
HOUSE BILL 1296

State of Washington 65th Legislature 2017 Regular Session

By Representatives Nealey, Springer, Harris, Vick, MacEwen,
Stokesbary, Orcutt, Steele, Haler, and Condotta

Read first time 01/16/17. Referred to Committee on Finance.

1 AN ACT Relating to consolidating and simplifying the annual
2 report and annual survey used for economic development tax
3 incentives; amending RCW 82.32.534, 82.32.590, 82.32.600, 82.32.605,
4 82.32.607, 82.32.710, 82.32.808, 82.04.240, 82.04.2404, 82.04.2909,
5 82.04.426, 82.04.4277, 82.04.4461, 82.04.4463, 82.04.448, 82.04.4481,
6 82.04.4483, 82.04.449, 82.08.805, 82.08.965, 82.08.9651, 82.08.970,
7 82.08.980, 82.08.986, 82.12.022, 82.12.025651, 82.12.805, 82.12.965,
8 82.12.9651, 82.12.970, 82.12.980, 82.16.0421, 82.29A.137, 82.60.070,
9 82.63.020, 82.63.045, 82.74.040, 82.74.050, 82.75.040, 82.75.070,
10 82.82.020, 82.82.040, 84.36.645, and 84.36.655; reenacting and
11 amending RCW 82.04.260 and 82.32.790; adding a new section to chapter
12 50.13 RCW; repealing RCW 82.32.585; providing an effective date; and
13 providing a contingent effective date.

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

15 **Sec. 1.** RCW 82.32.534 and 2016 c 175 s 1 are each amended to
16 read as follows:

17 (1)(a) Beginning in calendar year 2018, every person claiming a
18 tax preference that requires ((a)) an annual tax preference
19 accountability report under this section must file a complete annual
20 report with the department. The report is due by May 31st of the year
21 following any calendar year in which a person becomes eligible to

1 claim the tax preference that requires a report under this section.
2 The department may extend the due date for timely filing of annual
3 reports under this section as provided in RCW 82.32.590.

4 (b) The report must include information detailing employment,
5 wages, and employer-provided health and retirement benefits for
6 employment positions in Washington for the year that the tax
7 preference was claimed. However, persons engaged in manufacturing
8 commercial airplanes or components of such airplanes may report
9 employment, wage, and benefit information per job at the
10 manufacturing site for the year that the tax preference was claimed.
11 The report must not include names of employees. The report must also
12 detail employment by the total number of full-time, part-time, and
13 temporary positions for the year that the tax preference was claimed.

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

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

24 (2)(a) As part of the annual report, the department may request
25 additional information necessary to measure the results of, or
26 determine eligibility for, the tax preference.

27 (b) The report must include the amount of the tax preference
28 claimed for the calendar year covered by the report. For a person
29 that claimed an exemption provided in RCW 82.08.025651 or
30 82.12.025651, the report must include the amount of tax exempted
31 under those sections in the prior calendar year for each general area
32 or category of research and development for which exempt machinery
33 and equipment and labor and services were acquired in the prior
34 calendar year.

35 (3) Other than information requested under subsection (2) of this
36 section, the information contained in an annual report filed under
37 this section is not subject to the confidentiality provisions of RCW
38 82.32.330 and may be disclosed to the public upon request.

39 (4)(a) Except as otherwise provided by law, if a person claims a
40 tax preference that requires an annual report under this section but

1 fails to submit a complete report by the due date or any extension
2 under RCW 82.32.590, the department must declare:

3 (i) Thirty-five percent of the amount of the tax preference
4 claimed for the previous calendar year to be immediately due and
5 payable; and

6 (ii) An additional fifteen percent of the amount of the tax
7 preference claimed for the previous calendar year to be immediately
8 due and payable if the person has previously been assessed under this
9 subsection (4) for failure to submit a report under this section for
10 the same tax preference.

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

13 (5) The department must use the information from this section to
14 prepare summary descriptive statistics by category. No fewer than
15 three taxpayers may be included in any category. The department must
16 report these statistics to the legislature each year by December
17 31st.

18 (6) For the purposes of this section:

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

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

24 NEW SECTION. Sec. 2. A new section is added to chapter 50.13
25 RCW to read as follows:

26 Nothing in this chapter prevents the disclosure of the employment
27 and wage information included in the annual tax preference
28 accountability report required under RCW 82.32.534.

29 NEW SECTION. Sec. 3. RCW 82.32.585 (Annual survey requirement
30 for tax preferences) and 2016 c 175 s 2, 2014 c 97 s 103, 2011 c 23 s
31 6, & 2010 c 114 s 102 are each repealed.

32 Sec. 4. RCW 82.32.590 and 2011 c 174 s 306 are each amended to
33 read as follows:

34 (1) If the department finds that the failure of a taxpayer to
35 file an annual (~~survey under RCW 82.32.585 or annual~~) tax
36 preference accountability report under RCW 82.32.534 by the due date
37 was the result of circumstances beyond the control of the taxpayer,

1 the department must extend the time for filing the (~~survey or~~) tax
2 preference accountability report. The extension is for a period of
3 thirty days from the date the department issues its written
4 notification to the taxpayer that it qualifies for an extension under
5 this section. The department may grant additional extensions as it
6 deems proper.

7 (2) In making a determination whether the failure of a taxpayer
8 to file an (~~annual survey or~~) annual tax preference accountability
9 report by the due date was the result of circumstances beyond the
10 control of the taxpayer, the department must be guided by rules
11 adopted by the department for the waiver or cancellation of penalties
12 when the underpayment or untimely payment of any tax was due to
13 circumstances beyond the control of the taxpayer.

14 (3)(a) Subject to the conditions in this subsection (3), a
15 taxpayer who fails to file an annual tax preference accountability
16 report (~~or annual survey~~) required under subsection (1) of this
17 section by the due date of the report (~~or survey~~) is entitled to an
18 extension of the due date. A request for an extension under this
19 subsection (3) must be made in writing to the department.

20 (b) To qualify for an extension under this subsection (3), a
21 taxpayer must have filed all annual tax preference accountability
22 reports (~~and surveys~~), if any, due in prior years under subsection
23 (1) of this section by their respective due dates, beginning with
24 annual reports (~~and surveys~~) due in calendar year 2010.

25 (c) An extension under this subsection (3) is for ninety days
26 from the original due date of the annual tax preference
27 accountability report (~~or survey~~).

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

30 **Sec. 5.** RCW 82.32.600 and 2010 c 114 s 136 are each amended to
31 read as follows:

32 (1) Persons required to file annual (~~surveys or annual reports~~
33 ~~under RCW 82.32.534 or 82.32.585~~) tax preference accountability
34 reports under RCW 82.32.534 must electronically file with the
35 department all (~~surveys,~~) reports, returns, and any other forms or
36 information the department requires in an electronic format as
37 provided or approved by the department. As used in this section,
38 "returns" has the same meaning as "return" in RCW 82.32.050.

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

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

7 **Sec. 6.** RCW 82.32.605 and 2013 2nd sp.s. c 13 s 1004 are each
8 amended to read as follows:

9 (1) Every taxpayer claiming an exemption under RCW 82.08.956 or
10 82.12.956 must file with the department a complete annual (~~survey as~~
11 ~~required under RCW 82.32.585~~) tax preference accountability report
12 under RCW 82.32.534, except that the taxpayer must file a separate
13 (~~survey~~) tax preference accountability report for each facility
14 owned or operated in the state of Washington.

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

16 **Sec. 7.** RCW 82.32.607 and 2013 2nd sp.s. c 13 s 1503 are each
17 amended to read as follows:

18 Every taxpayer claiming an exemption under RCW 82.08.962 or
19 82.12.962 must file with the department a complete annual (~~survey as~~
20 ~~required under RCW 82.32.585~~) tax preference accountability report
21 under RCW 82.32.534, except that the taxpayer must file a separate
22 (~~survey~~) tax preference accountability report for each facility
23 owned or operated in the state of Washington developed with
24 machinery, equipment, services, or labor for which the exemption
25 under RCW 43.136.058, 82.08.962, and 82.12.962 is claimed.

26 **Sec. 8.** RCW 82.32.710 and 2010 c 114 s 137 are each amended to
27 read as follows:

28 (1) A client under the terms of a professional employer agreement
29 is deemed to be the sole employer of a covered employee for purposes
30 of eligibility for any tax credit, exemption, or other tax incentive,
31 arising as the result of the employment of covered employees,
32 provided in RCW 82.04.4333, 82.04.44525, 82.04.448, 82.04.4483,
33 82.08.965, 82.12.965, 82.16.0495, or 82.60.049 or chapter 82.62 or
34 82.70 RCW, or any other provision in this title. A client, and not
35 the professional employer organization, is entitled to the benefit of
36 any tax credit, exemption, or other tax incentive arising as the
37 result of the employment of covered employees of that client.

1 (2) A client under the terms of a professional employer agreement
2 is deemed to be the sole employer of a covered employee for purposes
3 of tax preference accountability reports (~~(or surveys)~~) that require
4 the reporting of employment information relating to covered employees
5 of the client, as provided in RCW 82.32.534 (~~(or 82.32.585)~~). A
6 client, and not the professional employer organization, is required
7 to complete any (~~survey or~~) tax preference accountability report
8 that requires the reporting of employment information relating to
9 covered employees of that client.

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

13 **Sec. 9.** RCW 82.32.808 and 2013 2nd sp.s. c 13 s 1702 are each
14 amended to read as follows:

15 (1) As provided in this section, every bill enacting a new tax
16 preference must include a tax preference performance statement,
17 unless the legislation enacting the new tax preference contains an
18 explicit exemption from the requirements of this section.

19 (2) A tax preference performance statement must state the
20 legislative purpose for the new tax preference. The tax preference
21 performance statement must indicate one or more of the following
22 general categories, by reference to the applicable category specified
23 in this subsection, as the legislative purpose of the new tax
24 preference:

25 (a) Tax preferences intended to induce certain designated
26 behavior by taxpayers;

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

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

29 (d) Tax preferences intended to reduce structural inefficiencies
30 in the tax structure;

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

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

35 (3) In addition to identifying the general legislative purpose of
36 the tax preference under subsection (2) of this section, the tax
37 preference performance statement must provide additional detailed
38 information regarding the legislative purpose of the new tax
39 preference.

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

7 (5) If the tax preference performance statement for a new tax
8 preference indicates a legislative purpose described in subsection
9 (2)(b) or (c) of this section, any taxpayer claiming the new tax
10 preference must file an annual ~~((survey))~~ tax preference
11 accountability report in accordance with RCW ~~((82.32.585))~~ 82.32.534.

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

29 (b) This subsection does not apply to:

- 30 (i) Property tax exemptions;
31 (ii) Tax preferences required by constitutional law;
32 (iii) Tax preferences for which the tax benefit to the taxpayer
33 is less than one thousand dollars per calendar year; or
34 (iv) Taxpayers who are annual filers.

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

38 (7)(a) Except as otherwise provided in this subsection, the
39 amount claimed by a taxpayer for any new tax preference is subject to
40 public disclosure and is not considered confidential tax information

1 under RCW 82.32.330, if the reporting periods subject to disclosure
2 ended at least twenty-four months prior to the date of disclosure and
3 the taxpayer is required to report the amount of the tax preference
4 claimed by the taxpayer to the department under subsection (6) of
5 this section.

6 (b)(i) The department may waive the public disclosure requirement
7 under (a) of this subsection (7) for good cause. Good cause may be
8 demonstrated by a reasonable showing of economic harm to a taxpayer
9 if the information specified under this subsection is disclosed. The
10 waiver under this subsection (7)(b)(i) only applies to the new tax
11 preferences provided in chapter 13, Laws of 2013 2nd sp. sess.

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

16 (c) In lieu of the disclosure and waiver requirements under this
17 subsection, the requirements under RCW (~~82.32.585~~) 82.32.534 apply
18 to any tax preference that requires a (~~survey~~) tax preference
19 accountability report.

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

22 (a) RCW 82.08.808, this subsection, and subsections (6) and (7)
23 of this section apply, except to the extent that the legislation
24 enacting the new preference contains an explicit exemption from these
25 requirements; and

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

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

33 **Sec. 10.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to
34 read as follows:

35 (1) Upon every person engaging within this state in business as a
36 manufacturer, except persons taxable as manufacturers under other
37 provisions of this chapter; as to such persons the amount of the tax
38 with respect to such business is equal to the value of the products,

1 including byproducts, manufactured, multiplied by the rate of 0.484
2 percent.

3 (2)(a) Upon every person engaging within this state in the
4 business of manufacturing semiconductor materials, as to such persons
5 the amount of tax with respect to such business is, in the case of
6 manufacturers, equal to the value of the product manufactured, or, in
7 the case of processors for hire, equal to the gross income of the
8 business, multiplied by the rate of 0.275 percent. For the purposes
9 of this subsection "semiconductor materials" means silicon crystals,
10 silicon ingots, raw polished semiconductor wafers, compound
11 semiconductors, integrated circuits, and microchips.

12 (b) A person reporting under the tax rate provided in this
13 subsection (2) must file a complete annual tax preference
14 accountability report with the department under RCW 82.32.534.

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

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

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

22 (1) Upon every person engaging within this state in the business
23 of manufacturing or processing for hire semiconductor materials, as
24 to such persons the amount of tax with respect to such business is,
25 in the case of manufacturers, equal to the value of the product
26 manufactured, or, in the case of processors for hire, equal to the
27 gross income of the business, multiplied by the rate of 0.275
28 percent.

29 (2) For the purposes of this section "semiconductor materials"
30 means silicon crystals, silicon ingots, raw polished semiconductor
31 wafers, and compound semiconductor wafers.

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

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

36 **Sec. 12.** RCW 82.04.260 and 2015 3rd sp.s. c 6 s 602 and 2015 3rd
37 sp.s. c 6 s 205 are each reenacted and amended to read as follows:

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

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

9 (b) Beginning July 1, 2025, seafood products that remain in a
10 raw, raw frozen, or raw salted state at the completion of the
11 manufacturing by that person; or selling manufactured seafood
12 products that remain in a raw, raw frozen, or raw salted state at the
13 completion of the manufacturing, to purchasers who transport in the
14 ordinary course of business the goods out of this state; as to such
15 persons the amount of tax with respect to such business is equal to
16 the value of the products manufactured or the gross proceeds derived
17 from such sales, multiplied by the rate of 0.138 percent. Sellers
18 must keep and preserve records for the period required by RCW
19 82.32.070 establishing that the goods were transported by the
20 purchaser in the ordinary course of business out of this state;

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

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

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

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

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

9 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,
10 preserving, freezing, processing, or dehydrating fresh fruits or
11 vegetables, or selling at wholesale fruits or vegetables manufactured
12 by the seller by canning, preserving, freezing, processing, or
13 dehydrating fresh fruits or vegetables and sold to purchasers who
14 transport in the ordinary course of business the goods out of this
15 state; as to such persons the amount of tax with respect to such
16 business is equal to the value of the products manufactured or the
17 gross proceeds derived from such sales multiplied by the rate of
18 0.138 percent. Sellers must keep and preserve records for the period
19 required by RCW 82.32.070 establishing that the goods were
20 transported by the purchaser in the ordinary course of business out
21 of this state.

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

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

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

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

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

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

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

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

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

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

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

9 (8)(a) Upon every person engaging within this state in the
10 business of disposing of low-level waste, as defined in RCW
11 43.145.010; as to such persons the amount of the tax with respect to
12 such business is equal to the gross income of the business, excluding
13 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
14 3.3 percent.

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

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

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

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

1 of processors for hire, equal to the gross income of the business,
2 multiplied by the rate of:

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

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

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

17 (c) For the purposes of this subsection (11), "commercial
18 airplane" and "component" have the same meanings as provided in RCW
19 82.32.550.

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

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

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

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

1 products, including by-products, extracted, or in the case of
2 extractors for hire, equal to the gross income of the business,
3 multiplied by the rate of 0.4235 percent from July 1, 2006, through
4 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
5 2024.

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

16 (c) Until July 1, 2024, upon every person engaging within this
17 state in the business of selling at wholesale: (i) Timber extracted
18 by that person; (ii) timber products manufactured by that person from
19 timber or other timber products; or (iii) wood products manufactured
20 by that person from timber or timber products; as to such persons the
21 amount of the tax with respect to the business is equal to the gross
22 proceeds of sales of the timber, timber products, or wood products
23 multiplied by the rate of 0.4235 percent from July 1, 2006, through
24 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
25 2024.

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

36 (e) For purposes of this subsection, the following definitions
37 apply:

38 (i) "Biocomposite surface products" means surface material
39 products containing, by weight or volume, more than fifty percent

1 recycled paper and that also use nonpetroleum-based phenolic resin as
2 a bonding agent.

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

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

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

25 (v) "Timber products" means:

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

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

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

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

37 (f) Except for small harvesters as defined in RCW 84.33.035, a
38 person reporting under the tax rate provided in this subsection (12)
39 must file a complete annual ((survey)) tax preference accountability
40 report with the department under RCW ((82.32.585)) 82.32.534.

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

6 (14)(a) Upon every person engaging within this state in the
7 business of printing a newspaper, publishing a newspaper, or both,
8 the amount of tax on such business is equal to the gross income of
9 the business multiplied by the rate of 0.35 percent until July 1,
10 2024, and 0.484 percent thereafter.

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

14 **Sec. 13.** RCW 82.04.2909 and 2015 3rd sp.s. c 6 s 502 are each
15 amended to read as follows:

16 (1) Upon every person who is an aluminum smelter engaging within
17 this state in the business of manufacturing aluminum; as to such
18 persons the amount of tax with respect to such business is, in the
19 case of manufacturers, equal to the value of the product
20 manufactured, or in the case of processors for hire, equal to the
21 gross income of the business, multiplied by the rate of .2904
22 percent.

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

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

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

32 **Sec. 14.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to
33 read as follows:

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

36 (2) For the purposes of this section:

37 (a) "Manufacturing semiconductor microchips" means taking raw
38 polished semiconductor wafers and embedding integrated circuits on

1 the wafers using processes such as masking, etching, and diffusion;
2 and

3 (b) "Integrated circuit" means a set of microminiaturized,
4 electronic circuits.

5 (3) A person reporting under the tax rate provided in this
6 section must file a complete annual tax preference accountability
7 report with the department under RCW 82.32.534.

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

10 **Sec. 15.** RCW 82.04.4277 and 2016 sp.s. c 29 s 532 are each
11 amended to read as follows:

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

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

20 (3) A person claiming a deduction under this section must file a
21 complete annual tax preference accountability report with the
22 department under RCW 82.32.534.

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

25 (a) "Chemical dependency" has the same meaning as provided in RCW
26 70.96A.020.

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

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

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

32 **Sec. 16.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each
33 amended to read as follows:

34 (1)(a)(i) In computing the tax imposed under this chapter, a
35 credit is allowed for each person for qualified aerospace product
36 development. For a person who is a manufacturer or processor for hire
37 of commercial airplanes or components of such airplanes, credit may
38 be earned for expenditures occurring after December 1, 2003. For all

1 other persons, credit may be earned only for expenditures occurring
2 after June 30, 2008.

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

5 (b) Before July 1, 2005, any credits earned under this section
6 must be accrued and carried forward and may not be used until July 1,
7 2005. These carryover credits may be used at any time thereafter, and
8 may be carried over until used. Refunds may not be granted in the
9 place of a credit.

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

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

20 (4) Any person claiming the credit must file a form prescribed by
21 the department that must include the amount of the credit claimed, an
22 estimate of the anticipated aerospace product development
23 expenditures during the calendar year for which the credit is
24 claimed, an estimate of the taxable amount during the calendar year
25 for which the credit is claimed, and such additional information as
26 the department may prescribe.

27 (5) The definitions in this subsection apply throughout this
28 section.

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

30 (b) "Aerospace product development" means research, design, and
31 engineering activities performed in relation to the development of an
32 aerospace product or of a product line, model, or model derivative of
33 an aerospace product, including prototype development, testing, and
34 certification. The term includes the discovery of technological
35 information, the translating of technological information into new or
36 improved products, processes, techniques, formulas, or inventions,
37 and the adaptation of existing products and models into new products
38 or new models, or derivatives of products or models. The term does
39 not include manufacturing activities or other production-oriented
40 activities, however the term does include tool design and engineering

1 design for the manufacturing process. The term does not include
2 surveys and studies, social science and humanities research, market
3 research or testing, quality control, sale promotion and service,
4 computer software developed for internal use, and research in areas
5 such as improved style, taste, and seasonal design.

6 (c) "Qualified aerospace product development" means aerospace
7 product development performed within this state.

8 (d) "Qualified aerospace product development expenditures" means
9 operating expenses, including wages, compensation of a proprietor or
10 a partner in a partnership as determined by the department, benefits,
11 supplies, and computer expenses, directly incurred in qualified
12 aerospace product development by a person claiming the credit
13 provided in this section. The term does not include amounts paid to a
14 person or to the state and any of its departments and institutions,
15 other than a public educational or research institution to conduct
16 qualified aerospace product development. The term does not include
17 capital costs and overhead, such as expenses for land, structures, or
18 depreciable property.

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

23 (6) In addition to all other requirements under this title, a
24 person claiming the credit under this section must file a complete
25 annual tax preference accountability report with the department under
26 RCW 82.32.534.

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

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

30 **Sec. 17.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each
31 amended to read as follows:

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

35 (2) The credit is equal to:

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

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

6 (C) Property taxes or leasehold excise taxes paid on, or with
7 respect to, buildings constructed after June 30, 2008, the land upon
8 which the buildings are located, or both, and used exclusively for
9 aerospace product development, manufacturing tooling specifically
10 designed for use in manufacturing commercial airplanes or their
11 components, or in providing aerospace services, by persons not within
12 the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable
13 under RCW 82.04.290(3), 82.04.260(11)(b), or 82.04.250(3); or

14 (ii) Property taxes attributable to an increase in assessed value
15 due to the renovation or expansion, after: (A) December 1, 2003, of a
16 building used exclusively in manufacturing commercial airplanes or
17 components of such airplanes; and (B) June 30, 2008, of buildings
18 used exclusively for aerospace product development, manufacturing
19 tooling specifically designed for use in manufacturing commercial
20 airplanes or their components, or in providing aerospace services, by
21 persons not within the scope of (a)(ii)(A) of this subsection (2) and
22 are taxable under RCW 82.04.290(3), 82.04.260(11)(b), or
23 82.04.250(3); and

24 (b) An amount equal to:

25 (i)(A) Property taxes paid, by persons taxable under RCW
26 82.04.260(11)(a), on machinery and equipment exempt under RCW
27 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

28 (B) Property taxes paid, by persons taxable under RCW
29 82.04.260(11)(b), on machinery and equipment exempt under RCW
30 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

31 (C) Property taxes paid, by persons taxable under RCW
32 82.04.250(3) or 82.04.290(3), on computer hardware, computer
33 peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and
34 acquired after June 30, 2008.

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

38 (A) The numerator of the fraction is the total taxable amount
39 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the
40 applicable business activities of manufacturing commercial airplanes,

1 components of such airplanes, or tooling specifically designed for
2 use in the manufacturing of commercial airplanes or components of
3 such airplanes.

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

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

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

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

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

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

27 (b) "Aerospace services" has the same meaning given in RCW
28 82.08.975.

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

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

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

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

1 **Sec. 18.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to
2 read as follows:

3 (1) Subject to the limits and provisions of this section, a
4 credit is authorized against the tax otherwise due under RCW
5 82.04.240(2) for persons engaged in the business of manufacturing
6 semiconductor materials. For the purposes of this section
7 "semiconductor materials" has the same meaning as provided in RCW
8 82.04.240(2).

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

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

22 (c) In those situations where a production building in existence
23 on the effective date of this section will be phased out of
24 operation, during which time employment at the new building at the
25 same site is increased, the person is eligible for credit for
26 employment at the existing building and new building, with the
27 limitation that the combined eligible employment not exceed full
28 employment at the new building. "Full employment" has the same
29 meaning as in RCW 82.08.965. The credit may not be earned until the
30 commencement of commercial production, as that term is used in RCW
31 82.08.965.

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

37 (4) If at any time the department finds that a person is not
38 eligible for tax credit under this section, the amount of taxes for
39 which a credit has been claimed is immediately due. The department
40 must assess interest, but not penalties, on the taxes for which the

1 person is not eligible. The interest must be assessed at the rate
2 provided for delinquent excise taxes under chapter 82.32 RCW, is
3 retroactive to the date the tax credit was taken, and accrues until
4 the taxes for which a credit has been used are repaid.

5 (5) A person claiming the credit under this section must file a
6 complete annual tax preference accountability report with the
7 department under RCW 82.32.534.

8 (6) Credits may be claimed after twelve years after the effective
9 date of this act, for those buildings at which commercial production
10 began before twelve years after the effective date of this act,
11 subject to all of the eligibility criteria and limitations of this
12 section.

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

15 **Sec. 19.** RCW 82.04.4481 and 2015 3rd sp.s. c 6 s 503 are each
16 amended to read as follows:

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

21 (2) A person claiming the credit under this section is subject to
22 all the requirements of chapter 82.32 RCW. A credit earned during one
23 calendar year may be carried over to be credited against taxes
24 incurred in the subsequent calendar year, but may not be carried over
25 a second year. Credits carried over must be applied to tax liability
26 before new credits. No refunds may be granted for credits under this
27 section.

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

30 (4) A person claiming the credit provided in this section must
31 file a complete annual tax preference accountability report with the
32 department under RCW 82.32.534.

33 **Sec. 20.** RCW 82.04.4483 and 2010 c 114 s 119 are each amended to
34 read as follows:

35 (1) Subject to the limits and provisions of this section, a
36 credit is authorized against the tax otherwise due under this chapter
37 for persons engaged in a rural county in the business of

1 manufacturing computer software or programming, as those terms are
2 defined in this section.

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

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

11 (b) If an activity is conducted both from a rural county and
12 outside of a rural county, the credit is available if at least ninety
13 percent of the qualifying activity is conducted within a rural
14 county. If the qualifying activity is a service taxable activity, the
15 place where the work is performed is the place at which the activity
16 is conducted.

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

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

35 (c) Credit is authorized for new employees hired for new
36 qualified employment positions created on or after January 1, 2004.
37 New qualified employment positions filled by existing employees are
38 eligible for the credit under this section only if the position
39 vacated by the existing employee is filled by a new hire. A business
40 that is a sole proprietorship without any employees is equivalent to

1 one employee position and this type of business is eligible to
2 receive credit for one position.

3 (d) If a position is filled before July 1st, the position is
4 eligible for the full yearly credit for that calendar year. If it is
5 filled after June 30th, the position is eligible for half of the
6 credit for that calendar year.

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

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

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

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

34 (9) A person claiming a tax credit under this section must file a
35 complete annual ((survey)) tax preference accountability report with
36 the department under RCW ((82.32.585)) 82.32.534.

37 (10) As used in this section:

38 (a) "Computer software" has the meaning as defined in RCW
39 82.04.215 after June 30, 2004, and includes "software" as defined in
40 RCW 82.04.215 before July 1, 2004.

1 (b) "Manufacturing" means the same as "to manufacture" under RCW
2 82.04.120. Manufacturing includes the activities of both
3 manufacturers and processors for hire.

4 (c) "Programming" means the activities that involve the creation
5 or modification of computer software, as that term is defined in this
6 chapter, and that are taxable as a service under RCW 82.04.290(2) or
7 as a retail sale under RCW 82.04.050.

8 (d) "Qualifying activity" means manufacturing of computer
9 software or programming.

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

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

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

22 **Sec. 21.** RCW 82.04.449 and 2012 c 46 s 3 are each amended to
23 read as follows:

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

37 (2) A person claiming the credit provided in this section must
38 file a complete annual ((survey)) tax preference accountability
39 report with the department under RCW ((82.32.585)) 82.32.534.

1 **Sec. 22.** RCW 82.08.805 and 2015 3rd sp.s. c 6 s 504 are each
2 amended to read as follows:

3 (1) A person who has paid tax under RCW 82.08.020 for personal
4 property used at an aluminum smelter, tangible personal property that
5 will be incorporated as an ingredient or component of buildings or
6 other structures at an aluminum smelter, or for labor and services
7 rendered with respect to such buildings, structures, or personal
8 property, is eligible for an exemption from the state share of the
9 tax in the form of a credit, as provided in this section. A person
10 claiming an exemption must pay the tax and may then take a credit
11 equal to the state share of retail sales tax paid under RCW
12 82.08.020. The person must submit information, in a form and manner
13 prescribed by the department, specifying the amount of qualifying
14 purchases or acquisitions for which the exemption is claimed and the
15 amount of exempted tax.

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

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

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

23 **Sec. 23.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to
24 read as follows:

25 (1) The tax levied by RCW 82.08.020 does not apply to charges
26 made for labor and services rendered in respect to the constructing
27 of new buildings used for the manufacturing of semiconductor
28 materials, to sales of tangible personal property that will be
29 incorporated as an ingredient or component of such buildings during
30 the course of the constructing, or to labor and services rendered in
31 respect to installing, during the course of constructing, building
32 fixtures not otherwise eligible for the exemption under RCW
33 82.08.02565(2)(b). The exemption is available only when the buyer
34 provides the seller with an exemption certificate in a form and
35 manner prescribed by the department. The seller must retain a copy of
36 the certificate for the seller's files.

37 (2) To be eligible under this section the manufacturer or
38 processor for hire must meet the following requirements for an eight-
39 year period, such period beginning the day the new building commences

1 commercial production, or a portion of tax otherwise due will be
2 immediately due and payable pursuant to subsection (3) of this
3 section:

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

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

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

22 (d) No application is necessary for the tax exemption. The person
23 is subject to all the requirements of chapter 82.32 RCW. A person
24 claiming the exemption under this section must file a complete annual
25 tax preference accountability report with the department under RCW
26 82.32.534.

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

32 (4) The exemption applies to new buildings, or parts of
33 buildings, that are used exclusively in the manufacturing of
34 semiconductor materials, including the storage of raw materials and
35 finished product.

36 (5) For the purposes of this section:

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

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

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

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

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

12 **Sec. 24.** RCW 82.08.9651 and 2014 c 97 s 405 are each amended to
13 read as follows:

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

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

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

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

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

1 **Sec. 25.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to
2 read as follows:

3 (1) The tax levied by RCW 82.08.020 does not apply to sales of
4 gases and chemicals used by a manufacturer or processor for hire in
5 the manufacturing of semiconductor materials. This exemption is
6 limited to gases and chemicals used in the manufacturing process to
7 grow the product, deposit or grow permanent or sacrificial layers on
8 the product, to etch or remove material from the product, to anneal
9 the product, to immerse the product, to clean the product, and other
10 such uses whereby the gases and chemicals come into direct contact
11 with the product during the manufacturing process, or uses of gases
12 and chemicals to clean the chambers and other like equipment in which
13 such processing takes place. For the purposes of this section,
14 "semiconductor materials" has the same meaning as provided in RCW
15 82.04.240(2).

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

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

23 **Sec. 26.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each
24 amended to read as follows:

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

26 (a) Charges, for labor and services rendered in respect to the
27 constructing of new buildings, made to (i) a manufacturer engaged in
28 the manufacturing of commercial airplanes or the fuselages or wings
29 of commercial airplanes or (ii) a port district, political
30 subdivision, or municipal corporation, to be leased to a manufacturer
31 engaged in the manufacturing of commercial airplanes or the fuselages
32 or wings of commercial airplanes;

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

36 (c) Charges made for labor and services rendered in respect to
37 installing, during the course of constructing such buildings,
38 building fixtures not otherwise eligible for the exemption under RCW
39 82.08.02565(2)(b).

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

5 (3) No application is necessary for the tax exemption in this
6 section. However, in order to qualify under this section before
7 starting construction, the port district, political subdivision, or
8 municipal corporation must have entered into an agreement with the
9 manufacturer to build such a facility. A person claiming the
10 exemption under this section is subject to all the requirements of
11 chapter 82.32 RCW. In addition, the person must file a complete
12 annual tax preference accountability report with the department under
13 RCW 82.32.534.

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

- 18 (a) Commercial airplanes;
- 19 (b) Fuselages of commercial airplanes; or
- 20 (c) Wings of commercial airplanes.

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

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

24 **Sec. 27.** RCW 82.08.986 and 2015 3rd sp.s. c 6 s 302 are each
25 amended to read as follows:

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

36 (2)(a) In order to claim the exemption under this section, a
37 qualifying business or a qualifying tenant must submit an application
38 to the department for an exemption certificate. The application must
39 include the information necessary, as required by the department, to

1 determine that a business or tenant qualifies for the exemption under
2 this section. The department must issue exemption certificates to
3 qualifying businesses and qualifying tenants. The department may
4 assign a unique identification number to each exemption certificate
5 issued under this section.

6 (b) A qualifying business or a qualifying tenant claiming the
7 exemption under this section must present the seller with an
8 exemption certificate in a form and manner prescribed by the
9 department. The seller must retain a copy of the certificate for the
10 seller's files.

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

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

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

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

36 (b) In calculating the net increase in family wage employment
37 positions:

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

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

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

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

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

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

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

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

31 (ii)(A) Family wage employment positions include positions filled
32 by employees of the owner of the eligible computer data center and by
33 employees of qualifying tenants.

34 (B) Family wage employment positions also include individuals
35 performing work at an eligible computer data center as an independent
36 contractor hired by the owner of the eligible computer data center or
37 as an employee of an independent contractor hired by the owner of the
38 eligible computer data center, if the work is necessary for the
39 operation of the computer data center, such as security and building

1 maintenance, and provided that all of the requirements in (c)(i) of
2 this subsection (3) are met.

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

6 (4) A qualifying business or a qualifying tenant claiming an
7 exemption under this section or RCW 82.12.986 must complete an annual
8 tax preference accountability report with the department as required
9 under RCW 82.32.534.

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

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

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

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

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

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

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

36 (c)(i) "Computer data center" means a facility comprised of one
37 or more buildings, which may be comprised of multiple businesses,
38 constructed or refurbished specifically, and used primarily, to house
39 working servers, where the facility has the following
40 characteristics: (A) Uninterruptible power supplies, generator backup

1 power, or both; (B) sophisticated fire suppression and prevention
2 systems; and (C) enhanced physical security, such as: Restricted
3 access to the facility to selected personnel; permanent security
4 guards; video camera surveillance; an electronic system requiring
5 passcodes, keycards, or biometric scans, such as hand scans and
6 retinal or fingerprint recognition; or similar security features.

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

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

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

22 (e)(i) "Eligible computer data center" means a computer data
23 center:

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

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

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

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

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

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

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

1 initiated before the issuance of a building permit for the
2 construction of the foundation of a computer data center.

3 (iii) With respect to facilities in existence on April 1, 2010,
4 that are expanded, renovated, or otherwise improved after March 31,
5 2010, or facilities in existence on April 1, 2012, that are expanded,
6 renovated, or otherwise improved after March 31, 2012, or facilities
7 in existence on July 1, 2015, that are expanded, renovated, or
8 otherwise improved after June 30, 2015, an eligible computer data
9 center includes only the portion of the computer data center meeting
10 the requirements in (e)(i)(B) of this subsection (6).

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

20 (g) "Eligible server equipment" means:

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

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

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

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

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

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

5 (iii)(A) For a qualifying business whose computer data center
6 qualifies as an eligible computer data center under (e)(i)(C)(III) of
7 this subsection (6), "eligible server equipment" means the original
8 server equipment installed in a building within an eligible computer
9 data center on or after July 1, 2015, and replacement server
10 equipment. Server equipment installed in movable or fixed stand-
11 alone, prefabricated, or modular units, including intermodal shipping
12 containers, is not "directly installed in a building." For purposes
13 of this subsection (6)(g)(iii)(A), "replacement server equipment"
14 means server equipment that replaces existing server equipment, if
15 the sale or use of the server equipment to be replaced qualified for
16 an exemption under this section or RCW 82.12.986; and

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

19 (iv) For a qualifying tenant who leases space within an eligible
20 computer data center, "eligible server equipment" means the original
21 server equipment installed within the space it leases from an
22 eligible computer data center on or after April 1, 2010, and before
23 January 1, 2026, and replacement server equipment. For purposes of
24 this subsection (6)(g)(iv), "replacement server equipment" means
25 server equipment that:

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

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

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

35 (h) "Qualifying business" means a business entity that exists for
36 the primary purpose of engaging in commercial activity for profit and
37 that is the owner of an eligible computer data center. The term does
38 not include the state or federal government or any of their
39 departments, agencies, and institutions; tribal governments;
40 political subdivisions of this state; or any municipal, quasi-

1 municipal, public, or other corporation created by the state or
2 federal government, tribal government, municipality, or political
3 subdivision of the state.

4 (i) "Qualifying tenant" means a business entity that exists for
5 the primary purpose of engaging in commercial activity for profit and
6 that leases space from a qualifying business within an eligible
7 computer data center. The term does not include the state or federal
8 government or any of their departments, agencies, and institutions;
9 tribal governments; political subdivisions of this state; or any
10 municipal, quasi-municipal, public, or other corporation created by
11 the state or federal government, tribal government, municipality, or
12 political subdivision of the state. The term also does not include a
13 lessee of space in an eligible computer data center under
14 (e)(i)(C)(I) of this subsection (6), if the lessee and lessor are
15 affiliated and:

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

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

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

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

37 (1) A use tax is levied on every person in this state for the
38 privilege of using natural gas or manufactured gas, including

1 compressed natural gas and liquefied natural gas, within this state
2 as a consumer.

3 (2) The tax must be levied and collected in an amount equal to
4 the value of the article used by the taxpayer multiplied by the rate
5 in effect for the public utility tax on gas distribution businesses
6 under RCW 82.16.020. The "value of the article used" does not include
7 any amounts that are paid for the hire or use of a gas distribution
8 business as defined in RCW 82.16.010(2) in transporting the gas
9 subject to tax under this subsection if those amounts are subject to
10 tax under that chapter.

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

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

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

21 (b) A person claiming the exemption provided in this subsection
22 (5) must file a complete annual tax preference accountability report
23 with the department under RCW 82.32.534.

24 (6) The tax imposed by this section does not apply to the use of
25 natural gas, compressed natural gas, or liquefied natural gas, if the
26 consumer uses the gas for transportation fuel as defined in RCW
27 82.16.310.

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

30 (a) The person who sold the gas to the consumer when that tax is
31 a gross receipts tax similar to that imposed pursuant to RCW
32 82.16.020 by another state with respect to the gas for which a credit
33 is sought under this subsection; or

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

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

1 (9) There is imposed a reporting requirement on the person who
2 delivered the gas to the consumer to make a quarterly report to the
3 department. Such report must contain the volume of gas delivered,
4 name of the consumer to whom delivered, and such other information as
5 the department may require by rule.

6 (10) The department may adopt rules under chapter 34.05 RCW for
7 the administration and enforcement of sections 1 through 6, chapter
8 384, Laws of 1989.

9 **Sec. 29.** RCW 82.12.025651 and 2011 c 23 s 5 are each amended to
10 read as follows:

11 (1) The provisions of this chapter do not apply in respect to the
12 use by a public research institution of machinery and equipment used
13 primarily in a research and development operation, or to the use of
14 labor and services rendered in respect to installing, repairing,
15 cleaning, altering, or improving the machinery and equipment.

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

17 (3) A public research institution receiving the benefit of the
18 exemption provided in this section must file a complete annual
19 ((survey)) tax preference accountability report with the department
20 under RCW ((82.32.585)) 82.32.534.

21 **Sec. 30.** RCW 82.12.805 and 2015 3rd sp.s. c 6 s 505 are each
22 amended to read as follows:

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

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

1 (3) A person reporting under the tax rate provided in this
2 section must file a complete annual tax preference accountability
3 report with the department under RCW 82.32.534.

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

6 **Sec. 31.** RCW 82.12.965 and 2010 c 114 s 129 are each amended to
7 read as follows:

8 (1) The provisions of this chapter do not apply with respect to
9 the use of tangible personal property that will be incorporated as an
10 ingredient or component of new buildings used for the manufacturing
11 of semiconductor materials during the course of constructing such
12 buildings or to labor and services rendered in respect to installing,
13 during the course of constructing, building fixtures not otherwise
14 eligible for the exemption under RCW 82.08.02565(2)(b).

15 (2) The eligibility requirements, conditions, and definitions in
16 RCW 82.08.965 apply to this section, including the filing of a
17 complete annual tax preference accountability report with the
18 department under RCW 82.32.534.

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

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

25 **Sec. 32.** RCW 82.12.9651 and 2014 c 97 s 406 are each amended to
26 read as follows:

27 (1) The provisions of this chapter do not apply with respect to
28 the use of gases and chemicals used by a manufacturer or processor
29 for hire in the production of semiconductor materials. This exemption
30 is limited to gases and chemicals used in the production process to
31 grow the product, deposit or grow permanent or sacrificial layers on
32 the product, to etch or remove material from the product, to anneal
33 the product, to immerse the product, to clean the product, and other
34 such uses whereby the gases and chemicals come into direct contact
35 with the product during the production process, or uses of gases and
36 chemicals to clean the chambers and other like equipment in which
37 such processing takes place. For purposes of this section,

1 "semiconductor materials" has the meaning provided in RCW 82.04.2404
2 and 82.04.294(3).

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

6 ~~(b) A person claiming the exemption under this section and who is~~
7 ~~required to file a complete annual report with the department under~~
8 ~~RCW 82.32.534 as a result of claiming the tax preference provided by~~
9 ~~RCW 82.04.2404 is not also required to file a complete annual survey~~
10 ~~under RCW 82.32.585)) tax preference accountability report with the~~
11 ~~department under RCW 82.32.534.~~

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

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

15 **Sec. 33.** RCW 82.12.970 and 2010 c 114 s 131 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 manufacturing of semiconductor materials. This
20 exemption is limited to gases and chemicals used in the manufacturing
21 process to grow the product, deposit or grow permanent or sacrificial
22 layers on the product, to etch or remove material from the product,
23 to anneal the product, to immerse the product, to clean the product,
24 and other such uses whereby the gases and chemicals come into direct
25 contact with the product during the manufacturing process, or uses of
26 gases and chemicals to clean the chambers and other like equipment in
27 which such processing takes place. For purposes of this section,
28 "semiconductor materials" has the same meaning as provided in RCW
29 82.04.240(2).

30 (2) A person claiming the exemption under this section must file
31 a complete annual tax preference accountability report with the
32 department under RCW 82.32.534. No application is necessary for the
33 tax exemption. The person is subject to all of the requirements of
34 chapter 82.32 RCW.

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

37 **Sec. 34.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each
38 amended to read as follows:

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

3 (a) Tangible personal property that will be incorporated as an
4 ingredient or component in constructing new buildings for (i) a
5 manufacturer engaged in the manufacturing of commercial airplanes or
6 the fuselages or wings of commercial airplanes or (ii) a port
7 district, political subdivision, or municipal corporation, to be
8 leased to a manufacturer engaged in the manufacturing of commercial
9 airplanes or the fuselages or wings of commercial airplanes; or

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

13 (2) The eligibility requirements, conditions, and definitions in
14 RCW 82.08.980 apply to this section, including the filing of a
15 complete annual tax preference accountability report with the
16 department under RCW 82.32.534.

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

18 **Sec. 35.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended to
19 read as follows:

20 (1) (~~For the purposes of this section:~~) The definitions in this
21 subsection apply throughout this section unless the context clearly
22 requires otherwise.

23 (a) "Chlor-alkali electrolytic processing business" means a
24 person who is engaged in a business that uses more than ten average
25 megawatts of electricity per month in a chlor-alkali electrolytic
26 process to split the electrochemical bonds of sodium chloride and
27 water to make chlorine and sodium hydroxide. A "chlor-alkali
28 electrolytic processing business" does not include direct service
29 industrial customers or their subsidiaries that contract for the
30 purchase of power from the Bonneville power administration as of June
31 10, 2004.

32 (b) "Sodium chlorate electrolytic processing business" means a
33 person who is engaged in a business that uses more than ten average
34 megawatts of electricity per month in a sodium chlorate electrolytic
35 process to split the electrochemical bonds of sodium chloride and
36 water to make sodium chlorate and hydrogen. A "sodium chlorate
37 electrolytic processing business" does not include direct service
38 industrial customers or their subsidiaries that contract for the

1 purchase of power from the Bonneville power administration as of June
2 10, 2004.

3 (2) Effective July 1, 2004, the tax levied under this chapter
4 does not apply to sales of electricity made by a light and power
5 business to a chlor-alkali electrolytic processing business or a
6 sodium chlorate electrolytic processing business for the electrolytic
7 process if the contract for sale of electricity to the business
8 contains the following terms:

9 (a) The electricity to be used in the electrolytic process is
10 separately metered from the electricity used for general operations
11 of the business;

12 (b) The price charged for the electricity used in the
13 electrolytic process will be reduced by an amount equal to the tax
14 exemption available to the light and power business under this
15 section; and

16 (c) Disallowance of all or part of the exemption under this
17 section is a breach of contract and the damages to be paid by the
18 chlor-alkali electrolytic processing business or the sodium chlorate
19 electrolytic processing business are the amount of the tax exemption
20 disallowed.

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

24 (4) In order to claim an exemption under this section, the chlor-
25 alkali electrolytic processing business or the sodium chlorate
26 electrolytic processing business must provide the light and power
27 business with an exemption certificate in a form and manner
28 prescribed by the department.

29 (5) A person receiving the benefit of the exemption provided in
30 this section must file a complete annual tax preference
31 accountability report with the department under RCW 82.32.534.

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

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

35 **Sec. 36.** RCW 82.29A.137 and 2013 3rd sp.s. c 2 s 13 are each
36 amended to read as follows:

37 (1) All leasehold interests in port district facilities exempt
38 from tax under RCW 82.08.980 or 82.12.980 and used by a manufacturer
39 engaged in the manufacturing of superefficient airplanes, as defined

1 in RCW 82.32.550, are exempt from tax under this chapter. A person
2 claiming the credit under RCW 82.04.4463 is not eligible for the
3 exemption under this section.

4 (2) In addition to all other requirements under this title, a
5 person claiming the exemption under this section must file a complete
6 annual tax preference accountability report with the department under
7 RCW 82.32.534.

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

9 **Sec. 37.** RCW 82.60.070 and 2010 1st sp.s. c 16 s 9 are each
10 amended to read as follows:

11 (1)(a) Each recipient of a deferral of taxes granted under this
12 chapter must file a complete annual ~~((survey))~~ tax preference
13 accountability report with the department under RCW ~~((82.32.585))~~
14 82.32.534. If the economic benefits of the deferral are passed to a
15 lessee as provided in RCW 82.60.025, the lessee must file a complete
16 annual ~~((survey))~~ tax preference accountability report, and the
17 applicant is not required to file a complete annual ~~((survey))~~ tax
18 preference accountability report.

19 (b) The department must use the information reported on the
20 annual ~~((survey))~~ tax preference accountability report required by
21 this section to study the tax deferral program authorized under this
22 chapter. The department must report to the legislature by December 1,
23 2019. The report must measure the effect of the program on job
24 creation, the number of jobs created for residents of eligible areas,
25 company growth, ~~((the introduction of new products, the~~
26 ~~diversification of the state's economy, growth in research and~~
27 ~~development investment, the movement of firms or the consolidation of~~
28 ~~firms' operations into the state,))~~ and such other factors as the
29 department selects.

30 (2) Except as provided in RCW 82.60.063, if, on the basis of a
31 ~~((survey under RCW 82.32.585))~~ tax preference accountability report
32 under RCW 82.32.534 or other information, the department finds that
33 an investment project is not eligible for tax deferral under this
34 chapter, the amount of deferred taxes outstanding for the project,
35 according to the repayment schedule in RCW 82.60.060, is immediately
36 due. For purposes of this subsection (2), the repayment schedule in
37 RCW 82.60.060 is tolled during the period of time that a taxpayer is
38 receiving relief from repayment of deferred taxes under RCW
39 82.60.063.

1 (3) A recipient who must repay deferred taxes under subsection
2 (2) of this section because the department has found that an
3 investment project is not eligible for tax deferral under this
4 chapter is no longer required to file annual ~~((surveys under RCW~~
5 ~~82.32.585))~~ tax preference accountability reports under RCW 82.32.534
6 beginning on the date an investment project is used for nonqualifying
7 purposes.

8 (4) Notwithstanding any other provision of this section or RCW
9 ~~((82.32.585))~~ 82.32.534, deferred taxes on the following need not be
10 repaid:

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

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

16 **Sec. 38.** RCW 82.63.020 and 2010 c 114 s 140 are each amended to
17 read as follows:

18 (1) Application for deferral of taxes under this chapter must be
19 made before initiation of construction of, or acquisition of
20 equipment or machinery for the investment project. In the case of an
21 investment project involving multiple qualified buildings,
22 applications must be made for, and before the initiation of
23 construction of, each qualified building. The application must be
24 made to the department in a form and manner prescribed by the
25 department. The application must contain information regarding the
26 location of the investment project, the applicant's average
27 employment in the state for the prior year, estimated or actual new
28 employment related to the project, estimated or actual wages of
29 employees related to the project, estimated or actual costs, time
30 schedules for completion and operation, and other information
31 required by the department. The department must rule on the
32 application within sixty days.

33 (2) Each recipient of a deferral of taxes under this chapter must
34 file a complete annual ~~((survey))~~ tax preference accountability
35 report with the department under RCW ~~((82.32.585))~~ 82.32.534. If the
36 economic benefits of the deferral are passed to a lessee as provided
37 in RCW 82.63.010(7), the lessee must file a complete annual
38 ~~((survey))~~ tax preference accountability report, and the applicant is

1 not required to file the annual ((survey)) tax preference
2 accountability report.

3 (3) (~~The department must use the information reported on the~~
4 ~~annual survey required by this section to study the tax deferral~~
5 ~~program authorized under this chapter. The department must report to~~
6 ~~the legislature by December 1, 2009, and December 1, 2013. The~~
7 ~~reports must measure the effect of the program on job creation, the~~
8 ~~number of jobs created for Washington residents, company growth, the~~
9 ~~introduction of new products, the diversification of the state's~~
10 ~~economy, growth in research and development investment, the movement~~
11 ~~of firms or the consolidation of firms' operations into the state,~~
12 ~~and such other factors as the department selects.~~

13 (4)) A recipient who must repay deferred taxes under RCW
14 82.63.045 because the department has found that an investment project
15 is used for purposes other than research and development performed
16 within this state in the fields of advanced computing, advanced
17 materials, biotechnology, electronic device technology, and
18 environmental technology is no longer required to file annual
19 ((surveys under RCW 82.32.585)) tax preference accountability reports
20 under RCW 82.32.534 beginning on the date an investment project is
21 used for nonqualifying purposes.

22 **Sec. 39.** RCW 82.63.045 and 2010 c 114 s 141 are each amended to
23 read as follows:

24 (1) Except as provided in subsection (2) of this section and RCW
25 ((82.32.585)) 82.32.534, taxes deferred under this chapter need not
26 be repaid.

27 (2)(a) If, on the basis of the ((survey under RCW 82.32.585)) tax
28 preference accountability report under RCW 82.32.534 or other
29 information, the department finds that an investment project is used
30 for purposes other than qualified research and development or pilot
31 scale manufacturing at any time during the calendar year in which the
32 investment project is certified by the department as having been
33 operationally completed, or at any time during any of the seven
34 succeeding calendar years, a portion of deferred taxes is immediately
35 due according to the following schedule:

36	Year in which use occurs	% of deferred taxes due
37	1	100%

1	2	87.5%
2	3	75%
3	4	62.5%
4	5	50%
5	6	37.5%
6	7	25%
7	8	12.5%

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

11 (3)(a) Notwithstanding subsection (2) of this section, in the
12 case of an investment project consisting of multiple qualified
13 buildings, the lessee is solely liable for payment of any deferred
14 tax determined by the department to be due and payable under this
15 section beginning on the date the department certifies that the
16 project is operationally complete.

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

20 (4) The department must assess interest at the rate provided for
21 delinquent taxes, but not penalties, retroactively to the date of
22 deferral. The debt for deferred taxes will not be extinguished by
23 insolvency or other failure of the recipient. Transfer of ownership
24 does not terminate the deferral. The deferral is transferred, subject
25 to the successor meeting the eligibility requirements of this
26 chapter, for the remaining periods of the deferral.

27 (5) Notwithstanding subsection (2) of this section or RCW
28 (~~82.32.585~~) 82.32.534, deferred taxes on the following need not be
29 repaid:

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

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

35 **Sec. 40.** RCW 82.74.040 and 2010 c 114 s 142 are each amended to
36 read as follows:

1 (1) Each recipient of a deferral of taxes granted under this
2 chapter must file a complete annual ~~((survey))~~ tax preference
3 accountability report with the department under RCW ~~((82.32.585))~~
4 82.32.534. If the economic benefits of the deferral are passed to a
5 lessee as provided in RCW 82.74.010(6), the lessee must file a
6 complete annual ~~((survey))~~ tax preference accountability report, and
7 the applicant is not required to file the annual ~~((survey))~~ tax
8 preference accountability report.

9 (2) A recipient who must repay deferred taxes under RCW
10 82.74.050(2) because the department has found that an investment
11 project is used for purposes other than fresh fruit and vegetable
12 processing, dairy product manufacturing, seafood product
13 manufacturing, cold storage warehousing, or research and development
14 is no longer required to file annual ~~((surveys under RCW 82.32.585))~~
15 tax preference accountability reports under RCW 82.32.534 beginning
16 on the date an investment project is used for nonqualifying purposes.

17 **Sec. 41.** RCW 82.74.050 and 2010 c 114 s 143 are each amended to
18 read as follows:

19 (1) Except as provided in subsection (2) of this section and RCW
20 ~~((82.32.585))~~ 82.32.534, taxes deferred under this chapter need not
21 be repaid.

22 (2)(a) If, on the basis of the ~~((survey under RCW 82.32.585))~~ tax
23 preference accountability report under RCW 82.32.534 or other
24 information, the department finds that an investment project is used
25 for purposes other than fresh fruit and vegetable processing, dairy
26 product manufacturing, seafood product manufacturing, cold storage
27 warehousing, or research and development at any time during the
28 calendar year in which the investment project is certified by the
29 department as having been operationally completed, or at any time
30 during any of the seven succeeding calendar years, a portion of
31 deferred taxes is immediately due according to the following
32 schedule:

Year in which nonqualifying use occurs	% of deferred taxes due
1	100%
2	87.5%
3	75%
4	62.5%

1	5	50%
2	6	37.5%
3	7	25%
4	8	12.5%

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

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

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

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

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

Sec. 42. RCW 82.75.040 and 2010 c 114 s 147 are each amended to read as follows:

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

(2)(a) If, on the basis of the ((survey under RCW 82.32.585)) tax preference accountability report under RCW 82.32.534 or other information, the department finds that an investment project is used for purposes other than qualified biotechnology product manufacturing or medical device manufacturing activities at any time during the calendar year in which the eligible investment project is certified by the department as having been operationally completed, or at any

1 time during any of the seven succeeding calendar years, a portion of
2 deferred taxes is immediately due and payable according to the
3 following schedule:

4	Year in which use occurs	% of deferred taxes due
5	1	100%
6	2	87.5%
7	3	75%
8	4	62.5%
9	5	50%
10	6	37.5%
11	7	25%
12	8	12.5%

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

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

24 (4) Notwithstanding subsection (2) of this section or RCW
25 (~~82.32.585~~) 82.32.534, deferred taxes on the following need not be
26 repaid:

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

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

32 **Sec. 43.** RCW 82.75.070 and 2010 c 114 s 144 are each amended to
33 read as follows:

34 (1) Each recipient of a deferral of taxes granted under this
35 chapter must file a complete annual (~~survey~~) tax preference

1 accountability report with the department under RCW (~~(82.32.585)~~)
2 82.32.534. If the economic benefits of the deferral are passed to a
3 lessee as provided in RCW 82.75.010(5), the lessee must file a
4 complete annual (~~(survey)~~) tax preference accountability report, and
5 the applicant is not required to file the annual (~~(survey)~~) tax
6 preference accountability report.

7 (2) A recipient who must repay deferred taxes under RCW
8 82.75.040(2) because the department has found that an investment
9 project is used for purposes other than qualified biotechnology
10 product manufacturing or medical device manufacturing activities is
11 no longer required to file annual (~~(surveys under RCW 82.32.585)~~) tax
12 preference accountability reports under RCW 82.32.534 beginning on
13 the date an investment project is used for nonqualifying purposes.

14 **Sec. 44.** RCW 82.82.020 and 2010 c 114 s 148 are each amended to
15 read as follows:

16 (1) Application for deferral of taxes under this chapter can be
17 made at any time prior to completion of construction of a qualified
18 building or buildings, but tax liability incurred prior to the
19 department's receipt of an application may not be deferred. The
20 application must be made to the department in a form and manner
21 prescribed by the department. The application must contain
22 information regarding the location of the investment project, the
23 applicant's average employment in the state for the prior year,
24 estimated or actual new employment related to the project, estimated
25 or actual wages of employees related to the project, estimated or
26 actual costs, time schedules for completion and operation, and other
27 information required by the department. The department must rule on
28 the application within sixty days.

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

31 (3) Each recipient of a deferral of taxes under this chapter must
32 file a complete annual (~~(survey)~~) tax preference accountability
33 report with the department under RCW (~~(82.32.585)~~) 82.32.534. If the
34 economic benefits of the deferral are passed to a lessee as provided
35 in RCW 82.82.010(5), the lessee must file a complete annual
36 (~~(survey)~~) tax preference accountability report, and the applicant is
37 not required to file the annual (~~(survey)~~) tax preference
38 accountability report.

1 (4) A recipient who must repay deferred taxes under RCW 82.82.040
2 because the department has found that an investment project is no
3 longer an eligible investment project is no longer required to file
4 annual ((surveys under RCW 82.32.585)) tax preference accountability
5 reports under RCW 82.32.534 beginning on the date an investment
6 project is used for nonqualifying purposes.

7 **Sec. 45.** RCW 82.82.040 and 2010 c 114 s 149 are each amended to
8 read as follows:

9 (1) Except as provided in subsection (2) of this section and RCW
10 ((82.32.585)) 82.32.534, taxes deferred under this chapter need not
11 be repaid.

12 (2)(a) If, on the basis of the ((survey under RCW 82.32.585)) tax
13 preference accountability report under RCW 82.32.534 or other
14 information, the department finds that an investment project is no
15 longer an "eligible investment project" under RCW 82.82.010 at any
16 time during the calendar year in which the investment project is
17 certified by the department as having been operationally completed,
18 or at any time during any of the seven succeeding calendar years, a
19 portion of deferred taxes are immediately due according to the
20 following schedule:

21	Year in which use occurs	% of deferred taxes due
22	1	100%
23	2	87.5%
24	3	75%
25	4	62.5%
26	5	50%
27	6	37.5%
28	7	25%
29	8	12.5%

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

33 (3) The department must assess interest at the rate provided for
34 delinquent taxes under chapter 82.32 RCW, but not penalties,
35 retroactively to the date of deferral. The debt for deferred taxes

1 will not be extinguished by insolvency or other failure of the
2 recipient. Transfer of ownership does not terminate the deferral. The
3 deferral is transferred, subject to the successor meeting the
4 eligibility requirements of this chapter, for the remaining periods
5 of the deferral.

6 **Sec. 46.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to
7 read as follows:

8 (1) Machinery and equipment exempt under RCW 82.08.02565 or
9 82.12.02565 used in manufacturing semiconductor materials at a
10 building exempt from sales and use tax and in compliance with the
11 employment requirement under RCW 82.08.965 and 82.12.965 are exempt
12 from property taxation. "Semiconductor materials" has the same
13 meaning as provided in RCW 82.04.240(2).

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

16 (3) A person claiming an exemption under this section must file a
17 complete annual tax preference accountability report with the
18 department under RCW 82.32.534.

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

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

24 **Sec. 47.** RCW 84.36.655 and 2013 3rd sp.s. c 2 s 14 are each
25 amended to read as follows:

26 (1) Effective January 1, 2005, all buildings, machinery,
27 equipment, and other personal property of a lessee of a port district
28 eligible under RCW 82.08.980 and 82.12.980, used exclusively in
29 manufacturing superefficient airplanes, are exempt from property
30 taxation. A person taking the credit under RCW 82.04.4463 is not
31 eligible for the exemption under this section. For the purposes of
32 this section, "superefficient airplane" and "component" have the
33 meanings given in RCW 82.32.550.

34 (2) In addition to all other requirements under this title, a
35 person claiming the exemption under this section must file a complete
36 annual tax preference accountability report with the department under
37 RCW 82.32.534.

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

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

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

11 **Sec. 48.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401
12 are each reenacted and amended to read as follows:

13 (1)(a) Sections 10, 14, 18, 23, 25, 32, 34, and 47,
14 chapter . . . , Laws of 2017 (sections 10, 14, 18, 23, 25, 32, 34, and
15 47 of this act), section 206, chapter 106, Laws of 2010, sections
16 104, 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of
17 2010, section 3, chapter 461, Laws of 2009, section 7, chapter 300,
18 Laws of 2006, and section 4, chapter 149, Laws of 2003 are contingent
19 upon the siting and commercial operation of a significant
20 semiconductor microchip fabrication facility in the state of
21 Washington.

22 (b) For the purposes of this section:

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

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

27 (iii) "Significant" means the combined investment of new
28 buildings and new machinery and equipment in the buildings, at the
29 commencement of commercial production, will be at least one billion
30 dollars.

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

35 (3)(a) The department of revenue must provide notice of the
36 effective date of sections 10, 14, 18, 23, 25, 32, 34, and 47,
37 chapter . . . , Laws of 2017 (sections 10, 14, 18, 23, 25, 32, 34, and
38 47 of this act), sections 104, 110, 117, 123, 125, 129, 131, and 150,
39 chapter 114, Laws of 2010(~~{,}~~), section 3, chapter 461, Laws of

1 2009, section 7, chapter 300, Laws of 2006, and section 4, chapter
2 149, Laws of 2003 to affected taxpayers, the legislature, and others
3 as deemed appropriate by the department.

4 (b) If, after making a determination that a contract has been
5 signed and chapter 149, Laws of 2003 is effective, the department
6 discovers that commencement of commercial production did not take
7 place within three years of the date the contract was signed, the
8 department must make a determination that chapter 149, Laws of 2003
9 is no longer effective, and all taxes that would have been otherwise
10 due are deemed deferred taxes and are immediately assessed and
11 payable from any person reporting tax under RCW 82.04.240(2) or
12 claiming an exemption or credit under section 2 or 5 through 10,
13 chapter 149, Laws of 2003. The department is not authorized to make a
14 second determination regarding the effective date of chapter 149,
15 Laws of 2003.

16 NEW SECTION. **Sec. 49.** This act takes effect January 1, 2018.

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