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SENATE BILL 5848

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State of Washington                      65th Legislature                      2017 Regular Session

By Senators Carlyle, Hasegawa, Hunt, and Conway

Read first time 02/22/17. Referred to Committee on Ways & Means.

1            AN ACT Relating to the creation, extension, expansion,  
2            accountability, and transparency of state tax preferences; amending  
3            RCW 82.32.590, 82.32.600, 82.32.605, 82.32.607, 82.32.710, 82.32.808,  
4            82.04.240, 82.04.2404, 82.04.294, 82.04.426, 82.04.4277, 82.04.4461,  
5            82.04.4463, 82.04.448, 82.04.4481, 82.04.4483, 82.04.449, 82.08.805,  
6            82.08.965, 82.08.9651, 82.08.970, 82.08.980, 82.08.986, 82.12.022,  
7            82.12.025651, 82.12.805, 82.12.965, 82.12.9651, 82.12.970, 82.12.980,  
8            82.16.0421, 82.29A.137, 82.60.070, 82.63.020, 82.63.045, 82.74.040,  
9            82.74.050, 82.75.040, 82.75.070, 82.82.020, 82.82.040, 84.36.645,  
10           84.36.655, 82.32.330, and 43.06.400; reenacting and amending RCW  
11           82.04.260 and 82.32.790; adding new sections to chapter 82.32 RCW;  
12           creating new sections; adding a new section to chapter 43.88A RCW;  
13           repealing RCW 82.32.534 and 82.32.585; providing an effective date;  
14           providing a contingent effective date; and declaring an emergency.

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

16           NEW SECTION.    **Sec. 1.**    (1) The legislature finds that Washington  
17           has among the largest number of tax preferences (i.e. credits,  
18           exemptions, deductions, and preferential rates) in the nation due in  
19           large part to the unique nature of the state's tax structure. The  
20           legislature finds that measuring and assessing the efficacy of such  
21           preferences is essential to ensure the most effective use of public

1 resources, and that public access to easily available data is vital  
2 to conduct such evaluations.

3 (2) The legislature finds that comprehensive analysis and  
4 evaluation of the efficacy of tax preferences assists lawmakers and  
5 the public in understanding the benefits of specific tax policy  
6 decisions to taxpayers, local economies, and the state. The  
7 legislature further finds the relevant information critical for such  
8 analysis is frequently not reported to the state department of  
9 revenue by taxpayers or is not publicly available. The legislature  
10 further finds the lack of accurate and ascertainable information has  
11 prevented the joint legislative audit and review committee tax  
12 preference performance review process from achieving the rigor of  
13 evaluation necessary to draw firm conclusions. The legislature  
14 further finds that this also limits the ability of lawmakers to  
15 access data of material importance for assessing proposed tax  
16 preference legislation or to fairly and accurately evaluate the  
17 merits of existing tax preferences. The legislature further finds  
18 that Washington state has been a leader among states since passage of  
19 the public disclosure act by initiative in 1972 in public disclosure  
20 of government records, state budget documents, and campaign finance  
21 and spending. The legislature further finds that similar leadership  
22 in the area of the public disclosure of tax preferences would allow  
23 the legislature and the public to assess the true impact of current  
24 tax policy or proposed tax legislation in a manner that is currently  
25 unattainable due to aggregated, anonymous data. The legislature  
26 further finds that streamlining the reporting of tax preference data  
27 collected by the department of revenue and eliminating unnecessary  
28 reporting requirements of little usefulness for evaluation would  
29 simplify and reduce the obligations of taxpayers, saving time and  
30 effort. Therefore, the legislature intends to establish consistent  
31 standards for the collection of data for the purposes of improving  
32 analysis of tax preferences and their benefits and public policy  
33 objective outcomes for taxpayers and relevant industries. The  
34 legislature further intends to make such information subject to  
35 public disclosure wherever possible to enable and improve lawmakers'  
36 and the public's understanding of the benefits and costs of tax  
37 preferences while ensuring that the release of such information does  
38 not cause economic harm to taxpayers claiming such preferences.

1 **Part I**

2 **Improving Tax Preference Data Collection**

3 NEW SECTION. **Sec. 101.** A new section is added to chapter 82.32  
4 RCW to read as follows:

5 In determining a taxpayer's taxable amount, a taxpayer must  
6 separately report the amount of any tax deduction on a return  
7 required under this chapter for taxes due under chapter 82.04 or  
8 82.16 RCW.

9 NEW SECTION. **Sec. 102.** A new section is added to chapter 82.32  
10 RCW to read as follows:

11 (1) The department must establish a reporting code to uniquely  
12 identify:

13 (a) All deductions and credits under chapters 82.04 and 82.16  
14 RCW;

15 (b) Sales and use tax exemptions reported on returns submitted by  
16 sellers; and

17 (c) Preferential business and occupation tax rates.

18 (2) Subsection (1) of this section applies only to returns filed  
19 electronically.

20 (3) The department must establish unique reporting codes  
21 described under subsection (1)(b) and (c) of this section by January  
22 1, 2018. The department must establish the remaining unique reporting  
23 codes in conjunction with the department's legacy business systems  
24 replacement.

25 **Part II**

26 **Incorporating Department of Revenue-Led Work Group**

27 **Recommendations for Improving DOR Annual Surveys and Reports**

28 NEW SECTION. **Sec. 201.** A new section is added to chapter 82.32  
29 RCW to read as follows:

30 (1)(a) Every person claiming a tax preference that requires an  
31 annual tax preference accountability report under this section must  
32 file a complete report with the department. A tax preference  
33 accountability report is due by May 31st of the year following any  
34 calendar year in which a person claims a tax preference that requires  
35 a report under this section.

1 (b) In addition to the reporting requirements under (a) of this  
2 subsection, if the tax preference is a sales and use tax deferral on  
3 labor and materials used in the construction or expansion of a  
4 building that is part of an investment project, a report must also be  
5 filed by May 31st of each of the seven succeeding calendar years  
6 after the investment project has been certified by the department as  
7 being operationally complete.

8 (c)(i) The department may extend the due date for timely filing  
9 of annual reports under this section as provided in RCW 82.32.590.

10 (ii) A person may amend its tax return under this chapter to  
11 claim a tax preference requiring a report under this section only  
12 when a report is filed for each calendar year for which the taxpayer  
13 is claiming a tax preference on an amended return. All of the tax  
14 preference accountability reports required under this subsection  
15 (1)(c)(ii) must be filed at the same time the amended returns are  
16 submitted to the department.

17 (2)(a) The report must include the amount of tax preference  
18 claimed for the calendar year covered by the report if the amount is  
19 not reported to the department directly by the taxpayer as part of  
20 the taxpayer's regular tax reporting obligations under this chapter.

21 (b) Except as provided in (c) of this subsection, the report must  
22 also include the following information for employment positions in  
23 Washington, not to include names of employees, for the year the tax  
24 preference was claimed:

25 (i) The total number of employment positions as of December 31st  
26 for the calendar year covered by the report;

27 (ii) The total wages paid for all employment positions for the  
28 calendar year covered by the report;

29 (iii) An estimate of the percentage of employees, as of December  
30 31st of the calendar year covered by the report, within each of the  
31 following general job categories: Management occupations; computer,  
32 mathematical, architectural, and engineering occupations; production  
33 occupations; office and administrative support occupations; or any  
34 other occupation type not otherwise specified under this subsection  
35 (2)(b)(iii);

36 (iv) The percentage of employment positions for which employer-  
37 provided medical, dental, and retirement benefits are available.

38 (c) The taxpayer is not required to provide the employment and  
39 wage information under (b)(i) and (ii) of this subsection if similar  
40 information is reported to the employment security department by the

1 taxpayer for the same period. For taxpayers reporting to the  
2 employment security department, the total number of employment  
3 positions under (b)(ii) of this subsection is the number of employees  
4 included on the return provided by the taxpayer to the employment  
5 security department for the fourth calendar quarter for the calendar  
6 year covered by the report. A taxpayer must provide the department  
7 with its employment security department account number or numbers.

8 (d) For persons claiming the tax exemption in RCW 82.08.025651 or  
9 82.12.025651, the report must also include the general areas or  
10 categories of research and development for which machinery and  
11 equipment and labor and services were acquired, exempt from tax under  
12 RCW 82.08.025651 or 82.12.025651, in the prior calendar year.

13 (e) If the person filing a report under this section did not file  
14 a report with the department in the previous calendar year, the  
15 report filed under this section must also include the employment,  
16 wage, and benefit information required under (b)(i) through (iv) of  
17 this subsection for the calendar year immediately preceding the  
18 calendar year for which a tax preference was claimed.

19 (3) As part of the annual report, the department and the joint  
20 legislative audit and review committee may request additional  
21 information necessary to measure the results of, or determine  
22 eligibility for, the tax preference.

23 (4) Other than information requested under subsection (3) of this  
24 section, information required in this section is not subject to the  
25 confidentiality provisions of RCW 82.32.330 and may be disclosed to  
26 the public upon request, except as provided in subsection (5) of this  
27 section. If the amount of the tax preference claimed as reported on  
28 the report is different than the amount actually claimed or otherwise  
29 allowed by the department based on the taxpayer's excise tax returns  
30 or other information known to the department, the amount actually  
31 claimed or allowed may be disclosed.

32 (5) Persons for whom the actual amount of the tax reduced or  
33 saved for a tax preference is less than ten thousand dollars during  
34 the period covered by the report may request the department to treat  
35 the amount of the tax reduction or savings as confidential under RCW  
36 82.32.330.

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

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

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

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

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

16 (8) The definitions in this subsection apply throughout this  
17 section unless the context clearly requires otherwise.

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

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

23 NEW SECTION. **Sec. 202.** The following acts or parts of acts are  
24 each repealed:

25 (1) RCW 82.32.534 (Annual report requirement for tax preferences)  
26 and 2016 c 175 s 1, 2014 c 97 s 102, & 2010 c 114 s 103; and

27 (2) RCW 82.32.585 (Annual survey requirement for tax preferences)  
28 and 2016 c 175 s 2, 2014 c 97 s 103, 2011 c 23 s 6, & 2010 c 114 s  
29 102.

30 **Sec. 203.** RCW 82.32.590 and 2011 c 174 s 306 are each amended to  
31 read as follows:

32 (1) If the department finds that the failure of a taxpayer to  
33 file an annual (~~survey under RCW 82.32.585 or annual report under~~  
34 ~~RCW 82.32.534~~) report under section 201 of this act by the due date  
35 was the result of circumstances beyond the control of the taxpayer,  
36 the department must extend the time for filing the (~~survey or~~)  
37 report. The extension is for a period of thirty days from the date  
38 the department issues its written notification to the taxpayer that

1 it qualifies for an extension under this section. The department may  
2 grant additional extensions as it deems proper.

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

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

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

21 (c) An extension under this subsection (3) is for ninety days  
22 from the original due date of the annual report (~~or survey~~).

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

25 **Sec. 204.** RCW 82.32.600 and 2010 c 114 s 136 are each amended to  
26 read as follows:

27 (1) Persons required to file annual (~~surveys or annual reports~~  
28 ~~under RCW 82.32.534 or 82.32.585~~) reports under section 201 of this  
29 act must electronically file with the department all (~~surveys,~~)  
30 reports, returns, and any other forms or information the department  
31 requires in an electronic format as provided or approved by the  
32 department. As used in this section, "returns" has the same meaning  
33 as "return" in RCW 82.32.050.

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

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

1       **Sec. 205.** RCW 82.32.605 and 2013 2nd sp.s. c 13 s 1004 are each  
2 amended to read as follows:

3       (1) Every taxpayer claiming an exemption under RCW 82.08.956 or  
4 82.12.956 must file with the department a complete annual (~~survey as~~  
5 ~~required under RCW 82.32.585~~) report under section 201 of this act,  
6 except that the taxpayer must file a separate (~~survey~~) report for  
7 each facility owned or operated in the state of Washington.

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

9       **Sec. 206.** RCW 82.32.607 and 2013 2nd sp.s. c 13 s 1503 are each  
10 amended to read as follows:

11       Every taxpayer claiming an exemption under RCW 82.08.962 or  
12 82.12.962 must file with the department a complete annual (~~survey as~~  
13 ~~required under RCW 82.32.585~~) report under section 201 of this act,  
14 except that the taxpayer must file a separate (~~survey~~) report for  
15 each facility owned or operated in the state of Washington developed  
16 with machinery, equipment, services, or labor for which the exemption  
17 under RCW 43.136.058, 82.08.962, and 82.12.962 is claimed.

18       **Sec. 207.** RCW 82.32.710 and 2010 c 114 s 137 are each amended to  
19 read as follows:

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

30       (2) A client under the terms of a professional employer agreement  
31 is deemed to be the sole employer of a covered employee for purposes  
32 of reports (~~or surveys~~) that require the reporting of employment  
33 information relating to covered employees of the client, as provided  
34 in (~~RCW 82.32.534 or 82.32.585~~) section 201 of this act. A client,  
35 and not the professional employer organization, is required to  
36 complete any (~~survey or~~) report that requires the reporting of  
37 employment information relating to covered employees of that client.



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

4 **Sec. 208.** RCW 82.32.808 and 2013 2nd sp.s. c 13 s 1702 are each  
5 amended to read as follows:

6 (1) As provided in this section, every bill enacting a new tax  
7 preference must include a tax preference performance statement.

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

14 (a) Tax preferences intended to induce certain designated  
15 behavior by taxpayers;

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

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

18 (d) Tax preferences intended to reduce structural inefficiencies  
19 in the tax structure;

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

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

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

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

35 (5) If the tax preference performance statement for a new tax  
36 preference indicates a legislative purpose described in subsection  
37 (2)(b) or (c) of this section, any taxpayer claiming the new tax  
38 preference must file an annual (~~survey~~) report in accordance with  
39 (~~RCW 82.32.585~~) section 201 of this act.

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

17 (b) This subsection does not apply to:

18 (i) Property tax exemptions;

19 (ii) Tax preferences required by constitutional law;

20 (iii) Tax preferences for which the tax benefit to the taxpayer  
21 is less than one thousand dollars per calendar year; or

22 (iv) Taxpayers who are annual filers.

23 (c) The department may waive the filing requirements of this  
24 subsection for taxpayers who are not required to file electronically  
25 any return((~~τ~~)) or report((~~τ~~ ~~or~~ ~~survey~~)) under this chapter.

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

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

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

5 (c) In lieu of the disclosure and waiver requirements under this  
6 subsection, the requirements under (~~RCW 82.32.585~~) section 201 of  
7 this act apply to any tax preference that requires a (~~survey~~)  
8 report.

9 (8) If a new tax preference does not include the information  
10 required under subsections (2) through (4) of this section, the joint  
11 legislative audit and review committee is not required to perform a  
12 tax preference review under chapter 43.136 RCW, and it is  
13 legislatively presumed that it is the intent of the legislature to  
14 allow the new tax preference to expire upon its scheduled expiration  
15 date.

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

18 **Sec. 209.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to  
19 read as follows:

20 (1) Upon every person engaging within this state in business as a  
21 manufacturer, except persons taxable as manufacturers under other  
22 provisions of this chapter; as to such persons the amount of the tax  
23 with respect to such business is equal to the value of the products,  
24 including byproducts, manufactured, multiplied by the rate of 0.484  
25 percent.

26 (2)(a) Upon every person engaging within this state in the  
27 business of manufacturing semiconductor materials, as to such persons  
28 the amount of tax with respect to such business is, in the case of  
29 manufacturers, equal to the value of the product manufactured, or, in  
30 the case of processors for hire, equal to the gross income of the  
31 business, multiplied by the rate of 0.275 percent. For the purposes  
32 of this subsection "semiconductor materials" means silicon crystals,  
33 silicon ingots, raw polished semiconductor wafers, compound  
34 semiconductors, integrated circuits, and microchips.

35 (b) A person reporting under the tax rate provided in this  
36 subsection (2) must file a complete annual report with the department  
37 under (~~RCW 82.32.534~~) section 201 of this act.

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

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

4 **Sec. 210.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended  
5 to read as follows:

6 (1) Upon every person engaging within this state in the business  
7 of manufacturing or processing for hire semiconductor materials, as  
8 to such persons the amount of tax with respect to such business is,  
9 in the case of manufacturers, equal to the value of the product  
10 manufactured, or, in the case of processors for hire, equal to the  
11 gross income of the business, multiplied by the rate of 0.275  
12 percent.

13 (2) For the purposes of this section "semiconductor materials"  
14 means silicon crystals, silicon ingots, raw polished semiconductor  
15 wafers, and compound semiconductor wafers.

16 (3) A person reporting under the tax rate provided in this  
17 section must file a complete annual report with the department under  
18 (~~RCW 82.32.534~~) section 201 of this act.

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

20 **Sec. 211.** RCW 82.04.260 and 2015 3rd sp.s. c 6 s 602 and 2015  
21 3rd sp.s. c 6 s 205 are each reenacted and amended to read as  
22 follows:

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

25 (a) Wheat into flour, barley into pearl barley, soybeans into  
26 soybean oil, canola into canola oil, canola meal, or canola by-  
27 products, or sunflower seeds into sunflower oil; as to such persons  
28 the amount of tax with respect to such business is equal to the value  
29 of the flour, pearl barley, oil, canola meal, or canola by-product  
30 manufactured, multiplied by the rate of 0.138 percent;

31 (b) Beginning July 1, 2025, seafood products that remain in a  
32 raw, raw frozen, or raw salted state at the completion of the  
33 manufacturing by that person; or selling manufactured seafood  
34 products that remain in a raw, raw frozen, or raw salted state at the  
35 completion of the manufacturing, to purchasers who transport in the  
36 ordinary course of business the goods out of this state; as to such  
37 persons the amount of tax with respect to such business is equal to  
38 the value of the products manufactured or the gross proceeds derived

1 from such sales, multiplied by the rate of 0.138 percent. Sellers  
2 must keep and preserve records for the period required by RCW  
3 82.32.070 establishing that the goods were transported by the  
4 purchaser in the ordinary course of business out of this state;

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

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

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

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

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

33 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,  
34 preserving, freezing, processing, or dehydrating fresh fruits or  
35 vegetables, or selling at wholesale fruits or vegetables manufactured  
36 by the seller by canning, preserving, freezing, processing, or  
37 dehydrating fresh fruits or vegetables and sold to purchasers who  
38 transport in the ordinary course of business the goods out of this  
39 state; as to such persons the amount of tax with respect to such  
40 business is equal to the value of the products manufactured or the

1 gross proceeds derived from such sales multiplied by the rate of  
2 0.138 percent. Sellers must keep and preserve records for the period  
3 required by RCW 82.32.070 establishing that the goods were  
4 transported by the purchaser in the ordinary course of business out  
5 of this state.

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

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

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

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

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

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

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

37 (6) Upon every person engaging within this state in business as  
38 an international steamship agent, international customs house broker,  
39 international freight forwarder, vessel and/or cargo charter broker  
40 in foreign commerce, and/or international air cargo agent; as to such

1 persons the amount of the tax with respect to only international  
2 activities is equal to the gross income derived from such activities  
3 multiplied by the rate of 0.275 percent.

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

33 (8)(a) Upon every person engaging within this state in the  
34 business of disposing of low-level waste, as defined in RCW  
35 43.145.010; as to such persons the amount of the tax with respect to  
36 such business is equal to the gross income of the business, excluding  
37 any fees imposed under chapter 43.200 RCW, multiplied by the rate of  
38 3.3 percent.

39 (b) If the gross income of the taxpayer is attributable to  
40 activities both within and without this state, the gross income

1 attributable to this state must be determined in accordance with the  
2 methods of apportionment required under RCW 82.04.460.

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

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

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

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

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

29 (b) Beginning July 1, 2008, upon every person who is not eligible  
30 to report under the provisions of (a) of this subsection (11) and is  
31 engaging within this state in the business of manufacturing tooling  
32 specifically designed for use in manufacturing commercial airplanes  
33 or components of such airplanes, or making sales, at retail or  
34 wholesale, of such tooling manufactured by the seller, as to such  
35 persons the amount of tax with respect to such business is, in the  
36 case of manufacturers, equal to the value of the product manufactured  
37 and the gross proceeds of sales of the product manufactured, or in  
38 the case of processors for hire, be equal to the gross income of the  
39 business, multiplied by the rate of 0.2904 percent.



1 (c) For the purposes of this subsection (11), "commercial  
2 airplane" and "component" have the same meanings as provided in RCW  
3 82.32.550.

4 (d) In addition to all other requirements under this title, a  
5 person reporting under the tax rate provided in this subsection (11)  
6 must file a complete annual report with the department under ((RCW  
7 ~~82.32.534~~)) section 201 of this act.

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

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

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

30 (b) Until July 1, 2024, upon every person engaging within this  
31 state in the business of manufacturing or processing for hire: (i)  
32 Timber into timber products or wood products; or (ii) timber products  
33 into other timber products or wood products; as to such persons the  
34 amount of the tax with respect to the business is, in the case of  
35 manufacturers, equal to the value of products, including by-products,  
36 manufactured, or in the case of processors for hire, equal to the  
37 gross income of the business, multiplied by the rate of 0.4235  
38 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent  
39 from July 1, 2007, through June 30, 2024.

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

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

21 (e) For purposes of this subsection, the following definitions  
22 apply:

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

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

39 (iii) "Recycled paper" means paper and paper products having  
40 fifty percent or more of their fiber content that comes from

1 postconsumer waste. For purposes of this subsection (12)(e)(iii),  
2 "postconsumer waste" means a finished material that would normally be  
3 disposed of as solid waste, having completed its life cycle as a  
4 consumer item.

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

9 (v) "Timber products" means:

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

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

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

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

21 (f) Except for small harvesters as defined in RCW 84.33.035, a  
22 person reporting under the tax rate provided in this subsection (12)  
23 must file a complete annual (~~(survey)~~) report with the department  
24 under (~~(RCW 82.32.585)~~) section 201 of this act.

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

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

35 (b) A person reporting under the tax rate provided in this  
36 subsection (14) must file a complete annual report with the  
37 department under (~~(RCW 82.32.534)~~) section 201 of this act.

38 **Sec. 212.** RCW 82.04.294 and 2013 2nd sp.s. c 13 s 902 are each  
39 amended to read as follows:

1 (1) Upon every person engaging within this state in the business  
2 of manufacturing solar energy systems using photovoltaic modules or  
3 stirling converters, or of manufacturing solar grade silicon, silicon  
4 solar wafers, silicon solar cells, thin film solar devices, or  
5 compound semiconductor solar wafers to be used exclusively in  
6 components of such systems; as to such persons the amount of tax with  
7 respect to such business is, in the case of manufacturers, equal to  
8 the value of the product manufactured, or in the case of processors  
9 for hire, equal to the gross income of the business, multiplied by  
10 the rate of 0.275 percent.

11 (2) Upon every person engaging within this state in the business  
12 of making sales at wholesale of solar energy systems using  
13 photovoltaic modules or stirling converters, or of solar grade  
14 silicon, silicon solar wafers, silicon solar cells, thin film solar  
15 devices, or compound semiconductor solar wafers to be used  
16 exclusively in components of such systems, manufactured by that  
17 person; as to such persons the amount of tax with respect to such  
18 business is equal to the gross proceeds of sales of the solar energy  
19 systems using photovoltaic modules or stirling converters, or of the  
20 solar grade silicon to be used exclusively in components of such  
21 systems, multiplied by the rate of 0.275 percent.

22 (3) Silicon solar wafers, silicon solar cells, thin film solar  
23 devices, solar grade silicon, or compound semiconductor solar wafers  
24 are "semiconductor materials" for the purposes of RCW 82.08.9651 and  
25 82.12.9651.

26 (4) The definitions in this subsection apply throughout this  
27 section.

28 (a) "Compound semiconductor solar wafers" means a semiconductor  
29 solar wafer composed of elements from two or more different groups of  
30 the periodic table.

31 (b) "Module" means the smallest nondivisible self-contained  
32 physical structure housing interconnected photovoltaic cells and  
33 providing a single direct current electrical output.

34 (c) "Photovoltaic cell" means a device that converts light  
35 directly into electricity without moving parts.

36 (d) "Silicon solar cells" means a photovoltaic cell manufactured  
37 from a silicon solar wafer.

38 (e) "Silicon solar wafers" means a silicon wafer manufactured for  
39 solar conversion purposes.

1 (f) "Solar energy system" means any device or combination of  
2 devices or elements that rely upon direct sunlight as an energy  
3 source for use in the generation of electricity.

4 (g) "Solar grade silicon" means high-purity silicon used  
5 exclusively in components of solar energy systems using photovoltaic  
6 modules to capture direct sunlight. "Solar grade silicon" does not  
7 include silicon used in semiconductors.

8 (h) "Stirling converter" means a device that produces electricity  
9 by converting heat from a solar source utilizing a stirling engine.

10 (i) "Thin film solar devices" means a nonparticipating substrate  
11 on which various semiconducting materials are deposited to produce a  
12 photovoltaic cell that is used to generate electricity.

13 (5) A person reporting under the tax rate provided in this  
14 section must file a complete annual ~~((survey))~~ report with the  
15 department under ~~((RCW 82.32.585))~~ section 201 of this act.

16 (6) This section expires June 30, 2017.

17 **Sec. 213.** RCW 82.04.426 and 2010 c 114 s 110 are each amended to  
18 read as follows:

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

21 (2) For the purposes of this section:

22 (a) "Manufacturing semiconductor microchips" means taking raw  
23 polished semiconductor wafers and embedding integrated circuits on  
24 the wafers using processes such as masking, etching, and diffusion;  
25 and

26 (b) "Integrated circuit" means a set of microminiaturized,  
27 electronic circuits.

28 (3) A person reporting under the tax rate provided in this  
29 section must file a complete annual report with the department under  
30 ~~((RCW 82.32.534))~~ section 201 of this act.

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

33 **Sec. 214.** RCW 82.04.4277 and 2016 sp.s. c 29 s 532 are each  
34 amended to read as follows:

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

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

5 (3) A person claiming a deduction under this section must file a  
6 complete annual report with the department under ((RCW 82.32.534))  
7 section 201 of this act.

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

10 (a) "Chemical dependency" has the same meaning as provided in RCW  
11 70.96A.020.

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

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

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

17 **Sec. 215.** RCW 82.04.4461 and 2013 3rd sp.s. c 2 s 9 are each  
18 amended to read as follows:

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

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

28 (b) Before July 1, 2005, any credits earned under this section  
29 must be accrued and carried forward and may not be used until July 1,  
30 2005. These carryover credits may be used at any time thereafter, and  
31 may be carried over until used. Refunds may not be granted in the  
32 place of a credit.

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

36 (3) Except as provided in subsection (1)(b) of this section the  
37 credit must be claimed against taxes due for the same calendar year  
38 in which the qualified aerospace product development expenditures are  
39 incurred. Credit earned on or after July 1, 2005, may not be carried

1 over. The credit for each calendar year may not exceed the amount of  
2 tax otherwise due under this chapter for the calendar year. Refunds  
3 may not be granted in the place of a credit.

4 (4) Any person claiming the credit must file a form prescribed by  
5 the department that must include the amount of the credit claimed, an  
6 estimate of the anticipated aerospace product development  
7 expenditures during the calendar year for which the credit is  
8 claimed, an estimate of the taxable amount during the calendar year  
9 for which the credit is claimed, and such additional information as  
10 the department may prescribe.

11 (5) The definitions in this subsection apply throughout this  
12 section.

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

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

30 (c) "Qualified aerospace product development" means aerospace  
31 product development performed within this state.

32 (d) "Qualified aerospace product development expenditures" means  
33 operating expenses, including wages, compensation of a proprietor or  
34 a partner in a partnership as determined by the department, benefits,  
35 supplies, and computer expenses, directly incurred in qualified  
36 aerospace product development by a person claiming the credit  
37 provided in this section. The term does not include amounts paid to a  
38 person or to the state and any of its departments and institutions,  
39 other than a public educational or research institution to conduct  
40 qualified aerospace product development. The term does not include

1 capital costs and overhead, such as expenses for land, structures, or  
2 depreciable property.

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

7 (6) In addition to all other requirements under this title, a  
8 person claiming the credit under this section must file a complete  
9 annual report with the department under ~~((RCW 82.32.534))~~ section 201  
10 of this act.

11 ~~((Credit may not be claimed for expenditures for which a~~  
12 ~~credit is claimed under RCW 82.04.4452.~~

13 ~~(8))~~) This section expires July 1, 2040.

14 **Sec. 216.** RCW 82.04.4463 and 2013 3rd sp.s. c 2 s 10 are each  
15 amended to read as follows:

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

19 (2) The credit is equal to:

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

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

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

37 (ii) Property taxes attributable to an increase in assessed value  
38 due to the renovation or expansion, after: (A) December 1, 2003, of a  
39 building used exclusively in manufacturing commercial airplanes or



1 components of such airplanes; and (B) June 30, 2008, of buildings  
2 used exclusively for aerospace product development, manufacturing  
3 tooling specifically designed for use in manufacturing commercial  
4 airplanes or their components, or in providing aerospace services, by  
5 persons not within the scope of (a)(ii)(A) of this subsection (2) and  
6 are taxable under RCW 82.04.290(3), 82.04.260(11)(b), or  
7 82.04.250(3); and

8 (b) An amount equal to:

9 (i)(A) Property taxes paid, by persons taxable under RCW  
10 82.04.260(11)(a), on machinery and equipment exempt under RCW  
11 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

12 (B) Property taxes paid, by persons taxable under RCW  
13 82.04.260(11)(b), on machinery and equipment exempt under RCW  
14 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

15 (C) Property taxes paid, by persons taxable under RCW  
16 82.04.250(3) or 82.04.290(3), on computer hardware, computer  
17 peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and  
18 acquired after June 30, 2008.

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

22 (A) The numerator of the fraction is the total taxable amount  
23 subject to the tax imposed under RCW 82.04.260(11) (a) or (b) on the  
24 applicable business activities of manufacturing commercial airplanes,  
25 components of such airplanes, or tooling specifically designed for  
26 use in the manufacturing of commercial airplanes or components of  
27 such airplanes.

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

31 (C) For purposes of both the numerator and denominator of the  
32 fraction, the total taxable amount refers to the total taxable amount  
33 required to be reported on the person's returns for the calendar year  
34 before the calendar year in which the credit under this section is  
35 earned. The department may provide for an alternative method for  
36 calculating the numerator in cases where the tax rate provided in RCW  
37 82.04.260(11) for manufacturing was not in effect during the full  
38 calendar year before the calendar year in which the credit under this  
39 section is earned.

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

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

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

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

12 (b) "Aerospace services" has the same meaning given in RCW  
13 82.08.975.

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

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

20 (5) In addition to all other requirements under this title, a  
21 person claiming the credit under this section must file a complete  
22 annual report with the department under (~~RCW 82.32.534~~) section 201  
23 of this act.

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

25 **Sec. 217.** RCW 82.04.448 and 2010 c 114 s 117 are each amended to  
26 read as follows:

27 (1) Subject to the limits and provisions of this section, a  
28 credit is authorized against the tax otherwise due under RCW  
29 82.04.240(2) for persons engaged in the business of manufacturing  
30 semiconductor materials. For the purposes of this section  
31 "semiconductor materials" has the same meaning as provided in RCW  
32 82.04.240(2).

33 (2)(a) The credit under this section equals three thousand  
34 dollars for each employment position used in manufacturing production  
35 that takes place in a new building exempt from sales and use tax  
36 under RCW 82.08.965 and 82.12.965. A credit is earned for the  
37 calendar year a person fills a position. Additionally a credit is  
38 earned for each year the position is maintained over the subsequent  
39 consecutive years, up to eight years. Those positions that are not

1 filled for the entire year are eligible for fifty percent of the  
2 credit if filled less than six months, and the entire credit if  
3 filled more than six months.

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

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

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

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

30 (5) A person claiming the credit under this section must file a  
31 complete annual report with the department under (~~RCW 82.32.534~~)  
32 section 201 of this act.

33 (6) Credits may be claimed after twelve years after the effective  
34 date of this act, for those buildings at which commercial production  
35 began before twelve years after the effective date of this act,  
36 subject to all of the eligibility criteria and limitations of this  
37 section.

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

1       **Sec. 218.** RCW 82.04.4481 and 2015 3rd sp.s. c 6 s 503 are each  
2 amended to read as follows:

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

7       (2) A person claiming the credit under this section is subject to  
8 all the requirements of chapter 82.32 RCW. A credit earned during one  
9 calendar year may be carried over to be credited against taxes  
10 incurred in the subsequent calendar year, but may not be carried over  
11 a second year. Credits carried over must be applied to tax liability  
12 before new credits. No refunds may be granted for credits under this  
13 section.

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

16       (4) A person claiming the credit provided in this section must  
17 file a complete annual report with the department under ((RCW  
18 ~~82.32.534~~)) section 201 of this act.

19       **Sec. 219.** RCW 82.04.4483 and 2010 c 114 s 119 are each amended  
20 to read as follows:

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

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

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

34       (b) If an activity is conducted both from a rural county and  
35 outside of a rural county, the credit is available if at least ninety  
36 percent of the qualifying activity is conducted within a rural  
37 county. If the qualifying activity is a service taxable activity, the  
38 place where the work is performed is the place at which the activity  
39 is conducted.

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

11           (b) Participants who claimed credit under RCW 82.04.4456 for  
12 qualified employment positions created before December 31, 2003, are  
13 eligible to earn credit for each year the position is maintained over  
14 the subsequent consecutive years, for up to four years, which four  
15 years include any years claimed under RCW 82.04.4456. Those persons  
16 who did not receive a credit under RCW 82.04.4456 before December 31,  
17 2003, are not eligible to earn credit for qualified employment  
18 positions created before December 31, 2003.

19           (c) Credit is authorized for new employees hired for new  
20 qualified employment positions created on or after January 1, 2004.  
21 New qualified employment positions filled by existing employees are  
22 eligible for the credit under this section only if the position  
23 vacated by the existing employee is filled by a new hire. A business  
24 that is a sole proprietorship without any employees is equivalent to  
25 one employee position and this type of business is eligible to  
26 receive credit for one position.

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

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

37           (6) 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, applies  
3 retroactively to the date the tax credit was taken, and accrues until  
4 the taxes for which a credit has been used are repaid.

5 (7) The credit under this section may be used against any tax due  
6 under this chapter, but in no case may a credit earned during one  
7 calendar year be carried over to be credited against taxes incurred  
8 in a subsequent calendar year. A person is not eligible to receive a  
9 credit under this section if the person is receiving credit for the  
10 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking  
11 a credit under this chapter for information technology help desk  
12 services conducted from a rural county. No refunds may be granted for  
13 credits under this section.

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

18 (9) A person claiming a tax credit under this section must file a  
19 complete annual ((survey)) report with the department under ((RCW  
20 82.32.585)) section 201 of this act.

21 (10) As used in this section:

22 (a) "Computer software" has the meaning as defined in RCW  
23 82.04.215 after June 30, 2004, and includes "software" as defined in  
24 RCW 82.04.215 before July 1, 2004.

25 (b) "Manufacturing" means the same as "to manufacture" under RCW  
26 82.04.120. Manufacturing includes the activities of both  
27 manufacturers and processors for hire.

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

32 (d) "Qualifying activity" means manufacturing of computer  
33 software or programming.

34 (e) "Qualified employment position" means a permanent full-time  
35 position doing programming of computer software or manufacturing of  
36 computer software. This excludes administrative, professional,  
37 service, executive, and other similar positions. If an employee is  
38 either voluntarily or involuntarily separated from employment, the  
39 employment position is considered filled on a full-time basis if the  
40 employer is either training or actively recruiting a replacement

1 employee. Full-time means a position for at least thirty-five hours a  
2 week.

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

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

6 **Sec. 220.** RCW 82.04.449 and 2012 c 46 s 3 are each amended to  
7 read as follows:

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

21 (2) A person claiming the credit provided in this section must  
22 file a complete annual ((survey)) report with the department under  
23 ((RCW 82.32.585)) section 201 of this act.

24 **Sec. 221.** RCW 82.08.805 and 2015 3rd sp.s. c 6 s 504 are each  
25 amended to read as follows:

26 (1) A person who has paid tax under RCW 82.08.020 for personal  
27 property used at an aluminum smelter, tangible personal property that  
28 will be incorporated as an ingredient or component of buildings or  
29 other structures at an aluminum smelter, or for labor and services  
30 rendered with respect to such buildings, structures, or personal  
31 property, is eligible for an exemption from the state share of the  
32 tax in the form of a credit, as provided in this section. A person  
33 claiming an exemption must pay the tax and may then take a credit  
34 equal to the state share of retail sales tax paid under RCW  
35 82.08.020. The person must submit information, in a form and manner  
36 prescribed by the department, specifying the amount of qualifying  
37 purchases or acquisitions for which the exemption is claimed and the  
38 amount of exempted tax.

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

3 (3) A person claiming the tax preference provided in this section  
4 must file a complete annual report with the department under ((RCW  
5 ~~82.32.534~~) section 201 of this act.

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

8 **Sec. 222.** RCW 82.08.965 and 2010 c 114 s 123 are each amended to  
9 read as follows:

10 (1) The tax levied by RCW 82.08.020 does not apply to charges  
11 made for labor and services rendered in respect to the constructing  
12 of new buildings used for the manufacturing of semiconductor  
13 materials, to sales of tangible personal property that will be  
14 incorporated as an ingredient or component of such buildings during  
15 the course of the constructing, or to labor and services rendered in  
16 respect to installing, during the course of constructing, building  
17 fixtures not otherwise eligible for the exemption under RCW  
18 82.08.02565(2)(b). The exemption is available only when the buyer  
19 provides the seller with an exemption certificate in a form and  
20 manner prescribed by the department. The seller must retain a copy of  
21 the certificate for the seller's files.

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

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

31 (b) Before commencing commercial production at a new facility the  
32 manufacturer or processor for hire must meet with the department to  
33 review projected employment levels in the new buildings. The  
34 department, using information provided by the taxpayer, must make a  
35 determination of the number of positions that would be filled at full  
36 employment. This number must be used throughout the eight-year period  
37 to determine whether any tax is to be repaid. This information is not  
38 subject to the confidentiality provisions of RCW 82.32.330 and may be  
39 disclosed to the public upon request.



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

7 (d) No application is necessary for the tax exemption. The person  
8 is subject to all the requirements of chapter 82.32 RCW. A person  
9 claiming the exemption under this section must file a complete annual  
10 report with the department under (~~RCW 82.32.534~~) section 201 of  
11 this act.

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

17 (4) The exemption applies to new buildings, or parts of  
18 buildings, that are used exclusively in the manufacturing of  
19 semiconductor materials, including the storage of raw materials and  
20 finished product.

21 (5) For the purposes of this section:

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

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

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

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

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

36 **Sec. 223.** RCW 82.08.9651 and 2014 c 97 s 405 are each amended to  
37 read as follows:

38 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
39 gases and chemicals used by a manufacturer or processor for hire in

1 the production of semiconductor materials. This exemption is limited  
2 to gases and chemicals used in the production process to grow the  
3 product, deposit or grow permanent or sacrificial layers on the  
4 product, to etch or remove material from the product, to anneal the  
5 product, to immerse the product, to clean the product, and other such  
6 uses whereby the gases and chemicals come into direct contact with  
7 the product during the production process, or uses of gases and  
8 chemicals to clean the chambers and other like equipment in which  
9 such processing takes place. For the purposes of this section,  
10 "semiconductor materials" has the meaning provided in RCW 82.04.2404  
11 and 82.04.294(3).

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

15 ~~(b))~~ A person claiming the exemption under this section and who  
16 is required to file a complete annual report with the department  
17 under ~~((RCW 82.32.534))~~ section 201 of this act as a result of  
18 claiming the tax preference provided by RCW 82.04.2404 is not also  
19 required to file a complete annual ~~((survey))~~ report under ~~((RCW~~  
20 ~~82.32.585))~~ section 201 of this act.

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

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

24 **Sec. 224.** RCW 82.08.970 and 2010 c 114 s 125 are each amended to  
25 read as follows:

26 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
27 gases and chemicals used by a manufacturer or processor for hire in  
28 the manufacturing of semiconductor materials. This exemption is  
29 limited to gases and chemicals used in the manufacturing process to  
30 grow the product, deposit or grow permanent or sacrificial layers on  
31 the product, to etch or remove material from the product, to anneal  
32 the product, to immerse the product, to clean the product, and other  
33 such uses whereby the gases and chemicals come into direct contact  
34 with the product during the manufacturing process, or uses of gases  
35 and chemicals to clean the chambers and other like equipment in which  
36 such processing takes place. For the purposes of this section,  
37 "semiconductor materials" has the same meaning as provided in RCW  
38 82.04.240(2).

1 (2) A person claiming the exemption under this section must file  
2 a complete annual report with the department under ((~~RCW 82.32.534~~))  
3 section 201 of this act. No application is necessary for the tax  
4 exemption. The person is subject to all of the requirements of  
5 chapter 82.32 RCW.

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

8 **Sec. 225.** RCW 82.08.980 and 2013 3rd sp.s. c 2 s 3 are each  
9 amended to read as follows:

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

11 (a) Charges, for labor and services rendered in respect to the  
12 constructing of new buildings, made to (i) a manufacturer engaged in  
13 the manufacturing of commercial airplanes or the fuselages or wings  
14 of commercial airplanes or (ii) a port district, political  
15 subdivision, or municipal corporation, to be leased to a manufacturer  
16 engaged in the manufacturing of commercial airplanes or the fuselages  
17 or wings of commercial airplanes;

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

21 (c) Charges made for labor and services rendered in respect to  
22 installing, during the course of constructing such buildings,  
23 building fixtures not otherwise eligible for the exemption under RCW  
24 82.08.02565(2)(b).

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

29 (3) No application is necessary for the tax exemption in this  
30 section. However, in order to qualify under this section before  
31 starting construction, the port district, political subdivision, or  
32 municipal corporation must have entered into an agreement with the  
33 manufacturer to build such a facility. A person claiming the  
34 exemption under this section is subject to all the requirements of  
35 chapter 82.32 RCW. In addition, the person must file a complete  
36 annual report with the department under ((~~RCW 82.32.534~~)) section 201  
37 of this act.

38 (4) The exemption in this section applies to buildings or parts  
39 of buildings, including buildings or parts of buildings used for the

1 storage of raw materials or finished product, that are used primarily  
2 in the manufacturing of any one or more of the following products:

- 3 (a) Commercial airplanes;
- 4 (b) Fuselages of commercial airplanes; or
- 5 (c) Wings of commercial airplanes.

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

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

9 **Sec. 226.** RCW 82.08.986 and 2015 3rd sp.s. c 6 s 302 are each  
10 amended to read as follows:

11 (1) An exemption from the tax imposed by RCW 82.08.020 is  
12 provided for sales to qualifying businesses and to qualifying tenants  
13 of eligible server equipment to be installed, without intervening  
14 use, in an eligible computer data center, and to charges made for  
15 labor and services rendered in respect to installing eligible server  
16 equipment. Until January 1, 2026, the exemption also applies to sales  
17 to qualifying businesses and to qualifying tenants of eligible power  
18 infrastructure, including labor and services rendered in respect to  
19 constructing, installing, repairing, altering, or improving eligible  
20 power infrastructure.

21 (2)(a) In order to claim the exemption under this section, a  
22 qualifying business or a qualifying tenant must submit an application  
23 to the department for an exemption certificate. The application must  
24 include the information necessary, as required by the department, to  
25 determine that a business or tenant qualifies for the exemption under  
26 this section. The department must issue exemption certificates to  
27 qualifying businesses and qualifying tenants. The department may  
28 assign a unique identification number to each exemption certificate  
29 issued under this section.

30 (b) A qualifying business or a qualifying tenant claiming the  
31 exemption under this section must present the seller with an  
32 exemption certificate in a form and manner prescribed by the  
33 department. The seller must retain a copy of the certificate for the  
34 seller's files.

35 (c) With respect to computer data centers for which the  
36 commencement of construction occurs after July 1, 2015, but before  
37 July 1, 2019, the exemption provided in this section is limited to no  
38 more than eight computer data centers, with total eligible data  
39 centers provided under this section limited to twelve from July 1,

1 2015, through July 1, 2025. Tenants of qualified data centers do not  
2 constitute additional data centers under the limit. The exemption is  
3 available on a first-in-time basis based on the date the application  
4 required under this section is received by the department. Exemption  
5 certificates expire two years after the date of issuance, unless  
6 construction has been commenced.

7 (3)(a) Within six years of the date that the department issued an  
8 exemption certificate under this section to a qualifying business or  
9 a qualifying tenant with respect to an eligible computer data center,  
10 the qualifying business or qualifying tenant must establish that net  
11 employment at the eligible computer data center has increased by a  
12 minimum of:

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

14 (ii) Three family wage employment positions for each twenty  
15 thousand square feet of space or less that is newly dedicated to  
16 housing working servers at the eligible computer data center. For  
17 qualifying tenants, the number of family wage employment positions  
18 that must be increased under this subsection (3)(a)(ii) is based only  
19 on the space occupied by the qualifying tenant in the eligible  
20 computer data center.

21 (b) In calculating the net increase in family wage employment  
22 positions:

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

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

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

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

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

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

36 (B) The portion of the net increase in family wage employment  
37 positions to be counted under this subsection (3)(b)(ii) by each  
38 qualifying tenant must be in proportion to the amount of space in the  
39 eligible computer data center occupied by the qualifying tenant

1 compared to the total amount of space in the eligible computer data  
2 center occupied by all qualifying tenants.

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

17 (ii)(A) Family wage employment positions include positions filled  
18 by employees of the owner of the eligible computer data center and by  
19 employees of qualifying tenants.

20 (B) Family wage employment positions also include individuals  
21 performing work at an eligible computer data center as an independent  
22 contractor hired by the owner of the eligible computer data center or  
23 as an employee of an independent contractor hired by the owner of the  
24 eligible computer data center, if the work is necessary for the  
25 operation of the computer data center, such as security and building  
26 maintenance, and provided that all of the requirements in (c)(i) of  
27 this subsection (3) are met.

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

31 (4) A qualifying business or a qualifying tenant claiming an  
32 exemption under this section or RCW 82.12.986 must complete an annual  
33 report with the department as required under (~~RCW 82.32.534~~)  
34 section 201 of this act.

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

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

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

3 (b) If a person claims an exemption under this section and  
4 subsequently receives the benefit of the deferral program under  
5 chapter 82.60 RCW on either the construction, renovation, or  
6 expansion of a structure or structures used as a computer data center  
7 or machinery or equipment used in a computer data center, the person  
8 must repay the amount of taxes exempted under this section. Interest  
9 as provided in chapter 82.32 RCW applies to amounts due under this  
10 section until paid in full.

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

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

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

21 (c)(i) "Computer data center" means a facility comprised of one  
22 or more buildings, which may be comprised of multiple businesses,  
23 constructed or refurbished specifically, and used primarily, to house  
24 working servers, where the facility has the following  
25 characteristics: (A) Uninterruptible power supplies, generator backup  
26 power, or both; (B) sophisticated fire suppression and prevention  
27 systems; and (C) enhanced physical security, such as: Restricted  
28 access to the facility to selected personnel; permanent security  
29 guards; video camera surveillance; an electronic system requiring  
30 passcodes, keycards, or biometric scans, such as hand scans and  
31 retinal or fingerprint recognition; or similar security features.

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

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

1 (d) "Electronic data storage and data management services"  
2 include, but are not limited to: Providing data storage and backup  
3 services, providing computer processing power, hosting enterprise  
4 software applications, and hosting web sites. The term also includes  
5 providing services such as email, web browsing and searching, media  
6 applications, and other online services, regardless of whether a  
7 charge is made for such services.

8 (e)(i) "Eligible computer data center" means a computer data  
9 center:

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

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

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

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

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

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

18 (ii) For purposes of this section, "commencement of construction"  
19 means the date that a building permit is issued under the building  
20 code adopted under RCW 19.27.031 for construction of the computer  
21 data center. The construction of a computer data center includes the  
22 expansion, renovation, or other improvements made to existing  
23 facilities, including leased or rented space. "Commencement of  
24 construction" does not include soil testing, site clearing and  
25 grading, site preparation, or any other related activities that are  
26 initiated before the issuance of a building permit for the  
27 construction of the foundation of a computer data center.

28 (iii) With respect to facilities in existence on April 1, 2010,  
29 that are expanded, renovated, or otherwise improved after March 31,  
30 2010, or facilities in existence on April 1, 2012, that are expanded,  
31 renovated, or otherwise improved after March 31, 2012, or facilities  
32 in existence on July 1, 2015, that are expanded, renovated, or  
33 otherwise improved after June 30, 2015, an eligible computer data  
34 center includes only the portion of the computer data center meeting  
35 the requirements in (e)(i)(B) of this subsection (6).

36 (f) "Eligible power infrastructure" means all fixtures and  
37 equipment owned by a qualifying business or qualifying tenant and  
38 necessary for the transformation, distribution, or management of  
39 electricity that is required to operate eligible server equipment  
40 within an eligible computer data center. The term includes



1 generators; wiring; cogeneration equipment; and associated fixtures  
2 and equipment, such as electrical switches, batteries, and  
3 distribution, testing, and monitoring equipment. The term does not  
4 include substations.

5 (g) "Eligible server equipment" means:

6 (i) For a qualifying business whose computer data center  
7 qualifies as an eligible computer data center under (e)(i)(C)(I) of  
8 this subsection (6), the original server equipment installed in an  
9 eligible computer data center on or after April 1, 2010, and before  
10 January 1, 2026, and replacement server equipment. For purposes of  
11 this subsection (6)(g)(i), "replacement server equipment" means  
12 server equipment that:

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

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

17 (ii) For a qualifying business whose computer data center  
18 qualifies as an eligible computer data center under (e)(i)(C)(II) of  
19 this subsection (6), "eligible server equipment" means the original  
20 server equipment installed in an eligible computer data center on or  
21 after April 1, 2012, and before January 1, 2026, and replacement  
22 server equipment. For purposes of this subsection (6)(g)(ii),  
23 "replacement server equipment" means server equipment that:

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

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

28 (iii)(A) For a qualifying business whose computer data center  
29 qualifies as an eligible computer data center under (e)(i)(C)(III) of  
30 this subsection (6), "eligible server equipment" means the original  
31 server equipment installed in a building within an eligible computer  
32 data center on or after July 1, 2015, and replacement server  
33 equipment. Server equipment installed in movable or fixed stand-  
34 alone, prefabricated, or modular units, including intermodal shipping  
35 containers, is not "directly installed in a building." For purposes  
36 of this subsection (6)(g)(iii)(A), "replacement server equipment"  
37 means server equipment that replaces existing server equipment, if  
38 the sale or use of the server equipment to be replaced qualified for  
39 an exemption under this section or RCW 82.12.986; and

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

3 (iv) For a qualifying tenant who leases space within an eligible  
4 computer data center, "eligible server equipment" means the original  
5 server equipment installed within the space it leases from an  
6 eligible computer data center on or after April 1, 2010, and before  
7 January 1, 2026, and replacement server equipment. For purposes of  
8 this subsection (6)(g)(iv), "replacement server equipment" means  
9 server equipment that:

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

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

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

19 (h) "Qualifying business" means a business entity that exists for  
20 the primary purpose of engaging in commercial activity for profit and  
21 that is the owner of an eligible computer data center. The term does  
22 not include the state or federal government or any of their  
23 departments, agencies, and institutions; tribal governments;  
24 political subdivisions of this state; or any municipal, quasi-  
25 municipal, public, or other corporation created by the state or  
26 federal government, tribal government, municipality, or political  
27 subdivision of the state.

28 (i) "Qualifying tenant" means a business entity that exists for  
29 the primary purpose of engaging in commercial activity for profit and  
30 that leases space from a qualifying business within an eligible  
31 computer data center. The term does not include the state or federal  
32 government or any of their departments, agencies, and institutions;  
33 tribal governments; political subdivisions of this state; or any  
34 municipal, quasi-municipal, public, or other corporation created by  
35 the state or federal government, tribal government, municipality, or  
36 political subdivision of the state. The term also does not include a  
37 lessee of space in an eligible computer data center under  
38 (e)(i)(C)(I) of this subsection (6), if the lessee and lessor are  
39 affiliated and:

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

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

10 (j) "Server equipment" means the computer hardware located in an  
11 eligible computer data center and used exclusively to provide  
12 electronic data storage and data management services for internal use  
13 by the owner or lessee of the computer data center, for clients of  
14 the owner or lessee of the computer data center, or both. "Server  
15 equipment" also includes computer software necessary to operate the  
16 computer hardware. "Server equipment" does not include personal  
17 computers, the racks upon which the server equipment is installed,  
18 and computer peripherals such as keyboards, monitors, printers, and  
19 mice.

20 **Sec. 227.** RCW 82.12.022 and 2015 3rd sp.s. c 6 s 506 are each  
21 amended to read as follows:

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

26 (2) The tax must be levied and collected in an amount equal to  
27 the value of the article used by the taxpayer multiplied by the rate  
28 in effect for the public utility tax on gas distribution businesses  
29 under RCW 82.16.020. The "value of the article used" does not include  
30 any amounts that are paid for the hire or use of a gas distribution  
31 business as defined in RCW 82.16.010(2) in transporting the gas  
32 subject to tax under this subsection if those amounts are subject to  
33 tax under that chapter.

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

37 (4) The tax levied in this section does not apply to the use of  
38 natural or manufactured gas if the person who sold the gas to the

1 consumer has paid a tax under RCW 82.16.020 with respect to the gas  
2 for which exemption is sought under this subsection.

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

6 (b) A person claiming the exemption provided in this subsection  
7 (5) must file a complete annual report with the department under  
8 (~~RCW 82.32.534~~) section 201 of this act.

9 (6) The tax imposed by this section does not apply to the use of  
10 natural gas, compressed natural gas, or liquefied natural gas, if the  
11 consumer uses the gas for transportation fuel as defined in RCW  
12 82.16.310.

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

15 (a) The person who sold the gas to the consumer when that tax is  
16 a gross receipts tax similar to that imposed pursuant to RCW  
17 82.16.020 by another state with respect to the gas for which a credit  
18 is sought under this subsection; or

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

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

25 (9) There is imposed a reporting requirement on the person who  
26 delivered the gas to the consumer to make a quarterly report to the  
27 department. Such report must contain the volume of gas delivered,  
28 name of the consumer to whom delivered, and such other information as  
29 the department may require by rule.

30 (10) The department may adopt rules under chapter 34.05 RCW for  
31 the administration and enforcement of sections 1 through 6, chapter  
32 384, Laws of 1989.

33 **Sec. 228.** RCW 82.12.025651 and 2011 c 23 s 5 are each amended to  
34 read as follows:

35 (1) The provisions of this chapter do not apply in respect to the  
36 use by a public research institution of machinery and equipment used  
37 primarily in a research and development operation, or to the use of  
38 labor and services rendered in respect to installing, repairing,  
39 cleaning, altering, or improving the machinery and equipment.

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

2 (3) A public research institution receiving the benefit of the  
3 exemption provided in this section must file a complete annual  
4 ((survey)) report with the department under ((RCW 82.32.585)) section  
5 201 of this act.

6 **Sec. 229.** RCW 82.12.805 and 2015 3rd sp.s. c 6 s 505 are each  
7 amended to read as follows:

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

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

22 (3) A person reporting under the tax rate provided in this  
23 section must file a complete annual report with the department under  
24 ((RCW 82.32.534)) section 201 of this act.

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

27 **Sec. 230.** RCW 82.12.965 and 2010 c 114 s 129 are each amended to  
28 read as follows:

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

36 (2) The eligibility requirements, conditions, and definitions in  
37 RCW 82.08.965 apply to this section, including the filing of a

1 complete annual report with the department under ((RCW 82.32.534))  
2 section 201 of this act.

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

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

9 **Sec. 231.** RCW 82.12.9651 and 2014 c 97 s 406 are each amended to  
10 read as follows:

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

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

27 ~~(b))~~ A person claiming the exemption under this section and who  
28 is required to file a complete annual report with the department  
29 under ((RCW 82.32.534)) section 201 of this act as a result of  
30 claiming the tax preference provided by RCW 82.04.2404 is not also  
31 required to file a complete annual ((survey)) report under ((RCW  
32 82.32.585)) section 201 of this act.

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

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

36 **Sec. 232.** RCW 82.12.970 and 2010 c 114 s 131 are each amended to  
37 read as follows:

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

14 (2) A person claiming the exemption under this section must file  
15 a complete annual report with the department under (~~RCW 82.32.534~~)  
16 section 201 of this act. No application is necessary for the tax  
17 exemption. The person is subject to all of the requirements of  
18 chapter 82.32 RCW.

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

21 **Sec. 233.** RCW 82.12.980 and 2013 3rd sp.s. c 2 s 4 are each  
22 amended to read as follows:

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

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

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

35 (2) The eligibility requirements, conditions, and definitions in  
36 RCW 82.08.980 apply to this section, including the filing of a  
37 complete annual report with the department under (~~RCW 82.32.534~~)  
38 section 201 of this act.

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

1       **Sec. 234.** RCW 82.16.0421 and 2010 c 114 s 133 are each amended  
2 to read as follows:

3       (1) For the purposes of this section:

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

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

22       (2) Effective July 1, 2004, the tax levied under this chapter  
23 does not apply to sales of electricity made by a light and power  
24 business to a chlor-alkali electrolytic processing business or a  
25 sodium chlorate electrolytic processing business for the electrolytic  
26 process if the contract for sale of electricity to the business  
27 contains the following terms:

28       (a) The electricity to be used in the electrolytic process is  
29 separately metered from the electricity used for general operations  
30 of the business;

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

35       (c) Disallowance of all or part of the exemption under this  
36 section is a breach of contract and the damages to be paid by the  
37 chlor-alkali electrolytic processing business or the sodium chlorate  
38 electrolytic processing business are the amount of the tax exemption  
39 disallowed.



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

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

9 (5) A person receiving the benefit of the exemption provided in  
10 this section must file a complete annual report with the department  
11 under ((~~RCW 82.32.534~~)) section 201 of this act.

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

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

15 **Sec. 235.** RCW 82.29A.137 and 2013 3rd sp.s. c 2 s 13 are each  
16 amended to read as follows:

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

23 (2) In addition to all other requirements under this title, a  
24 person claiming the exemption under this section must file a complete  
25 annual report with the department under ((~~RCW 82.32.534~~)) section 201  
26 of this act.

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

28 **Sec. 236.** RCW 82.60.070 and 2010 1st sp.s. c 16 s 9 are each  
29 amended to read as follows:

30 (1)(a) Each recipient of a deferral of taxes granted under this  
31 chapter must file a complete annual ((~~survey~~)) report with the  
32 department under ((~~RCW 82.32.585~~)) section 201 of this act. If the  
33 economic benefits of the deferral are passed to a lessee as provided  
34 in RCW 82.60.025, the lessee must file a complete annual ((~~survey~~))  
35 report, and the applicant is not required to file a complete annual  
36 ((~~survey~~)) report.

37 (b) The department must use the information reported on the  
38 annual ((~~survey~~)) report required by this section to study the tax

1 deferral program authorized under this chapter. The department must  
2 report to the legislature by December 1, (~~(2019)~~) 2018. The report  
3 must measure the effect of the program on job creation, the number of  
4 jobs created for residents of eligible areas, company growth, (~~the~~  
5 ~~introduction of new products, the diversification of the state's~~  
6 ~~economy, growth in research and development investment, the movement~~  
7 ~~of firms or the consolidation of firms' operations into the state,)~~  
8 and such other factors as the department selects.

9 (2) Except as provided in RCW 82.60.063, if, on the basis of a  
10 (~~survey under RCW 82.32.585~~) report under section 201 of this act  
11 or other information, the department finds that an investment project  
12 is not eligible for tax deferral under this chapter, the amount of  
13 deferred taxes outstanding for the project, according to the  
14 repayment schedule in RCW 82.60.060, is immediately due. For purposes  
15 of this subsection (2), the repayment schedule in RCW 82.60.060 is  
16 tolled during the period of time that a taxpayer is receiving relief  
17 from repayment of deferred taxes under RCW 82.60.063.

18 (3) A recipient who must repay deferred taxes under subsection  
19 (2) of this section because the department has found that an  
20 investment project is not eligible for tax deferral under this  
21 chapter is no longer required to file annual (~~surveys under RCW~~  
22 ~~82.32.585~~) reports under section 201 of this act beginning on the  
23 date an investment project is used for nonqualifying purposes.

24 (4) Notwithstanding any other provision of this section or (~~RCW~~  
25 ~~82.32.585~~) under section 201 of this act, deferred taxes on the  
26 following need not be 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. 237.** RCW 82.63.020 and 2010 c 114 s 140 are each amended to  
33 read as follows:

34 (1) Application for deferral of taxes under this chapter must be  
35 made before initiation of construction of, or acquisition of  
36 equipment or machinery for the investment project. In the case of an  
37 investment project involving multiple qualified buildings,  
38 applications must be made for, and before the initiation of  
39 construction of, each qualified building. The application must be

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

10 (2) Each recipient of a deferral of taxes under this chapter must  
11 file a complete annual ~~((survey))~~ report with the department under  
12 ~~((RCW 82.32.585))~~ section 201 of this act. If the economic benefits  
13 of the deferral are passed to a lessee as provided in RCW  
14 82.63.010(7), the lessee must file a complete annual ~~((survey))~~  
15 report, and the applicant is not required to file the annual  
16 ~~((survey))~~ report.

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

27 ~~((4))~~) A recipient who must repay deferred taxes under RCW  
28 82.63.045 because the department has found that an investment project  
29 is used for purposes other than research and development performed  
30 within this state in the fields of advanced computing, advanced  
31 materials, biotechnology, electronic device technology, and  
32 environmental technology is no longer required to file annual  
33 ~~((surveys under RCW 82.32.585))~~ reports under section 201 of this act  
34 beginning on the date an investment project is used for nonqualifying  
35 purposes.

36 **Sec. 238.** RCW 82.63.045 and 2010 c 114 s 141 are each amended to  
37 read as follows:

1 (1) Except as provided in subsection (2) of this section and  
2 (~~RCW 82.32.585~~) section 201 of this act, taxes deferred under this  
3 chapter need not be repaid.

4 (2)(a) If, on the basis of the (~~survey under RCW 82.32.585~~)  
5 report under section 201 of this act or other information, the  
6 department finds that an investment project is used for purposes  
7 other than qualified research and development or pilot scale  
8 manufacturing at any time during the calendar year in which the  
9 investment project is certified by the department as having been  
10 operationally completed, or at any time during any of the seven  
11 succeeding calendar years, a portion of deferred taxes is immediately  
12 due according to the following schedule:

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

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

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

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

34 (4) The department must assess interest at the rate provided for  
35 delinquent taxes, but not penalties, retroactively to the date of  
36 deferral. The debt for deferred taxes will not be extinguished by

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

5 (5) Notwithstanding subsection (2) of this section or ((RCW  
6 ~~82.32.585~~)) section 201 of this act, deferred taxes on the following  
7 need not be repaid:

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

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

13 **Sec. 239.** RCW 82.74.040 and 2010 c 114 s 142 are each amended to  
14 read as follows:

15 (1) Each recipient of a deferral of taxes granted under this  
16 chapter must file a complete annual ((survey)) report with the  
17 department under ((RCW ~~82.32.585~~)) section 201 of this act. If the  
18 economic benefits of the deferral are passed to a lessee as provided  
19 in RCW 82.74.010(6), the lessee must file a complete annual  
20 ((survey)) report, and the applicant is not required to file the  
21 annual ((survey)) report.

22 (2) A recipient who must repay deferred taxes under RCW  
23 82.74.050(2) because the department has found that an investment  
24 project is used for purposes other than fresh fruit and vegetable  
25 processing, dairy product manufacturing, seafood product  
26 manufacturing, cold storage warehousing, or research and development  
27 is no longer required to file annual ((surveys under RCW ~~82.32.585~~))  
28 reports under section 201 of this act beginning on the date an  
29 investment project is used for nonqualifying purposes.

30 **Sec. 240.** RCW 82.74.050 and 2010 c 114 s 143 are each amended to  
31 read as follows:

32 (1) Except as provided in subsection (2) of this section and  
33 ((RCW ~~82.32.585~~)) section 201 of this act, taxes deferred under this  
34 chapter need not be repaid.

35 (2)(a) If, on the basis of the ((survey under RCW ~~82.32.585~~))  
36 report under section 201 of this act or other information, the  
37 department finds that an investment project is used for purposes  
38 other than fresh fruit and vegetable processing, dairy product

1 manufacturing, seafood product manufacturing, cold storage  
 2 warehousing, or research and development at any time during the  
 3 calendar year in which the investment project is certified by the  
 4 department as having been operationally completed, or at any time  
 5 during any of the seven succeeding calendar years, a portion of  
 6 deferred taxes is immediately due according to the following  
 7 schedule:

8	Year in which nonqualifying use occurs	% of deferred taxes due
9	1	100%
10	2	87.5%
11	3	75%
12	4	62.5%
13	5	50%
14	6	37.5%
15	7	25%
16	8	12.5%

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

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

30 (4) Notwithstanding subsection (2) of this section or ((RCW  
 31 ~~82.32.585~~) section 201 of this act, deferred taxes on the following  
 32 need not be repaid:

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

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

3 **Sec. 241.** RCW 82.75.040 and 2010 c 114 s 147 are each amended to  
4 read as follows:

5 (1) Except as provided in subsection (2) of this section and  
6 (~~RCW 82.32.585~~) section 201 of this act, taxes deferred under this  
7 chapter need not be repaid.

8 (2)(a) If, on the basis of the (~~survey under RCW 82.32.585~~)  
9 report under section 201 of this act or other information, the  
10 department finds that an investment project is used for purposes  
11 other than qualified biotechnology product manufacturing or medical  
12 device manufacturing activities at any time during the calendar year  
13 in which the eligible investment project is certified by the  
14 department as having been operationally completed, or at any time  
15 during any of the seven succeeding calendar years, a portion of  
16 deferred taxes is immediately due and payable according to the  
17 following schedule:

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

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

30 (3) For a violation of subsection (2)(a) of this section, the  
31 department must assess interest at the rate provided for delinquent  
32 taxes, but not penalties, retroactively to the date of deferral. The  
33 debt for deferred taxes will not be extinguished by insolvency or  
34 other failure of the recipient. Transfer of ownership does not  
35 terminate the deferral. The deferral is transferred, subject to the

1 successor meeting the eligibility requirements of this chapter, for  
2 the remaining periods of the deferral.

3 (4) Notwithstanding subsection (2) of this section or ((RCW  
4 ~~82.32.585~~)) section 201 of this act, deferred taxes on the following  
5 need not be repaid:

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

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

11 **Sec. 242.** RCW 82.75.070 and 2010 c 114 s 144 are each amended to  
12 read as follows:

13 (1) Each recipient of a deferral of taxes granted under this  
14 chapter must file a complete annual ((survey)) report with the  
15 department under ((RCW ~~82.32.585~~)) section 201 of this act. If the  
16 economic benefits of the deferral are passed to a lessee as provided  
17 in RCW 82.75.010(5), the lessee must file a complete annual  
18 ((survey)) report, and the applicant is not required to file the  
19 annual ((survey)) report.

20 (2) A recipient who must repay deferred taxes under RCW  
21 82.75.040(2) because the department has found that an investment  
22 project is used for purposes other than qualified biotechnology  
23 product manufacturing or medical device manufacturing activities is  
24 no longer required to file annual ((surveys under RCW ~~82.32.585~~))  
25 reports under section 201 of this act beginning on the date an  
26 investment project is used for nonqualifying purposes.

27 **Sec. 243.** RCW 82.82.020 and 2010 c 114 s 148 are each amended to  
28 read as follows:

29 (1) Application for deferral of taxes under this chapter can be  
30 made at any time prior to completion of construction of a qualified  
31 building or buildings, but tax liability incurred prior to the  
32 department's receipt of an application may not be deferred. The  
33 application must be made to the department in a form and manner  
34 prescribed by the department. The application must contain  
35 information regarding the location of the investment project, the  
36 applicant's average employment in the state for the prior year,  
37 estimated or actual new employment related to the project, estimated  
38 or actual wages of employees related to the project, estimated or



1 actual costs, time schedules for completion and operation, and other  
2 information required by the department. The department must rule on  
3 the application within sixty days.

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

6 (3) Each recipient of a deferral of taxes under this chapter must  
7 file a complete annual ~~((survey))~~ report with the department under  
8 ~~((RCW 82.32.585))~~ section 201 of this act. If the economic benefits  
9 of the deferral are passed to a lessee as provided in RCW  
10 82.82.010(5), the lessee must file a complete annual ~~((survey))~~  
11 report, and the applicant is not required to file the annual  
12 ~~((survey))~~ report.

13 (4) A recipient who must repay deferred taxes under RCW 82.82.040  
14 because the department has found that an investment project is no  
15 longer an eligible investment project is no longer required to file  
16 annual ~~((surveys under RCW 82.32.585))~~ reports under section 201 of  
17 this act beginning on the date an investment project is used for  
18 nonqualifying purposes.

19 **Sec. 244.** RCW 82.82.040 and 2010 c 114 s 149 are each amended to  
20 read as follows:

21 (1) Except as provided in subsection (2) of this section and  
22 ~~((RCW 82.32.585))~~ section 201 of this act, taxes deferred under this  
23 chapter need not be repaid.

24 (2)(a) If, on the basis of the ~~((survey under RCW 82.32.585))~~  
25 report under section 201 of this act or other information, the  
26 department finds that an investment project is no longer an "eligible  
27 investment project" under RCW 82.82.010 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 are immediately due according to the following  
32 schedule:

33	Year in which use occurs	% of deferred taxes due
34	1	100%
35	2	87.5%
36	3	75%
37	4	62.5%

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

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

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

16 **Sec. 245.** RCW 84.36.645 and 2010 c 114 s 150 are each amended to  
17 read as follows:

18 (1) Machinery and equipment exempt under RCW 82.08.02565 or  
19 82.12.02565 used in manufacturing semiconductor materials at a  
20 building exempt from sales and use tax and in compliance with the  
21 employment requirement under RCW 82.08.965 and 82.12.965 are exempt  
22 from property taxation. "Semiconductor materials" has the same  
23 meaning as provided in RCW 82.04.240(2).

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

26 (3) A person claiming an exemption under this section must file a  
27 complete annual report with the department under ((RCW 82.32.534))  
28 section 201 of this act.

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

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

34 **Sec. 246.** RCW 84.36.655 and 2013 3rd sp.s. c 2 s 14 are each  
35 amended to read as follows:

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

9 (2) In addition to all other requirements under this title, a  
10 person claiming the exemption under this section must file a complete  
11 annual report with the department under (~~RCW 82.32.534~~) section 201  
12 of this act.

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

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

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

### 23 Part III

#### 24 Authorizing Public Disclosure of Firm-Specific Tax Savings from 25 Business Tax Incentives

26 **Sec. 301.** RCW 82.32.330 and 2011 c 174 s 404 are each amended to  
27 read as follows:

28 (1) For purposes of this section:

29 (a) "Disclose" means to make known to any person in any manner  
30 whatever a return or tax information;

31 (b) "Return" means a tax or information return or claim for  
32 refund required by, or provided for or permitted under, the laws of  
33 this state which is filed with the department of revenue by, on  
34 behalf of, or with respect to a person, and any amendment or  
35 supplement thereto, including supporting schedules, attachments, or  
36 lists that are supplemental to, or part of, the return so filed;

37 (c) "Tax information" means (i) a taxpayer's identity, (ii) the  
38 nature, source, or amount of the taxpayer's income, payments,

1 receipts, deductions, exemptions, credits, assets, liabilities, net  
2 worth, tax liability deficiencies, overassessments, or tax payments,  
3 whether taken from the taxpayer's books and records or any other  
4 source, (iii) whether the taxpayer's return was, is being, or will be  
5 examined or subject to other investigation or processing, (iv) a part  
6 of a written determination that is not designated as a precedent and  
7 disclosed pursuant to RCW 82.32.410, or a background file document  
8 relating to a written determination, and (v) other data received by,  
9 recorded by, prepared by, furnished to, or collected by the  
10 department of revenue with respect to the determination of the  
11 existence, or possible existence, of liability, or the amount  
12 thereof, of a person under the laws of this state for a tax, penalty,  
13 interest, fine, forfeiture, or other imposition, or offense. However,  
14 data, material, or documents that do not disclose information related  
15 to a specific or identifiable taxpayer do not constitute tax  
16 information under this section. Except as provided by RCW 82.32.410,  
17 nothing in this chapter requires any person possessing data,  
18 material, or documents made confidential and privileged by this  
19 section to delete information from such data, material, or documents  
20 so as to permit its disclosure;

21 (d) "State agency" means every Washington state office,  
22 department, division, bureau, board, commission, or other state  
23 agency;

24 (e) "Taxpayer identity" means the taxpayer's name, address,  
25 telephone number, registration number, or any combination thereof, or  
26 any other information disclosing the identity of the taxpayer; and

27 (f) "Department" means the department of revenue or its officer,  
28 agent, employee, or representative.

29 (2) Returns and tax information are confidential and privileged,  
30 and except as authorized by this section, neither the department of  
31 revenue nor any other person may disclose any return or tax  
32 information.

33 (3) This section does not prohibit the department of revenue  
34 from:

35 (a) Disclosing such return or tax information in a civil or  
36 criminal judicial proceeding or an administrative proceeding:

37 (i) In respect of any tax imposed under the laws of this state if  
38 the taxpayer or its officer or other person liable under this title  
39 or chapter 83.100 RCW is a party in the proceeding;

1 (ii) In which the taxpayer about whom such return or tax  
2 information is sought and another state agency are adverse parties in  
3 the proceeding; or

4 (iii) Brought by the department under RCW 18.27.040 or 19.28.071;

5 (b) Disclosing, subject to such requirements and conditions as  
6 the director prescribes by rules adopted pursuant to chapter 34.05  
7 RCW, such return or tax information regarding a taxpayer to such  
8 taxpayer or to such person or persons as that taxpayer may designate  
9 in a request for, or consent to, such disclosure, or to any other  
10 person, at the taxpayer's request, to the extent necessary to comply  
11 with a request for information or assistance made by the taxpayer to  
12 such other person. However, tax information not received from the  
13 taxpayer must not be so disclosed if the director determines that  
14 such disclosure would compromise any investigation or litigation by  
15 any federal, state, or local government agency in connection with the  
16 civil or criminal liability of the taxpayer or another person, or  
17 that such disclosure would identify a confidential informant, or that  
18 such disclosure is contrary to any agreement entered into by the  
19 department that provides for the reciprocal exchange of information  
20 with other government agencies which agreement requires  
21 confidentiality with respect to such information unless such  
22 information is required to be disclosed to the taxpayer by the order  
23 of any court;

24 (c) Disclosing the name of a taxpayer against whom a warrant  
25 under RCW 82.32.210 has been either issued or filed and remains  
26 outstanding for a period of at least ten working days. The department  
27 is not required to disclose any information under this subsection if  
28 a taxpayer has entered a deferred payment arrangement with the  
29 department for the payment of a warrant that has not been filed and  
30 is making payments upon such deficiency that will fully satisfy the  
31 indebtedness within twelve months;

32 (d) Publishing statistics so classified as to prevent the  
33 identification of particular returns or reports or items thereof;

34 (e) Disclosing such return or tax information, for official  
35 purposes only, to the governor or attorney general, or to any state  
36 agency, or to any committee or subcommittee of the legislature  
37 dealing with matters of taxation, revenue, trade, commerce, the  
38 control of industry or the professions;

1 (f) Permitting the department of revenue's records to be audited  
2 and examined by the proper state officer, his or her agents and  
3 employees;

4 (g) Disclosing any such return or tax information to a peace  
5 officer as defined in RCW 9A.04.110 or county prosecuting attorney,  
6 for official purposes. The disclosure may be made only in response to  
7 a search warrant, subpoena, or other court order, unless the  
8 disclosure is for the purpose of criminal tax enforcement. A peace  
9 officer or county prosecuting attorney who receives the return or tax  
10 information may disclose that return or tax information only for use  
11 in the investigation and a related court proceeding, or in the court  
12 proceeding for which the return or tax information originally was  
13 sought;

14 (h) Disclosing any such return or tax information to the proper  
15 officer of the internal revenue service of the United States, the  
16 Canadian government or provincial governments of Canada, or to the  
17 proper officer of the tax department of any state or city or town or  
18 county, for official purposes, but only if the statutes of the United  
19 States, Canada or its provincial governments, or of such other state  
20 or city or town or county, as the case may be, grants substantially  
21 similar privileges to the proper officers of this state;

22 (i) Disclosing any such return or tax information to the United  
23 States department of justice, including the bureau of alcohol,  
24 tobacco, firearms and explosives, the department of defense, the  
25 immigration and customs enforcement and the customs and border  
26 protection agencies of the United States department of homeland  
27 security, the United States coast guard, the alcohol and tobacco tax  
28 and trade bureau of the United States department of treasury, and the  
29 United States department of transportation, or any authorized  
30 representative of these federal agencies, for official purposes;

31 (j) Publishing or otherwise disclosing the text of a written  
32 determination designated by the director as a precedent pursuant to  
33 RCW 82.32.410;

34 (k) Disclosing, in a manner that is not associated with other tax  
35 information, the taxpayer name, entity type, business address,  
36 mailing address, revenue tax registration numbers, reseller permit  
37 numbers and the expiration date and status of such permits, North  
38 American industry classification system or standard industrial  
39 classification code of a taxpayer, and the dates of opening and  
40 closing of business. This subsection may not be construed as giving

1 authority to the department to give, sell, or provide access to any  
2 list of taxpayers for any commercial purpose;

3 (l) Disclosing such return or tax information that is also  
4 maintained by another Washington state or local governmental agency  
5 as a public record available for inspection and copying under the  
6 provisions of chapter 42.56 RCW or is a document maintained by a  
7 court of record and is not otherwise prohibited from disclosure;

8 (m) Disclosing such return or tax information to the United  
9 States department of agriculture for the limited purpose of  
10 investigating food stamp fraud by retailers;

11 (n) Disclosing to a financial institution, escrow company, or  
12 title company, in connection with specific real property that is the  
13 subject of a real estate transaction, current amounts due the  
14 department for a filed tax warrant, judgment, or lien against the  
15 real property;

16 (o) Disclosing to a person against whom the department has  
17 asserted liability as a successor under RCW 82.32.140 return or tax  
18 information pertaining to the specific business of the taxpayer to  
19 which the person has succeeded;

20 (p) Disclosing real estate excise tax affidavit forms filed under  
21 RCW 82.45.150 in the possession of the department, including real  
22 estate excise tax affidavit forms for transactions exempt or  
23 otherwise not subject to tax;

24 (q) Disclosing to local taxing jurisdictions the identity of  
25 sellers granted relief under RCW 82.32.430(5)(b)(i) and the period  
26 for which relief is granted;

27 (r) Disclosing such return or tax information to the court in  
28 respect to the department's application for a subpoena under RCW  
29 82.32.117;

30 (s) Disclosing to a person against whom the department has  
31 asserted liability under RCW 83.100.120 return or tax information  
32 pertaining to that person's liability for tax under chapter 83.100  
33 RCW;

34 (t) Disclosing such return or tax information to the streamlined  
35 sales tax governing board, member states of the streamlined sales tax  
36 governing board, or authorized representatives of such board or  
37 states, for the limited purposes of:

38 (i) Conducting on behalf of member states sales and use tax  
39 audits of taxpayers; or

1 (ii) Auditing certified service providers or certified automated  
2 systems providers; ((e))

3 (u) Disclosing the amount of any tax preference claimed by a  
4 taxpayer filing an annual report under section 201 of this act or any  
5 new tax preference as provided in RCW 82.32.808(7);

6 (v) Disclosing any such return or tax information when the  
7 disclosure is specifically authorized under any other section of the  
8 Revised Code of Washington; or

9 (w) Disclosing the amount of tax preference claimed by a  
10 nonprofit organization.

11 (4)(a) The department may disclose return or taxpayer information  
12 to a person under investigation or during any court or administrative  
13 proceeding against a person under investigation as provided in this  
14 subsection (4). The disclosure must be in connection with the  
15 department's official duties relating to an audit, collection  
16 activity, or a civil or criminal investigation. The disclosure may  
17 occur only when the person under investigation and the person in  
18 possession of data, materials, or documents are parties to the return  
19 or tax information to be disclosed. The department may disclose  
20 return or tax information such as invoices, contracts, bills,  
21 statements, resale or exemption certificates, or checks. However, the  
22 department may not disclose general ledgers, sales or cash receipt  
23 journals, check registers, accounts receivable/payable ledgers,  
24 general journals, financial statements, expert's workpapers, income  
25 tax returns, state tax returns, tax return workpapers, or other  
26 similar data, materials, or documents.

27 (b) Before disclosure of any tax return or tax information under  
28 this subsection (4), the department must, through written  
29 correspondence, inform the person in possession of the data,  
30 materials, or documents to be disclosed. The correspondence must  
31 clearly identify the data, materials, or documents to be disclosed.  
32 The department may not disclose any tax return or tax information  
33 under this subsection (4) until the time period allowed in (c) of  
34 this subsection has expired or until the court has ruled on any  
35 challenge brought under (c) of this subsection.

36 (c) The person in possession of the data, materials, or documents  
37 to be disclosed by the department has twenty days from the receipt of  
38 the written request required under (b) of this subsection to petition  
39 the superior court of the county in which the petitioner resides for



1 injunctive relief. The court must limit or deny the request of the  
2 department if the court determines that:

3 (i) The data, materials, or documents sought for disclosure are  
4 cumulative or duplicative, or are obtainable from some other source  
5 that is more convenient, less burdensome, or less expensive;

6 (ii) The production of the data, materials, or documents sought  
7 would be unduly burdensome or expensive, taking into account the  
8 needs of the department, the amount in controversy, limitations on  
9 the petitioner's resources, and the importance of the issues at  
10 stake; or

11 (iii) The data, materials, or documents sought for disclosure  
12 contain trade secret information that, if disclosed, could harm the  
13 petitioner.

14 (d) The department must reimburse reasonable expenses for the  
15 production of data, materials, or documents incurred by the person in  
16 possession of the data, materials, or documents to be disclosed.

17 (e) Requesting information under (b) of this subsection that may  
18 indicate that a taxpayer is under investigation does not constitute a  
19 disclosure of tax return or tax information under this section.

20 (5) Service of a subpoena issued under RCW 82.32.117 does not  
21 constitute a disclosure of return or tax information under this  
22 section. Notwithstanding anything else to the contrary in this  
23 section, a person served with a subpoena under RCW 82.32.117 may  
24 disclose the existence or content of the subpoena to that person's  
25 legal counsel.

26 (6) Any person acquiring knowledge of any return or tax  
27 information in the course of his or her employment with the  
28 department of revenue and any person acquiring knowledge of any  
29 return or tax information as provided under subsection (3) (e), (f),  
30 (g), (h), (i), or (m) of this section, who discloses any such return  
31 or tax information to another person not entitled to knowledge of  
32 such return or tax information under the provisions of this section,  
33 is guilty of a misdemeanor. If the person guilty of such violation is  
34 an officer or employee of the state, such person must forfeit such  
35 office or employment and is incapable of holding any public office or  
36 employment in this state for a period of two years thereafter.

37 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.32  
38 RCW to read as follows:

1 The department must provide tax information that is subject to  
2 public disclosure under RCW 82.32.330(3) (u) and (w) on its web site  
3 in the form of a searchable database and any additional format it  
4 deems appropriate.

5 **Part IV**

6 **Updating and Modernizing the DOR Tax Exemption Report**

7 **Sec. 401.** RCW 43.06.400 and 2013 c 225 s 605 are each amended to  
8 read as follows:

9 (1) Except as otherwise provided in this section, beginning in  
10 January 1984, and in January of every fourth year thereafter, the  
11 department of revenue must submit to the legislature prior to the  
12 regular session a listing of the amount of reduction for the current  
13 and next biennium in the revenues of the state or the revenues of  
14 local government collected by the state as a result of tax  
15 exemptions. The listing must include an estimate of the revenue lost  
16 from the tax exemption, the purpose of the tax exemption, the  
17 persons, organizations, or parts of the population which benefit from  
18 the tax exemption, and whether or not the tax exemption conflicts  
19 with another state program. The listing must include but not be  
20 limited to the following revenue sources:

21 (a) Real and personal property tax exemptions under Title 84 RCW;

22 (b) Business and occupation tax exemptions, deductions, and  
23 credits under chapter 82.04 RCW;

24 (c) Retail sales and use tax exemptions under chapters 82.08,  
25 82.12, and 82.14 RCW;

26 (d) Public utility tax exemptions and deductions under chapter  
27 82.16 RCW;

28 (e) Food fish and shellfish tax exemptions under chapter 82.27  
29 RCW;

30 (f) Leasehold excise tax exemptions under chapter 82.29A RCW;

31 (g) Motor vehicle and special fuel tax exemptions and refunds  
32 under chapter 82.38 RCW;

33 (h) Aircraft fuel tax exemptions under chapter 82.42 RCW;

34 (i) Motor vehicle excise tax exclusions under chapter 82.44 RCW;  
35 and

36 (j) Insurance premiums tax exemptions under chapter 48.14 RCW.

1 (2) The department of revenue must prepare the listing required  
2 by this section with the assistance of any other agencies or  
3 departments as may be required.

4 (3) The department of revenue must present the listing to the  
5 ways and means committees of each house in public hearings.

6 (4) Beginning in January 1984, and every four years thereafter  
7 the governor is requested to review the report from the department of  
8 revenue and may submit recommendations to the legislature with  
9 respect to the repeal or modification of any tax exemption. The ways  
10 and means committees of each house and the appropriate standing  
11 committee of each house must hold public hearings and take  
12 appropriate action on the recommendations submitted by the governor.

13 ~~(5) ((As used in this section, "tax exemption" means an  
14 exemption, exclusion, or deduction from the base of a tax; a credit  
15 against a tax; a deferral of a tax; or a preferential tax rate.~~

16 ~~(6))~~ For purposes of the listing due in January 2012, the  
17 department of revenue does not have to prepare or update the listing  
18 with respect to any tax exemption that would not be likely to  
19 increase state revenue if the exemption was repealed or otherwise  
20 eliminated.

21 (6) The January 2020 listing and every subsequent listing must  
22 include the following additional sections:

23 (a) A section with the estimated effective tax rate for each  
24 industry. The department may work with industry stakeholders to  
25 identify the appropriate method to calculate the effective tax rate;

26 (b) A section that shows state general fund collections as a  
27 percentage of state gross domestic product and state personal income;

28 (c) A section that provides the history and analysis of the  
29 property tax revenue limit in chapter 84.55 RCW, including the  
30 estimated foregone property tax revenues attributed to the revenue  
31 limit over time;

32 (d) A section that provides analysis on the fiscal impact of the  
33 sales tax revenue loss attributable to remote sales;

34 (e) A section that provides a summary of the transparency and  
35 accountability requirements under RCW 82.32.805 and 82.32.808.

36 (7) The definitions in this subsection apply throughout this  
37 section unless the context clearly requires otherwise.

38 (a) "Effective tax rate" means the sum of Washington's major  
39 taxes paid within each industry divided by the reported gross income  
40 for each industry.

1 (b) "Industry" means the North American industry classification  
2 system code identified at the three-digit level.

3 (c) "Large fiscal impact" means any tax preference with an  
4 estimated or reported impact of ten million dollars or more to state  
5 revenues during the most recent biennium.

6 (d) "Major taxes" means business and occupation taxes, property  
7 taxes, estimated sales and use taxes, and public utility taxes.

8 (e) "Remote sales" means a sale that is conducted by mail,  
9 telephone, computer, internet, or any means other than at a physical  
10 storefront.

11 (f) "Taxable income" means the amount of taxable income reported  
12 for business and occupation taxes under chapter 82.04 RCW and public  
13 utility taxes under chapter 82.16 RCW.

14 (g) "Tax exemption" means an exemption, exclusion, or deduction  
15 from the base of a tax, a credit against a tax, a deferral of a tax,  
16 or a preferential tax rate.

17 **Part V**

18 **Improving the Information Contained in Fiscal Notes for Bills that**  
19 **Contain Tax Preferences for Economic Development**

20 NEW SECTION. Sec. 501. A new section is added to chapter 43.88A  
21 RCW to read as follows:

22 (1) Fiscal notes prepared on bills that contain one or more tax  
23 preferences intended to stimulate economic development must contain  
24 the following:

25 (a) The effective tax rate for the industry targeted by the bill  
26 intended to stimulate economic development; and

27 (b) The effect the bill has on personal income for Washington.

28 (2) The office of financial management must use an economic model  
29 in making the calculation in subsection (1)(b) of this section.

30 (3) To determine if a bill is intended to stimulate economic  
31 development, the office of financial management may rely on the  
32 intent section of the bill, the tax performance statement as required  
33 by RCW 82.32.808, or any other reasonable method to determine whether  
34 or not a bill's intent is to stimulate economic development in a  
35 particular industry or in a particular region of the state.

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

1 (a) "Effective tax rate" has the same meaning as provided in  
2 section 401 of this act.

3 (b) "Industry" has the same meaning as provided in section 401 of  
4 this act.

5 (c) "Tax preference" has the same meaning as provided in RCW  
6 43.136.021.

7 **Part VI**

8 **Miscellaneous Provisions**

9 **Sec. 601.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s  
10 401 are each reenacted and amended to read as follows:

11 (1)(a) Sections 209, 213, 217, 222, 224, 230, 232, and 245,  
12 chapter . . . , Laws of 2017 (sections 209, 213, 217, 222, 224, 230,  
13 232, and 245 of this act), section 206, chapter 106, Laws of 2010,  
14 sections 104, 110, 117, 123, 125, 129, 131, and 150, chapter 114,  
15 Laws of 2010, section 3, chapter 461, Laws of 2009, section 7,  
16 chapter 300, Laws of 2006, and section 4, chapter 149, Laws of 2003  
17 are contingent upon the siting and commercial operation of a  
18 significant semiconductor microchip fabrication facility in the state  
19 of Washington.

20 (b) For the purposes of this section:

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

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

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

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

33 (3)(a) The department of revenue must provide notice of the  
34 effective date of sections 209, 213, 217, 222, 224, 230, 232, and  
35 245, chapter . . . , Laws of 2017 (sections 209, 213, 217, 222, 224,  
36 230, 232, and 245 of this act), sections 104, 110, 117, 123, 125,  
37 129, 131, and 150, chapter 114, Laws of 2010(~~{,}~~), section 3,  
38 chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and

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

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

15 NEW SECTION. **Sec. 602.** The provisions of RCW 82.32.805,  
16 relating to an automatic ten-year expiration date, do not apply to  
17 the amendments made to RCW 82.04.260 in this act (section 211 of this  
18 act).

19 NEW SECTION. **Sec. 603.** Except as provided otherwise in section  
20 604 of this act, this act takes effect January 1, 2018.

21 NEW SECTION. **Sec. 604.** Section 212 of this act is necessary for  
22 the immediate preservation of the public peace, health, or safety, or  
23 support of the state government and its existing public institutions,  
24 and takes effect immediately.

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