

SB 6690 - S AMD 1382
By Senator Bailey

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

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04
4 RCW to read as follows:

5 The rate of 0.2904 percent authorized pursuant to RCW
6 82.04.260(11)(e) may be imposed only if the following conditions are
7 met:

8 (1) The department of commerce receives written notice from the
9 United States trade representative that the United States and the
10 European Union have entered into a written agreement that resolves
11 any world trade organization disputes involving large civil aircraft.

12 (2) Such agreement expressly specifies a business and occupation
13 tax rate reduction for commercial airplane manufacturers is allowed
14 of either 0.2904 percent or, if that rate is not permissible, a
15 specific alternative tax rate or a specific amount or maximum amount
16 by which the existing tax rates may be reduced.

17 (3) The department of commerce notifies the department that the
18 conditions of subsections (1) and (2) of this section are met and
19 provides a copy of the written notice to the department.

20 (4) No rate reduction is allowed under RCW 82.04.260(11)(e) if
21 the written notice from the United States trade representative does
22 not expressly specify either the specific allowable tax rate, or the
23 specific amount or maximum amount by which the existing tax rates may
24 be reduced as provided under the agreement between the United States
25 and the European Union.

26 (5) Within thirty days of receiving the written notice described
27 in subsection (3) of this section, the department must provide
28 written notice to the chief clerk of the house of representatives,
29 the secretary of the senate, the office of the code reviser, and
30 others as deemed appropriate by the department, that the tax rates in
31 RCW 82.04.260(11)(e) are reduced to 0.2904 percent and the effective
32 date of the rate reduction.

1 (6) Any rate reduction to 0.2904 percent pursuant to this section
2 and RCW 82.04.260(11)(e) must occur on the first day of the next
3 calendar quarter that is at least sixty days after the department
4 receives written notice described in subsection (3) of this section.

5 (7) For the purpose of this section, "world trade organization
6 disputes involving large civil airplanes" means any disputes filed by
7 the United States or the European Union prior to the effective date
8 of this section that involve either allegations of subsidies to large
9 civil airplanes, or allegations of taxes imposed by Washington on
10 commercial airplanes, or both.

11 **Sec. 2.** RCW 82.04.260 and 2019 c 425 s 1 and 2019 c 336 s 4 are
12 each reenacted and amended to read as follows:

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

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

21 (b) Beginning July 1, 2025, seafood products that remain in a
22 raw, raw frozen, or raw salted state at the completion of the
23 manufacturing by that person; or selling manufactured seafood
24 products that remain in a raw, raw frozen, or raw salted state at the
25 completion of the manufacturing, to purchasers who transport in the
26 ordinary course of business the goods out of this state; as to such
27 persons the amount of tax with respect to such business is equal to
28 the value of the products manufactured or the gross proceeds derived
29 from such sales, multiplied by the rate of 0.138 percent. Sellers
30 must keep and preserve records for the period required by RCW
31 82.32.070 establishing that the goods were transported by the
32 purchaser in the ordinary course of business out of this state;

33 (c)(i) Except as provided otherwise in (c)(iii) of this
34 subsection, from July 1, 2025, until January 1, 2036, dairy products;
35 or selling dairy products that the person has manufactured to
36 purchasers who either transport in the ordinary course of business
37 the goods out of state or purchasers who use such dairy products as
38 an ingredient or component in the manufacturing of a dairy product;
39 as to such persons the tax imposed is equal to the value of the

1 products manufactured or the gross proceeds derived from such sales
2 multiplied by the rate of 0.138 percent. Sellers must keep and
3 preserve records for the period required by RCW 82.32.070
4 establishing that the goods were transported by the purchaser in the
5 ordinary course of business out of this state or sold to a
6 manufacturer for use as an ingredient or component in the
7 manufacturing of a dairy product.

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

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

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

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

22 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,
23 preserving, freezing, processing, or dehydrating fresh fruits or
24 vegetables, or selling at wholesale fruits or vegetables manufactured
25 by the seller by canning, preserving, freezing, processing, or
26 dehydrating fresh fruits or vegetables and sold to purchasers who
27 transport in the ordinary course of business the goods out of this
28 state; as to such persons the amount of tax with respect to such
29 business is equal to the value of the products manufactured or the
30 gross proceeds derived from such sales multiplied by the rate of
31 0.138 percent. Sellers must keep and preserve records for the period
32 required by RCW 82.32.070 establishing that the goods were
33 transported by the purchaser in the ordinary course of business out
34 of this state.

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

38 (e) Wood biomass fuel; as to such persons the amount of tax with
39 respect to the business is equal to the value of wood biomass fuel
40 manufactured, multiplied by the rate of 0.138 percent. For the

1 purposes of this section, "wood biomass fuel" means a liquid or
2 gaseous fuel that is produced from lignocellulosic feedstocks,
3 including wood, forest, or field residue and dedicated energy crops,
4 and that does not include wood treated with chemical preservations
5 such as creosote, pentachlorophenol, or copper-chrome-arsenic.

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

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

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

20 (5)(a) Upon every person engaging within this state in the
21 business of acting as a travel agent or tour operator and whose
22 annual taxable amount for the prior calendar year was two hundred
23 fifty thousand dollars or less; as to such persons the amount of the
24 tax with respect to such activities is equal to the gross income
25 derived from such activities multiplied by the rate of 0.275 percent.

26 (b) Upon every person engaging within this state in the business
27 of acting as a travel agent or tour operator and whose annual taxable
28 amount for the calendar year was more than two hundred fifty thousand
29 dollars; as to such persons the amount of the tax with respect to
30 such activities is equal to the gross income derived from such
31 activities multiplied by the rate of 0.275 percent through June 30,
32 2019, and 0.9 percent beginning July 1, 2019.

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

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

30 (8) (a) Upon every person engaging within this state in the
31 business of disposing of low-level waste, as defined in RCW
32 43.145.010; as to such persons the amount of the tax with respect to
33 such business is equal to the gross income of the business, excluding
34 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
35 3.3 percent.

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

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

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

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

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

26 (ii) 0.2904 percent beginning July 1, 2007, through June 30,
27 2020; and

28 (iii) Beginning July 1, 2020, 0.484 percent, subject to any
29 reduction required under (e) of this subsection (11). The tax rate in
30 this subsection (11)(a)(iii) applies to all business activities
31 described in this subsection (11)(a).

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

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

3 (i) 0.2904 percent through June 30, 2020; and

4 (ii) Beginning July 1, 2020, the following rates, which are
5 subject to any reduction required under (e) of this subsection (11):

6 (A) 0.471 percent on the business of making retail sales of
7 tooling specifically designed for use in manufacturing commercial
8 airplanes or components of such airplanes; and

9 (B) 0.484 percent on all other business activities described in
10 this subsection (11)(b).

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

14 (d)(i) In addition to all other requirements under this title, a
15 person reporting under the tax rate provided in this subsection (11)
16 must file a complete annual tax performance report with the
17 department under RCW 82.32.534. However, this requirement does not
18 apply to persons reporting under the tax rate in (a)(iii) of this
19 subsection (11), so long as that rate remains 0.484 percent, or under
20 any of the tax rates in (b)(ii)(A) and (B) of this subsection (11),
21 so long as those tax rates remain 0.471 percent and 0.484 percent,
22 respectively.

23 (ii) Nothing in (d)(i) of this subsection (11) may be construed
24 as affecting the obligation of a person reporting under a tax rate
25 provided in this subsection (11) to file a complete annual tax
26 performance report with the department under RCW 82.32.534: (A)
27 Pursuant to another provision of this title as a result of claiming a
28 tax credit or exemption; or (B) pursuant to (d)(i) of this subsection
29 (11) as a result of claiming the tax rates in (a)(ii) or (b)(i) of
30 this subsection (11) for periods ending before July 1, 2020.

31 (e)(i) After June 30, 2021, the 0.484 percent tax rate in
32 (a)(iii) of this subsection (11) and the 0.471 percent and 0.484
33 percent tax rates in (b)(ii)(A) and (B) of this subsection (11) must
34 be reduced to 0.2904 percent provided the conditions in section 1 of
35 this act are met. The effective date of the rates authorized under
36 this subsection (11)(e) must occur on the first day of the next
37 calendar quarter that is at least sixty days after the department
38 receives notice pursuant to section 1(3) of this act.

39 (ii)(A) Any person receiving the rate of 0.2904 percent under
40 this subsection (11)(e) with average employment in the prior calendar

1 year equal to or exceeding twenty-five employees in apprenticeable
2 occupations must achieve an aerospace apprenticeship utilization rate
3 of ten percent of its qualified apprenticeable workforce in
4 Washington by July 1, 2026, or five years after the effective date of
5 the 0.2904 percent rate authorized under this subsection (11)(e),
6 whichever is later, as determined by the department of labor and
7 industries. If a person does not meet the requirement under this
8 subsection (11)(e)(ii)(A), the person must begin reporting under the
9 applicable rate provided in (a)(iii), (b)(ii)(A), or (b)(ii)(B) of
10 this subsection (11), beginning on the first day of the next calendar
11 quarter that is at least sixty days after the department receives
12 notice by the department of labor and industries.

13 (B) The department of labor and industries shall report the
14 aerospace apprenticeship utilization rate to the department and the
15 appropriate committees of the legislature.

16 (iii) The provisions of RCW 82.32.805 and 82.32.808 do not apply
17 to this subsection (11)(e).

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

20 (ii) With respect to the manufacturing of commercial airplanes or
21 making sales, at retail or wholesale, of commercial airplanes, this
22 subsection (11) does not apply on and after July 1st of the year in
23 which the department makes a determination that any final assembly or
24 wing assembly of any version or variant of a commercial airplane that
25 is the basis of a siting of a significant commercial airplane
26 manufacturing program in the state under RCW 82.32.850 has been sited
27 outside the state of Washington. This subsection (11)(~~e~~) (f)(ii)
28 only applies to the manufacturing or sale of commercial airplanes
29 that are the basis of a siting of a significant commercial airplane
30 manufacturing program in the state under RCW 82.32.850. This
31 subsection (11)(f)(ii) continues to apply during the time that a
32 person is subject to the tax rate in (a)(iii) of this subsection
33 (11).

34 (12)(a) Until July 1, 2045, upon every person engaging within
35 this state in the business of extracting timber or extracting for
36 hire timber; as to such persons the amount of tax with respect to the
37 business is, in the case of extractors, equal to the value of
38 products, including by-products, extracted, or in the case of
39 extractors for hire, equal to the gross income of the business,
40 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. 3.** This act takes effect July 1, 2020."

SB 6690 - S AMD 1382
By Senator Bailey

17 On page 1, line 2 of the title, after "compliance;" strike the
18 remainder of the title and insert "reenacting and amending RCW
19 82.04.260; adding a new section to chapter 82.04 RCW; and providing
20 an effective date."

EFFECT: (1) Changes the effective date for the elimination of the
tax preference to July 1, 2020.

(2) Requires a business receiving the 0.2904 percent B&O rate
that has 25 or more employees in apprenticeable positions to achieve
an apprenticeship utilization rate of at least 10 percent of the
business' Washington apprenticeable workforce within 5 years.

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