
SECOND SUBSTITUTE SENATE BILL 5688

State of Washington

63rd Legislature

2013 Regular Session

By Senate Ways & Means (originally sponsored by Senators Braun, Carrell, Dammeier, Rivers, Sheldon, and Hobbs)

READ FIRST TIME 03/01/13.

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, 35.102.150, 48.14.080, 82.04.261, 82.04.270,
5 82.04.29002, 82.04.298, 82.04.334, 82.04.440, 82.04.4451, 82.04.4463,
6 82.04.460, 82.08.806, 82.32.045, and 82.45.195; reenacting and amending
7 RCW 82.04.250 and 82.04.260; adding new sections to chapter 35.102 RCW;
8 adding new sections to chapter 82.04 RCW; creating new sections;
9 repealing RCW 82.04.272, 82.04.2909, 82.04.294, and 35.102.120;
10 repealing 2010 c 114 s 104; repealing 2003 c 149 s 3; repealing 2010 c
11 106 s 206; repealing 2009 c 461 s 3; repealing 2006 c 300 s 7;
12 repealing 2003 c 149 s 4; providing effective dates; and providing an
13 expiration date.

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

15 **PART I**

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

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

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

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

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

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

9 (4) "Value of products" has the same meaning as given in chapter
10 82.04 RCW.

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

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

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

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

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

23 (10) "City business and occupation tax" means a business and
24 occupation tax imposed by a city.

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

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

30 (1)(a) (~~(The cities, working through the association of Washington~~
31 ~~cities, shall form a model ordinance development committee made up of~~
32 ~~a representative sampling of cities that as of July 27, 2003, impose a~~
33 ~~business and occupation tax. This committee shall work through the~~
34 ~~association of Washington cities to adopt a model ordinance on~~
35 ~~municipal gross receipts business and occupation tax. The model~~
36 ~~ordinance and subsequent amendments shall)) After December 31, 2013,~~
37 only the department may amend the city business and occupation tax

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

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

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

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

27 (a) ~~((A system of credits that meets the requirements of RCW~~
28 ~~35.102.060 and a form for such use;~~

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

1 one hundred twenty days prior to the potential implementation of a
2 lower threshold or exemption amount;

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

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

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

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

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

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

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

24 (ii) The model ordinance may not include:

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

27 (B) Any classifications for persons taxable under the state public
28 utility tax classification engaging in the following activities:
29 Hauling persons or property for hire by watercraft between points in
30 Washington; operating tugboats of any size and income from the sale of
31 transportation services by vessels over sixty-five feet; sales of
32 transportation services using vessels under sixty-five feet, other than
33 tugboats; or persons engaged in chartering or transporting persons by
34 water from one location in Washington to another location within this
35 state. This subsection (2)(g)(i)(B) does not include sightseeing tours
36 or activities that are in the nature of guided tours where the tour may
37 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) Parts II and III of this act is not intended to materially
29 affect the tax burden of any person. If any provision of part II or
30 III of this act would, under a plain meaning analysis, materially
31 impact a person's tax liability, the legislature expresses its intent
32 that such provision should be deemed a mistake and interpreted to
33 achieve a result that is consistent with the legislature's intent as
34 described in 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)) (8) 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~~
27 ~~of 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)) (2) Upon every person engaging within this state in the~~
32 ~~business of acting as a travel agent or tour operator; as to such~~
33 ~~persons the amount of the tax with respect to such activities is equal~~
34 ~~to the gross income derived from such activities multiplied by the rate~~
35 ~~of 0.275 percent.~~

36 ~~((6)) (3) Upon every person engaging within this state in~~
37 ~~business as an international steamship agent, international customs~~
38 ~~house broker, international freight forwarder, vessel and/or cargo~~

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

5 ~~((+7))~~ (4) Upon every person engaging within this state in the
6 business of stevedoring and associated activities pertinent to the
7 movement of goods and commodities in waterborne interstate or foreign
8 commerce; as to such persons the amount of tax with respect to such
9 business is equal to the gross proceeds derived from such activities
10 multiplied by the rate of 0.275 percent. Persons subject to taxation
11 under this subsection are exempt from payment of taxes imposed by
12 chapter 82.16 RCW for that portion of their business subject to
13 taxation under this subsection. Stevedoring and associated activities
14 pertinent to the conduct of goods and commodities in waterborne
15 interstate or foreign commerce are defined as all activities of a
16 labor, service or transportation nature whereby cargo may be loaded or
17 unloaded to or from vessels or barges, passing over, onto or under a
18 wharf, pier, or similar structure; cargo may be moved to a warehouse or
19 similar holding or storage yard or area to await further movement in
20 import or export or may move to a consolidation freight station and be
21 stuffed, 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))~~ (5)(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+))~~ (6) Upon every person engaging within this state as an
8 insurance producer or title insurance agent licensed under chapter
9 48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW; as
10 to such persons, the amount of the tax with respect to such licensed
11 activities is equal to the gross income of such business multiplied by
12 the rate of 0.484 percent.

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

20 ~~((+11+))~~ (8)(a) Beginning October 1, 2005, upon every person
21 engaging 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+))~~ (8)
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))~~) (8), "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))~~) (8) must file a complete annual report with the department
10 under RCW 82.32.534.

11 (e) This subsection (~~((11))~~) (8) does not apply on and after July
12 1, 2024.

13 (~~((12))~~) (9)(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+))~~) (9)(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+))~~) (9)(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))~~ (9) must file a complete annual survey with the department
19 under RCW 82.32.585.

20 ~~((+13))~~ (10) Upon every person engaging within this state in
21 inspecting, testing, labeling, and storing canned salmon owned by
22 another person, as to such persons, the amount of tax with respect to
23 such activities is equal to the gross income derived from such
24 activities multiplied by the rate of 0.484 percent.

25 ~~((+14))~~ (11)(a) Upon every person engaging within this state in
26 the business of printing a newspaper, publishing a newspaper, or both,
27 the 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))~~ (11) 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~~
23 ~~of 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))~~ (2) Upon every person engaging within this state in the
28 business of acting as a travel agent or tour operator; as to such
29 persons the amount of the tax with respect to such activities is equal
30 to the gross income derived from such activities multiplied by the rate
31 of 0.275 percent.

32 ~~((6))~~ (3) Upon every person engaging within this state in
33 business as an international steamship agent, international customs
34 house broker, international freight forwarder, vessel and/or cargo
35 charter broker in foreign commerce, and/or international air cargo
36 agent; as to such persons the amount of the tax with respect to only
37 international activities is equal to the gross income derived from such
38 activities multiplied by the rate of 0.275 percent.

1 (~~(+7)~~) (4) Upon every person engaging within this state in the
2 business of stevedoring and associated activities pertinent to the
3 movement of goods and commodities in waterborne interstate or foreign
4 commerce; as to such persons the amount of tax with respect to such
5 business is equal to the gross proceeds derived from such activities
6 multiplied by the rate of 0.275 percent. Persons subject to taxation
7 under this subsection are exempt from payment of taxes imposed by
8 chapter 82.16 RCW for that portion of their business subject to
9 taxation under this subsection. Stevedoring and associated activities
10 pertinent to the conduct of goods and commodities in waterborne
11 interstate or foreign commerce are defined as all activities of a
12 labor, service or transportation nature whereby cargo may be loaded or
13 unloaded to or from vessels or barges, passing over, onto or under a
14 wharf, pier, or similar structure; cargo may be moved to a warehouse or
15 similar holding or storage yard or area to await further movement in
16 import or export or may move to a consolidation freight station and be
17 stuffed, 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)~~) (5)(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))~~ (6) Upon every person engaging within this state as an
4 insurance producer or title insurance agent licensed under chapter
5 48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW; as
6 to such persons, the amount of the tax with respect to such licensed
7 activities is equal to the gross income of such business multiplied by
8 the rate of 0.484 percent.

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

16 ~~((+11))~~ (8)(a) Beginning October 1, 2005, upon every person
17 engaging 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))~~ (8)
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))~~) (8), "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))~~) (8) must file a complete annual report with the department
7 under RCW 82.32.534.

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

10 (~~((12))~~) (9)(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+))~~) (9)(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+))~~) (9)(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+))~~ (9) must file a complete annual survey with the department
15 under RCW 82.32.585.

16 ~~((+13+))~~ (10) Upon every person engaging within this state in
17 inspecting, testing, labeling, and storing canned salmon owned by
18 another person, as to such persons, the amount of tax with respect to
19 such activities is equal to the gross income derived from such
20 activities multiplied by the rate of 0.484 percent.

21 ~~((+14+))~~ (11)(a) Upon every person engaging within this state in
22 the business of printing a newspaper, publishing a newspaper, or both,
23 the 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+))~~ (11) 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))~~ (c) representing
13 and 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 (d) 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 (c) "Periodical or magazine" means a printed publication, other
7 than a newspaper, issued regularly at stated intervals at least once
8 every three months, including any supplement or special edition of the
9 publication.

10 NEW SECTION. **Sec. 210.** The following acts or parts of acts are
11 each repealed:

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

14 (2) RCW 82.04.2909 (Tax on aluminum smelters) and 2011 c 174 s 301;

15 (3) RCW 82.04.294 (Tax on manufacturers or wholesalers of solar
16 energy systems) and 2011 c 179 s 1, 2010 c 114 s 109, 2009 c 469 s 501,
17 2007 c 54 s 8, & 2005 c 301 s 2;

18 (4) RCW 35.102.120 (Definitions--Tax classifications) and 2003 c 79
19 s 12;

20 (5) 2010 c 114 s 104;

21 (6) 2003 c 149 s 3;

22 (7) 2010 c 106 s 206;

23 (8) 2009 c 461 s 3;

24 (9) 2006 c 300 s 7; and

25 (10) 2003 c 149 s 4.

26 **Sec. 211.** RCW 35.102.150 and 2011 c 174 s 201 are each amended to
27 read as follows:

28 Notwithstanding RCW 35.102.130, a city that imposes a business and
29 occupation tax must allocate a person's gross income from the
30 activities of printing, and of publishing newspapers, periodicals, or
31 magazines, to the principal place in this state from which the
32 taxpayer's business is directed or managed. As used in this section,
33 the activities of printing, and of publishing newspapers, periodicals,
34 or magazines are those activities to which the tax rates in RCW
35 82.04.260(~~(+13)~~) (11) and 82.04.280(1)(a) apply.

1 **Sec. 212.** RCW 48.14.080 and 2010 1st sp.s. c 23 s 520 are each
2 amended to read as follows:

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

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

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

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

13 (c) The tax imposed in (~~RCW 82.04.260(9), regarding~~) chapter
14 82.04 RCW on public and nonprofit hospitals.

15 (3) For the purposes of this section, the term "taxes" includes
16 taxes imposed by the state or any county, city, town, municipal
17 corporation, quasi-municipal corporation, or other political
18 subdivision.

19 **Sec. 213.** RCW 82.04.261 and 2010 1st sp.s. c 23 s 510 are each
20 amended to read as follows:

21 (1) In addition to the taxes imposed under RCW 82.04.260(~~(+11)~~)
22 (9), a surcharge is imposed on those persons who are subject to any of
23 the taxes imposed under RCW 82.04.260(~~(+11)~~) (9). Except as otherwise
24 provided in this section, the surcharge is equal to 0.052 percent. The
25 surcharge is added to the rates provided in RCW 82.04.260(~~(+11)~~) (9)
26 (a), (b), (c), and (d). The surcharge and this section expire July 1,
27 2024.

28 (2) All receipts from the surcharge imposed under this section must
29 be deposited into the forest and fish support account created in RCW
30 76.09.405.

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

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

34 (ii) The office of financial management certifies to the department
35 that the federal government has appropriated at least two million
36 dollars for participation in forest and fish report-related activities

1 by federally recognized Indian tribes located within the geographical
2 boundaries of the state of Washington for any federal fiscal year.

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

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

19 (4)(a) If, by October 1st of any federal fiscal year, the office of
20 financial management certifies to the department that the federal
21 government has appropriated funds 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 but the
24 amount of the appropriation is less than two million dollars, the
25 department must adjust the surcharge in accordance with this
26 subsection.

27 (b) The department must adjust the surcharge by an amount that the
28 department estimates will cause the amount of funds deposited into the
29 forest and fish support account for the state fiscal year that begins
30 July 1st and that includes the beginning of the federal fiscal year for
31 which the federal appropriation is made, to be reduced by twice the
32 amount of the federal appropriation for participation in forest and
33 fish report-related activities by federally recognized Indian tribes
34 located within the geographical boundaries of the state of Washington.

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

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

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

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

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

13 **Sec. 214.** RCW 82.04.270 and 2004 c 24 s 5 are each amended to read
14 as follows:

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

21 **Sec. 215.** RCW 82.04.29002 and 2010 1st sp.s. c 23 s 1101 are each
22 amended to read as follows:

23 (1) Beginning May 1, 2010, through June 30, 2013, an additional
24 rate of tax of 0.30 percent is added to the rate provided for in RCW
25 (~~(82.04.255,)~~) 82.04.285(~~(7)~~) and 82.04.290(2)(a).

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

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

32 (~~(The additional rate in subsection (1) of this section does~~
33 ~~not apply to)) Amounts received from performing scientific research and
34 development services including but not limited to research and
35 development in the physical, engineering, and life sciences (such as~~

1 agriculture, bacteriological, biotechnology, chemical, life sciences,
2 and physical science research and development laboratories or
3 services).

4 **Sec. 216.** RCW 82.04.298 and 2011 c 2 s 204 are each amended to
5 read as follows:

6 (1) The amount of tax with respect to a qualified grocery
7 distribution cooperative's sales of groceries or related goods for
8 resale, excluding (~~items subject to tax under RCW 82.04.260(4))~~)
9 qualifying meat products, to customer-owners of the grocery
10 distribution cooperative is equal to the gross proceeds of sales of the
11 grocery distribution cooperative multiplied by the rate of one and
12 one-half percent.

13 (2) A qualified grocery distribution cooperative is allowed a
14 deduction from the gross proceeds of sales of groceries or related
15 goods for resale, excluding (~~items subject to tax under RCW~~
16 ~~82.04.260(4))~~) qualifying meat products, to customer-owners of the
17 grocery distribution cooperative that is equal to the portion of the
18 gross proceeds of sales for resale that represents the actual cost of
19 the merchandise sold by the grocery distribution cooperative to
20 customer-owners.

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

23 (a) "Grocery distribution cooperative" means an entity that sells
24 groceries and related items to customer-owners of the grocery
25 distribution cooperative and has customer-owners, in the aggregate, who
26 own a majority of the outstanding ownership interests of the grocery
27 distribution cooperative or of the entity controlling the grocery
28 distribution cooperative. "Grocery distribution cooperative" includes
29 an entity that controls a grocery distribution cooperative.

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

31 (i) A grocery distribution cooperative that has been determined by
32 a court of record of the state of Washington to be not engaged in
33 wholesaling or making sales at wholesale, within the meaning of RCW
34 82.04.270 or any similar provision of a municipal ordinance that
35 imposes a tax on gross receipts, gross proceeds of sales, or gross
36 income, with respect to purchases made by customer-owners, and

1 subsequently changes its form of doing business to make sales at
2 wholesale of groceries or related items to its customer-owners; or

3 (ii) A grocery distribution cooperative that has acquired
4 substantially all of the assets of a grocery distribution cooperative
5 described in (b)(i) of this subsection.

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

9 (d) "Controlling" means holding fifty percent or more of the voting
10 interests of an entity and having at least equal power to direct or
11 cause the direction of the management and policies of the entity,
12 whether through the ownership of voting securities, by contract, or
13 otherwise.

14 (e) "Qualifying meat product" has the same meaning as provided in
15 section 306 of this act.

16 **Sec. 217.** RCW 82.04.334 and 2010 1st sp.s. c 23 s 512 are each
17 amended to read as follows:

18 This chapter does not apply to any sale of standing timber excluded
19 from the definition of "sale" in RCW 82.45.010(3). The definitions in
20 RCW 82.04.260(~~((11))~~) (9) apply to this section.

21 **Sec. 218.** RCW 82.04.440 and 2011 c 2 s 205 are each amended to
22 read as follows:

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

27 (2) Persons taxable under RCW (~~((82.04.2909(2)),~~) 82.04.250,
28 82.04.270, (~~((82.04.294(2)),~~) or 82.04.260 (~~((1)(b), (c), or (d), (4),~~
29 ~~(11), or (12))~~) (8) or (9)(c) with respect to selling products in this
30 state, including those persons who are also taxable under RCW
31 82.04.261, are allowed a credit against those taxes for any (a)
32 manufacturing taxes paid with respect to the manufacturing of products
33 so sold in this state, and/or (b) extracting taxes paid with respect to
34 the extracting of products so sold in this state or ingredients of
35 products so sold in this state. Extracting taxes taken as credit under
36 subsection (3) of this section may also be taken under this subsection,

1 if otherwise allowable under this subsection. The amount of the credit
2 may not exceed the tax liability arising under this chapter with
3 respect to the sale of those products.

4 (3) Persons taxable as manufacturers under RCW 82.04.240 or
5 82.04.260 (~~((1)(b) or (12))~~) (9), including those persons who are also
6 taxable under RCW 82.04.261, are allowed a credit against those taxes
7 for any extracting taxes paid with respect to extracting the
8 ingredients of the products so manufactured in this state. The amount
9 of the credit may not exceed the tax liability arising under this
10 chapter with respect to the manufacturing of those products.

11 (4) Persons taxable under RCW 82.04.230, 82.04.240,
12 (~~(82.04.2909(1), 82.04.294(1), 82.04.2404,)~~) or 82.04.260 (~~((1), (2),~~
13 ~~(4), (11), or (12))~~) (8) or (9), including those persons who are also
14 taxable under RCW 82.04.261, with respect to extracting or
15 manufacturing products in this state are allowed a credit against those
16 taxes for any (i) gross receipts taxes paid to another state with
17 respect to the sales of the products so extracted or manufactured in
18 this state, (ii) manufacturing taxes paid with respect to the
19 manufacturing of products using ingredients so extracted in this state,
20 or (iii) manufacturing taxes paid with respect to manufacturing
21 activities completed in another state for products so manufactured in
22 this state. The amount of the credit may not exceed the tax liability
23 arising under this chapter with respect to the extraction or
24 manufacturing of those products.

25 (5) For the purpose of this section:

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

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

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

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

37 (c) "Manufacturing tax" means a gross receipts tax imposed on the
38 act or privilege of engaging in business as a manufacturer, and

1 includes (i) the taxes imposed on persons who are engaged in business
2 as a manufacturer in RCW 82.04.240(~~(, 82.04.2404, 82.04.2909(1),)~~) and
3 82.04.260 (~~((1), (2), (4), (11), and (12), and 82.04.294(1))~~) (8) or
4 (9); (ii) the tax imposed under RCW 82.04.261 on persons who are
5 engaged in business as a manufacturer; and (iii) similar gross receipts
6 taxes paid to other states.

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

13 (e) "Business", "manufacturer", "extractor", and other terms used
14 in this section have the meanings given in RCW 82.04.020 through
15 (~~(82.04.212 [82.04.217])~~) 82.04.217, notwithstanding the use of those
16 terms in the context of describing taxes imposed by other states.

17 **Sec. 219.** RCW 82.04.4451 and 2010 1st sp.s. c 23 s 1102 are each
18 amended to read as follows:

19 (1) In computing the tax imposed under this chapter, a credit is
20 allowed against the amount of tax otherwise due under this chapter, as
21 provided in this section. Except for taxpayers that report at least
22 fifty percent of their taxable amount under RCW (~~(82.04.255,)~~)
23 82.04.290(2)(a)(~~(7)~~) and 82.04.285, the maximum credit for a taxpayer
24 for a reporting period is thirty-five dollars multiplied by the number
25 of months in the reporting period, as determined under RCW 82.32.045.
26 For a taxpayer that reports at least fifty percent of its taxable
27 amount under RCW (~~(82.04.255,)~~) 82.04.290(2)(a)(~~(7)~~) and 82.04.285, the
28 maximum credit for a reporting period is seventy dollars multiplied by
29 the number of months in the reporting period, as determined under RCW
30 82.32.045.

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

34 (3) When the amount of tax otherwise due under this chapter exceeds
35 the maximum credit, a reduced credit is allowed equal to twice the
36 maximum credit, minus the tax otherwise due under this chapter, but not
37 less than zero.

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

9 **Sec. 220.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each
10 amended to read as follows:

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

14 (2) The credit is equal to:

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

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

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

31 (ii) Property taxes attributable to an increase in assessed value
32 due to the renovation or expansion, after: (A) December 1, 2003, of a
33 building used exclusively in manufacturing commercial airplanes or
34 components of such airplanes; and (B) June 30, 2008, of buildings used
35 exclusively for aerospace product development, manufacturing tooling
36 specifically designed for use in manufacturing commercial airplanes or

1 their components, or in providing aerospace services, by persons not
2 within the scope of (a)(ii)(A) of this subsection (2) and are taxable
3 under RCW 82.04.290(3), 82.04.260(~~((+10+))~~) (8)(b), or 82.04.250(3); and

4 (b) An amount equal to:

5 (i)(A) Property taxes paid, by persons taxable under RCW
6 82.04.260(~~((+10+))~~) (8)(a), on machinery and equipment exempt under RCW
7 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

8 (B) Property taxes paid, by persons taxable under RCW
9 82.04.260(~~((+10+))~~) (8)(b), on machinery and equipment exempt under RCW
10 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

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

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

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

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

27 (C) For purposes of both the numerator and denominator of the
28 fraction, the total taxable amount refers to the total taxable amount
29 required to be reported on the person's returns for the calendar year
30 before the calendar year in which the credit under this section is
31 earned. The department may provide for an alternative method for
32 calculating the numerator in cases where the tax rate provided in RCW
33 82.04.260(~~((+10+))~~) (8) for manufacturing was not in effect during the
34 full calendar year before the calendar year in which the credit under
35 this section is earned.

36 (D) No credit is available under (b)(i)(A) or (B) of this
37 subsection (2) if either the numerator or the denominator of the

1 fraction is zero. If the fraction is greater than or equal to nine-
2 tenths, then the fraction is rounded to one.

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

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

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

10 (b) "Aerospace services" has the same meaning given in RCW
11 82.08.975.

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

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

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

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

22 **Sec. 221.** RCW 82.04.460 and 2011 c 174 s 203 are each amended to
23 read as follows:

24 (1) Except as otherwise provided in this section, any person
25 earning apportionable income taxable under this chapter and also
26 taxable in another state must, for the purpose of computing tax
27 liability under this chapter, apportion to this state, in accordance
28 with RCW 82.04.462, that portion of the person's apportionable income
29 derived from business activities performed within this state.

30 (2) The department must by rule provide a method of apportioning
31 the apportionable income of financial institutions, where such
32 apportionable income is taxable under RCW 82.04.290. The rule adopted
33 by the department must, to the extent feasible, be consistent with the
34 multistate tax commission's recommended formula for the apportionment
35 and allocation of net income of financial institutions as existing on
36 June 1, 2010, or such subsequent date as may be provided by the

1 department by rule, consistent with the purposes of this section,
2 except that:

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

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

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

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

18 (a) "Apportionable income" means gross income of the business
19 generated from engaging in apportionable activities, including income
20 received from apportionable activities performed outside this state if
21 the income would be taxable under this chapter if received from
22 activities in this state, less the exemptions and deductions allowable
23 under this chapter. For purposes of this subsection, "apportionable
24 activities" means only those activities taxed under:

25 (i) ~~((RCW 82.04.255;~~
26 ~~(ii))~~ RCW 82.04.260 ~~((3), (4), (5), (6), (7), (8), (9), and~~
27 ~~(12))~~ (2) through (8) and (11);

28 ~~((iii))~~ (ii) RCW 82.04.280(1) ~~((e))~~ (c);

29 ~~((iv))~~ (iii) RCW 82.04.285;

30 ~~((v))~~ (iv) RCW 82.04.286;

31 ~~((vi))~~ (v) RCW 82.04.290;

32 ~~((vii))~~ (vi) RCW 82.04.2907;

33 ~~((viii))~~ (vii) RCW 82.04.2908;

34 ~~((ix))~~ (viii) RCW 82.04.263, but only to the extent of any
35 activity that would be taxable under any of the provisions enumerated
36 under (a)(i) through ~~((viii))~~ (vii) of this subsection (4) if the tax
37 classification in RCW 82.04.263 did not exist; and

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

3 (b)(i) "Taxable in another state" means that the taxpayer is
4 subject to a business activities tax by another state on its income
5 received from engaging in apportionable activities; or the taxpayer is
6 not subject to a business activities tax by another state on its income
7 received from engaging in apportionable activities, but any other state
8 has jurisdiction to subject the taxpayer to a business activities tax
9 on such income under the substantial nexus standards in RCW
10 82.04.067(1).

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

13 **Sec. 222.** RCW 82.08.806 and 2011 c 174 s 204 are each amended to
14 read as follows:

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

23 (2) A person taking the exemption under this section must keep
24 records necessary for the department to verify eligibility under this
25 section. This exemption is available only when the purchaser provides
26 the seller with an exemption certificate in a form and manner
27 prescribed by the department. The seller must retain a copy of the
28 certificate for the seller's files.

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

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

32 (b) "Computer equipment" means a computer and the associated
33 physical components that constitute a computer system, including
34 monitors, keyboards, printers, modems, scanners, pointing devices, and
35 other computer peripheral equipment, cables, servers, and routers.
36 "Computer equipment" also includes digital cameras and computer
37 software.

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

2 (d) "Primarily" means greater than fifty percent as measured by
3 time.

4 (e) "Printer or publisher" means a person, as defined in RCW
5 82.04.030, who is subject to tax under RCW 82.04.260(~~(+13+)~~) (11) or
6 82.04.280(1)(a).

7 (4) "Computer equipment" does not include computer equipment that
8 is used primarily for administrative purposes including but not limited
9 to payroll processing, accounting, customer service, telemarketing, and
10 collection. If computer equipment is used simultaneously for
11 administrative and nonadministrative purposes, the administrative use
12 must be disregarded during the period of simultaneous use for purposes
13 of determining whether the computer equipment is used primarily for
14 administrative purposes.

15 **Sec. 223.** RCW 82.32.045 and 2010 1st sp.s. c 23 s 1103 are each
16 amended to read as follows:

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

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

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

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

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

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

1 (ii) Forty-six thousand six hundred sixty-seven dollars per year
2 for persons generating at least fifty percent of their taxable amount
3 from activities taxable under RCW (~~(82.04.2557)~~) 82.04.290(2)(a)(~~7~~)
4 and 82.04.285;

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

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

11 **Sec. 224.** RCW 82.45.195 and 2010 1st sp.s. c 23 s 518 are each
12 amended to read as follows:

13 A sale of standing timber is exempt from tax under this chapter if
14 the gross income from such sale is taxable under RCW 82.04.260(~~(+11)~~)
15 (9)(d).

16 **PART III**
17 **CREDITS**

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

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

23 (2) The amount of the credit under this section is determined by
24 multiplying 0.71488 by the tax otherwise due during the reporting
25 period on the business of manufacturing wood biomass fuel. The
26 department must administer the credit in this section in a way that
27 results in a tax liability that is comparable to what it would have
28 been under the tax rate in effect for the business of manufacturing
29 wood biomass fuel immediately preceding the effective date of this
30 section.

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

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

1 NEW SECTION. **Sec. 302.** 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 credit
6 as determined in (b) of this subsection (1).

7 (b) The amount of the credit under this subsection (1) is
8 determined by multiplying 0.4 by the tax otherwise due on the business
9 of making wholesale sales by the taxpayer, during the reporting period,
10 of aluminum manufactured by the taxpayer. The department must
11 administer the credit in this subsection in a way that results in a tax
12 liability that is comparable to what it would have been under the tax
13 rate in effect for the business of making wholesale sales, during the
14 reporting period, of aluminum by the manufacturer, immediately
15 preceding the effective date of this section.

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

19 (b) The amount of the credit under this subsection (2) is
20 determined by multiplying 0.4 by the tax otherwise due during the
21 reporting period on the business of manufacturing aluminum, which
22 includes the activities of both manufacturers and processors for hire.
23 The department must administer the credit in this subsection in a way
24 that results in a tax liability that is comparable to what it would
25 have been under the tax rate in effect for the business of
26 manufacturing aluminum.

27 (3) A person claiming a credit under this section must file a
28 complete annual report with the department under RCW 82.32.534.
29 However, if legislation is enacted after 2013 that replaces the annual
30 report under RCW 82.32.534 with the annual survey under RCW 82.32.585,
31 a person claiming a credit under this section must file a complete
32 annual survey with the department under RCW 82.32.585.

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

35 (5) No credit may be claimed under this section for reporting
36 periods beginning January 1, 2017.

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

3 WHOLESALING/MANUFACTURING OF SOLAR ENERGY SYSTEMS. (1)(a) In
4 computing the tax imposed under RCW 82.04.270 on the business of making
5 wholesale sales of qualifying solar energy systems or qualifying
6 components by the manufacturer of the system or component, a person is
7 entitled to a credit as determined in (b) of this subsection (1).

8 (b) The amount of the credit under this subsection (1) is
9 determined by multiplying 0.43183 by the tax otherwise due, during the
10 reporting period, on the business of making wholesale sales of
11 qualifying solar energy products or qualifying components, manufactured
12 by the person. The department must administer the credit in this
13 subsection in a way that results in a tax liability that is comparable
14 to what it would have been under the tax rate in effect for the
15 business of making wholesale sales, during the reporting period, of
16 qualifying solar energy products or qualifying components, manufactured
17 by the taxpayer.

18 (2)(a) In computing the tax imposed under RCW 82.04.240 on the
19 business of manufacturing qualifying solar energy systems or qualifying
20 components, a person is entitled to a credit as determined in (b) of
21 this subsection (2).

22 (b) The amount of the credit under this subsection (2) is
23 determined by multiplying 0.43183 by the tax otherwise due on the
24 business of manufacturing qualifying solar energy systems or qualifying
25 components during the reporting period. The department must administer
26 the credit in this subsection in a way that results in a tax liability
27 that is comparable to what it would have been under the tax rate in
28 effect for the business of manufacturing qualifying solar energy
29 products or qualifying components during the reporting period.

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

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

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

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

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

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

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

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

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

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

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

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

25 (4) A person claiming a credit under this section must file a
26 complete annual report with the department under RCW 82.32.534.
27 However, if legislation is enacted after 2013 that replaces the annual
28 report under RCW 82.32.534 with the annual survey under RCW 82.32.585,
29 a person claiming a credit under this section must file a complete
30 annual survey with the department under RCW 82.32.585.

31 (5) No credit may be claimed under this section for reporting
32 periods beginning July 1, 2014.

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

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

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

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

7 (2) The amount of the credit under this section is determined by
8 multiplying 0.71488 by the tax otherwise due on the manufacturing of
9 the product or products described in subsection (1) of this section
10 during the reporting period. The department must administer the credit
11 in this subsection in a way that results in a tax liability that is
12 comparable to what it would have been under the tax rate in effect for
13 the business of manufacturing the product or products described in
14 subsection (1) of this section during the reporting period.

15 (3) The credit 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. 305.** A new section is added to chapter 82.04
18 RCW to read as follows:

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

24 (b) The credit under this subsection from the gross proceeds of
25 retail sales of prescription drugs is determined by multiplying 0.70701
26 by the tax otherwise due on making wholesale sales of prescription
27 drugs by the eligible person during the reporting period. The
28 department must administer the credit in this subsection (1)(b) in a
29 way that results in a tax liability that is comparable to what it would
30 have been under the tax rate in effect for the business of making
31 wholesale sales of prescription drugs during the reporting period.

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

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

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

1 (ii) Buys prescription drugs from a manufacturer or another
2 wholesaler and resells the drugs to persons selling at retail or to
3 hospitals, clinics, health care providers, or other providers of health
4 care services; and

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

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

10 (c) "Prescription" and "drug" have the same meaning as in RCW
11 82.08.0281.

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

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

16 MEAT PRODUCTS--PROCESSING PERISHABLE AND WHOLESALE SALES OF
17 QUALIFYING. (1)(a) In computing the tax imposed under RCW 82.04.270 on
18 the business of making wholesale sales of qualifying meat products, an
19 eligible person is entitled to a credit as determined in (b) of this
20 subsection (1).

21 (b) The amount of the credit under this subsection (1) is
22 determined by multiplying 0.71488 by the tax otherwise due on wholesale
23 sales of qualifying meat products made during the reporting period by
24 the eligible person. The department must administer the credit in this
25 subsection in a way that results in a tax liability that is comparable
26 to what it would have been under the tax rate in effect for the
27 business of making wholesale sales of qualifying meat products during
28 the reporting period.

29 (2)(a) In computing the tax imposed under RCW 82.04.240 on the
30 business of processing perishable meat products, a person is entitled
31 to a credit as determined in (b) of this subsection (2).

32 (b) The amount of the credit under this subsection (2) is
33 determined by multiplying 0.71488 by:

34 (i) The value of the meat product processed by the person for the
35 reporting period, in the case of manufacturers, or, in the case of
36 processors for hire, the gross income of the business for the reporting
37 period from processing meat products for hire; or

1 (ii) If the person is entitled to one or more credits under any
2 other statute in this chapter in computing the tax imposed under RCW
3 82.04.240 on the business of processing perishable meat products, the
4 difference resulting from subtracting all other deductible amounts from
5 the value of the meat product processed by the person for the reporting
6 period, in the case of manufacturers, or, in the case of processors for
7 hire, the gross income of the business for the reporting period from
8 processing meat products for hire.

9 (3) The definitions in this subsection apply throughout this
10 section.

11 (a) "Eligible person" means any person who sells perishable meat
12 products at wholesale or any person who takes an animal or a perishable
13 meat product, processes it, and sells the resulting qualifying meat
14 product at wholesale.

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

19 (c) "Perishable meat product" means a meat product having a high
20 risk of spoilage within a period of thirty days without refrigeration
21 or freezing.

22 (d) "Processed," "processes," or "processing" means to engage in
23 one or more of the following activities: Slaughtering an animal,
24 breaking an animal carcass or part of an animal carcass into any type
25 of smaller unit, or engaging in any other manufacturing activity when
26 perishable meat is either the finished product or an ingredient or
27 component of the finished product.

28 (e) "Qualifying meat product" means:

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

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

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

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

1 MANUFACTURING, WHOLESALING, AND RETAILING--SEAFOOD PRODUCTS AND
2 DAIRY PRODUCTS--MANUFACTURING AND WHOLESALING--FRESH FRUITS AND
3 VEGETABLES. (1)(a) In computing the tax imposed under RCW 82.04.240 on
4 qualifying manufacturing activities, a person is entitled to a credit
5 as determined in (b) of this subsection (1).

6 (b) The amount of the credit under this subsection is determined by
7 multiplying 0.71488 by the tax otherwise due on the manufacturing of
8 eligible products by the person during the reporting period. The
9 department must administer the credit in this subsection in a way that
10 results in a tax liability that is comparable to what it would have
11 been under the tax rate in effect for the business of manufacturing
12 eligible products during the reporting period.

13 (2) In computing the tax imposed under RCW 82.04.250 on the
14 business of making qualifying retail sales, a person is entitled to a
15 credit as determined in (b) of this subsection (2).

16 (a) The amount of the credit under this subsection (2) is
17 determined by multiplying 0.70701 by the tax otherwise due on making
18 qualifying retail sales by the person during the reporting period. The
19 department must administer the credit in this subsection in a way that
20 results in a tax liability that is comparable to what it would have
21 been under the tax rate in effect for the business of making qualifying
22 retail sales during the reporting period.

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

28 (3) In computing the tax imposed under RCW 82.04.270 on the
29 business of making qualifying wholesale sales, a person is entitled to
30 a credit as determined in (b) of this subsection (3).

31 (a) The amount of the credit under this subsection (3) is
32 determined by multiplying 0.71488 by the tax otherwise due on making
33 qualifying wholesale sales by the person during the reporting period.
34 The department must administer the credit in this subsection in a way
35 that results in a tax liability that is comparable to what it would
36 have been under the tax rate in effect for the business of making
37 qualifying wholesale sales during the reporting period.

1 (b) Persons claiming a credit under this subsection (3) must keep
2 and preserve records for the period required by RCW 82.32.070
3 establishing that the qualifying wholesale sales were for eligible
4 products transported by the purchaser in the ordinary course of
5 business out of this state.

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

8 (a) "Eligible product" means:

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

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

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

17 (b) "Qualifying manufacturing" means manufacturing an eligible
18 product.

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

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

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

31 **PART IV**

32 **MISCELLANEOUS PROVISIONS**

33 NEW SECTION. **Sec. 401.** The department of revenue must convene a
34 group of affected stakeholders to develop recommendations to further
35 reduce, refine, and simplify the number of tax classifications under
36 chapter 82.04 RCW, the business and occupation tax. By January 1,

1 2014, and in compliance with RCW 43.01.036, the department must report
2 the group's recommendations to the governor, the senate committee on
3 trade and economic development, and the house of representatives
4 committee on technology and economic development.

5 NEW SECTION. **Sec. 402.** (1) Except as provided otherwise in this
6 section, this act takes effect January 1, 2014.

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

8 (3) Section 401 of this act takes effect August 1, 2013.

9 NEW SECTION. **Sec. 403.** Section 207 of this act expires July 1,
10 2015.

11 NEW SECTION. **Sec. 404.** The provisions of this act are to be
12 liberally construed to effectuate the intent, policies, and purpose of
13 this act to reduce the complexity of state and local business and
14 occupation taxes and to make it easier for businesses to meet their
15 local licensing and business and occupation tax filing obligations.

16 NEW SECTION. **Sec. 405.** If any provision of this act or its
17 application to any person or circumstance is held invalid, the
18 remainder of the act or the application of the provision to other
19 persons or circumstances is not affected.

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