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**SUBSTITUTE SENATE BILL 6004**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senator Rolfes)

READ FIRST TIME 04/27/19.

1 AN ACT Relating to the taxation of travel agents and tour  
2 operators; amending RCW 82.04.260; providing an effective date; and  
3 declaring an emergency.

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

5 **Sec. 1.** RCW 82.04.260 and 2018 c 164 s 3 are each amended to  
6 read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 (5) Upon every person engaging within this state in the business  
34 of acting as a travel agent or tour operator; as to such persons the  
35 amount of the tax with respect to such activities is equal to the  
36 gross income derived from such activities multiplied by the rate of  
37 0.275 percent through June 30, 2019, and 0.9 percent beginning July  
38 1, 2019.

39 (6) Upon every person engaging within this state in business as  
40 an international steamship agent, international customs house broker,

1 international freight forwarder, vessel and/or cargo charter broker  
2 in foreign commerce, and/or international air cargo agent; as to such  
3 persons the amount of the tax with respect to only international  
4 activities is equal to the gross income derived from such activities  
5 multiplied by the rate of 0.275 percent.

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

35 (8) (a) Upon every person engaging within this state in the  
36 business of disposing of low-level waste, as defined in RCW  
37 43.145.010; as to such persons the amount of the tax with respect to  
38 such business is equal to the gross income of the business, excluding  
39 any fees imposed under chapter 43.200 RCW, multiplied by the rate of  
40 3.3 percent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 (v) "Timber products" means:

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

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

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

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

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

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

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

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

1        NEW SECTION.    **Sec. 2.**    This act is necessary for the immediate  
2    preservation of the public peace, health, or safety, or support of  
3    the state government and its existing public institutions, and takes  
4    effect July 1, 2019.

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