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**SUBSTITUTE SENATE BILL 5688**

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**State of Washington**

**63rd Legislature**

**2013 Regular Session**

**By** Senate Trade & Economic Development (originally sponsored by Senators Braun, Carrell, Dammeier, Rivers, Sheldon, and Hobbs)

READ FIRST TIME 02/22/13.

1 AN ACT Relating to simplifying definitions and classifications  
2 concerning state and local tax systems; amending RCW 35.102.030,  
3 35.102.040, 35.102.140, 35.102.160, 82.04.060, 82.04.230, 82.04.255,  
4 82.04.260, 82.04.280, 82.04.285, 82.04.290, 35.102.150, 48.14.080,  
5 82.04.051, 82.04.257, 82.04.261, 82.04.270, 82.04.29001, 82.04.29002,  
6 82.04.297, 82.04.298, 82.04.334, 82.04.360, 82.04.440, 82.04.4451,  
7 82.04.4463, 82.04.4483, 82.04.460, 82.04.540, 82.04.620, 82.08.806,  
8 82.16.100, 82.32.045, 82.32.533, and 82.45.195; reenacting and amending  
9 RCW 82.04.250 and 82.04.260; adding new sections to chapter 35.102 RCW;  
10 adding new sections to chapter 82.04 RCW; creating new sections;  
11 repealing RCW 82.04.272, 82.04.2905, 82.04.2906, 82.04.2907,  
12 82.04.2908, 82.04.2909, 82.04.293, 82.04.294, and 35.102.120; repealing  
13 2010 c 114 s 104; repealing 2003 c 149 s 3; repealing 2010 c 106 s 206;  
14 repealing 2009 c 461 s 3; repealing 2006 c 300 s 7; repealing 2003 c  
15 149 s 4; providing effective dates; and providing expiration dates.

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

17 **PART I**

18 **INCREASING UNIFORMITY BETWEEN STATE AND LOCAL B&O TAXES**

1           **Sec. 101.** RCW 35.102.030 and 2003 c 79 s 3 are each amended to  
2 read as follows:

3           The definitions in this section apply throughout this chapter (~~(79,~~  
4 ~~Laws of 2003,~~) unless the context clearly requires otherwise.

5           (1) "Business" has the same meaning as given in chapter 82.04 RCW.

6           (2) "City" means a city, town, or code city.

7           (3) "Business and occupation tax" or "gross receipts tax" means a  
8 tax imposed on or measured by the value of products, the gross income  
9 of the business, or the gross proceeds of sales, as the case may be,  
10 and that is the legal liability of the business.

11           (4) "Value of products" has the same meaning as given in chapter  
12 82.04 RCW.

13           (5) "Gross income of the business" has the same meaning as given in  
14 chapter 82.04 RCW.

15           (6) "Gross proceeds of sales" has the same meaning as given in  
16 chapter 82.04 RCW.

17           (7) "Department" means the department of revenue.

18           (8) "State business and occupation tax" means the tax imposed in  
19 chapter 82.04 RCW.

20           (9) "State business and occupation tax definitions" means the  
21 definitions in chapter 82.04 RCW, rules adopted by the department to  
22 administer chapter 82.04 RCW, and interpretive statements or other  
23 public guidance issued by the department relating to the tax imposed in  
24 chapter 82.04 RCW.

25           (10) "City business and occupation tax" means a business and  
26 occupation tax imposed by a city.

27           (11) "Service and other business activities classification" means  
28 the classification under which an activity is taxed if it is not taxed  
29 under some other classification.

30           **Sec. 102.** RCW 35.102.040 and 2010 c 271 s 706 are each amended to  
31 read as follows:

32           (1)(a) (~~The cities, working through the association of Washington~~  
33 ~~cities, shall form a model ordinance development committee made up of~~  
34 ~~a representative sampling of cities that as of July 27, 2003, impose a~~  
35 ~~business and occupation tax. This committee shall work through the~~  
36 ~~association of Washington cities to adopt a model ordinance on~~  
37 ~~municipal gross receipts business and occupation tax. The model~~

1 ~~ordinance and subsequent amendments shall))~~ After June 30, 2014, only  
2 the department may amend the city business and occupation tax model  
3 ordinance. Beginning July 1, 2014, the department may amend the model  
4 ordinance as it deems appropriate. Amendments, other than those  
5 required to conform with changes to state law, must be adopted using a  
6 process that includes opportunity for substantial input from cities,  
7 individually or through the association of Washington cities, business  
8 stakeholders, and other members of the public. Input ~~((shall))~~ must be  
9 solicited from statewide business associations and from local chambers  
10 of commerce and downtown business associations in cities that levy a  
11 business and occupation tax.

12 (b) The department of commerce ~~((shall))~~ must contract to post the  
13 model ordinance on an internet web site and to make paper copies  
14 available for inspection upon request. The department of revenue and  
15 the department of licensing ~~((shall))~~ must post copies of or links to  
16 the model ordinance on their internet web sites. Additionally, a city  
17 that imposes a business and occupation tax must make copies of its  
18 ordinance available for inspection and copying as provided in chapter  
19 42.56 RCW.

20 ~~((c) The definitions and tax classifications in the model~~  
21 ~~ordinance may not be amended more frequently than once every four~~  
22 ~~years, however the model ordinance may be amended at any time to comply~~  
23 ~~with changes in state law. Any amendment to a mandatory provision of~~  
24 ~~the model ordinance must be adopted with the same effective date by all~~  
25 ~~cities.))~~

26 (2) A city that imposes a business and occupation tax must adopt  
27 the mandatory provisions of the model ordinance. The following  
28 provisions are mandatory:

29 (a) ~~((A system of credits that meets the requirements of RCW~~  
30 ~~35.102.060 and a form for such use;~~

31 ~~(b))~~ A uniform, minimum small business tax threshold of at least  
32 the equivalent of twenty thousand dollars in gross income annually. A  
33 city may elect to deviate from this requirement by creating a higher  
34 threshold or exemption but it shall not deviate lower than the level  
35 required in this subsection. If a city has a small business threshold  
36 or exemption in excess of that provided in this subsection as of  
37 January 1, 2003, and chooses to deviate below the threshold or  
38 exemption level that was in place as of January 1, 2003, the city must

1 notify all businesses licensed to do business within the city at least  
2 one hundred twenty days prior to the potential implementation of a  
3 lower threshold or exemption amount;

4 ~~((+e))~~ (b) Tax reporting frequencies that meet the requirements of  
5 RCW 35.102.070;

6 ~~((+d))~~ (c) Penalty and interest provisions that meet the  
7 requirements of RCW 35.102.080 and 35.102.090;

8 ~~((+e))~~ (d) Claim periods that meet the requirements of RCW  
9 35.102.100;

10 ~~((+f))~~ (e) Refund provisions that meet the requirements of RCW  
11 35.102.110; ~~((and~~

12 ~~(g) Definitions, which at a minimum, must include the definitions~~  
13 ~~enumerated in RCW 35.102.030 and 35.102.120. The definitions in~~  
14 ~~chapter 82.04 RCW shall be used as the baseline for all definitions in~~  
15 ~~the model ordinance, and any deviation in the model ordinance from~~  
16 ~~these definitions must be described by a comment in the model~~  
17 ~~ordinance.~~

18 ~~(+3))~~ (f) Provisions consistent with RCW 82.04.480 and 82.04.520;

19 (g)(i) Tax classifications for reporting purposes that include all  
20 of the state business and occupation tax classifications, including  
21 those created in RCW 82.04.230 through 82.04.298, classifications  
22 created after the effective date of this section and codified outside  
23 of those statutes, and any classifications created by the department  
24 under the authority of section 202 of this act.

25 (ii) The model ordinance may not include:

26 (A) Any classifications that are not used for state business and  
27 occupation tax purposes;

28 (B) Any classifications for persons taxable under the state public  
29 utility tax classification engaging in the following activities:  
30 Hauling persons or property for hire by watercraft between points in  
31 Washington; operating tugboats of any size and income from the sale of  
32 transportation services by vessels over sixty-five feet; sales of  
33 transportation services using vessels under sixty-five feet, other than  
34 tugboats; or persons engaged in chartering or transporting persons by  
35 water from one location in Washington to another location within this  
36 state. This subsection (2)(g)(i)(B) does not include sightseeing tours  
37 or activities that are in the nature of guided tours where the tour may  
38 include some water transportation; and

1 (C) Any classifications for persons taxable under the state public  
2 utility tax classifications of motor transportation or urban  
3 transportation; and

4 (h)(i) A provision stating that the state business and occupation  
5 tax definitions apply to the model ordinance and any city's business  
6 and occupation tax in the same manner as they apply for purposes of  
7 chapter 82.04 RCW. Any deviation in the model ordinance from these  
8 definitions is only permitted when expressly provided for by statute.  
9 If a deviation is allowed by statute, such definition must be stated in  
10 full in the model ordinance. Further, any deviation in the definitions  
11 allowed is subject to the publication requirements in subsection (5) of  
12 this section.

13 (ii) Except as provided otherwise in this subsection, a city may  
14 not, for purposes of its business and occupation tax, deviate from the  
15 state business and occupation tax definitions in its ordinances, rules,  
16 other public guidance, and interpretations.

17 (iii) For purposes of complying with this subsection (2)(h),  
18 references to the department in state business and occupation tax  
19 definitions must be construed as references to the city or cities,  
20 unless the context clearly requires otherwise.

21 (iv) For purposes of complying with this subsection (2)(h),  
22 references to the state in state business and occupation tax  
23 definitions must be construed as references to the city or cities,  
24 unless the context clearly requires otherwise.

25 (v) Any portion of a state business and occupation tax definition  
26 that relates solely to sales or use tax or otherwise does not apply to  
27 the tax imposed in chapter 82.04 RCW does not apply to the model  
28 ordinance or business and occupation taxes imposed by the cities.

29 (vi) Except as otherwise provided in this section, the cities and  
30 the model ordinance need not adopt any exclusionary language contained  
31 in a state business and occupation tax definition, but only if the  
32 exclusionary language has the effect of exempting a person, activity,  
33 or income from the tax imposed in chapter 82.04 RCW.

34 (vii) Notwithstanding (h)(vi) of this subsection (2), a city may  
35 not deviate from the exclusion in RCW 82.04.062 from the definitions of  
36 "wholesale sale," "sale at wholesale," "retail sale," and "sale at  
37 retail." Cities imposing a business and occupation tax must compute

1 tax on the business of making sales of precious metal bullion or  
2 monetized bullion consistent with RCW 82.04.062.

3 (viii) Notwithstanding (h)(vii) of this subsection (2), cities may  
4 not deviate from the exclusion in RCW 82.04.216 of steam, electricity,  
5 and electrical energy from various terms denoting tangible items that  
6 may be used, sold, or consumed.

7 (ix) Language in a state business and occupation tax definition  
8 governing how the defined term is to be applied for state business and  
9 occupation tax purposes also applies for purposes of city business and  
10 occupation taxes.

11 (3) Tax classifications must be uniform among all cities and with  
12 state business and occupation tax classifications.

13 (4) Except for the deduction required by RCW 35.102.160 and the  
14 system of credits developed to address multiple taxation ((under  
15 subsection (2)(a) of this section)), a city may adopt its own  
16 provisions for tax rates, tax exemptions, tax credits, and tax  
17 deductions.

18 ~~((+4))~~ (5) Any city that adopts an ordinance that deviates from  
19 the nonmandatory provisions of the model ordinance ((shall)) must make  
20 a description of such differences available to the department for  
21 publication by the department to the public((, in written and  
22 electronic form)).

23 **Sec. 103.** RCW 35.102.140 and 2003 c 79 s 14 are each amended to  
24 read as follows:

25 ~~((Cities imposing business and occupation taxes must comply with~~  
26 ~~all requirements of RCW 35.102.020 through 35.102.130 by December 31,~~  
27 ~~2004. A city that has not complied with the requirements of RCW~~  
28 ~~35.102.020 through 35.102.130 by December 31, 2004, may not impose a~~  
29 ~~tax that is imposed by a city on the privilege of engaging in business~~  
30 ~~activities.)) (1) Cities imposing business and occupation taxes after~~

31 December 31, 2004, must comply with ((RCW 35.102.020 through  
32 35.102.130)) this chapter.

33 (2) The department may issue official written guidance on any  
34 provision of a city's business and occupation tax that is required by  
35 this chapter to be administered consistently with the state business  
36 and occupation tax. Any such official public guidance issued by the  
37 department preempts any conflicting interpretation of the city.

1 Likewise, any official public guidance issued by the department on a  
2 state business and occupation tax matter preempts any conflicting  
3 interpretation by the city on a matter involving a provision of the  
4 city's business and occupation tax that is required by this chapter to  
5 be administered consistently with the state business and occupation  
6 tax. Nothing in this subsection is intended to affect the  
7 interpretation or application of a city's business and occupation tax  
8 for periods before the effective date of this section.

9 **Sec. 104.** RCW 35.102.160 and 2006 c 301 s 6 are each amended to  
10 read as follows:

11 (1) The provision of professional employer services by a  
12 professional employer organization is taxable under a city's service  
13 and other business activities classification. A city that imposes its  
14 business and occupation tax on professional employer services performed  
15 by a professional employer organization(~~(, regardless of the tax~~  
16 ~~classification applicable to such services, shall))~~) must provide a  
17 deduction identical to the deduction in RCW 82.04.540(2).

18 (2) For the purposes of this section, "professional employer  
19 organization" and "professional employer services" have the same  
20 meanings as in RCW 82.04.540.

21 NEW SECTION. **Sec. 105.** A new section is added to chapter 35.102  
22 RCW to read as follows:

23 Beginning on the effective date of this section, the department may  
24 adopt rules and issue interpretive and policy statements in accordance  
25 with the administrative procedure act, chapter 34.05 RCW, as it  
26 considers necessary or useful in enhancing uniformity between state and  
27 city business and occupation taxes and in carrying out the department's  
28 duties under this chapter. Such rules and interpretive and policy  
29 statements take precedence over any conflicting rules and interpretive  
30 or policy guidance issued by the cities. The department must seek  
31 input from affected cities before issuing any rules and interpretive  
32 and policy statements concerning city business and occupation taxes to  
33 the extent required by chapter 34.05 RCW.

34 NEW SECTION. **Sec. 106.** A new section is added to chapter 35.102  
35 RCW to read as follows:

1 For purposes of city business and occupation taxes, a person may  
2 meet its burden of proving that a sale is a wholesale sale rather than  
3 a retail sale as provided in RCW 82.04.470. Upon request of a city,  
4 the department must assist the city in determining whether a person has  
5 met the requirements of RCW 82.04.470(6).

6 **PART II**  
7 **REDUCING STATE B&O TAX CLASSIFICATIONS**

8 NEW SECTION. **Sec. 201.** (1) The legislature finds that there are  
9 currently over fifty tax classifications for purposes of the state  
10 business and occupation tax. Most of these tax classifications were  
11 created to provide a reduced tax rate to certain business activities.

12 (2) The legislature further finds that the considerable number of  
13 state business and occupation tax classifications creates complexity  
14 for taxpayers, increases opportunities for disputes between taxpayers  
15 and the department of revenue, and is a major barrier to achieving  
16 significant uniformity between state and local business and occupation  
17 tax systems.

18 (3) Therefore, the legislature intends Part II of this act to  
19 significantly reduce state business and occupation tax classifications  
20 by:

21 (a) Consolidating the extracting and extracting for hire  
22 classifications;

23 (b) Consolidating the public road construction and government  
24 contracting classifications into the wholesaling classification; and

25 (c) Consolidating the public and nonprofit hospital and real estate  
26 broker classifications into the catch-all service and other business  
27 activities classification.

28 (4) Part II of this act is not intended to materially affect the  
29 tax burden of any person. If any provision of sections 202 through 236  
30 of this act would, under a plain meaning analysis, materially impact a  
31 person's tax liability, the legislature expresses its intent that such  
32 provision should be deemed a mistake and interpreted to achieve a  
33 result that is consistent with the legislature's intent as described in  
34 this section.



1        NEW SECTION.    **Sec. 202.**    A new section is added to chapter 82.04  
2    RCW to read as follows:

3        (1) Except as provided otherwise in subsection (2) of this section,  
4    for purposes of reporting the tax due under this chapter in a way that  
5    provides taxpayers with more consistency between state and city-imposed  
6    business and occupation taxes or for ease of administration for the  
7    department or taxpayers, the department may classify business  
8    activities other than as provided in RCW 82.04.230 through 82.04.298.  
9    However, new classifications created under the authority of this  
10   section do not affect the tax rates applicable to the activities that  
11   come within the new classifications.

12        (2) The department may not consolidate the manufacturing and  
13   processing for hire classifications.

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

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

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

18        (a) Tangible personal property;

19        (b) Services defined as a retail sale in RCW 82.04.050(2) (a) or  
20   (g);

21        (c) Amusement or recreation services as defined in RCW  
22   82.04.050(3)(a);

23        (d) Prewritten computer software;

24        (e) Services described in RCW 82.04.050(6)(b);

25        (f) Extended warranties as defined in RCW 82.04.050(7);

26        (g) Competitive telephone service, ancillary services, or  
27   telecommunications service as those terms are defined in RCW 82.04.065;  
28   or

29        (h) Digital goods, digital codes, or digital automated services;

30        (2) Any charge made for labor and services rendered for persons who  
31   are not consumers, in respect to real or personal property, if such  
32   charge is expressly defined as a retail sale by RCW 82.04.050 when  
33   rendered to or for consumers. For the purposes of this subsection (2),  
34   "real or personal property" does not include any natural products named  
35   in RCW 82.04.100; (~~and~~)

36        (3) The sale of any service for resale, if the sale is excluded

1 from the definition of "sale at retail" and "retail sale" in RCW  
2 82.04.050(14); and

3 (4) Any sale of or charge made for labor and services if the sale  
4 or charge is excluded from the definition of retail sale in RCW  
5 82.04.050 (10) or (12). Nothing in this subsection may be construed as  
6 affecting the status of persons providing such services to consumers as  
7 provided in RCW 82.04.190.

8 **Sec. 204.** RCW 82.04.230 and 2006 c 300 s 5 are each amended to  
9 read as follows:

10 (1) Upon every person engaging within this state in business as an  
11 extractor or extractor for hire, except persons taxable as an extractor  
12 or extractor for hire under any other provision in this chapter; as to  
13 such persons the amount of the tax with respect to such business  
14 ((shall be)) is, in the case of extractors, equal to the value of the  
15 products, including by-products, extracted for sale or for commercial  
16 or industrial use, and, in the case of extractors for hire, the gross  
17 income of the business of extracting for hire, multiplied by the rate  
18 of 0.484 percent.

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

23 **Sec. 205.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 are each  
24 reenacted and amended to read as follows:

25 (1) Upon every person engaging within this state in the business of  
26 making sales at retail, except persons taxable ((as retailers)) under  
27 other provisions of this chapter on the business of making sales at  
28 retail, as to such persons, the amount of tax with respect to such  
29 business is equal to the gross proceeds of sales of the business,  
30 multiplied by the rate of 0.471 percent.

31 (2) Upon every person engaging within this state in the business of  
32 making sales at retail that are exempt from the tax imposed under  
33 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or  
34 82.08.0263, except persons taxable under RCW 82.04.260 ((+10)) (3) or  
35 subsection (3) of this section, as to such persons, the amount of tax

1 with respect to such business is equal to the gross proceeds of sales  
2 of the business, multiplied by the rate of 0.484 percent.

3 (3) Until July 1, 2024, upon every person classified by the federal  
4 aviation administration as a federal aviation regulation part 145  
5 certificated repair station and that is engaging within this state in  
6 the business of making sales at retail that are exempt from the tax  
7 imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,  
8 82.08.0262, or 82.08.0263, 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 business, multiplied by the rate of .2904 percent.

11 **Sec. 206.** RCW 82.04.255 and 2011 c 322 s 2 are each amended to  
12 read as follows:

13 (1) (~~Upon every person engaging within the state in~~) The business  
14 of providing real estate brokerage services(~~(; as to such persons, the~~  
15 ~~amount of the tax with respect to such business is equal to the gross~~  
16 ~~income of the business, multiplied by the rate of 1.5 percent)) is  
17 subject to tax under RCW 82.04.290.~~

18 (2) The measure of the tax on real estate commissions earned by the  
19 real estate firm is the gross commission earned by the particular real  
20 estate firm including that portion of the commission paid to brokers,  
21 including designated and managing brokers, in the same firm on a  
22 particular transaction. However, when a real estate commission on a  
23 particular transaction is divided among real estate firms at the  
24 closing of the transaction, including a firm located out of state, each  
25 firm must pay the tax only upon its respective shares of said  
26 commission. Moreover, when the real estate firm has paid the tax as  
27 provided herein, brokers, including designated and managing brokers,  
28 within the same real estate firm may not be required to pay a similar  
29 tax upon the same transaction. If any firm located out of state  
30 receives a share of commission on a particular transaction, that  
31 company or broker must pay the tax based on the requirements of this  
32 section and RCW 82.04.067.

33 (3) For the purposes of this section, "broker," "designated  
34 broker," "managing broker," and "real estate firm" have the same  
35 meaning as provided in RCW 18.85.011.

1           **Sec. 207.** RCW 82.04.260 and 2012 2nd sp.s. c 6 s 602 and 2012 2nd  
2 sp.s. c 6 s 204 are each reenacted and amended to read as follows:

3           (1) ~~((Upon every person engaging within this state in the business  
4 of 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) Beginning July 1, 2015, dairy products that as of September 20,  
24 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,  
25 including by products from the manufacturing of the dairy products such  
26 as whey and casein; or selling the same to purchasers who transport in  
27 the ordinary course of business the goods out of state; as to such  
28 persons the tax imposed is equal to the value of the products  
29 manufactured or the gross proceeds derived from such sales multiplied  
30 by the rate of 0.138 percent. Sellers must keep and preserve records  
31 for the period required by RCW 82.32.070 establishing that the goods  
32 were transported by the purchaser in the ordinary course of business  
33 out of this state;~~

34           ~~(d) Beginning July 1, 2015, fruits or vegetables by canning,  
35 preserving, freezing, processing, or dehydrating fresh fruits or  
36 vegetables, or selling at wholesale fruits or vegetables manufactured  
37 by the seller by canning, preserving, freezing, processing, or  
38 dehydrating fresh fruits or vegetables and sold to purchasers who~~

1 ~~transport in the ordinary course of business the goods out of this~~  
2 ~~state; as to such persons the amount of tax with respect to such~~  
3 ~~business is equal to the value of the products manufactured or the~~  
4 ~~gross proceeds derived from such sales multiplied by the rate of 0.138~~  
5 ~~percent. — Sellers must keep and preserve records for the period~~  
6 ~~required by RCW 82.32.070 establishing that the goods were transported~~  
7 ~~by the purchaser in the ordinary course of business out of this state;~~

8 ~~(e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel~~  
9 ~~feedstock, as those terms are 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 alcohol fuel, biodiesel fuel, or biodiesel feedstock~~  
12 ~~manufactured, multiplied by the rate of 0.138 percent; and~~

13 ~~(f) Wood biomass fuel as defined in RCW 82.29A.135; as to such~~  
14 ~~persons the amount of tax with respect to the business is equal to the~~  
15 ~~value of wood biomass fuel manufactured, multiplied by the rate of~~  
16 ~~0.138 percent.~~

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

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

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

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

36 ~~(6) Upon every person engaging within this state in business as an~~  
37 ~~international steamship agent, international customs house broker,~~  
38 ~~international freight forwarder, vessel and/or cargo charter broker in~~

1 ~~foreign commerce, and/or international air cargo agent; as to such~~  
2 ~~persons the amount of the tax with respect to only international~~  
3 ~~activities is equal to the gross income derived from such activities~~  
4 ~~multiplied by the rate of 0.275 percent.~~

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

34 ~~((8))~~) (2)(a) Upon every person engaging within this state in the  
35 business of disposing of low-level waste, as defined in RCW 43.145.010;  
36 as to such persons the amount of the tax with respect to such business  
37 is equal to the gross income of the business, excluding any fees

1 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3  
2 percent.

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

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

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

20 ~~((11))~~ (3)(a) Beginning October 1, 2005, upon every person engaging  
21 within this state in the business of manufacturing commercial  
22 airplanes, or components of such airplanes, or making sales, at retail  
23 or wholesale, of commercial airplanes or components of such airplanes,  
24 manufactured by the seller, as to such persons the amount of tax with  
25 respect to such business is, in the case of manufacturers, equal to the  
26 value of the product manufactured and the gross proceeds of sales of  
27 the product manufactured, or in the case of processors for hire, equal  
28 to the gross income of the business, multiplied by the rate of:

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

31 (b) Beginning July 1, 2008, upon every person who is not eligible  
32 to report under the provisions of (a) of this subsection ~~((11))~~ (3)  
33 and is engaging within this state in the business of manufacturing  
34 tooling specifically designed for use in manufacturing commercial  
35 airplanes or components of such airplanes, or making sales, at retail  
36 or wholesale, of such tooling manufactured by the seller, as to such  
37 persons the amount of tax with respect to such business is, in the case  
38 of manufacturers, equal to the value of the product manufactured and

1 the gross proceeds of sales of the product manufactured, or in the case  
2 of processors for hire, be equal to the gross income of the business,  
3 multiplied by the rate of 0.2904 percent.

4 (c) For the purposes of this subsection (~~((11))~~) (3), "commercial  
5 airplane" and "component" have the same meanings as provided in RCW  
6 82.32.550.

7 (d) In addition to all other requirements under this title, a  
8 person reporting under the tax rate provided in this subsection  
9 (~~((11))~~) (3) must file a complete annual report with the department  
10 under RCW 82.32.534.

11 (e) This subsection (~~((11))~~) (3) does not apply on and after July  
12 1, 2024.

13 (~~((12))~~) (4)(a) Until July 1, 2024, upon every person engaging  
14 within this state in the business of extracting timber or extracting  
15 timber for hire (~~((timber))~~); as to such persons the amount of tax with  
16 respect to the business is, in the case of extractors, equal to the  
17 value of products, including by-products, extracted, or in the case of  
18 extractors for hire, equal to the gross income of the business,  
19 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
20 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
21 2024.

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

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



1 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
2 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
3 2024.

4 (d) Until July 1, 2024, upon every person engaging within this  
5 state in the business of selling standing timber; as to such persons  
6 the amount of the tax with respect to the business is equal to the  
7 gross income of the business multiplied by the rate of 0.2904 percent.  
8 For purposes of this subsection (~~((+12+))~~) (4)(d), "selling standing  
9 timber" means the sale of timber apart from the land, where the buyer  
10 is required to sever the timber within thirty months from the date of  
11 the original contract, regardless of the method of payment for the  
12 timber and whether title to the timber transfers before, upon, or after  
13 severance.

14 (e) For purposes of this subsection, the following definitions  
15 apply:

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

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

31 (iii) "Recycled paper" means paper and paper products having fifty  
32 percent or more of their fiber content that comes from postconsumer  
33 waste. For purposes of this subsection (~~((+12+))~~) (4)(e)(iii),  
34 "postconsumer waste" means a finished material that would normally be  
35 disposed of as solid waste, having completed its life cycle as a  
36 consumer item.

37 (iv) "Timber" means forest trees, standing or down, on privately or

1 publicly owned land. "Timber" does not include Christmas trees that  
2 are cultivated by agricultural methods or short-rotation hardwoods as  
3 defined in RCW 84.33.035.

4 (v) "Timber products" means:

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

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

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

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

16 (f) Except for small harvesters as defined in RCW 84.33.035, a  
17 person reporting under the tax rate provided in this subsection  
18 (~~((12))~~) (4) must file a complete annual survey with the department  
19 under RCW 82.32.585.

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

25 ~~((14))~~) (5)(a) Upon every person engaging within this state in the  
26 business of printing a newspaper, publishing a newspaper, or both, the  
27 amount of tax on such business is equal to the gross income of the  
28 business multiplied by the rate of 0.365 percent through June 30, 2013,  
29 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

30 (b) A person reporting under the tax rate provided in this  
31 subsection (~~((14))~~) (5) must file a complete annual report with the  
32 department under RCW 82.32.534.

33 **Sec. 208.** RCW 82.04.260 and 2012 2nd sp.s. c 6 s 204 are each  
34 amended to read as follows:

35 (1) (~~Upon every person engaging within this state in the business  
36 of 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) Beginning July 1, 2015, dairy products that as of September 20,~~  
20 ~~2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,~~  
21 ~~including by products from the manufacturing of the dairy products such~~  
22 ~~as whey and casein; or selling the same to purchasers who transport in~~  
23 ~~the ordinary course of business the goods out of state; as to such~~  
24 ~~persons the tax imposed is equal to the value of the products~~  
25 ~~manufactured or the gross proceeds derived from such sales multiplied~~  
26 ~~by the rate of 0.138 percent. Sellers 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       ~~(d) Beginning July 1, 2015, fruits or vegetables by canning,~~  
31 ~~preserving, freezing, processing, or dehydrating fresh fruits or~~  
32 ~~vegetables, or selling at wholesale fruits or vegetables manufactured~~  
33 ~~by the seller by canning, preserving, freezing, processing, or~~  
34 ~~dehydrating fresh fruits or vegetables and sold to purchasers who~~  
35 ~~transport in the ordinary course of business the goods out of this~~  
36 ~~state; as to such persons the amount of tax with respect to such~~  
37 ~~business is equal to the value of the products manufactured or the~~  
38 ~~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  
2 of 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))~~ (2)(a) Upon every person engaging within this state in the  
31 business of disposing of low-level waste, as defined in RCW 43.145.010;  
32 as to such persons the amount of the tax with respect to such business  
33 is equal to the gross income of the business, excluding any fees  
34 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3  
35 percent.

36       (b) If the gross income of the taxpayer is attributable to  
37 activities both within and without this state, the gross income

1 attributable to this state must be determined in accordance with the  
2 methods of apportionment required under RCW 82.04.460.

3 ~~((9) Upon every person engaging within this state as an insurance  
4 producer or title insurance agent licensed under chapter 48.17 RCW or  
5 a surplus line broker licensed under chapter 48.15 RCW; as to such  
6 persons, the amount of the tax with respect to such licensed activities  
7 is equal to the gross income of such business multiplied by the rate of  
8 0.484 percent.~~

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

16 ~~((11))~~ (3)(a) Beginning October 1, 2005, upon every person engaging  
17 within this state in the business of manufacturing commercial  
18 airplanes, or components of such airplanes, or making sales, at retail  
19 or wholesale, of commercial airplanes or components of such airplanes,  
20 manufactured by the seller, as to such persons the amount of tax with  
21 respect to such business is, in the case of manufacturers, equal to the  
22 value of the product manufactured and the gross proceeds of sales of  
23 the product manufactured, or in the case of processors for hire, equal  
24 to the gross income of the business, multiplied by the rate of:

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

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

27 (b) Beginning July 1, 2008, upon every person who is not eligible  
28 to report under the provisions of (a) of this subsection ~~((11))~~ (3)  
29 and is engaging within this state in the business of manufacturing  
30 tooling specifically designed for use in manufacturing commercial  
31 airplanes or components of such airplanes, or making sales, at retail  
32 or wholesale, of such tooling manufactured by the seller, as to such  
33 persons the amount of tax with respect to such business is, in the case  
34 of manufacturers, equal to the value of the product manufactured and  
35 the gross proceeds of sales of the product manufactured, or in the case  
36 of processors for hire, be equal to the gross income of the business,  
37 multiplied by the rate of 0.2904 percent.

1 (c) For the purposes of this subsection (~~((11))~~) (3), "commercial  
2 airplane" and "component" have the same meanings as provided in RCW  
3 82.32.550.

4 (d) In addition to all other requirements under this title, a  
5 person reporting under the tax rate provided in this subsection  
6 (~~((11))~~) (3) must file a complete annual report with the department  
7 under RCW 82.32.534.

8 (e) This subsection (~~((11))~~) (3) does not apply on and after July  
9 1, 2024.

10 (~~((12))~~) (4)(a) Until July 1, 2024, upon every person engaging  
11 within this state in the business of extracting timber or extracting  
12 timber for hire (~~(timber)~~); as to such persons the amount of tax with  
13 respect to the business is, in the case of extractors, equal to the  
14 value of products, including by-products, extracted, or in the case of  
15 extractors for hire, equal to the gross income of the business,  
16 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
17 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
18 2024.

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

29 (c) Until July 1, 2024, upon every person engaging within this  
30 state in the business of selling at wholesale: (i) Timber extracted by  
31 that person; (ii) timber products manufactured by that person from  
32 timber or other timber products; or (iii) wood products manufactured by  
33 that person from timber or timber products; as to such persons the  
34 amount of the tax with respect to the business is equal to the gross  
35 proceeds of sales of the timber, timber products, or wood products  
36 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
37 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
38 2024.

1 (d) Until July 1, 2024, upon every person engaging within this  
2 state in the business of selling standing timber; as to such persons  
3 the amount of the tax with respect to the business is equal to the  
4 gross income of the business multiplied by the rate of 0.2904 percent.  
5 For purposes of this subsection (~~((+12+))~~) (4)(d), "selling standing  
6 timber" means the sale of timber apart from the land, where the buyer  
7 is required to sever the timber within thirty months from the date of  
8 the original contract, regardless of the method of payment for the  
9 timber and whether title to the timber transfers before, upon, or after  
10 severance.

11 (e) For purposes of this subsection, the following definitions  
12 apply:

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

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

28 (iii) "Recycled paper" means paper and paper products having fifty  
29 percent or more of their fiber content that comes from postconsumer  
30 waste. For purposes of this subsection (~~((+12+))~~) (4)(e)(iii),  
31 "postconsumer waste" means a finished material that would normally be  
32 disposed of as solid waste, having completed its life cycle as a  
33 consumer item.

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

38 (v) "Timber products" means:



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

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

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

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

12 (f) Except for small harvesters as defined in RCW 84.33.035, a  
13 person reporting under the tax rate provided in this subsection  
14 ~~((+12))~~ (4) must file a complete annual survey with the department  
15 under RCW 82.32.585.

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

21 ~~(+14))~~ (5)(a) Upon every person engaging within this state in the  
22 business of printing a newspaper, publishing a newspaper, or both, the  
23 amount of tax on such business is equal to the gross income of the  
24 business multiplied by the rate of 0.2904 percent.

25 (b) A person reporting under the tax rate provided in this  
26 subsection ~~((+14))~~ (5) must file a complete annual report with the  
27 department under RCW 82.32.534.

28 **Sec. 209.** RCW 82.04.280 and 2010 c 106 s 205 are each amended to  
29 read as follows:

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

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

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

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

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

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

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

10 **Sec. 210.** RCW 82.04.285 and 2005 c 369 s 5 are each amended to  
11 read as follows:

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

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

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

1 (4) "Gross income of the business" does not include the monetary  
2 value or actual cost of any prizes that are awarded, amounts paid to  
3 players for winning wagers, accrual of prizes for progressive jackpot  
4 contests, or repayment of amounts used to seed guaranteed progressive  
5 jackpot prizes.

6 **Sec. 211.** RCW 82.04.290 and 2011 c 174 s 101 are each amended to  
7 read as follows:

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

13 ~~(2)(a))~~ Upon every person engaging within this state in any  
14 business activity other than or in addition to an activity taxed  
15 explicitly under another section in this chapter or subsection ~~((1) or  
16 (3))~~ (4) of this section; as to such persons the amount of tax on  
17 account of such activities ~~((shall be))~~ is equal to the gross income of  
18 the business multiplied by the rate of 1.5 percent.

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

36 (3) The value of advertising, demonstration, and promotional  
37 supplies and materials furnished to an agent by his or her principal or

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

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

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

12 (5) The definitions in this subsection apply throughout this  
13 section unless the context clearly requires otherwise.

14 (a) "Boarding home services" has the same meaning as provided in  
15 section 313 of this act.

16 (b) "Licensed boarding home" means a boarding home licensed under  
17 chapter 18.20 RCW.

18 (c) "Insurance services" has the same meaning as provided in  
19 section 316 of this act.

20 NEW SECTION. Sec. 212. The following acts or parts of acts are  
21 each repealed:

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

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

25 (3) RCW 82.04.2906 (Tax on certain chemical dependency services)  
26 and 2003 c 343 s 1;

27 (4) RCW 82.04.2907 (Tax on royalties) and 2010 1st sp.s. c 23 s  
28 107, 2010 c 111 s 302, 2009 c 535 s 407, 2001 c 320 s 3, & 1998 c 331  
29 s 1;

30 (5) RCW 82.04.2908 (Tax on provision of room and domiciliary care  
31 to assisted living facility residents) and 2012 c 10 s 70, 2005 c 514  
32 s 302, & 2004 c 174 s 1;

33 (6) RCW 82.04.2909 (Tax on aluminum smelters) and 2011 c 174 s 301;

34 (7) RCW 82.04.293 (International investment management services--  
35 Definitions) and 1997 c 7 s 3 & 1995 c 229 s 1;

36 (8) RCW 82.04.294 (Tax on manufacturers or wholesalers of solar

1 energy systems) and 2011 c 179 s 1, 2010 c 114 s 109, 2009 c 469 s 501,  
2 2007 c 54 s 8, & 2005 c 301 s 2;  
3 (9) RCW 35.102.120 (Definitions--Tax classifications) and 2003 c 79  
4 s 12;  
5 (10) 2010 c 114 s 104;  
6 (11) 2003 c 149 s 3;  
7 (12) 2010 c 106 s 206;  
8 (13) 2009 c 461 s 3;  
9 (14) 2006 c 300 s 7; and  
10 (15) 2003 c 149 s 4.

11 **Sec. 213.** RCW 35.102.150 and 2011 c 174 s 201 are each amended to  
12 read as follows:

13 Notwithstanding RCW 35.102.130, a city that imposes a business and  
14 occupation tax must allocate a person's gross income from the  
15 activities of printing, and of publishing newspapers, periodicals, or  
16 magazines, to the principal place in this state from which the  
17 taxpayer's business is directed or managed. As used in this section,  
18 the activities of printing, and of publishing newspapers, periodicals,  
19 or magazines are those activities to which the tax rates in RCW  
20 82.04.260(~~(+13+)~~) (5) and 82.04.280(1)(a) apply.

21 **Sec. 214.** RCW 48.14.080 and 2010 1st sp.s. c 23 s 520 are each  
22 amended to read as follows:

23 (1) As to insurers, other than title insurers and taxpayers under  
24 RCW 48.14.0201, the taxes imposed by this title are in lieu of all  
25 other taxes, except as otherwise provided in this section.

26 (2) Subsection (1) of this section does not apply with respect to:

27 (a) Taxes on real and tangible personal property;

28 (b) Excise taxes on the sale, purchase, use, or possession of (i)  
29 real property; (ii) tangible personal property; (iii) extended  
30 warranties; (iv) services, including digital automated services as  
31 defined in RCW 82.04.192; and (v) digital goods and digital codes as  
32 those terms are defined in RCW 82.04.192; and

33 (c) The tax imposed in (~~(RCW 82.04.260(9), regarding)~~) chapter  
34 82.04 RCW on public and nonprofit hospitals.

35 (3) For the purposes of this section, the term "taxes" includes

1 taxes imposed by the state or any county, city, town, municipal  
2 corporation, quasi-municipal corporation, or other political  
3 subdivision.

4 **Sec. 215.** RCW 82.04.051 and 1999 c 212 s 2 are each amended to  
5 read as follows:

6 (1) As used in RCW 82.04.050, the term "services rendered in  
7 respect to" means those services that are directly related to the  
8 constructing, building, repairing, improving, and decorating of  
9 buildings or other structures and that are performed by a person who is  
10 responsible for the performance of the constructing, building,  
11 repairing, improving, or decorating activity. The term does not  
12 include services such as engineering, architectural, surveying,  
13 flagging, accounting, legal, consulting, or administrative services  
14 provided to the consumer of, or person responsible for performing, the  
15 constructing, building, repairing, improving, or decorating services.

16 (2) A contract or agreement under which a person is responsible for  
17 both services that would otherwise be subject to tax as a service under  
18 RCW 82.04.290(~~(+2)~~) (1) and also constructing, building, repairing,  
19 improving, or decorating activities that would otherwise be subject to  
20 tax under another section of this chapter is subject to the tax that  
21 applies to the predominant activity under the contract or agreement.

22 (3) Unless otherwise provided by law, a contract or agreement under  
23 which a person is responsible for activities that are subject to tax as  
24 a service under RCW 82.04.290(~~(+2)~~) (1), and a subsequent contract or  
25 agreement under which the same person is responsible for constructing,  
26 building, repairing, improving, or decorating activities subject to tax  
27 under another section of this chapter, (~~shall~~) may not be combined  
28 and taxed as a single activity if at the time of the first contract or  
29 agreement it was not contemplated by the parties, as evidenced by the  
30 facts, that the same person would be awarded both contracts.

31 (4) As used in this section "responsible for the performance" means  
32 that the person is obligated to perform the activities, either  
33 personally or through a third party. A person who reviews work for a  
34 consumer, retailer, or wholesaler but does not supervise or direct the  
35 work is not responsible for the performance of the work. A person who  
36 is financially obligated for the work, such as a bank, but who does not

1 have control over the work itself is not responsible for the  
2 performance of the work.

3 **Sec. 216.** RCW 82.04.257 and 2010 c 111 s 301 are each amended to  
4 read as follows:

5 (1) Except as provided in subsection (2) of this section, upon  
6 every person engaging within this state in the business of making sales  
7 at retail or wholesale of digital goods, digital codes, digital  
8 automated services, or services described in RCW 82.04.050 (2)(g) or  
9 (6)(b), as to such persons, the amount of tax with respect to such  
10 business is equal to the gross proceeds of sales of the business,  
11 multiplied by the rate of 0.471 percent in the case of retail sales and  
12 by the rate of 0.484 percent in the case of wholesale sales.

13 (2) Persons providing subscription television services or  
14 subscription radio services are subject to tax under RCW  
15 82.04.290(~~((+2))~~) (1) on the gross income of the business received from  
16 providing such services.

17 (3) For purposes of this section, a person is considered to be  
18 engaging within this state in the business of making sales of digital  
19 goods, digital codes, digital automated services, or services described  
20 in RCW 82.04.050 (2)(g) or (6)(b), if the person makes sales of digital  
21 goods, digital codes, digital automated services, or services described  
22 in RCW 82.04.050 (2)(g) or (6)(b) and the sales are sourced to this  
23 state under RCW 82.32.730 for sales tax purposes or would have been  
24 sourced to this state under RCW 82.32.730 if the sale had been taxable  
25 under chapter 82.08 RCW.

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

28 **Sec. 217.** RCW 82.04.261 and 2010 1st sp.s. c 23 s 510 are each  
29 amended to read as follows:

30 (1) In addition to the taxes imposed under RCW 82.04.260(~~((+11))~~)  
31 (4), a surcharge is imposed on those persons who are subject to any of  
32 the taxes imposed under RCW 82.04.260(~~((+11))~~) (4). Except as otherwise  
33 provided in this section, the surcharge is equal to 0.052 percent. The  
34 surcharge is added to the rates provided in RCW 82.04.260(~~((+11))~~) (4)  
35 (a), (b), (c), and (d). The surcharge and this section expire July 1,  
36 2024.



1 (2) All receipts from the surcharge imposed under this section must  
2 be deposited into the forest and fish support account created in RCW  
3 76.09.405.

4 (3)(a) The surcharge imposed under this section is suspended if:

5 (i) Receipts from the surcharge total at least eight million  
6 dollars during any fiscal biennium; or

7 (ii) The office of financial management certifies to the department  
8 that the federal government has appropriated at least two million  
9 dollars for participation in forest and fish report-related activities  
10 by federally recognized Indian tribes located within the geographical  
11 boundaries of the state of Washington for any federal fiscal year.

12 (b)(i) The suspension of the surcharge under (a)(i) of this  
13 subsection (3) takes effect on the first day of the calendar month that  
14 is at least thirty days after the end of the month during which the  
15 department determines that receipts from the surcharge total at least  
16 eight million dollars during the fiscal biennium. The surcharge is  
17 imposed again at the beginning of the following fiscal biennium.

18 (ii) The suspension of the surcharge under (a)(ii) of this  
19 subsection (3) takes effect on the later of the first day of October of  
20 any federal fiscal year for which the federal government appropriates  
21 at least two million dollars for participation in forest and fish  
22 report-related activities by federally recognized Indian tribes located  
23 within the geographical boundaries of the state of Washington, or the  
24 first day of a calendar month that is at least thirty days following  
25 the date that the office of financial management makes a certification  
26 to the department under subsection (5) of this section. The surcharge  
27 is imposed again on the first day of the following July.

28 (4)(a) If, by October 1st of any federal fiscal year, the office of  
29 financial management certifies to the department that the federal  
30 government has appropriated funds for participation in forest and fish  
31 report-related activities by federally recognized Indian tribes located  
32 within the geographical boundaries of the state of Washington but the  
33 amount of the appropriation is less than two million dollars, the  
34 department must adjust the surcharge in accordance with this  
35 subsection.

36 (b) The department must adjust the surcharge by an amount that the  
37 department estimates will cause the amount of funds deposited into the  
38 forest and fish support account for the state fiscal year that begins

1 July 1st and that includes the beginning of the federal fiscal year for  
2 which the federal appropriation is made, to be reduced by twice the  
3 amount of the federal appropriation for participation in forest and  
4 fish report-related activities by federally recognized Indian tribes  
5 located within the geographical boundaries of the state of Washington.

6 (c) Any adjustment in the surcharge takes effect at the beginning  
7 of a calendar month that is at least thirty days after the date that  
8 the office of financial management makes the certification under  
9 subsection (5) of this section.

10 (d) The surcharge is imposed again at the rate provided in  
11 subsection (1) of this section on the first day of the following state  
12 fiscal year unless the surcharge is suspended under subsection (3) of  
13 this section or adjusted for that fiscal year under this subsection.

14 (e) Adjustments of the amount of the surcharge by the department  
15 are final and may not be used to challenge the validity of the  
16 surcharge imposed under this section.

17 (f) The department must provide timely notice to affected taxpayers  
18 of the suspension of the surcharge or an adjustment of the surcharge.

19 (5) The office of financial management must make the certification  
20 to the department as to the status of federal appropriations for tribal  
21 participation in forest and fish report-related activities.

22 **Sec. 218.** RCW 82.04.270 and 2004 c 24 s 5 are each amended to read  
23 as follows:

24 Upon every person engaging within this state in the business of  
25 making sales at wholesale, except persons taxable (~~as wholesalers~~)  
26 under other provisions of this chapter on the business of making sales  
27 at wholesale; as to such persons the amount of tax with respect to such  
28 business (~~shall be~~) is equal to the gross proceeds of sales of such  
29 business multiplied by the rate of 0.484 percent.

30 **Sec. 219.** RCW 82.04.29001 and 2003 c 168 s 602 are each amended to  
31 read as follows:

32 (1) The creation and distribution of custom software is a service  
33 taxable under RCW 82.04.290(~~(+2)~~) (1). Duplication of the software  
34 for the same person, or by the same person for its own use, does not  
35 change the character of the software.

1 (2) The customization of prewritten computer software is a service  
2 taxable under RCW 82.04.290(~~(+2)~~) (1).

3 **Sec. 220.** RCW 82.04.29002 and 2010 1st sp.s. c 23 s 1101 are each  
4 amended to read as follows:

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

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

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

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

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

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

27 (e) Amounts received from providing eligible chemical dependency  
28 treatment services;

29 (f) Amounts received from providing qualifying travel or  
30 transportation-related activities;

31 (g) Amounts received from operating a qualifying warehouse;

32 (h) Amounts received from providing international investment  
33 management services;

34 (i) Amounts received by boarding homes licensed under chapter 18.20  
35 RCW for providing boarding home services as defined in RCW 82.04.290;

36 (j) Amounts received from providing child day care;

1 (k) Amounts received from providing insurance services as defined  
2 in RCW 82.04.290; and

3 (l) Gross income from royalties.

4 (3) The definitions in this subsection apply throughout this  
5 section unless the context clearly requires otherwise.

6 (a) "Child day care" has the same meaning as provided in section  
7 315 of this act.

8 (b) "Eligible chemical dependency treatment services" has the same  
9 meaning as provided in section 304 of this act.

10 (c) "Gross income from royalties" has the same meaning as provided  
11 in section 314 of this act.

12 (d) "Qualifying travel or transportation-related activities" has  
13 the same meaning as provided in section 308 of this act.

14 (e) "Qualifying warehouse" has the same meaning as provided in 310  
15 of this act.

16 **Sec. 221.** RCW 82.04.297 and 2010 c 111 s 303 are each amended to  
17 read as follows:

18 (1) The provision of internet access is subject to tax under RCW  
19 82.04.290(~~(+2)~~) (1).

20 (2)(a) Except as provided in (b) of this subsection, "internet" and  
21 "internet access" have the same meaning as those terms are defined in  
22 the federal internet tax freedom act, Title 47 U.S.C. Sec. 151 note, as  
23 existing on July 1, 2009.

24 (b) "Internet access" does not include telecommunications service  
25 purchased, used, or sold by a person that provides a service that  
26 enables users to connect to the internet to access content,  
27 information, or other services offered over the internet, to the extent  
28 such telecommunications service is purchased, used, or sold: (i) To  
29 provide such service; or (ii) to otherwise enable users to access  
30 content, information, or other services offered over the internet.

31 (3) Unless the context clearly requires otherwise, the definitions  
32 in this section apply throughout this chapter.

33 **Sec. 222.** RCW 82.04.298 and 2011 c 2 s 204 are each amended to  
34 read as follows:

35 (1) The amount of tax with respect to a qualified grocery  
36 distribution cooperative's sales of groceries or related goods for

1 resale, excluding (~~items subject to tax under RCW 82.04.260(4))~~)  
2 qualifying meat products, to customer-owners of the grocery  
3 distribution cooperative is equal to the gross proceeds of sales of the  
4 grocery distribution cooperative multiplied by the rate of one and  
5 one-half percent.

6 (2) A qualified grocery distribution cooperative is allowed a  
7 deduction from the gross proceeds of sales of groceries or related  
8 goods for resale, excluding (~~items subject to tax under RCW~~  
9 ~~82.04.260(4))~~) qualifying meat products, to customer-owners of the  
10 grocery distribution cooperative that is equal to the portion of the  
11 gross proceeds of sales for resale that represents the actual cost of  
12 the merchandise sold by the grocery distribution cooperative to  
13 customer-owners.

14 (3) The definitions in this subsection apply throughout this  
15 section unless the context clearly requires otherwise.

16 (a) "Grocery distribution cooperative" means an entity that sells  
17 groceries and related items to customer-owners of the grocery  
18 distribution cooperative and has customer-owners, in the aggregate, who  
19 own a majority of the outstanding ownership interests of the grocery  
20 distribution cooperative or of the entity controlling the grocery  
21 distribution cooperative. "Grocery distribution cooperative" includes  
22 an entity that controls a grocery distribution cooperative.

23 (b) "Qualified grocery distribution cooperative" means:

24 (i) A grocery distribution cooperative that has been determined by  
25 a court of record of the state of Washington to be not engaged in  
26 wholesaling or making sales at wholesale, within the meaning of RCW  
27 82.04.270 or any similar provision of a municipal ordinance that  
28 imposes a tax on gross receipts, gross proceeds of sales, or gross  
29 income, with respect to purchases made by customer-owners, and  
30 subsequently changes its form of doing business to make sales at  
31 wholesale of groceries or related items to its customer-owners; or

32 (ii) A grocery distribution cooperative that has acquired  
33 substantially all of the assets of a grocery distribution cooperative  
34 described in (b)(i) of this subsection.

35 (c) "Customer-owner" means a person who has an ownership interest  
36 in a grocery distribution cooperative and purchases groceries and  
37 related items at wholesale from that grocery distribution cooperative.

1 (d) "Controlling" means holding fifty percent or more of the voting  
2 interests of an entity and having at least equal power to direct or  
3 cause the direction of the management and policies of the entity,  
4 whether through the ownership of voting securities, by contract, or  
5 otherwise.

6 (e) "Qualifying meat product" has the same meaning as provided in  
7 section 312 of this act.

8 **Sec. 223.** RCW 82.04.334 and 2010 1st sp.s. c 23 s 512 are each  
9 amended to read as follows:

10 This chapter does not apply to any sale of standing timber excluded  
11 from the definition of "sale" in RCW 82.45.010(3). The definitions in  
12 RCW 82.04.260(~~((+11))~~) (4) apply to this section.

13 **Sec. 224.** RCW 82.04.360 and 2010 1st sp.s. c 23 s 702 are each  
14 amended to read as follows:

15 (1) This chapter does not apply to any person in respect to his or  
16 her employment in the capacity of an employee or servant as  
17 distinguished from that of an independent contractor. For the purposes  
18 of this section, the definition of employee includes those persons that  
19 are defined in section 3121(d)(3)(B) of the federal internal revenue  
20 code of 1986, as amended through January 1, 1991.

21 (2) Until July 1, 2010, this chapter does not apply to amounts  
22 received by an individual from a corporation as compensation for  
23 serving as a member of that corporation's board of directors.  
24 Beginning on July 1, 2010, such amounts are taxable under RCW  
25 82.04.290(~~((+2))~~) (1).

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

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

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

34 **Sec. 225.** RCW 82.04.440 and 2011 c 2 s 205 are each amended to  
35 read as follows:

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

5 (2) Persons taxable under RCW (~~((82.04.2909(2),~~) 82.04.250,  
6 82.04.270, (~~((82.04.294(2),~~) or 82.04.260 (~~((1)(b), (c), or (d), (4),~~  
7 ~~(11), or (12))~~) (3) or (4)(c) with respect to selling products in this  
8 state, including those persons who are also taxable under RCW  
9 82.04.261, are allowed a credit against those taxes for any (a)  
10 manufacturing taxes paid with respect to the manufacturing of products  
11 so sold in this state, and/or (b) extracting taxes paid with respect to  
12 the extracting of products so sold in this state or ingredients of  
13 products so sold in this state. Extracting taxes taken as credit under  
14 subsection (3) of this section may also be taken under this subsection,  
15 if otherwise allowable under this subsection. The amount of the credit  
16 may not exceed the tax liability arising under this chapter with  
17 respect to the sale of those products.

18 (3) Persons taxable as manufacturers under RCW 82.04.240 or  
19 82.04.260 (~~((1)(b) or (12))~~) (4), including those persons who are also  
20 taxable under RCW 82.04.261, are allowed a credit against those taxes  
21 for any extracting taxes paid with respect to extracting the  
22 ingredients of the products so manufactured in this state. The amount  
23 of the credit may not exceed the tax liability arising under this  
24 chapter with respect to the manufacturing of those products.

25 (4) Persons taxable under RCW 82.04.230, 82.04.240,  
26 (~~((82.04.2909(1), 82.04.294(1), 82.04.2404,~~) or 82.04.260 (~~((1), (2),~~  
27 ~~(4), (11), or (12))~~) (3) or (4), including those persons who are also  
28 taxable under RCW 82.04.261, with respect to extracting or  
29 manufacturing products in this state are allowed a credit against those  
30 taxes for any (i) gross receipts taxes paid to another state with  
31 respect to the sales of the products so extracted or manufactured in  
32 this state, (ii) manufacturing taxes paid with respect to the  
33 manufacturing of products using ingredients so extracted in this state,  
34 or (iii) manufacturing taxes paid with respect to manufacturing  
35 activities completed in another state for products so manufactured in  
36 this state. The amount of the credit may not exceed the tax liability  
37 arising under this chapter with respect to the extraction or  
38 manufacturing of those products.

1 (5) For the purpose of this section:

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

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

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

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

13 (c) "Manufacturing tax" means a gross receipts tax imposed on the  
14 act or privilege of engaging in business as a manufacturer, and  
15 includes (i) the taxes imposed on persons who are engaged in business  
16 as a manufacturer in RCW 82.04.240(~~(, 82.04.2404, 82.04.2909(1),)~~) and  
17 82.04.260 ((~~(1), (2), (4), (11), and (12), and 82.04.294(1)) (3) or~~  
18 (4); (ii) the tax imposed under RCW 82.04.261 on persons who are  
19 engaged in business as a manufacturer; and (iii) similar gross receipts  
20 taxes paid to other states.

21 (d) "Extracting tax" means a gross receipts tax imposed on the act  
22 or privilege of engaging in business as an extractor, and includes (i)  
23 the tax imposed on extractors in RCW 82.04.230 and 82.04.260(~~((+12))~~)  
24 (4); (ii) the tax imposed under RCW 82.04.261 on persons who are  
25 engaged in business as an extractor; and (iii) similar gross receipts  
26 taxes paid to other states.

27 (e) "Business", "manufacturer", "extractor", and other terms used  
28 in this section have the meanings given in RCW 82.04.020 through  
29 (~~(82.04.212 [82.04.217])~~) 82.04.217, notwithstanding the use of those  
30 terms in the context of describing taxes imposed by other states.

31 **Sec. 226.** RCW 82.04.4451 and 2010 1st sp.s. c 23 s 1102 are each  
32 amended to read as follows:

33 (1) In computing the tax imposed under this chapter, a credit is  
34 allowed against the amount of tax otherwise due under this chapter, as  
35 provided in this section. Except for taxpayers that report at least  
36 fifty percent of their taxable amount under RCW (~~(82.04.255,)~~)  
37 82.04.290(~~((+2)(a),)~~) (1) and 82.04.285, the maximum credit for a



1 taxpayer for a reporting period is thirty-five dollars multiplied by  
2 the number of months in the reporting period, as determined under RCW  
3 82.32.045. For a taxpayer that reports at least fifty percent of its  
4 taxable amount under RCW (~~((82.04.255,))~~) 82.04.290(~~((2)(a),)~~) (1) and  
5 82.04.285, the maximum credit for a reporting period is seventy dollars  
6 multiplied by the number of months in the reporting period, as  
7 determined under RCW 82.32.045.

8 (2) When the amount of tax otherwise due under this chapter is  
9 equal to or less than the maximum credit, a credit is allowed equal to  
10 the amount of tax otherwise due under this chapter.

11 (3) When the amount of tax otherwise due under this chapter exceeds  
12 the maximum credit, a reduced credit is allowed equal to twice the  
13 maximum credit, minus the tax otherwise due under this chapter, but not  
14 less than zero.

15 (4) The department may prepare a tax credit table consisting of tax  
16 ranges using increments of no more than five dollars and a  
17 corresponding tax credit to be applied to those tax ranges. The table  
18 (~~(shall)~~) must be prepared in such a manner that no taxpayer will owe  
19 a greater amount of tax by using the table than would be owed by  
20 performing the calculation under subsections (1) through (3) of this  
21 section. A table prepared by the department under this subsection must  
22 be used by all taxpayers in taking the credit provided in this section.

23 **Sec. 227.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each  
24 amended to read as follows:

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

28 (2) The credit is equal to:

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

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

1 (C) Property taxes or leasehold excise taxes paid on, or with  
2 respect to, buildings constructed after June 30, 2008, the land upon  
3 which the buildings are located, or both, and used exclusively for  
4 aerospace product development, manufacturing tooling specifically  
5 designed for use in manufacturing commercial airplanes or their  
6 components, or in providing aerospace services, by persons not within  
7 the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable  
8 under RCW 82.04.290(~~((3))~~) (4), 82.04.260(~~((10))~~) (3)(b), or  
9 82.04.250(3); or

10 (ii) Property taxes attributable to an increase in assessed value  
11 due to the renovation or expansion, after: (A) December 1, 2003, of a  
12 building used exclusively in manufacturing commercial airplanes or  
13 components of such airplanes; and (B) June 30, 2008, of buildings used  
14 exclusively for aerospace product development, manufacturing tooling  
15 specifically designed for use in manufacturing commercial airplanes or  
16 their components, or in providing aerospace services, by persons not  
17 within the scope of (a)(ii)(A) of this subsection (2) and are taxable  
18 under RCW 82.04.290(~~((3))~~) (4), 82.04.260(~~((10))~~) (3)(b), or  
19 82.04.250(3); and

20 (b) An amount equal to:

21 (i)(A) Property taxes paid, by persons taxable under RCW  
22 82.04.260(~~((10))~~) (3)(a), on machinery and equipment exempt under RCW  
23 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

24 (B) Property taxes paid, by persons taxable under RCW  
25 82.04.260(~~((10))~~) (3)(b), on machinery and equipment exempt under RCW  
26 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

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

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

34 (A) The numerator of the fraction is the total taxable amount  
35 subject to the tax imposed under RCW 82.04.260(~~((10))~~) (3) (a) or (b)  
36 on the applicable business activities of manufacturing commercial  
37 airplanes, components of such airplanes, or tooling specifically

1 designed for use in the manufacturing of commercial airplanes or  
2 components of such airplanes.

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

6 (C) For purposes of both the numerator and denominator of the  
7 fraction, the total taxable amount refers to the total taxable amount  
8 required to be reported on the person's returns for the calendar year  
9 before the calendar year in which the credit under this section is  
10 earned. The department may provide for an alternative method for  
11 calculating the numerator in cases where the tax rate provided in RCW  
12 82.04.260(~~(+10)~~) (3) for manufacturing was not in effect during the  
13 full calendar year before the calendar year in which the credit under  
14 this section is earned.

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

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

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

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

26 (b) "Aerospace services" has the same meaning given in RCW  
27 82.08.975.

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

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

34 (5) In addition to all other requirements under this title, a  
35 person claiming the credit under this section must file a complete  
36 annual report with the department under RCW 82.32.534.

37 (6) This section expires July 1, (~~(2024)~~) 2025.

1       **Sec. 228.** RCW 82.04.4483 and 2010 c 114 s 119 are each amended to  
2 read as follows:

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

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

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

16       (b) If an activity is conducted both from a rural county and  
17 outside of a rural county, the credit is available if at least ninety  
18 percent of the qualifying activity is conducted within a rural county.  
19 If the qualifying activity is a service taxable activity, the place  
20 where the work is performed is the place at which the activity is  
21 conducted.

22       (4)(a) The credit under this section (~~(shall)~~) equals one thousand  
23 dollars for each new qualified employment position created after  
24 January 1, 2004, in an eligible area. A credit is earned for the  
25 calendar year the person is hired to fill the position. Additionally  
26 a credit is earned for each year the position is maintained over the  
27 subsequent consecutive years, up to four years. The county must meet  
28 the definition of a rural county at the time the position is filled.  
29 If the county does not have a rural county status the following year or  
30 years, the position is still eligible for the remaining years if all  
31 other conditions are met.

32       (b) Participants who claimed credit under RCW 82.04.4456 for  
33 qualified employment positions created before December 31, 2003, are  
34 eligible to earn credit for each year the position is maintained over  
35 the subsequent consecutive years, for up to four years, which four  
36 years include any years claimed under RCW 82.04.4456. Those persons  
37 who did not receive a credit under RCW 82.04.4456 before December 31,

1 2003, are not eligible to earn credit for qualified employment  
2 positions created before December 31, 2003.

3 (c) Credit is authorized for new employees hired for new qualified  
4 employment positions created on or after January 1, 2004. New  
5 qualified employment positions filled by existing employees are  
6 eligible for the credit under this section only if the position vacated  
7 by the existing employee is filled by a new hire. A business that is  
8 a sole proprietorship without any employees is equivalent to one  
9 employee position and this type of business is eligible to receive  
10 credit for one position.

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

15 (5) No application is necessary for the tax credit. The person  
16 must keep records necessary for the department to verify eligibility  
17 under this section. This information includes information relating to  
18 description of qualifying activity conducted in the rural county and  
19 outside the rural county by the person as well as detailed records on  
20 positions and employees.

21 (6) 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, applies  
27 retroactively to the date the tax credit was taken, and accrues until  
28 the taxes for which a credit has been used are repaid.

29 (7) The credit under this section may be used against any tax due  
30 under this chapter, but in no case may a credit earned during one  
31 calendar year be carried over to be credited against taxes incurred in  
32 a subsequent calendar year. A person is not eligible to receive a  
33 credit under this section if the person is receiving credit for the  
34 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking  
35 a credit under this chapter for information technology help desk  
36 services conducted from a rural county. No refunds may be granted for  
37 credits under this section.

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

5 (9) A person claiming a tax credit under this section must file a  
6 complete annual survey with the department under RCW 82.32.585.

7 (10) As used in this section:

8 (a) "Computer software" has the meaning as defined in RCW 82.04.215  
9 after June 30, 2004, and includes "software" as defined in RCW  
10 82.04.215 before July 1, 2004.

11 (b) "Manufacturing" means the same as "to manufacture" under RCW  
12 82.04.120. Manufacturing includes the activities of both manufacturers  
13 and processors for hire.

14 (c) "Programming" means the activities that involve the creation or  
15 modification of computer software, as that term is defined in this  
16 chapter, and that are taxable as a service under RCW 82.04.290((+2+))  
17 (1) or as a retail sale under RCW 82.04.050.

18 (d) "Qualifying activity" means manufacturing of computer software  
19 or programming.

20 (e) "Qualified employment position" means a permanent full-time  
21 position doing programming of computer software or manufacturing of  
22 computer software. This excludes administrative, professional,  
23 service, executive, and other similar positions. If an employee is  
24 either voluntarily or involuntarily separated from employment, the  
25 employment position is considered filled on a full-time basis if the  
26 employer is either training or actively recruiting a replacement  
27 employee. Full-time means a position for at least thirty-five hours a  
28 week.

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

30 (11) No credit may be taken or accrued under this section on or  
31 after January 1, (~~2011~~) 2012.

32 **Sec. 229.** RCW 82.04.460 and 2011 c 174 s 203 are each amended to  
33 read as follows:

34 (1) Except as otherwise provided in this section, any person  
35 earning apportionable income taxable under this chapter and also  
36 taxable in another state must, for the purpose of computing tax

1 liability under this chapter, apportion to this state, in accordance  
2 with RCW 82.04.462, that portion of the person's apportionable income  
3 derived from business activities performed within this state.

4 (2) The department must by rule provide a method of apportioning  
5 the apportionable income of financial institutions, where such  
6 apportionable income is taxable under RCW 82.04.290. The rule adopted  
7 by the department must, to the extent feasible, be consistent with the  
8 multistate tax commission's recommended formula for the apportionment  
9 and allocation of net income of financial institutions as existing on  
10 June 1, 2010, or such subsequent date as may be provided by the  
11 department by rule, consistent with the purposes of this section,  
12 except that:

13 (a) The department's rule must provide for a single factor  
14 apportionment method based on the receipts factor; and

15 (b) The definition of "financial institution" contained in appendix  
16 A to the multistate tax commission's recommended formula for the  
17 apportionment and allocation of net income of financial institutions is  
18 advisory only.

19 (3) The department may by rule provide a method or methods of  
20 apportioning or allocating gross income derived from sales of  
21 telecommunications service and competitive telephone service taxed  
22 under this chapter, if the gross proceeds of sales subject to tax under  
23 this chapter do not fairly represent the extent of the taxpayer's  
24 income attributable to this state. The rule must provide for an  
25 equitable and constitutionally permissible division of the tax base.

26 (4) For purposes of this section, the following definitions apply  
27 unless the context clearly requires otherwise:

28 (a) "Apportionable income" means gross income of the business  
29 generated from engaging in apportionable activities, including income  
30 received from apportionable activities performed outside this state if  
31 the income would be taxable under this chapter if received from  
32 activities in this state, less the exemptions and deductions allowable  
33 under this chapter. For purposes of this subsection, "apportionable  
34 activities" means only those activities taxed under:

35 (i) ~~((RCW 82.04.255;~~  
36 ~~(ii))~~ RCW 82.04.260 ~~((3), (4), (5), (6), (7), (8), (9), and~~  
37 ~~(12))~~ (1) and (2);

38 ~~((iii) RCW 82.04.280 (1)(e);~~

1       ~~(iv)~~) RCW 82.04.285;  
2       ~~((v))~~ (ii) RCW 82.04.286;  
3       ~~((vi))~~ (iii) RCW 82.04.290;  
4       ~~((vii) RCW 82.04.2907;~~  
5       ~~(viii) RCW 82.04.2908;~~  
6       ~~(ix))~~ (iv) RCW 82.04.263, but only to the extent of any activity  
7 that would be taxable under ~~((any of the provisions enumerated under~~  
8 ~~(a)(i) through (viii) of this subsection (4))~~ RCW 82.04.290 if the tax  
9 classification in RCW 82.04.263 did not exist; and

10       ~~((x))~~ (v) RCW 82.04.260~~((+13))~~ (5) and 82.04.280(1)(a), but only  
11 with respect to advertising.

12       (b)(i) "Taxable in another state" means that the taxpayer is  
13 subject to a business activities tax by another state on its income  
14 received from engaging in apportionable activities; or the taxpayer is  
15 not subject to a business activities tax by another state on its income  
16 received from engaging in apportionable activities, but any other state  
17 has jurisdiction to subject the taxpayer to a business activities tax  
18 on such income under the substantial nexus standards in RCW  
19 82.04.067(1).

20       (ii) For purposes of this subsection (4)(b), "business activities  
21 tax" and "state" have the same meaning as in RCW 82.04.462.

22       **Sec. 230.** RCW 82.04.540 and 2006 c 301 s 1 are each amended to  
23 read as follows:

24       (1) The provision of professional employer services by a  
25 professional employer organization is taxable under RCW  
26 82.04.290~~((+2))~~ (1).

27       (2) A professional employer organization is allowed a deduction  
28 from the gross income of the business derived from performing  
29 professional employer services that is equal to the portion of the fee  
30 charged to a client that represents the actual cost of wages and  
31 salaries, benefits, workers' compensation, payroll taxes, withholding,  
32 or other assessments paid to or on behalf of a covered employee by the  
33 professional employer organization under a professional employer  
34 agreement.

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



1 (a) "Client" means any person who enters into a professional  
2 employer agreement with a professional employer organization. For  
3 purposes of this subsection (3)(a), "person" has the same meaning as  
4 "buyer" in RCW 82.08.010.

5 (b) "Coemployer" means either a professional employer organization  
6 or a client.

7 (c) "Coemployment relationship" means a relationship which is  
8 intended to be an ongoing relationship rather than a temporary or  
9 project-specific one, wherein the rights, duties, and obligations of an  
10 employer which arise out of an employment relationship have been  
11 allocated between coemployers pursuant to a professional employer  
12 agreement and applicable state law. In such a coemployment  
13 relationship:

14 (i) The professional employer organization is entitled to enforce  
15 only such employer rights and is subject to only those obligations  
16 specifically allocated to the professional employer organization by the  
17 professional employer agreement or applicable state law;

18 (ii) The client is entitled to enforce those rights and obligated  
19 to provide and perform those employer obligations allocated to such  
20 client by the professional employer agreement and applicable state law;  
21 and

22 (iii) The client is entitled to enforce any right and obligated to  
23 perform any obligation of an employer not specifically allocated to the  
24 professional employer organization by the professional employer  
25 agreement or applicable state law.

26 (d) "Covered employee" means an individual having a coemployment  
27 relationship with a professional employer organization and a client who  
28 meets all of the following criteria: (i) The individual has received  
29 written notice of coemployment with the professional employer  
30 organization, and (ii) the individual's coemployment relationship is  
31 pursuant to a professional employer agreement. Individuals who are  
32 officers, directors, shareholders, partners, and managers of the client  
33 are covered employees to the extent the professional employer  
34 organization and the client have expressly agreed in the professional  
35 employer agreement that such individuals would be covered employees and  
36 provided such individuals meet the criteria of this subsection and act  
37 as operational managers or perform day-to-day operational services for  
38 the client.

1 (e) "Professional employer agreement" means a written contract by  
2 and between a client and a professional employer organization that  
3 provides:

4 (i) For the coemployment of covered employees; and

5 (ii) For the allocation of employer rights and obligations between  
6 the client and the professional employer organization with respect to  
7 the covered employees.

8 (f) "Professional employer organization" means any person engaged  
9 in the business of providing professional employer services. The  
10 following (~~shall~~) are not (~~be~~) deemed to be professional employer  
11 organizations or the providing of professional employer services for  
12 purposes of this section:

13 (i) Arrangements wherein a person, whose principal business  
14 activity is not entering into professional employer arrangements and  
15 which does not hold itself out as a professional employer organization,  
16 shares employees with a commonly owned company within the meaning of  
17 (~~section~~) 26 U.S.C. Sec. 414(b) and (c) of the internal revenue code  
18 of 1986, as amended;

19 (ii) Independent contractor arrangements by which a person assumes  
20 responsibility for the product produced or service performed by such  
21 person or his or her agents and retains and exercises primary direction  
22 and control over the work performed by the individuals whose services  
23 are supplied under such arrangements; or

24 (iii) Providing staffing services.

25 (g) "Professional employer services" means the service of entering  
26 into a coemployment relationship with a client in which all or a  
27 majority of the employees providing services to a client or to a  
28 division or work unit of a client are covered employees.

29 (h) "Staffing services" means services consisting of a person:

30 (i) Recruiting and hiring its own employees;

31 (ii) Finding other organizations that need the services of those  
32 employees;

33 (iii) Assigning those employees on a temporary basis to perform  
34 work at or services for the other organizations to support or  
35 supplement the other organizations' workforces, or to provide  
36 assistance in special work situations such as, but not limited to,  
37 employee absences, skill shortages, seasonal workloads, or to perform

1 special assignments or projects, all under the direction and  
2 supervision of the customer; and

3 (iv) Customarily attempting to reassign the employees to other  
4 organizations when they finish each assignment.

5 **Sec. 231.** RCW 82.04.620 and 2007 c 447 s 1 are each amended to  
6 read as follows:

7 In computing tax there may be deducted from the measure of tax  
8 imposed by RCW 82.04.290(~~(+2)~~) (1) amounts received by physicians or  
9 clinics for drugs for infusion or injection by licensed physicians or  
10 their agents for human use pursuant to a prescription, but only if the  
11 amounts: (1) Are separately stated on invoices or other billing  
12 statements; (2) do not exceed the then current federal rate; and (3)  
13 are covered or required under a health care service program subsidized  
14 by the federal or state government. The federal rate means the rate at  
15 or below which the federal government or its agents reimburse providers  
16 for prescription drugs administered to patients as provided for in the  
17 medicare, part B, drugs average sales price information resource as  
18 published by the United States department of health and human services,  
19 or any successor index thereto.

20 **Sec. 232.** RCW 82.08.806 and 2011 c 174 s 204 are each amended to  
21 read as follows:

22 (1) The tax levied by RCW 82.08.020 does not apply to sales, to a  
23 printer or publisher, of computer equipment, including repair parts and  
24 replacement parts for such equipment, when the computer equipment is  
25 used primarily in the printing or publishing of any printed material,  
26 or to sales of or charges made for labor and services rendered in  
27 respect to installing, repairing, cleaning, altering, or improving the  
28 computer equipment. This exemption applies only to computer equipment  
29 not otherwise exempt under RCW 82.08.02565.

30 (2) A person taking the exemption under this section must keep  
31 records necessary for the department to verify eligibility under this  
32 section. This exemption is available only when the purchaser provides  
33 the seller with an exemption certificate in a form and manner  
34 prescribed by the department. The seller must retain a copy of the  
35 certificate for the seller's files.

1 (3) The definitions in this subsection (3) apply throughout this  
2 section, unless the context clearly requires otherwise.

3 (a) "Computer" has the same meaning as in RCW 82.04.215.

4 (b) "Computer equipment" means a computer and the associated  
5 physical components that constitute a computer system, including  
6 monitors, keyboards, printers, modems, scanners, pointing devices, and  
7 other computer peripheral equipment, cables, servers, and routers.  
8 "Computer equipment" also includes digital cameras and computer  
9 software.

10 (c) "Computer software" has the same meaning as in RCW 82.04.215.

11 (d) "Primarily" means greater than fifty percent as measured by  
12 time.

13 (e) "Printer or publisher" means a person, as defined in RCW  
14 82.04.030, who is subject to tax under RCW 82.04.260(~~(+13+)~~) (5) or  
15 82.04.280(1)(a).

16 (4) "Computer equipment" does not include computer equipment that  
17 is used primarily for administrative purposes including but not limited  
18 to payroll processing, accounting, customer service, telemarketing, and  
19 collection. If computer equipment is used simultaneously for  
20 administrative and nonadministrative purposes, the administrative use  
21 must be disregarded during the period of simultaneous use for purposes  
22 of determining whether the computer equipment is used primarily for  
23 administrative purposes.

24 **Sec. 233.** RCW 82.16.100 and 2001 c 320 s 8 are each amended to  
25 read as follows:

26 The business of collection, receipt, transfer, including  
27 transportation between any locations, storage, or disposal of solid  
28 waste is not subject to this chapter. Any such business activities are  
29 subject to taxation under the classification in RCW 82.04.290(~~(+2+)~~)  
30 (1). "Solid waste" for purposes of this section is defined in RCW  
31 82.18.010.

32 **Sec. 234.** RCW 82.32.045 and 2010 1st sp.s. c 23 s 1103 are each  
33 amended to read as follows:

34 (1) Except as otherwise provided in this chapter, payments of the  
35 taxes imposed under chapters 82.04, 82.08, 82.12, 82.14, and 82.16 RCW,

1 along with reports and returns on forms prescribed by the department,  
2 are due monthly within twenty-five days after the end of the month in  
3 which the taxable activities occur.

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

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

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

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

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

20 (ii) Forty-six thousand six hundred sixty-seven dollars per year  
21 for persons generating at least fifty percent of their taxable amount  
22 from activities taxable under RCW (~~(82.04.255,)~~) 82.04.290(~~(+2)(a),~~)  
23 (1) and 82.04.285;

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

27 (c) The person is not required to collect or pay to the department  
28 of revenue any other tax or fee which the department is authorized to  
29 collect.

30 **Sec. 235.** RCW 82.32.533 and 2010 c 111 s 801 are each amended to  
31 read as follows:

32 (1) Except as provided in subsection (2) of this section, no person  
33 may be held liable for the failure to collect or pay state and local  
34 sales and use taxes accrued before July 26, 2009, on the sale or use of  
35 digital goods or of services defined as a retail sale in RCW  
36 82.04.050(2)(a) and rendered in respect to digital goods.

1 (2) Subsection (1) of this section does not relieve any person from  
2 liability for state and local sales taxes that the person collected  
3 from buyers but did not remit to the department of revenue.

4 (3) Nothing in this section may be construed as authorizing the  
5 refund of state and local sales and use taxes properly paid on the sale  
6 or use, before July 26, 2009, of digital goods or of services defined  
7 as a retail sale in RCW 82.04.050(2)(a) and rendered in respect to  
8 digital goods.

9 (4) A person is not entitled to a credit or refund of any business  
10 and occupation tax paid in excess of that properly due as a result of  
11 the person paying tax on its income earned from the sale of eligible  
12 digital products and services at the tax rate provided in RCW  
13 82.04.290(~~(+2)(a)~~) (1) rather than the tax rate provided in RCW  
14 82.04.250(~~(+1)~~), unless the person requesting the credit or refund has  
15 paid the proper amount of state and local sales taxes due on the sales  
16 of the eligible digital products and services that generated the income  
17 in respect to which the business and occupation tax credit or refund is  
18 sought. For purposes of this subsection, "eligible digital products  
19 and services" means: (a) Digital goods; and (b) services defined as a  
20 retail sale in RCW 82.04.050(2)(a) and rendered in respect to digital  
21 goods.

22 (5) For purposes of this section, "digital goods" has the same  
23 meaning as in RCW 82.04.192.

24 **Sec. 236.** RCW 82.45.195 and 2010 1st sp.s. c 23 s 518 are each  
25 amended to read as follows:

26 A sale of standing timber is exempt from tax under this chapter if  
27 the gross income from such sale is taxable under RCW 82.04.260(~~(+11)~~)  
28 (4)(d).

29 **PART III**  
30 **DEDUCTIONS**

31 NEW SECTION. **Sec. 301.** A new section is added to chapter 82.04  
32 RCW to read as follows:

33 **NONPROFIT RESEARCH AND DEVELOPMENT.** (1) In computing the tax  
34 imposed under RCW 82.04.290 on engaging in the business of conducting

1 research and development for compensation, a nonprofit corporation or  
2 nonprofit association is entitled to a deduction as provided in  
3 subsection (2) of this section.

4 (2) The amount of the deduction under this section is determined by  
5 multiplying 0.67734 by:

6 (a) The gross income of the business during the reporting period  
7 from conducting research and development for compensation; or

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

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

17 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.04  
18 RCW to read as follows:

19 WOOD BIOMASS. (1) In computing the tax imposed under RCW 82.04.240  
20 on the business of manufacturing wood biomass fuel, a person is  
21 entitled to a deduction as determined in subsection (2) of this  
22 section.

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

25 (a) The value of the wood biomass fuel manufactured by the person  
26 during the reporting period; or

27 (b) If the person is entitled to one or more deductions under any  
28 other statute in this chapter in computing the tax imposed under RCW  
29 82.04.240 on the business of manufacturing wood biomass fuel, the  
30 difference resulting from subtracting all other deductible amounts from  
31 the value of the wood biomass fuel manufactured by the person during  
32 the reporting period.

33 (3) "Wood biomass fuel" has the same meaning as in RCW 82.29A.135.

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

1        NEW SECTION.    **Sec. 303.**    A new section is added to chapter 82.04  
2    RCW to read as follows:

3        ALUMINUM SMELTERS.    (1)(a) In computing the tax imposed under RCW  
4    82.04.270 on the business of making wholesale sales of aluminum  
5    manufactured by the seller, an aluminum smelter is entitled to a  
6    deduction as determined in (b) of this subsection (1).

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

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

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

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

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

23        (i) The value of the product manufactured by the taxpayer during  
24    the reporting period, in the case of manufacturers, or, in the case of  
25    processors for hire, the gross income of the business from processing  
26    aluminum for hire during the reporting period; or

27        (ii) If the taxpayer is entitled to one or more deductions under  
28    any other statute in this chapter in computing the tax imposed under  
29    RCW 82.04.240 on the business of manufacturing aluminum, the difference  
30    resulting from subtracting all other deductible amounts from the value  
31    of the product manufactured by the taxpayer during the reporting  
32    period, in the case of manufacturers, or, in the case of processors for  
33    hire, the gross income of the business from processing aluminum for  
34    hire during the reporting period.

35        (3) A person claiming a deduction under this section must file a  
36    complete annual report with the department under RCW 82.32.534.  
37    However, if legislation is enacted after 2013 that replaces the annual



1 report under RCW 82.32.534 with the annual survey under RCW 82.32.585,  
2 a person claiming a deduction under this section must file a complete  
3 annual survey with the department under RCW 82.32.585.

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

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

8 NEW SECTION. **Sec. 304.** A new section is added to chapter 82.04  
9 RCW to read as follows:

10 CHEMICAL DEPENDENCY SERVICES. (1) In computing the tax imposed  
11 under RCW 82.04.290 on the business of providing eligible chemical  
12 dependency treatment services, a person is entitled to a deduction as  
13 determined in subsection (2) of this section.

14 (2) The amount of the deduction under this section is determined by  
15 multiplying 0.67734 by:

16 (a) The person's gross income of the business during the reporting  
17 period from providing eligible chemical dependency treatment services;  
18 or

19 (b) If the person is entitled to one or more deductions under any  
20 other statute in this chapter in computing the tax imposed under RCW  
21 82.04.290 on the business of providing eligible chemical dependency  
22 treatment services, the difference resulting from subtracting all other  
23 deductible amounts from the person's gross income of the business  
24 during the reporting period from providing eligible chemical dependency  
25 treatment services.

26 (3) For purposes of this section, "eligible chemical dependency  
27 treatment services" means intensive inpatient or recovery house  
28 residential treatment services for chemical dependency, certified by  
29 the department of social and health services, for which payment from  
30 the United States or any of its instrumentalities or from the state of  
31 Washington or any of its municipal corporations or political  
32 subdivisions is received as compensation for or to support those  
33 services.

34 NEW SECTION. **Sec. 305.** A new section is added to chapter 82.04  
35 RCW to read as follows:

36 CANNED SALMON LABELERS. (1) In computing the tax imposed under RCW

1 82.04.290 on the business of inspecting, testing, labeling, and storing  
2 canned salmon owned by another person, a person is entitled to a  
3 deduction as determined in subsection (2) of this section.

4 (2) The amount of the deduction under this section is determined by  
5 multiplying 0.67734 by:

6 (a) The person's gross income of the business during the reporting  
7 period from inspecting, testing, labeling, and storing canned salmon  
8 owned by another person; or

9 (b) If the person is entitled to one or more deductions under any  
10 other statute in this chapter in computing the tax imposed under RCW  
11 82.04.290 on the person's business of inspecting, testing, labeling,  
12 and storing canned salmon owned by another person, the difference  
13 resulting from subtracting all other deductible amounts from the  
14 person's gross income of the business during the reporting period from  
15 inspecting, testing, labeling, and storing canned salmon owned by  
16 another person.

17 NEW SECTION. **Sec. 306.** A new section is added to chapter 82.04  
18 RCW to read as follows:

19 WHOLESALE/WHOLESALE MANUFACTURING OF SOLAR ENERGY SYSTEMS. (1)(a) In  
20 computing the tax imposed under RCW 82.04.270 on the business of making  
21 wholesale sales of qualifying solar energy systems or qualifying  
22 components by the manufacturer of the system or component, a person is  
23 entitled to a deduction as determined in (b) of this subsection (1).

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

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

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

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

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

7 (i) The value of the qualifying solar energy systems or qualifying  
8 components manufactured by the person during the reporting period, in  
9 the case of manufacturers, or, in the case of processors for hire, the  
10 gross income of the business from processing qualifying solar energy  
11 systems or qualifying components for hire during the reporting period;  
12 or

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

23 (3) The definitions in this subsection apply throughout this  
24 section.

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

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

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

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

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

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

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

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

8 (i) "Solar grade silicon" means high purity silicon used  
9 exclusively in components of solar energy systems using photovoltaic  
10 modules to capture direct sunlight. "Solar grade silicon" does not  
11 include silicon used in semiconductors.

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

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

17 (4) A person claiming a deduction under this section must file a  
18 complete annual report with the department under RCW 82.32.534.  
19 However, if legislation is enacted after 2013 that replaces the annual  
20 report under RCW 82.32.534 with the annual survey under RCW 82.32.585,  
21 a person claiming a deduction under this section must file a complete  
22 annual survey with the department under RCW 82.32.585.

23 (5) No deduction may be claimed under this section for reporting  
24 periods beginning July 1, 2016.

25 NEW SECTION. **Sec. 307.** A new section is added to chapter 82.04  
26 RCW to read as follows:

27 SPLITTING/PROCESSING DRIED PEAS AND MANUFACTURERS OF FLOUR AND OIL.

28 (1) In computing the tax imposed under RCW 82.04.240 on the business of  
29 splitting or processing dried peas or of manufacturing wheat into  
30 flour; barley into pearl barley; soybeans into soybean oil; canola into  
31 canola oil, canola meal, or canola by-products; or sunflower seeds into  
32 sunflower oil; a person is entitled to a deduction as determined in  
33 subsection (2) of this section.

34 (2) The amount of the deduction under this section is determined by  
35 multiplying 0.71488 by:

36 (a) The value of the product or products described in subsection

1 (1) of this section and manufactured by the person during the reporting  
2 period; or

3 (b) If the person is entitled to one or more deductions under any  
4 other statute in this chapter in computing the tax imposed under RCW  
5 82.04.240 on the business of manufacturing one or more of the products  
6 described in subsection (1) of this section, the difference resulting  
7 from subtracting all other deductible amounts from the value of the  
8 product or products described in subsection (1) of this section and  
9 manufactured by the person during the reporting period.

10 NEW SECTION. **Sec. 308.** A new section is added to chapter 82.04  
11 RCW to read as follows:

12 TRAVEL AGENTS/TOUR OPERATORS AND INTERNATIONAL CHARTER FREIGHT  
13 BROKERS. (1) In computing the tax imposed under RCW 82.04.290 on  
14 qualifying travel or transportation-related activities, a person is  
15 entitled to a deduction as determined in subsection (2) of this  
16 section.

17 (2) The amount of the deduction under this section is determined by  
18 multiplying 0.81667 by:

19 (a) The person's gross income of the business during the reporting  
20 period from engaging in qualifying travel or transportation-related  
21 activities; or

22 (b) If the person is entitled to one or more deductions under any  
23 other statute in this chapter in computing the tax imposed under RCW  
24 82.04.290 on the person's business of engaging in qualifying travel or  
25 transportation-related activities, the difference resulting from  
26 subtracting all other deductible amounts from the person's gross income  
27 of the business during the reporting period from engaging in qualifying  
28 travel or transportation-related activities.

29 (3) For the purposes of this section, "qualifying travel or  
30 transportation-related activities" means engaging within this state in  
31 one or more of the following businesses: Travel agent, tour operator,  
32 international steamship agent, international customs house broker,  
33 international freight forwarder, vessel or cargo charter broker in  
34 foreign commerce, or international air cargo agent.

35 NEW SECTION. **Sec. 309.** A new section is added to chapter 82.04  
36 RCW to read as follows:

1           PRESCRIPTION DRUG RESELLING AT RETAIL AND PRESCRIPTION DRUG  
2 WAREHOUSING AND RESELLING AT WHOLESALE. (1) In computing the tax  
3 imposed under RCW 82.04.250 or 82.04.270 on the business of making  
4 sales at retail or wholesale of prescription drugs, an eligible person  
5 is entitled to a deduction as determined in this subsection.

6           (a) The deduction under this subsection from the gross proceeds of  
7 retail sales of prescription drugs is determined by multiplying 0.70701  
8 by:

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

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

17           (b) The deduction under this subsection from the gross proceeds of  
18 wholesale sales of prescription drugs is determined by multiplying  
19 0.71488 by:

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

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

28           (2) The definitions in this subsection apply throughout this  
29 section unless the context clearly requires otherwise.

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

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

33           (ii) Buys prescription drugs from a manufacturer or another  
34 wholesaler and resells the drugs to persons selling at retail or to  
35 hospitals, clinics, health care providers, or other providers of health  
36 care services; and

37           (iii) Owns or operates a warehouse inside or outside of this state

1 where the person's prescription drugs are stored pending delivery to  
2 buyers.

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

5 (c) "Prescription" and "drug" have the same meaning as in RCW  
6 82.08.0281.

7 NEW SECTION. **Sec. 310.** A new section is added to chapter 82.04  
8 RCW to read as follows:

9 WAREHOUSING. (1) In computing the tax imposed under RCW 82.04.290  
10 on the business of operating a qualifying warehouse, a person is  
11 entitled to a deduction as determined in subsection (2) of this  
12 section.

13 (2) The amount of the deduction under this section is determined by  
14 multiplying 0.67734 by:

15 (a) The person's gross income of the business during the reporting  
16 period from operating a qualifying warehouse; or

17 (b) If the person is entitled to one or more deductions under any  
18 other statute in this chapter in computing the tax imposed under RCW  
19 82.04.290 on the person's business of operating a qualifying warehouse,  
20 the difference resulting from subtracting all other deductible amounts  
21 from the person's gross income of the business during the reporting  
22 period from operating a qualifying warehouse.

23 (3) For purposes of this section:

24 (a) "Qualifying warehouse" means a cold storage warehouse or  
25 storage warehouse. The term does not include cold storage lockers.

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

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

1 entrance. "Storage warehouse" does not include a building or  
2 structure, or that part of such building or structure, in which an  
3 activity is conducted that entitles the person conducting the activity  
4 to a deduction under section 309 of this act.

5 NEW SECTION. **Sec. 311.** A new section is added to chapter 82.04  
6 RCW to read as follows:

7 INTERNATIONAL INVESTMENT MANAGEMENT SERVICES. (1) In computing the  
8 tax imposed under RCW 82.04.290 on international investment management  
9 services, a person is entitled to a deduction as determined in  
10 subsection (2) of this section.

11 (2) The amount of the deduction under this section is determined by  
12 multiplying 0.81667 by:

13 (a) The person's gross income of the business during the reporting  
14 period from providing international investment management services; or

15 (b) If the person is entitled to one or more deductions under any  
16 other statute in this chapter in computing the tax imposed under RCW  
17 82.04.290 on the person's business of providing international  
18 investment management services, the difference resulting from  
19 subtracting all other deductible amounts from the person's gross income  
20 of the business during the reporting period from providing  
21 international investment management services.

22 NEW SECTION. **Sec. 312.** A new section is added to chapter 82.04  
23 RCW to read as follows:

24 MEAT PRODUCTS--PROCESSING PERISHABLE AND WHOLESALE SALES OF  
25 QUALIFYING. (1)(a) In computing the tax imposed under RCW 82.04.270 on  
26 the business of making wholesale sales of qualifying meat products, an  
27 eligible person is entitled to a deduction as determined in (b) of this  
28 subsection (1).

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

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

33 (ii) If the eligible person is entitled to one or more deductions  
34 under any other statute in this chapter in computing the tax imposed  
35 under RCW 82.04.270 on the business of making wholesale sales of  
36 qualifying meat products, the difference resulting from subtracting all



1 other deductible amounts from the gross proceeds of wholesale sales of  
2 qualifying meat products during the reporting period by the eligible  
3 person.

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

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

9 (i) The value of the meat product processed by the person for the  
10 reporting period, in the case of manufacturers, or, in the case of  
11 processors for hire, the gross income of the business for the reporting  
12 period from processing meat products for hire; or

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

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

23 (a) "Eligible person" means any person who sells perishable meat  
24 products at wholesale or any person who takes an animal or a perishable  
25 meat product, processes it, and sells the resulting qualifying meat  
26 product at wholesale.

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

31 (c) "Perishable meat product" means a meat product having a high  
32 risk of spoilage within a period of thirty days without refrigeration  
33 or freezing.

34 (d) "Processed," "processes," or "processing" means to engage in  
35 one or more of the following activities: Slaughtering an animal,  
36 breaking an animal carcass or part of an animal carcass into any type  
37 of smaller unit, or engaging in any other manufacturing activity when

1 perishable meat is either the finished product or an ingredient or  
2 component of the finished product.

3 (e) "Qualifying meat product" means:

4 (i) With respect to any person, a perishable meat product; and

5 (ii) Any meat product, perishable or not, that is the result of the  
6 seller taking an animal or a perishable meat product, processing it,  
7 and selling the resulting meat product at wholesale, even if meat is  
8 only a component of the finished product.

9 NEW SECTION. **Sec. 313.** A new section is added to chapter 82.04  
10 RCW to read as follows:

11 BOARDING HOME SERVICES. (1) In computing the tax imposed under RCW  
12 82.04.290 on boarding home services, a licensed boarding home is  
13 entitled to a deduction as provided in subsection (2) of this section.

14 (2) The amount of the deduction under this section is determined by  
15 multiplying 0.81667 by:

16 (a) The gross income of the business during the reporting period  
17 from providing boarding home services; or

18 (b) If the taxpayer is entitled to one or more deductions under any  
19 other statute in this chapter in computing the tax imposed under RCW  
20 82.04.290 on the business of providing boarding home services, the  
21 difference resulting from subtracting all other deductible amounts from  
22 the gross income of the business during the reporting period from  
23 providing boarding home services.

24 (3) The definitions in this subsection apply throughout this  
25 section unless the context clearly requires otherwise.

26 (a) "Boarding home services" means any services that a licensed  
27 boarding home is authorized to provide to residents of the boarding  
28 home, either directly or indirectly, and housing provided to residents  
29 of the boarding home.

30 (b) "Licensed boarding home" means a boarding home licensed under  
31 chapter 18.20 RCW.

32 (4) The definitions in RCW 18.20.020 apply to this section.

33 NEW SECTION. **Sec. 314.** A new section is added to chapter 82.04  
34 RCW to read as follows:

35 ROYALTIES. (1) In computing the tax imposed under RCW 82.04.290 on

1 the business of receiving income from royalties, a person is entitled  
2 to a deduction as provided in subsection (2) of this section.

3 (2) The amount of the deduction under this section is determined by  
4 multiplying 0.67734 by:

5 (a) The gross income from royalties during the reporting period; or

6 (b) If the person is entitled to one or more deductions under any  
7 other statute in this chapter in computing the tax imposed under RCW  
8 82.04.290 on the business of receiving income from royalties, the  
9 difference resulting from subtracting all other deductible amounts from  
10 the gross income from royalties during the reporting period.

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

21 NEW SECTION. **Sec. 315.** A new section is added to chapter 82.04  
22 RCW to read as follows:

23 CHILD DAY CARE SERVICES. (1) In computing the tax imposed under  
24 RCW 82.04.290 on providing child day care, a person is entitled to a  
25 deduction as provided in subsection (2) of this section.

26 (2) The amount of the deduction under this section is determined by  
27 multiplying 0.67734 by:

28 (a) The gross income of the business during the reporting period  
29 from providing child day care; or

30 (b) If the person is entitled to one or more deductions under any  
31 other statute in this chapter in computing the tax imposed under RCW  
32 82.04.290 on the business of providing child day care, the difference  
33 resulting from subtracting all other deductible amounts from the gross  
34 income of the business during the reporting period from providing child  
35 day care.

36 (3) For purposes of this section, "child day care" means providing  
37 child care for continuous periods of less than twenty-four hours.

1        NEW SECTION.    **Sec. 316.**    A new section is added to chapter 82.04  
2    RCW to read as follows:

3        INSURANCE SERVICES AGENTS/BROKERS AND FIRE OR CASUALTY.    (1) In  
4    computing the tax imposed under RCW 82.04.290 on providing insurance  
5    services, a person is entitled to a deduction as provided in subsection  
6    (2) of this section.

7        (2) The amount of the deduction under this section is determined by  
8    multiplying 0.67734 by:

9        (a) The gross income of the business during the reporting period  
10    from providing insurance services; or

11        (b) If the person is entitled to one or more deductions under any  
12    other statute in this chapter in computing the tax imposed under RCW  
13    82.04.290 on the business of providing insurance services, the  
14    difference resulting from subtracting all other deductible amounts from  
15    the gross income of the business during the reporting period from  
16    providing insurance services.

17        (3) For purposes of this section, "insurance services" means:

18        (a) Representing and performing services for fire or casualty  
19    insurance companies as an independent resident managing general agent  
20    licensed under the provisions of chapter 48.17 RCW; or

21        (b) The licensed activities of insurance producers or title  
22    insurance agents licensed under chapter 48.17 RCW or surplus line  
23    brokers licensed under chapter 48.15 RCW.

24        NEW SECTION.    **Sec. 317.**    A new section is added to chapter 82.04  
25    RCW to read as follows:

26        MANUFACTURING, WHOLESALING, AND RETAILING--SEAFOOD PRODUCTS AND  
27    DAIRY PRODUCTS--MANUFACTURING AND WHOLESALING--FRESH FRUITS AND  
28    VEGETABLES.    (1)(a) In computing the tax imposed under RCW 82.04.240 on  
29    qualifying manufacturing activities, a person is entitled to a  
30    deduction as determined in (b) of this subsection (1).

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

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

35        (ii) If the person is entitled to one or more deductions under any  
36    other statute in this chapter in computing the tax imposed under RCW

1 82.04.240 on qualifying manufacturing, the difference resulting from  
2 subtracting all other deductible amounts from the value of the eligible  
3 products manufactured by the person during the reporting period.

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

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

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

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

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

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

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

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

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

35 (b) Persons claiming a deduction under this subsection (3) must  
36 keep and preserve records for the period required by RCW 82.32.070  
37 establishing that the qualifying wholesale sales were for eligible

1 products transported by the purchaser in the ordinary course of  
2 business out of this state.

3 (4) The definitions in this subsection apply throughout this  
4 section unless the context clearly requires otherwise.

5 (a) "Eligible product" means:

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

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

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

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

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

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

26 NEW SECTION. **Sec. 318.** A new section is added to chapter 82.04  
27 RCW to read as follows:

28 GAMBLING CONTESTS FOR CHANCE (LESS THAN FIFTY THOUSAND DOLLARS PER  
29 YEAR). (1) In computing the tax imposed under RCW 82.04.285(2), a  
30 credit is allowed for eligible persons. The credit equals the full  
31 amount of tax otherwise due under RCW 82.04.285(2) for the reporting  
32 period.

33 (2) For purposes of this section, "eligible person" means a person  
34 subject to tax under RCW 82.04.285 and whose gross income of the  
35 business from the operation of contests of chance is less than fifty  
36 thousand dollars in the tax year in which the credit under this section  
37 is claimed.

1 **PART IV**

2 **MISCELLANEOUS PROVISIONS**

3 NEW SECTION. **Sec. 401.** (1) Except for section 208 of this act,  
4 this act takes effect January 1, 2014.

5 (2) Section 208 of this act takes effect July 1, 2015.

6 NEW SECTION. **Sec. 402.** Section 207 of this act expires July 1,  
7 2015.

8 NEW SECTION. **Sec. 403.** The provisions of this act are to be  
9 liberally construed to effectuate the intent, policies, and purpose of  
10 this act to reduce the complexity of state and local business and  
11 occupation taxes and to make it easier for businesses to meet their  
12 local licensing and business and occupation tax filing obligations.

13 NEW SECTION. **Sec. 404.** If any provision of this act or its  
14 application to any person or circumstance is held invalid, the  
15 remainder of the act or the application of the provision to other  
16 persons or circumstances is not affected.

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