

SHB 1296 - H AMD 20

By Representative Nealey

ADOPTED AS AMENDED 02/27/2017

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 82.32.534 and 2016 c 175 s 1 are each amended to
4 read as follows:

5 (1)(a)(i) Beginning in calendar year 2018, every person claiming
6 a tax preference that requires ((a)) an annual tax performance report
7 under this section must file a complete annual report with the
8 department. The report is due by May 31st of the year following any
9 calendar year in which a person becomes eligible to claim the tax
10 preference that requires a report under this section.

11 (ii) If the tax preference is a deferral of tax, the first annual
12 tax performance report must be filed by May 31st of the calendar year
13 following the calendar year in which the investment project is
14 certified by the department as operationally complete, and an annual
15 tax performance report must be filed by May 31st of each of the seven
16 succeeding calendar years.

17 (iii) The department may extend the due date for timely filing of
18 annual reports under this section as provided in RCW 82.32.590.

19 (b) The report must include information detailing employment((~~τ~~)
20 and wages((~~τ~~, and employer-provided health and retirement benefits))
21 for employment positions in Washington for the year that the tax
22 preference was claimed. However, persons engaged in manufacturing
23 commercial airplanes or components of such airplanes may report
24 employment, wage, and benefit information per job at the
25 manufacturing site for the year that the tax preference was claimed.
26 The report must not include names of employees. The report must also
27 detail employment by the total number of full-time, part-time, and
28 temporary positions for the year that the tax preference was claimed.
29 In lieu of reporting employment and wage data required under this
30 subsection, taxpayers may instead opt to allow the employment
31 security department to release the same employment and wage
32 information from unemployment insurance records to the department and

1 the joint legislative audit and review committee. This option is
2 intended to reduce the reporting burden for taxpayers, and each
3 taxpayer electing to use this option must affirm that election in
4 accordance with procedures approved by the employment security
5 department.

6 (c) Persons receiving the benefit of the tax preference provided
7 by RCW 82.16.0421 or claiming any of the tax preferences provided by
8 RCW 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, or 82.12.022(5)
9 must indicate on the annual report the quantity of product produced
10 in this state during the time period covered by the report.

11 (d) If a person filing a report under this section did not file a
12 report with the department in the previous calendar year, the report
13 filed under this section must also include employment, wage, and
14 benefit information for the calendar year immediately preceding the
15 calendar year for which a tax preference was claimed.

16 (2)(a) As part of the annual report, the department and the joint
17 legislative audit and review committee may request additional
18 information necessary to measure the results of, or determine
19 eligibility for, the tax preference.

20 (b) The report must include the amount of the tax preference
21 claimed for the calendar year covered by the report. For a person
22 that claimed an exemption provided in RCW 82.08.025651 or
23 82.12.025651, the report must include the amount of tax exempted
24 under those sections in the prior calendar year for each general area
25 or category of research and development for which exempt machinery
26 and equipment and labor and services were acquired in the prior
27 calendar year.

28 (3) Other than information requested under subsection (2)(a) of
29 this section, the information contained in an annual report filed
30 under this section is not subject to the confidentiality provisions
31 of RCW 82.32.330 and may be disclosed to the public upon request.

32 (4)(a) Except as otherwise provided by law, if a person claims a
33 tax preference that requires an annual report under this section but
34 fails to submit a complete report by the due date or any extension
35 under RCW 82.32.590, the department must declare:

36 (i) Thirty-five percent of the amount of the tax preference
37 claimed for the previous calendar year to be immediately due and
38 payable; (~~and~~)

39 (ii) An additional fifteen percent of the amount of the tax
40 preference claimed for the previous calendar year to be immediately

1 due and payable if the person has previously been assessed under this
2 subsection (4) for failure to submit a report under this section for
3 the same tax preference; and

4 (iii) If the tax preference is a deferral of tax, the amount
5 immediately due under this subsection is twelve and one-half percent
6 of the deferred tax. If the economic benefits of the deferral are
7 passed to a lessee, the lessee is responsible for payment to the
8 extent the lessee has received the economic benefit.

9 (b) The department may not assess interest or penalties on
10 amounts due under this subsection.

11 (5) The department must use the information from this section to
12 prepare summary descriptive statistics by category. No fewer than
13 three taxpayers may be included in any category. The department must
14 report these statistics to the legislature each year by December
15 31st.

16 (6) For the purposes of this section:

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

19 (b) "Tax preference" has the meaning provided in RCW 43.136.021
20 and includes only the tax preferences requiring a (~~survey~~) report
21 under this section.

22 NEW SECTION. Sec. 2. RCW 82.32.585 (Annual survey requirement
23 for tax preferences) and 2016 c 175 s 2, 2014 c 97 s 103, 2011 c 23 s
24 6, & 2010 c 114 s 102 are each repealed.

25 **Sec. 3.** RCW 82.32.590 and 2011 c 174 s 306 are each amended to
26 read as follows:

27 (1) If the department finds that the failure of a taxpayer to
28 file an annual (~~survey under RCW 82.32.585 or annual~~) tax
29 performance report under RCW 82.32.534 by the due date was the result
30 of circumstances beyond the control of the taxpayer, the department
31 must extend the time for filing the (~~survey or~~) tax performance
32 report. The extension is for a period of thirty days from the date
33 the department issues its written notification to the taxpayer that
34 it qualifies for an extension under this section. The department may
35 grant additional extensions as it deems proper.

36 (2) In making a determination whether the failure of a taxpayer
37 to file an (~~annual survey or~~) annual tax performance report by the
38 due date was the result of circumstances beyond the control of the

1 taxpayer, the department must be guided by rules adopted by the
2 department for the waiver or cancellation of penalties when the
3 underpayment or untimely payment of any tax was due to circumstances
4 beyond the control of the taxpayer.

5 (3)(a) Subject to the conditions in this subsection (3), a
6 taxpayer who fails to file an annual tax performance report (~~(or~~
7 ~~annual survey)~~) required under subsection (1) of this section by the
8 due date of the report (~~(or survey)~~) is entitled to an extension of
9 the due date. A request for an extension under this subsection (3)
10 must be made in writing to the department.

11 (b) To qualify for an extension under this subsection (3), a
12 taxpayer must have filed all annual tax performance reports (~~and~~
13 ~~surveys~~), if any, due in prior years under subsection (1) of this
14 section by their respective due dates, beginning with annual reports
15 (~~and surveys~~) due in calendar year 2010.

16 (c) An extension under this subsection (3) is for ninety days
17 from the original due date of the annual tax performance report (~~(or~~
18 ~~survey)~~).

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

21 **Sec. 4.** RCW 82.32.600 and 2010 c 114 s 136 are each amended to
22 read as follows:

23 (1) Persons required to file annual (~~surveys or annual reports~~
24 ~~under RCW 82.32.534 or 82.32.585~~) tax performance reports under RCW
25 82.32.534 must electronically file with the department all
26 (~~surveys~~) reports, returns, and any other forms or information the
27 department requires in an electronic format as provided or approved
28 by the department. As used in this section, "returns" has the same
29 meaning as "return" in RCW 82.32.050.

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

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

36 **Sec. 5.** RCW 82.32.605 and 2013 2nd sp.s. c 13 s 1004 are each
37 amended to read as follows:

1 (1) Every taxpayer claiming an exemption under RCW 82.08.956 or
2 82.12.956 must file with the department a complete annual (~~survey as~~
3 ~~required under RCW 82.32.585~~) tax performance report under RCW
4 82.32.534, except that the taxpayer must file a separate (~~survey~~)
5 tax performance report for each facility owned or operated in the
6 state of Washington.

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

8 **Sec. 6.** RCW 82.32.607 and 2013 2nd sp.s. c 13 s 1503 are each
9 amended to read as follows:

10 Every taxpayer claiming an exemption under RCW 82.08.962 or
11 82.12.962 must file with the department a complete annual (~~survey as~~
12 ~~required under RCW 82.32.585~~) tax performance report under RCW
13 82.32.534, except that the taxpayer must file a separate (~~survey~~)
14 tax performance report for each facility owned or operated in the
15 state of Washington developed with machinery, equipment, services, or
16 labor for which the exemption under RCW 43.136.058, 82.08.962, and
17 82.12.962 is claimed.

18 **Sec. 7.** RCW 82.32.710 and 2010 c 114 s 137 are each amended to
19 read as follows:

20 (1) A client under the terms of a professional employer agreement
21 is deemed to be the sole employer of a covered employee for purposes
22 of eligibility for any tax credit, exemption, or other tax incentive,
23 arising as the result of the employment of covered employees,
24 provided in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483,
25 82.08.965, 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or
26 82.70 RCW, or any other provision in this title. A client, and not
27 the professional employer organization, is entitled to the benefit of
28 any tax credit, exemption, or other tax incentive arising as the
29 result of the employment of covered employees of that client.

30 (2) A client under the terms of a professional employer agreement
31 is deemed to be the sole employer of a covered employee for purposes
32 of tax performance reports (~~or surveys~~) that require the reporting
33 of employment information relating to covered employees of the
34 client, as provided in RCW 82.32.534 (~~or 82.32.585~~). A client, and
35 not the professional employer organization, is required to complete
36 any (~~survey or~~) tax performance report that requires the reporting
37 of employment information relating to covered employees of that
38 client.

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

4 **Sec. 8.** RCW 82.32.808 and 2013 2nd sp.s. c 13 s 1702 are each
5 amended to read as follows:

6 (1) As provided in this section, every bill enacting a new tax
7 preference must include a tax preference performance statement,
8 unless the legislation enacting the new tax preference contains an
9 explicit exemption from the requirements of this section.

10 (2) A tax preference performance statement must state the
11 legislative purpose for the new tax preference. The tax preference
12 performance statement must indicate one or more of the following
13 general categories, by reference to the applicable category specified
14 in this subsection, as the legislative purpose of the new tax
15 preference:

16 (a) Tax preferences intended to induce certain designated
17 behavior by taxpayers;

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

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

20 (d) Tax preferences intended to reduce structural inefficiencies
21 in the tax structure;

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

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

26 (3) In addition to identifying the general legislative purpose of
27 the tax preference under subsection (2) of this section, the tax
28 preference performance statement must provide additional detailed
29 information regarding the legislative purpose of the new tax
30 preference.

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

37 (5) If the tax preference performance statement for a new tax
38 preference indicates a legislative purpose described in subsection
39 (2)(b) or (c) of this section, any taxpayer claiming the new tax

1 preference must file an annual (~~survey~~) tax performance report in
2 accordance with RCW (~~82.32.585~~) 82.32.534.

3 (6)(a) Taxpayers claiming a new tax preference must report the
4 amount of the tax preference claimed by the taxpayer to the
5 department as otherwise required by statute or determined by the
6 department as part of the taxpayer's regular tax reporting
7 responsibilities. For new tax preferences allowing certain types of
8 gross income of the business to be excluded from business and
9 occupation or public utility taxation, the tax return must explicitly
10 report the amount of the exclusion, regardless of whether it is
11 structured as an exemption or deduction, if the taxpayer is otherwise
12 required to report taxes to the department on a monthly or quarterly
13 basis. For a new sales and use tax exemption, the total (~~sales or~~
14 ~~uses~~) purchase price or value of the exempt product or service
15 subject to the exemption claimed by the buyer must be reported on an
16 addendum to the buyer's tax return if the buyer is otherwise required
17 to report taxes to the department on a monthly or quarterly basis and
18 the buyer is required to submit an exemption certificate, or similar
19 document, to the seller.

20 (b) This subsection does not apply to:

- 21 (i) Property tax exemptions;
22 (ii) Tax preferences required by constitutional law;
23 (iii) Tax preferences for which the tax benefit to the taxpayer
24 is less than one thousand dollars per calendar year; or
25 (iv) Taxpayers who are annual filers.

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

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

37 (b)(i) The department may waive the public disclosure requirement
38 under (a) of this subsection (7) for good cause. Good cause may be
39 demonstrated by a reasonable showing of economic harm to a taxpayer
40 if the information specified under this subsection is disclosed. The

1 waiver under this subsection (7)(b)(i) only applies to the new tax
2 preferences provided in chapter 13, Laws of 2013 2nd sp. sess.

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

7 (c) In lieu of the disclosure and waiver requirements under this
8 subsection, the requirements under RCW (~~(82.32.585)~~) 82.32.534 apply
9 to any tax preference that requires a (~~(survey)~~) tax performance
10 report.

11 (8) If a new tax preference does not include the information
12 required under subsections (2) through (4) of this section(~~(7)~~):

13 (a) RCW 82.32.808, this subsection, and subsections (6) and (7)
14 of this section apply, except to the extent that the legislation
15 enacting the new preference contains an explicit exemption from these
16 requirements; and

17 (b) The joint legislative audit and review committee is not
18 required to perform a tax preference review under chapter 43.136 RCW,
19 and it is legislatively presumed that it is the intent of the
20 legislature to allow the new tax preference to expire upon its
21 scheduled expiration date.

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

24 **Sec. 9.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to
25 read as follows:

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

32 (2)(a) Upon every person engaging within this state in the
33 business of manufacturing semiconductor materials, as to such persons
34 the amount of tax with respect to such business is, in the case of
35 manufacturers, equal to the value of the product manufactured, or, in
36 the case of processors for hire, equal to the gross income of the
37 business, multiplied by the rate of 0.275 percent. For the purposes
38 of this subsection "semiconductor materials" means silicon crystals,

1 silicon ingots, raw polished semiconductor wafers, compound
2 semiconductors, integrated circuits, and microchips.

3 (b) A person reporting under the tax rate provided in this
4 subsection (2) must file a complete annual tax performance report
5 with the department under RCW 82.32.534.

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

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

11 **Sec. 10.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to
12 read as follows:

13 (1) Upon every person engaging within this state in the business
14 of manufacturing or processing for hire semiconductor materials, as
15 to such persons the amount of tax with respect to such business is,
16 in the case of manufacturers, equal to the value of the product
17 manufactured, or, in the case of processors for hire, equal to the
18 gross income of the business, multiplied by the rate of 0.275
19 percent.

20 (2) For the purposes of this section "semiconductor materials"
21 means silicon crystals, silicon ingots, raw polished semiconductor
22 wafers, and compound semiconductor wafers.

23 (3) A person reporting under the tax rate provided in this
24 section must file a complete annual tax performance report with the
25 department under RCW 82.32.534.

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

27 **Sec. 11.** RCW 82.04.260 and 2015 3rd sp.s. c 6 s 602 and 2015 3rd
28 sp.s. c 6 s 205 are each reenacted and amended to read as follows:

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

31 (a) Wheat into flour, barley into pearl barley, soybeans into
32 soybean oil, canola into canola oil, canola meal, or canola by-
33 products, or sunflower seeds into sunflower oil; as to such persons
34 the amount of tax with respect to such business is equal to the value
35 of the flour, pearl barley, oil, canola meal, or canola by-product
36 manufactured, multiplied by the rate of 0.138 percent;

37 (b) Beginning July 1, 2025, seafood products that remain in a
38 raw, raw frozen, or raw salted state at the completion of the

1 manufacturing by that person; or selling manufactured seafood
2 products that remain in a raw, raw frozen, or raw salted state at the
3 completion of the manufacturing, to purchasers who transport in the
4 ordinary course of business the goods out of this state; as to such
5 persons the amount of tax with respect to such business is equal to
6 the value of the products manufactured or the gross proceeds derived
7 from such sales, multiplied by the rate of 0.138 percent. Sellers
8 must keep and preserve records for the period required by RCW
9 82.32.070 establishing that the goods were transported by the
10 purchaser in the ordinary course of business out of this state;

11 (c)(i) (~~Beginning July 1, 2025~~) Except as provided otherwise in
12 (c)(iii) of this subsection, from July 1, 2025, until January 1,
13 2036, dairy products; or selling dairy products that the person has
14 manufactured to purchasers who either transport in the ordinary
15 course of business the goods out of state or purchasers who use such
16 dairy products as an ingredient or component in the manufacturing of
17 a dairy product; as to such persons the tax imposed is equal to the
18 value of the products manufactured or the gross proceeds derived from
19 such sales multiplied by the rate of 0.138 percent. Sellers must keep
20 and preserve records for the period required by RCW 82.32.070
21 establishing that the goods were transported by the purchaser in the
22 ordinary course of business out of this state or sold to a
23 manufacturer for use as an ingredient or component in the
24 manufacturing of a dairy product.

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

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

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

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

39 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,
40 preserving, freezing, processing, or dehydrating fresh fruits or

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

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

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

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

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

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

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

38 (5) Upon every person engaging within this state in the business
39 of acting as a travel agent or tour operator; as to such persons the
40 amount of the tax with respect to such activities is equal to the

1 gross income derived from such activities multiplied by the rate of
2 0.275 percent.

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

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

39 (8)(a) Upon every person engaging within this state in the
40 business of disposing of low-level waste, as defined in RCW

1 43.145.010; as to such persons the amount of the tax with respect to
2 such business is equal to the gross income of the business, excluding
3 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
4 3.3 percent.

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

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

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

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

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

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

35 (b) Beginning July 1, 2008, upon every person who is not eligible
36 to report under the provisions of (a) of this subsection (11) and is
37 engaging within this state in the business of manufacturing tooling
38 specifically designed for use in manufacturing commercial airplanes
39 or components of such airplanes, or making sales, at retail or
40 wholesale, of such tooling manufactured by the seller, as to such

1 persons the amount of tax with respect to such business is, in the
2 case of manufacturers, equal to the value of the product manufactured
3 and the gross proceeds of sales of the product manufactured, or in
4 the case of processors for hire, be equal to the gross income of the
5 business, multiplied by the rate of 0.2904 percent.

6 (c) For the purposes of this subsection (11), "commercial
7 airplane" and "component" have the same meanings as provided in RCW
8 82.32.550.

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

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

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

26 (12)(a) Until July 1, 2024, upon every person engaging within
27 this state in the business of extracting timber or extracting for
28 hire timber; as to such persons the amount of tax with respect to the
29 business is, in the case of extractors, equal to the value of
30 products, including by-products, extracted, or in the case of
31 extractors for hire, equal to the gross income of the business,
32 multiplied by the rate of 0.4235 percent from July 1, 2006, through
33 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
34 2024.

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

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

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

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

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

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

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

1 periodicals, and other printed publications, advertising materials,
2 calendars, and similar types of printed materials.

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

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

13 (v) "Timber products" means:

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

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

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

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

25 (f) Except for small harvesters as defined in RCW 84.33.035, a
26 person reporting under the tax rate provided in this subsection (12)
27 must file a complete annual (~~survey~~) tax performance report with
28 the department under RCW (~~82.32.585~~) 82.32.534.

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

34 (14)(a) Upon every person engaging within this state in the
35 business of printing a newspaper, publishing a newspaper, or both,
36 the amount of tax on such business is equal to the gross income of
37 the business multiplied by the rate of 0.35 percent until July 1,
38 2024, and 0.484 percent thereafter.

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

4 **Sec. 12.** RCW 82.04.2909 and 2015 3rd sp.s. c 6 s 502 are each
5 amended to read as follows:

6 (1) Upon every person who is an aluminum smelter engaging within
7 this state in the business of manufacturing aluminum; as to such
8 persons the amount of tax with respect to such business is, in the
9 case of manufacturers, equal to the value of the product
10 manufactured, or in the case of processors for hire, equal to the
11 gross income of the business, multiplied by the rate of .2904
12 percent.

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

18 (3) A person reporting under the tax rate provided in this
19 section must file a complete annual tax performance report with the
20 department under RCW 82.32.534.

21 (4) This section expires January 1, 2027.

22 **Sec. 13.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to
23 read as follows:

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

26 (2) For the purposes of this section:

27 (a) "Manufacturing semiconductor microchips" means taking raw
28 polished semiconductor wafers and embedding integrated circuits on
29 the wafers using processes such as masking, etching, and diffusion;
30 and

31 (b) "Integrated circuit" means a set of microminiaturized,
32 electronic circuits.

33 (3) A person reporting under the tax rate provided in this
34 section must file a complete annual tax performance report with the
35 department under RCW 82.32.534.

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

1 **Sec. 14.** RCW 82.04.4277 and 2016 sp.s. c 29 s 532 are each
2 amended to read as follows:

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

7 (2) A behavioral health organization may deduct from the measure
8 of tax amounts received from the state of Washington for distribution
9 to a health or social welfare organization that is eligible to deduct
10 the distribution under subsection (1) of this section.

11 (3) A person claiming a deduction under this section must file a
12 complete annual tax performance report with the department under RCW
13 82.32.534.

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

16 (a) "Chemical dependency" has the same meaning as provided in RCW
17 70.96A.020.

18 (b) "Health or social welfare organization" has the meaning
19 provided in RCW 82.04.431.

20 (c) "Mental health services" and "behavioral health organization"
21 have the meanings provided in RCW 71.24.025.

22 (5) This section expires January 1, 2020.

23 **Sec. 15.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each
24 amended to read as follows:

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

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

34 (b) Before July 1, 2005, any credits earned under this section
35 must be accrued and carried forward and may not be used until July 1,
36 2005. These carryover credits may be used at any time thereafter, and
37 may be carried over until used. Refunds may not be granted in the
38 place of a credit.

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

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

11 (4) Any person claiming the credit must file a form prescribed by
12 the department that must include the amount of the credit claimed, an
13 estimate of the anticipated aerospace product development
14 expenditures during the calendar year for which the credit is
15 claimed, an estimate of the taxable amount during the calendar year
16 for which the credit is claimed, and such additional information as
17 the department may prescribe.

18 (5) The definitions in this subsection apply throughout this
19 section.

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

21 (b) "Aerospace product development" means research, design, and
22 engineering activities performed in relation to the development of an
23 aerospace product or of a product line, model, or model derivative of
24 an aerospace product, including prototype development, testing, and
25 certification. The term includes the discovery of technological
26 information, the translating of technological information into new or
27 improved products, processes, techniques, formulas, or inventions,
28 and the adaptation of existing products and models into new products
29 or new models, or derivatives of products or models. The term does
30 not include manufacturing activities or other production-oriented
31 activities, however the term does include tool design and engineering
32 design for the manufacturing process. The term does not include
33 surveys and studies, social science and humanities research, market
34 research or testing, quality control, sale promotion and service,
35 computer software developed for internal use, and research in areas
36 such as improved style, taste, and seasonal design.

37 (c) "Qualified aerospace product development" means aerospace
38 product development performed within this state.

39 (d) "Qualified aerospace product development expenditures" means
40 operating expenses, including wages, compensation of a proprietor or

1 a partner in a partnership as determined by the department, benefits,
2 supplies, and computer expenses, directly incurred in qualified
3 aerospace product development by a person claiming the credit
4 provided in this section. The term does not include amounts paid to a
5 person or to the state and any of its departments and institutions,
6 other than a public educational or research institution to conduct
7 qualified aerospace product development. The term does not include
8 capital costs and overhead, such as expenses for land, structures, or
9 depreciable property.

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

14 (6) In addition to all other requirements under this title, a
15 person claiming the credit under this section must file a complete
16 annual tax performance report with the department under RCW
17 82.32.534.

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

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

21 **Sec. 16.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each
22 amended to read as follows:

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

26 (2) The credit is equal to:

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

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

36 (C) Property taxes or leasehold excise taxes paid on, or with
37 respect to, buildings constructed after June 30, 2008, the land upon
38 which the buildings are located, or both, and used exclusively for
39 aerospace product development, manufacturing tooling specifically

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

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

15 (b) An amount equal to:

16 (i)(A) Property taxes paid, by persons taxable under RCW
17 82.04.260(11)(a), on machinery and equipment exempt under RCW
18 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

19 (B) Property taxes paid, by persons taxable under RCW
20 82.04.260(11)(b), on machinery and equipment exempt under RCW
21 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

22 (C) Property taxes paid, by persons taxable under RCW
23 82.04.250(3) or 82.04.290(3), on computer hardware, computer
24 peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and
25 acquired after June 30, 2008.

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

29 (A) The numerator of the fraction is the total taxable amount
30 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the
31 applicable business activities of manufacturing commercial airplanes,
32 components of such airplanes, or tooling specifically designed for
33 use in the manufacturing of commercial airplanes or components of
34 such airplanes.

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

38 (C) For purposes of both the numerator and denominator of the
39 fraction, the total taxable amount refers to the total taxable amount
40 required to be reported on the person's returns for the calendar year

1 before the calendar year in which the credit under this section is
2 earned. The department may provide for an alternative method for
3 calculating the numerator in cases where the tax rate provided in RCW
4 82.04.260(11) for manufacturing was not in effect during the full
5 calendar year before the calendar year in which the credit under this
6 section is earned.

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

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

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

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

18 (b) "Aerospace services" has the same meaning given in RCW
19 82.08.975.

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

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

26 (5) In addition to all other requirements under this title, a
27 person claiming the credit under this section must file a complete
28 annual tax performance report with the department under RCW
29 82.32.534.

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

31 **Sec. 17.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to
32 read as follows:

33 (1) Subject to the limits and provisions of this section, a
34 credit is authorized against the tax otherwise due under RCW
35 82.04.240(2) for persons engaged in the business of manufacturing
36 semiconductor materials. For the purposes of this section
37 "semiconductor materials" has the same meaning as provided in RCW
38 82.04.240(2).

1 (2)(a) The credit under this section equals three thousand
2 dollars for each employment position used in manufacturing production
3 that takes place in a new building exempt from sales and use tax
4 under RCW 82.08.965 and 82.12.965. A credit is earned for the
5 calendar year a person fills a position. Additionally a credit is
6 earned for each year the position is maintained over the subsequent
7 consecutive years, up to eight years. Those positions that are not
8 filled for the entire year are eligible for fifty percent of the
9 credit if filled less than six months, and the entire credit if
10 filled more than six months.

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

14 (c) In those situations where a production building in existence
15 on the effective date of this section will be phased out of
16 operation, during which time employment at the new building at the
17 same site is increased, the person is eligible for credit for
18 employment at the existing building and new building, with the
19 limitation that the combined eligible employment not exceed full
20 employment at the new building. "Full employment" has the same
21 meaning as in RCW 82.08.965. The credit may not be earned until the
22 commencement of commercial production, as that term is used in RCW
23 82.08.965.

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

29 (4) If at any time the department finds that a person is not
30 eligible for tax credit under this section, the amount of taxes for
31 which a credit has been claimed is immediately due. The department
32 must assess interest, but not penalties, on the taxes for which the
33 person is not eligible. The interest must be assessed at the rate
34 provided for delinquent excise taxes under chapter 82.32 RCW, is
35 retroactive to the date the tax credit was taken, and accrues until
36 the taxes for which a credit has been used are repaid.

37 (5) A person claiming the credit under this section must file a
38 complete annual tax performance report with the department under RCW
39 82.32.534.

1 (6) Credits may be claimed after twelve years after the effective
2 date of this act, for those buildings at which commercial production
3 began before twelve years after the effective date of this act,
4 subject to all of the eligibility criteria and limitations of this
5 section.

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

8 **Sec. 18.** RCW 82.04.4481 and 2015 3rd sp.s. c 6 s 503 are each
9 amended to read as follows:

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

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

21 (3) Credits may not be claimed under this section for property
22 taxes levied for collection in 2027 and thereafter.

23 (4) A person claiming the credit provided in this section must
24 file a complete annual tax performance report with the department
25 under RCW 82.32.534.

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

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

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

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

4 (b) If an activity is conducted both from a rural county and
5 outside of a rural county, the credit is available if at least ninety
6 percent of the qualifying activity is conducted within a rural
7 county. If the qualifying activity is a service taxable activity, the
8 place where the work is performed is the place at which the activity
9 is conducted.

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

20 (b) Participants who claimed credit under RCW 82.04.4456 for
21 qualified employment positions created before December 31, 2003, are
22 eligible to earn credit for each year the position is maintained over
23 the subsequent consecutive years, for up to four years, which four
24 years include any years claimed under RCW 82.04.4456. Those persons
25 who did not receive a credit under RCW 82.04.4456 before December 31,
26 2003, are not eligible to earn credit for qualified employment
27 positions created before December 31, 2003.

28 (c) Credit is authorized for new employees hired for new
29 qualified employment positions created on or after January 1, 2004.
30 New qualified employment positions filled by existing employees are
31 eligible for the credit under this section only if the position
32 vacated by the existing employee is filled by a new hire. A business
33 that is a sole proprietorship without any employees is equivalent to
34 one employee position and this type of business is eligible to
35 receive credit for one position.

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

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

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

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

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

28 (9) A person claiming a tax credit under this section must file a
29 complete annual ((survey)) tax performance report with the department
30 under RCW ((82.32.585)) 82.32.534.

31 (10) As used in this section:

32 (a) "Computer software" has the meaning as defined in RCW
33 82.04.215 after June 30, 2004, and includes "software" as defined in
34 RCW 82.04.215 before July 1, 2004.

35 (b) "Manufacturing" means the same as "to manufacture" under RCW
36 82.04.120. Manufacturing includes the activities of both
37 manufacturers and processors for hire.

38 (c) "Programming" means the activities that involve the creation
39 or modification of computer software, as that term is defined in this

1 chapter, and that are taxable as a service under RCW 82.04.290(2) or
2 as a retail sale under RCW 82.04.050.

3 (d) "Qualifying activity" means manufacturing of computer
4 software or programming.

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

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

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

17 **Sec. 20.** RCW 82.04.449 and 2012 c 46 s 3 are each amended to
18 read as follows:

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

32 (2) A person claiming the credit provided in this section must
33 file a complete annual (~~survey~~) tax performance report with the
34 department under RCW (~~82.32.585~~) 82.32.534.

35 **Sec. 21.** RCW 82.08.805 and 2015 3rd sp.s. c 6 s 504 are each
36 amended to read as follows:

37 (1) A person who has paid tax under RCW 82.08.020 for personal
38 property used at an aluminum smelter, tangible personal property that

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

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

14 (3) A person claiming the tax preference provided in this section
15 must file a complete annual tax performance report with the
16 department under RCW 82.32.534.

17 (4) Credits may not be claimed under this section for taxable
18 events occurring on or after January 1, 2027.

19 **Sec. 22.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to
20 read as follows:

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

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

1 (a) The manufacturer or processor for hire must maintain at least
2 seventy-five percent of full employment at the new building for which
3 the exemption under this section is claimed.

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

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

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

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

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

32 (5) For the purposes of this section:

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

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

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

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

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

7 **Sec. 23.** RCW 82.08.9651 and 2014 c 97 s 405 are each amended to
8 read as follows:

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

22 ~~(2)((a) Except as provided under (b) of this subsection (2),)~~ A
23 person claiming the exemption under this section must file a complete
24 annual ~~((survey with the department under RCW 82.32.585-~~

25 ~~(b) A person claiming the exemption under this section and who is~~
26 ~~required to file a complete annual report with the department under~~
27 ~~RCW 82.32.534 as a result of claiming the tax preference provided by~~
28 ~~RCW 82.04.2404 is not also required to file a complete annual survey~~
29 ~~under RCW 82.32.585)) tax performance report with the department~~
30 ~~under RCW 82.32.534.~~

31 (3) No application is necessary for the tax exemption. The person
32 is subject to all of the requirements of chapter 82.32 RCW.

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

34 **Sec. 24.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to
35 read as follows:

36 (1) The tax levied by RCW 82.08.020 does not apply to sales of
37 gases and chemicals used by a manufacturer or processor for hire in
38 the manufacturing of semiconductor materials. This exemption is

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

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

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

17 **Sec. 25.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each
18 amended to read as follows:

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

20 (a) Charges, for labor and services rendered in respect to the
21 constructing of new buildings, made to (i) a manufacturer engaged in
22 the manufacturing of commercial airplanes or the fuselages or wings
23 of commercial airplanes or (ii) a port district, political
24 subdivision, or municipal corporation, to be leased to a manufacturer
25 engaged in the manufacturing of commercial airplanes or the fuselages
26 or wings of commercial airplanes;

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

30 (c) Charges made for labor and services rendered in respect to
31 installing, during the course of constructing such buildings,
32 building fixtures not otherwise eligible for the exemption under RCW
33 82.08.02565(2)(b).

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

38 (3) No application is necessary for the tax exemption in this
39 section. However, in order to qualify under this section before

1 starting construction, the port district, political subdivision, or
2 municipal corporation must have entered into an agreement with the
3 manufacturer to build such a facility. A person claiming the
4 exemption under this section is subject to all the requirements of
5 chapter 82.32 RCW. In addition, the person must file a complete
6 annual tax performance report with the department under RCW
7 82.32.534.

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

- 12 (a) Commercial airplanes;
- 13 (b) Fuselages of commercial airplanes; or
- 14 (c) Wings of commercial airplanes.

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

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

18 **Sec. 26.** RCW 82.08.986 and 2015 3rd sp.s. c 6 s 302 are each
19 amended to read as follows:

20 (1) An exemption from the tax imposed by RCW 82.08.020 is
21 provided for sales to qualifying businesses and to qualifying tenants
22 of eligible server equipment to be installed, without intervening
23 use, in an eligible computer data center, and to charges made for
24 labor and services rendered in respect to installing eligible server
25 equipment. Until January 1, 2026, the exemption also applies to sales
26 to qualifying businesses and to qualifying tenants of eligible power
27 infrastructure, including labor and services rendered in respect to
28 constructing, installing, repairing, altering, or improving eligible
29 power infrastructure.

30 (2)(a) In order to claim the exemption under this section, a
31 qualifying business or a qualifying tenant must submit an application
32 to the department for an exemption certificate. The application must
33 include the information necessary, as required by the department, to
34 determine that a business or tenant qualifies for the exemption under
35 this section. The department must issue exemption certificates to
36 qualifying businesses and qualifying tenants. The department may
37 assign a unique identification number to each exemption certificate
38 issued under this section.

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

6 (c) With respect to computer data centers for which the
7 commencement of construction occurs after July 1, 2015, but before
8 July 1, 2019, the exemption provided in this section is limited to no
9 more than eight computer data centers, with total eligible data
10 centers provided under this section limited to twelve from July 1,
11 2015, through July 1, 2025. Tenants of qualified data centers do not
12 constitute additional data centers under the limit. The exemption is
13 available on a first-in-time basis based on the date the application
14 required under this section is received by the department. Exemption
15 certificates expire two years after the date of issuance, unless
16 construction has been commenced.

17 (3)(a) Within six years of the date that the department issued an
18 exemption certificate under this section to a qualifying business or
19 a qualifying tenant with respect to an eligible computer data center,
20 the qualifying business or qualifying tenant must establish that net
21 employment at the eligible computer data center has increased by a
22 minimum of:

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

24 (ii) Three family wage employment positions for each twenty
25 thousand square feet of space or less that is newly dedicated to
26 housing working servers at the eligible computer data center. For
27 qualifying tenants, the number of family wage employment positions
28 that must be increased under this subsection (3)(a)(ii) is based only
29 on the space occupied by the qualifying tenant in the eligible
30 computer data center.

31 (b) In calculating the net increase in family wage employment
32 positions:

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

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

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

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

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

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

7 (B) The portion of the net increase in family wage employment
8 positions to be counted under this subsection (3)(b)(ii) by each
9 qualifying tenant must be in proportion to the amount of space in the
10 eligible computer data center occupied by the qualifying tenant
11 compared to the total amount of space in the eligible computer data
12 center occupied by all qualifying tenants.

13 (c)(i) For purposes of this subsection, family wage employment
14 positions are new permanent employment positions requiring forty
15 hours of weekly work, or their equivalent, on a full-time basis at
16 the eligible computer data center and receiving a wage equivalent to
17 or greater than one hundred fifty percent of the per capita personal
18 income of the county in which the qualified project is located. An
19 employment position may not be counted as a family wage employment
20 position unless the employment position is entitled to health
21 insurance coverage provided by the employer of the employment
22 position. For purposes of this subsection (3)(c), "new permanent
23 employment position" means an employment position that did not exist
24 or that had not previously been filled as of the date that the
25 department issued an exemption certificate to the owner or qualifying
26 tenant of an eligible computer data center, as the case may be.

27 (ii)(A) Family wage employment positions include positions filled
28 by employees of the owner of the eligible computer data center and by
29 employees of qualifying tenants.

30 (B) Family wage employment positions also include individuals
31 performing work at an eligible computer data center as an independent
32 contractor hired by the owner of the eligible computer data center or
33 as an employee of an independent contractor hired by the owner of the
34 eligible computer data center, if the work is necessary for the
35 operation of the computer data center, such as security and building
36 maintenance, and provided that all of the requirements in (c)(i) of
37 this subsection (3) are met.

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

1 (4) A qualifying business or a qualifying tenant claiming an
2 exemption under this section or RCW 82.12.986 must complete an annual
3 tax performance report with the department as required under RCW
4 82.32.534.

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

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

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

13 (b) If a person claims an exemption under this section and
14 subsequently receives the benefit of the deferral program under
15 chapter 82.60 RCW on either the construction, renovation, or
16 expansion of a structure or structures used as a computer data center
17 or machinery or equipment used in a computer data center, the person
18 must repay the amount of taxes exempted under this section. Interest
19 as provided in chapter 82.32 RCW applies to amounts due under this
20 section until paid in full.

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

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

25 (b) "Building" means a fully enclosed structure with a weather
26 resistant exterior wall envelope or concrete or masonry walls
27 designed in accordance with the requirements for structures under
28 chapter 19.27 RCW. This definition of "building" only applies to
29 computer data centers for which commencement of construction occurs
30 on or after July 1, 2015.

31 (c)(i) "Computer data center" means a facility comprised of one
32 or more buildings, which may be comprised of multiple businesses,
33 constructed or refurbished specifically, and used primarily, to house
34 working servers, where the facility has the following
35 characteristics: (A) Uninterruptible power supplies, generator backup
36 power, or both; (B) sophisticated fire suppression and prevention
37 systems; and (C) enhanced physical security, such as: Restricted
38 access to the facility to selected personnel; permanent security
39 guards; video camera surveillance; an electronic system requiring

1 passcodes, keycards, or biometric scans, such as hand scans and
2 retinal or fingerprint recognition; or similar security features.

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

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

11 (d) "Electronic data storage and data management services"
12 include, but are not limited to: Providing data storage and backup
13 services, providing computer processing power, hosting enterprise
14 software applications, and hosting web sites. The term also includes
15 providing services such as email, web browsing and searching, media
16 applications, and other online services, regardless of whether a
17 charge is made for such services.

18 (e)(i) "Eligible computer data center" means a computer data
19 center:

20 (A) Located in a rural county as defined in RCW 82.14.370;

21 (B) Having at least twenty thousand square feet dedicated to
22 housing working servers, where the server space has not previously
23 been dedicated to housing working servers; and

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

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

26 (II) After March 31, 2012, and before July 1, 2015; or

27 (III) After June 30, 2015, and before July 1, 2025.

28 (ii) For purposes of this section, "commencement of construction"
29 means the date that a building permit is issued under the building
30 code adopted under RCW 19.27.031 for construction of the computer
31 data center. The construction of a computer data center includes the
32 expansion, renovation, or other improvements made to existing
33 facilities, including leased or rented space. "Commencement of
34 construction" does not include soil testing, site clearing and
35 grading, site preparation, or any other related activities that are
36 initiated before the issuance of a building permit for the
37 construction of the foundation of a computer data center.

38 (iii) With respect to facilities in existence on April 1, 2010,
39 that are expanded, renovated, or otherwise improved after March 31,
40 2010, or facilities in existence on April 1, 2012, that are expanded,

1 renovated, or otherwise improved after March 31, 2012, or facilities
2 in existence on July 1, 2015, that are expanded, renovated, or
3 otherwise improved after June 30, 2015, an eligible computer data
4 center includes only the portion of the computer data center meeting
5 the requirements in (e)(i)(B) of this subsection (6).

6 (f) "Eligible power infrastructure" means all fixtures and
7 equipment owned by a qualifying business or qualifying tenant and
8 necessary for the transformation, distribution, or management of
9 electricity that is required to operate eligible server equipment
10 within an eligible computer data center. The term includes
11 generators; wiring; cogeneration equipment; and associated fixtures
12 and equipment, such as electrical switches, batteries, and
13 distribution, testing, and monitoring equipment. The term does not
14 include substations.

15 (g) "Eligible server equipment" means:

16 (i) For a qualifying business whose computer data center
17 qualifies as an eligible computer data center under (e)(i)(C)(I) of
18 this subsection (6), the original server equipment installed in an
19 eligible computer data center on or after April 1, 2010, and before
20 January 1, 2026, and replacement server equipment. For purposes of
21 this subsection (6)(g)(i), "replacement server equipment" means
22 server equipment that:

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

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

27 (ii) For a qualifying business whose computer data center
28 qualifies as an eligible computer data center under (e)(i)(C)(II) of
29 this subsection (6), "eligible server equipment" means the original
30 server equipment installed in an eligible computer data center on or
31 after April 1, 2012, and before January 1, 2026, and replacement
32 server equipment. For purposes of this subsection (6)(g)(ii),
33 "replacement server equipment" means server equipment that:

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

37 (B) Is installed and put into regular use before April 1, 2024.

38 (iii)(A) For a qualifying business whose computer data center
39 qualifies as an eligible computer data center under (e)(i)(C)(III) of
40 this subsection (6), "eligible server equipment" means the original

1 server equipment installed in a building within an eligible computer
2 data center on or after July 1, 2015, and replacement server
3 equipment. Server equipment installed in movable or fixed stand-
4 alone, prefabricated, or modular units, including intermodal shipping
5 containers, is not "directly installed in a building." For purposes
6 of this subsection (6)(g)(iii)(A), "replacement server equipment"
7 means server equipment that replaces existing server equipment, if
8 the sale or use of the server equipment to be replaced qualified for
9 an exemption under this section or RCW 82.12.986; and

10 (B) Is installed and put into regular use no later than twelve
11 years after the date of the certificate of occupancy.

12 (iv) For a qualifying tenant who leases space within an eligible
13 computer data center, "eligible server equipment" means the original
14 server equipment installed within the space it leases from an
15 eligible computer data center on or after April 1, 2010, and before
16 January 1, 2026, and replacement server equipment. For purposes of
17 this subsection (6)(g)(iv), "replacement server equipment" means
18 server equipment that:

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

22 (B) Is installed and put into regular use before April 1, 2024;
23 and

24 (C) For tenants leasing space in an eligible computer data center
25 built after July 1, 2015, is installed and put into regular use no
26 later than twelve years after the date of the certificate of
27 occupancy.

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

37 (i) "Qualifying tenant" means a business entity that exists for
38 the primary purpose of engaging in commercial activity for profit and
39 that leases space from a qualifying business within an eligible
40 computer data center. The term does not include the state or federal

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

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

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

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

28 **Sec. 27.** RCW 82.12.022 and 2015 3rd sp.s. c 6 s 506 are each
29 amended to read as follows:

30 (1) A use tax is levied on every person in this state for the
31 privilege of using natural gas or manufactured gas, including
32 compressed natural gas and liquefied natural gas, within this state
33 as a consumer.

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

1 subject to tax under this subsection if those amounts are subject to
2 tax under that chapter.

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

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

10 (5)(a) The tax levied in this section does not apply to the use
11 of natural or manufactured gas by an aluminum smelter as that term is
12 defined in RCW 82.04.217 before January 1, 2027.

13 (b) A person claiming the exemption provided in this subsection
14 (5) must file a complete annual tax performance report with the
15 department under RCW 82.32.534.

16 (6) The tax imposed by this section does not apply to the use of
17 natural gas, compressed natural gas, or liquefied natural gas, if the
18 consumer uses the gas for transportation fuel as defined in RCW
19 82.16.310.

20 (7) There is a credit against the tax levied under this section
21 in an amount equal to any tax paid by:

22 (a) The person who sold the gas to the consumer when that tax is
23 a gross receipts tax similar to that imposed pursuant to RCW
24 82.16.020 by another state with respect to the gas for which a credit
25 is sought under this subsection; or

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

30 (8) The use tax imposed in this section must be paid by the
31 consumer to the department.

32 (9) There is imposed a reporting requirement on the person who
33 delivered the gas to the consumer to make a quarterly report to the
34 department. Such report must contain the volume of gas delivered,
35 name of the consumer to whom delivered, and such other information as
36 the department may require by rule.

37 (10) The department may adopt rules under chapter 34.05 RCW for
38 the administration and enforcement of sections 1 through 6, chapter
39 384, Laws of 1989.

1 **Sec. 28.** RCW 82.12.025651 and 2011 c 23 s 5 are each amended to
2 read as follows:

3 (1) The provisions of this chapter do not apply in respect to the
4 use by a public research institution of machinery and equipment used
5 primarily in a research and development operation, or to the use of
6 labor and services rendered in respect to installing, repairing,
7 cleaning, altering, or improving the machinery and equipment.

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

9 (3) A public research institution receiving the benefit of the
10 exemption provided in this section must file a complete annual
11 ((survey)) tax performance report with the department under RCW
12 ((82.32.585)) 82.32.534.

13 **Sec. 29.** RCW 82.12.805 and 2015 3rd sp.s. c 6 s 505 are each
14 amended to read as follows:

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

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

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

32 (4) Credits may not be claimed under this section for taxable
33 events occurring on or after January 1, 2027.

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

36 (1) The provisions of this chapter do not apply with respect to
37 the use of tangible personal property that will be incorporated as an
38 ingredient or component of new buildings used for the manufacturing

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

5 (2) The eligibility requirements, conditions, and definitions in
6 RCW 82.08.965 apply to this section, including the filing of a
7 complete annual tax performance report with the department under RCW
8 82.32.534.

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

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

15 **Sec. 31.** RCW 82.12.9651 and 2014 c 97 s 406 are each amended to
16 read as follows:

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

30 (2)~~((a) Except as provided under (b) of this subsection (2),)~~ A
31 person claiming the exemption under this section must file a complete
32 annual ~~((survey with the department under RCW 82.32.585.~~

33 ~~(b) A person claiming the exemption under this section and who is~~
34 ~~required to file a complete annual report with the department under~~
35 ~~RCW 82.32.534 as a result of claiming the tax preference provided by~~
36 ~~RCW 82.04.2404 is not also required to file a complete annual survey~~
37 ~~under RCW 82.32.585))~~ tax performance report with the department
38 under RCW 82.32.534.

1 (3) No application is necessary for the tax exemption. The person
2 is subject to all of the requirements of chapter 82.32 RCW.

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

4 **Sec. 32.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to
5 read as follows:

6 (1) The provisions of this chapter do not apply with respect to
7 the use of gases and chemicals used by a manufacturer or processor
8 for hire in the manufacturing of semiconductor materials. This
9 exemption is limited to gases and chemicals used in the manufacturing
10 process to grow the product, deposit or grow permanent or sacrificial
11 layers on the product, to etch or remove material from the product,
12 to anneal the product, to immerse the product, to clean the product,
13 and other such uses whereby the gases and chemicals come into direct
14 contact with the product during the manufacturing process, or uses of
15 gases and chemicals to clean the chambers and other like equipment in
16 which such processing takes place. For purposes of this section,
17 "semiconductor materials" has the same meaning as provided in RCW
18 82.04.240(2).

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

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

25 **Sec. 33.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each
26 amended to read as follows:

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

29 (a) Tangible personal property that will be incorporated as an
30 ingredient or component in constructing new buildings for (i) a
31 manufacturer engaged in the manufacturing of commercial airplanes or
32 the fuselages or wings of commercial airplanes or (ii) a port
33 district, political subdivision, or municipal corporation, to be
34 leased to a manufacturer engaged in the manufacturing of commercial
35 airplanes or the fuselages or wings of commercial airplanes; or

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

1 (2) The eligibility requirements, conditions, and definitions in
2 RCW 82.08.980 apply to this section, including the filing of a
3 complete annual tax performance report with the department under RCW
4 82.32.534.

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

6 **Sec. 34.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended to
7 read as follows:

8 (1) (~~For the purposes of this section:~~) The definitions in this
9 subsection apply throughout this section unless the context clearly
10 requires otherwise.

11 (a) "Chlor-alkali electrolytic processing business" means a
12 person who is engaged in a business that uses more than ten average
13 megawatts of electricity per month in a chlor-alkali electrolytic
14 process to split the electrochemical bonds of sodium chloride and
15 water to make chlorine and sodium hydroxide. A "chlor-alkali
16 electrolytic processing business" does not include direct service
17 industrial customers or their subsidiaries that contract for the
18 purchase of power from the Bonneville power administration as of June
19 10, 2004.

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

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

35 (a) The electricity to be used in the electrolytic process is
36 separately metered from the electricity used for general operations
37 of the business;

38 (b) The price charged for the electricity used in the
39 electrolytic process will be reduced by an amount equal to the tax

1 exemption available to the light and power business under this
2 section; and

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

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

11 (4) In order to claim an exemption under this section, the chlor-
12 alkali electrolytic processing business or the sodium chlorate
13 electrolytic processing business must provide the light and power
14 business with an exemption certificate in a form and manner
15 prescribed by the department.

16 (5) A person receiving the benefit of the exemption provided in
17 this section must file a complete annual tax performance report with
18 the department under RCW 82.32.534.

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

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

22 **Sec. 35.** RCW 82.29A.137 and 2013 3rd sp.s. c 2 s 13 are each
23 amended to read as follows:

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

30 (2) In addition to all other requirements under this title, a
31 person claiming the exemption under this section must file a complete
32 annual tax performance report with the department under RCW
33 82.32.534.

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

35 **Sec. 36.** RCW 82.60.070 and 2010 1st sp.s. c 16 s 9 are each
36 amended to read as follows:

37 (1)(a) Each recipient of a deferral of taxes granted under this
38 chapter must file a complete annual (~~survey~~) tax performance report

1 with the department under RCW (~~82.32.585~~) 82.32.534. If the
2 economic benefits of the deferral are passed to a lessee as provided
3 in RCW 82.60.025, the lessee must file a complete annual (~~survey~~)
4 tax performance report, and the applicant is not required to file a
5 complete annual (~~survey~~) tax performance report.

6 (b) The department must use the information reported on the
7 annual (~~survey~~) tax performance report required by this section to
8 study the tax deferral program authorized under this chapter. The
9 department must report to the legislature by December 1, (~~2019~~)
10 2018. The report must measure the effect of the program on job
11 creation, the number of jobs created for residents of eligible areas,
12 company growth, (~~the introduction of new products, the~~
13 ~~diversification of the state's economy, growth in research and~~
14 ~~development investment, the movement of firms or the consolidation of~~
15 ~~firms' operations into the state,~~) and such other factors as the
16 department selects.

17 (2) Except as provided in RCW 82.60.063, if, on the basis of a
18 (~~survey under RCW 82.32.585~~) tax performance report under RCW
19 82.32.534 or other information, the department finds that an
20 investment project is not eligible for tax deferral under this
21 chapter, the amount of deferred taxes outstanding for the project,
22 according to the repayment schedule in RCW 82.60.060, is immediately
23 due. For purposes of this subsection (2), the repayment schedule in
24 RCW 82.60.060 is tolled during the period of time that a taxpayer is
25 receiving relief from repayment of deferred taxes under RCW
26 82.60.063.

27 (3) A recipient who must repay deferred taxes under subsection
28 (2) of this section because the department has found that an
29 investment project is not eligible for tax deferral under this
30 chapter is no longer required to file annual (~~surveys under RCW~~
31 ~~82.32.585~~) tax performance reports under RCW 82.32.534 beginning on
32 the date an investment project is used for nonqualifying purposes.

33 (4) Notwithstanding any other provision of this section or RCW
34 (~~82.32.585~~) 82.32.534, deferred taxes on the following need not be
35 repaid:

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

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

1 **Sec. 37.** RCW 82.63.020 and 2010 c 114 s 140 are each amended to
2 read as follows:

3 (1) Application for deferral of taxes under this chapter must be
4 made before initiation of construction of, or acquisition of
5 equipment or machinery for the investment project. In the case of an
6 investment project involving multiple qualified buildings,
7 applications must be made for, and before the initiation of
8 construction of, each qualified building. The application must be
9 made to the department in a form and manner prescribed by the
10 department. The application must contain information regarding the
11 location of the investment project, the applicant's average
12 employment in the state for the prior year, estimated or actual new
13 employment related to the project, estimated or actual wages of
14 employees related to the project, estimated or actual costs, time
15 schedules for completion and operation, and other information
16 required by the department. The department must rule on the
17 application within sixty days.

18 (2) Each recipient of a deferral of taxes under this chapter must
19 file a complete annual ~~((survey))~~ tax performance report with the
20 department under RCW ~~((82.32.585))~~ 82.32.534. If the economic
21 benefits of the deferral are passed to a lessee as provided in RCW
22 82.63.010(7), the lessee must file a complete annual ~~((survey))~~ tax
23 performance report, and the applicant is not required to file the
24 annual ~~((survey))~~ tax performance report.

25 ~~(3) ((The department must use the information reported on the~~
26 ~~annual survey required by this section to study the tax deferral~~
27 ~~program authorized under this chapter. The department must report to~~
28 ~~the legislature by December 1, 2009, and December 1, 2013. The~~
29 ~~reports must measure the effect of the program on job creation, the~~
30 ~~number of jobs created for Washington residents, company growth, the~~
31 ~~introduction of new products, the diversification of the state's~~
32 ~~economy, growth in research and development investment, the movement~~
33 ~~of firms or the consolidation of firms' operations into the state,~~
34 ~~and such other factors as the department selects.~~

35 ~~(4))~~ A recipient who must repay deferred taxes under RCW
36 82.63.045 because the department has found that an investment project
37 is used for purposes other than research and development performed
38 within this state in the fields of advanced computing, advanced
39 materials, biotechnology, electronic device technology, and
40 environmental technology is no longer required to file annual

1 ((surveys under RCW 82.32.585)) tax performance reports under RCW
2 82.32.534 beginning on the date an investment project is used for
3 nonqualifying purposes.

4 **Sec. 38.** RCW 82.63.045 and 2010 c 114 s 141 are each amended to
5 read as follows:

6 (1) Except as provided in subsection (2) of this section and RCW
7 ((82.32.585)) 82.32.534, taxes deferred under this chapter need not
8 be repaid.

9 (2)(a) If, on the basis of the ((survey under RCW 82.32.585)) tax
10 performance report under RCW 82.32.534 or other information, the
11 department finds that an investment project is used for purposes
12 other than qualified research and development or pilot scale
13 manufacturing at any time during the calendar year in which the
14 investment project is certified by the department as having been
15 operationally completed, or at any time during any of the seven
16 succeeding calendar years, a portion of deferred taxes is immediately
17 due according to the following schedule:

18	Year in which use occurs	% of deferred taxes due
19	1	100%
20	2	87.5%
21	3	75%
22	4	62.5%
23	5	50%
24	6	37.5%
25	7	25%
26	8	12.5%

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

30 (3)(a) Notwithstanding subsection (2) of this section, in the
31 case of an investment project consisting of multiple qualified
32 buildings, the lessee is solely liable for payment of any deferred
33 tax determined by the department to be due and payable under this
34 section beginning on the date the department certifies that the
35 project is operationally complete.

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

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

11 (5) Notwithstanding subsection (2) of this section or RCW
12 (~~82.32.585~~) 82.32.534, deferred taxes on the following need not be
13 repaid:

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

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

19 **Sec. 39.** RCW 82.74.040 and 2010 c 114 s 142 are each amended to
20 read as follows:

21 (1) Each recipient of a deferral of taxes granted under this
22 chapter must file a complete annual (~~survey~~) tax performance report
23 with the department under RCW (~~82.32.585~~) 82.32.534. If the
24 economic benefits of the deferral are passed to a lessee as provided
25 in RCW 82.74.010(6), the lessee must file a complete annual
26 (~~survey~~) tax performance report, and the applicant is not required
27 to file the annual (~~survey~~) tax performance report.

28 (2) A recipient who must repay deferred taxes under RCW
29 82.74.050(2) because the department has found that an investment
30 project is used for purposes other than fresh fruit and vegetable
31 processing, dairy product manufacturing, seafood product
32 manufacturing, cold storage warehousing, or research and development
33 is no longer required to file annual (~~surveys under RCW 82.32.585~~)
34 tax performance reports under RCW 82.32.534 beginning on the date an
35 investment project is used for nonqualifying purposes.

36 **Sec. 40.** RCW 82.74.050 and 2010 c 114 s 143 are each amended to
37 read as follows:

1 (1) Except as provided in subsection (2) of this section and RCW
2 (~~82.32.585~~) 82.32.534, taxes deferred under this chapter need not
3 be repaid.

4 (2)(a) If, on the basis of the (~~survey under RCW 82.32.585~~) tax
5 performance report under RCW 82.32.534 or other information, the
6 department finds that an investment project is used for purposes
7 other than fresh fruit and vegetable processing, dairy product
8 manufacturing, seafood product manufacturing, cold storage
9 warehousing, or research and development at any time during the
10 calendar year in which the investment project is certified by the
11 department as having been operationally completed, or at any time
12 during any of the seven succeeding calendar years, a portion of
13 deferred taxes is immediately due according to the following
14 schedule:

15	Year in which nonqualifying use occurs	% of deferred taxes due
16	1	100%
17	2	87.5%
18	3	75%
19	4	62.5%
20	5	50%
21	6	37.5%
22	7	25%
23	8	12.5%

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

27 (3) The department must assess interest, but not penalties, on
28 the deferred taxes under subsection (2) of this section. The interest
29 must be assessed at the rate provided for delinquent taxes under
30 chapter 82.32 RCW, retroactively to the date of deferral, and will
31 accrue until the deferred taxes are repaid. The debt for deferred
32 taxes will not be extinguished by insolvency or other failure of the
33 recipient. Transfer of ownership does not terminate the deferral. The
34 deferral is transferred, subject to the successor meeting the
35 eligibility requirements of this chapter, for the remaining periods
36 of the deferral.

1 (4) Notwithstanding subsection (2) of this section or RCW
2 (~~82.32.585~~) 82.32.534, deferred taxes on the following need not be
3 repaid:

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

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

9 **Sec. 41.** RCW 82.75.040 and 2010 c 114 s 147 are each amended to
10 read as follows:

11 (1) Except as provided in subsection (2) of this section and RCW
12 (~~82.32.585~~) 82.32.534, taxes deferred under this chapter need not
13 be repaid.

14 (2)(a) If, on the basis of the (~~survey under RCW 82.32.585~~) tax
15 performance report under RCW 82.32.534 or other information, the
16 department finds that an investment project is used for purposes
17 other than qualified biotechnology product manufacturing or medical
18 device manufacturing activities at any time during the calendar year
19 in which the eligible investment project is certified by the
20 department as having been operationally completed, or at any time
21 during any of the seven succeeding calendar years, a portion of
22 deferred taxes is immediately due and payable according to the
23 following schedule:

24	Year in which use occurs	% of deferred taxes due
25	1	100%
26	2	87.5%
27	3	75%
28	4	62.5%
29	5	50%
30	6	37.5%
31	7	25%
32	8	12.5%

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

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

9 (4) Notwithstanding subsection (2) of this section or RCW
10 (~~82.32.585~~) 82.32.534, deferred taxes on the following need not be
11 repaid:

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

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

17 **Sec. 42.** RCW 82.75.070 and 2010 c 114 s 144 are each amended to
18 read as follows:

19 (1) Each recipient of a deferral of taxes granted under this
20 chapter must file a complete annual (~~survey~~) tax performance report
21 with the department under RCW (~~82.32.585~~) 82.32.534. If the
22 economic benefits of the deferral are passed to a lessee as provided
23 in RCW 82.75.010(5), the lessee must file a complete annual
24 (~~survey~~) tax performance report, and the applicant is not required
25 to file the annual (~~survey~~) tax performance report.

26 (2) A recipient who must repay deferred taxes under RCW
27 82.75.040(2) because the department has found that an investment
28 project is used for purposes other than qualified biotechnology
29 product manufacturing or medical device manufacturing activities is
30 no longer required to file annual (~~surveys under RCW 82.32.585~~) tax
31 performance reports under RCW 82.32.534 beginning on the date an
32 investment project is used for nonqualifying purposes.

33 **Sec. 43.** RCW 82.82.020 and 2010 c 114 s 148 are each amended to
34 read as follows:

35 (1) Application for deferral of taxes under this chapter can be
36 made at any time prior to completion of construction of a qualified
37 building or buildings, but tax liability incurred prior to the
38 department's receipt of an application may not be deferred. The

1 application must be made to the department in a form and manner
2 prescribed by the department. The application must contain
3 information regarding the location of the investment project, the
4 applicant's average employment in the state for the prior year,
5 estimated or actual new employment related to the project, estimated
6 or actual wages of employees related to the project, estimated or
7 actual costs, time schedules for completion and operation, and other
8 information required by the department. The department must rule on
9 the application within sixty days.

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

12 (3) Each recipient of a deferral of taxes under this chapter must
13 file a complete annual (~~(survey)~~) tax performance report with the
14 department under RCW (~~(82.32.585)~~) 82.32.534. If the economic
15 benefits of the deferral are passed to a lessee as provided in RCW
16 82.82.010(5), the lessee must file a complete annual (~~(survey)~~) tax
17 performance report, and the applicant is not required to file the
18 annual (~~(survey)~~) tax performance report.

19 (4) A recipient who must repay deferred taxes under RCW 82.82.040
20 because the department has found that an investment project is no
21 longer an eligible investment project is no longer required to file
22 annual (~~(surveys under RCW 82.32.585)~~) tax performance reports under
23 RCW 82.32.534 beginning on the date an investment project is used for
24 nonqualifying purposes.

25 **Sec. 44.** RCW 82.82.040 and 2010 c 114 s 149 are each amended to
26 read as follows:

27 (1) Except as provided in subsection (2) of this section and RCW
28 (~~(82.32.585)~~) 82.32.534, taxes deferred under this chapter need not
29 be repaid.

30 (2)(a) If, on the basis of the (~~(survey under RCW 82.32.585)~~) tax
31 performance report under RCW 82.32.534 or other information, the
32 department finds that an investment project is no longer an "eligible
33 investment project" under RCW 82.82.010 at any time during the
34 calendar year in which the investment project is certified by the
35 department as having been operationally completed, or at any time
36 during any of the seven succeeding calendar years, a portion of
37 deferred taxes are immediately due according to the following
38 schedule:

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

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

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

21 **Sec. 45.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to
22 read as follows:

23 (1) Machinery and equipment exempt under RCW 82.08.02565 or
24 82.12.02565 used in manufacturing semiconductor materials at a
25 building exempt from sales and use tax and in compliance with the
26 employment requirement under RCW 82.08.965 and 82.12.965 are exempt
27 from property taxation. "Semiconductor materials" has the same
28 meaning as provided in RCW 82.04.240(2).

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

31 (3) A person claiming an exemption under this section must file a
32 complete annual tax performance report with the department under RCW
33 82.32.534.

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

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

4 **Sec. 46.** RCW 84.36.655 and 2013 3rd sp.s. c 2 s 14 are each
5 amended to read as follows:

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

14 (2) In addition to all other requirements under this title, a
15 person claiming the exemption under this section must file a complete
16 annual tax performance report with the department under RCW
17 82.32.534.

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

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

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

28 **Sec. 47.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401
29 are each reenacted and amended to read as follows:

30 (1)(a) Sections 9, 13, 17, 22, 24, 30, 32, and 45, chapter . . . ,
31 Laws of 2017 (sections 9, 13, 17, 22, 24, 30, 32, and 45 of this act)
32 section 206, chapter 106, Laws of 2010, sections 104, 110, 117, 123,
33 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3, chapter
34 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and section
35 4, chapter 149, Laws of 2003 are contingent upon the siting and
36 commercial operation of a significant semiconductor microchip
37 fabrication facility in the state of Washington.

38 (b) For the purposes of this section:

1 (i) "Commercial operation" means the same as "commencement of
2 commercial production" as used in RCW 82.08.965.

3 (ii) "Semiconductor microchip fabrication" means "manufacturing
4 semiconductor microchips" as defined in RCW 82.04.426.

5 (iii) "Significant" means the combined investment of new
6 buildings and new machinery and equipment in the buildings, at the
7 commencement of commercial production, will be at least one billion
8 dollars.

9 (2) Chapter 149, Laws of 2003 takes effect the first day of the
10 month in which a contract for the construction of a significant
11 semiconductor fabrication facility is signed, as determined by the
12 director of the department of revenue.

13 (3)(a) The department of revenue must provide notice of the
14 effective date of sections 9, 13, 17, 22, 24, 30, 32, and 45,
15 chapter . . ., Laws of 2017 (sections 9, 13, 17, 22, 24, 30, 32, and
16 45 of this act), section 206, chapter 106, Laws of 2010, sections
17 104, 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of
18 2010((+,+)), section 3, chapter 461, Laws of 2009, section 7, chapter
19 300, Laws of 2006, and section 4, chapter 149, Laws of 2003 to
20 affected taxpayers, the legislature, and others as deemed appropriate
21 by the department.

22 (b) If, after making a determination that a contract has been
23 signed and chapter 149, Laws of 2003 is effective, the department
24 discovers that commencement of commercial production did not take
25 place within three years of the date the contract was signed, the
26 department must make a determination that chapter 149, Laws of 2003
27 is no longer effective, and all taxes that would have been otherwise
28 due are deemed deferred taxes and are immediately assessed and
29 payable from any person reporting tax under RCW 82.04.240(2) or
30 claiming an exemption or credit under section 2 or 5 through 10,
31 chapter 149, Laws of 2003. The department is not authorized to make a
32 second determination regarding the effective date of chapter 149,
33 Laws of 2003.

34 NEW SECTION. Sec. 48. This act takes effect January 1, 2018."

35 Correct the title.

EFFECT: Restores the reporting schedule for deferrals of tax.
Removes the requirement to include health and retirement benefit
information on most annual tax performance reports. Authorizes

taxpayers to opt to allow the Employment Security Department to provide employment and wage information to the Department of Revenue and the Joint Legislative Audit and Review Committee (JLARC) in order to reduce the reporting burden on the taxpayer. Allows JLARC to request additional information from a taxpayer to measure the results of the tax preference. Restores the requirement that if a taxpayer fails to file a required tax performance report for a tax deferral, 12.5 percent of the deferred tax is immediately due, and if the economic benefits pass to a lessee, the lessee is responsible for payment.

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