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SENATE BILL 5996

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State of Washington                      61st Legislature                      2009 Regular Session

By Senators Hobbs, Zarelli, Hewitt, Roach, and Holmquist

Read first time 02/12/09. Referred to Committee on Ways & Means.

1            AN ACT Relating to reducing the business and occupation tax rate  
2 for retailers, wholesalers, and service providers of motor vehicles;  
3 reenacting and amending RCW 82.04.260; and providing an effective date.

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

5            **Sec. 1.** RCW 82.04.260 and 2008 c 296 s 1, 2008 c 217 s 100, and  
6 2008 c 81 s 4 are each reenacted and amended to read as follows:

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

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

15            (b) Beginning July 1, 2012, seafood products that remain in a raw,  
16 raw frozen, or raw salted state at the completion of the manufacturing  
17 by that person; or selling manufactured seafood products that remain in  
18 a raw, raw frozen, or raw salted state at the completion of the  
19 manufacturing, to purchasers who transport in the ordinary course of

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

8 (c) Beginning July 1, 2012, dairy products that as of September 20,  
9 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,  
10 including byproducts from the manufacturing of the dairy products such  
11 as whey and casein; or selling the same to purchasers who transport in  
12 the ordinary course of business the goods out of state; as to such  
13 persons the tax imposed shall be equal to the value of the products  
14 manufactured or the gross proceeds derived from such sales multiplied  
15 by the rate of 0.138 percent. Sellers must keep and preserve records  
16 for the period required by RCW 82.32.070 establishing that the goods  
17 were transported by the purchaser in the ordinary course of business  
18 out of this state;

19 (d) Beginning July 1, 2012, fruits or vegetables by canning,  
20 preserving, freezing, processing, or dehydrating fresh fruits or  
21 vegetables, or selling at wholesale fruits or vegetables manufactured  
22 by the seller by canning, preserving, freezing, processing, or  
23 dehydrating fresh fruits or vegetables and sold to purchasers who  
24 transport in the ordinary course of business the goods out of this  
25 state; as to such persons the amount of tax with respect to such  
26 business shall be equal to the value of the products manufactured or  
27 the gross proceeds derived from such sales multiplied by the rate of  
28 0.138 percent. Sellers must keep and preserve records for the period  
29 required by RCW 82.32.070 establishing that the goods were transported  
30 by the purchaser in the ordinary course of business out of this state;

31 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
32 feedstock, as those terms are defined in RCW 82.29A.135; as to such  
33 persons the amount of tax with respect to the business shall be equal  
34 to the value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
35 manufactured, multiplied by the rate of 0.138 percent; and

36 (f) Alcohol fuel or wood biomass fuel, as those terms are defined  
37 in RCW 82.29A.135; as to such persons the amount of tax with respect to

1 the business shall be equal to the value of alcohol fuel or wood  
2 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

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

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

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

17 (5) Upon every person engaging within this state in the business of  
18 acting as a travel agent or tour operator; as to such persons the  
19 amount of the tax with respect to such activities shall be equal to the  
20 gross income derived from such activities multiplied by the rate of  
21 0.275 percent.

22 (6) Upon every person engaging within this state in business as an  
23 international steamship agent, international customs house broker,  
24 international freight forwarder, vessel and/or cargo charter broker in  
25 foreign commerce, and/or international air cargo agent; as to such  
26 persons the amount of the tax with respect to only international  
27 activities shall be equal to the gross income derived from such  
28 activities multiplied by the rate of 0.275 percent.

29 (7) Upon every person engaging within this state in the business of  
30 stevedoring and associated activities pertinent to the movement of  
31 goods and commodities in waterborne interstate or foreign commerce; as  
32 to such persons the amount of tax with respect to such business shall  
33 be equal to the gross proceeds derived from such activities multiplied  
34 by the rate of 0.275 percent. Persons subject to taxation under this  
35 subsection shall be exempt from payment of taxes imposed by chapter  
36 82.16 RCW for that portion of their business subject to taxation under  
37 this subsection. Stevedoring and associated activities pertinent to  
38 the conduct of goods and commodities in waterborne interstate or

1 foreign commerce are defined as all activities of a labor, service or  
2 transportation nature whereby cargo may be loaded or unloaded to or  
3 from vessels or barges, passing over, onto or under a wharf, pier, or  
4 similar structure; cargo may be moved to a warehouse or similar holding  
5 or storage yard or area to await further movement in import or export  
6 or may move to a consolidation freight station and be stuffed,  
7 unstuffed, containerized, separated or otherwise segregated or  
8 aggregated for delivery or loaded on any mode of transportation for  
9 delivery to its consignee. Specific activities included in this  
10 definition are: Wharfage, handling, loading, unloading, moving of  
11 cargo to a convenient place of delivery to the consignee or a  
12 convenient place for further movement to export mode; documentation  
13 services in connection with the receipt, delivery, checking, care,  
14 custody and control of cargo required in the transfer of cargo;  
15 imported automobile handling prior to delivery to consignee; terminal  
16 stevedoring and incidental vessel services, including but not limited  
17 to plugging and unplugging refrigerator service to containers,  
18 trailers, and other refrigerated cargo receptacles, and securing ship  
19 hatch covers.

20 (8) Upon every person engaging within this state in the business of  
21 disposing of low-level waste, as defined in RCW 43.145.010; as to such  
22 persons the amount of the tax with respect to such business shall be  
23 equal to the gross income of the business, excluding any fees imposed  
24 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

25 If the gross income of the taxpayer is attributable to activities  
26 both within and without this state, the gross income attributable to  
27 this state shall be determined in accordance with the methods of  
28 apportionment required under RCW 82.04.460.

29 (9) Upon every person engaging within this state as an insurance  
30 producer or title insurance agent licensed under chapter 48.17 RCW; as  
31 to such persons, the amount of the tax with respect to such licensed  
32 activities shall be equal to the gross income of such business  
33 multiplied by the rate of 0.484 percent.

34 (10) Upon every person engaging within this state in business as a  
35 hospital, as defined in chapter 70.41 RCW, that is operated as a  
36 nonprofit corporation or by the state or any of its political  
37 subdivisions, as to such persons, the amount of tax with respect to  
38 such activities shall be equal to the gross income of the business

1 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5  
2 percent thereafter. The moneys collected under this subsection shall  
3 be deposited in the health services account created under RCW  
4 43.72.900.

5 (11)(a) Beginning October 1, 2005, upon every person engaging  
6 within this state in the business of manufacturing commercial  
7 airplanes, or components of such airplanes, or making sales, at retail  
8 or wholesale, of commercial airplanes or components of such airplanes,  
9 manufactured by the seller, as to such persons the amount of tax with  
10 respect to such business shall, in the case of manufacturers, be equal  
11 to the value of the product manufactured and the gross proceeds of  
12 sales of the product manufactured, or in the case of processors for  
13 hire, be equal to the gross income of the business, multiplied by the  
14 rate of:

15 (i) 0.4235 percent from October 1, 2005, through the later of June  
16 30, 2007; and

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

18 (b) Beginning July 1, 2008, upon every person who is not eligible  
19 to report under the provisions of (a) of this subsection (11) and is  
20 engaging within this state in the business of manufacturing tooling  
21 specifically designed for use in manufacturing commercial airplanes or  
22 components of such airplanes, or making sales, at retail or wholesale,  
23 of such tooling manufactured by the seller, as to such persons the  
24 amount of tax with respect to such business shall, in the case of  
25 manufacturers, be equal to the value of the product manufactured and  
26 the gross proceeds of sales of the product manufactured, or in the case  
27 of processors for hire, be equal to the gross income of the business,  
28 multiplied by the rate of 0.2904 percent.

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

31 (d) In addition to all other requirements under this title, a  
32 person eligible for the tax rate under this subsection (11) must report  
33 as required under RCW 82.32.545.

34 (e) This subsection (11) does not apply on and after July 1, 2024.

35 (12)(a) Until July 1, 2024, upon every person engaging within this  
36 state in the business of extracting timber or extracting for hire  
37 timber; as to such persons the amount of tax with respect to the  
38 business shall, in the case of extractors, be equal to the value of

1 products, including byproducts, extracted, or in the case of extractors  
2 for hire, be equal to the gross income of the business, multiplied by  
3 the rate of 0.4235 percent from July 1, 2006, through June 30, 2007,  
4 and 0.2904 percent from July 1, 2007, through June 30, 2024.

5 (b) Until July 1, 2024, upon every person engaging within this  
6 state in the business of manufacturing or processing for hire: (i)  
7 Timber into timber products or wood products; or (ii) timber products  
8 into other timber products or wood products; as to such persons the  
9 amount of the tax with respect to the business shall, in the case of  
10 manufacturers, be equal to the value of products, including byproducts,  
11 manufactured, or in the case of processors for hire, be equal to the  
12 gross income of the business, multiplied by the rate of 0.4235 percent  
13 from July 1, 2006, through June 30, 2007, and 0.2904 percent from July  
14 1, 2007, through June 30, 2024.

15 (c) Until July 1, 2024, upon every person engaging within this  
16 state in the business of selling at wholesale: (i) Timber extracted by  
17 that person; (ii) timber products manufactured by that person from  
18 timber or other timber products; or (iii) wood products manufactured by  
19 that person from timber or timber products; as to such persons the  
20 amount of the tax with respect to the business shall be equal to the  
21 gross proceeds of sales of the timber, timber products, or wood  
22 products multiplied by the rate of 0.4235 percent from July 1, 2006,  
23 through June 30, 2007, and 0.2904 percent from July 1, 2007, through  
24 June 30, 2024.

25 (d) Until July 1, 2024, 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 shall be equal to  
28 the 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 after  
34 severance.

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

37 (i) "Biocomposite surface products" means surface material products

1 containing, by weight or volume, more than fifty percent recycled paper  
2 and that also use nonpetroleum-based phenolic resin as a bonding agent.

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

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

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

24 (v) "Timber products" means:

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

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

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

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

36 (13) Upon every person engaging within this state in inspecting,  
37 testing, labeling, and storing canned salmon owned by another person,

1 as to such persons, the amount of tax with respect to such activities  
2 shall be equal to the gross income derived from such activities  
3 multiplied by the rate of 0.484 percent.

4 (14) Until July 1, 2024, upon every person engaging within this  
5 state in the business of:

6 (a) Making sales at wholesale of new motor vehicles; as to such  
7 persons the amount of tax with respect to such business is equal to the  
8 gross proceeds of sales of the motor vehicles, multiplied by the rate  
9 of 0.2904 percent;

10 (b) Making sales at retail of new motor vehicles; as to such  
11 persons the amount of tax with respect to such business is equal to the  
12 gross proceeds of sales of the business, multiplied by the rate of  
13 0.2904 percent; and

14 (c) Any activity associated with the wholesale or retail sale of  
15 new motor vehicle activities, which is otherwise subject to the tax  
16 rate in RCW 82.04.290(2); as to such persons the amount of tax on  
17 account of such activities is equal to the gross income of the business  
18 multiplied by the rate of 0.2904 percent.

19 NEW SECTION. Sec. 2. This act takes effect October 1, 2009.

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