

ESB 6690 - H AMD 2188

By Representative Orcutt

SCOPE AND OBJECT 03/11/2020

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

3 **"Sec. 1.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to
4 read as follows:

5 (1) Upon every person engaging within this state in business as
6 a manufacturer or processor for hire, except persons taxable as
7 manufacturers or processors for hire under other provisions of this
8 chapter((; as to such persons the amount of the tax with respect to
9 such business shall be equal to the value of the products, including
10 byproducts, manufactured, multiplied by the rate of 0.484 percent.

11 The measure of the tax)), and every manufacturer engaging within
12 the state in the business of making sales, at retail or wholesale, of
13 products manufactured by the manufacturer, as to such persons the
14 amount of tax with respect to such business is equal to the taxable
15 amount under this section multiplied by the rate of 0.2904 percent.

16 (2) The measure of the tax on engaging in the business of:

17 (a) Manufacturing is the value of the products, including
18 byproducts, so manufactured regardless of the place of sale or the
19 fact that deliveries may be made to points outside the state;

20 (b) Retailing and wholesaling products manufactured by the
21 manufacturer is the gross proceeds of the sales; and

22 (c) Processing for hire is the total charges made for those
23 services.

24 **Sec. 2.** RCW 82.04.240 and 2017 3rd sp.s. c 37 s 518 are each
25 amended to read as follows:

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

1 and every manufacturer engaging within the state in the business of
2 making sales, at retail or wholesale, of products manufactured by the
3 manufacturer, as to such persons to the amount of tax with respect to
4 such business is equal to the taxable amount under this section
5 multiplied by the rate of 0.2904 percent.

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

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

18 (3) The measure of the tax on engaging in the business of:

19 (a) Manufacturing is the value of the products, including
20 byproducts, so manufactured regardless of the place of sale or the
21 fact that deliveries may be made to points outside the state;

22 (b) Retailing and wholesaling products manufactured by the
23 manufacturer is the gross proceeds of the sales; and

24 (c) Processing for hire is the total charges made for those
25 services.

26 (4) This section expires January 1, 2024, unless the contingency
27 in RCW 82.32.790(2) occurs.

28 **Sec. 3.** RCW 82.04.260 and 2019 c 425 s 1 and 2019 c 336 s 4 are
29 each reenacted and amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

15 (e) Wood biomass fuel; as to such persons the amount of tax with
16 respect to the business is equal to the value of wood biomass fuel
17 manufactured, multiplied by the rate of 0.138 percent. For the
18 purposes of this section, "wood biomass fuel" means a liquid or
19 gaseous fuel that is produced from lignocellulosic feedstocks,
20 including wood, forest, or field residue and dedicated energy crops,
21 and that does not include wood treated with chemical preservations
22 such as creosote, pentachlorophenol, or copper-chrome-arsenic.

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

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

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

37 (5)(a) Upon every person engaging within this state in the
38 business of acting as a travel agent or tour operator and whose
39 annual taxable amount for the prior calendar year was two hundred
40 fifty thousand dollars or less; as to such persons the amount of the

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

3 (b) Upon every person engaging within this state in the business
4 of acting as a travel agent or tour operator and whose annual taxable
5 amount for the calendar year was more than two hundred fifty thousand
6 dollars; as to such persons the amount of the tax with respect to
7 such activities is equal to the gross income derived from such
8 activities multiplied by the rate of 0.275 percent through June 30,
9 2019, and 0.9 percent beginning July 1, 2019.

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

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

1 imported automobile handling prior to delivery to consignee; terminal
2 stevedoring and incidental vessel services, including but not limited
3 to plugging and unplugging refrigerator service to containers,
4 trailers, and other refrigerated cargo receptacles, and securing ship
5 hatch covers.

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

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

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

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

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

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

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

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

13 (c) For the purposes of this subsection (11), "commercial
14 airplane" and "component" have the same meanings as provided in RCW
15 82.32.550.

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

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

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

33 (12)(a) Until July 1, 2045, upon every person engaging within
34 this state in the business of extracting timber or extracting for
35 hire timber; as to such persons the amount of tax with respect to the
36 business is, in the case of extractors, equal to the value of
37 products, including by-products, extracted, or in the case of
38 extractors for hire, equal to the gross income of the business,
39 multiplied by the rate of 0.4235 percent from July 1, 2006, through

1 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
2 2045.

3 (b) Until July 1, 2045, upon every person engaging within this
4 state in the business of manufacturing or processing for hire: (i)
5 Timber into timber products or wood products; (ii) timber products
6 into other timber products or wood products; or (iii) products
7 defined in RCW 19.27.570(1); as to such persons the amount of the tax
8 with respect to the business is, in the case of manufacturers, equal
9 to the value of products, including by-products, manufactured, or in
10 the case of processors for hire, equal to the gross income of the
11 business, multiplied by the rate of 0.4235 percent from July 1, 2006,
12 through June 30, 2007, and 0.2904 percent from July 1, 2007, through
13 June 30, 2045.

14 (c) Until July 1, 2045, upon every person engaging within this
15 state in the business of selling at wholesale: (i) Timber extracted
16 by that person; (ii) timber products manufactured by that person from
17 timber or other timber products; (iii) wood products manufactured by
18 that person from timber or timber products; or (iv) products defined
19 in RCW 19.27.570(1) manufactured by that person(~~(+;+)~~); as to such
20 persons the amount of the tax with respect to the business is equal
21 to the gross proceeds of sales of the timber, timber products, wood
22 products, or products defined in RCW 19.27.570(1) multiplied by the
23 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and
24 0.2904 percent from July 1, 2007, through June 30, 2045.

25 (d) Until July 1, 2045, upon every person engaging within this
26 state in the business of selling standing timber; as to such persons
27 the amount of the tax with respect to the business is equal to the
28 gross income of the business multiplied by the rate of 0.2904
29 percent. For purposes of this subsection (12)(d), "selling standing
30 timber" means the sale of timber apart from the land, where the buyer
31 is required to sever the timber within thirty months from the date of
32 the original contract, regardless of the method of payment for the
33 timber and whether title to the timber transfers before, upon, or
34 after severance.

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

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

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

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

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

23 (v) "Timber products" means:

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

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

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

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

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

39 (g) Nothing in this subsection (12) may be construed to affect
40 the taxation of any activity defined as a retail sale in RCW

1 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW
2 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

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

8 (14)(a) Upon every person engaging within this state in the
9 business of printing a newspaper, publishing a newspaper, or both,
10 the amount of tax on such business is equal to the gross income of
11 the business multiplied by the rate of 0.35 percent until July 1,
12 2024, and 0.484 percent thereafter.

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

16 NEW SECTION. **Sec. 4.** The provisions of RCW 82.32.805 and
17 82.32.808 do not apply to this act.

18 NEW SECTION. **Sec. 5.** This act is necessary for the immediate
19 preservation of the public peace, health, or safety, or support of
20 the state government and its existing public institutions, and takes
21 effect immediately."

22 Correct the title.

EFFECT: Reduces the manufacturing business and occupation tax
rate for all manufacturers to 0.2904 percent.

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