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HOUSE BILL 2182

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State of Washington

64th Legislature

2015 Regular Session

By Representatives Tarleton, Smith, Takko, Pike, Clibborn, Zeiger, Hayes, Young, Fey, Sells, and Blake

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1 AN ACT Relating to ensuring the competitiveness of Washington  
2 state's fishing and seafood processing industries by supporting the  
3 recapitalization of fishing fleets through certain tax preferences;  
4 amending RCW 82.04.440; adding a new section to chapter 82.04 RCW;  
5 creating new sections; and providing an effective date.

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

7 NEW SECTION. **Sec. 1.** It is the intent of the legislature to  
8 ensure the continued competitiveness of Washington state's maritime,  
9 fishing, and seafood processing industries, which, according to 2013  
10 economic impact studies are contributing an estimated thirty billion  
11 dollars annually to the state's gross domestic product. The  
12 legislature notes that recently adopted federal policy encourages  
13 modernization of the nation's fishing fleet and therefore is  
14 expanding federal funding to finance fishing fleet recapitalization  
15 during the coming decade. This legislation intends to support the  
16 recapitalization of Washington's North Pacific fishing fleet by  
17 enabling our state's shipyards and maritime industries to compete for  
18 federal funding dedicated to the fishing fleet recapitalization  
19 program. Due to the fact that our state is home to the North Pacific  
20 fishing fleet, the largest fleet in the United States producing a  
21 majority of the fish harvested and consumed domestically and

1 globally, the legislature finds a compelling need to support efforts  
2 to accelerate fleet recapitalization in order to maximize the  
3 economic benefits to our state from the national recapitalization  
4 program. Therefore, a tax preference is established to support the  
5 continued competitiveness of Washington's fishing and seafood  
6 processing industries.

7 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04  
8 RCW to be codified between RCW 82.04.230 and 82.04.298 to read as  
9 follows:

10 (1) Until July 1, 2025, upon every person engaging within this  
11 state in the business of manufacturing qualified vessels or  
12 components of qualified vessels, or making sales, at retail or  
13 wholesale, of qualified vessels or components of qualified vessels,  
14 manufactured by the seller, as to such persons the amount of tax with  
15 respect to such businesses is, in the case of manufacturers, equal to  
16 the value of the product manufactured and the gross proceeds of sales  
17 of the product manufactured, or in the case of processors for hire,  
18 equal to the gross income of the business, multiplied by the rate of  
19 0.2904 percent.

20 (2) Persons reporting under the tax rate provided in subsection  
21 (1) of this section must obtain documentation from the buyer  
22 establishing, to the department's satisfaction, that the vessel meets  
23 the definition of qualified vessel or that the component is to be  
24 installed in a qualified vessel. Such documentation must be preserved  
25 by the person for five years.

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

28 (a) "Qualified vessel" means a vessel that is limited to  
29 participation in rationalized federal fisheries, under the  
30 jurisdiction of the Pacific or North Pacific fishery management  
31 council, or state-managed limited entry fisheries. Questions as to a  
32 fishery's status as a rationalized fishery will be determined by the  
33 Washington department of fish and wildlife.

34 (b) "Rationalized fishery" means a federally managed fishery in  
35 which all participants are allocated a proportion of the harvest  
36 either through an individual share or through participation in a  
37 cooperative, and therefore are not competing for harvest. State-  
38 managed limited entry fisheries are fisheries managed by Alaska,

1 Oregon, or Washington, occurring in either federal or state waters,  
2 in which a fixed number of participants are authorized to harvest.

3 **Sec. 3.** RCW 82.04.440 and 2011 c 2 s 205 are each amended to  
4 read as follows:

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

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

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

29 (4) Persons taxable under RCW 82.04.230, 82.04.240,  
30 82.04.2909(1), 82.04.294(1), 82.04.2404, (~~(e)~~) 82.04.260 (1), (2),  
31 (4), (11), or (12), or section 2 of this act, including those persons  
32 who are also taxable under RCW 82.04.261, with respect to extracting  
33 or manufacturing products in this state are allowed a credit against  
34 those taxes for any (i) gross receipts taxes paid to another state  
35 with respect to the sales of the products so extracted or  
36 manufactured in this state, (ii) manufacturing taxes paid with  
37 respect to the manufacturing of products using ingredients so  
38 extracted in this state, or (iii) manufacturing taxes paid with  
39 respect to manufacturing activities completed in another state for

1 products so manufactured in this state. The amount of the credit may  
2 not exceed the tax liability arising under this chapter with respect  
3 to the extraction or manufacturing of those products.

4 (5) (~~For the purpose of this section~~) The definitions in this  
5 subsection apply throughout this section unless the context clearly  
6 requires otherwise.

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

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

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

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

18 (c) "Manufacturing tax" means a gross receipts tax imposed on the  
19 act or privilege of engaging in business as a manufacturer, and  
20 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2404,  
21 82.04.2909(1), 82.04.260 (1), (2), (4), (11), and (12), and  
22 82.04.294(1); (ii) the tax imposed under RCW 82.04.261 on persons who  
23 are engaged in business as a manufacturer; and (iii) similar gross  
24 receipts taxes paid to other states.

25 (d) "Extracting tax" means a gross receipts tax imposed on the  
26 act or privilege of engaging in business as an extractor, and  
27 includes (i) the tax imposed on extractors in RCW 82.04.230 and  
28 82.04.260(12); (ii) the tax imposed under RCW 82.04.261 on persons  
29 who are engaged in business as an extractor; and (iii) similar gross  
30 receipts taxes paid to other states.

31 (e) "Business", "manufacturer", "extractor", and other terms used  
32 in this section have the meanings given in RCW 82.04.020 through  
33 (~~82.04.212~~ ~~[82.04.217]~~) 82.04.217, notwithstanding the use of those  
34 terms in the context of describing taxes imposed by other states.

35 NEW SECTION. **Sec. 4.** This section is the tax preference  
36 performance statement for the tax preference established in section 2  
37 of this act. The performance statement is only intended to be used  
38 for subsequent evaluation of the tax preference. It is not intended

1 to create a private right of action by any party or be used to  
2 determine eligibility for preferential tax treatment.

3 (1) The legislature categorizes this tax preference as one  
4 intended to improve industry competitiveness, as indicated in RCW  
5 82.32.808(2)(b).

6 (2) It is the legislature's specific public policy objective to  
7 increase long-term industry competitiveness, economic activity, and  
8 jobs related to the maritime industry by providing a tax preference  
9 for recapitalizing the commercial fishing fleet.

10 (3) To measure the effectiveness of the tax preference  
11 established in section 2 of this act in achieving the specific public  
12 policy objective described in subsection (2) of this section, the  
13 joint legislative audit and review committee must evaluate whether  
14 the number of qualified vessels manufactured in this state has  
15 increased since enactment of the tax preference. If the review finds  
16 that the number of qualified vessels manufactured in this state has  
17 increased compared to the number of qualified vessels manufactured in  
18 this state during an identical period of time immediately preceding  
19 enactment of the tax preference, then the legislature intends for the  
20 legislative auditor to recommend extending the expiration date of the  
21 tax preference.

22 (4) In order to obtain the data necessary to perform the review  
23 in subsection (3) of this section, the joint legislative audit and  
24 review committee may refer to data available from the department of  
25 commerce and any other data it deems necessary.

26 NEW SECTION. **Sec. 5.** This act takes effect October 1, 2015.

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