existing building and new building, with the limitation that the
12 combined eligible employment not exceed full employment at the new
13 building. "Full employment" has the same meaning as in RCW 82.08.965.
14 The credit may not be earned until the commencement of commercial
15 production, as that term is used in RCW 82.08.965.

16 (3) No application is necessary for the tax credit. The person is
17 subject to all of the requirements of chapter 82.32 RCW. In no case
18 may a credit earned during one calendar year be carried over to be
19 credited against taxes incurred in a subsequent calendar year. No
20 refunds may be granted for credits under this section.

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

29 (5) A person claiming the credit under this section must file a
30 complete annual report with the department under (~~RCW 82.32.534~~)
31 section 201 of this act.

32 (6) Credits may be claimed after twelve years after the effective
33 date of this act, for those buildings at which commercial production
34 began before twelve years after the effective date of this act, subject
35 to all of the eligibility criteria and limitations of this section.

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

1 **Sec. 228.** RCW 82.04.4481 and 2011 c 174 s 302 are each amended to
2 read as follows:

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

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

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

15 (4) A person claiming the credit provided in this section must file
16 a complete annual report with the department under (~~RCW 82.32.534~~)
17 section 201 of this act.

18 **Sec. 229.** RCW 82.04.4483 and 2010 c 114 s 119 are each amended to
19 read as follows:

20 (1) Subject to the limits and provisions of this section, a credit
21 is authorized against the tax otherwise due under this chapter for
22 persons engaged in a rural county in the business of manufacturing
23 computer software or programming, as those terms are defined in this
24 section.

25 (2) A person who partially or totally relocates a business from one
26 rural county to another rural county is eligible for any new qualifying
27 employment positions created as a result of the relocation but is not
28 eligible to receive credit for the jobs moved from one county to the
29 other.

30 (3)(a) To qualify for the credit, the qualifying activity of the
31 person must be conducted in a rural county and the new qualified
32 employment position must be located in the rural county.

33 (b) If an activity is conducted both from a rural county and
34 outside of a rural county, the credit is available if at least ninety
35 percent of the qualifying activity is conducted within a rural county.
36 If the qualifying activity is a service taxable activity, the place

1 where the work is performed is the place at which the activity is
2 conducted.

3 (4)(a) The credit under this section (~~shall~~) equals one thousand
4 dollars for each new qualified employment position created after
5 January 1, 2004, in an eligible area. A credit is earned for the
6 calendar year the person is hired to fill the position. Additionally
7 a credit is earned for each year the position is maintained over the
8 subsequent consecutive years, up to four years. The county must meet
9 the definition of a rural county at the time the position is filled.
10 If the county does not have a rural county status the following year or
11 years, the position is still eligible for the remaining years if all
12 other conditions are met.

13 (b) Participants who claimed credit under RCW 82.04.4456 for
14 qualified employment positions created before December 31, 2003, are
15 eligible to earn credit for each year the position is maintained over
16 the subsequent consecutive years, for up to four years, which four
17 years include any years claimed under RCW 82.04.4456. Those persons
18 who did not receive a credit under RCW 82.04.4456 before December 31,
19 2003, are not eligible to earn credit for qualified employment
20 positions created before December 31, 2003.

21 (c) Credit is authorized for new employees hired for new qualified
22 employment positions created on or after January 1, 2004. New
23 qualified employment positions filled by existing employees are
24 eligible for the credit under this section only if the position vacated
25 by the existing employee is filled by a new hire. A business that is
26 a sole proprietorship without any employees is equivalent to one
27 employee position and this type of business is eligible to receive
28 credit for one position.

29 (d) If a position is filled before July 1st, the position is
30 eligible for the full yearly credit for that calendar year. If it is
31 filled after June 30th, the position is eligible for half of the credit
32 for that calendar year.

33 (5) No application is necessary for the tax credit. The person
34 must keep records necessary for the department to verify eligibility
35 under this section. This information includes information relating to
36 description of qualifying activity conducted in the rural county and
37 outside the rural county by the person as well as detailed records on
38 positions and employees.

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

9 (7) The credit under this section may be used against any tax due
10 under this chapter, but in no case may a credit earned during one
11 calendar year be carried over to be credited against taxes incurred in
12 a subsequent calendar year. A person is not eligible to receive a
13 credit under this section if the person is receiving credit for the
14 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking
15 a credit under this chapter for information technology help desk
16 services conducted from a rural county. No refunds may be granted for
17 credits under this section.

18 (8) Transfer of ownership does not affect credit eligibility.
19 However, the successive credits are available to the successor for
20 remaining periods in the five years only if the eligibility conditions
21 of this section are met.

22 (9) A person claiming a tax credit under this section must file a
23 complete annual ((survey)) report with the department under ((RCW
24 82.32.585)) section 201 of this act.

25 (10) As used in this section:

26 (a) "Computer software" has the meaning as defined in RCW 82.04.215
27 after June 30, 2004, and includes "software" as defined in RCW
28 82.04.215 before July 1, 2004.

29 (b) "Manufacturing" means the same as "to manufacture" under RCW
30 82.04.120. Manufacturing includes the activities of both manufacturers
31 and processors for hire.

32 (c) "Programming" means the activities that involve the creation or
33 modification of computer software, as that term is defined in this
34 chapter, and that are taxable as a service under RCW 82.04.290(2) or as
35 a retail sale under RCW 82.04.050.

36 (d) "Qualifying activity" means manufacturing of computer software
37 or programming.

1 (e) "Qualified employment position" means a permanent full-time
2 position doing programming of computer software or manufacturing of
3 computer software. This excludes administrative, professional,
4 service, executive, and other similar positions. If an employee is
5 either voluntarily or involuntarily separated from employment, the
6 employment position is considered filled on a full-time basis if the
7 employer is either training or actively recruiting a replacement
8 employee. Full-time means a position for at least thirty-five hours a
9 week.

10 (f) "Rural county" means the same as in RCW 82.14.370.

11 (11) No credit may be taken or accrued under this section on or
12 after January 1, 2011.

13 **Sec. 230.** RCW 82.04.449 and 2012 c 46 s 3 are each amended to read
14 as follows:

15 (1) In computing the tax imposed under this chapter, a credit is
16 allowed for participants in the Washington customized employment
17 training program created in RCW 28B.67.020. The credit allowed under
18 this section is equal to fifty percent of the value of a participant's
19 payments to the employment training finance account created in RCW
20 28B.67.030. If a participant in the program does not meet the
21 requirements of RCW 28B.67.020(2)(b)(ii), the participant must remit to
22 the department the value of any credits taken plus interest. The
23 credit earned by a participant in one calendar year may be carried over
24 to be credited against taxes incurred in a subsequent calendar year.
25 No credit may be allowed for repayment of training allowances received
26 from the Washington customized employment training program on or after
27 July 1, 2021.

28 (2) A person claiming the credit provided in this section must file
29 a complete annual ((survey)) report with the department under ((RCW
30 82.32.585)) section 201 of this act.

31 **Sec. 231.** RCW 82.08.805 and 2011 c 174 s 303 are each amended to
32 read as follows:

33 (1) A person who has paid tax under RCW 82.08.020 for personal
34 property used at an aluminum smelter, tangible personal property that
35 will be incorporated as an ingredient or component of buildings or
36 other structures at an aluminum smelter, or for labor and services

1 rendered with respect to such buildings, structures, or personal
2 property, is eligible for an exemption from the state share of the tax
3 in the form of a credit, as provided in this section. A person
4 claiming an exemption must pay the tax and may then take a credit equal
5 to the state share of retail sales tax paid under RCW 82.08.020. The
6 person must submit information, in a form and manner prescribed by the
7 department, specifying the amount of qualifying purchases or
8 acquisitions for which the exemption is claimed and the amount of
9 exempted tax.

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

12 (3) A person claiming the tax preference provided in this section
13 must file a complete annual report with the department under ((RCW
14 ~~82.32.534~~) section 201 of this act).

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

17 **Sec. 232.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to
18 read as follows:

19 (1) The tax levied by RCW 82.08.020 does not apply to charges made
20 for labor and services rendered in respect to the constructing of new
21 buildings used for the manufacturing of semiconductor materials, to
22 sales of tangible personal property that will be incorporated as an
23 ingredient or component of such buildings during the course of the
24 constructing, or to labor and services rendered in respect to
25 installing, during the course of constructing, building fixtures not
26 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The
27 exemption is available only when the buyer provides the seller with an
28 exemption certificate in a form and manner prescribed by the
29 department. The seller must retain a copy of the certificate for the
30 seller's files.

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

36 (a) The manufacturer or processor for hire must maintain at least

1 seventy-five percent of full employment at the new building for which
2 the exemption under this section is claimed.

3 (b) Before commencing commercial production at a new facility the
4 manufacturer or processor for hire must meet with the department to
5 review projected employment levels in the new buildings. The
6 department, using information provided by the taxpayer, must make a
7 determination of the number of positions that would be filled at full
8 employment. This number must be used throughout the eight-year period
9 to determine whether any tax is to be repaid. This information is not
10 subject to the confidentiality provisions of RCW 82.32.330 and may be
11 disclosed to the public upon request.

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

18 (d) No application is necessary for the tax exemption. The person
19 is subject to all the requirements of chapter 82.32 RCW. A person
20 claiming the exemption under this section must file a complete annual
21 report with the department under ((RCW 82.32.534)) section 201 of this
22 act.

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

28 (4) The exemption applies to new buildings, or parts of buildings,
29 that are used exclusively in the manufacturing of semiconductor
30 materials, including the storage of raw materials and finished product.

31 (5) For the purposes of this section:

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

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

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

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

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

8 **Sec. 233.** RCW 82.08.9651 and 2010 c 114 s 124 are each amended to
9 read as follows:

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

22 (2) A person claiming the exemption under this section must file a
23 complete annual report with the department under (~~RCW 82.32.534~~)
24 section 201 of this act. No application is necessary for the tax
25 exemption. The person is subject to all of the requirements of chapter
26 82.32 RCW.

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

28 **Sec. 234.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to
29 read as follows:

30 (1) The tax levied by RCW 82.08.020 does not apply to sales of
31 gases and chemicals used by a manufacturer or processor for hire in the
32 manufacturing of semiconductor materials. This exemption is limited to
33 gases and chemicals used in the manufacturing process to grow the
34 product, deposit or grow permanent or sacrificial layers on the
35 product, to etch or remove material from the product, to anneal the
36 product, to immerse the product, to clean the product, and other such

1 uses whereby the gases and chemicals come into direct contact with the
2 product during the manufacturing process, or uses of gases and
3 chemicals to clean the chambers and other like equipment in which such
4 processing takes place. For the purposes of this section,
5 "semiconductor materials" has the same meaning as provided in RCW
6 82.04.240(2).

7 (2) A person claiming the exemption under this section must file a
8 complete annual report with the department under ((~~RCW 82.32.534~~))
9 section 201 of this act. No application is necessary for the tax
10 exemption. The person is subject to all of the requirements of chapter
11 82.32 RCW.

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

14 **Sec. 235.** RCW 82.08.980 and 2010 c 114 s 126 are each amended to
15 read as follows:

16 (1) The tax levied by RCW 82.08.020 does not apply to charges made
17 for labor and services rendered in respect to the constructing of new
18 buildings by a manufacturer engaged in the manufacturing of
19 superefficient airplanes or by a port district, to be leased to a
20 manufacturer engaged in the manufacturing of superefficient airplanes,
21 to sales of tangible personal property that will be incorporated as an
22 ingredient or component of such buildings during the course of the
23 constructing, or to labor and services rendered in respect to
24 installing, during the course of constructing, building fixtures not
25 otherwise eligible for the exemption under RCW 82.08.02565(2)(b). The
26 exemption is available only when the buyer provides the seller with an
27 exemption certificate in a form and manner prescribed by the
28 department. The seller must retain a copy of the certificate for the
29 seller's files.

30 (2) No application is necessary for the tax exemption in this
31 section, however in order to qualify under this section before starting
32 construction the port district must have entered into an agreement with
33 the manufacturer to build such a facility. A person claiming the
34 exemption under this section is subject to all the requirements of
35 chapter 82.32 RCW. In addition, the person must file a complete annual
36 report with the department under ((~~RCW 82.32.534~~)) section 201 of this
37 act.

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

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

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

8 **Sec. 236.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each
9 amended to read as follows:

10 (1) The tax levied by RCW 82.08.020 does not apply to:

11 (a) Charges, for labor and services rendered in respect to the
12 constructing of new buildings, made to (i) a manufacturer engaged in
13 the manufacturing of commercial airplanes or the fuselages or wings of
14 commercial airplanes or (ii) a port district, political subdivision, or
15 municipal corporation, to be leased to a manufacturer engaged in the
16 manufacturing of commercial airplanes or the fuselages or wings of
17 commercial airplanes;

18 (b) Sales of tangible personal property that will be incorporated
19 as an ingredient or component of such buildings during the course of
20 the constructing; or

21 (c) Charges made for labor and services rendered in respect to
22 installing, during the course of constructing such buildings, building
23 fixtures not otherwise eligible for the exemption under RCW
24 82.08.02565(2)(b).

25 (2) The exemption is available only when the buyer provides the
26 seller with an exemption certificate in a form and manner prescribed by
27 the department. The seller must retain a copy of the certificate for
28 the seller's files.

29 (3) No application is necessary for the tax exemption in this
30 section. However, in order to qualify under this section before
31 starting construction, the port district, political subdivision, or
32 municipal corporation must have entered into an agreement with the
33 manufacturer to build such a facility. A person claiming the exemption
34 under this section is subject to all the requirements of chapter 82.32
35 RCW. In addition, the person must file a complete annual report with
36 the department under (~~RCW 82.32.534~~) section 201 of this act.

1 (4) The exemption in this section applies to buildings or parts of
2 buildings, including buildings or parts of buildings used for the
3 storage of raw materials or finished product, that are used primarily
4 in the manufacturing of any one or more of the following products:

- 5 (a) Commercial airplanes;
- 6 (b) Fuselages of commercial airplanes; or
- 7 (c) Wings of commercial airplanes.

8 (5) For the purposes of this section, "commercial airplane" has the
9 meaning given in RCW 82.32.550.

10 (6) This section expires July 1, 2040.

11 **Sec. 237.** RCW 82.08.986 and 2012 2nd sp.s. c 6 s 302 are each
12 amended to read as follows:

13 (1) An exemption from the tax imposed by RCW 82.08.020 is provided
14 for sales to qualifying businesses and to qualifying tenants of
15 eligible server equipment to be installed, without intervening use, in
16 an eligible computer data center, and to charges made for labor and
17 services rendered in respect to installing eligible server equipment.
18 The exemption also applies to sales to qualifying businesses and to
19 qualifying tenants of eligible power infrastructure, including labor
20 and services rendered in respect to constructing, installing,
21 repairing, altering, or improving eligible power infrastructure.

22 (2)(a) In order to claim the exemption under this section, a
23 qualifying business or a qualifying tenant must submit an application
24 to the department for an exemption certificate. The application must
25 include the information necessary, as required by the department, to
26 determine that a business or tenant qualifies for the exemption under
27 this section. The department must issue exemption certificates to
28 qualifying businesses and qualifying tenants. The department may
29 assign a unique identification number to each exemption certificate
30 issued under this section.

31 (b) A qualifying business or a qualifying tenant claiming the
32 exemption under this section must present the seller with an exemption
33 certificate in a form and manner prescribed by the department. The
34 seller must retain a copy of the certificate for the seller's files.

35 (3)(a) Within six years of the date that the department issued an
36 exemption certificate under this section to a qualifying business or a
37 qualifying tenant with respect to an eligible computer data center, the

1 qualifying business or qualifying tenant must establish that net
2 employment at the eligible computer data center has increased by a
3 minimum of:

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

5 (ii) Three family wage employment positions for each twenty
6 thousand square feet of space or less that is newly dedicated to
7 housing working servers at the eligible computer data center. For
8 qualifying tenants, the number of family wage employment positions that
9 must be increased under this subsection (3)(a)(ii) is based only on the
10 space occupied by the qualifying tenant in the eligible computer data
11 center.

12 (b) In calculating the net increase in family wage employment
13 positions:

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

16 (A) The net increase in family wage employment positions employed
17 by qualifying tenants; and

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

20 (ii)(A) Qualifying tenants, in addition to their own net increase
21 in family wage employment positions, may include:

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

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

26 (B) The portion of the net increase in family wage employment
27 positions to be counted under this subsection (3)(b)(ii) by each
28 qualifying tenant must be in proportion to the amount of space in the
29 eligible computer data center occupied by the qualifying tenant
30 compared to the total amount of space in the eligible computer data
31 center occupied by all qualifying tenants.

32 (c)(i) For purposes of this subsection, family wage employment
33 positions are new permanent employment positions requiring forty hours
34 of weekly work, or their equivalent, on a full-time basis at the
35 eligible computer data center and receiving a wage equivalent to or
36 greater than one hundred fifty percent of the per capita personal
37 income of the county in which the qualified project is located. An
38 employment position may not be counted as a family wage employment

1 position unless the employment position is entitled to health insurance
2 coverage provided by the employer of the employment position. For
3 purposes of this subsection (3)(c), "new permanent employment position"
4 means an employment position that did not exist or that had not
5 previously been filled as of the date that the department issued an
6 exemption certificate to the owner or qualifying tenant of an eligible
7 computer data center, as the case may be.

8 (ii)(A) Family wage employment positions include positions filled
9 by employees of the owner of the eligible computer data center and by
10 employees of qualifying tenants.

11 (B) Family wage employment positions also include individuals
12 performing work at an eligible computer data center as an independent
13 contractor hired by the owner of the eligible computer data center or
14 as an employee of an independent contractor hired by the owner of the
15 eligible computer data center, if the work is necessary for the
16 operation of the computer data center, such as security and building
17 maintenance, and provided that all of the requirements in (c)(i) of
18 this subsection (3) are met.

19 (d) All previously exempted sales and use taxes are immediately due
20 and payable for a qualifying business or qualifying tenant that does
21 not meet the requirements of this subsection.

22 (4) A qualifying business or a qualifying tenant claiming an
23 exemption under this section or RCW 82.12.986 must complete an annual
24 report with the department as required under (~~RCW 82.32.534~~) section
25 201 of this act.

26 (5)(a) The exemption provided in this section does not apply to:

27 (i) Any person who has received the benefit of the deferral program
28 under chapter 82.60 RCW on: (A) The construction, renovation, or
29 expansion of a structure or structures used as a computer data center;
30 or (B) machinery or equipment used in a computer data center; and

31 (ii) Any person affiliated with a person within the scope of (a)(i)
32 of this subsection (5).

33 (b) If a person claims an exemption under this section and
34 subsequently receives the benefit of the deferral program under chapter
35 82.60 RCW on either the construction, renovation, or expansion of a
36 structure or structures used as a computer data center or machinery or
37 equipment used in a computer data center, the person must repay the

1 amount of taxes exempted under this section. Interest as provided in
2 chapter 82.32 RCW applies to amounts due under this section until paid
3 in full.

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

6 (a) "Affiliated" means that one person has a direct or indirect
7 ownership interest of at least twenty percent in another person.

8 (b)(i) "Computer data center" means a facility comprised of one or
9 more buildings, which may be comprised of multiple businesses,
10 constructed or refurbished specifically, and used primarily, to house
11 working servers, where the facility has the following characteristics:

- 12 (A) Uninterruptible power supplies, generator backup power, or both;
- 13 (B) sophisticated fire suppression and prevention systems; and (C)
- 14 enhanced physical security, such as: Restricted access to the facility
- 15 to selected personnel; permanent security guards; video camera
- 16 surveillance; an electronic system requiring passcodes, keycards, or
- 17 biometric scans, such as hand scans and retinal or fingerprint
- 18 recognition; or similar security features.

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

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

27 (c) "Electronic data storage and data management services" include,
28 but are not limited to: Providing data storage and backup services,
29 providing computer processing power, hosting enterprise software
30 applications, and hosting web sites. The term also includes providing
31 services such as e-mail, web browsing and searching, media
32 applications, and other online services, regardless of whether a charge
33 is made for such services.

34 (d)(i) "Eligible computer data center" means a computer data
35 center:

- 36 (A) Located in a rural county as defined in RCW 82.14.370;
- 37 (B) Having at least twenty thousand square feet dedicated to

1 housing working servers, where the server space has not previously been
2 dedicated to housing working servers; and

3 (C) For which the commencement of construction occurs:

4 (I) After March 31, 2010, and before July 1, 2011; or

5 (II) After March 31, 2012, and before July 1, 2015.

6 (ii) For purposes of this section, "commencement of construction"
7 means the date that a building permit is issued under the building code
8 adopted under RCW 19.27.031 for construction of the computer data
9 center. The construction of a computer data center includes the
10 expansion, renovation, or other improvements made to existing
11 facilities, including leased or rented space. "Commencement of
12 construction" does not include soil testing, site clearing and grading,
13 site preparation, or any other related activities that are initiated
14 before the issuance of a building permit for the construction of the
15 foundation of a computer data center.

16 (iii) With respect to facilities in existence on April 1, 2010,
17 that are expanded, renovated, or otherwise improved after March 31,
18 2010, or facilities in existence on April 1, 2012, that are expanded,
19 renovated, or otherwise improved after March 31, 2012, an eligible
20 computer data center includes only the portion of the computer data
21 center meeting the requirements in (d)(i)(B) of this subsection (6).

22 (e) "Eligible power infrastructure" means all fixtures and
23 equipment owned by a qualifying business or qualifying tenant and
24 necessary for the transformation, distribution, or management of
25 electricity that is required to operate eligible server equipment
26 within an eligible computer data center. The term includes generators;
27 wiring; cogeneration equipment; and associated fixtures and equipment,
28 such as electrical switches, batteries, and distribution, testing, and
29 monitoring equipment.

30 (f) "Eligible server equipment" means:

31 (i) For a qualifying business whose computer data center qualifies
32 as an eligible computer data center under (d)(i)(C)(I) of this
33 subsection (6), the original server equipment installed in an eligible
34 computer data center on or after April 1, 2010, and replacement server
35 equipment. For purposes of this subsection (6)(f)(i), "replacement
36 server equipment" means server equipment that:

37 (A) Replaces existing server equipment, if the sale or use of the

1 server equipment to be replaced qualified for an exemption under this
2 section or RCW 82.12.986; and

3 (B) Is installed and put into regular use before April 1, 2018.

4 (ii) For a qualifying business whose computer data center qualifies
5 as an eligible computer data center under (d)(i)(C)(II) of this
6 subsection (6), "eligible server equipment" means the original server
7 equipment installed in an eligible computer data center on or after
8 April 1, 2012, and replacement server equipment. For purposes of this
9 subsection (6)(f)(ii), "replacement server equipment" means server
10 equipment that:

11 (A) Replaces existing server equipment, if the sale or use of the
12 server equipment to be replaced qualified for an exemption under this
13 section or RCW 82.12.986; and

14 (B) Is installed and put into regular use before April 1, 2020.

15 (iii) For a qualifying tenant who leases space within an eligible
16 computer data center, "eligible server equipment" means the original
17 server equipment installed within the space it leases from an eligible
18 computer data center on or after April 1, 2010, and replacement server
19 equipment. For purposes of this subsection (6)(f)(iii), "replacement
20 server equipment" means server equipment that:

21 (A) Replaces existing server equipment, if the sale or use of the
22 server equipment to be replaced qualified for an exemption under this
23 section or RCW 82.12.986; and

24 (B) Is installed and put into regular use before April 1, 2020.

25 (g) "Qualifying business" means a business entity that exists for
26 the primary purpose of engaging in commercial activity for profit and
27 that is the owner of an eligible computer data center. The term does
28 not include the state or federal government or any of their
29 departments, agencies, and institutions; tribal governments; political
30 subdivisions of this state; or any municipal, quasi-municipal, public,
31 or other corporation created by the state or federal government, tribal
32 government, municipality, or political subdivision of the state.

33 (h) "Qualifying tenant" means a business entity that exists for the
34 primary purpose of engaging in commercial activity for profit and that
35 leases space from a qualifying business within an eligible computer
36 data center. The term does not include the state or federal government
37 or any of their departments, agencies, and institutions; tribal
38 governments; political subdivisions of this state; or any municipal,

1 quasi-municipal, public, or other corporation created by the state or
2 federal government, tribal government, municipality, or political
3 subdivision of the state. The term also does not include a lessee of
4 space in an eligible computer data center under (d)(i)(C)(I) of this
5 subsection (6), if the lessee and lessor are affiliated and:

6 (i) That space will be used by the lessee to house server equipment
7 that replaces server equipment previously installed and operated in
8 that eligible computer data center by the lessor or another person
9 affiliated with the lessee; or

10 (ii) Prior to May 2, 2012, the primary use of the server equipment
11 installed in that eligible computer data center was to provide
12 electronic data storage and data management services for the business
13 purposes of either the lessor, persons affiliated with the lessor, or
14 both.

15 (i) "Server equipment" means the computer hardware located in an
16 eligible computer data center and used exclusively to provide
17 electronic data storage and data management services for internal use
18 by the owner or lessee of the computer data center, for clients of the
19 owner or lessee of the computer data center, or both. "Server
20 equipment" also includes computer software necessary to operate the
21 computer hardware. "Server equipment" does not include personal
22 computers, the racks upon which the server equipment is installed, and
23 computer peripherals such as keyboards, monitors, printers, and mice.

24 (7) This section expires April 1, 2020.

25 **Sec. 238.** RCW 82.12.022 and 2011 c 174 s 304 are each amended to
26 read as follows:

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

30 (2) The tax must be levied and collected in an amount equal to the
31 value of the article used by the taxpayer multiplied by the rate in
32 effect for the public utility tax on gas distribution businesses under
33 RCW 82.16.020. The "value of the article used" does not include any
34 amounts that are paid for the hire or use of a gas distribution
35 business as defined in RCW 82.16.010(2) in transporting the gas subject
36 to tax under this subsection if those amounts are subject to tax under
37 that chapter.

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

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

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

11 (b) A person claiming the exemption provided in this subsection (5)
12 must file a complete annual report with the department under ((RCW
13 ~~82.32.534~~) section 201 of this act.

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

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

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

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

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

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

33 **Sec. 239.** RCW 82.12.025651 and 2011 c 23 s 5 are each amended to
34 read as follows:

35 (1) The provisions of this chapter do not apply in respect to the
36 use by a public research institution of machinery and equipment used

1 primarily in a research and development operation, or to the use of
2 labor and services rendered in respect to installing, repairing,
3 cleaning, altering, or improving the machinery and equipment.

4 (2) The definitions in RCW 82.08.025651 apply to this section.

5 (3) A public research institution receiving the benefit of the
6 exemption provided in this section must file a complete annual
7 ((survey)) report with the department under ((RCW 82.32.585)) section
8 201 of this act.

9 **Sec. 240.** RCW 82.12.805 and 2011 c 174 s 305 are each amended to
10 read as follows:

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

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

25 (3) A person reporting under the tax rate provided in this section
26 must file a complete annual report with the department under ((RCW
27 82.32.534)) section 201 of this act.

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

30 **Sec. 241.** RCW 82.12.965 and 2010 c 114 s 129 are each amended to
31 read as follows:

32 (1) The provisions of this chapter do not apply with respect to the
33 use of tangible personal property that will be incorporated as an
34 ingredient or component of new buildings used for the manufacturing of
35 semiconductor materials during the course of constructing such

1 buildings or to labor and services rendered in respect to installing,
2 during the course of constructing, building fixtures not otherwise
3 eligible for the exemption under RCW 82.08.02565(2)(b).

4 (2) The eligibility requirements, conditions, and definitions in
5 RCW 82.08.965 apply to this section, including the filing of a complete
6 annual report with the department under (~~RCW 82.32.534~~) section 201
7 of this act.

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

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

13 **Sec. 242.** RCW 82.12.9651 and 2010 c 114 s 130 are each amended to
14 read as follows:

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

27 (2) A person claiming the exemption under this section must file a
28 complete annual report with the department under (~~RCW 82.32.534~~)
29 section 201 of this act. No application is necessary for the tax
30 exemption. The person is subject to all of the requirements of chapter
31 82.32 RCW.

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

33 **Sec. 243.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to
34 read as follows:

35 (1) The provisions of this chapter do not apply with respect to the
36 use of gases and chemicals used by a manufacturer or processor for hire

1 in the manufacturing of semiconductor materials. This exemption is
2 limited to gases and chemicals used in the manufacturing process to
3 grow the product, deposit or grow permanent or sacrificial layers on
4 the product, to etch or remove material from the product, to anneal the
5 product, to immerse the product, to clean the product, and other such
6 uses whereby the gases and chemicals come into direct contact with the
7 product during the manufacturing process, or uses of gases and
8 chemicals to clean the chambers and other like equipment in which such
9 processing takes place. For purposes of this section, "semiconductor
10 materials" has the same meaning as provided in RCW 82.04.240(2).

11 (2) A person claiming the exemption under this section must file a
12 complete annual report with the department under (~~RCW 82.32.534~~)
13 section 201 of this act. No application is necessary for the tax
14 exemption. The person is subject to all of the requirements of chapter
15 82.32 RCW.

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

18 **Sec. 244.** RCW 82.12.980 and 2010 c 114 s 132 are each amended to
19 read as follows:

20 (1) The provisions of this chapter do not apply with respect to the
21 use of tangible personal property that will be incorporated as an
22 ingredient or component of new buildings by a manufacturer engaged in
23 the manufacturing of superefficient airplanes or owned by a port
24 district and to be leased to a manufacturer engaged in the
25 manufacturing of superefficient airplanes, during the course of
26 constructing such buildings, or to labor and services rendered in
27 respect to installing, during the course of constructing, building
28 fixtures not otherwise eligible for the exemption under RCW
29 82.08.02565(2)(b).

30 (2) The eligibility requirements, conditions, and definitions in
31 RCW 82.08.980 apply to this section, including the filing of a complete
32 annual report with the department under (~~RCW 82.32.534~~) section 201
33 of this act.

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

35 **Sec. 245.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each
36 amended to read as follows:

1 (1) The provisions of this chapter do not apply with respect to the
2 use of:

3 (a) Tangible personal property that will be incorporated as an
4 ingredient or component in constructing new buildings for (i) a
5 manufacturer engaged in the manufacturing of commercial airplanes or
6 the fuselages or wings of commercial airplanes or (ii) a port district,
7 political subdivision, or municipal corporation, to be leased to a
8 manufacturer engaged in the manufacturing of commercial airplanes or
9 the fuselages or wings of commercial airplanes; or

10 (b) Labor and services rendered in respect to installing, during
11 the course of constructing such buildings, building fixtures not
12 otherwise eligible for the exemption under RCW 82.08.02565(2)(b).

13 (2) The eligibility requirements, conditions, and definitions in
14 RCW 82.08.980 apply to this section, including the filing of a complete
15 annual report with the department under (~~RCW 82.32.534~~) section 201
16 of this act.

17 (3) This section expires July 1, 2040.

18 **Sec. 246.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended to
19 read as follows:

20 (1) For the purposes of this section:

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

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

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

7 (a) The electricity to be used in the electrolytic process is
8 separately metered from the electricity used for general operations of
9 the business;

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

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

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

20 (4) In order to claim an exemption under this section, the chlor-
21 alkali electrolytic processing business or the sodium chlorate
22 electrolytic processing business must provide the light and power
23 business with an exemption certificate in a form and manner prescribed
24 by the department.

25 (5) A person receiving the benefit of the exemption provided in
26 this section must file a complete annual report with the department
27 under (~~RCW 82.32.534~~) section 201 of this act.

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

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

31 **Sec. 247.** RCW 82.29A.137 and 2010 c 114 s 134 are each amended to
32 read as follows:

33 (1) All leasehold interests in port district facilities exempt from
34 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged
35 in the manufacturing of superefficient airplanes, as defined in RCW
36 82.32.550, are exempt from tax under this chapter. A person claiming

1 the credit under RCW 82.04.4463 is not eligible for the exemption under
2 this section.

3 (2) In addition to all other requirements under this title, a
4 person claiming the exemption under this section must file a complete
5 annual report with the department under ((RCW 82.32.534)) section 201
6 of this act.

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

8 **Sec. 248.** RCW 82.29A.137 and 2013 3rd sp.s. c 2 s 13 are each
9 amended to read as follows:

10 (1) All leasehold interests in port district facilities exempt from
11 tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer engaged
12 in the manufacturing of superefficient airplanes, as defined in RCW
13 82.32.550, are exempt from tax under this chapter. A person claiming
14 the credit under RCW 82.04.4463 is not eligible for the exemption under
15 this section.

16 (2) In addition to all other requirements under this title, a
17 person claiming the exemption under this section must file a complete
18 annual report with the department under ((RCW 82.32.534)) section 201
19 of this act.

20 (3) This section expires July 1, 2040.

21 **Sec. 249.** RCW 82.60.070 and 2010 1st sp.s. c 16 s 9 are each
22 amended to read as follows:

23 (1)(a) Each recipient of a deferral of taxes granted under this
24 chapter must file a complete annual ((survey)) report with the
25 department under ((RCW 82.32.585)) section 201 of this act. If the
26 economic benefits of the deferral are passed to a lessee as provided in
27 RCW 82.60.025, the lessee must file a complete annual ((survey))
28 report, and the applicant is not required to file a complete annual
29 ((survey)) report.

30 (b) The department must use the information reported on the annual
31 ((survey)) report required by this section to study the tax deferral
32 program authorized under this chapter. The department must report to
33 the legislature by December 1, ((2019)) 2018. The report must measure
34 the effect of the program on job creation, the number of jobs created
35 for residents of eligible areas, company growth, ((the introduction of
36 new products, the diversification of the state's economy, growth in

1 ~~research and development investment, the movement of firms or the~~
2 ~~consolidation of firms' operations into the state,))~~ and such other
3 factors as the department selects.

4 (2) Except as provided in RCW 82.60.063, if, on the basis of a
5 (~~survey under RCW 82.32.585~~) report under section 201 of this act or
6 other information, the department finds that an investment project is
7 not eligible for tax deferral under this chapter, the amount of
8 deferred taxes outstanding for the project, according to the repayment
9 schedule in RCW 82.60.060, is immediately due. For purposes of this
10 subsection (2), the repayment schedule in RCW 82.60.060 is tolled
11 during the period of time that a taxpayer is receiving relief from
12 repayment of deferred taxes under RCW 82.60.063.

13 (3) A recipient who must repay deferred taxes under subsection (2)
14 of this section because the department has found that an investment
15 project is not eligible for tax deferral under this chapter is no
16 longer required to file annual (~~surveys under RCW 82.32.585~~) reports
17 under section 201 of this act beginning on the date an investment
18 project is used for nonqualifying purposes.

19 (4) Notwithstanding any other provision of this section or (~~RCW~~
20 ~~82.32.585~~) under section 201 of this act, deferred taxes on the
21 following need not be repaid:

22 (a) Machinery and equipment, and sales of or charges made for labor
23 and services, which at the time of purchase would have qualified for
24 exemption under RCW 82.08.02565; and

25 (b) Machinery and equipment which at the time of first use would
26 have qualified for exemption under RCW 82.12.02565.

27 **Sec. 250.** RCW 82.63.020 and 2010 c 114 s 140 are each amended to
28 read as follows:

29 (1) Application for deferral of taxes under this chapter must be
30 made before initiation of construction of, or acquisition of equipment
31 or machinery for the investment project. In the case of an investment
32 project involving multiple qualified buildings, applications must be
33 made for, and before the initiation of construction of, each qualified
34 building. The application must be made to the department in a form and
35 manner prescribed by the department. The application must contain
36 information regarding the location of the investment project, the
37 applicant's average employment in the state for the prior year,

1 estimated or actual new employment related to the project, estimated or
2 actual wages of employees related to the project, estimated or actual
3 costs, time schedules for completion and operation, and other
4 information required by the department. The department must rule on
5 the application within sixty days.

6 (2) Each recipient of a deferral of taxes under this chapter must
7 file a complete annual ~~((survey))~~ report with the department under
8 ~~((RCW 82.32.585))~~ section 201 of this act. If the economic benefits of
9 the deferral are passed to a lessee as provided in RCW 82.63.010(7),
10 the lessee must file a complete annual ~~((survey))~~ report, and the
11 applicant is not required to file the annual ~~((survey))~~ report.

12 ~~((3) ((The department must use the information reported on the
13 annual survey required by this section to study the tax deferral
14 program authorized under this chapter. The department must report to
15 the legislature by December 1, 2009, and December 1, 2013. The reports
16 must measure the effect of the program on job creation, the number of
17 jobs created for Washington residents, company growth, the introduction
18 of new products, the diversification of the state's economy, growth in
19 research and development investment, the movement of firms or the
20 consolidation of firms' operations into the state, and such other
21 factors as the department selects.~~

22 ~~((4))~~) A recipient who must repay deferred taxes under RCW 82.63.045
23 because the department has found that an investment project is used for
24 purposes other than research and development performed within this
25 state in the fields of advanced computing, advanced materials,
26 biotechnology, electronic device technology, and environmental
27 technology is no longer required to file annual ~~((surveys under RCW
28 82.32.585))~~ reports under section 201 of this act beginning on the date
29 an investment project is used for nonqualifying purposes.

30 **Sec. 251.** RCW 82.63.045 and 2010 c 114 s 141 are each amended to
31 read as follows:

32 (1) Except as provided in subsection (2) of this section and ~~((RCW
33 82.32.585))~~ section 201 of this act, taxes deferred under this chapter
34 need not be repaid.

35 (2)(a) If, on the basis of the ~~((survey under RCW 82.32.585))~~
36 report under section 201 of this act or other information, the
37 department finds that an investment project is used for purposes other

1 than qualified research and development or pilot scale manufacturing at
2 any time during the calendar year in which the investment project is
3 certified by the department as having been operationally completed, or
4 at any time during any of the seven succeeding calendar years, a
5 portion of deferred taxes is immediately due according to the following
6 schedule:

7

8	Year in which use occurs	% of deferred taxes due
9	1	100%
10	2	87.5%
11	3	75%
12	4	62.5%
13	5	50%
14	6	37.5%
15	7	25%
16	8	12.5%

17 (b) If the economic benefits of the deferral are passed to a lessee
18 as provided in RCW 82.63.010(7), the lessee is responsible for payment
19 to the extent the lessee has received the economic benefit.

20 (3)(a) Notwithstanding subsection (2) of this section, in the case
21 of an investment project consisting of multiple qualified buildings,
22 the lessee is solely liable for payment of any deferred tax determined
23 by the department to be due and payable under this section beginning on
24 the date the department certifies that the project is operationally
25 complete.

26 (b) This subsection does not relieve the lessors of its obligation
27 to the lessee under RCW 82.63.010(7) to pass the economic benefit of
28 the deferral to the lessee.

29 (4) The department must assess interest at the rate provided for
30 delinquent taxes, but not penalties, retroactively to the date of
31 deferral. The debt for deferred taxes will not be extinguished by
32 insolvency or other failure of the recipient. Transfer of ownership
33 does not terminate the deferral. The deferral is transferred, subject
34 to the successor meeting the eligibility requirements of this chapter,
35 for the remaining periods of the deferral.

1 (5) Notwithstanding subsection (2) of this section or ((RCW
2 82.32.585)) section 201 of this act, deferred taxes on the following
3 need not be repaid:

4 (a) Machinery and equipment, and sales of or charges made for labor
5 and services, which at the time of purchase would have qualified for
6 exemption under RCW 82.08.02565; and

7 (b) Machinery and equipment which at the time of first use would
8 have qualified for exemption under RCW 82.12.02565.

9 **Sec. 252.** RCW 82.74.040 and 2010 c 114 s 142 are each amended to
10 read as follows:

11 (1) Each recipient of a deferral of taxes granted under this
12 chapter must file a complete annual ((survey)) report with the
13 department under ((RCW 82.32.585)) section 201 of this act. If the
14 economic benefits of the deferral are passed to a lessee as provided in
15 RCW 82.74.010(6), the lessee must file a complete annual ((survey))
16 report, and the applicant is not required to file the annual ((survey))
17 report.

18 (2) A recipient who must repay deferred taxes under RCW
19 82.74.050(2) because the department has found that an investment
20 project is used for purposes other than fresh fruit and vegetable
21 processing, dairy product manufacturing, seafood product manufacturing,
22 cold storage warehousing, or research and development is no longer
23 required to file annual ((surveys under RCW 82.32.585)) reports under
24 section 201 of this act beginning on the date an investment project is
25 used for nonqualifying purposes.

26 **Sec. 253.** RCW 82.74.050 and 2010 c 114 s 143 are each amended to
27 read as follows:

28 (1) Except as provided in subsection (2) of this section and ((RCW
29 82.32.585)) section 201 of this act, taxes deferred under this chapter
30 need not be repaid.

31 (2)(a) If, on the basis of the ((survey under RCW 82.32.585))
32 report under section 201 of this act or other information, the
33 department finds that an investment project is used for purposes other
34 than fresh fruit and vegetable processing, dairy product manufacturing,
35 seafood product manufacturing, cold storage warehousing, or research
36 and development at any time during the calendar year in which the

1 investment project is certified by the department as having been
2 operationally completed, or at any time during any of the seven
3 succeeding calendar years, a portion of deferred taxes is immediately
4 due according to the following schedule:

5	Year in which nonqualifying use occurs	% of deferred taxes due
6	1	100%
7	2	87.5%
8	3	75%
9	4	62.5%
10	5	50%
11	6	37.5%
12	7	25%
13	8	12.5%

14 (b) If the economic benefits of the deferral are passed to a lessee
15 as provided in RCW 82.74.010(6), the lessee is responsible for payment
16 to the extent the lessee has received the economic benefit.

17 (3) The department must assess interest, but not penalties, on the
18 deferred taxes under subsection (2) of this section. The interest must
19 be assessed at the rate provided for delinquent taxes under chapter
20 82.32 RCW, retroactively to the date of deferral, and will accrue until
21 the deferred taxes are repaid. The debt for deferred taxes will not be
22 extinguished by insolvency or other failure of the recipient. Transfer
23 of ownership does not terminate the deferral. The deferral is
24 transferred, subject to the successor meeting the eligibility
25 requirements of this chapter, for the remaining periods of the
26 deferral.

27 (4) Notwithstanding subsection (2) of this section or ((RCW
28 ~~82.32.585~~) section 201 of this act, deferred taxes on the following
29 need not be repaid:

30 (a) Machinery and equipment, and sales of or charges made for labor
31 and services, which at the time of purchase would have qualified for
32 exemption under RCW 82.08.02565; and

33 (b) Machinery and equipment which at the time of first use would
34 have qualified for exemption under RCW 82.12.02565.

1 **Sec. 254.** RCW 82.75.040 and 2010 c 114 s 147 are each amended to
2 read as follows:

3 (1) Except as provided in subsection (2) of this section and ((RCW
4 ~~82.32.585~~) section 201 of this act, taxes deferred under this chapter
5 need not be repaid.

6 (2)(a) If, on the basis of the ((~~survey under RCW 82.32.585~~)
7 report under section 201 of this act or other information, the
8 department finds that an investment project is used for purposes other
9 than qualified biotechnology product manufacturing or medical device
10 manufacturing activities at any time during the calendar year in which
11 the eligible investment project is certified by the department as
12 having been operationally completed, or at any time during any of the
13 seven succeeding calendar years, a portion of deferred taxes is
14 immediately due and payable according to the following schedule:

Year in which use occurs	% of deferred taxes due
1	100%
2	87.5%
3	75%
4	62.5%
5	50%
6	37.5%
7	25%
8	12.5%

24 (b) If the economic benefits of the deferral are passed to a lessee
25 as provided in RCW 82.75.010, the lessee is responsible for payment to
26 the extent the lessee has received the economic benefit.

27 (3) For a violation of subsection (2)(a) of this section, the
28 department must assess interest at the rate provided for delinquent
29 taxes, but not penalties, retroactively to the date of deferral. The
30 debt for deferred taxes will not be extinguished by insolvency or other
31 failure of the recipient. Transfer of ownership does not terminate the
32 deferral. The deferral is transferred, subject to the successor
33 meeting the eligibility requirements of this chapter, for the remaining
34 periods of the deferral.

1 (4) Notwithstanding subsection (2) of this section or ((RCW
2 82.32.585)) section 201 of this act, deferred taxes on the following
3 need not be repaid:

4 (a) Machinery and equipment, and sales of or charges made for labor
5 and services, which at the time of purchase would have qualified for
6 exemption under RCW 82.08.02565; and

7 (b) Machinery and equipment which at the time of first use would
8 have qualified for exemption under RCW 82.12.02565.

9 **Sec. 255.** RCW 82.75.070 and 2010 c 114 s 144 are each amended to
10 read as follows:

11 (1) Each recipient of a deferral of taxes granted under this
12 chapter must file a complete annual ((survey)) report with the
13 department under ((RCW 82.32.585)) section 201 of this act. If the
14 economic benefits of the deferral are passed to a lessee as provided in
15 RCW 82.75.010(5), the lessee must file a complete annual ((survey))
16 report, and the applicant is not required to file the annual ((survey))
17 report.

18 (2) A recipient who must repay deferred taxes under RCW
19 82.75.040(2) because the department has found that an investment
20 project is used for purposes other than qualified biotechnology product
21 manufacturing or medical device manufacturing activities is no longer
22 required to file annual ((surveys under RCW 82.32.585)) reports under
23 section 201 of this act beginning on the date an investment project is
24 used for nonqualifying purposes.

25 **Sec. 256.** RCW 82.82.020 and 2010 c 114 s 148 are each amended to
26 read as follows:

27 (1) Application for deferral of taxes under this chapter can be
28 made at any time prior to completion of construction of a qualified
29 building or buildings, but tax liability incurred prior to the
30 department's receipt of an application may not be deferred. The
31 application must be made to the department in a form and manner
32 prescribed by the department. The application must contain information
33 regarding the location of the investment project, the applicant's
34 average employment in the state for the prior year, estimated or actual
35 new employment related to the project, estimated or actual wages of
36 employees related to the project, estimated or actual costs, time

1 schedules for completion and operation, and other information required
2 by the department. The department must rule on the application within
3 sixty days.

4 (2) Applications for deferral of taxes under this section may not
5 be made after December 31, 2020.

6 (3) Each recipient of a deferral of taxes under this chapter must
7 file a complete annual ~~((survey))~~ report with the department under
8 ~~((RCW 82.32.585))~~ section 201 of this act. If the economic benefits of
9 the deferral are passed to a lessee as provided in RCW 82.82.010(5),
10 the lessee must file a complete annual ~~((survey))~~ report, and the
11 applicant is not required to file the annual ~~((survey))~~ report.

12 (4) A recipient who must repay deferred taxes under RCW 82.82.040
13 because the department has found that an investment project is no
14 longer an eligible investment project is no longer required to file
15 annual ~~((surveys under RCW 82.32.585))~~ reports under section 201 of
16 this act beginning on the date an investment project is used for
17 nonqualifying purposes.

18 **Sec. 257.** RCW 82.82.040 and 2010 c 114 s 149 are each amended to
19 read as follows:

20 (1) Except as provided in subsection (2) of this section and ~~((RCW~~
21 ~~82.32.585))~~ section 201 of this act, taxes deferred under this chapter
22 need not be repaid.

23 (2)(a) If, on the basis of the ~~((survey under RCW 82.32.585))~~
24 report under section 201 of this act or other information, the
25 department finds that an investment project is no longer an "eligible
26 investment project" under RCW 82.82.010 at any time during the calendar
27 year in which the investment project is certified by the department as
28 having been operationally completed, or at any time during any of the
29 seven succeeding calendar years, a portion of deferred taxes are
30 immediately due according to the following schedule:

31	Year in which use occurs	% of deferred taxes due
32	1	100%
33	2	87.5%
34	3	75%
35	4	62.5%

1	5	50%
2	6	37.5%
3	7	25%
4	8	12.5%

5 (b) If the economic benefits of the deferral are passed to a lessee
6 as provided in RCW 82.82.010(5), the lessee is responsible for payment
7 to the extent the lessee has received the economic benefit.

8 (3) The department must assess interest at the rate provided for
9 delinquent taxes under chapter 82.32 RCW, but not penalties,
10 retroactively to the date of deferral. The debt for deferred taxes
11 will not be extinguished by insolvency or other failure of the
12 recipient. Transfer of ownership does not terminate the deferral. The
13 deferral is transferred, subject to the successor meeting the
14 eligibility requirements of this chapter, for the remaining periods of
15 the deferral.

16 **Sec. 258.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to
17 read as follows:

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

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

26 (3) A person claiming an exemption under this section must file a
27 complete annual report with the department under (~~RCW 82.32.534~~)
28 section 201 of this act.

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

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

34 **Sec. 259.** RCW 84.36.655 and 2010 c 114 s 151 are each amended to
35 read as follows:

1 (1) Effective January 1, 2005, all buildings, machinery, equipment,
2 and other personal property of a lessee of a port district eligible
3 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing
4 superefficient airplanes, are exempt from property taxation. A person
5 taking the credit under RCW 82.04.4463 is not eligible for the
6 exemption under this section. For the purposes of this section,
7 "superefficient airplane" and "component" have the meanings given in
8 RCW 82.32.550.

9 (2) In addition to all other requirements under this title, a
10 person claiming the exemption under this section must file a complete
11 annual report with the department under (~~RCW 82.32.534~~) section 201
12 of this act.

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

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

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

23 **Sec. 260.** RCW 84.36.655 and 2013 3rd sp.s. c 2 s 14 are each
24 amended to read as follows:

25 (1) Effective January 1, 2005, all buildings, machinery, equipment,
26 and other personal property of a lessee of a port district eligible
27 under RCW 82.08.980 and 82.12.980, used exclusively in manufacturing
28 superefficient airplanes, are exempt from property taxation. A person
29 taking the credit under RCW 82.04.4463 is not eligible for the
30 exemption under this section. For the purposes of this section,
31 "superefficient airplane" and "component" have the meanings given in
32 RCW 82.32.550.

33 (2) In addition to all other requirements under this title, a
34 person claiming the exemption under this section must file a complete
35 annual report with the department under (~~RCW 82.32.534~~) section 201
36 of this act.

1 (3) Claims for exemption authorized by this section must be filed
2 with the county assessor on forms prescribed by the department and
3 furnished by the assessor. The assessor must verify and approve claims
4 as the assessor determines to be justified and in accordance with this
5 section. No claims may be filed after December 31, 2039. The
6 department may adopt rules, under the provisions of chapter 34.05 RCW,
7 as necessary to properly administer this section.

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

10 (5) This section expires July 1, 2040.

11 **Part III**

12 **Authorizing Public Disclosure of Certain Firm-Specific Tax Information**

13 **Sec. 301.** RCW 82.32.330 and 2011 c 174 s 404 are each amended to
14 read as follows:

15 (1) For purposes of this section:

16 (a) "Disclose" means to make known to any person in any manner
17 whatever a return or tax information;

18 (b) "Return" means a tax or information return or claim for refund
19 required by, or provided for or permitted under, the laws of this state
20 which is filed with the department of revenue by, on behalf of, or with
21 respect to a person, and any amendment or supplement thereto, including
22 supporting schedules, attachments, or lists that are supplemental to,
23 or part of, the return so filed;

24 (c) "Tax information" means (i) a taxpayer's identity, (ii) the
25 nature, source, or amount of the taxpayer's income, payments, receipts,
26 deductions, exemptions, credits, assets, liabilities, net worth, tax
27 liability deficiencies, overassessments, or tax payments, whether taken
28 from the taxpayer's books and records or any other source, (iii)
29 whether the taxpayer's return was, is being, or will be examined or
30 subject to other investigation or processing, (iv) a part of a written
31 determination that is not designated as a precedent and disclosed
32 pursuant to RCW 82.32.410, or a background file document relating to a
33 written determination, and (v) other data received by, recorded by,
34 prepared by, furnished to, or collected by the department of revenue
35 with respect to the determination of the existence, or possible
36 existence, of liability, or the amount thereof, of a person under the

1 laws of this state for a tax, penalty, interest, fine, forfeiture, or
2 other imposition, or offense. However, data, material, or documents
3 that do not disclose information related to a specific or identifiable
4 taxpayer do not constitute tax information under this section. Except
5 as provided by RCW 82.32.410, nothing in this chapter requires any
6 person possessing data, material, or documents made confidential and
7 privileged by this section to delete information from such data,
8 material, or documents so as to permit its disclosure;

9 (d) "State agency" means every Washington state office, department,
10 division, bureau, board, commission, or other state agency;

11 (e) "Taxpayer identity" means the taxpayer's name, address,
12 telephone number, registration number, or any combination thereof, or
13 any other information disclosing the identity of the taxpayer; and

14 (f) "Department" means the department of revenue or its officer,
15 agent, employee, or representative.

16 (2) Returns and tax information are confidential and privileged,
17 and except as authorized by this section, neither the department of
18 revenue nor any other person may disclose any return or tax
19 information.

20 (3) This section does not prohibit the department of revenue from:

21 (a) Disclosing such return or tax information in a civil or
22 criminal judicial proceeding or an administrative proceeding:

23 (i) In respect of any tax imposed under the laws of this state if
24 the taxpayer or its officer or other person liable under this title or
25 chapter 83.100 RCW is a party in the proceeding;

26 (ii) In which the taxpayer about whom such return or tax
27 information is sought and another state agency are adverse parties in
28 the proceeding; or

29 (iii) Brought by the department under RCW 18.27.040 or 19.28.071;

30 (b) Disclosing, subject to such requirements and conditions as the
31 director prescribes by rules adopted pursuant to chapter 34.05 RCW,
32 such return or tax information regarding a taxpayer to such taxpayer or
33 to such person or persons as that taxpayer may designate in a request
34 for, or consent to, such disclosure, or to any other person, at the
35 taxpayer's request, to the extent necessary to comply with a request
36 for information or assistance made by the taxpayer to such other
37 person. However, tax information not received from the taxpayer must
38 not be so disclosed if the director determines that such disclosure

1 would compromise any investigation or litigation by any federal, state,
2 or local government agency in connection with the civil or criminal
3 liability of the taxpayer or another person, or that such disclosure
4 would identify a confidential informant, or that such disclosure is
5 contrary to any agreement entered into by the department that provides
6 for the reciprocal exchange of information with other government
7 agencies which agreement requires confidentiality with respect to such
8 information unless such information is required to be disclosed to the
9 taxpayer by the order of any court;

10 (c) Disclosing the name of a taxpayer against whom a warrant under
11 RCW 82.32.210 has been either issued or filed and remains outstanding
12 for a period of at least ten working days. The department is not
13 required to disclose any information under this subsection if a
14 taxpayer has entered a deferred payment arrangement with the department
15 for the payment of a warrant that has not been filed and is making
16 payments upon such deficiency that will fully satisfy the indebtedness
17 within twelve months;

18 (d) Publishing statistics so classified as to prevent the
19 identification of particular returns or reports or items thereof;

20 (e) Disclosing such return or tax information, for official
21 purposes only, to the governor or attorney general, or to any state
22 agency, or to any committee or subcommittee of the legislature dealing
23 with matters of taxation, revenue, trade, commerce, the control of
24 industry or the professions;

25 (f) Permitting the department of revenue's records to be audited
26 and examined by the proper state officer, his or her agents and
27 employees;

28 (g) Disclosing any such return or tax information to a peace
29 officer as defined in RCW 9A.04.110 or county prosecuting attorney, for
30 official purposes. The disclosure may be made only in response to a
31 search warrant, subpoena, or other court order, unless the disclosure
32 is for the purpose of criminal tax enforcement. A peace officer or
33 county prosecuting attorney who receives the return or tax information
34 may disclose that return or tax information only for use in the
35 investigation and a related court proceeding, or in the court
36 proceeding for which the return or tax information originally was
37 sought;

1 (h) Disclosing any such return or tax information to the proper
2 officer of the internal revenue service of the United States, the
3 Canadian government or provincial governments of Canada, or to the
4 proper officer of the tax department of any state or city or town or
5 county, for official purposes, but only if the statutes of the United
6 States, Canada or its provincial governments, or of such other state or
7 city or town or county, as the case may be, grants substantially
8 similar privileges to the proper officers of this state;

9 (i) Disclosing any such return or tax information to the United
10 States department of justice, including the bureau of alcohol, tobacco,
11 firearms and explosives, the department of defense, the immigration and
12 customs enforcement and the customs and border protection agencies of
13 the United States department of homeland security, the United States
14 coast guard, the alcohol and tobacco tax and trade bureau of the United
15 States department of treasury, and the United States department of
16 transportation, or any authorized representative of these federal
17 agencies, for official purposes;

18 (j) Publishing or otherwise disclosing the text of a written
19 determination designated by the director as a precedent pursuant to RCW
20 82.32.410;

21 (k) Disclosing, in a manner that is not associated with other tax
22 information, the taxpayer name, entity type, business address, mailing
23 address, revenue tax registration numbers, reseller permit numbers and
24 the expiration date and status of such permits, North American industry
25 classification system or standard industrial classification code of a
26 taxpayer, and the dates of opening and closing of business. This
27 subsection may not be construed as giving authority to the department
28 to give, sell, or provide access to any list of taxpayers for any
29 commercial purpose;

30 (l) Disclosing such return or tax information that is also
31 maintained by another Washington state or local governmental agency as
32 a public record available for inspection and copying under the
33 provisions of chapter 42.56 RCW or is a document maintained by a court
34 of record and is not otherwise prohibited from disclosure;

35 (m) Disclosing such return or tax information to the United States
36 department of agriculture for the limited purpose of investigating food
37 stamp fraud by retailers;

1 (n) Disclosing to a financial institution, escrow company, or title
2 company, in connection with specific real property that is the subject
3 of a real estate transaction, current amounts due the department for a
4 filed tax warrant, judgment, or lien against the real property;

5 (o) Disclosing to a person against whom the department has asserted
6 liability as a successor under RCW 82.32.140 return or tax information
7 pertaining to the specific business of the taxpayer to which the person
8 has succeeded;

9 (p) Disclosing real estate excise tax affidavit forms filed under
10 RCW 82.45.150 in the possession of the department, including real
11 estate excise tax affidavit forms for transactions exempt or otherwise
12 not subject to tax;

13 (q) Disclosing to local taxing jurisdictions the identity of
14 sellers granted relief under RCW 82.32.430(5)(b)(i) and the period for
15 which relief is granted;

16 (r) Disclosing such return or tax information to the court in
17 respect to the department's application for a subpoena under RCW
18 82.32.117;

19 (s) Disclosing to a person against whom the department has asserted
20 liability under RCW 83.100.120 return or tax information pertaining to
21 that person's liability for tax under chapter 83.100 RCW;

22 (t) Disclosing such return or tax information to the streamlined
23 sales tax governing board, member states of the streamlined sales tax
24 governing board, or authorized representatives of such board or states,
25 for the limited purposes of:

26 (i) Conducting on behalf of member states sales and use tax audits
27 of taxpayers; or

28 (ii) Auditing certified service providers or certified automated
29 systems providers; or

30 (u) Disclosing the amount of any tax preference claimed by a
31 taxpayer filing an annual report under section 201 of this act or any
32 new tax preference, as defined in RCW 82.32.805;

33 (v) Disclosing select tax information of any corporation,
34 partnership, or limited liability company, if the following criteria
35 are met, of which verification of (v)(i) of this subsection must be
36 provided to the department in a form and manner prescribed by the
37 department:

1 (i) The ownership interests in the taxpayer, regardless of whether
2 such interests are in the form of stock or any other type of security,
3 are covered securities under 15 U.S.C. Sec. 77 r(b)(1) or the entity is
4 controlled, directly or indirectly, by an entity with ownership
5 interests that are covered securities under 15 U.S.C. Sec. 77 r(b)(1);

6 (ii) The taxpayer electronically files a tax return on a monthly or
7 quarterly basis;

8 (iii) The taxpayer claims one or more tax preferences and the
9 amount of any single tax preference claimed by the taxpayer is ten
10 thousand dollars or more for any calendar year subject to disclosure.
11 If the amount of any single tax preference claimed by the taxpayer is
12 ten thousand dollars or more for the calendar year subject to
13 disclosure, the amount of any other tax preference claimed by the
14 taxpayer for the calendar year is subject to disclosure regardless of
15 the amount claimed; and

16 (iv) The tax reporting periods subject to disclosure ended at least
17 twenty-four months prior to the date of disclosure. For purposes of
18 this subsection (3)(v), "select tax information" means the taxable
19 amount and tax due and the tax savings from claiming a preferential tax
20 rate or tax credit, for taxes due under chapter 82.04 or 82.16 RCW.
21 "Select tax information" also includes the amount claimed by a taxpayer
22 under RCW 82.04.4292.

23 (w) Disclosing any such return or tax information when the
24 disclosure is specifically authorized under any other section of the
25 Revised Code of Washington.

26 (4)(a) The department may disclose return or taxpayer information
27 to a person under investigation or during any court or administrative
28 proceeding against a person under investigation as provided in this
29 subsection (4). The disclosure must be in connection with the
30 department's official duties relating to an audit, collection activity,
31 or a civil or criminal investigation. The disclosure may occur only
32 when the person under investigation and the person in possession of
33 data, materials, or documents are parties to the return or tax
34 information to be disclosed. The department may disclose return or tax
35 information such as invoices, contracts, bills, statements, resale or
36 exemption certificates, or checks. However, the department may not
37 disclose general ledgers, sales or cash receipt journals, check
38 registers, accounts receivable/payable ledgers, general journals,

1 financial statements, expert's workpapers, income tax returns, state
2 tax returns, tax return workpapers, or other similar data, materials,
3 or documents.

4 (b) Before disclosure of any tax return or tax information under
5 this subsection (4), the department must, through written
6 correspondence, inform the person in possession of the data, materials,
7 or documents to be disclosed. The correspondence must clearly identify
8 the data, materials, or documents to be disclosed. The department may
9 not disclose any tax return or tax information under this subsection
10 (4) until the time period allowed in (c) of this subsection has expired
11 or until the court has ruled on any challenge brought under (c) of this
12 subsection.

13 (c) The person in possession of the data, materials, or documents
14 to be disclosed by the department has twenty days from the receipt of
15 the written request required under (b) of this subsection to petition
16 the superior court of the county in which the petitioner resides for
17 injunctive relief. The court must limit or deny the request of the
18 department if the court determines that:

19 (i) The data, materials, or documents sought for disclosure are
20 cumulative or duplicative, or are obtainable from some other source
21 that is more convenient, less burdensome, or less expensive;

22 (ii) The production of the data, materials, or documents sought
23 would be unduly burdensome or expensive, taking into account the needs
24 of the department, the amount in controversy, limitations on the
25 petitioner's resources, and the importance of the issues at stake; or

26 (iii) The data, materials, or documents sought for disclosure
27 contain trade secret information that, if disclosed, could harm the
28 petitioner.

29 (d) The department must reimburse reasonable expenses for the
30 production of data, materials, or documents incurred by the person in
31 possession of the data, materials, or documents to be disclosed.

32 (e) Requesting information under (b) of this subsection that may
33 indicate that a taxpayer is under investigation does not constitute a
34 disclosure of tax return or tax information under this section.

35 (5) Service of a subpoena issued under RCW 82.32.117 does not
36 constitute a disclosure of return or tax information under this
37 section. Notwithstanding anything else to the contrary in this

1 section, a person served with a subpoena under RCW 82.32.117 may
2 disclose the existence or content of the subpoena to that person's
3 legal counsel.

4 (6) Any person acquiring knowledge of any return or tax information
5 in the course of his or her employment with the department of revenue
6 and any person acquiring knowledge of any return or tax information as
7 provided under subsection (3) (e), (f), (g), (h), (i), or (m) of this
8 section, who discloses any such return or tax information to another
9 person not entitled to knowledge of such return or tax information
10 under the provisions of this section, is guilty of a misdemeanor. If
11 the person guilty of such violation is an officer or employee of the
12 state, such person must forfeit such office or employment and is
13 incapable of holding any public office or employment in this state for
14 a period of two years thereafter.

15 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.32
16 RCW to read as follows:

17 The department must provide tax information that is subject to
18 public disclosure under RCW 82.32.330(3) (u) and (v) on its web site in
19 the form of a searchable database and any additional format it deems
20 appropriate.

21 **Part IV**
22 **Miscellaneous Provisions**

23 NEW SECTION. **Sec. 401.** Section 211 of this act expires July 1,
24 2015.

25 NEW SECTION. **Sec. 402.** Section 212 of this act takes effect July
26 1, 2015.

27 NEW SECTION. **Sec. 403.** Section 213 of this act expires July 1,
28 2015, subject to the contingency stated in section 2, chapter 2, Laws
29 of 2013 3rd sp. sess.

30 NEW SECTION. **Sec. 404.** Section 214 of this act takes effect July

1 1, 2015, subject to the contingency stated in section 2, chapter 2,
2 Laws of 2013 3rd sp. sess.

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