
SUBSTITUTE HOUSE BILL 2762

State of Washington

62nd Legislature

2012 Regular Session

By House Ways & Means (originally sponsored by Representatives Carlyle, Anderson, Kagi, Orwall, Springer, Seaquist, Dickerson, Sells, Appleton, Fitzgibbon, Reykdal, Ormsby, Wylie, Ryu, Pollet, Sullivan, Hasegawa, Roberts, Hansen, Jinkins, and Goodman)

READ FIRST TIME 03/06/12.

1 AN ACT Relating to tax expenditure reform to provide transparency
2 and accountability in fiscal matters; amending RCW 82.04.4282,
3 43.136.045, 82.04.050, 82.04.062, 82.08.010, 82.66.020, 82.04.110,
4 82.04.120, 82.04.257, 82.04.260, 82.04.280, 82.04.280, 82.04.290,
5 82.62.020, 82.73.020, 82.04.540, 43.06.400, 43.88.030, 82.32.585,
6 82.08.820, and 82.12.820; reenacting and amending RCW 82.12.010 and
7 82.04.250; adding a new section to chapter 43.88 RCW; adding a new
8 section to chapter 82.32 RCW; adding a new section to chapter 43.135
9 RCW; creating new sections; repealing RCW 82.04.330, 82.04.340,
10 82.04.370, 82.04.405, 82.04.410, 82.04.4285, 82.04.4287, 82.04.4289,
11 82.04.4292, 82.04.4293, 82.04.432, 82.04.4332, 82.08.0253, 82.08.0257,
12 82.08.0259, 82.08.0264, 82.08.0265, 82.08.0266, 82.08.02665,
13 82.08.0267, 82.08.0268, 82.08.0273, 82.08.0275, 82.12.0257, 82.12.0258,
14 82.12.0261, 82.12.0262, 82.12.0263, 82.12.0265, 82.12.0266, 82.12.0269,
15 82.12.0272, 82.04.4282, 82.04.4281, 82.08.0256, 82.12.0345, 82.08.0203,
16 82.08.02525, 82.08.02535, 82.08.02569, 82.08.02573, 82.08.0271,
17 82.08.0278, 82.08.0287, 82.08.02875, 82.08.0291, 82.08.031, 82.08.830,
18 82.08.834, 82.08.870, 82.12.02525, 82.12.02569, 82.12.930, 82.12.0274,
19 82.12.0279, 82.12.0282, 82.12.02917, 82.12.031, 82.12.834, 82.12.845,
20 82.12.02595, 82.12.0264, 82.12.0284, 82.08.995, 82.08.999, 82.12.999,
21 82.08.025651, 82.12.025651, 82.12.995, 82.08.02081, 82.08.02087,

1 82.08.02565, 82.08.02566, 82.08.02568, 82.08.0267, 82.08.0272,
2 82.08.0274, 82.08.02745, 82.08.0288, 82.08.0294, 82.08.0296,
3 82.08.0298, 82.08.0311, 82.08.0315, 82.08.036, 82.08.806, 82.08.807,
4 82.08.810, 82.08.820, 82.08.855, 82.08.865, 82.08.880, 82.08.890,
5 82.08.900, 82.08.910, 82.08.920, 82.08.990, 82.12.02081, 82.12.02087,
6 82.12.02565, 82.12.02566, 82.12.02568, 82.12.0267, 82.12.0268,
7 82.12.02685, 82.12.0273, 82.12.0283, 82.12.0294, 82.12.0296,
8 82.12.0298, 82.12.0311, 82.12.0315, 82.12.038, 82.12.806, 82.12.807,
9 82.12.810, 82.12.820, 82.12.855, 82.12.865, 82.12.880, 82.12.890,
10 82.12.900, 82.12.910, 82.12.920, 82.12.800, 82.12.801, 82.12.802,
11 82.12.860, 82.66.040, 82.08.850, 82.12.850, 82.12.02085, 82.08.0282,
12 82.08.0269, 82.08.0279, 82.08.700, 82.12.700, 82.12.955, 82.08.02537,
13 82.08.0289, 82.08.832, 82.12.0347, 82.12.832, 82.08.0205, 82.08.02082,
14 82.08.9995, 82.12.9995, 82.12.0205, 82.12.02082, 82.08.0258,
15 82.08.02795, 82.08.02805, 82.08.02806, 82.08.02807, 82.08.0283,
16 82.08.02915, 82.08.0299, 82.08.803, 82.08.804, 82.08.808, 82.08.925,
17 82.08.935, 82.08.940, 82.08.945, 82.08.997, 82.08.998, 82.12.0259,
18 82.12.02745, 82.12.02747, 82.12.02748, 82.12.02749, 82.12.0277,
19 82.12.02915, 82.12.803, 82.12.804, 82.12.808, 82.12.925, 82.12.935,
20 82.12.940, 82.12.945, 82.12.998, 82.04.339, 82.04.3395, 82.04.363,
21 82.04.3651, 82.04.367, 82.04.368, 82.04.380, 82.04.385, 82.04.395,
22 82.04.397, 82.04.399, 82.04.408, 82.04.415, 82.04.418, 82.04.419,
23 82.04.4201, 82.04.4251, 82.04.4291, 82.04.4322, 82.04.4324, 82.04.4326,
24 82.04.4327, 82.04.434, 82.04.600, 82.04.615, 82.04.335, 82.04.338,
25 82.04.4271, 82.04.640, 82.04.4275, 82.04.655, 82.04.4274, 82.04.2907,
26 82.04.298, 82.04.315, 82.04.317, 82.04.331, 82.04.332, 82.04.333,
27 82.04.334, 82.04.337, 82.04.392, 82.04.416, 82.04.421, 82.04.422,
28 82.04.425, 82.04.4261, 82.04.4262, 82.04.4267, 82.04.4294, 82.04.4295,
29 82.04.4296, 82.04.433, 82.04.4333, 82.04.4339, 82.04.4451, 82.04.447,
30 82.04.4482, 82.04.4486, 82.04.601, 82.62.030, 82.04.2403, 82.04.424,
31 82.04.4272, 82.04.43391, 82.04.645, 82.04.650, 82.04.263, 82.04.750,
32 82.04.627, 82.04.2905, 82.04.272, 82.04.2906, 82.04.2908, 82.04.324,
33 82.04.326, 82.04.327, 82.04.355, 82.04.4263, 82.04.4264, 82.04.4265,
34 82.04.4297, 82.04.4311, 82.04.4337, 82.04.620, 82.04.635, and
35 82.32.534; providing effective dates; providing a contingent effective
36 date; providing a contingent expiration date; and providing for
37 submission of this act to a vote of the people.

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

2 NEW SECTION. **Sec. 1.** (1) The legislature finds that to fund vital
3 community services and to fulfill its role as a financial steward of
4 state tax dollars, the legislature must allow all nonconstitutionally
5 required tax expenditures to periodically expire. The state must also
6 take proactive measures to continue tax preferences that prove
7 beneficial to the state according to objective, rigorous, financially
8 based standards that ensure job creation and economic growth.
9 Requiring all tax preferences to have a periodic expiration date allows
10 those tax preferences that are failing to create jobs or to grow the
11 economy or are otherwise failing to garner widespread support for their
12 continuance, to expire while preserving those that are providing real,
13 demonstrable value for taxpayers and the state. The legislature seeks
14 to be philosophically consistent by requiring all tax preferences,
15 regardless of the size or length of previous existence, to face an
16 expiration date.

17 (2) The legislature therefore intends to periodically expire all
18 nonconstitutionally required tax preferences that are not already
19 subject to expiration. The legislature also intends to require
20 corporations that continue to benefit from tax preferences to disclose
21 the value of the tax preferences claimed and to disclose data regarding
22 wages and benefits.

23 **PART I**
24 **Repealing Joint Legislative Audit and Review Committee Tax Preferences**

25 NEW SECTION. **Sec. 101.** The following acts or parts of acts, as
26 now existing or hereafter amended, are each repealed, effective July 1,
27 2017:

- 28 (1) RCW 82.04.330 (Exemptions--Sales of agricultural products) and
29 2001 c 118 s 3, 1993 sp.s. c 25 s 305, 1988 c 253 s 2, & 1987 c 23 s 4;
- 30 (2) RCW 82.04.340 (Exemptions--Boxing, sparring, or wrestling
31 matches) and 2000 c 103 s 6, 1988 c 19 s 4, & 1961 c 15 s 82.04.340;
- 32 (3) RCW 82.04.370 (Exemptions--Certain fraternal and beneficiary
33 organizations) and 1961 c 293 s 4 & 1961 c 15 s 82.04.370;
- 34 (4) RCW 82.04.405 (Exemptions--Credit unions) and 1998 c 311 s 4 &
35 1970 ex.s. c 101 s 3;

1 (5) RCW 82.04.410 (Exemptions--Hatching eggs and poultry) and 1967
2 ex.s. c 149 s 15 & 1961 c 15 s 82.04.410;

3 (6) RCW 82.04.4285 (Deductions--Motor vehicle fuel and special fuel
4 taxes) and 1998 c 176 s 3 & 1980 c 37 s 6;

5 (7) RCW 82.04.4287 (Deductions--Compensation for receiving,
6 washing, etc., horticultural products for person exempt under RCW
7 82.04.330--Materials and supplies used) and 1980 c 37 s 8;

8 (8) RCW 82.04.4289 (Exemption--Compensation for patient services or
9 attendant sales of drugs dispensed pursuant to prescription by certain
10 nonprofit organizations) and 2003 c 168 s 402, 1998 c 325 s 1, 1993 c
11 492 s 305, 1981 c 178 s 2, & 1980 c 37 s 10;

12 (9) RCW 82.04.4292 (Deductions--Interest on investments or loans
13 secured by mortgages or deeds of trust) and 2010 1st sp.s. c 23 s 301
14 & 1980 c 37 s 12;

15 (10) RCW 82.04.4293 (Deductions--Interest on obligations of the
16 state, its political subdivisions, and municipal corporations) and 1980
17 c 37 s 13;

18 (11) RCW 82.04.432 (Deductions--Municipal sewer service fees or
19 charges) and 1967 ex.s. c 149 s 17;

20 (12) RCW 82.04.4332 (Deductions--Tuition fees of foreign degree-
21 granting institutions) and 1993 c 181 s 10;

22 (13) RCW 82.08.0253 (Exemptions--Sale and distribution of
23 newspapers) and 2009 c 535 s 506 & 1980 c 37 s 21;

24 (14) RCW 82.08.0257 (Exemptions--Auction sales of personal property
25 used in farming) and 2009 c 535 s 511 & 1980 c 37 s 25;

26 (15) RCW 82.08.0259 (Exemptions--Sales of livestock) and 2001 c 118
27 s 4 & 1980 c 37 s 27;

28 (16) RCW 82.08.0264 (Exemptions--Sales of motor vehicles, trailers,
29 or campers to nonresidents for use outside the state) and 2010 c 161 s
30 1165, 2007 c 135 s 1, & 1980 c 37 s 31;

31 (17) RCW 82.08.0265 (Exemptions--Sales to nonresidents of tangible
32 personal property which becomes a component of property of the
33 nonresident by installing, repairing, etc.--Labor and services for
34 installing, repairing, etc.) and 1980 c 37 s 32;

35 (18) RCW 82.08.0266 (Exemptions--Sales of watercraft to
36 nonresidents for use outside the state) and 1999 c 358 s 5 & 1980 c 37
37 s 33;

1 (19) RCW 82.08.02665 (Exemptions--Sales of watercraft, vessels to
2 residents of foreign countries) and 1999 c 358 s 6 & 1993 c 119 s 1;
3 (20) RCW 82.08.0267 (Exemptions--Sales of poultry for producing
4 poultry and poultry products for sale) and 1980 c 37 s 34;
5 (21) RCW 82.08.0268 (Exemptions--Sales of machinery and implements,
6 and related parts and labor, for farming to nonresidents for use
7 outside the state) and 1998 c 167 s 1 & 1980 c 37 s 35;
8 (22) RCW 82.08.0273 (Exemptions--Sales to nonresidents of tangible
9 personal property, digital goods, and digital codes for use outside the
10 state--Proof of nonresident status--Penalties) and 2011 c 7 s 1, 2010
11 c 106 s 215, 2009 c 535 s 512, 2007 c 135 s 2, 2003 c 53 s 399, 1993 c
12 444 s 1, 1988 c 96 s 1, 1982 1st ex.s. c 5 s 1, & 1980 c 37 s 39;
13 (23) RCW 82.08.0275 (Exemptions--Sales of and labor and service
14 charges for mining, sorting, crushing, etc., of sand, gravel, and rock
15 from county or city quarry for public road purposes) and 1980 c 37 s
16 41;
17 (24) RCW 82.12.0257 (Exemptions--Use of personal property of the
18 operating property of a public utility by state or political
19 subdivision) and 2010 c 106 s 220, 2009 c 535 s 611, & 1980 c 37 s 57;
20 (25) RCW 82.12.0258 (Exemptions--Use of personal property
21 previously used in farming and purchased from farmer at auction) and
22 2009 c 535 s 612 & 1980 c 37 s 58;
23 (26) RCW 82.12.0261 (Exemptions--Use of livestock) and 2001 c 118
24 s 5 & 1980 c 37 s 60;
25 (27) RCW 82.12.0262 (Exemptions--Use of poultry for producing
26 poultry and poultry products for sale) and 1980 c 37 s 61;
27 (28) RCW 82.12.0263 (Exemptions--Use of fuel by extractor or
28 manufacturer thereof) and 1980 c 37 s 62;
29 (29) RCW 82.12.0265 (Exemptions--Use by bailee of tangible personal
30 property consumed in research, development, etc., activities) and 1980
31 c 37 s 64;
32 (30) RCW 82.12.0266 (Exemptions--Use by residents of motor vehicles
33 and trailers acquired and used while members of the armed services and
34 stationed outside the state) and 1980 c 37 s 65;
35 (31) RCW 82.12.0269 (Exemptions--Use of sand, gravel, or rock to
36 extent of labor and service charges for mining, sorting, crushing,
37 etc., thereof from county or city quarry for public road purposes) and
38 1980 c 37 s 68;

1 (32) RCW 82.12.0272 (Exemptions--Use of personal property in single
2 trade shows) and 2009 c 535 s 616 & 1980 c 37 s 70;

3 (33) RCW 82.04.4282 (Deductions--Fees, dues, charges) and 2012 c
4 ... s 102 (section 102 of this act), 2009 c 535 s 410, 1994 c 124 s 3,
5 1989 c 392 s 1, & 1980 c 37 s 3;

6 (34) RCW 82.04.4281 (Deductions--Investments, dividends, interest
7 on loans) and 2007 c 54 s 9, 2002 c 150 s 2, & 1980 c 37 s 2. Formerly
8 RCW 82.04.430(1);

9 (35) RCW 82.08.0256 (Exemptions--Sale of the operating property of
10 a public utility to the state or a political subdivision) and 2010 c
11 106 s 213, 2009 c 535 s 509, & 1980 c 37 s 24; and

12 (36) RCW 82.12.0345 (Exemptions--Use of newspapers) and 2009 c 535
13 s 618 & 1994 c 124 s 11.

14 **Sec. 102.** RCW 82.04.4282 and 2009 c 535 s 410 are each amended to
15 read as follows:

16 (1) In computing tax there may be deducted from the measure of tax
17 amounts derived from bona fide ~~((+1))~~ (a) initiation fees, ~~((+2))~~ (b)
18 dues, ~~((+3))~~ (c) contributions, ~~((+4))~~ (d) donations, ~~((+5))~~ (e)
19 tuition fees, ~~((+6))~~ (f) charges made by a nonprofit trade or
20 professional organization for attending or occupying space at a trade
21 show, convention, or educational seminar sponsored by the nonprofit
22 trade or professional organization, which trade show, convention, or
23 educational seminar is not open to the general public, ~~((+7))~~ (g)
24 charges made for operation of privately operated kindergartens, and
25 ~~((+8))~~ (h) endowment funds.

26 (2) This section may not be construed to exempt any person,
27 association, or society from tax liability upon selling tangible
28 personal property, digital goods, digital codes, or digital automated
29 services, or upon providing facilities or other services for which a
30 special charge is made to members or others.

31 (3) If dues are in exchange for any significant amount of goods or
32 services rendered by the recipient thereof to members without any
33 additional charge to the member, or if the dues are graduated upon the
34 amount of goods or services rendered, the value of such goods or
35 services ~~((shall))~~ are not ~~((be))~~ considered as a deduction under this
36 section.

1 (4) The deductions under this section applicable to subsections
2 (1)(a) through (d) and (f) through (h) of this section do not apply on
3 or after July 1, 2019.

4 (5) The deduction under this section applicable to subsection
5 (1)(e) of this section applies until July 1, 2017.

6 **Sec. 103.** RCW 43.136.045 and 2011 c 335 s 2 are each amended to
7 read as follows:

8 (1) The citizen commission for performance measurement of tax
9 preferences must develop a schedule to accomplish an orderly review of
10 tax preferences at least once every ten years. In determining the
11 schedule, the commission must consider the order the tax preferences
12 were enacted into law, in addition to other factors including but not
13 limited to grouping preferences for review by type of industry,
14 economic sector, or policy area. The commission may elect to include,
15 anywhere in the schedule, a tax preference that has a statutory
16 expiration date. The commission must omit from the schedule tax
17 preferences that are required by constitutional law(~~(, sales and use~~
18 ~~tax exemptions for machinery and equipment for manufacturing, research~~
19 ~~and development, or testing, the small business credit for the business~~
20 ~~and occupation tax,)) sales and use tax exemptions for food and
21 prescription drugs, property tax relief for retired persons, and
22 property tax valuations based on current use, and may omit any tax
23 preference that the commission determines is a critical part of the
24 structure of the tax system. As an alternative to the process under
25 RCW 43.136.055, the commission may recommend to the joint legislative
26 audit and review committee an expedited review process for any tax
27 preference.~~

28 (2) The commission must revise the schedule as needed each year,
29 taking into account newly enacted or terminated tax preferences. The
30 commission must deliver the schedule to the joint legislative audit and
31 review committee by September 1st of each year.

32 (3) The commission must provide a process for effective citizen
33 input during its deliberations.

34 **PART II**

35 **Repealing Sales and Use Tax Exemptions**

1 NEW SECTION. **Sec. 201.** The following acts or parts of acts, as
2 now existing or hereafter amended, are each repealed, effective July 1,
3 2019:

4 (1) RCW 82.08.0203 (Exemptions--Trail grooming services) and 2008
5 c 260 s 1;

6 (2) RCW 82.08.02525 (Exemptions--Sale of copied public records by
7 state and local agencies) and 2011 c 60 s 49, 2009 c 535 s 505, & 1996
8 c 63 s 1;

9 (3) RCW 82.08.02535 (Exemptions--Sales and distribution of
10 magazines or periodicals by subscription for fund-raising) and 2009 c
11 535 s 507 & 1995 2nd sp.s. c 8 s 1;

12 (4) RCW 82.08.02569 (Exemptions--Sales of tangible personal
13 property related to a building or structure that is an integral part of
14 a laser interferometer gravitational wave observatory) and 1996 c 113
15 s 1;

16 (5) RCW 82.08.02573 (Exemptions--Sales by a nonprofit organization
17 for fund-raising activities) and 2010 c 106 s 214 & 1998 c 336 s 3;

18 (6) RCW 82.08.0271 (Exemptions--Sales to municipal corporations,
19 the state, and political subdivisions of tangible personal property,
20 labor and services on watershed protection and flood prevention
21 contracts) and 1980 c 37 s 37;

22 (7) RCW 82.08.0278 (Exemptions--Sales between political
23 subdivisions resulting from annexation or incorporation) and 1980 c 37
24 s 44;

25 (8) RCW 82.08.0287 (Exemptions--Sales of passenger motor vehicles
26 as ride-sharing vehicles) and 2001 c 320 s 4, 1996 c 244 s 4, 1995 c
27 274 s 2, 1993 c 488 s 2, & 1980 c 166 s 1;

28 (9) RCW 82.08.02875 (Exemptions--Vehicle parking charges subject to
29 tax at stadium and exhibition center) and 1997 c 220 s 203;

30 (10) RCW 82.08.0291 (Exemptions--Sales of amusement and recreation
31 services or personal services by nonprofit youth organization--Local
32 government physical fitness classes) and 2000 c 103 s 8, 1994 c 85 s 1,
33 & 1981 c 74 s 2;

34 (11) RCW 82.08.031 (Exemptions--Sales to artistic or cultural
35 organizations of certain objects acquired for exhibition or
36 presentation) and 1981 c 140 s 4;

37 (12) RCW 82.08.830 (Exemptions--Sales at camp or conference center
38 by nonprofit organization) and 1997 c 388 s 2;

1 (13) RCW 82.08.834 (Exemptions--Sales/leasebacks by regional
2 transit authorities) and 2000 2nd sp.s. c 4 s 21;
3 (14) RCW 82.08.870 (Exemptions--Motorcycles for training programs)
4 and 2001 c 285 s 2;
5 (15) RCW 82.12.02525 (Exemptions--Sale of copied public records by
6 state and local agencies) and 2011 c 60 s 50, 2009 c 535 s 609, & 1996
7 c 63 s 2;
8 (16) RCW 82.12.02569 (Exemptions--Use of tangible personal property
9 related to a building or structure that is an integral part of a laser
10 interferometer gravitational wave observatory) and 1996 c 113 s 2;
11 (17) RCW 82.12.930 (Exemptions--Watershed protection or flood
12 prevention) and 2003 c 5 s 17;
13 (18) RCW 82.12.0274 (Exemptions--Use of tangible personal property
14 by political subdivision resulting from annexation or incorporation)
15 and 1980 c 37 s 72;
16 (19) RCW 82.12.0279 (Exemptions--Use of ferry vessels by the state
17 or local governmental units--Components thereof) and 2003 c 5 s 9 &
18 1980 c 37 s 77;
19 (20) RCW 82.12.0282 (Exemptions--Use of vans as ride-sharing
20 vehicles) and 2001 c 320 s 5, 1999 c 358 s 11, 1996 c 88 s 4, 1993 c
21 488 s 4, & 1980 c 166 s 2;
22 (21) RCW 82.12.02917 (Exemptions--Use of amusement and recreation
23 services by nonprofit youth organization) and 1999 c 358 s 7;
24 (22) RCW 82.12.031 (Exemptions--Use by artistic or cultural
25 organizations of certain objects) and 1981 c 140 s 5;
26 (23) RCW 82.12.834 (Exemptions--Sales/leasebacks by regional
27 transit authorities) and 2001 c 320 s 6 & 2000 2nd sp.s. c 4 s 22;
28 (24) RCW 82.12.845 (Use of motorcycles loaned to department of
29 licensing) and 2001 c 121 s 1;
30 (25) RCW 82.12.02595 (Exemptions--Personal property and certain
31 services donated to nonprofit organization or governmental entity) and
32 2009 c 535 s 615, 2004 c 155 s 1, 2003 c 5 s 11, 1998 c 182 s 1, & 1995
33 c 201 s 1;
34 (26) RCW 82.12.0264 (Exemptions--Use of dual-controlled motor
35 vehicles by school for driver training) and 1980 c 37 s 63;
36 (27) RCW 82.12.0284 (Exemptions--Use of computers or computer
37 components, accessories, software, digital goods, or digital codes

1 donated to schools or colleges) and 2009 c 535 s 617, 2007 c 54 s 15,
2 2003 c 168 s 603, & 1983 1st ex.s. c 55 s 7;

3 (28) RCW 82.08.995 (Exemptions--Certain limited purpose public
4 corporations, commissions, and authorities) and 2009 c 535 s 514 & 2007
5 c 381 s 2;

6 (29) RCW 82.08.999 (Exemptions--Joint municipal utility services
7 authorities) and 2011 c 258 s 12;

8 (30) RCW 82.12.999 (Exemptions--Joint municipal utility services
9 authorities) and 2011 c 258 s 13;

10 (31) RCW 82.08.025651 (Exemptions--Sales of machinery and equipment
11 to public research institutions) and 2011 c 23 s 4;

12 (32) RCW 82.12.025651 (Exemptions--Use of machinery and equipment
13 by public research institutions) and 2011 c 23 s 5; and

14 (33) RCW 82.12.995 (Exemptions--Certain limited purpose public
15 corporations, commissions, and authorities) and 2009 c 535 s 622 & 2007
16 c 381 s 3.

17 NEW SECTION. **Sec. 202.** The following acts or parts of acts, as
18 now existing or hereafter amended, are each repealed, effective July 1,
19 2021:

20 (1) RCW 82.08.02081 (Exemptions--Audio or video programming) and
21 2009 c 535 s 502;

22 (2) RCW 82.08.02087 (Exemptions--Digital goods and services--
23 Purchased for business purposes) and 2010 c 111 s 402 & 2009 c 535 s
24 504;

25 (3) RCW 82.08.02565 (Exemptions--Sales of machinery and equipment
26 for manufacturing, research and development, or a testing operation--
27 Labor and services for installation--Exemption certificate--Rules) and
28 2011 c 23 s 2, 2009 c 535 s 510, 1999 c 211 s 5, 1999 c 211 s 3, & 1998
29 c 330 s 1;

30 (4) RCW 82.08.02566 (Exemptions--Sales of tangible personal
31 property incorporated in prototype for parts, auxiliary equipment, and
32 aircraft modification--Limitations on yearly exemption) and 2003 c 168
33 s 208, 1997 c 302 s 1, & 1996 c 247 s 4;

34 (5) RCW 82.08.02568 (Exemptions--Sales of carbon and similar
35 substances that become an ingredient or component of anodes or cathodes
36 used in producing aluminum for sale) and 1996 c 170 s 1;

1 (6) RCW 82.08.0267 (Exemptions--Sales of poultry for producing
2 poultry and poultry products for sale) and 1980 c 37 s 34;
3 (7) RCW 82.08.0272 (Exemptions--Sales of semen for artificial
4 insemination of livestock) and 1980 c 37 s 38;
5 (8) RCW 82.08.0274 (Exemptions--Sales of form lumber to person
6 engaged in constructing, repairing, etc., structures for consumers) and
7 1980 c 37 s 40;
8 (9) RCW 82.08.02745 (Exemptions--Charges for labor and services or
9 sales of tangible personal property related to agricultural employee
10 housing--Exemption certificate--Rules) and 2007 c 54 s 14, 1997 c 438
11 s 1, & 1996 c 117 s 1;
12 (10) RCW 82.08.0288 (Exemptions--Lease of certain irrigation
13 equipment) and 1983 1st ex.s. c 55 s 5;
14 (11) RCW 82.08.0294 (Exemptions--Sales of feed for cultivating or
15 raising fish for sale) and 1985 c 148 s 3;
16 (12) RCW 82.08.0296 (Exemptions--Sales of feed consumed by
17 livestock at a public livestock market) and 1986 c 265 s 1;
18 (13) RCW 82.08.0298 (Exemptions--Sales of diesel fuel for use in
19 operating watercraft in commercial deep sea fishing or commercial
20 passenger fishing boat operations outside the state) and 1987 c 494 s
21 1;
22 (14) RCW 82.08.0311 (Exemptions--Sales of materials and supplies
23 used in packing horticultural products) and 1988 c 68 s 1;
24 (15) RCW 82.08.0315 (Exemptions--Rentals or sales related to motion
25 picture or video productions--Exceptions--Certificate) and 1997 c 61 s
26 1 & 1995 2nd sp.s. c 5 s 1;
27 (16) RCW 82.08.036 (Exemptions--Vehicle battery core deposits or
28 credits--Replacement vehicle tire fees--"Core deposits or credits"
29 defined) and 1989 c 431 s 45;
30 (17) RCW 82.08.806 (Exemptions--Sale of computer equipment parts
31 and services to printer or publisher) and 2011 c 174 s 204, 2010 1st
32 sp.s. c 23 s 516, 2009 c 461 s 5, & 2004 c 8 s 2;
33 (18) RCW 82.08.807 (Exemptions--Direct mail delivery charges) and
34 2005 c 514 s 115;
35 (19) RCW 82.08.810 (Exemptions--Air pollution control facilities at
36 a thermal electric generation facility--Exceptions--Exemption
37 certificate--Payments on cessation of operation) and 1997 c 368 s 2;

1 (20) RCW 82.08.820 (Exemptions--Remittance--Warehouse and grain
2 elevators and distribution centers--Material-handling and racking
3 equipment--Construction of warehouse or elevator--Information sheet--
4 Rules--Records--Exceptions) and 2011 c 174 s 206, 2006 c 354 s 12, 2005
5 c 513 s 11, & 1997 c 450 s 2;

6 (21) RCW 82.08.855 (Exemptions--Replacement parts for qualifying
7 farm machinery and equipment) and 2007 c 332 s 1 & 2006 c 172 s 1;

8 (22) RCW 82.08.865 (Exemptions--Diesel, biodiesel, and aircraft
9 fuel for farm fuel users) and 2010 c 106 s 218, 2007 c 443 s 1, & 2006
10 c 7 s 1;

11 (23) RCW 82.08.880 (Exemptions--Animal pharmaceuticals) and 2001
12 2nd sp.s. c 17 s 1;

13 (24) RCW 82.08.890 (Exemptions--Qualifying livestock nutrient
14 management equipment and facilities) and 2010 1st sp.s. c 23 s 601,
15 2009 c 469 s 601, 2006 c 151 s 2, & 2001 2nd sp.s. c 18 s 2;

16 (25) RCW 82.08.900 (Exemptions--Anaerobic digesters) and 2006 c 151
17 s 4 & 2001 2nd sp.s. c 18 s 4;

18 (26) RCW 82.08.910 (Exemptions--Propane or natural gas to heat
19 chicken structures) and 2001 2nd sp.s. c 25 s 3;

20 (27) RCW 82.08.920 (Exemptions--Chicken bedding materials) and 2001
21 2nd sp.s. c 25 s 5;

22 (28) RCW 82.08.990 (Exemptions--Import or export commerce) and 2007
23 c 477 s 3;

24 (29) RCW 82.12.02081 (Exemptions--Audio or video programming) and
25 2009 c 535 s 602;

26 (30) RCW 82.12.02087 (Exemptions--Digital goods, codes, and
27 services--Used for business purposes) and 2010 c 111 s 502 & 2009 c 535
28 s 607;

29 (31) RCW 82.12.02565 (Exemptions--Machinery and equipment used for
30 manufacturing, research and development, or a testing operation) and
31 2003 c 5 s 5, 1999 c 211 s 6, 1998 c 330 s 2, 1996 c 247 s 3, & 1995
32 1st sp.s. c 3 s 3;

33 (32) RCW 82.12.02566 (Exemptions--Use of tangible personal property
34 incorporated in prototype for aircraft parts, auxiliary equipment, and
35 aircraft modification--Limitations on yearly exemption) and 2003 c 168
36 s 209, 1997 c 302 s 2, & 1996 c 247 s 5;

37 (33) RCW 82.12.02568 (Exemptions--Use of carbon and similar

1 substances that become an ingredient or component of anodes or cathodes
2 used in producing aluminum for sale) and 1996 c 170 s 2;
3 (34) RCW 82.12.0267 (Exemptions--Use of semen in artificial
4 insemination of livestock) and 1980 c 37 s 66;
5 (35) RCW 82.12.0268 (Exemptions--Use of form lumber by persons
6 engaged in constructing, repairing, etc., structures for consumers) and
7 1980 c 37 s 67;
8 (36) RCW 82.12.02685 (Exemptions--Use of tangible personal property
9 related to agricultural employee housing) and 1997 c 438 s 2 & 1996 c
10 117 s 2;
11 (37) RCW 82.12.0273 (Exemptions--Use of pollen) and 1980 c 37 s 71;
12 (38) RCW 82.12.0283 (Exemptions--Use of certain irrigation
13 equipment) and 1983 1st ex.s. c 55 s 6;
14 (39) RCW 82.12.0294 (Exemptions--Use of feed for cultivating or
15 raising fish for sale) and 1985 c 148 s 4;
16 (40) RCW 82.12.0296 (Exemptions--Use of feed consumed by livestock
17 at a public livestock market) and 1986 c 265 s 2;
18 (41) RCW 82.12.0298 (Exemptions--Use of diesel fuel in operating
19 watercraft in commercial deep sea fishing or commercial passenger
20 fishing boat operations outside the state) and 1987 c 494 s 2;
21 (42) RCW 82.12.0311 (Exemptions--Use of materials and supplies in
22 packing horticultural products) and 1988 c 68 s 2;
23 (43) RCW 82.12.0315 (Exemptions--Rental or sales related to motion
24 picture or video productions--Exceptions) and 2009 c 535 s 614, 2003 c
25 5 s 10, & 1995 2nd sp.s. c 5 s 2;
26 (44) RCW 82.12.038 (Exemptions--Vehicle battery core deposits or
27 credits--Replacement vehicle tire fees--"Core deposits or credits"
28 defined) and 1989 c 431 s 46;
29 (45) RCW 82.12.806 (Exemptions--Use of computer equipment parts and
30 services by printer or publisher) and 2004 c 8 s 3;
31 (46) RCW 82.12.807 (Exemptions--Direct mail delivery charges) and
32 2005 c 514 s 116;
33 (47) RCW 82.12.810 (Exemptions--Air pollution control facilities at
34 a thermal electric generation facility--Exceptions--Payments on
35 cessation of operation) and 2003 c 5 s 12 & 1997 c 368 s 3;
36 (48) RCW 82.12.820 (Exemptions--Warehouse and grain elevators and
37 distribution centers) and 2006 c 354 s 13, 2005 c 513 s 12, 2003 c 5 s
38 13, 2000 c 103 s 9, & 1997 c 450 s 3;

1 (49) RCW 82.12.855 (Exemptions--Replacement parts for qualifying
2 farm machinery and equipment) and 2007 c 332 s 2 & 2006 c 172 s 2;
3 (50) RCW 82.12.865 (Exemptions--Diesel, biodiesel, and aircraft
4 fuel for farm fuel users) and 2010 c 106 s 222, 2007 c 443 s 2, & 2006
5 c 7 s 2;
6 (51) RCW 82.12.880 (Exemptions--Animal pharmaceuticals) and 2001
7 2nd sp.s. c 17 s 2;
8 (52) RCW 82.12.890 (Exemptions--Livestock nutrient management
9 equipment and facilities) and 2010 1st sp.s. c 23 s 602, 2009 c 469 s
10 602, 2006 c 151 s 3, 2003 c 5 s 15, & 2001 2nd sp.s. c 18 s 3;
11 (53) RCW 82.12.900 (Exemptions--Anaerobic digesters) and 2006 c 151
12 s 5, 2003 c 5 s 16, & 2001 2nd sp.s. c 18 s 5;
13 (54) RCW 82.12.910 (Exemptions--Propane or natural gas to heat
14 chicken structures) and 2001 2nd sp.s. c 25 s 4;
15 (55) RCW 82.12.920 (Exemptions--Chicken bedding materials) and 2001
16 2nd sp.s. c 25 s 6;
17 (56) RCW 82.12.800 (Exemptions--Uses of vessel, vessel's trailer by
18 manufacturer) and 2011 c 171 s 121 & 1997 c 293 s 1;
19 (57) RCW 82.12.801 (Exemptions--Uses of vessel, vessel's trailer by
20 dealer) and 2011 c 171 s 122 & 1997 c 293 s 2;
21 (58) RCW 82.12.802 (Vessels held in inventory by dealer or
22 manufacturer--Tax on personal use--Documentation--Rules) and 1997 c 293
23 s 3;
24 (59) RCW 82.12.860 (Exemptions--Property and services acquired from
25 a federal credit union) and 2009 c 535 s 621 & 2006 c 11 s 1;
26 (60) RCW 82.66.040 (Repayment schedule--Interest, penalties) and
27 1998 c 339 s 1 & 1995 c 352 s 4;
28 (61) RCW 82.08.850 (Exemptions--Conifer seed) and 2001 c 129 s 2;
29 (62) RCW 82.12.850 (Exemptions--Conifer seed) and 2001 c 129 s 3;
30 (63) RCW 82.12.02085 (Exemptions--Digital goods--Noncommercial--
31 Internal audience--Not for sale) and 2009 c 535 s 605;
32 (64) RCW 82.08.0282 (Exemptions--Sales of returnable containers for
33 beverages and foods) and 1980 c 37 s 47;
34 (65) RCW 82.08.0269 (Exemptions--Sales for use in states,
35 territories, and possessions of the United States which are not
36 contiguous to any other state) and 1980 c 37 s 36;
37 (66) RCW 82.08.0279 (Exemptions--Renting or leasing of motor

1 vehicles and trailers to a nonresident for use in the transportation of
2 persons or property across state boundaries) and 1980 c 37 s 45;

3 (67) RCW 82.08.700 (Exemptions--Vessels sold to nonresidents) and
4 2010 c 106 s 219 & 2007 c 22 s 1;

5 (68) RCW 82.12.700 (Exemptions--Vessels sold to nonresidents) and
6 2007 c 22 s 2; and

7 (69) RCW 82.12.955 (Exemptions--Use of machinery, equipment,
8 vehicles, and services related to biodiesel or E85 motor fuel) and 2007
9 c 309 s 5 & 2003 c 63 s 3.

10 NEW SECTION. **Sec. 203.** The following acts or parts of acts, as
11 now existing or hereafter amended, are each repealed, effective July 1,
12 2023:

13 (1) RCW 82.08.02537 (Exemptions--Sales of academic transcripts) and
14 2009 c 535 s 508 & 1996 c 272 s 2;

15 (2) RCW 82.08.0289 (Exemptions--Telephone, telecommunications, and
16 ancillary services) and 2007 c 6 s 1006, 2007 c 6 s 1005, 2002 c 67 s
17 6, & 1983 2nd ex.s. c 3 s 30;

18 (3) RCW 82.08.832 (Exemptions--Sales of gun safes) and 1998 c 178
19 s 1;

20 (4) RCW 82.12.0347 (Exemptions--Use of academic transcripts) and
21 2009 c 535 s 619 & 1996 c 272 s 3;

22 (5) RCW 82.12.832 (Exemptions--Use of gun safes) and 1998 c 178 s
23 2;

24 (6) RCW 82.08.0205 (Exemptions--Waste vegetable oil) and 2008 c 237
25 s 2;

26 (7) RCW 82.08.02082 (Exemptions--Digital products or services--
27 Ingredient or component--Made available for free) and 2010 c 111 s 401
28 & 2009 c 535 s 503;

29 (8) RCW 82.08.9995 (Exemptions--Restaurant employee meals) and 2011
30 c 55 s 2;

31 (9) RCW 82.12.9995 (Exemptions--Restaurant employee meals) and 2011
32 c 55 s 3;

33 (10) RCW 82.12.0205 (Exemptions--Waste vegetable oil) and 2008 c
34 237 s 3; and

35 (11) RCW 82.12.02082 (Exemptions--Digital products or services--
36 Made available for free to general public) and 2010 c 111 s 501 & 2009
37 c 535 s 603.

1 NEW SECTION. **Sec. 204.** The following acts or parts of acts, as
2 now existing or hereafter amended, are each repealed, effective July 1,
3 2025:

4 (1) RCW 82.08.0258 (Exemptions--Sales to federal corporations
5 providing aid and relief) and 1980 c 37 s 26;

6 (2) RCW 82.08.02795 (Exemptions--Sales to free hospitals) and 1993
7 c 205 s 1;

8 (3) RCW 82.08.02805 (Exemptions--Sales to qualifying blood, tissue,
9 or blood and tissue banks) and 2004 c 82 s 2 & 1995 2nd sp.s. c 9 s 4;

10 (4) RCW 82.08.02806 (Exemptions--Sales of human blood, tissue,
11 organs, bodies, or body parts for medical research and quality control
12 testing) and 1996 c 141 s 1;

13 (5) RCW 82.08.02807 (Exemptions--Sales to organ procurement
14 organization) and 2002 c 113 s 2;

15 (6) RCW 82.08.0283 (Exemptions--Certain medical items) and 2007 c
16 6 s 1101, 2004 c 153 s 101, 2003 c 168 s 409, 2001 c 75 s 1, 1998 c 168
17 s 2, 1997 c 224 s 1, 1996 c 162 s 1, 1991 c 250 s 2, 1986 c 255 s 1,
18 1980 c 86 s 1, & 1980 c 37 s 48;

19 (7) RCW 82.08.02915 (Exemptions--Sales used by health or social
20 welfare organizations for alternative housing for youth in crisis) and
21 1998 c 183 s 1, 1997 c 386 s 56, & 1995 c 346 s 1;

22 (8) RCW 82.08.0299 (Exemptions--Emergency lodging for homeless
23 persons--Conditions) and 1988 c 61 s 1;

24 (9) RCW 82.08.803 (Exemptions--Nebulizers) and 2007 c 6 s 1103 &
25 2004 c 153 s 104;

26 (10) RCW 82.08.804 (Exemptions--Ostomic items) and 2004 c 153 s
27 106;

28 (11) RCW 82.08.808 (Exemptions--Sales of medical supplies,
29 chemicals, or materials to comprehensive cancer centers) and 2005 c 514
30 s 402;

31 (12) RCW 82.08.925 (Exemptions--Dietary supplements) and 2003 c 168
32 s 302;

33 (13) RCW 82.08.935 (Exemptions--Disposable devices used to deliver
34 prescription drugs for human use) and 2003 c 168 s 404;

35 (14) RCW 82.08.940 (Exemptions--Over-the-counter drugs for human
36 use) and 2003 c 168 s 405;

37 (15) RCW 82.08.945 (Exemptions--Kidney dialysis devices) and 2004
38 c 153 s 110 & 2003 c 168 s 410;

1 (16) RCW 82.08.997 (Exemptions--Temporary medical housing) and 2008
2 c 137 s 2;

3 (17) RCW 82.08.998 (Exemptions--Weatherization of a residence) and
4 2008 c 92 s 1;

5 (18) RCW 82.12.0259 (Exemptions--Use of personal property, digital
6 automated services, or certain other services by federal corporations
7 providing aid and relief) and 2009 c 535 s 613, 2003 c 5 s 7, & 1980 c
8 37 s 59;

9 (19) RCW 82.12.02745 (Exemptions--Use by free hospitals of certain
10 items) and 1993 c 205 s 2;

11 (20) RCW 82.12.02747 (Exemptions--Use of medical products by
12 qualifying blood, tissue, or blood and tissue banks) and 2004 c 82 s 3
13 & 1995 2nd sp.s. c 9 s 5;

14 (21) RCW 82.12.02748 (Exemptions--Use of human blood, tissue,
15 organs, bodies, or body parts for medical research or quality control
16 testing) and 1996 c 141 s 2;

17 (22) RCW 82.12.02749 (Exemptions--Use of medical supplies,
18 chemicals, or materials by organ procurement organization) and 2002 c
19 113 s 3;

20 (23) RCW 82.12.0277 (Exemptions--Certain medical items) and 2007 c
21 6 s 1102 & 2004 c 153 s 109;

22 (24) RCW 82.12.02915 (Exemptions--Use of items by health or social
23 welfare organizations for alternative housing for youth in crisis) and
24 1998 c 183 s 2, 1997 c 386 s 57, & 1995 c 346 s 2;

25 (25) RCW 82.12.803 (Exemptions--Nebulizers) and 2007 c 6 s 1104 &
26 2004 c 153 s 105;

27 (26) RCW 82.12.804 (Exemptions--Ostomic items) and 2004 c 153 s
28 107;

29 (27) RCW 82.12.808 (Exemptions--Use of medical supplies, chemicals,
30 or materials by comprehensive cancer centers) and 2005 c 514 s 403;

31 (28) RCW 82.12.925 (Exemptions--Dietary supplements) and 2003 c 168
32 s 304;

33 (29) RCW 82.12.935 (Exemptions--Disposable devices used to deliver
34 prescription drugs for human use) and 2003 c 168 s 407;

35 (30) RCW 82.12.940 (Exemptions--Over-the-counter drugs for human
36 use) and 2003 c 168 s 408;

37 (31) RCW 82.12.945 (Exemptions--Kidney dialysis devices) and 2004
38 c 153 s 111 & 2003 c 168 s 411; and

1 (32) RCW 82.12.998 (Exemptions--Weatherization of a residence) and
2 2008 c 92 s 2.

3 **Sec. 205.** RCW 82.04.050 and 2011 c 174 s 202 are each amended to
4 read as follows:

5 (1)(a) "Sale at retail" or "retail sale" means every sale of
6 tangible personal property (including articles produced, fabricated, or
7 imprinted) to all persons irrespective of the nature of their business
8 and including, among others, without limiting the scope hereof, persons
9 who install, repair, clean, alter, improve, construct, or decorate real
10 or personal property of or for consumers other than a sale to a person
11 who:

12 (i) Purchases for the purpose of resale as tangible personal
13 property in the regular course of business without intervening use by
14 such person, but a purchase for the purpose of resale by a regional
15 transit authority under RCW 81.112.300 is not a sale for resale; or

16 (ii) Installs, repairs, cleans, alters, imprints, improves,
17 constructs, or decorates real or personal property of or for consumers,
18 if such tangible personal property becomes an ingredient or component
19 of such real or personal property without intervening use by such
20 person; or

21 (iii) Purchases for the purpose of consuming the property purchased
22 in producing for sale as a new article of tangible personal property or
23 substance, of which such property becomes an ingredient or component or
24 is a chemical used in processing, when the primary purpose of such
25 chemical is to create a chemical reaction directly through contact with
26 an ingredient of a new article being produced for sale; or

27 (iv) Until July 1, 2021, purchases for the purpose of consuming the
28 property purchased in producing ferrosilicon which is subsequently used
29 in producing magnesium for sale, if the primary purpose of such
30 property is to create a chemical reaction directly through contact with
31 an ingredient of ferrosilicon; or

32 (v) Purchases for the purpose of providing the property to
33 consumers as part of competitive telephone service, as defined in RCW
34 82.04.065; or

35 (vi) Purchases for the purpose of satisfying the person's
36 obligations under an extended warranty as defined in subsection (7) of

1 this section, if such tangible personal property replaces or becomes an
2 ingredient or component of property covered by the extended warranty
3 without intervening use by such person.

4 (b) The term includes every sale of tangible personal property that
5 is used or consumed or to be used or consumed in the performance of any
6 activity defined as a "sale at retail" or "retail sale" even though
7 such property is resold or used as provided in (a)(i) through (vi) of
8 this subsection following such use.

9 (c) The term also means every sale of tangible personal property to
10 persons engaged in any business that is taxable under RCW 82.04.280(1)
11 (a), (b), and (g), 82.04.290, and 82.04.2908.

12 (2) The term "sale at retail" or "retail sale" includes the sale of
13 or charge made for tangible personal property consumed and/or for labor
14 and services rendered in respect to the following:

15 (a) The installing, repairing, cleaning, altering, imprinting, or
16 improving of tangible personal property of or for consumers, including
17 charges made for the mere use of facilities in respect thereto, but
18 excluding, until July 1, 2023, charges made for the use of self-service
19 laundry facilities, and until July 1, 2017, also excluding sales of
20 laundry service to nonprofit health care facilities, and excluding,
21 until July 1, 2021, services rendered in respect to live animals, birds
22 and insects;

23 (b) The constructing, repairing, decorating, or improving of new or
24 existing buildings or other structures under, upon, or above real
25 property of or for consumers, including the installing or attaching of
26 any article of tangible personal property therein or thereto, whether
27 or not such personal property becomes a part of the realty by virtue of
28 installation, and also includes the sale of services or charges made
29 for the clearing of land and the moving of earth excepting the mere
30 leveling of land used in commercial farming or agriculture;

31 (c) The constructing, repairing, or improving of any structure
32 upon, above, or under any real property owned by an owner who conveys
33 the property by title, possession, or any other means to the person
34 performing such construction, repair, or improvement for the purpose of
35 performing such construction, repair, or improvement and the property
36 is then reconveyed by title, possession, or any other means to the
37 original owner;

1 (d) The cleaning, fumigating, razing, or moving of existing
2 buildings or structures, but until July 1, 2017, does not include the
3 charge made for janitorial services; and for purposes of this section
4 the term "janitorial services" means those cleaning and caretaking
5 services ordinarily performed by commercial janitor service businesses
6 including, but not limited to, wall and window washing, floor cleaning
7 and waxing, and the cleaning in place of rugs, drapes and upholstery.
8 The term "janitorial services" does not include painting, papering,
9 repairing, furnace or septic tank cleaning, snow removal or
10 sandblasting;

11 (e) Automobile towing and similar automotive transportation
12 services, but not in respect to those required to report and pay taxes
13 under chapter 82.16 RCW;

14 (f) The furnishing of lodging and all other services by a hotel,
15 rooming house, tourist court, motel, trailer camp, and the granting of
16 any similar license to use real property, as distinguished from the
17 renting or leasing of real property, and it is presumed that the
18 occupancy of real property for a continuous period of one month or more
19 constitutes a rental or lease of real property and not a mere license
20 to use or enjoy the same. For the purposes of this subsection, it is
21 presumed that the sale of and charge made for the furnishing of lodging
22 for a continuous period of one month or more to a person is a rental or
23 lease of real property and not a mere license to enjoy the same;

24 (g) The installing, repairing, altering, or improving of digital
25 goods for consumers;

26 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g) of
27 this subsection when such sales or charges are for property, labor and
28 services which are used or consumed in whole or in part by such persons
29 in the performance of any activity defined as a "sale at retail" or
30 "retail sale" even though such property, labor and services may be
31 resold after such use or consumption. Nothing contained in this
32 subsection may be construed to modify subsection (1) of this section
33 and nothing contained in subsection (1) of this section may be
34 construed to modify this subsection.

35 (3) The term "sale at retail" or "retail sale" includes the sale of
36 or charge made for personal, business, or professional services
37 including amounts designated as interest, rents, fees, admission, and

1 other service emoluments however designated, received by persons
2 engaging in the following business activities:

3 (a) Amusement and recreation services including but not limited to
4 golf, pool, billiards, skating, bowling, ski lifts and tows, day trips
5 for sightseeing purposes, and others, when provided to consumers;

6 (b) Abstract, title insurance, and escrow services;

7 (c) Credit bureau services;

8 (d) Automobile parking and storage garage services;

9 (e) Landscape maintenance and horticultural services but excluding,
10 until July 1, 2021, (i) horticultural services provided to farmers and
11 (ii) pruning, trimming, repairing, removing, and clearing of trees and
12 brush near electric transmission or distribution lines or equipment, if
13 performed by or at the direction of an electric utility;

14 (f) Service charges associated with tickets to professional
15 sporting events; and

16 (g) The following personal services: Physical fitness services,
17 tanning salon services, tattoo parlor services, steam bath services,
18 turkish bath services, escort services, and dating services.

19 (4)(a) The term also includes the renting or leasing of tangible
20 personal property to consumers.

21 (b) The term does not include the renting or leasing of tangible
22 personal property where the lease or rental is for the purpose of
23 sublease or subrent.

24 (5) The term also includes the providing of "competitive telephone
25 service," "telecommunications service," or "ancillary services," as
26 those terms are defined in RCW 82.04.065, to consumers.

27 (6)(a)(i) The term also includes the sale of prewritten computer
28 software to a consumer, regardless of the method of delivery to the end
29 user. For purposes of this subsection (6)(a), the sale of prewritten
30 computer software includes the sale of or charge made for a key or an
31 enabling or activation code, where the key or code is required to
32 activate prewritten computer software and put the software into use.
33 There is no separate sale of the key or code from the prewritten
34 computer software, regardless of how the sale may be characterized by
35 the vendor or by the purchaser.

36 (ii) Until July 1, 2021 the term "retail sale" does not include the
37 sale of or charge made for:

38 (~~(i)~~) (A) Custom software; or

1 (~~(ii)~~) (B) The customization of prewritten computer software.

2 (b)(i) The term also includes the charge made to consumers for the
3 right to access and use prewritten computer software, where possession
4 of the software is maintained by the seller or a third party,
5 regardless of whether the charge for the service is on a per use, per
6 user, per license, subscription, or some other basis.

7 (ii)(A) The service described in (b)(i) of this subsection (6)
8 includes the right to access and use prewritten computer software to
9 perform data processing.

10 (B) For purposes of this subsection (6)(b)(ii), "data processing"
11 means the systematic performance of operations on data to extract the
12 required information in an appropriate form or to convert the data to
13 usable information. Data processing includes check processing, image
14 processing, form processing, survey processing, payroll processing,
15 claim processing, and similar activities.

16 (7) The term also includes the sale of or charge made for an
17 extended warranty to a consumer. For purposes of this subsection,
18 "extended warranty" means an agreement for a specified duration to
19 perform the replacement or repair of tangible personal property at no
20 additional charge or a reduced charge for tangible personal property,
21 labor, or both, or to provide indemnification for the replacement or
22 repair of tangible personal property, based on the occurrence of
23 specified events. The term "extended warranty" does not include an
24 agreement, otherwise meeting the definition of extended warranty in
25 this subsection, if no separate charge is made for the agreement and
26 the value of the agreement is included in the sales price of the
27 tangible personal property covered by the agreement. For purposes of
28 this subsection, "sales price" has the same meaning as in RCW
29 82.08.010.

30 (8)(a) The term also includes the following sales to consumers of
31 digital goods, digital codes, and digital automated services:

32 (i) Sales in which the seller has granted the purchaser the right
33 of permanent use;

34 (ii) Sales in which the seller has granted the purchaser a right of
35 use that is less than permanent;

36 (iii) Sales in which the purchaser is not obligated to make
37 continued payment as a condition of the sale; and

1 (iv) Sales in which the purchaser is obligated to make continued
2 payment as a condition of the sale.

3 (b) A retail sale of digital goods, digital codes, or digital
4 automated services under this subsection (8) includes any services
5 provided by the seller exclusively in connection with the digital
6 goods, digital codes, or digital automated services, whether or not a
7 separate charge is made for such services.

8 (c) For purposes of this subsection, "permanent" means perpetual or
9 for an indefinite or unspecified length of time. A right of permanent
10 use is presumed to have been granted unless the agreement between the
11 seller and the purchaser specifies or the circumstances surrounding the
12 transaction suggest or indicate that the right to use terminates on the
13 occurrence of a condition subsequent.

14 (9) The term also includes the charge made for providing tangible
15 personal property along with an operator for a fixed or indeterminate
16 period of time. A consideration of this is that the operator is
17 necessary for the tangible personal property to perform as designed.
18 For the purpose of this subsection (9), an operator must do more than
19 maintain, inspect, or set up the tangible personal property.

20 (10)(a) Until July 1, 2017, the term does not include the sale of
21 or charge made for labor and services rendered in respect to the
22 building, repairing, or improving of any street, place, road, highway,
23 easement, right-of-way, mass public transportation terminal or parking
24 facility, bridge, tunnel, or trestle which is owned by a municipal
25 corporation or political subdivision of the state or by the United
26 States and which is used or to be used primarily for foot or vehicular
27 traffic including mass transportation vehicles of any kind.

28 (b) The term does not include the sale of or charge made for labor
29 and services rendered in respect to the building, repairing, or
30 improving of any street, place, road, highway, easement, right-of-way,
31 mass public transportation terminal or parking facility, bridge,
32 tunnel, or trestle which is owned by the United States and which is
33 used or to be used primarily for foot or vehicular traffic including
34 mass transportation vehicles of any kind.

35 (11) Until July 1, 2017, the term also does not include sales of
36 chemical sprays or washes to persons for the purpose of postharvest
37 treatment of fruit for the prevention of scald, fungus, mold, or decay,
38 nor does it include sales of feed, seed, seedlings, fertilizer, agents

1 for enhanced pollination including insects such as bees, and spray
2 materials to: (a) Persons who participate in the federal conservation
3 reserve program, the environmental quality incentives program, the
4 wetlands reserve program, and the wildlife habitat incentives program,
5 or their successors administered by the United States department of
6 agriculture; (b) farmers for the purpose of producing for sale any
7 agricultural product; and (c) farmers acting under cooperative habitat
8 development or access contracts with an organization exempt from
9 federal income tax under 26 U.S.C. Sec. 501(c)(3) of the federal
10 internal revenue code or the Washington state department of fish and
11 wildlife to produce or improve wildlife habitat on land that the farmer
12 owns or leases.

13 (12)(a) Until July 1, 2019, the term does not include the sale of
14 or charge made for labor and services rendered in respect to the
15 constructing, repairing, decorating, or improving of new or existing
16 buildings or other structures under, upon, or above real property of or
17 for the United States, any instrumentality thereof, or a county or city
18 housing authority created pursuant to chapter 35.82 RCW, including the
19 installing, or attaching of any article of tangible personal property
20 therein or thereto, whether or not such personal property becomes a
21 part of the realty by virtue of installation. Nor does the term
22 include the sale of services or charges made for the clearing of land
23 and the moving of earth of or for the United States, any
24 instrumentality thereof, or a county or city housing authority. Nor
25 does the term include the sale of services or charges made for cleaning
26 up for the United States, or its instrumentalities, radioactive waste
27 and other by-products of weapons production and nuclear research and
28 development.

29 (b) The term does not include the sale of or charge made for labor
30 and services rendered in respect to the constructing, repairing,
31 decorating, or improving of new or existing buildings or other
32 structures under, upon, or above real property of or for the United
33 States or any instrumentality thereof, including the installing or
34 attaching of any article of tangible personal property therein or
35 thereto, whether or not such personal property becomes a part of the
36 realty by virtue of installation. Nor does the term include the sale
37 of services or charges made for the clearing of land and the moving of
38 earth of or for the United States or any instrumentality thereof. Nor

1 does the term include the sale of services or charges made for cleaning
2 up for the United States or its instrumentalities, radioactive waste
3 and other by-products of weapons production and nuclear research and
4 development.

5 (13) Until July 1, 2019, the term does not include the sale of or
6 charge made for labor, services, or tangible personal property pursuant
7 to agreements providing maintenance services for bus, rail, or rail
8 fixed guideway equipment when a regional transit authority is the
9 recipient of the labor, services, or tangible personal property, and a
10 transit agency, as defined in RCW 81.104.015, performs the labor or
11 services.

12 (14) The term does not include the sale for resale of any service
13 described in this section if the sale would otherwise constitute a
14 "sale at retail" and "retail sale" under this section.

15 **Sec. 206.** RCW 82.04.062 and 1985 c 471 s 5 are each amended to
16 read as follows:

17 (1) Until July 1, 2021, for purposes of this chapter, "wholesale
18 sale," "sale at wholesale," "retail sale," and "sale at retail" do not
19 include the sale of precious metal bullion or monetized bullion.

20 (2) Until July 1, 2021, in computing tax under this chapter on the
21 business of making sales of precious metal bullion or monetized
22 bullion, the tax (~~shall be~~) is imposed on the amounts received as
23 commissions upon transactions for the accounts of customers over and
24 above the amount paid to other dealers associated in such transactions,
25 but no deduction or offset is allowed on account of salaries or
26 commissions paid to salesmen or other employees.

27 (3) For purposes of this section, "precious metal bullion" means
28 any precious metal which has been put through a process of smelting or
29 refining, including, but not limited to, gold, silver, platinum,
30 rhodium, and palladium, and which is in such state or condition that
31 its value depends upon its contents and not upon its form. For
32 purposes of this section, "monetized bullion" means coins or other
33 forms of money manufactured from gold, silver, or other metals and
34 heretofore, now, or hereafter used as a medium of exchange under the
35 laws of this state, the United States, or any foreign nation, but does
36 not include coins or money sold to be manufactured into jewelry or
37 works of art.

1 **Sec. 207.** RCW 82.08.010 and 2010 c 106 s 210 are each amended to
2 read as follows:

3 For the purposes of this chapter:

4 (1)(a) "Selling price" includes "sales price." "Sales price" means
5 the total amount of consideration, (~~except separately stated trade-in~~
6 ~~property of like kind,~~) including cash, credit, property, and
7 services, for which tangible personal property, extended warranties,
8 digital goods, digital codes, digital automated services, or other
9 services or anything else defined as a "retail sale" under RCW
10 82.04.050 are sold, leased, or rented, valued in money, whether
11 received in money or otherwise. No deduction from the total amount of
12 consideration is allowed for the following: (i) The seller's cost of
13 the property sold; (ii) the cost of materials used, labor or service
14 cost, interest, losses, all costs of transportation to the seller, all
15 taxes imposed on the seller, and any other expense of the seller; (iii)
16 charges by the seller for any services necessary to complete the sale,
17 other than delivery and installation charges; (iv) delivery charges;
18 and (v) installation charges.

19 When tangible personal property is rented or leased under
20 circumstances that the consideration paid does not represent a
21 reasonable rental for the use of the articles so rented or leased, the
22 "selling price" shall be determined as nearly as possible according to
23 the value of such use at the places of use of similar products of like
24 quality and character under such rules as the department may prescribe;

25 (b) "Selling price" or "sales price" does not include: Discounts,
26 including cash, term, or coupons that are not reimbursed by a third
27 party that are allowed by a seller and taken by a purchaser on a sale;
28 interest, financing, and carrying charges from credit extended on the
29 sale of tangible personal property, extended warranties, digital goods,
30 digital codes, digital automated services, or other services or
31 anything else defined as a retail sale in RCW 82.04.050, if the amount
32 is separately stated on the invoice, bill of sale, or similar document
33 given to the purchaser; and any taxes legally imposed directly on the
34 consumer that are separately stated on the invoice, bill of sale, or
35 similar document given to the purchaser;

36 (c) "Selling price" or "sales price" includes consideration
37 received by the seller from a third party if:

1 (i) The seller actually receives consideration from a party other
2 than the purchaser, and the consideration is directly related to a
3 price reduction or discount on the sale;

4 (ii) The seller has an obligation to pass the price reduction or
5 discount through to the purchaser;

6 (iii) The amount of the consideration attributable to the sale is
7 fixed and determinable by the seller at the time of the sale of the
8 item to the purchaser; and

9 (iv) One of the criteria in this subsection (1)(c)(iv) is met:

10 (A) The purchaser presents a coupon, certificate, or other
11 documentation to the seller to claim a price reduction or discount
12 where the coupon, certificate, or documentation is authorized,
13 distributed, or granted by a third party with the understanding that
14 the third party will reimburse any seller to whom the coupon,
15 certificate, or documentation is presented;

16 (B) The purchaser identifies himself or herself to the seller as a
17 member of a group or organization entitled to a price reduction or
18 discount, however a "preferred customer" card that is available to any
19 patron does not constitute membership in such a group; or

20 (C) The price reduction or discount is identified as a third party
21 price reduction or discount on the invoice received by the purchaser or
22 on a coupon, certificate, or other documentation presented by the
23 purchaser;

24 (d) Until July 1, 2021, "selling price" or "sales price" does not
25 include separately stated trade-in property of like kind;

26 (2)(a) "Seller" means every person, including the state and its
27 departments and institutions, making sales at retail or retail sales to
28 a buyer, purchaser, or consumer, whether as agent, broker, or
29 principal, except "seller" does not mean:

30 (i) The state and its departments and institutions when making
31 sales to the state and its departments and institutions; or

32 (ii) A professional employer organization when a covered employee
33 coemployed with the client under the terms of a professional employer
34 agreement engages in activities that constitute a sale at retail that
35 is subject to the tax imposed by this chapter. In such cases, the
36 client, and not the professional employer organization, is deemed to be
37 the seller and is responsible for collecting and remitting the tax
38 imposed by this chapter.

1 (b) For the purposes of (a) of this subsection, the terms "client,"
2 "covered employee," "professional employer agreement," and
3 "professional employer organization" have the same meanings as in RCW
4 82.04.540;

5 (3) "Buyer," "purchaser," and "consumer" include, without limiting
6 the scope hereof, every individual, receiver, assignee, trustee in
7 bankruptcy, trust, estate, firm, copartnership, joint venture, club,
8 company, joint stock company, business trust, corporation, association,
9 society, or any group of individuals acting as a unit, whether mutual,
10 cooperative, fraternal, nonprofit, or otherwise, municipal corporation,
11 quasi municipal corporation, and also the state, its departments and
12 institutions and all political subdivisions thereof, irrespective of
13 the nature of the activities engaged in or functions performed, and
14 also the United States or any instrumentality thereof;

15 (4) "Delivery charges" means charges by the seller of personal
16 property or services for preparation and delivery to a location
17 designated by the purchaser of personal property or services including,
18 but not limited to, transportation, shipping, postage, handling,
19 crating, and packing;

20 (5) "Direct mail" means printed material delivered or distributed
21 by United States mail or other delivery service to a mass audience or
22 to addressees on a mailing list provided by the purchaser or at the
23 direction of the purchaser when the cost of the items are not billed
24 directly to the recipients. "Direct mail" includes tangible personal
25 property supplied directly or indirectly by the purchaser to the direct
26 mail seller for inclusion in the package containing the printed
27 material. "Direct mail" does not include multiple items of printed
28 material delivered to a single address;

29 (6) The meaning attributed in chapter 82.04 RCW to the terms "tax
30 year," "taxable year," "person," "company," "sale," "sale at
31 wholesale," "wholesale," "business," "engaging in business," "cash
32 discount," "successor," "consumer," "in this state" and "within this
33 state" applies equally to the provisions of this chapter;

34 (7) For the purposes of the taxes imposed under this chapter and
35 under chapter 82.12 RCW, "tangible personal property" means personal
36 property that can be seen, weighed, measured, felt, or touched, or that
37 is in any other manner perceptible to the senses. Tangible personal

1 property includes electricity, water, gas, steam, and prewritten
2 computer software;

3 (8) "Extended warranty" has the same meaning as in RCW
4 82.04.050(7);

5 (9) The definitions in RCW 82.04.192 apply to this chapter;

6 (10) For the purposes of the taxes imposed under this chapter and
7 chapter 82.12 RCW, whenever the terms "property" or "personal property"
8 are used, those terms must be construed to include digital goods and
9 digital codes unless:

10 (a) It is clear from the context that the term "personal property"
11 is intended only to refer to tangible personal property;

12 (b) It is clear from the context that the term "property" is
13 intended only to refer to tangible personal property, real property, or
14 both; or

15 (c) To construe the term "property" or "personal property" as
16 including digital goods and digital codes would yield unlikely, absurd,
17 or strained consequences; and

18 (11) "Retail sale" or "sale at retail" means any sale, lease, or
19 rental for any purpose other than for resale, sublease, or subrent.

20 **Sec. 208.** RCW 82.12.010 and 2010 c 127 s 4 are each reenacted and
21 amended to read as follows:

22 For the purposes of this chapter:

23 (1) The meaning ascribed to words and phrases in chapters 82.04 and
24 82.08 RCW, insofar as applicable, has full force and effect with
25 respect to taxes imposed under the provisions of this chapter.
26 "Consumer," in addition to the meaning ascribed to it in chapters 82.04
27 and 82.08 RCW insofar as applicable, also means any person who
28 distributes or displays, or causes to be distributed or displayed, any
29 article of tangible personal property, except newspapers, the primary
30 purpose of which is to promote the sale of products or services. With
31 respect to property distributed to persons within this state by a
32 consumer as defined in this subsection (1), the use of the property is
33 deemed to be by such consumer.

34 (2) "Extended warranty" has the same meaning as in RCW
35 82.04.050(7).

36 (3) "Purchase price" means the same as sales price as defined in
37 RCW 82.08.010.

1 (4)(a)(i) Except as provided in (a)(ii) of this subsection (4),
2 "retailer" means every seller as defined in RCW 82.08.010 and every
3 person engaged in the business of selling tangible personal property at
4 retail and every person required to collect from purchasers the tax
5 imposed under this chapter.

6 (ii) "Retailer" does not include a professional employer
7 organization when a covered employee coemployed with the client under
8 the terms of a professional employer agreement engages in activities
9 that constitute a sale of tangible personal property, extended
10 warranty, digital good, digital code, or a sale of any digital
11 automated service or service defined as a retail sale in RCW 82.04.050
12 (2)(a) or (g), (3)(a), or (6)(b) that is subject to the tax imposed by
13 this chapter. In such cases, the client, and not the professional
14 employer organization, is deemed to be the retailer and is responsible
15 for collecting and remitting the tax imposed by this chapter.

16 (b) For the purposes of (a) of this subsection, the terms "client,"
17 "covered employee," "professional employer agreement," and
18 "professional employer organization" have the same meanings as in RCW
19 82.04.540.

20 (5) "Taxpayer" and "purchaser" include all persons included within
21 the meaning of the word "buyer" and the word "consumer" as defined in
22 chapters 82.04 and 82.08 RCW.

23 (6) "Use," "used," "using," or "put to use" have their ordinary
24 meaning, and mean:

25 (a) With respect to tangible personal property, except for natural
26 gas and manufactured gas, the first act within this state by which the
27 taxpayer takes or assumes dominion or control over the article of
28 tangible personal property (as a consumer), and include installation,
29 storage, withdrawal from storage, distribution, or any other act
30 preparatory to subsequent actual use or consumption within this state;

31 (b) With respect to a service defined in RCW 82.04.050(2)(a), the
32 first act within this state after the service has been performed by
33 which the taxpayer takes or assumes dominion or control over the
34 article of tangible personal property upon which the service was
35 performed (as a consumer), and includes installation, storage,
36 withdrawal from storage, distribution, or any other act preparatory to
37 subsequent actual use or consumption of the article within this state;

1 (c) With respect to an extended warranty, the first act within this
2 state after the extended warranty has been acquired by which the
3 taxpayer takes or assumes dominion or control over the article of
4 tangible personal property to which the extended warranty applies, and
5 includes installation, storage, withdrawal from storage, distribution,
6 or any other act preparatory to subsequent actual use or consumption of
7 the article within this state;

8 (d) With respect to a digital good or digital code, the first act
9 within this state by which the taxpayer, as a consumer, views,
10 accesses, downloads, possesses, stores, opens, manipulates, or
11 otherwise uses or enjoys the digital good or digital code;

12 (e) With respect to a digital automated service, the first act
13 within this state by which the taxpayer, as a consumer, uses, enjoys,
14 or otherwise receives the benefit of the service;

15 (f) With respect to a service defined as a retail sale in RCW
16 82.04.050(6)(b), the first act within this state by which the taxpayer,
17 as a consumer, accesses the prewritten computer software;

18 (g) With respect to a service defined as a retail sale in RCW
19 82.04.050(2)(g), the first act within this state after the service has
20 been performed by which the taxpayer, as a consumer, views, accesses,
21 downloads, possesses, stores, opens, manipulates, or otherwise uses or
22 enjoys the digital good upon which the service was performed; and

23 (h) With respect to natural gas or manufactured gas, the use of
24 which is taxable under RCW 82.12.022, including gas that is also
25 taxable under the authority of RCW 82.14.230, the first act within this
26 state by which the taxpayer consumes the gas by burning the gas or
27 storing the gas in the taxpayer's own facilities for later consumption
28 by the taxpayer.

29 (7)(a) "Value of the article used" is the purchase price for the
30 article of tangible personal property, the use of which is taxable
31 under this chapter. The term also includes, in addition to the
32 purchase price, the amount of any tariff or duty paid with respect to
33 the importation of the article used. In case the article used is
34 acquired by lease or by gift or is extracted, produced, or manufactured
35 by the person using the same or is sold under conditions wherein the
36 purchase price does not represent the true value thereof, the value of
37 the article used is determined as nearly as possible according to the

1 retail selling price at place of use of similar products of like
2 quality and character under such rules as the department may prescribe.

3 (b) In case the articles used are acquired by bailment, the value
4 of the use of the articles so used must be in an amount representing a
5 reasonable rental for the use of the articles so bailed, determined as
6 nearly as possible according to the value of such use at the places of
7 use of similar products of like quality and character under such rules
8 as the department of revenue may prescribe. In case any such articles
9 of tangible personal property are used in respect to the construction,
10 repairing, decorating, or improving of, and which become or are to
11 become an ingredient or component of, new or existing buildings or
12 other structures under, upon, or above real property of or for the
13 United States, any instrumentality thereof, or a county or city housing
14 authority created pursuant to chapter 35.82 RCW, including the
15 installing or attaching of any such articles therein or thereto,
16 whether or not such personal property becomes a part of the realty by
17 virtue of installation, then the value of the use of such articles so
18 used is determined according to the retail selling price of such
19 articles, or in the absence of such a selling price, as nearly as
20 possible according to the retail selling price at place of use of
21 similar products of like quality and character or, in the absence of
22 either of these selling price measures, such value may be determined
23 upon a cost basis, in any event under such rules as the department of
24 revenue may prescribe.

25 (c) Until July 1, 2021, in the case of articles owned by a user
26 engaged in business outside the state which are brought into the state
27 for no more than one hundred eighty days in any period of three hundred
28 sixty-five consecutive days and which are temporarily used for business
29 purposes by the person in this state, the value of the article used
30 must be an amount representing a reasonable rental for the use of the
31 articles, unless the person has paid tax under this chapter or chapter
32 82.08 RCW upon the full value of the article used, as defined in (a) of
33 this subsection.

34 (d) In the case of articles manufactured or produced by the user
35 and used in the manufacture or production of products sold or to be
36 sold to the department of defense of the United States, the value of
37 the articles used is determined according to the value of the
38 ingredients of such articles.

1 (e) In the case of an article manufactured or produced for purposes
2 of serving as a prototype for the development of a new or improved
3 product, the value of the article used is determined by: (i) The
4 retail selling price of such new or improved product when first offered
5 for sale; or (ii) the value of materials incorporated into the
6 prototype in cases in which the new or improved product is not offered
7 for sale.

8 (f) In the case of an article purchased with a direct pay permit
9 under RCW 82.32.087, the value of the article used is determined by the
10 purchase price of such article if, but for the use of the direct pay
11 permit, the transaction would have been subject to sales tax.

12 (8) "Value of the digital good or digital code used" means the
13 purchase price for the digital good or digital code, the use of which
14 is taxable under this chapter. If the digital good or digital code is
15 acquired other than by purchase, the value of the digital good or
16 digital code must be determined as nearly as possible according to the
17 retail selling price at place of use of similar digital goods or
18 digital codes of like quality and character under rules the department
19 may prescribe.

20 (9) "Value of the extended warranty used" means the purchase price
21 for the extended warranty, the use of which is taxable under this
22 chapter. If the extended warranty is received by gift or under
23 conditions wherein the purchase price does not represent the true value
24 of the extended warranty, the value of the extended warranty used is
25 determined as nearly as possible according to the retail selling price
26 at place of use of similar extended warranties of like quality and
27 character under rules the department may prescribe.

28 (10) "Value of the service used" means the purchase price for the
29 digital automated service or other service, the use of which is taxable
30 under this chapter. If the service is received by gift or under
31 conditions wherein the purchase price does not represent the true value
32 thereof, the value of the service used is determined as nearly as
33 possible according to the retail selling price at place of use of
34 similar services of like quality and character under rules the
35 department may prescribe.

36 **Sec. 209.** RCW 82.66.020 and 1995 c 352 s 2 are each amended to
37 read as follows:

1 Application for deferral of taxes under this chapter (~~shall~~) must
2 be made to the department in a form and manner prescribed by the
3 department. The application (~~shall~~) must contain information
4 regarding the location of the investment project, estimated or actual
5 costs, time schedules for completion and operation, and other
6 information required by the department. The department (~~shall~~) must
7 rule on the application within sixty days. The department may not
8 accept applications for deferral of taxes under this chapter on or
9 after July 1, 2021.

10 **PART III**
11 **Repealing Business and Occupation Tax Exemptions,**
12 **Credits, Deductions, and Preferential Tax Rates**

13 NEW SECTION. **Sec. 301.** The following acts or parts of acts, as
14 now existing or hereafter amended, are each repealed, effective July 1,
15 2019:

16 (1) RCW 82.04.339 (Exemptions--Day care provided by churches) and
17 1992 c 81 s 1;

18 (2) RCW 82.04.3395 (Exemptions--Child care resource and referral
19 services by nonprofit organizations) and 1995 2nd sp.s. c 11 s 3;

20 (3) RCW 82.04.363 (Exemptions--Camp or conference center--Items
21 sold or furnished by nonprofit organization) and 2009 c 535 s 409 &
22 1997 c 388 s 1;

23 (4) RCW 82.04.3651 (Exemptions--Amounts received by nonprofit
24 organizations for fund-raising activities) and 2010 c 106 s 208, 1999
25 c 358 s 3, & 1998 c 336 s 2;

26 (5) RCW 82.04.367 (Exemptions--Nonprofit organizations that are
27 guarantee agencies, issue debt, or provide guarantees for student
28 loans) and 1998 c 324 s 1 & 1987 c 433 s 1;

29 (6) RCW 82.04.368 (Exemptions--Nonprofit organizations--Credit and
30 debt services) and 1993 c 390 s 1;

31 (7) RCW 82.04.380 (Exemptions--Certain corporations furnishing aid
32 and relief) and 1961 c 15 s 82.04.380;

33 (8) RCW 82.04.385 (Exemptions--Operation of sheltered workshops)
34 and 1988 c 176 s 915, 1988 c 13 s 1, 1972 ex.s. c 134 s 1, & 1970 ex.s.
35 c 81 s 3;

1 (9) RCW 82.04.395 (Exemptions--Certain materials printed in school
2 district and educational service district printing facilities) and 1979
3 ex.s. c 196 s 12;

4 (10) RCW 82.04.397 (Exemptions--Certain materials printed in
5 county, city, or town printing facilities) and 1979 ex.s. c 196 s 14;

6 (11) RCW 82.04.399 (Exemptions--Sales of academic transcripts) and
7 1996 c 272 s 1;

8 (12) RCW 82.04.408 (Exemptions--Housing finance commission) and
9 1983 c 161 s 25;

10 (13) RCW 82.04.415 (Exemptions--Sand, gravel and rock taken from
11 county or city pits or quarries, processing and handling costs) and
12 1965 ex.s. c 173 s 10;

13 (14) RCW 82.04.418 (Exemptions--Grants by United States government
14 to municipal corporations or political subdivisions) and 1983 1st ex.s.
15 c 66 s 2;

16 (15) RCW 82.04.419 (Exemptions--County, city, town, school
17 district, or fire district activity) and 1983 1st ex.s. c 66 s 3;

18 (16) RCW 82.04.4201 (Exemptions--Sales/leasebacks by regional
19 transit authorities) and 2000 2nd sp.s. c 4 s 24;

20 (17) RCW 82.04.4251 (Exemptions--Convention and tourism promotion)
21 and 2006 c 310 s 1;

22 (18) RCW 82.04.4291 (Deductions--Compensation received by a
23 political subdivision from another political subdivision for services
24 taxable under RCW 82.04.290) and 1980 c 37 s 11;

25 (19) RCW 82.04.4322 (Deductions--Artistic or cultural
26 organization--Compensation from United States, state, etc., for
27 artistic or cultural exhibitions, performances, or programs) and 1981
28 c 140 s 1;

29 (20) RCW 82.04.4324 (Deductions--Artistic or cultural
30 organization--Deduction for tax under RCW 82.04.240--Value of articles
31 for use in displaying art objects or presenting artistic or cultural
32 exhibitions, performances, or programs) and 1981 c 140 s 2;

33 (21) RCW 82.04.4326 (Deductions--Artistic or cultural
34 organizations--Tuition charges for attending artistic or cultural
35 education programs) and 1981 c 140 s 3;

36 (22) RCW 82.04.4327 (Deductions--Artistic and cultural
37 organizations--Income from business activities) and 1985 c 471 s 6;

- 1 (23) RCW 82.04.434 (Credit--Public safety standards and testing)
2 and 1991 c 13 s 1;
- 3 (24) RCW 82.04.600 (Exemptions--Materials printed in county, city,
4 town, school district, educational service district, library or library
5 district) and 1979 ex.s. c 266 s 8;
- 6 (25) RCW 82.04.615 (Exemptions--Certain limited purpose public
7 corporations, commissions, and authorities) and 2007 c 381 s 1;
- 8 (26) RCW 82.04.335 (Exemptions--Agricultural fairs) and 1965 ex.s.
9 c 145 s 1;
- 10 (27) RCW 82.04.338 (Exemptions--Hop commodity commission or hop
11 commodity board business) and 1998 c 200 s 1;
- 12 (28) RCW 82.04.4271 (Deductions--Membership fees and certain
13 service fees by nonprofit youth organization) and 1981 c 74 s 1;
- 14 (29) RCW 82.04.640 (Exemptions--Washington vaccine association--
15 Certain assessments received) and 2010 c 174 s 16;
- 16 (30) RCW 82.04.4275 (Deductions--Child welfare services) and 2011
17 c 163 s 1;
- 18 (31) RCW 82.04.655 (Exemptions--Joint municipal utility services
19 authorities) and 2011 c 258 s 11; and
- 20 (32) RCW 82.04.4274 (Deductions--Nonprofit management companies--
21 Personnel performing on-site functions) and 2011 1st sp.s. c 26 s 1.

22 NEW SECTION. **Sec. 302.** The following acts or parts of acts, as
23 now existing or hereafter amended, are each repealed, effective July 1,
24 2021:

- 25 (1) RCW 82.04.2907 (Tax on royalties) and 2010 1st sp.s. c 23 s
26 107, 2010 c 111 s 302, 2009 c 535 s 407, 2001 c 320 s 3, & 1998 c 331
27 s 1;
- 28 (2) RCW 82.04.298 (Tax on qualified grocery distribution
29 cooperatives) and 2011 c 2 s 204 (Initiative Measure No. 1107), 2010
30 1st sp.s. c 23 s 511, 2008 c 49 s 1, & 2001 1st sp.s. c 9 s 1;
- 31 (3) RCW 82.04.315 (Exemptions--International banking facilities)
32 and 1982 c 95 s 7;
- 33 (4) RCW 82.04.317 (Exemptions--Motor vehicle sales by manufacturers
34 at wholesale auctions to dealers) and 1997 c 4 s 1;
- 35 (5) RCW 82.04.331 (Exemptions--Wholesale sales to farmers of seed
36 for planting, conditioning seed for planting owned by others) and 1998
37 c 170 s 2;

1 (6) RCW 82.04.332 (Exemptions--Buying and selling at wholesale
2 unprocessed milk, wheat, oats, dry peas, dry beans, lentils, triticale,
3 canola, corn, rye, and barley) and 2007 c 131 s 1 & 1998 c 312 s 2;
4 (7) RCW 82.04.333 (Exemptions--Small harvesters) and 2011 c 101 s
5 4, 2007 c 48 s 5, & 1990 c 141 s 1;
6 (8) RCW 82.04.334 (Exemptions--Standing timber) and 2010 1st sp.s.
7 c 23 s 512 & 2007 c 48 s 3;
8 (9) RCW 82.04.337 (Exemptions--Amounts received by hop growers or
9 dealers for processed hops shipped outside the state) and 1987 c 495 s
10 1;
11 (10) RCW 82.04.392 (Exemptions--Mortgage brokers' third-party
12 provider services trust accounts) and 1998 c 311 s 3 & 1997 c 106 s 21;
13 (11) RCW 82.04.416 (Exemptions--Operation of state route No. 16)
14 and 1998 c 179 s 3;
15 (12) RCW 82.04.421 (Exemptions--Out-of-state membership sales in
16 discount programs) and 1997 c 408 s 1;
17 (13) RCW 82.04.422 (Exemptions--Wholesale sales of motor vehicles)
18 and 2004 c 81 s 1 & 2001 c 258 s 1;
19 (14) RCW 82.04.425 (Exemptions--Accommodation sales) and 1980 c 37
20 s 78, 1965 ex.s. c 173 s 9, & 1961 c 15 s 82.04.425;
21 (15) RCW 82.04.4261 (Exemptions--Federal small business innovation
22 research program) and 2004 c 2 s 9;
23 (16) RCW 82.04.4262 (Exemptions--Federal small business technology
24 transfer program) and 2004 c 2 s 10;
25 (17) RCW 82.04.4267 (Exemptions--Operation of parking/business
26 improvement areas) and 2005 c 476 s 1;
27 (18) RCW 82.04.4294 (Deductions--Interest on loans to farmers and
28 ranchers, producers or harvesters of aquatic products, or their
29 cooperatives) and 1980 c 37 s 14;
30 (19) RCW 82.04.4295 (Deductions--Manufacturing activities completed
31 outside the United States) and 1980 c 37 s 15;
32 (20) RCW 82.04.4296 (Deductions--Reimbursement for accommodation
33 expenditures by funeral homes) and 1980 c 37 s 16;
34 (21) RCW 82.04.433 (Deductions--Sales of fuel for consumption
35 outside United States' waters by vessels in foreign commerce) and 2009
36 c 494 s 2 & 1985 c 471 s 16;
37 (22) RCW 82.04.4333 (Credit--Job training services--Approval) and
38 1996 c 1 s 4;

1 (23) RCW 82.04.4339 (Deductions--Grants to support salmon
2 restoration) and 2004 c 241 s 1;
3 (24) RCW 82.04.4451 (Credit against tax due--Maximum credit--Table)
4 and 2010 1st sp.s. c 23 s 1102, 1997 c 238 s 2, & 1994 sp.s. c 2 s 1;
5 (25) RCW 82.04.447 (Credit--Natural or manufactured gas purchased
6 by direct service industrial customers--Reports) and 2001 c 214 s 9;
7 (26) RCW 82.04.4482 (Credit--Sales of electricity or gas to an
8 aluminum smelter) and 2004 c 24 s 9;
9 (27) RCW 82.04.4486 (Credit--Syrup taxes paid by buyer) and 2006 c
10 245 s 1;
11 (28) RCW 82.04.601 (Exemptions--Affixing stamp services for
12 cigarette sales) and 2007 c 221 s 5;
13 (29) RCW 82.62.030 (Allowance of tax credits--Limitations) and 2007
14 c 485 s 3, 2001 c 320 s 13, 1999 c 164 s 306, 1997 c 366 s 5, 1996 c 1
15 s 3, & 1986 c 116 s 17;
16 (30) RCW 82.04.2403 (Manufacturer tax not applicable to cleaning
17 fish) and 1994 c 167 s 1;
18 (31) RCW 82.04.424 (Exemptions--Certain in-state activities) and
19 2003 c 76 s 2;
20 (32) RCW 82.04.4272 (Deductions--Direct mail delivery charges) and
21 2005 c 514 s 114;
22 (33) RCW 82.04.43391 (Deductions--Commercial aircraft loan interest
23 and fees) and 2010 1st sp.s. c 23 s 112;
24 (34) RCW 82.04.645 (Exemptions--Financial institutions--Amounts
25 received from certain affiliated persons) and 2011 c 174 s 102 & 2010
26 1st sp.s. c 23 s 110;
27 (35) RCW 82.04.650 (Exemptions--Investment conduits and
28 securitization entities) and 2010 1st sp.s. c 23 s 111;
29 (36) RCW 82.04.263 (Tax on cleaning up radioactive waste and other
30 by-products of weapons production and nuclear research and development)
31 and 2009 c 469 s 202 & 1996 c 112 s 3;
32 (37) RCW 82.04.750 (Exemptions--Restaurant employee meals) and 2011
33 c 55 s 1; and
34 (38) RCW 82.04.627 (Exemptions--Commercial airplane parts) and 2008
35 c 81 s 15.

36 NEW SECTION. **Sec. 303.** The following acts or parts of acts, as

1 now existing or hereafter amended, are each repealed, effective July 1,
2 2023:

3 RCW 82.04.2905 (Tax on providing day care) and 1998 c 312 s 7.

4 NEW SECTION. **Sec. 304.** The following acts or parts of acts, as
5 now existing or hereafter amended, are each repealed, effective July 1,
6 2025:

7 (1) RCW 82.04.272 (Tax on warehousing and reselling prescription
8 drugs) and 2003 c 168 s 401 & 1998 c 343 s 1;

9 (2) RCW 82.04.2906 (Tax on certain chemical dependency services)
10 and 2003 c 343 s 1;

11 (3) RCW 82.04.2908 (Tax on provision of room and domiciliary care
12 to boarding home residents) and 2005 c 514 s 302 & 2004 c 174 s 1;

13 (4) RCW 82.04.324 (Exemptions--Qualifying blood, tissue, or blood
14 and tissue banks) and 2004 c 82 s 1 & 1995 2nd sp.s. c 9 s 3;

15 (5) RCW 82.04.326 (Exemptions--Qualified organ procurement
16 organizations) and 2002 c 113 s 1;

17 (6) RCW 82.04.327 (Exemptions--Adult family homes) and 1987 1st
18 ex.s. c 4 s 1;

19 (7) RCW 82.04.355 (Exemptions--Ride sharing) and 1999 c 358 s 8 &
20 1979 c 111 s 17;

21 (8) RCW 82.04.4263 (Exemptions--Income received by the life
22 sciences discovery fund authority) and 2005 c 424 s 11;

23 (9) RCW 82.04.4264 (Exemptions--Nonprofit boarding homes--Room and
24 domiciliary care) and 2005 c 514 s 301;

25 (10) RCW 82.04.4265 (Exemptions--Comprehensive cancer centers) and
26 2005 c 514 s 401;

27 (11) RCW 82.04.4297 (Deductions--Compensation from public entities
28 for health or social welfare services--Exception) and 2011 1st sp.s. c
29 19 s 2, 2002 c 314 s 3, 2001 2nd sp.s. c 23 s 2, 1988 c 67 s 1, & 1980
30 c 37 s 17;

31 (12) RCW 82.04.4311 (Deductions--Compensation received under the
32 federal medicare program by certain hospitals or health centers) and
33 2005 c 86 s 1 & 2002 c 314 s 2;

34 (13) RCW 82.04.4337 (Deductions--Certain amounts received by
35 boarding homes) and 2004 c 174 s 7;

36 (14) RCW 82.04.620 (Exemptions--Certain prescription drugs) and
37 2007 c 447 s 1; and

1 (15) RCW 82.04.635 (Exemptions--Nonprofits providing legal services
2 to low-income persons) and 2009 c 508 s 1.

3 **Sec. 305.** RCW 82.04.110 and 2009 c 535 s 405 are each amended to
4 read as follows:

5 (1) Except as otherwise provided in this section, "manufacturer"
6 means every person who, either directly or by contracting with others
7 for the necessary labor or mechanical services, manufactures for sale
8 or for commercial or industrial use from his or her own materials or
9 ingredients any articles, substances, or commodities.

10 (2)(a) When the owner of equipment or facilities furnishes, or
11 sells to the customer prior to manufacture, all or a portion of the
12 materials that become a part or whole of the manufactured article, the
13 department (~~shall~~) must prescribe equitable rules for determining tax
14 liability.

15 (b) Until July 1, 2021, a person who produces aluminum master
16 alloys is a processor for hire rather than a manufacturer, regardless
17 of the portion of the aluminum provided by that person's customer. For
18 the purposes of this subsection (2)(b), "aluminum master alloy" means
19 an alloy registered with the aluminum association as a grain refiner or
20 a hardener alloy using the American national standards institute
21 designating system H35.3.

22 (3) A nonresident of this state who is the owner of materials
23 processed for it in this state by a processor for hire (~~shall~~) may
24 not be deemed to be engaged in business in this state as a manufacturer
25 because of the performance of such processing work for it in this
26 state.

27 (4) The owner of materials from which a nuclear fuel assembly is
28 made for it by a processor for hire (~~shall~~) is not be subject to tax
29 under this chapter as a manufacturer of the fuel assembly.

30 (5) For purposes of this section, the terms "articles,"
31 "substances," "materials," "ingredients," and "commodities" do not
32 include digital goods.

33 **Sec. 306.** RCW 82.04.120 and 2011 c 23 s 3 are each amended to read
34 as follows:

35 (1) "To manufacture" embraces all activities of a commercial or
36 industrial nature wherein labor or skill is applied, by hand or

1 machinery, to materials so that as a result thereof a new, different or
2 useful substance or article of tangible personal property is produced
3 for sale or commercial or industrial use, and includes:

4 (a) The production or fabrication of special made or custom made
5 articles;

6 (b) The production or fabrication of dental appliances, devices,
7 restorations, substitutes, or other dental laboratory products by a
8 dental laboratory or dental technician;

9 (c) Cutting, delimiting, and measuring of felled, cut, or taken
10 trees; and

11 (d) Crushing and/or blending of rock, sand, stone, gravel, or ore.

12 (2) "To manufacture" does not include:

13 (a) Conditioning of seed for use in planting; cubing hay or
14 alfalfa;

15 (b) Activities which consist of cutting, grading, or ice glazing
16 seafood which has been cooked, frozen, or canned outside this state;

17 (c) The growing, harvesting, or producing of agricultural products;

18 (d) Packing of agricultural products, including sorting, washing,
19 rinsing, grading, waxing, treating with fungicide, packaging, chilling,
20 or placing in controlled atmospheric storage;

21 (e) The production of digital goods;

22 (f) The production of computer software if the computer software is
23 delivered from the seller to the purchaser by means other than tangible
24 storage media, including the delivery by use of a tangible storage
25 media where the tangible storage media is not physically transferred to
26 the purchaser; and

27 (g) Any activity that is integral to any public service business as
28 defined in RCW 82.16.010 and with respect to which the gross income
29 associated with such activity: (i) Is subject to tax under chapter
30 82.16 RCW; or (ii) would be subject to tax under chapter 82.16 RCW if
31 such activity were conducted in this state or if not for an exemption
32 or deduction.

33 (3) Until July 1, 2021, with respect to wastewater treatment
34 facilities:

35 (a) "To manufacture" does not include the treatment of wastewater,
36 the production of reclaimed water, and the production of class B
37 biosolids; and

1 (b) "To manufacture" does include the production of class A or
2 exceptional quality biosolids, but only with respect to the processing
3 activities that occur after the biosolids have reached class B
4 standards.

5 **Sec. 307.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 and 2010 1st
6 sp.s. c 23 s 508 are each reenacted and amended to read as follows:

7 (1) Upon every person engaging within this state in the business of
8 making sales at retail, except persons taxable as retailers under other
9 provisions of this chapter, as to such persons, the amount of tax with
10 respect to such business is equal to the gross proceeds of sales of the
11 business, multiplied by the rate of 0.471 percent until July 1, 2021,
12 and 0.484 percent thereafter.

13 (2) Upon every person engaging within this state in the business of
14 making sales at retail that are exempt from the tax imposed under
15 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
16 82.08.0263, except persons taxable under RCW 82.04.260(~~(+10)~~) (11) or
17 subsection (3) of this section, as to such persons, the amount of tax
18 with respect to such business is equal to the gross proceeds of sales
19 of the business, multiplied by the rate of 0.484 percent.

20 (3) Until July 1, 2024, upon every person classified by the federal
21 aviation administration as a federal aviation regulation part 145
22 certificated repair station and that is engaging within this state in
23 the business of making sales at retail that are exempt from the tax
24 imposed under chapter 82.08 RCW by reason of RCW 82.08.0261,
25 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with
26 respect to such business is equal to the gross proceeds of sales of the
27 business, multiplied by the rate of .2904 percent.

28 **Sec. 308.** RCW 82.04.257 and 2010 c 111 s 301 are each amended to
29 read as follows:

30 (1) Except as provided in subsection (2) of this section, upon
31 every person engaging within this state in the business of making sales
32 at retail or wholesale of digital goods, digital codes, digital
33 automated services, or services described in RCW 82.04.050 (2)(g) or
34 (6)(b), as to such persons, the amount of tax with respect to such
35 business is equal to the gross proceeds of sales of the business,

1 multiplied by the rate of 0.471 percent in the case of retail sales and
2 by the rate of 0.484 percent in the case of wholesale sales. Beginning
3 July 1, 2021, in the case of retail sales, the rate is 0.484 percent.

4 (2) Persons providing subscription television services or
5 subscription radio services are subject to tax under RCW 82.04.290(2)
6 on the gross income of the business received from providing such
7 services.

8 (3) For purposes of this section, a person is considered to be
9 engaging within this state in the business of making sales of digital
10 goods, digital codes, digital automated services, or services described
11 in RCW 82.04.050 (2)(g) or (6)(b), if the person makes sales of digital
12 goods, digital codes, digital automated services, or services described
13 in RCW 82.04.050 (2)(g) or (6)(b) and the sales are sourced to this
14 state under RCW 82.32.730 for sales tax purposes or would have been
15 sourced to this state under RCW 82.32.730 if the sale had been taxable
16 under chapter 82.08 RCW.

17 (4) A person subject to tax under this section is subject to the
18 mandatory electronic filing and payment requirements in RCW 82.32.080.

19 **Sec. 309.** RCW 82.04.260 and 2011 c 2 s 203 (Initiative Measure No.
20 1107) are each amended to read as follows:

21 (1) Until July 1, 2017, upon every person engaging within this
22 state in the business of manufacturing:

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

29 (b) Beginning July 1, 2012, and through June 30, 2017, seafood
30 products that remain in a raw, raw frozen, or raw salted state at the
31 completion of the manufacturing by that person; or selling manufactured
32 seafood products that remain in a raw, raw frozen, or raw salted state
33 at the completion of the manufacturing, to purchasers who transport in
34 the ordinary course of business the goods out of this state; as to such
35 persons the amount of tax with respect to such business is equal to the
36 value of the products manufactured or the gross proceeds derived from
37 such sales, multiplied by the rate of 0.138 percent. Sellers must keep

1 and preserve records for the period required by RCW 82.32.070
2 establishing that the goods were transported by the purchaser in the
3 ordinary course of business out of this state;

4 (c) Beginning July 1, 2012, and through June 30, 2017, dairy
5 products that as of September 20, 2001, are identified in 21 C.F.R.,
6 chapter 1, parts 131, 133, and 135, including by-products from the
7 manufacturing of the dairy products such as whey and casein; or selling
8 the same to purchasers who transport in the ordinary course of business
9 the goods out of state; as to such persons the tax imposed is equal to
10 the value of the products manufactured or the gross proceeds derived
11 from such sales multiplied by the rate of 0.138 percent. Sellers must
12 keep and preserve records for the period required by RCW 82.32.070
13 establishing that the goods were transported by the purchaser in the
14 ordinary course of business out of this state;

15 (d) (~~Beginning~~) From July 1, 2012, through June 30, 2017, fruits
16 or vegetables by canning, preserving, freezing, processing, or
17 dehydrating fresh fruits or vegetables, or selling at wholesale fruits
18 or vegetables manufactured by the seller by canning, preserving,
19 freezing, processing, or dehydrating fresh fruits or vegetables and
20 sold to purchasers who transport in the ordinary course of business the
21 goods out of this state; as to such persons the amount of tax with
22 respect to such business is equal to the value of the products
23 manufactured or the gross proceeds derived from such sales multiplied
24 by the rate of 0.138 percent. Sellers must keep and preserve records
25 for the period required by RCW 82.32.070 establishing that the goods
26 were transported by the purchaser in the ordinary course of business
27 out of this state;

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

33 (f) Until July 1, 2017, wood biomass fuel as defined in RCW
34 82.29A.135; as to such persons the amount of tax with respect to the
35 business is equal to the value of wood biomass fuel manufactured,
36 multiplied by the rate of 0.138 percent.

37 (2) Until July 1, 2021, upon every person engaging within this
38 state in the business of splitting or processing dried peas; as to such

1 persons the amount of tax with respect to such business is equal to the
2 value of the peas split or processed, multiplied by the rate of 0.138
3 percent.

4 (3) Until July 1, 2019, upon every nonprofit corporation and
5 nonprofit association engaging within this state in research and
6 development, as to such corporations and associations, the amount of
7 tax with respect to such activities is equal to the gross income
8 derived from such activities multiplied by the rate of 0.484 percent.

9 (4) Until July 1, 2017, upon every person engaging within this
10 state in the business of slaughtering, breaking and/or processing
11 perishable meat products and/or selling the same at wholesale only and
12 not at retail; as to such persons the tax imposed is equal to the gross
13 proceeds derived from such sales multiplied by the rate of 0.138
14 percent.

15 (5) Until July 1, 2021, upon every person engaging within this
16 state in the business of acting as a travel agent or tour operator; as
17 to such persons the amount of the tax with respect to such activities
18 is equal to the gross income derived from such activities multiplied by
19 the rate of 0.275 percent.

20 (6) Until July 1, 2021, upon every person engaging within this
21 state in business as an international steamship agent, international
22 customs house broker, international freight forwarder, vessel and/or
23 cargo charter broker in foreign commerce, and/or international air
24 cargo agent; as to such persons the amount of the tax with respect to
25 only international activities is equal to the gross income derived from
26 such activities multiplied by the rate of 0.275 percent.

27 (7) Until July 1, 2021, upon every person engaging within this
28 state in the business of stevedoring and associated activities
29 pertinent to the movement of goods and commodities in waterborne
30 interstate or foreign commerce; as to such persons the amount of tax
31 with respect to such business is equal to the gross proceeds derived
32 from such activities multiplied by the rate of 0.275 percent. Persons
33 subject to taxation under this subsection are exempt from payment of
34 taxes imposed by chapter 82.16 RCW for that portion of their business
35 subject to taxation under this subsection. Stevedoring and associated
36 activities pertinent to the conduct of goods and commodities in
37 waterborne interstate or foreign commerce are defined as all activities
38 of a labor, service or transportation nature whereby cargo may be

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

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

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

27 (9) Until July 1, 2021, upon every person engaging within this
28 state as an insurance producer or title insurance agent licensed under
29 chapter 48.17 RCW or a surplus line broker licensed under chapter 48.15
30 RCW; as to such persons, the amount of the tax with respect to such
31 licensed activities is equal to the gross income of such business
32 multiplied by the rate of 0.484 percent.

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

1 by the rate of (~~0.75 percent through June 30, 1995, and~~) 1.5 percent
2 (~~thereafter~~).

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

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

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

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

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

27 (d) In addition to all other requirements under this title, a
28 person reporting under the tax rate provided in this subsection (11)
29 must file a complete annual report with the department under RCW
30 82.32.534.

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

32 (12)(a) Until July 1, 2024, upon every person engaging within this
33 state in the business of extracting timber or extracting for hire
34 timber; as to such persons the amount of tax with respect to the
35 business is, in the case of extractors, equal to the value of products,
36 including by-products, extracted, or in the case of extractors for
37 hire, equal to the gross income of the business, multiplied by the rate

1 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904
2 percent from July 1, 2007, through June 30, 2024.

3 (b) Until July 1, 2024, 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; or (ii) timber products
6 into other timber products or wood products; as to such persons the
7 amount of the tax with respect to the business is, in the case of
8 manufacturers, equal to the value of products, including by-products,
9 manufactured, or in the case of processors for hire, equal to the gross
10 income of the business, multiplied by the rate of 0.4235 percent from
11 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
12 2007, through June 30, 2024.

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

23 (d) Until July 1, 2024, upon every person engaging within this
24 state in the business of selling standing timber; as to such persons
25 the amount of the tax with respect to the business is equal to the
26 gross income of the business multiplied by the rate of 0.2904 percent.
27 For purposes of this subsection (12)(d), "selling standing timber"
28 means the sale of timber apart from the land, where the buyer is
29 required to sever the timber within thirty months from the date of the
30 original contract, regardless of the method of payment for the timber
31 and whether title to the timber transfers before, upon, or after
32 severance.

33 (e) For purposes of this subsection, the following definitions
34 apply:

35 (i) "Biocomposite surface products" means surface material products
36 containing, by weight or volume, more than fifty percent recycled paper
37 and that also use nonpetroleum-based phenolic resin as 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; paperboard,
6 liquid packaging containers, containerboard, corrugated, and solid-
7 fiber containers including linerboard and corrugated medium; and
8 related types of cellulosic products containing primarily, by weight or
9 volume, cellulosic materials. "Paper and paper products" does not
10 include books, newspapers, magazines, periodicals, and other printed
11 publications, advertising materials, calendars, and similar types of
12 printed materials.

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

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

22 (v) "Timber products" means:

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

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

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

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

34 (f) Except for small harvesters as defined in RCW 84.33.035, a
35 person reporting under the tax rate provided in this subsection (12)
36 must file a complete annual survey with the department under RCW
37 82.32.585.

1 (13) Until July 1, 2021, upon every person engaging within this
2 state in inspecting, testing, labeling, and storing canned salmon owned
3 by another person, as to such persons, the amount of tax with respect
4 to such activities is equal to the gross income derived from such
5 activities multiplied by the rate of 0.484 percent.

6 (14)(a) Until July 1, 2021, upon every person engaging within this
7 state in the business of printing a newspaper, publishing a newspaper,
8 or both, the amount of tax on such business is equal to the gross
9 income of the business multiplied by the rate of 0.2904 percent.

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

13 (15) Subsequent to the expiration of a tax rate under this section,
14 the activity is subject to the rate that would otherwise apply under
15 this chapter.

16 **Sec. 310.** RCW 82.04.280 and 2010 c 106 s 205 are each amended to
17 read as follows:

18 (1) Upon every person engaging within this state in the business
19 of: (a) Printing materials other than newspapers, and of publishing
20 periodicals or magazines; (b) building, repairing or improving any
21 street, place, road, highway, easement, right-of-way, mass public
22 transportation terminal or parking facility, bridge, tunnel, or trestle
23 which is owned by a municipal corporation or political subdivision of
24 the state or by the United States and which is used or to be used,
25 primarily for foot or vehicular traffic including mass transportation
26 vehicles of any kind and including any readjustment, reconstruction or
27 relocation of the facilities of any public, private or cooperatively
28 owned utility or railroad in the course of such building, repairing or
29 improving, the cost of which readjustment, reconstruction, or
30 relocation, is the responsibility of the public authority whose street,
31 place, road, highway, easement, right-of-way, mass public
32 transportation terminal or parking facility, bridge, tunnel, or trestle
33 is being built, repaired or improved; (c) extracting for hire or
34 processing for hire, except persons taxable as extractors for hire or
35 processors for hire under another section of this chapter; (d)
36 operating a cold storage warehouse or storage warehouse, but not
37 including the rental of cold storage lockers; (e) representing and

1 performing services for fire or casualty insurance companies as an
2 independent resident managing general agent licensed under the
3 provisions of chapter 48.17 RCW; (f) radio and television broadcasting,
4 excluding network, national and regional advertising computed as a
5 standard deduction based on the national average thereof as annually
6 reported by the federal communications commission, or in lieu thereof
7 by itemization by the individual broadcasting station, and excluding
8 that portion of revenue represented by the out-of-state audience
9 computed as a ratio to the station's total audience as measured by the
10 100 micro-volt signal strength and delivery by wire, if any; (g)
11 engaging in activities which bring a person within the definition of
12 consumer contained in RCW 82.04.190(6); as to such persons, the amount
13 of tax on such business is equal to the gross income of the business
14 multiplied by the rate of 0.484 percent.

15 (2) For the purposes of this section, the following definitions
16 apply unless the context clearly requires otherwise.

17 (a) "Cold storage warehouse" means a storage warehouse used to
18 store fresh and/or frozen perishable fruits or vegetables, meat,
19 seafood, dairy products, or fowl, or any combination thereof, at a
20 desired temperature to maintain the quality of the product for orderly
21 marketing.

22 (b) "Storage warehouse" means a building or structure, or any part
23 thereof, in which goods, wares, or merchandise are received for storage
24 for compensation, except field warehouses, fruit warehouses, fruit
25 packing plants, warehouses licensed under chapter 22.09 RCW, public
26 garages storing automobiles, railroad freight sheds, docks and wharves,
27 and "self-storage" or "mini storage" facilities whereby customers have
28 direct access to individual storage areas by separate entrance.
29 "Storage warehouse" does not include a building or structure, or that
30 part of such building or structure, in which an activity taxable under
31 RCW 82.04.272 is conducted.

32 (c) "Periodical or magazine" means a printed publication, other
33 than a newspaper, issued regularly at stated intervals at least once
34 every three months, including any supplement or special edition of the
35 publication.

36 (3) The 0.484 percent tax rate applicable to subsection (1)(a), (d)
37 and (e) of this section does not apply on or after July 1, 2021.

1 (4) The 0.484 percent tax rate applicable to subsection (1)(f) of
2 this section does not apply on or after July 1, 2017.

3 **Sec. 311.** RCW 82.04.280 and 2010 c 106 s 206 are each amended to
4 read as follows:

5 (1) Upon every person engaging within this state in the business
6 of: (a) Printing materials other than newspapers, and of publishing
7 periodicals or magazines; (b) building, repairing or improving any
8 street, place, road, highway, easement, right-of-way, mass public
9 transportation terminal or parking facility, bridge, tunnel, or trestle
10 which is owned by a municipal corporation or political subdivision of
11 the state or by the United States and which is used or to be used,
12 primarily for foot or vehicular traffic including mass transportation
13 vehicles of any kind and including any readjustment, reconstruction or
14 relocation of the facilities of any public, private or cooperatively
15 owned utility or railroad in the course of such building, repairing or
16 improving, the cost of which readjustment, reconstruction, or
17 relocation, is the responsibility of the public authority whose street,
18 place, road, highway, easement, right-of-way, mass public
19 transportation terminal or parking facility, bridge, tunnel, or trestle
20 is being built, repaired or improved; (c) extracting for hire or
21 processing for hire, except persons taxable as extractors for hire or
22 processors for hire under another section of this chapter; (d)
23 operating a cold storage warehouse or storage warehouse, but not
24 including the rental of cold storage lockers; (e) representing and
25 performing services for fire or casualty insurance companies as an
26 independent resident managing general agent licensed under the
27 provisions of chapter 48.17 RCW; (f) radio and television broadcasting,
28 excluding network, national and regional advertising computed as a
29 standard deduction based on the national average thereof as annually
30 reported by the federal communications commission, or in lieu thereof
31 by itemization by the individual broadcasting station, and excluding
32 that portion of revenue represented by the out-of-state audience
33 computed as a ratio to the station's total audience as measured by the
34 100 micro-volt signal strength and delivery by wire, if any; (g)
35 engaging in activities which bring a person within the definition of
36 consumer contained in RCW 82.04.190(6); as to such persons, the amount

1 of tax on such business is equal to the gross income of the business
2 multiplied by the rate of 0.484 percent.

3 (2) For the purposes of this section, the following definitions
4 apply unless the context clearly requires otherwise.

5 (a) "Cold storage warehouse" means a storage warehouse used to
6 store fresh and/or frozen perishable fruits or vegetables, meat,
7 seafood, dairy products, or fowl, or any combination thereof, at a
8 desired temperature to maintain the quality of the product for orderly
9 marketing.

10 (b) "Storage warehouse" means a building or structure, or any part
11 thereof, in which goods, wares, or merchandise are received for storage
12 for compensation, except field warehouses, fruit warehouses, fruit
13 packing plants, warehouses licensed under chapter 22.09 RCW, public
14 garages storing automobiles, railroad freight sheds, docks and wharves,
15 and "self-storage" or "mini storage" facilities whereby customers have
16 direct access to individual storage areas by separate entrance.
17 "Storage warehouse" does not include a building or structure, or that
18 part of such building or structure, in which an activity taxable under
19 RCW 82.04.272 is conducted.

20 (c) "Periodical or magazine" means a printed publication, other
21 than a newspaper, issued regularly at stated intervals at least once
22 every three months, including any supplement or special edition of the
23 publication.

24 (3) The 0.484 percent tax rate applicable to subsection (1)(a),
25 (d), (e), and (f) of this section does not apply on or after July 1,
26 2021.

27 **Sec. 312.** RCW 82.04.290 and 2011 c 174 s 101 are each amended to
28 read as follows:

29 (1) Until July 1, 2021, upon every person engaging within this
30 state in the business of providing international investment management
31 services, as to such persons, the amount of tax with respect to such
32 business (~~shall be~~) is equal to the gross income or gross proceeds of
33 sales of the business multiplied by a rate of 0.275 percent.

34 (2)(a) Upon every person engaging within this state in any business
35 activity other than or in addition to an activity taxed explicitly
36 under another section in this chapter or subsection (1) or (3) of this

1 section; as to such persons the amount of tax on account of such
2 activities (~~shall be~~) is equal to the gross income of the business
3 multiplied by the rate of 1.5 percent.

4 (b) This subsection (2) includes, among others, and without
5 limiting the scope hereof (whether or not title to materials used in
6 the performance of such business passes to another by accession,
7 confusion or other than by outright sale), persons engaged in the
8 business of rendering any type of service which does not constitute a
9 "sale at retail" or a "sale at wholesale." The value of advertising,
10 demonstration, and promotional supplies and materials furnished to an
11 agent by his or her principal or supplier to be used for informational,
12 educational, and promotional purposes (~~shall~~) is not (~~be~~)
13 considered a part of the agent's remuneration or commission and
14 (~~shall~~) is not (~~be~~) subject to taxation under this section.

15 (3)(a) Until July 1, 2024, upon every person engaging within this
16 state in the business of performing aerospace product development for
17 others, as to such persons, the amount of tax with respect to such
18 business (~~shall be~~) is equal to the gross income of the business
19 multiplied by a rate of 0.9 percent.

20 (b) "Aerospace product development" has the meaning as provided in
21 RCW 82.04.4461.

22 **Sec. 313.** RCW 82.62.020 and 2007 c 485 s 2 are each amended to
23 read as follows:

24 Application for tax credits under this chapter must be made within
25 ninety consecutive days after the first qualified employment position
26 is filled. The application (~~shall~~) must be made to the department in
27 a form and manner prescribed by the department. The application
28 (~~shall~~) must contain information regarding the location of the
29 business project, the applicant's average employment, if any, at the
30 facility for the four consecutive full calendar quarters immediately
31 preceding the earlier of the calendar quarter during which the
32 application required by this section is submitted to the department or
33 the first qualified employment position is filled, estimated or actual
34 new employment related to the project, estimated or actual wages of
35 employees related to the project, estimated or actual costs, time
36 schedules for completion and operation, and other information required
37 by the department. The department (~~shall~~) must prescribe a method

1 for calculating a seasonal employer's average employment levels. The
2 department (~~shall~~) must rule on the application within sixty days.
3 The department may not accept applications after June 30, 2021.

4 **Sec. 314.** RCW 82.73.020 and 2005 c 514 s 903 are each amended to
5 read as follows:

6 (1) Application for tax credits under this chapter must be made to
7 the department before making a contribution to a program or the main
8 street trust fund. The application (~~shall~~) must be made to the
9 department in a form and manner prescribed by the department. The
10 application (~~shall~~) must contain information regarding the proposed
11 amount of contribution to a program or the main street trust fund, and
12 other information required by the department to determine eligibility
13 under chapter 514, Laws of 2005. The department (~~shall~~) must rule on
14 the application within forty-five days. Applications (~~shall~~) must be
15 approved on a first-come basis.

16 (2) The person must make the contribution described in the approved
17 application by the end of the calendar year in which the application is
18 approved to claim a credit allowed under RCW 82.73.030.

19 (3) The department (~~shall~~) may not accept any applications before
20 January 1, 2006, or after June 30, 2017.

21 **Sec. 315.** RCW 82.04.540 and 2006 c 301 s 1 are each amended to
22 read as follows:

23 (1) The provision of professional employer services by a
24 professional employer organization is taxable under RCW 82.04.290(2).

25 (2) Until July 1, 2021, a professional employer organization is
26 allowed a deduction from the gross income of the business derived from
27 performing professional employer services that is equal to the portion
28 of the fee charged to a client that represents the actual cost of wages
29 and salaries, benefits, workers' compensation, payroll taxes,
30 withholding, or other assessments paid to or on behalf of a covered
31 employee by the professional employer organization under a professional
32 employer agreement.

33 (3) For the purposes of this section, the following definitions
34 apply:

35 (a) "Client" means any person who enters into a professional

1 employer agreement with a professional employer organization. For
2 purposes of this subsection (3)(a), "person" has the same meaning as
3 "buyer" in RCW 82.08.010.

4 (b) "Coemployer" means either a professional employer organization
5 or a client.

6 (c) "Coemployment relationship" means a relationship which is
7 intended to be an ongoing relationship rather than a temporary or
8 project-specific one, wherein the rights, duties, and obligations of an
9 employer which arise out of an employment relationship have been
10 allocated between coemployers pursuant to a professional employer
11 agreement and applicable state law. In such a coemployment
12 relationship:

13 (i) The professional employer organization is entitled to enforce
14 only such employer rights and is subject to only those obligations
15 specifically allocated to the professional employer organization by the
16 professional employer agreement or applicable state law;

17 (ii) The client is entitled to enforce those rights and obligated
18 to provide and perform those employer obligations allocated to such
19 client by the professional employer agreement and applicable state law;
20 and

21 (iii) The client is entitled to enforce any right and obligated to
22 perform any obligation of an employer not specifically allocated to the
23 professional employer organization by the professional employer
24 agreement or applicable state law.

25 (d) "Covered employee" means an individual having a coemployment
26 relationship with a professional employer organization and a client who
27 meets all of the following criteria: (i) The individual has received
28 written notice of coemployment with the professional employer
29 organization, and (ii) the individual's coemployment relationship is
30 pursuant to a professional employer agreement. Individuals who are
31 officers, directors, shareholders, partners, and managers of the client
32 are covered employees to the extent the professional employer
33 organization and the client have expressly agreed in the professional
34 employer agreement that such individuals would be covered employees and
35 provided such individuals meet the criteria of this subsection and act
36 as operational managers or perform day-to-day operational services for
37 the client.

1 (e) "Professional employer agreement" means a written contract by
2 and between a client and a professional employer organization that
3 provides:

4 (i) For the coemployment of covered employees; and

5 (ii) For the allocation of employer rights and obligations between
6 the client and the professional employer organization with respect to
7 the covered employees.

8 (f) "Professional employer organization" means any person engaged
9 in the business of providing professional employer services. The
10 following (~~shall~~) are not (~~be~~) deemed to be professional employer
11 organizations or the providing of professional employer services for
12 purposes of this section:

13 (i) Arrangements wherein a person, whose principal business
14 activity is not entering into professional employer arrangements and
15 which does not hold itself out as a professional employer organization,
16 shares employees with a commonly owned company within the meaning of
17 (~~section~~) 26 U.S.C. Sec. 414(b) and (c) of the internal revenue code
18 of 1986, as amended;

19 (ii) Independent contractor arrangements by which a person assumes
20 responsibility for the product produced or service performed by such
21 person or his or her agents and retains and exercises primary direction
22 and control over the work performed by the individuals whose services
23 are supplied under such arrangements; or

24 (iii) Providing staffing services.

25 (g) "Professional employer services" means the service of entering
26 into a coemployment relationship with a client in which all or a
27 majority of the employees providing services to a client or to a
28 division or work unit of a client are covered employees.

29 (h) "Staffing services" means services consisting of a person:

30 (i) Recruiting and hiring its own employees;

31 (ii) Finding other organizations that need the services of those
32 employees;

33 (iii) Assigning those employees on a temporary basis to perform
34 work at or services for the other organizations to support or
35 supplement the other organizations' workforces, or to provide
36 assistance in special work situations such as, but not limited to,
37 employee absences, skill shortages, seasonal workloads, or to perform

1 special assignments or projects, all under the direction and
2 supervision of the customer; and
3 (iv) Customarily attempting to reassign the employees to other
4 organizations when they finish each assignment.

5 **PART IV**
6 **Incorporating Expiring State Tax Preferences into the**
7 **State Budget Process**

8 NEW SECTION. **Sec. 401.** A new section is added to chapter 43.88
9 RCW to read as follows:

10 (1) Omnibus operating appropriations bills proposed by the governor
11 and enacted by the legislature must include:

12 (a) A tax expenditure report listing all state tax expenditures
13 scheduled to expire during the current or next biennium, together with
14 an estimate of the state revenue impact associated with each state tax
15 expenditure and any recommendation by the joint legislative audit and
16 review committee regarding the continuance or modification of the tax
17 expenditure; and

18 (b) A total estimated revenue impact statement detailing all state
19 tax expenditures scheduled to expire during the current or next
20 biennium, including state tax expenditures where the expiration date is
21 assumed to be extended, and total appropriations. The requirements
22 under this subsection (1)(b) may be satisfied by incorporating tax
23 expenditures into the balance sheet summary specifying resource
24 changes.

25 (2) The sections described in subsection (1) of this section must
26 be stated in part I of the omnibus operating appropriations bill and
27 the appropriations bill summary document.

28 (3) For the purposes of this section, "state tax expenditure" has
29 the same meaning as "tax preference" as defined in RCW 43.136.021, that
30 impacts revenues appropriated in the omnibus operating appropriations
31 bill.

32 **Sec. 402.** RCW 43.06.400 and 2011 1st sp.s. c 20 s 201 are each
33 amended to read as follows:

34 (1) (~~Beginning in January 1984, and in January of every fourth~~
35 ~~year thereafter~~) Biennially, the department of revenue must (~~submit~~

1 ~~to the legislature prior to the regular session))~~ prepare a listing of
2 the amount of reduction for the current and next biennium in the
3 revenues of the state or the revenues of local government collected by
4 the state as a result of tax (~~(exemptions))~~ expenditures. The listing
5 must include an estimate of the revenue lost from the tax (~~(exemption))~~
6 expenditure, the purpose of the tax (~~(exemption))~~ expenditure, the
7 persons, organizations, or parts of the population which benefit from
8 the tax (~~(exemption))~~ expenditure, and whether or not the tax
9 (~~(exemption))~~ expenditure conflicts with another state program. The
10 listing must include but not be limited to the following revenue
11 sources:

- 12 (a) Real and personal property tax exemptions under Title 84 RCW;
- 13 (b) Business and occupation tax exemptions, deductions, and credits
14 under chapter 82.04 RCW;
- 15 (c) Retail sales and use tax exemptions under chapters 82.08,
16 82.12, and 82.14 RCW;
- 17 (d) Public utility tax exemptions and deductions under chapter
18 82.16 RCW;
- 19 (e) Food fish and shellfish tax exemptions under chapter 82.27 RCW;
- 20 (f) Leasehold excise tax exemptions under chapter 82.29A RCW;
- 21 (g) Motor vehicle and special fuel tax exemptions and refunds under
22 chapters 82.36 and 82.38 RCW;
- 23 (h) Aircraft fuel tax exemptions under chapter 82.42 RCW;
- 24 (i) Motor vehicle excise tax exclusions under chapter 82.44 RCW;
- 25 and
- 26 (j) Insurance premiums tax exemptions under chapter 48.14 RCW.

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

30 (3) The department of revenue must (~~(present the listing to the~~
31 ~~ways and means committees of each house in public hearings))~~ submit the
32 listing to the governor at the time biennial budget requests are due
33 under RCW 43.88.030.

34 (4) (~~(Beginning in January 1984, and every four years thereafter))~~
35 The governor is requested to review the report from the department of
36 revenue and (~~(may submit))~~ prepare the section or sections as required
37 under section 401 of this act. The governor also may submit other
38 recommendations to the legislature with respect to the repeal or

1 modification of any tax (~~(exemption)~~) expenditure. The (~~(ways and~~
2 ~~means)~~) fiscal committees of each house and the appropriate standing
3 committee of each house must hold public hearings and take appropriate
4 action on the recommendations submitted by the governor.

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

8 (6) For purposes of the listing due in January 2012, the department
9 of revenue does not have to prepare or update the listing with respect
10 to any tax exemption that would not be likely to increase state revenue
11 if the exemption was repealed or otherwise eliminated.

12 **Sec. 403.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to
13 read as follows:

14 (1) The director of financial management (~~(shall)~~) must provide all
15 agencies with a complete set of instructions for submitting biennial
16 budget requests to the director at least three months before agency
17 budget documents are due into the office of financial management. The
18 budget document or documents (~~(shall)~~) must consist of the governor's
19 budget message, which (~~(shall)~~) must be explanatory of the budget and
20 (~~(shall)~~) must contain an outline of the proposed financial policies of
21 the state for the ensuing fiscal period, as well as an outline of the
22 proposed six-year financial policies where applicable, and (~~(shall)~~)
23 must describe in connection therewith the important features of the
24 budget. The biennial budget document or documents (~~(shall)~~) must also
25 describe performance indicators that demonstrate measurable progress
26 towards priority results. The message (~~(shall)~~) must set forth the
27 reasons for salient changes from the previous fiscal period in
28 expenditure and revenue items and shall explain any major changes in
29 financial policy. Attached to the budget message (~~(shall)~~) must be
30 such supporting schedules, exhibits and other explanatory material in
31 respect to both current operations and capital improvements as the
32 governor (~~(shall)~~) deems to be useful to the legislature. The budget
33 document or documents (~~(shall)~~) must set forth a proposal for
34 expenditures in the ensuing fiscal period, or six-year period where
35 applicable, based upon the estimated revenues and caseloads as approved
36 by the economic and revenue forecast council and caseload forecast
37 council or upon the estimated revenues and caseloads of the office of

1 financial management for those funds, accounts, sources, and programs
2 for which the forecast councils do not prepare an official forecast.
3 Revenues (~~(shall)~~) must be estimated for such fiscal period from the
4 source and at the rates existing by law at the time of submission of
5 the budget document, including the supplemental budgets submitted in
6 the even-numbered years of a biennium. However, the estimated revenues
7 and caseloads for use in the governor's budget document may be adjusted
8 to reflect budgetary revenue transfers and revenue and caseload
9 estimates dependent upon budgetary assumptions of enrollments,
10 workloads, and caseloads. All adjustments to the approved estimated
11 revenues and caseloads must be set forth in the budget document. The
12 governor may additionally submit, as an appendix to each supplemental,
13 biennial, or six-year agency budget or to the budget document or
14 documents, a proposal for expenditures in the ensuing fiscal period
15 from revenue sources derived from proposed changes in existing
16 statutes.

17 (2) The budget document or documents (~~(shall)~~) must also contain:

18 (a) Revenues classified by fund and source for the immediately past
19 fiscal period, those received or anticipated for the current fiscal
20 period, and those anticipated for the ensuing biennium;

21 (b) The report and statement required under section 401 of this
22 act;

23 (c) The undesignated fund balance or deficit, by fund;

24 (~~(+e)~~) (d) Such additional information dealing with expenditures,
25 revenues, workload, performance, and personnel as the legislature may
26 direct by law or concurrent resolution;

27 (~~(+d)~~) (e) Such additional information dealing with revenues and
28 expenditures as the governor (~~(shall)~~) deems pertinent and useful to
29 the legislature;

30 (~~(+e)~~) (f) Tabulations showing expenditures classified by fund,
31 function, and agency;

32 (~~(+f)~~) (g) The expenditures that include nonbudgeted,
33 nonappropriated accounts outside the state treasury;

34 (~~(+g)~~) (h) Identification of all proposed direct expenditures to
35 implement the Puget Sound water quality plan under chapter 90.71 RCW,
36 shown by agency and in total; and

37 (~~(+h)~~) (i) Tabulations showing each postretirement adjustment by
38 retirement system established after fiscal year 1991, to include, but

1 not be limited to, estimated total payments made to the end of the
2 previous biennial period, estimated payments for the present biennium,
3 and estimated payments for the ensuing biennium.

4 ~~((+2))~~ (3) The budget document or documents ~~((shall))~~ must include
5 detailed estimates of all anticipated revenues applicable to proposed
6 operating or capital expenditures and ~~((shall))~~ must also include all
7 proposed operating or capital expenditures. The total of beginning
8 undesignated fund balance and estimated revenues less working capital
9 and other reserves ~~((shall))~~ must equal or exceed the total of proposed
10 applicable expenditures. The budget document or documents ~~((shall))~~
11 must further include:

12 (a) Interest, amortization and redemption charges on the state
13 debt;

14 (b) Payments of all reliefs, judgments, and claims;

15 (c) Other statutory expenditures;

16 (d) Expenditures incident to the operation for each agency;

17 (e) Revenues derived from agency operations;

18 (f) Expenditures and revenues ~~((shall))~~ must be given in
19 comparative form showing those incurred or received for the immediately
20 past fiscal period and those anticipated for the current biennium and
21 next ensuing biennium;

22 (g) A showing and explanation of amounts of general fund and other
23 funds obligations for debt service and any transfers of moneys that
24 otherwise would have been available for appropriation;

25 (h) Common school expenditures on a fiscal-year basis;

26 (i) A showing, by agency, of the value and purpose of financing
27 contracts for the lease/purchase or acquisition of personal or real
28 property for the current and ensuing fiscal periods; and

29 (j) A showing and explanation of anticipated amounts of general
30 fund and other funds required to amortize the unfunded actuarial
31 accrued liability of the retirement system specified under chapter
32 41.45 RCW, and the contributions to meet such amortization, stated in
33 total dollars and as a level percentage of total compensation.

34 ~~((+3))~~ (4) The governor's operating budget document or documents
35 ~~((shall))~~ must reflect the statewide priorities as required by RCW
36 43.88.090.

37 ~~((+4))~~ (5) The governor's operating budget document or documents

1 (~~shall~~) must identify activities that are not addressing the
2 statewide priorities.

3 ((+5)) (6) A separate capital budget document or schedule
4 (~~shall~~) must be submitted that (~~will~~) contains the following:

5 (a) A statement setting forth a long-range facilities plan for the
6 state that identifies and includes the highest priority needs within
7 affordable spending levels;

8 (b) A capital program consisting of proposed capital projects for
9 the next biennium and the two biennia succeeding the next biennium
10 consistent with the long-range facilities plan. Insomuch as is
11 practical, and recognizing emergent needs, the capital program
12 (~~shall~~) must reflect the priorities, projects, and spending levels
13 proposed in previously submitted capital budget documents in order to
14 provide a reliable long-range planning tool for the legislature and
15 state agencies;

16 (c) A capital plan consisting of proposed capital spending for at
17 least four biennia succeeding the next biennium;

18 (d) A strategic plan for reducing backlogs of maintenance and
19 repair projects. The plan (~~shall~~) must include a prioritized list of
20 specific facility deficiencies and capital projects to address the
21 deficiencies for each agency, cost estimates for each project, a
22 schedule for completing projects over a reasonable period of time, and
23 identification of normal maintenance activities to reduce future
24 backlogs;

25 (e) A statement of the reason or purpose for a project;

26 (f) Verification that a project is consistent with the provisions
27 set forth in chapter 36.70A RCW;

28 (g) A statement about the proposed site, size, and estimated life
29 of the project, if applicable;

30 (h) Estimated total project cost;

31 (i) For major projects valued over five million dollars, estimated
32 costs for the following project components: Acquisition, consultant
33 services, construction, equipment, project management, and other costs
34 included as part of the project. Project component costs (~~shall~~)
35 must be displayed in a standard format defined by the office of
36 financial management to allow comparisons between projects;

37 (j) Estimated total project cost for each phase of the project as
38 defined by the office of financial management;

- 1 (k) Estimated ensuing biennium costs;
- 2 (l) Estimated costs beyond the ensuing biennium;
- 3 (m) Estimated construction start and completion dates;
- 4 (n) Source and type of funds proposed;
- 5 (o) Estimated ongoing operating budget costs or savings resulting
- 6 from the project, including staffing and maintenance costs;
- 7 (p) For any capital appropriation requested for a state agency for
- 8 the acquisition of land or the capital improvement of land in which the
- 9 primary purpose of the acquisition or improvement is recreation or
- 10 wildlife habitat conservation, the capital budget document, or an
- 11 omnibus list of recreation and habitat acquisitions provided with the
- 12 governor's budget document, (~~shall~~) must identify the projected costs
- 13 of operation and maintenance for at least the two biennia succeeding
- 14 the next biennium. Omnibus lists of habitat and recreation land
- 15 acquisitions (~~shall~~) must include individual project cost estimates
- 16 for operation and maintenance as well as a total for all state projects
- 17 included in the list. The document (~~shall~~) must identify the source
- 18 of funds from which the operation and maintenance costs are proposed to
- 19 be funded;
- 20 (q) Such other information bearing upon capital projects as the
- 21 governor deems to be useful;
- 22 (r) Standard terms, including a standard and uniform definition of
- 23 normal maintenance, for all capital projects;
- 24 (s) Such other information as the legislature may direct by law or
- 25 concurrent resolution.
- 26 (7) For purposes of (~~this~~) subsection (~~(5)~~) (6) of this
- 27 section, the term "capital project" (~~shall~~) must be defined
- 28 subsequent to the analysis, findings, and recommendations of a joint
- 29 committee comprised of representatives from the house capital
- 30 appropriations committee, senate ways and means committee, legislative
- 31 evaluation and accountability program committee, and office of
- 32 financial management.
- 33 (~~(6)~~) (8) No change affecting the comparability of agency or
- 34 program information relating to expenditures, revenues, workload,
- 35 performance and personnel (~~shall~~) may be made in the format of any
- 36 budget document or report presented to the legislature under this
- 37 section or RCW 43.88.160(1) relative to the format of the budget
- 38 document or report which was presented to the previous regular session

1 of the legislature during an odd-numbered year without prior
2 legislative concurrence. Prior legislative concurrence (~~((shall))~~) must
3 consist of (a) a favorable majority vote on the proposal by the
4 standing committees on ways and means of both houses if the legislature
5 is in session or (b) a favorable majority vote on the proposal by
6 members of the legislative evaluation and accountability program
7 committee if the legislature is not in session.

8 **PART V**

9 **Consolidating the Annual Accountability Reports**

10 **Sec. 501.** RCW 82.32.585 and 2011 c 23 s 6 are each amended to read
11 as follows:

12 (1)(a) Unless the department extends the due date as provided in
13 RCW 82.32.590, every person claiming a tax preference that requires a
14 survey under this section must file a complete annual survey with the
15 department by the due date as provided in (b) of this subsection.

16 (b)(i) Except as provided in (~~((a))~~) (b)(ii) of this subsection,
17 the survey is due by April 30th of the year following any calendar year
18 in which a person becomes eligible to claim the tax preference that
19 requires a survey under this section. If a person remains eligible to
20 claim a tax preference in subsequent calendar years, the person must
21 file additional surveys by April 30th of each year following each
22 calendar year that the person remains eligible to claim the tax
23 preference.

24 (ii) If the tax preference is a deferral of tax, the first survey
25 must be filed by April 30th of the calendar year following the calendar
26 year in which the investment project is certified by the department as
27 operationally complete, and a survey must be filed by April 30th of
28 each of the seven succeeding calendar years.

29 (~~((b) The department may extend the due date for timely filing of~~
30 ~~annual surveys under this section as provided in RCW 82.32.590.))~~

31 (2)(~~((a))~~) The survey must include information as required in this
32 subsection for the calendar year preceding the calendar year in which
33 the survey is due.

34 (a)(i) The amount of the tax preference claimed (~~((for the calendar~~
35 year covered by)) must be reported on the survey.

1 (ii) For a person that claimed an exemption provided in RCW
2 82.08.025651 or 82.12.025651, the survey must include the amount of tax
3 exempted under those sections in the prior calendar year for each
4 general area or category of research and development for which exempt
5 machinery and equipment and labor and services were acquired in the
6 prior calendar year.

7 (b) The survey must also include the following information for
8 employment positions in Washington, not to include names of
9 employees(~~(, for the year that the tax preference was claimed)~~):

10 (i) The number of total employment positions;

11 (ii) Full-time, part-time, and temporary employment positions as a
12 percent of total employment;

13 (iii) The number of employment positions according to the following
14 wage bands: Less than thirty thousand dollars; thirty thousand dollars
15 or greater, but less than sixty thousand dollars; and sixty thousand
16 dollars or greater. A wage band containing fewer than three
17 individuals may be combined with another wage band; and

18 (iv) The number of employment positions that have employer-provided
19 medical, dental, and retirement benefits, by each of the wage bands.

20 (c) For persons claiming the tax preference provided under chapter
21 82.60 or 82.63 RCW, the survey must also include the number of new
22 products or research projects by general classification, and the number
23 of trademarks, patents, and copyrights associated with activities at
24 the investment project.

25 (d) For persons claiming the credit provided under RCW 82.04.4452,
26 the survey must also include the qualified research and development
27 expenditures (~~(during the calendar year for which the credit was~~
28 ~~claimed)~~), the taxable amount (~~(during the calendar year for which the~~
29 ~~credit was claimed)~~), the number of new products or research projects
30 by general classification, the number of trademarks, patents, and
31 copyrights associated with the research and development activities for
32 which the credit was claimed, and whether the tax preference has been
33 assigned, and who assigned the credit. The definitions in RCW
34 82.04.4452 apply to this subsection (2)(d).

35 (e) For persons claiming the tax exemption in RCW 82.08.025651 or
36 82.12.025651, the survey must also include the general areas or
37 categories of research and development for which machinery and

1 equipment and labor and services were acquired, exempt from tax under
2 RCW 82.08.025651 or 82.12.025651(~~(, in the prior calendar year)~~)).

3 (f) If the person filing a survey under this section did not file
4 a survey under this section with the department in the previous
5 calendar year, the survey filed under this section must also include
6 the employment, wage, and benefit information required under (b)(i)
7 through (iv) of this subsection for the calendar year immediately
8 preceding the calendar year for which a tax preference was claimed.

9 (3) As part of the annual survey, the department may request
10 additional information necessary to measure the results of, or
11 determine eligibility for, the tax preference.

12 (4)(a) All information collected under this section, except the
13 information required in subsection (2)(a) of this section, is deemed
14 taxpayer information under RCW 82.32.330. Information required in
15 subsection (2)(a) of this section is not subject to the confidentiality
16 provisions of RCW 82.32.330 and may be disclosed to the public upon
17 request, except as provided in subsection (5) of this section.

18 (b) If the amount of the tax preference claimed as reported on the
19 survey is different than the amount actually claimed or otherwise
20 allowed by the department based on the taxpayer's excise tax returns or
21 other information known to the department, the amount actually claimed
22 or allowed may be disclosed.

23 (5) Persons for whom the actual amount of the tax reduced or saved
24 is less than ten thousand dollars during the period covered by the
25 survey (~~(may request the department to treat the amount of the tax~~
26 ~~reduction or savings as confidential under RCW 82.32.330)) are not
27 required to file an annual survey for the period.~~

28 (6)(a) Except as otherwise provided by law, if a person claims a
29 tax preference that requires an annual survey under this section but
30 fails to submit a complete annual survey by the due date of the survey
31 or any extension under RCW 82.32.590, the department must declare the
32 amount of the tax preference claimed for the previous calendar year to
33 be immediately due. If the tax preference is a deferral of tax, twelve
34 and one-half percent of the deferred tax is immediately due. If the
35 economic benefits of the deferral are passed to a lessee, the lessee is
36 responsible for payment to the extent the lessee has received the
37 economic benefit.

1 (b) The department must assess interest, but not penalties, on the
2 amounts due under this subsection. The interest must be assessed at
3 the rate provided for delinquent taxes under this chapter,
4 retroactively to the date the tax preference was claimed, and accrues
5 until the taxes for which the tax preference was claimed are repaid.
6 Amounts due under this subsection are not subject to the
7 confidentiality provisions of RCW 82.32.330 and may be disclosed to the
8 public upon request.

9 (7) The department must use the information from this section to
10 prepare summary descriptive statistics by category. No fewer than
11 three taxpayers may be included in any category. The department must
12 report (~~(these)~~) summary descriptive statistics to the legislature each
13 year by (~~(October)~~) December 1st.

14 (8) For the purposes of this section:

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

17 (b) "Tax preference" has the meaning provided in RCW 43.136.021 and
18 includes only the tax preferences requiring a survey under this
19 section.

20 NEW SECTION. Sec. 502. RCW 82.32.534 (Annual report requirement
21 for tax preferences) and 2010 c 114 s 103 are each repealed.

22 NEW SECTION. Sec. 503. A new section is added to chapter 82.32
23 RCW to read as follows:

24 For the purposes of this title and Title 84 RCW, "annual report"
25 means the annual survey required under RCW 82.32.585.

26 PART VI

27 Statement of Legislative Intent for Tax Preference Legislation

28 NEW SECTION. Sec. 601. A new section is added to chapter 43.135
29 RCW to read as follows:

30 (1) Any bill enacted by the legislature that adopts a new tax
31 preference or expands or extends an existing tax preference must
32 include a statement of legislative intent, providing the policy goals
33 and any related metrics that provide context or data for the purpose of
34 reviewing the preference under chapter 43.136 RCW.

1 (2) For purposes of this section, "tax preference" has the same
2 meaning as in RCW 43.136.021.

3 **PART VII**

4 **Annual Accountability Surveys for the Warehousing and Distribution**
5 **Center Sales and Use Tax Exemption**

6 **Sec. 701.** RCW 82.08.820 and 2011 c 174 s 206 are each amended to
7 read as follows:

8 (1) Wholesalers or third-party warehouseers who own or operate
9 warehouses or grain elevators and retailers who own or operate
10 distribution centers, and who have paid the tax levied by RCW 82.08.020
11 on:

12 (a) Material-handling and racking equipment, and labor and services
13 rendered in respect to installing, repairing, cleaning, altering, or
14 improving the equipment; or

15 (b) Construction of a warehouse or grain elevator, including
16 materials, and including service and labor costs,
17 are eligible for an exemption in the form of a remittance. The amount
18 of the remittance is computed under subsection (~~(+3)~~) (4) of this
19 section and is based on the state share of sales tax.

20 (2) A person claiming the exemption from state tax under this
21 section or RCW 82.12.820 must file a complete annual survey with the
22 department under RCW 82.32.585. Notwithstanding RCW
23 82.32.585(1)(b)(i), a survey due under this section in 2012 must be
24 submitted by October 31st.

25 (3) For purposes of this section and RCW 82.12.820:

26 (a) "Agricultural products" has the meaning given in RCW 82.04.213;

27 (b) "Construction" means the actual construction of a warehouse or
28 grain elevator that did not exist before the construction began.
29 "Construction" includes expansion if the expansion adds at least two
30 hundred thousand square feet of additional space to an existing
31 warehouse or additional storage capacity of at least one million
32 bushels to an existing grain elevator. "Construction" does not include
33 renovation, remodeling, or repair;

34 (c) "Department" means the department of revenue;

35 (d) "Distribution center" means a warehouse that is used

1 exclusively by a retailer solely for the storage and distribution of
2 finished goods to retail outlets of the retailer. "Distribution
3 center" does not include a warehouse at which retail sales occur;

4 (e) "Finished goods" means tangible personal property intended for
5 sale by a retailer or wholesaler. "Finished goods" does not include
6 agricultural products stored by wholesalers, third-party warehouses, or
7 retailers if the storage takes place on the land of the person who
8 produced the agricultural product. "Finished goods" does not include
9 logs, minerals, petroleum, gas, or other extracted products stored as
10 raw materials or in bulk;

11 (f) "Grain elevator" means a structure used for storage and
12 handling of grain in bulk;

13 (g) "Material-handling equipment and racking equipment" means
14 equipment in a warehouse or grain elevator that is primarily used to
15 handle, store, organize, convey, package, or repackage finished goods.
16 The term includes tangible personal property with a useful life of one
17 year or more that becomes an ingredient or component of the equipment,
18 including repair and replacement parts. The term does not include
19 equipment in offices, lunchrooms, restrooms, and other like space,
20 within a warehouse or grain elevator, or equipment used for
21 nonwarehousing purposes. "Material-handling equipment" includes but is
22 not limited to: Conveyers, carousels, lifts, positioners, pick-up-and-
23 place units, cranes, hoists, mechanical arms, and robots; mechanized
24 systems, including containers that are an integral part of the system,
25 whose purpose is to lift or move tangible personal property; and
26 automated handling, storage, and retrieval systems, including computers
27 that control them, whose purpose is to lift or move tangible personal
28 property; and forklifts and other off-the-road vehicles that are used
29 to lift or move tangible personal property and that cannot be operated
30 legally on roads and streets. "Racking equipment" includes, but is not
31 limited to, conveying systems, chutes, shelves, racks, bins, drawers,
32 pallets, and other containers and storage devices that form a necessary
33 part of the storage system;

34 (h) "Person" has the meaning given in RCW 82.04.030;

35 (i) "Retailer" means a person who makes "sales at retail" as
36 defined in chapter 82.04 RCW of tangible personal property;

37 (j) "Square footage" means the product of the two horizontal
38 dimensions of each floor of a specific warehouse. The entire footprint

1 of the warehouse (~~shall~~) must be measured in calculating the square
2 footage, including space that juts out from the building profile such
3 as loading docks. "Square footage" does not mean the aggregate of the
4 square footage of more than one warehouse at a location or the
5 aggregate of the square footage of warehouses at more than one
6 location;

7 (k) "Third-party warehouse" means a person taxable under RCW
8 82.04.280(1)(d);

9 (l) "Warehouse" means an enclosed building or structure in which
10 finished goods are stored. A warehouse building or structure may have
11 more than one storage room and more than one floor. Office space,
12 lunchrooms, restrooms, and other space within the warehouse and
13 necessary for the operation of the warehouse are considered part of the
14 warehouse as are loading docks and other such space attached to the
15 building and used for handling of finished goods. Landscaping and
16 parking lots are not considered part of the warehouse. A storage yard
17 is not a warehouse, nor is a building in which manufacturing takes
18 place; and

19 (m) "Wholesaler" means a person who makes "sales at wholesale" as
20 defined in chapter 82.04 RCW of tangible personal property, but
21 "wholesaler" does not include a person who makes sales exempt under RCW
22 82.04.330.

23 (~~(3)~~) (4)(a) A person claiming an exemption from state tax in the
24 form of a remittance under this section must pay the tax imposed by RCW
25 82.08.020. The buyer may then apply to the department for remittance
26 of all or part of the tax paid under RCW 82.08.020. For grain
27 elevators with bushel capacity of one million but less than two
28 million, the remittance is equal to fifty percent of the amount of tax
29 paid. For warehouses with square footage of two hundred thousand or
30 more and for grain elevators with bushel capacity of two million or
31 more, the remittance is equal to one hundred percent of the amount of
32 tax paid for qualifying construction, materials, service, and labor,
33 and fifty percent of the amount of tax paid for qualifying material-
34 handling equipment and racking equipment, and labor and services
35 rendered in respect to installing, repairing, cleaning, altering, or
36 improving the equipment.

37 (b) The department (~~shall~~) must determine eligibility under this
38 section based on information provided by the buyer and through audit

1 and other administrative records. The buyer (~~shall~~) must on a
2 quarterly basis submit an information sheet, in a form and manner as
3 required by the department by rule, specifying the amount of exempted
4 tax claimed and the qualifying purchases or acquisitions for which the
5 exemption is claimed. The buyer shall retain, in adequate detail to
6 enable the department to determine whether the equipment or
7 construction meets the criteria under this section: Invoices; proof of
8 tax paid; documents describing the material-handling equipment and
9 racking equipment; location and size of warehouses and grain elevators;
10 and construction invoices and documents.

11 (c) The department (~~shall~~) must on a quarterly basis remit
12 exempted amounts to qualifying persons who submitted applications
13 during the previous quarter.

14 (~~(4)~~) (5) Warehouses, grain elevators, and material-handling
15 equipment and racking equipment for which an exemption, credit, or
16 deferral has been or is being received under chapter 82.60, 82.62, or
17 82.63 RCW or RCW 82.08.02565 or 82.12.02565 are not eligible for any
18 remittance under this section. Warehouses and grain elevators upon
19 which construction was initiated before May 20, 1997, are not eligible
20 for a remittance under this section.

21 (~~(5)~~) (6) The lessor or owner of a warehouse or grain elevator is
22 not eligible for a remittance under this section unless the underlying
23 ownership of the warehouse or grain elevator and the material-handling
24 equipment and racking equipment vests exclusively in the same person,
25 or unless the lessor by written contract agrees to pass the economic
26 benefit of the remittance to the lessee in the form of reduced rent
27 payments.

28 **Sec. 702.** RCW 82.12.820 and 2006 c 354 s 13 are each amended to
29 read as follows:

30 (1) Wholesalers or third-party warehouseers who own or operate
31 warehouses or grain elevators, and retailers who own or operate
32 distribution centers, and who have paid the tax levied under RCW
33 82.12.020 on:

34 (a) Material-handling equipment and racking equipment and labor and
35 services rendered in respect to installing, repairing, cleaning,
36 altering, or improving the equipment; or

1 (b) Materials incorporated in the construction of a warehouse or
2 grain elevator, are eligible for an exemption on tax paid in the form
3 of a remittance or credit against tax owed. The amount of the
4 remittance or credit is computed under subsection ~~((+2))~~ (3) of this
5 section and is based on the state share of use tax.

6 (2) A person claiming the exemption from state tax as provided
7 under this section must file a complete annual survey with the
8 department as required under RCW 82.08.820.

9 (3)(a) A person claiming an exemption from state tax in the form of
10 a remittance under this section must pay the tax imposed by RCW
11 82.12.020 to the department. The person may then apply to the
12 department for remittance of all or part of the tax paid under RCW
13 82.12.020. For grain elevators with bushel capacity of one million but
14 less than two million, the remittance is equal to fifty percent of the
15 amount of tax paid. For warehouses with square footage of two hundred
16 thousand or more and for grain elevators with bushel capacity of two
17 million or more, the remittance is equal to one hundred percent of the
18 amount of tax paid for qualifying construction materials, and fifty
19 percent of the amount of tax paid for qualifying material-handling
20 equipment and racking equipment.

21 (b) The department shall determine eligibility under this section
22 based on information provided by the buyer and through audit and other
23 administrative records. The buyer shall on a quarterly basis submit an
24 information sheet, in a form and manner as required by the department
25 by rule, specifying the amount of exempted tax claimed and the
26 qualifying purchases or acquisitions for which the exemption is
27 claimed. The buyer shall retain, in adequate detail to enable the
28 department to determine whether the equipment or construction meets the
29 criteria under this section: Invoices; proof of tax paid; documents
30 describing the material-handling equipment and racking equipment;
31 location and size of warehouses, if applicable; and construction
32 invoices and documents.

33 (c) The department shall on a quarterly basis remit or credit
34 exempted amounts to qualifying persons who submitted applications
35 during the previous quarter.

36 ~~((+3))~~ (4) Warehouse, grain elevators, and material-handling
37 equipment and racking equipment for which an exemption, credit, or
38 deferral has been or is being received under chapter 82.60, 82.62, or

1 82.63 RCW or RCW 82.08.02565 or 82.12.02565 are not eligible for any
2 remittance under this section. Materials incorporated in warehouses
3 and grain elevators upon which construction was initiated prior to May
4 20, 1997, are not eligible for a remittance under this section.

5 ~~((+4))~~ (5) The lessor or owner of the warehouse or grain elevator
6 is not eligible for a remittance or credit under this section unless
7 the underlying ownership of the warehouse or grain elevator and
8 material-handling equipment and racking equipment vests exclusively in
9 the same person, or unless the lessor by written contract agrees to
10 pass the economic benefit of the exemption to the lessee in the form of
11 reduced rent payments.

12 ~~((+5))~~ (6) The definitions in RCW 82.08.820 apply to this section.

13 NEW SECTION. **Sec. 703.** Part VII of this act applies to annual
14 surveys due in 2012 and thereafter.

15 **PART VIII**

16 **Miscellaneous Provisions**

17 NEW SECTION. **Sec. 801.** If section 311 of this act takes effect,
18 section 310 of this act expires on the date section 311 of this act
19 takes effect.

20 NEW SECTION. **Sec. 802.** Parts VI and VII of this act take effect
21 July 1, 2012.

22 NEW SECTION. **Sec. 803.** (1) The secretary of state shall submit
23 this act to the people for their adoption and ratification, or
24 rejection, at the next general election to be held in this state, in
25 accordance with Article II, section 1 of the state Constitution and the
26 laws adopted to facilitate its operation.

27 (2) Pursuant to RCW 29A.79.040, the statement of subject on the
28 ballot title shall read: "The legislature has passed House Bill No.
29, concerning reform of tax preferences to provide more transparency
30 and accountability." The concise description on the ballot title shall
31 read: "This bill would provide transparency and accountability to the

1 tax code by periodically expiring tax preferences and using revenue
2 from expired tax preferences to fund education and health services."

--- END ---