

SSB 6057 - S AMD TO S AMD (S-3384.1/15) 503  
By Senators Hill, Cleveland

ADOPTED 6/29/2015

1 Beginning on page 30, after line 4 of the amendment, strike all  
2 of part VI and insert the following:

3 **"Clarifying the Definition of a Newspaper and Extending the B&O**  
4 **Newspaper Preferential Tax Rate**

5 NEW SECTION. **Sec. 601.** (1) The legislature finds that over the  
6 last fifteen years, technological transformation and other  
7 developments have radically changed the newspaper industry business  
8 model, which remains in transition. The legislature further finds  
9 that the economic hardship wrought by this digital transformation has  
10 been substantial. The legislature finds that a strong and vibrant  
11 newspaper industry in Washington is beneficial to the state's  
12 citizens and to the conduct of good government at every level. The  
13 legislature further finds that advertising revenue of all United  
14 States newspapers fell from 63.5 billion dollars in 2000 to about  
15 twenty-three billion dollars in 2013, and is still falling. The  
16 legislature further finds that traditional news organizations'  
17 ability to support high quality news gathering and reporting relied  
18 primarily on a model in which advertisers paid to reach mass  
19 audiences attracted by newspapers. The legislature further finds that  
20 advertisers found it advantageous to pay to reach a mass audience  
21 because other advertising mediums were limited and less effective.  
22 The digital era has greatly fractured traditional spending by  
23 advertisers and turned this model on its head such that newspapers  
24 continue to require time to adapt so they may continue their public  
25 service mission. The legislature also finds that the business and  
26 occupation tax rate for the newspaper industry was pegged to the  
27 general manufacturing and wholesaling rate from 1937 until 2009, when  
28 the legislature extended tax relief to the industry due to this  
29 shift. It is the legislature's intent to extend this tax relief to  
30 the industry until its revenues and business model have stabilized.  
31 It is the legislature's further intent to provide a uniform tax rate

1 for the industry to minimize the burden of reporting state business  
2 and occupation taxes for different types of revenue, which often  
3 times are impossible to account for separately by the taxpayer.

4 (2)(a) This subsection is the tax preference performance  
5 statement for the newspaper tax preferences in section 602 of this  
6 act. The performance statement is only intended to be used for  
7 subsequent evaluation of the tax preference. It is not intended to  
8 create a private right of action by any party or be used to determine  
9 eligibility for preferential tax treatment.

10 (b) The legislature categorizes this tax preference as one  
11 intended to provide temporary tax relief as described in RCW  
12 82.32.808(2)(e).

13 (c) It is the legislature's specific public policy objective to  
14 provide business and occupation tax relief to the newspaper industry  
15 as it continues to adjust to significant revenue shifts and  
16 technological changes. As a secondary public policy objective, it is  
17 the legislature's intent to provide a permanent uniform rate for the  
18 industry.

19 (d) To measure the effectiveness of the preference provided in  
20 this act in achieving the specific public policy objective described  
21 in (c) of this subsection, the joint legislative audit and review  
22 committee must evaluate year-to-year changes in gross revenue derived  
23 from all sources for newspaper firms claiming the preferential tax  
24 rate under RCW 82.04.260(14). If the average year-to-year change in  
25 gross revenue is positive, including the last three years included in  
26 the tax preference review by the joint legislative audit and review  
27 committee, it is the legislature's intent to allow the tax preference  
28 to expire and to reinstate the traditional rate of 0.484 percent.

29 (e)(i) The information provided in the annual tax preference  
30 accountability report submitted by taxpayers as required by the  
31 department of revenue and taxpayer data provided by the department of  
32 revenue is intended to provide the informational basis for the  
33 evaluation under (d) of this subsection.

34 (ii) In addition to the data source described under (e)(i) of  
35 this subsection, the joint legislative audit and review committee may  
36 use any other data it deems necessary in performing the evaluation  
37 under (d) of this subsection.

38 **Sec. 602.** RCW 82.04.260 and 2014 c 140 s 6 and 2014 c 140 s 4  
39 are each reenacted and amended to read as follows:

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

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

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

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

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

35 (A) Products, not including any marijuana-infused product, that  
36 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,  
37 parts 131, 133, and 135, including by-products from the manufacturing  
38 of the dairy products, such as whey and casein; and

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

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

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

22 (ii) For purposes of this subsection (1)(d), "fruits" and  
23 "vegetables" do not include marijuana, useable marijuana, or  
24 marijuana-infused products;

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

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

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

38 (3) Upon every nonprofit corporation and nonprofit association  
39 engaging within this state in research and development, as to such  
40 corporations and associations, the amount of tax with respect to such

1 activities is equal to the gross income derived from such activities  
2 multiplied by the rate of 0.484 percent.

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

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

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

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

1 convenient place for further movement to export mode; documentation  
2 services in connection with the receipt, delivery, checking, care,  
3 custody and control of cargo required in the transfer of cargo;  
4 imported automobile handling prior to delivery to consignee; terminal  
5 stevedoring and incidental vessel services, including but not limited  
6 to plugging and unplugging refrigerator service to containers,  
7 trailers, and other refrigerated cargo receptacles, and securing ship  
8 hatch covers.

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

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

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

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

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

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

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

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

15 (c) For the purposes of this subsection (11), "commercial  
16 airplane" and "component" have the same meanings as provided in RCW  
17 82.32.550.

18 (d) In addition to all other requirements under this title, a  
19 person reporting under the tax rate provided in this subsection (11)  
20 must file a complete annual report with the department under RCW  
21 82.32.534.

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

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

35 (12)(a) Until July 1, 2024, upon every person engaging within  
36 this state in the business of extracting timber or extracting for  
37 hire timber; as to such persons the amount of tax with respect to the  
38 business is, in the case of extractors, equal to the value of  
39 products, including by-products, extracted, or in the case of  
40 extractors for hire, equal to the gross income of the business,

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

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

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

34 (e) For purposes of this subsection, the following definitions  
35 apply:

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



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

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

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

23 (v) "Timber products" means:

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

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

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

31 (vi) "Wood products" means paper and paper products; dimensional  
32 lumber; engineered wood products such as particleboard, oriented  
33 strand board, medium density fiberboard, and plywood; wood doors;  
34 wood windows; and biocomposite surface products.

35 (f) Except for small harvesters as defined in RCW 84.33.035, a  
36 person reporting under the tax rate provided in this subsection (12)  
37 must file a complete annual survey with the department under RCW  
38 82.32.585.

39 (13) Upon every person engaging within this state in inspecting,  
40 testing, labeling, and storing canned salmon owned by another person,

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

4 (14)(a) Upon every person engaging within this state in the  
5 business of printing a newspaper, publishing a newspaper, or both,  
6 the amount of tax on such business is equal to the gross income of  
7 the business multiplied by the rate of (~~0.2904 percent~~) 0.35  
8 percent until July 1, 2024, and 0.484 percent thereafter.

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

12 NEW SECTION. Sec. 603. 2012 2nd sp.s. c 6 s 704 (uncodified) is  
13 amended to read as follows:

14 (~~Part VI~~) Section 602 of this act expires July 1, 2015."

**SSB 6057** - S AMD TO S AMD (S-3384.1/15) **503**  
By Senators Hill, Cleveland

**ADOPTED 6/29/2015**

15 On page 112, line 21 of the title amendment, after "82.12.022,"  
16 strike "82.04.214,"

17 On page 112, line 25 of the title amendment, after "63.29.340;"  
18 insert "amending 2012 2nd sp.s. c 6 s 704 (uncodified);"

EFFECT: Clarifies that electronic versions of the newspaper are a  
supplement to the printed newspaper, creating a blended rate for the  
reporting of B&O taxes for newspapers. Clarifies the tax preference  
and extends the preference to July 1, 2024.

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