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HOUSE BILL 2734

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State of Washington

65th Legislature

2018 Regular Session

By Representatives Lytton, Jenkins, Pollet, and Frame

Read first time 01/15/18. Referred to Committee on Technology & Economic Development.

1 AN ACT Relating to eliminating certain tax preferences not being  
2 used and recommended for repeal as determined by the joint  
3 legislative audit and review committee; amending RCW 82.04.260; and  
4 repealing RCW 82.16.055.

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

6 **Sec. 1.** RCW 82.04.260 and 2017 c 135 s 11 are each amended to  
7 read as follows:

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

10 (a) Wheat into flour, barley into pearl barley, soybeans into  
11 soybean oil, canola into canola oil, canola meal, or canola by-  
12 products, or sunflower seeds into sunflower oil; as to such persons  
13 the amount of tax with respect to such business is equal to the value  
14 of the flour, pearl barley, oil, canola meal, or canola by-product  
15 manufactured, multiplied by the rate of 0.138 percent;

16 (b) Beginning July 1, 2025, seafood products that remain in a  
17 raw, raw frozen, or raw salted state at the completion of the  
18 manufacturing by that person; or selling manufactured seafood  
19 products that remain in a raw, raw frozen, or raw salted state at the  
20 completion of the manufacturing, to purchasers who transport in the  
21 ordinary course of business the goods out of this state; as to such

1 persons the amount of tax with respect to such business is equal to  
2 the value of the products manufactured or the gross proceeds derived  
3 from such sales, multiplied by the rate of 0.138 percent. Sellers  
4 must keep and preserve records for the period required by RCW  
5 82.32.070 establishing that the goods were transported by the  
6 purchaser in the ordinary course of business out of this state;

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

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

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

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

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

35 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,  
36 preserving, freezing, processing, or dehydrating fresh fruits or  
37 vegetables, or selling at wholesale fruits or vegetables manufactured  
38 by the seller by canning, preserving, freezing, processing, or  
39 dehydrating fresh fruits or vegetables and sold to purchasers who  
40 transport in the ordinary course of business the goods out of this

1 state; as to such persons the amount of tax with respect to such  
2 business is equal to the value of the products manufactured or the  
3 gross proceeds derived from such sales multiplied by the rate of  
4 0.138 percent. Sellers must keep and preserve records for the period  
5 required by RCW 82.32.070 establishing that the goods were  
6 transported by the purchaser in the ordinary course of business out  
7 of this state.

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

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

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

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

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

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

35 (5) Upon every person engaging within this state in the business  
36 of acting as a travel agent or tour operator; as to such persons the  
37 amount of the tax with respect to such activities is equal to the  
38 gross income derived from such activities multiplied by the rate of  
39 0.275 percent.

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

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

37 (8)(a) Upon every person engaging within this state in the  
38 business of disposing of low-level waste, as defined in RCW  
39 43.145.010; as to such persons the amount of the tax with respect to  
40 such business is equal to the gross income of the business, excluding

1 any fees imposed under chapter 43.200 RCW, multiplied by the rate of  
2 3.3 percent.

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

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

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

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

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

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

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

1 and the gross proceeds of sales of the product manufactured, or in  
2 the case of processors for hire, be equal to the gross income of the  
3 business, multiplied by the rate of 0.2904 percent.

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

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

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

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

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

33 (b) Until July 1, 2024, upon every person engaging within this  
34 state in the business of manufacturing or processing for hire: (i)  
35 Timber into timber products or wood products; or (ii) timber products  
36 into other timber products or wood products; as to such persons the  
37 amount of the tax with respect to the business is, in the case of  
38 manufacturers, equal to the value of products, including by-products,  
39 manufactured, or in the case of processors for hire, equal to the  
40 gross income of the business, multiplied by the rate of 0.4235

1 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent  
2 from July 1, 2007, through June 30, 2024.

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

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

23 (e) For purposes of this subsection, the following definitions  
24 apply:

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

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

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

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

11 (v) "Timber products" means:

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

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

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

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

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

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

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

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



1        NEW SECTION.    **Sec. 2.**    RCW 82.16.055 (Deductions relating to  
2 energy conservation or production from renewable resources) and 1980  
3 c 149 s 3 are each repealed.

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