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HOUSE BILL 2409

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State of Washington                      63rd Legislature                      2014 Regular Session

By Representatives Carlyle, Nealey, and Tharinger

Read first time 01/16/14. Referred to Committee on Finance.

1            AN ACT Relating to delaying the use of existing tax preferences by  
2 the marijuana industry to ensure a regulated and safe transition to the  
3 controlled and legal marijuana market in Washington; amending RCW  
4 82.04.100, 82.04.260, 82.04.260, 82.04.260, 82.04.260, 82.04.330,  
5 82.04.331, 82.04.4266, 82.04.625, 82.08.010, 82.08.020, 82.08.02565,  
6 82.12.02565, 82.08.0257, 82.12.0258, 82.08.0273, 82.08.02745,  
7 82.08.0281, 82.08.0288, 82.12.0283, 82.08.0293, 82.08.820, 82.14.430,  
8 82.16.050, 82.29A.020, 84.36.630, 84.40.030, and 82.02.010; reenacting  
9 and amending RCW 82.04.213; adding a new section to chapter 84.34 RCW;  
10 creating a new section; providing an effective date; providing a  
11 contingent effective date; providing expiration dates; and providing a  
12 contingent expiration date.

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

14            NEW SECTION.    **Sec. 1.** The legislature finds it is imperative that  
15 the legalization of producing, processing, and selling marijuana for  
16 recreational use as well as the need to highly regulate and monitor  
17 this historic transition is in the best interest of the public. The  
18 legislature further finds that the U.S. Department of Justice maintains  
19 that public safety needs to be the primary focus for the state during

1 this unprecedented transition to legal marijuana use. The legislature  
2 further finds that there are national implications if strict and  
3 rigorous monitoring of implementation falters exposing the state to  
4 federal scrutiny with costly consequences. The legislature further  
5 finds that to accurately monitor the implementation of producing,  
6 processing, and selling marijuana for recreational use, it is mandatory  
7 that proper and complete data collection at all three levels of the  
8 supply chain be diligently conducted. The legislature further finds  
9 that it is in the best interest of the public that this historic  
10 transition be transparent in all aspects of implementation, to fully  
11 understand the economic impact this industry will have on the state.  
12 The legislature further finds that the marijuana producing, processing,  
13 and retailing industry is likely to be substantially profitable and as  
14 a result, tax relief in order to incent participation or increase  
15 competitiveness may be unnecessary. Therefore, the legislature intends  
16 to carefully monitor the implementation of producing, processing, and  
17 selling marijuana for recreational use. The legislature further  
18 intends to delay specific tax preferences the industry may qualify for  
19 that will provide the necessary data to ensure a regulated and safe  
20 implementation and to evaluate whether tax relief for the industry is  
21 warranted.

22 **Sec. 2.** RCW 82.04.100 and 2001 c 118 s 1 are each amended to read  
23 as follows:

24 "Extractor" means every person who from the person's own land or  
25 from the land of another under a right or license granted by lease or  
26 contract, either directly or by contracting with others for the  
27 necessary labor or mechanical services, for sale or for commercial or  
28 industrial use mines, quarries, takes or produces coal, oil, natural  
29 gas, ore, stone, sand, gravel, clay, mineral or other natural resource  
30 product, or fells, cuts or takes timber, Christmas trees other than  
31 plantation Christmas trees, or other natural products, or takes fish,  
32 shellfish, or other sea or inland water foods or products. "Extractor"  
33 does not include persons performing under contract the necessary labor  
34 or mechanical services for others; ~~((or))~~ persons meeting the  
35 definition of farmer under RCW 82.04.213; or persons producing  
36 marijuana.

1       **Sec. 3.** RCW 82.04.213 and 2001 c 118 s 2 and 2001 c 97 s 3 are  
2 each reenacted and amended to read as follows:

3       (1) "Agricultural product" means any product of plant cultivation  
4 or animal husbandry including, but not limited to: A product of  
5 horticulture, grain cultivation, vermiculture, viticulture, or  
6 aquaculture as defined in RCW 15.85.020; plantation Christmas trees;  
7 short-rotation hardwoods as defined in RCW 84.33.035; turf; or any  
8 animal including but not limited to an animal that is a private sector  
9 cultured aquatic product as defined in RCW 15.85.020, or a bird, or  
10 insect, or the substances obtained from such an animal. "Agricultural  
11 product" does not include marijuana, useable marijuana, or marijuana-  
12 infused products, or animals defined as pet animals under RCW  
13 16.70.020.

14       (2) "Farmer" means any person engaged in the business of growing,  
15 raising, or producing, upon the person's own lands or upon the lands in  
16 which the person has a present right of possession, any agricultural  
17 product to be sold. "Farmer" does not include a person growing,  
18 raising, or producing such products for the person's own consumption;  
19 a person selling any animal or substance obtained therefrom in  
20 connection with the person's business of operating a stockyard or a  
21 slaughter or packing house; or a person in respect to the business of  
22 taking, cultivating, or raising timber.

23       (3) The terms "agriculture," "farming," "horticulture,"  
24 "horticultural," and "horticultural product" may not be construed to  
25 include or relate to marijuana, useable marijuana, or marijuana-infused  
26 products unless the applicable term is explicitly defined to include  
27 marijuana, useable marijuana, or marijuana-infused products.

28       (4) "Marijuana," "useable marijuana," and "marijuana-infused  
29 products" have the same meaning as in RCW 69.50.101.

30       **Sec. 4.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 202 are each  
31 amended to read as follows:

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

34       (a) Wheat into flour, barley into pearl barley, soybeans into  
35 soybean oil, canola into canola oil, canola meal, or canola by-  
36 products, or sunflower seeds into sunflower oil; as to such persons the

1 amount of tax with respect to such business is equal to the value of  
2 the flour, pearl barley, oil, canola meal, or canola by-product  
3 manufactured, multiplied by the rate of 0.138 percent;

4 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
5 raw frozen, or raw salted state at the completion of the manufacturing  
6 by that person; or selling manufactured seafood products that remain in  
7 a raw, raw frozen, or raw salted state at the completion of the  
8 manufacturing, to purchasers who transport in the ordinary course of  
9 business the goods out of this state; as to such persons the amount of  
10 tax with respect to such business is equal to the value of the products  
11 manufactured or the gross proceeds derived from such sales, multiplied  
12 by the rate of 0.138 percent. Sellers must keep and preserve records  
13 for the period required by RCW 82.32.070 establishing that the goods  
14 were transported by the purchaser in the ordinary course of business  
15 out of this state;

16 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
17 products that the person has manufactured to purchasers who either  
18 transport in the ordinary course of business the goods out of state or  
19 purchasers who use such dairy products as an ingredient or component in  
20 the manufacturing of a dairy product; as to such persons the tax  
21 imposed is equal to the value of the products manufactured or the gross  
22 proceeds derived from such sales multiplied by the rate of 0.138  
23 percent. Sellers must keep and preserve records for the period  
24 required by RCW 82.32.070 establishing that the goods were transported  
25 by the purchaser in the ordinary course of business out of this state  
26 or sold to a manufacturer for use as an ingredient or component in the  
27 manufacturing of a dairy product.

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

30 (A) Products, not including any marijuana-infused product, that as  
31 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts  
32 131, 133, and 135, including by-products from the manufacturing of the  
33 dairy products, such as whey and casein; and

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

37 (iii) The preferential tax rate provided to taxpayers under this  
38 subsection (1)(c) does not apply to sales of dairy products on or after

1 July 1, 2023, where a dairy product is used by the purchaser as an  
2 ingredient or component in the manufacturing in Washington of a dairy  
3 product;

4 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,  
5 preserving, freezing, processing, or dehydrating fresh fruits or  
6 vegetables, or selling at wholesale fruits or vegetables manufactured  
7 by the seller by canning, preserving, freezing, processing, or  
8 dehydrating fresh fruits or vegetables and sold to purchasers who  
9 transport in the ordinary course of business the goods out of this  
10 state; as to such persons the amount of tax with respect to such  
11 business is equal to the value of the products manufactured or the  
12 gross proceeds derived from such sales multiplied by the rate of 0.138  
13 percent. Sellers must keep and preserve records for the period  
14 required by RCW 82.32.070 establishing that the goods were transported  
15 by the purchaser in the ordinary course of business out of this state.

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

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

24 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
25 persons the amount of tax with respect to the business is equal to the  
26 value of wood biomass fuel manufactured, multiplied by the rate of  
27 0.138 percent.

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

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

37 (4) Upon every person engaging within this state in the business of  
38 slaughtering, breaking and/or processing perishable meat products

1 and/or selling the same at wholesale only and not at retail; as to such  
2 persons the tax imposed is equal to the gross proceeds derived from  
3 such sales multiplied by the rate of 0.138 percent.

4 (5) Upon every person engaging within this state in the business of  
5 acting as a travel agent or tour operator; as to such persons the  
6 amount of the tax with respect to such activities is equal to the gross  
7 income derived from such activities multiplied by the rate of 0.275  
8 percent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 (b) Until July 1, 2024, upon every person engaging within this  
29 state in the business of manufacturing or processing for hire: (i)  
30 Timber into timber products or wood products; or (ii) timber products  
31 into other timber products or wood products; as to such persons the  
32 amount of the tax with respect to the business is, in the case of  
33 manufacturers, equal to the value of products, including by-products,  
34 manufactured, or in the case of processors for hire, equal to the gross  
35 income of the business, multiplied by the rate of 0.4235 percent from  
36 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
37 2007, through June 30, 2024.



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

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

21 (e) For purposes of this subsection, the following definitions  
22 apply:

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

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

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

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

10 (v) "Timber products" means:

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

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

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

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

22 (f) Except for small harvesters as defined in RCW 84.33.035, a  
23 person reporting under the tax rate provided in this subsection (12)  
24 must file a complete annual survey with the department under RCW  
25 82.32.585.

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

31 (14)(a) Upon every person engaging within this state in the  
32 business of printing a newspaper, publishing a newspaper, or both, the  
33 amount of tax on such business is equal to the gross income of the  
34 business multiplied by the rate of 0.365 percent through June 30, 2013,  
35 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

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

1           **Sec. 5.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 203 are each  
2 amended to read as follows:

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

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

11           (b) Beginning July 1, 2015, seafood products that remain in a raw,  
12 raw frozen, or raw salted state at the completion of the manufacturing  
13 by that person; or selling manufactured seafood products that remain in  
14 a raw, raw frozen, or raw salted state at the completion of the  
15 manufacturing, to purchasers who transport in the ordinary course of  
16 business the goods out of this state; as to such persons the amount of  
17 tax with respect to such business is equal to the value of the products  
18 manufactured or the gross proceeds derived from such sales, multiplied  
19 by the rate of 0.138 percent. Sellers must keep and preserve records  
20 for the period required by RCW 82.32.070 establishing that the goods  
21 were transported by the purchaser in the ordinary course of business  
22 out of this state;

23           (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
24 products that the person has manufactured to purchasers who either  
25 transport in the ordinary course of business the goods out of state or  
26 purchasers who use such dairy products as an ingredient or component in  
27 the manufacturing of a dairy product; as to such persons the tax  
28 imposed is equal to the value of the products manufactured or the gross  
29 proceeds derived from such sales multiplied by the rate of 0.138  
30 percent. Sellers must keep and preserve records for the period  
31 required by RCW 82.32.070 establishing that the goods were transported  
32 by the purchaser in the ordinary course of business out of this state  
33 or sold to a manufacturer for use as an ingredient or component in the  
34 manufacturing of a dairy product.

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

37           (A) Products, not including any marijuana-infused product, that as

1 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts  
2 131, 133, and 135, including by-products from the manufacturing of the  
3 dairy products, such as whey and casein; and

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

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

12 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,  
13 preserving, freezing, processing, or dehydrating fresh fruits or  
14 vegetables, or selling at wholesale fruits or vegetables manufactured  
15 by the seller by canning, preserving, freezing, processing, or  
16 dehydrating fresh fruits or vegetables and sold to purchasers who  
17 transport in the ordinary course of business the goods out of this  
18 state; as to such persons the amount of tax with respect to such  
19 business is equal to the value of the products manufactured or the  
20 gross proceeds derived from such sales multiplied by the rate of 0.138  
21 percent. Sellers must keep and preserve records for the period  
22 required by RCW 82.32.070 establishing that the goods were transported  
23 by the purchaser in the ordinary course of business out of this state.

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

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

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

36 (2) Upon every person engaging within this state in the business of  
37 splitting or processing dried peas; as to such persons the amount of

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (e) For purposes of this subsection, the following definitions  
32 apply:

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

36 (ii) "Paper and paper products" means products made of interwoven  
37 cellulosic fibers held together largely by hydrogen bonding. "Paper  
38 and paper products" includes newsprint; office, printing, fine, and



1 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
2 kraft bag, construction, and other kraft industrial papers; paperboard,  
3 liquid packaging containers, containerboard, corrugated, and solid-  
4 fiber containers including linerboard and corrugated medium; and  
5 related types of cellulosic products containing primarily, by weight or  
6 volume, cellulosic materials. "Paper and paper products" does not  
7 include books, newspapers, magazines, periodicals, and other printed  
8 publications, advertising materials, calendars, and similar types of  
9 printed materials.

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

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

19 (v) "Timber products" means:

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

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

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

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

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

35 (13) Upon every person engaging within this state in inspecting,  
36 testing, labeling, and storing canned salmon owned by another person,  
37 as to such persons, the amount of tax with respect to such activities

1 is equal to the gross income derived from such activities multiplied by  
2 the rate of 0.484 percent.

3 (14)(a) Upon every person engaging within this state in the  
4 business of printing a newspaper, publishing a newspaper, or both, the  
5 amount of tax on such business is equal to the gross income of the  
6 business multiplied by the rate of 0.2904 percent.

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

10 **Sec. 6.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 5 are each amended  
11 to read as follows:

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

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

20 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
21 raw frozen, or raw salted state at the completion of the manufacturing  
22 by that person; or selling manufactured seafood products that remain in  
23 a raw, raw frozen, or raw salted state at the completion of the  
24 manufacturing, to purchasers who transport in the ordinary course of  
25 business the goods out of this state; as to such persons the amount of  
26 tax with respect to such business is equal to the value of the products  
27 manufactured or the gross proceeds derived from such sales, multiplied  
28 by the rate of 0.138 percent. Sellers must keep and preserve records  
29 for the period required by RCW 82.32.070 establishing that the goods  
30 were transported by the purchaser in the ordinary course of business  
31 out of this state;

32 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
33 products that the person has manufactured to purchasers who either  
34 transport in the ordinary course of business the goods out of state or  
35 purchasers who use such dairy products as an ingredient or component in  
36 the manufacturing of a dairy product; as to such persons the tax  
37 imposed is equal to the value of the products manufactured or the gross

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

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

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

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

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

21 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,  
22 preserving, freezing, processing, or dehydrating fresh fruits or  
23 vegetables, or selling at wholesale fruits or vegetables manufactured  
24 by the seller by canning, preserving, freezing, processing, or  
25 dehydrating fresh fruits or vegetables and sold to purchasers who  
26 transport in the ordinary course of business the goods out of this  
27 state; as to such persons the amount of tax with respect to such  
28 business is equal to the value of the products manufactured or the  
29 gross proceeds derived from such sales multiplied by the rate of 0.138  
30 percent. Sellers must keep and preserve records for the period  
31 required by RCW 82.32.070 establishing that the goods were transported  
32 by the purchaser in the ordinary course of business out of this state.

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

36 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
37 feedstock, as those terms are defined in RCW 82.29A.135; as to such

1 persons the amount of tax with respect to the business is equal to the  
2 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
3 manufactured, multiplied by the rate of 0.138 percent; and

4 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
5 persons the amount of tax with respect to the business is equal to the  
6 value of wood biomass fuel manufactured, multiplied by the rate of  
7 0.138 percent.

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

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

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

22 (5) Upon every person engaging within this state in the business of  
23 acting as a travel agent or tour operator; as to such persons the  
24 amount of the tax with respect to such activities is equal to the gross  
25 income derived from such activities multiplied by the rate of 0.275  
26 percent.

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

34 (7) Upon every person engaging within this state in the business of  
35 stevedoring and associated activities pertinent to the movement of  
36 goods and commodities in waterborne interstate or foreign commerce; as  
37 to such persons the amount of tax with respect to such business is  
38 equal to the gross proceeds derived from such activities multiplied by

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

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

30 If the gross income of the taxpayer is attributable to activities  
31 both within and without this state, the gross income attributable to  
32 this state must be determined in accordance with the methods of  
33 apportionment required under RCW 82.04.460.

34 (9) Upon every person engaging within this state as an insurance  
35 producer or title insurance agent licensed under chapter 48.17 RCW or  
36 a surplus line broker licensed under chapter 48.15 RCW; as to such  
37 persons, the amount of the tax with respect to such licensed activities

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

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

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

- 19 (i) 0.4235 percent from October 1, 2005, through June 30, 2007; and  
20 (ii) 0.2904 percent beginning July 1, 2007.

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

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

34 (d) In addition to all other requirements under this title, a  
35 person reporting under the tax rate provided in this subsection (11)  
36 must file a complete annual report with the department under RCW  
37 82.32.534.

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

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

14 (12)(a) Until July 1, 2024, upon every person engaging within this  
15 state in the business of extracting timber or extracting for hire  
16 timber; as to such persons the amount of tax with respect to the  
17 business is, in the case of extractors, equal to the value of products,  
18 including by-products, extracted, or in the case of extractors for  
19 hire, equal to the gross income of the business, multiplied by the rate  
20 of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904  
21 percent from July 1, 2007, through June 30, 2024.

22 (b) Until July 1, 2024, upon every person engaging within this  
23 state in the business of manufacturing or processing for hire: (i)  
24 Timber into timber products or wood products; or (ii) timber products  
25 into other timber products or wood products; as to such persons the  
26 amount of the tax with respect to the business is, in the case of  
27 manufacturers, equal to the value of products, including by-products,  
28 manufactured, or in the case of processors for hire, equal to the gross  
29 income of the business, multiplied by the rate of 0.4235 percent from  
30 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,  
31 2007, through June 30, 2024.

32 (c) Until July 1, 2024, upon every person engaging within this  
33 state in the business of selling at wholesale: (i) Timber extracted by  
34 that person; (ii) timber products manufactured by that person from  
35 timber or other timber products; or (iii) wood products manufactured by  
36 that person from timber or timber products; as to such persons the  
37 amount of the tax with respect to the business is equal to the gross  
38 proceeds of sales of the timber, timber products, or wood products

1 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
2 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
3 2024.

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

14 (e) For purposes of this subsection, the following definitions  
15 apply:

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

19 (ii) "Paper and paper products" means products made of interwoven  
20 cellulosic fibers held together largely by hydrogen bonding. "Paper  
21 and paper products" includes newsprint; office, printing, fine, and  
22 pressure-sensitive papers; paper napkins, towels, and toilet tissue;  
23 kraft bag, construction, and other kraft industrial papers; paperboard,  
24 liquid packaging containers, containerboard, corrugated, and solid-  
25 fiber containers including linerboard and corrugated medium; and  
26 related types of cellulosic products containing primarily, by weight or  
27 volume, cellulosic materials. "Paper and paper products" does not  
28 include books, newspapers, magazines, periodicals, and other printed  
29 publications, advertising materials, calendars, and similar types of  
30 printed materials.

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

36 (iv) "Timber" means forest trees, standing or down, on privately or  
37 publicly owned land. "Timber" does not include Christmas trees that



1 are cultivated by agricultural methods or short-rotation hardwoods as  
2 defined in RCW 84.33.035.

3 (v) "Timber products" means:

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

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

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

11 (vi) "Wood products" means paper and paper products; dimensional  
12 lumber; engineered wood products such as particleboard, oriented strand  
13 board, medium density fiberboard, and plywood; wood doors; wood  
14 windows; and biocomposite surface products.

15 (f) Except for small harvesters as defined in RCW 84.33.035, a  
16 person reporting under the tax rate provided in this subsection (12)  
17 must file a complete annual survey with the department under RCW  
18 82.32.585.

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

24 (14)(a) Upon every person engaging within this state in the  
25 business of printing a newspaper, publishing a newspaper, or both, the  
26 amount of tax on such business is equal to the gross income of the  
27 business multiplied by the rate of 0.365 percent through June 30, 2013,  
28 and beginning July 1, 2013, multiplied by the rate of 0.35 percent.

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

32 **Sec. 7.** RCW 82.04.260 and 2013 3rd sp.s. c 2 s 6 are each amended  
33 to read as follows:

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

36 (a) Wheat into flour, barley into pearl barley, soybeans into  
37 soybean oil, canola into canola oil, canola meal, or canola by-

1 products, or sunflower seeds into sunflower oil; as to such persons the  
2 amount of tax with respect to such business is equal to the value of  
3 the flour, pearl barley, oil, canola meal, or canola by-product  
4 manufactured, multiplied by the rate of 0.138 percent;

5 (b) Beginning July 1, 2015, seafood products that remain in a raw,  
6 raw frozen, or raw salted state at the completion of the manufacturing  
7 by that person; or selling manufactured seafood products that remain in  
8 a raw, raw frozen, or raw salted state at the completion of the  
9 manufacturing, to purchasers who transport in the ordinary course of  
10 business the goods out of this state; as to such persons the amount of  
11 tax with respect to such business is equal to the value of the products  
12 manufactured or the gross proceeds derived from such sales, multiplied  
13 by the rate of 0.138 percent. Sellers must keep and preserve records  
14 for the period required by RCW 82.32.070 establishing that the goods  
15 were transported by the purchaser in the ordinary course of business  
16 out of this state;

17 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy  
18 products that the person has manufactured to purchasers who either  
19 transport in the ordinary course of business the goods out of state or  
20 purchasers who use such dairy products as an ingredient or component in  
21 the manufacturing of a dairy product; as to such persons the tax  
22 imposed is equal to the value of the products manufactured or the gross  
23 proceeds derived from such sales multiplied by the rate of 0.138  
24 percent. Sellers must keep and preserve records for the period  
25 required by RCW 82.32.070 establishing that the goods were transported  
26 by the purchaser in the ordinary course of business out of this state  
27 or sold to a manufacturer for use as an ingredient or component in the  
28 manufacturing of a dairy product.

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

31 (A) Products, not including any marijuana-infused product, that as  
32 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts  
33 131, 133, and 135, including by-products from the manufacturing of the  
34 dairy products, such as whey and casein; and

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

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

6 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,  
7 preserving, freezing, processing, or dehydrating fresh fruits or  
8 vegetables, or selling at wholesale fruits or vegetables manufactured  
9 by the seller by canning, preserving, freezing, processing, or  
10 dehydrating fresh fruits or vegetables and sold to purchasers who  
11 transport in the ordinary course of business the goods out of this  
12 state; as to such persons the amount of tax with respect to such  
13 business is equal to the value of the products manufactured or the  
14 gross proceeds derived from such sales multiplied by the rate of 0.138  
15 percent. Sellers must keep and preserve records for the period  
16 required by RCW 82.32.070 establishing that the goods were transported  
17 by the purchaser in the ordinary course of business out of this state.

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

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

26 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
27 persons the amount of tax with respect to the business is equal to the  
28 value of wood biomass fuel manufactured, multiplied by the rate of  
29 0.138 percent.

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

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

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

6 (5) Upon every person engaging within this state in the business of  
7 acting as a travel agent or tour operator; as to such persons the  
8 amount of the tax with respect to such activities is equal to the gross  
9 income derived from such activities multiplied by the rate of 0.275  
10 percent.

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

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

1 convenient place for further movement to export mode; documentation  
2 services in connection with the receipt, delivery, checking, care,  
3 custody and control of cargo required in the transfer of cargo;  
4 imported automobile handling prior to delivery to consignee; terminal  
5 stevedoring and incidental vessel services, including but not limited  
6 to plugging and unplugging refrigerator service to containers,  
7 trailers, and other refrigerated cargo receptacles, and securing ship  
8 hatch covers.

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

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

18 (9) Upon every person engaging within this state as an insurance  
19 producer or title insurance agent licensed under chapter 48.17 RCW or  
20 a surplus line broker licensed under chapter 48.15 RCW; as to such  
21 persons, the amount of the tax with respect to such licensed activities  
22 is equal to the gross income of such business multiplied by the rate of  
23 0.484 percent.

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

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

1 the product manufactured, or in the case of processors for hire, equal  
2 to the gross income of the business, multiplied by the rate of:

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

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

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

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

18 (d) In addition to all other requirements under this title, a  
19 person reporting under the tax rate provided in this subsection (11)  
20 must file a complete annual report with the department under RCW  
21 82.32.534.

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (v) "Timber products" means:

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

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

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

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

36 (f) Except for small harvesters as defined in RCW 84.33.035, a  
37 person reporting under the tax rate provided in this subsection (12)



1 must file a complete annual survey with the department under RCW  
2 82.32.585.

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

8 (14)(a) Upon every person engaging within this state in the  
9 business of printing a newspaper, publishing a newspaper, or both, the  
10 amount of tax on such business is equal to the gross income of the  
11 business multiplied by the rate of 0.2904 percent.

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

15 **Sec. 8.** RCW 82.04.330 and 2001 c 118 s 3 are each amended to read  
16 as follows:

17 (1) This chapter (~~shall~~) does not apply to any farmer (~~that~~  
18 ~~sells~~) in respect to the sale of any agricultural product at wholesale  
19 or to any farmer who grows, raises, or produces agricultural products  
20 owned by others, such as custom feed operations. This exemption  
21 (~~shall~~) does not apply to any person selling such products at retail  
22 or to any person selling manufactured substances or articles.

23 (2) This chapter (~~shall~~) also does not apply to any persons who  
24 participate in the federal conservation reserve program or its  
25 successor administered by the United States department of agriculture  
26 with respect to land enrolled in that program.

27 **Sec. 9.** RCW 82.04.331 and 1998 c 170 s 2 are each amended to read  
28 as follows:

29 (1) This chapter does not apply to amounts received by a person  
30 engaging within this state in the business of: (a) Making wholesale  
31 sales to farmers of seed conditioned for use in planting and not  
32 packaged for retail sale; or (b) conditioning seed for planting owned  
33 by others.

34 (2) For the purposes of this section, "seed" means seed potatoes  
35 and all other "agricultural seed" as defined in RCW 15.49.011. "Seed"  
36 does not include "flower seeds" or "vegetable seeds" as defined in RCW

1 15.49.011, or any other seeds or propagative portions of plants used to  
2 grow marijuana, ornamental flowers, or (~~used to grow~~) any type of  
3 bush, moss, fern, shrub, or tree.

4 **Sec. 10.** RCW 82.04.4266 and 2012 2nd sp.s. c 6 s 201 are each  
5 amended to read as follows:

6 (1) This chapter does not apply to the value of products or the  
7 gross proceeds of sales derived from:

8 (a) Manufacturing fruits or vegetables by canning, preserving,  
9 freezing, processing, or dehydrating fresh fruits or vegetables; or

10 (b) Selling at wholesale fruits or vegetables manufactured by the  
11 seller by canning, preserving, freezing, processing, or dehydrating  
12 fresh fruits or vegetables and sold to purchasers who transport in the  
13 ordinary course of business the goods out of this state. A person  
14 taking an exemption under this subsection (1)(b) must keep and preserve  
15 records for the period required by RCW 82.32.070 establishing that the  
16 goods were transported by the purchaser in the ordinary course of  
17 business out of this state.

18 (2) For purposes of this section, "fruits" and "vegetables" do not  
19 include marijuana, useable marijuana, or marijuana-infused products.

20 (3) A person claiming the exemption provided in this section must  
21 file a complete annual survey with the department under RCW 82.32.585.

22 (~~(3)~~) (4) This section expires July 1, 2015.

23 **Sec. 11.** RCW 82.04.625 and 2007 c 334 s 1 are each amended to read  
24 as follows:

25 (1) This chapter does not apply to any:

26 (a) Person performing custom farming services for a farmer, when  
27 the person performing the custom farming services is: (i) An eligible  
28 farmer; or (ii) at least fifty percent owned by an eligible farmer; or

29 (b) Person performing farm management services, contract labor  
30 services, services provided with respect to animals that are  
31 agricultural products, or any combination of these services, for a  
32 farmer or for a person performing custom farming services, when the  
33 person performing the farm management services, contract labor  
34 services, services with respect to animals, or any combination of these  
35 services, and the farmer or person performing custom farming services  
36 are related.

1 (2) The definitions in this subsection apply throughout this  
2 section.

3 (a)(i) "Custom farming services" means the performance of specific  
4 farming operations through the use of any farm machinery or equipment,  
5 farm implement, or draft animal, together with an operator, when: (i)  
6 The specific farming operation consists of activities directly related  
7 to the growing, raising, or producing of any agricultural product to be  
8 sold or consumed by a farmer; and (ii) the performance of the specific  
9 farming operation is for, and under a contract with, or the direction  
10 or supervision of, a farmer. "Custom farming services" does not  
11 include the custom application of fertilizers, chemicals, or  
12 biologicals, or any services related to the growing, raising, or  
13 producing of marijuana.

14 (ii) For the purposes of this subsection (2)(a), "specific farming  
15 operation" includes specific planting, cultivating, or harvesting  
16 activities, or similar specific farming operations. The term does not  
17 include veterinary services as defined in RCW 18.92.010; farrier,  
18 boarding, training, or appraisal services; artificial insemination or  
19 stud services, agricultural consulting services; packing or processing  
20 of agricultural products; or pumping or other waste disposal services.

21 (b) "Eligible farmer" means a person who is eligible for an  
22 exemption certificate under RCW 82.08.855 at the time that the custom  
23 farming services are rendered, regardless of whether the person has  
24 applied for an exemption certificate under RCW 82.08.855.

25 (c) "Farm management services" means the consultative decisions  
26 made for the operations of the farm including, but not limited to,  
27 determining which crops to plant, the choice and timing of application  
28 of fertilizers and chemicals, the horticultural practices to apply, the  
29 marketing of crops and livestock, and the care and feeding of animals.  
30 "Farm management services" does not include any services related to the  
31 growing, raising, or producing of marijuana.

32 (d) "Related" means having any of the relationships specifically  
33 described in section 267(b) (1), (2), and (4) through (13) of the  
34 internal revenue code, as amended or renumbered as of January 1, 2007.

35 **Sec. 12.** RCW 82.08.010 and 2010 c 106 s 210 are each amended to  
36 read as follows:

37 For the purposes of this chapter:

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

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

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

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

37           (i) The seller actually receives consideration from a party other

1 than the purchaser, and the consideration is directly related to a  
2 price reduction or discount on the sale;

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

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

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

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

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

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

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

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

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

36 (b) For the purposes of (a) of this subsection, the terms "client,"  
37 "covered employee," "professional employer agreement," and

1 "professional employer organization" have the same meanings as in RCW  
2 82.04.540;

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

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

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

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

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

1 (8) "Extended warranty" has the same meaning as in RCW  
2 82.04.050(7);

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

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

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

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

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

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

18 (12) The terms "agriculture," "farming," "horticulture,"  
19 "horticultural," and "horticultural product" may not be construed to  
20 include or relate to marijuana, useable marijuana, or marijuana-infused  
21 products unless the applicable term is explicitly defined to include  
22 marijuana, useable marijuana, or marijuana-infused products.

23 **Sec. 13.** RCW 82.08.020 and 2011 c 171 s 120 are each amended to  
24 read as follows:

25 (1) There is levied and collected a tax equal to six and five-  
26 tenths percent of the selling price on each retail sale in this state  
27 of:

28 (a) Tangible personal property, unless the sale is specifically  
29 excluded from the RCW 82.04.050 definition of retail sale;

30 (b) Digital goods, digital codes, and digital automated services,  
31 if the sale is included within the RCW 82.04.050 definition of retail  
32 sale;

33 (c) Services, other than digital automated services, included  
34 within the RCW 82.04.050 definition of retail sale;

35 (d) Extended warranties to consumers; and

36 (e) Anything else, the sale of which is included within the RCW  
37 82.04.050 definition of retail sale.

1 (2) There is levied and collected an additional tax on each retail  
2 car rental, regardless of whether the vehicle is licensed in this  
3 state, equal to five and nine-tenths percent of the selling price. The  
4 revenue collected under this subsection must be deposited in the  
5 multimodal transportation account created in RCW 47.66.070.

6 (3) Beginning July 1, 2003, there is levied and collected an  
7 additional tax of three-tenths of one percent of the selling price on  
8 each retail sale of a motor vehicle in this state, other than retail  
9 car rentals taxed under subsection (2) of this section. The revenue  
10 collected under this subsection must be deposited in the multimodal  
11 transportation account created in RCW 47.66.070.

12 (4) For purposes of subsection (3) of this section, "motor vehicle"  
13 has the meaning provided in RCW 46.04.320, but does not include:

14 (a) Farm tractors or farm vehicles as defined in RCW 46.04.180 and  
15 46.04.181, unless the farm tractor or farm vehicle is for use in the  
16 production of marijuana;

17 (b) Off-road vehicles as defined in RCW 46.04.365((7));

18 (c) Nonhighway vehicles as defined in RCW 46.09.310((7)); and

19 (d) Snowmobiles as defined in RCW 46.04.546.

20 (5) Beginning on December 8, 2005, 0.16 percent of the taxes  
21 collected under subsection (1) of this section must be dedicated to  
22 funding comprehensive performance audits required under RCW 43.09.470.  
23 The revenue identified in this subsection must be deposited in the  
24 performance audits of government account created in RCW 43.09.475.

25 (6) The taxes imposed under this chapter apply to successive retail  
26 sales of the same property.

27 (7) The rates provided in this section apply to taxes imposed under  
28 chapter 82.12 RCW as provided in RCW 82.12.020.

29 **Sec. 14.** RCW 82.08.02565 and 2011 c 23 s 2 are each amended to  
30 read as follows:

31 (1)(a) The tax levied by RCW 82.08.020 does not apply to sales to  
32 a manufacturer or processor for hire of machinery and equipment used  
33 directly in a manufacturing operation or research and development  
34 operation, to sales to a person engaged in testing for a manufacturer  
35 or processor for hire of machinery and equipment used directly in a  
36 testing operation, or to sales of or charges made for labor and



1 services rendered in respect to installing, repairing, cleaning,  
2 altering, or improving the machinery and equipment.

3 (b) Sellers making tax-exempt sales under this section must obtain  
4 from the purchaser an exemption certificate in a form and manner  
5 prescribed by the department by rule. The seller must retain a copy of  
6 the certificate for the seller's files.

7 (2) For purposes of this section and RCW 82.12.02565:

8 (a) "Machinery and equipment" means industrial fixtures, devices,  
9 and support facilities, and tangible personal property that becomes an  
10 ingredient or component thereof, including repair parts and replacement  
11 parts. "Machinery and equipment" includes pollution control equipment  
12 installed and used in a manufacturing operation, testing operation, or  
13 research and development operation to prevent air pollution, water  
14 pollution, or contamination that might otherwise result from the  
15 manufacturing operation, testing operation, or research and development  
16 operation. "Machinery and equipment" also includes digital goods.

17 (b) "Machinery and equipment" does not include:

18 (i) Hand-powered tools;

19 (ii) Property with a useful life of less than one year;

20 (iii) Buildings, other than machinery and equipment that is  
21 permanently affixed to or becomes a physical part of a building; and

22 (iv) Building fixtures that are not integral to the manufacturing  
23 operation, testing operation, or research and development operation  
24 that are permanently affixed to and become a physical part of a  
25 building, such as utility systems for heating, ventilation, air  
26 conditioning, communications, plumbing, or electrical.

27 (c) Machinery and equipment is "used directly" in a manufacturing  
28 operation, testing operation, or research and development operation if  
29 the machinery and equipment:

30 (i) Acts upon or interacts with an item of tangible personal  
31 property;

32 (ii) Conveys, transports, handles, or temporarily stores an item of  
33 tangible personal property at the manufacturing site or testing site;

34 (iii) Controls, guides, measures, verifies, aligns, regulates, or  
35 tests tangible personal property at the site or away from the site;

36 (iv) Provides physical support for or access to tangible personal  
37 property;

38 (v) Produces power for, or lubricates machinery and equipment;

1 (vi) Produces another item of tangible personal property for use in  
2 the manufacturing operation, testing operation, or research and  
3 development operation;

4 (vii) Places tangible personal property in the container, package,  
5 or wrapping in which the tangible personal property is normally sold or  
6 transported; or

7 (viii) Is integral to research and development as defined in RCW  
8 82.63.010.

9 (d) "Manufacturer" means a person that qualifies as a manufacturer  
10 under RCW 82.04.110. "Manufacturer" also includes a person that prints  
11 newspapers or other materials.

12 (e) "Manufacturing" means only those activities that come within  
13 the definition of "to manufacture" in RCW 82.04.120 and are taxed as  
14 manufacturing or processing for hire under chapter 82.04 RCW, or would  
15 be taxed as such if such activity were conducted in this state or if  
16 not for an exemption or deduction. "Manufacturing" also includes  
17 printing newspapers or other materials. An activity is not taxed as  
18 manufacturing or processing for hire under chapter 82.04 RCW if the  
19 activity is within the purview of chapter 82.16 RCW.

20 (f) "Manufacturing operation" means the manufacturing of articles,  
21 substances, or commodities for sale as tangible personal property. A  
22 manufacturing operation begins at the point where the raw materials  
23 enter the manufacturing site and ends at the point where the processed  
24 material leaves the manufacturing site. With respect to the production  
25 of class A or exceptional quality biosolids by a wastewater treatment  
26 facility, the manufacturing operation begins at the point where class  
27 B biosolids undergo additional processing to achieve class A or  
28 exceptional quality standards. Notwithstanding anything to the  
29 contrary in this section, the term also includes that portion of a  
30 cogeneration project that is used to generate power for consumption  
31 within the manufacturing site of which the cogeneration project is an  
32 integral part. The term does not include the preparation of food  
33 products on the premises of a person selling food products at retail.

34 (g) "Cogeneration" means the simultaneous generation of electrical  
35 energy and low-grade heat from the same fuel.

36 (h) "Research and development operation" means engaging in research  
37 and development as defined in RCW 82.63.010 by a manufacturer or  
38 processor for hire.

1 (i) "Testing" means activities performed to establish or determine  
2 the properties, qualities, and limitations of tangible personal  
3 property.

4 (j) "Testing operation" means the testing of tangible personal  
5 property for a manufacturer or processor for hire. A testing operation  
6 begins at the point where the tangible personal property enters the  
7 testing site and ends at the point where the tangible personal property  
8 leaves the testing site. The term also includes the testing of  
9 tangible personal property for use in that portion of a cogeneration  
10 project that is used to generate power for consumption within the  
11 manufacturing site of which the cogeneration project is an integral  
12 part. The term does not include the testing of tangible personal  
13 property for use in the production of electricity by a light and power  
14 business as defined in RCW 82.16.010 or the preparation of food  
15 products on the premises of a person selling food products at retail.

16 (3) This section does not apply (a) to sales of machinery and  
17 equipment used directly in the manufacturing, research and development,  
18 or testing of marijuana, useable marijuana, or marijuana-infused  
19 products, or (b) to sales of or charges made for labor and services  
20 rendered in respect to installing, repairing, cleaning, altering, or  
21 improving such machinery and equipment.

22 **Sec. 15.** RCW 82.12.02565 and 2003 c 5 s 5 are each amended to read  
23 as follows:

24 (1) The provisions of this chapter ((shall)) do not apply in  
25 respect to the use by a manufacturer or processor for hire of machinery  
26 and equipment used directly in a manufacturing operation or research  
27 and development operation, to the use by a person engaged in testing  
28 for a manufacturer or processor for hire of machinery and equipment  
29 used directly in a testing operation, or to the use of labor and  
30 services rendered in respect to installing, repairing, cleaning,  
31 altering, or improving the machinery and equipment.

32 (2) This section does not apply to the use of (a) machinery and  
33 equipment used directly in the manufacturing, research and development,  
34 or testing of marijuana, useable marijuana, or marijuana-infused  
35 products, or (b) labor and services rendered in respect to installing,  
36 repairing, cleaning, altering, or improving such machinery and  
37 equipment.

1       **Sec. 16.** RCW 82.08.0257 and 2009 c 535 s 511 are each amended to  
2 read as follows:

3       The tax levied by RCW 82.08.020 does not apply to auction sales  
4 made by or through auctioneers of personal property (including  
5 household goods) that has been used in conducting a farm activity, when  
6 the seller thereof is a farmer as defined in RCW 82.04.213 and the sale  
7 is held or conducted upon a farm and not otherwise. The exemption in  
8 this section does not apply to personal property used by the seller in  
9 the production of marijuana, useable marijuana, or marijuana-infused  
10 products.

11       **Sec. 17.** RCW 82.12.0258 and 2009 c 535 s 612 are each amended to  
12 read as follows:

13       The provisions of this chapter do not apply in respect to the use  
14 of personal property (including household goods) that has been used in  
15 conducting a farm activity, if such property was purchased from a  
16 farmer as defined in RCW 82.04.213 at an auction sale held or conducted  
17 by an auctioneer upon a farm and not otherwise. The exemption in this  
18 section does not apply to personal property used by the seller in the  
19 production of marijuana, useable marijuana, or marijuana-infused  
20 products.

21       **Sec. 18.** RCW 82.08.0273 and 2011 c 7 s 1 are each amended to read  
22 as follows:

23       (1) The tax levied by RCW 82.08.020 does not apply to sales to  
24 nonresidents of this state of tangible personal property, digital  
25 goods, and digital codes, when:

26       (a) The property is for use outside this state;

27       (b) The purchaser is a bona fide resident of a province or  
28 territory of Canada or a state, territory, or possession of the United  
29 States, other than the state of Washington; and

30       (i) Such state, possession, territory, or province does not impose,  
31 or have imposed on its behalf, a generally applicable retail sales tax,  
32 use tax, value added tax, gross receipts tax on retailing activities,  
33 or similar generally applicable tax, of three percent or more; or

34       (ii) If imposing a tax described in (b)(i) of this subsection,  
35 provides an exemption for sales to Washington residents by reason of  
36 their residence; and

1 (c) The purchaser agrees, when requested, to grant the department  
2 of revenue access to such records and other forms of verification at  
3 his or her place of residence to assure that such purchases are not  
4 first used substantially in the state of Washington.

5 (2) Notwithstanding anything to the contrary in this chapter, if  
6 parts or other tangible personal property are installed by the seller  
7 during the course of repairing, cleaning, altering, or improving motor  
8 vehicles, trailers, or campers and the seller makes a separate charge  
9 for the tangible personal property, the tax levied by RCW 82.08.020  
10 does not apply to the separately stated charge to a nonresident  
11 purchaser for the tangible personal property but only if the separately  
12 stated charge does not exceed either the seller's current publicly  
13 stated retail price for the tangible personal property or, if no  
14 publicly stated retail price is available, the seller's cost for the  
15 tangible personal property. However, the exemption provided by this  
16 section does not apply if tangible personal property is installed by  
17 the seller during the course of repairing, cleaning, altering, or  
18 improving motor vehicles, trailers, or campers and the seller makes a  
19 single nonitemized charge for providing the tangible personal property  
20 and service. All of the requirements in subsections (1) and (3)  
21 through (6) of this section apply to this subsection.

22 (3)(a) Any person claiming exemption from retail sales tax under  
23 the provisions of this section must display proof of his or her current  
24 nonresident status as provided in this section.

25 (b) Acceptable proof of a nonresident person's status includes one  
26 piece of identification such as a valid driver's license from the  
27 jurisdiction in which the out-of-state residency is claimed or a valid  
28 identification card which has a photograph of the holder and is issued  
29 by the out-of-state jurisdiction. Identification under this subsection  
30 (3)(b) must show the holder's residential address and have as one of  
31 its legal purposes the establishment of residency in that out-of-state  
32 jurisdiction.

33 (c) In lieu of furnishing proof of a person's nonresident status  
34 under (b) of this subsection (3), a person claiming exemption from  
35 retail sales tax under the provisions of this section may provide the  
36 seller with an exemption certificate in compliance with subsection  
37 (4)(b) of this section.

1 (4)(a) Nothing in this section requires the vendor to make tax  
2 exempt retail sales to nonresidents. A vendor may choose to make sales  
3 to nonresidents, collect the sales tax, and remit the amount of sales  
4 tax collected to the state as otherwise provided by law. If the vendor  
5 chooses to make a sale to a nonresident without collecting the sales  
6 tax, the vendor must examine the purchaser's proof of nonresidence,  
7 determine whether the proof is acceptable under subsection (3)(b) of  
8 this section, and maintain records for each nontaxable sale which  
9 (~~shall~~) must show the type of proof accepted, including any  
10 identification numbers where appropriate, and the expiration date, if  
11 any.

12 (b) In lieu of using the method provided in (a) of this subsection  
13 to document an exempt sale to a nonresident, a seller may accept from  
14 the purchaser a properly completed uniform exemption certificate  
15 approved by the streamlined sales and use tax agreement governing board  
16 or any other exemption certificate as may be authorized by the  
17 department and properly completed by the purchaser. A nonresident  
18 purchaser who uses an exemption certificate authorized in this  
19 subsection (4)(b) must include the purchaser's driver's license number  
20 or other state-issued identification number and the state of issuance.

21 (c) In lieu of using the methods provided in (a) and (b) of this  
22 subsection to document an exempt sale to a nonresident, a seller may  
23 capture the relevant data elements as allowed under the streamlined  
24 sales and use tax agreement.

25 (5)(a) Any person making fraudulent statements, which includes the  
26 offer of fraudulent identification or fraudulently procured  
27 identification to a vendor, in order to purchase goods without paying  
28 retail sales tax is guilty of perjury under chapter 9A.72 RCW.

29 (b) Any person making tax exempt purchases under this section by  
30 displaying proof of identification not his or her own, or counterfeit  
31 identification, with intent to violate the provisions of this section,  
32 is guilty of a misdemeanor and, in addition, is liable for the tax and  
33 subject to a penalty equal to the greater of one hundred dollars or the  
34 tax due on such purchases.

35 (6)(a) Any vendor who makes sales without collecting the tax and  
36 who fails to maintain records of sales to nonresidents as provided in  
37 this section is personally liable for the amount of tax due.

1 (b) Any vendor who makes sales without collecting the retail sales  
2 tax under this section and who has actual knowledge that the  
3 purchaser's proof of identification establishing out-of-state residency  
4 is fraudulent is guilty of a misdemeanor and, in addition, is liable  
5 for the tax and subject to a penalty equal to the greater of one  
6 thousand dollars or the tax due on such sales. In addition, both the  
7 purchaser and the vendor are liable for any penalties and interest  
8 assessable under chapter 82.32 RCW.

9 (7) The exemption in this section does not apply to sales of  
10 marijuana, useable marijuana, or marijuana-infused products.

11 **Sec. 19.** RCW 82.08.02745 and 2007 c 54 s 14 are each amended to  
12 read as follows:

13 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to  
14 charges made for labor and services rendered by any person in respect  
15 to the constructing, repairing, decorating, or improving of new or  
16 existing buildings or other structures used as agricultural employee  
17 housing, or to sales of tangible personal property that becomes an  
18 ingredient or component of the buildings or other structures during the  
19 course of the constructing, repairing, decorating, or improving the  
20 buildings or other structures. The exemption is available only if the  
21 buyer provides the seller with an exemption certificate in a form and  
22 manner prescribed by the department by rule.

23 (2) The exemption provided in this section for agricultural  
24 employee housing provided to year-round employees of the agricultural  
25 employer, only applies if that housing is built to the current building  
26 code for single-family or multifamily dwellings according to the state  
27 building code, chapter 19.27 RCW.

28 (3) Any agricultural employee housing built under this section  
29 (~~shall~~) must be used according to this section for at least five  
30 consecutive years from the date the housing is approved for occupancy,  
31 or the full amount of tax otherwise due (~~shall be~~) is immediately due  
32 and payable together with interest, but not penalties, from the date  
33 the housing is approved for occupancy until the date of payment. If at  
34 any time agricultural employee housing that is not located on  
35 agricultural land ceases to be used in the manner specified in  
36 subsection (2) of this section, the full amount of tax otherwise due

1 (~~shall be~~) is immediately due and payable with interest, but not  
2 penalties, from the date the housing ceases to be used as agricultural  
3 employee housing until the date of payment.

4 (4) The exemption provided in this section (~~shall~~) does not apply  
5 to housing built for the occupancy of an employer, family members of an  
6 employer, or persons owning stock or shares in a farm partnership or  
7 corporation business.

8 (5) For purposes of this section and RCW 82.12.02685(~~+~~), the  
9 following definitions apply unless the context clearly requires  
10 otherwise.

11 (a) "Agricultural employee" or "employee" has the same meaning as  
12 given in RCW 19.30.010;

13 (b) "Agricultural employer" or "employer" has the same meaning as  
14 given in RCW 19.30.010; and

15 (c) "Agricultural employee housing" means all facilities provided  
16 by an agricultural employer, housing authority, local government, state  
17 or federal agency, nonprofit community or neighborhood-based  
18 organization that is exempt from income tax under section 501(c) of the  
19 internal revenue code of 1986 (26 U.S.C. Sec. 501(c)), or for-profit  
20 provider of housing for housing agricultural employees on a year-round  
21 or seasonal basis, including bathing, food handling, hand washing,  
22 laundry, and toilet facilities, single-family and multifamily dwelling  
23 units and dormitories, and includes labor camps under RCW 70.114A.110.  
24 "Agricultural employee housing" does not include:

25 (i) Housing regularly provided on a commercial basis to the general  
26 public(~~(. "Agricultural employee housing" does not include))~~);

27 (ii) Housing provided by a housing authority unless at least eighty  
28 percent of the occupants are agricultural employees whose adjusted  
29 income is less than fifty percent of median family income, adjusted for  
30 household size, for the county where the housing is provided; and

31 (iii) Housing provided to agricultural employees providing services  
32 related to the growing, raising, or producing of marijuana.

33 **Sec. 20.** RCW 82.08.0281 and 2004 c 153 s 108 are each amended to  
34 read as follows:

35 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to  
36 sales of drugs for human use dispensed or to be dispensed to patients,  
37 pursuant to a prescription.



1 (2) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to  
2 sales of drugs or devices used for family planning purposes, including  
3 the prevention of conception, for human use dispensed or to be  
4 dispensed to patients, pursuant to a prescription.

5 (3) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to  
6 sales of drugs and devices used for family planning purposes, including  
7 the prevention of conception, for human use supplied by a family  
8 planning clinic that is under contract with the department of health to  
9 provide family planning services.

10 (4) The following definitions in this subsection apply throughout  
11 this section unless the context clearly requires otherwise.

12 (a) "Prescription" means an order, formula, or recipe issued in any  
13 form of oral, written, electronic, or other means of transmission by a  
14 duly licensed practitioner authorized by the laws of this state to  
15 prescribe.

16 (b) "Drug" means a compound, substance, or preparation, and any  
17 component of a compound, substance, or preparation, other than food and  
18 food ingredients, dietary supplements, or alcoholic beverages,  
19 marijuana, useable marijuana, or marijuana-infused products:

20 (i) Recognized in the official United States pharmacopoeia,  
21 official homeopathic pharmacopoeia of the United States, or official  
22 national formulary, or any supplement to any of them; or

23 (ii) Intended for use in the diagnosis, cure, mitigation,  
24 treatment, or prevention of disease; or

25 (iii) Intended to affect the structure or any function of the body.

26 (c) "Over-the-counter drug" means a drug that contains a label that  
27 identifies the product as a drug required by 21 C.F.R. Sec. 201.66, as  
28 amended or renumbered on January 1, 2003. The label includes:

29 (i) A "drug facts" panel; or

30 (ii) A statement of the "active ingredient(s)" with a list of those  
31 ingredients contained in the compound, substance, or preparation.

32 **Sec. 21.** RCW 82.08.0288 and 1983 1st ex.s. c 55 s 5 are each  
33 amended to read as follows:

34 The tax levied by RCW 82.08.020 (~~shall~~) does not apply to the  
35 lease of irrigation equipment if:

36 (1) The irrigation equipment was purchased by the lessor for the  
37 purpose of irrigating land controlled by the lessor;

1 (2) The lessor has paid tax under RCW 82.08.020 or 82.12.020 in  
2 respect to the irrigation equipment;

3 (3) The irrigation equipment is attached to the land in whole or in  
4 part; (~~and~~)

5 (4) The irrigation equipment is not used in the production of  
6 marijuana; and

7 (5) The irrigation equipment is leased to the lessee as an  
8 incidental part of the lease of the underlying land to the lessee and  
9 is used solely on such land.

10 **Sec. 22.** RCW 82.12.0283 and 1983 1st ex.s. c 55 s 6 are each  
11 amended to read as follows:

12 The provisions of this chapter (~~shall~~) do not apply to the use of  
13 irrigation equipment if:

14 (1) The irrigation equipment was purchased by the lessor for the  
15 purpose of irrigating land controlled by the lessor;

16 (2) The lessor has paid tax under RCW 82.08.020 or 82.12.020 in  
17 respect to the irrigation equipment;

18 (3) The irrigation equipment is attached to the land in whole or in  
19 part; (~~and~~)

20 (4) The irrigation equipment is not used in the production of  
21 marijuana; and

22 (5) The irrigation equipment is leased to the lessee as an  
23 incidental part of the lease of the underlying land to the lessee and  
24 is used solely on such land.

25 **Sec. 23.** RCW 82.08.0293 and 2011 c 2 s 301 are each amended to  
26 read as follows:

27 (1) The tax levied by RCW 82.08.020 does not apply to sales of food  
28 and food ingredients. "Food and food ingredients" means substances,  
29 whether in liquid, concentrated, solid, frozen, dried, or dehydrated  
30 form, that are sold for ingestion or chewing by humans and are consumed  
31 for their taste or nutritional value. "Food and food ingredients" does  
32 not include:

33 (a) "Alcoholic beverages," which means beverages that are suitable  
34 for human consumption and contain one-half of one percent or more of  
35 alcohol by volume; (~~and~~)

1 (b) "Tobacco," which means cigarettes, cigars, chewing or pipe  
2 tobacco, or any other item that contains tobacco; and

3 (c) Marijuana, useable marijuana, or marijuana-infused products.

4 (2) The exemption of "food and food ingredients" provided for in  
5 subsection (1) of this section does not apply to prepared food, soft  
6 drinks, or dietary supplements. For purposes of this subsection, the  
7 following definitions apply:

8 (a) "Dietary supplement" means any product, other than tobacco,  
9 intended to supplement the diet that:

10 (i) Contains one or more of the following dietary ingredients:

11 (A) A vitamin;

12 (B) A mineral;

13 (C) An herb or other botanical;

14 (D) An amino acid;

15 (E) A dietary substance for use by humans to supplement the diet by  
16 increasing the total dietary intake; or

17 (F) A concentrate, metabolite, constituent, extract, or combination  
18 of any ingredient described in this subsection;

19 (ii) Is intended for ingestion in tablet, capsule, powder, softgel,  
20 gelcap, or liquid form, or if not intended for ingestion in such form,  
21 is not represented as conventional food and is not represented for use  
22 as a sole item of a meal or of the diet; and

23 (iii) Is required to be labeled as a dietary supplement,  
24 identifiable by the "supplement facts" box found on the label as  
25 required pursuant to 21 C.F.R. Sec. 101.36, as amended or renumbered as  
26 of January 1, 2003.

27 (b)(i) "Prepared food" means:

28 (A) Food sold in a heated state or heated by the seller;

29 (B) Food sold with eating utensils provided by the seller,  
30 including plates, knives, forks, spoons, glasses, cups, napkins, or  
31 straws. A plate does not include a container or packaging used to  
32 transport the food; or

33 (C) Two or more food ingredients mixed or combined by the seller  
34 for sale as a single item, except:

35 (I) Food that is only cut, repackaged, or pasteurized by the  
36 seller; or

37 (II) Raw eggs, fish, meat, poultry, and foods containing these raw  
38 animal foods requiring cooking by the consumer as recommended by the

1 federal food and drug administration in chapter 3, part 401.11 of The  
2 Food Code, published by the food and drug administration, as amended or  
3 renumbered as of January 1, 2003, so as to prevent foodborne illness.

4 (ii) "Prepared food" does not include the following food or food  
5 ingredients, if the food or food ingredients are sold without eating  
6 utensils provided by the seller:

7 (A) Food sold by a seller whose proper primary North American  
8 industry classification system (NAICS) classification is manufacturing  
9 in sector 311, except subsector 3118 (bakeries), as provided in the  
10 "North American industry classification system--United States, 2002";

11 (B) Food sold in an unheated state by weight or volume as a single  
12 item; or

13 (C) Bakery items. The term "bakery items" includes bread, rolls,  
14 buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes,  
15 tortes, pies, tarts, muffins, bars, cookies, or tortillas.

16 (c) "Soft drinks" means nonalcoholic beverages that contain natural  
17 or artificial sweeteners. Soft drinks do not include beverages that  
18 contain: Milk or milk products; soy, rice, or similar milk  
19 substitutes; or greater than fifty percent of vegetable or fruit juice  
20 by volume.

21 (3) Notwithstanding anything in this section to the contrary, the  
22 exemption of "food and food ingredients" provided in this section  
23 applies to food and food ingredients that are furnished, prepared, or  
24 served as meals:

25 (a) Under a state administered nutrition program for the aged as  
26 provided for in the older Americans act (P.L. 95-478 Title III) and RCW  
27 74.38.040(6);

28 (b) That are provided to senior citizens, individuals with  
29 disabilities, or low-income persons by a not-for-profit organization  
30 organized under chapter 24.03 or 24.12 RCW; or

31 (c) That are provided to residents, sixty-two years of age or  
32 older, of a qualified low-income senior housing facility by the lessor  
33 or operator of the facility. The sale of a meal that is billed to both  
34 spouses of a marital community or both domestic partners of a domestic  
35 partnership meets the age requirement in this subsection (3)(c) if at  
36 least one of the spouses or domestic partners is at least sixty-two  
37 years of age. For purposes of this subsection, "qualified low-income  
38 senior housing facility" means a facility:

1 (i) That meets the definition of a qualified low-income housing  
2 project under 26 U.S.C. Sec. 42 of the federal internal revenue code,  
3 as existing on August 1, 2009;

4 (ii) That has been partially funded under 42 U.S.C. Sec. 1485; and

5 (iii) For which the lessor or operator has at any time been  
6 entitled to claim a federal income tax credit under 26 U.S.C. Sec. 42  
7 of the federal internal revenue code.

8 (4)(a) Subsection (1) of this section notwithstanding, the retail  
9 sale of food and food ingredients is subject to sales tax under RCW  
10 82.08.020 if the food and food ingredients are sold through a vending  
11 machine. Except as provided in (b) of this subsection, the selling  
12 price of food and food ingredients sold through a vending machine for  
13 purposes of RCW 82.08.020 is fifty-seven percent of the gross receipts.

14 (b) For soft drinks and hot prepared food and food ingredients,  
15 other than food and food ingredients which are heated after they have  
16 been dispensed from the vending machine, the selling price is the total  
17 gross receipts of such sales divided by the sum of one plus the sales  
18 tax rate expressed as a decimal.

19 (c) For tax collected under this subsection (4), the requirements  
20 that the tax be collected from the buyer and that the amount of tax be  
21 stated as a separate item are waived.

22 **Sec. 24.** RCW 82.08.820 and 2011 c 174 s 206 are each amended to  
23 read as follows:

24 (1) Wholesalers or third-party warehouseers who own or operate  
25 warehouses or grain elevators and retailers who own or operate  
26 distribution centers, and who have paid the tax levied by RCW 82.08.020  
27 on:

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

31 (b) Construction of a warehouse or grain elevator, including  
32 materials, and including service and labor costs,  
33 are eligible for an exemption in the form of a remittance. The amount  
34 of the remittance is computed under subsection (3) of this section and  
35 is based on the state share of sales tax.

36 (2) For purposes of this section and RCW 82.12.820:

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

1 (b) "Construction" means the actual construction of a warehouse or  
2 grain elevator that did not exist before the construction began.  
3 "Construction" includes expansion if the expansion adds at least two  
4 hundred thousand square feet of additional space to an existing  
5 warehouse or additional storage capacity of at least one million  
6 bushels to an existing grain elevator. "Construction" does not include  
7 renovation, remodeling, or repair;

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

9 (d) "Distribution center" means a warehouse that is used  
10 exclusively by a retailer solely for the storage and distribution of  
11 finished goods to retail outlets of the retailer. "Distribution  
12 center" does not include a warehouse at which retail sales occur;

13 (e) "Finished goods" means tangible personal property intended for  
14 sale by a retailer or wholesaler. "Finished goods" does not include:

15 (i) Agricultural products stored by wholesalers, third-party  
16 warehouses, or retailers if the storage takes place on the land of the  
17 person who produced the agricultural product ((".—"Finished goods" does  
18 not include));

19 (ii) Logs, minerals, petroleum, gas, or other extracted products  
20 stored as raw materials or in bulk; or

21 (iii) Marijuana, useable marijuana, or marijuana-infused products;

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

24 (g) "Material-handling equipment and racking equipment" means  
25 equipment in a warehouse or grain elevator that is primarily used to  
26 handle, store, organize, convey, package, or repackage finished goods.  
27 The term includes tangible personal property with a useful life of one  
28 year or more that becomes an ingredient or component of the equipment,  
29 including repair and replacement parts. The term does not include  
30 equipment in offices, lunchrooms, restrooms, and other like space,  
31 within a warehouse or grain elevator, or equipment used for  
32 nonwarehousing purposes. "Material-handling equipment" includes but is  
33 not limited to: Conveyers, carousels, lifts, positioners, pick-up-and-  
34 place units, cranes, hoists, mechanical arms, and robots; mechanized  
35 systems, including containers that are an integral part of the system,  
36 whose purpose is to lift or move tangible personal property; and  
37 automated handling, storage, and retrieval systems, including computers  
38 that control them, whose purpose is to lift or move tangible personal

1 property; and forklifts and other off-the-road vehicles that are used  
2 to lift or move tangible personal property and that cannot be operated  
3 legally on roads and streets. "Racking equipment" includes, but is not  
4 limited to, conveying systems, chutes, shelves, racks, bins, drawers,  
5 pallets, and other containers and storage devices that form a necessary  
6 part of the storage system;

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

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

10 (j) "Square footage" means the product of the two horizontal  
11 dimensions of each floor of a specific warehouse. The entire footprint  
12 of the warehouse (~~shall~~) must be measured in calculating the square  
13 footage, including space that juts out from the building profile such  
14 as loading docks. "Square footage" does not mean the aggregate of the  
15 square footage of more than one warehouse at a location or the  
16 aggregate of the square footage of warehouses at more than one  
17 location;

18 (k) "Third-party warehouser" means a person taxable under RCW  
19 82.04.280(1)(d);

20 (l) "Warehouse" means an enclosed building or structure in which  
21 finished goods are stored. A warehouse building or structure may have  
22 more than one storage room and more than one floor. Office space,  
23 lunchrooms, restrooms, and other space within the warehouse and  
24 necessary for the operation of the warehouse are considered part of the  
25 warehouse as are loading docks and other such space attached to the  
26 building and used for handling of finished goods. Landscaping and  
27 parking lots are not considered part of the warehouse. A storage yard  
28 is not a warehouse, nor is a building in which manufacturing takes  
29 place; and

30 (m) "Wholesaler" means a person who makes "sales at wholesale" as  
31 defined in chapter 82.04 RCW of tangible personal property, but  
32 "wholesaler" does not include a person who makes sales exempt under RCW  
33 82.04.330.

34 (3)(a) A person claiming an exemption from state tax in the form of  
35 a remittance under this section must pay the tax imposed by RCW  
36 82.08.020. The buyer may then apply to the department for remittance  
37 of all or part of the tax paid under RCW 82.08.020. For grain  
38 elevators with bushel capacity of one million but less than two

1 million, the remittance is equal to fifty percent of the amount of tax  
2 paid. For warehouses with square footage of two hundred thousand or  
3 more and for grain elevators with bushel capacity of two million or  
4 more, the remittance is equal to one hundred percent of the amount of  
5 tax paid for qualifying construction, materials, service, and labor,  
6 and fifty percent of the amount of tax paid for qualifying material-  
7 handling equipment and racking equipment, and labor and services  
8 rendered in respect to installing, repairing, cleaning, altering, or  
9 improving the equipment.

10 (b) The department (~~shall~~) must determine eligibility under this  
11 section based on information provided by the buyer and through audit  
12 and other administrative records. The buyer (~~shall~~) must on a  
13 quarterly basis submit an information sheet, in a form and manner as  
14 required by the department by rule, specifying the amount of exempted  
15 tax claimed and the qualifying purchases or acquisitions for which the  
16 exemption is claimed. The buyer (~~shall~~) must retain, in adequate  
17 detail to enable the department to determine whether the equipment or  
18 construction meets the criteria under this section: Invoices; proof of  
19 tax paid; documents describing the material-handling equipment and  
20 racking equipment; location and size of warehouses and grain elevators;  
21 and construction invoices and documents.

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

25 (4) Warehouses, grain elevators, and material-handling equipment  
26 and racking equipment for which an exemption, credit, or deferral has  
27 been or is being received under chapter 82.60, 82.62, or 82.63 RCW or  
28 RCW 82.08.02565 or 82.12.02565 are not eligible for any remittance  
29 under this section. Warehouses and grain elevators upon which  
30 construction was initiated before May 20, 1997, are not eligible for a  
31 remittance under this section.

32 (5) The lessor or owner of a warehouse or grain elevator is not  
33 eligible for a remittance under this section unless the underlying  
34 ownership of the warehouse or grain elevator and the material-handling  
35 equipment and racking equipment vests exclusively in the same person,  
36 or unless the lessor by written contract agrees to pass the economic  
37 benefit of the remittance to the lessee in the form of reduced rent  
38 payments.



1       **Sec. 25.** RCW 82.14.430 and 2011 c 171 s 123 are each amended to  
2 read as follows:

3       (1) If approved by the majority of the voters within its boundaries  
4 voting on the ballot proposition, a regional transportation investment  
5 district may impose a sales and use tax of up to 0.1 percent of the  
6 selling price or value of the article used in the case of a use tax.  
7 The tax authorized by this section is in addition to the tax authorized  
8 by RCW 82.14.030 and must be collected from those persons who are  
9 taxable by the state under chapters 82.08 and 82.12 RCW upon the  
10 occurrence of any taxable event within the taxing district. Motor  
11 vehicles are exempt from the sales and use tax imposed under this  
12 subsection.

13       (2) If approved by the majority of the voters within its boundaries  
14 voting on the ballot proposition, a regional transportation investment  
15 district may impose a tax on the use of a motor vehicle within a  
16 regional transportation investment district. The tax applies to those  
17 persons who reside within the regional transportation investment  
18 district. The rate of the tax may not exceed 0.1 percent of the value  
19 of the motor vehicle. The tax authorized by this subsection is in  
20 addition to the tax authorized under RCW 82.14.030 and must be imposed  
21 and collected at the time a taxable event under RCW 82.08.020(1) or  
22 82.12.020 takes place. All revenue received under this subsection must  
23 be deposited in the local sales and use tax account and distributed to  
24 the regional transportation investment district according to RCW  
25 82.14.050. The following provisions apply to the use tax in this  
26 subsection:

27       (a) Where persons are taxable under chapter 82.08 RCW, the seller  
28 (~~shall~~) must collect the use tax from the buyer using the collection  
29 provisions of RCW 82.08.050.

30       (b) Where persons are taxable under chapter 82.12 RCW, the use tax  
31 must be collected using the provisions of RCW 82.12.045.

32       (c) "Motor vehicle" has the meaning provided in RCW 46.04.320, but  
33 does not include:

34       (i) Farm tractors or farm vehicles as defined in RCW 46.04.180 and  
35 46.04.181, unless the farm tractor or farm vehicle is for use in the  
36 production of marijuana;

37       (ii) Off-road vehicles as defined in RCW 46.04.365((~~τ~~));

38       (iii) Nonhighway vehicles as defined in RCW 46.09.310((~~τ~~)); and

1       (iv) Snowmobiles as defined in RCW 46.04.546.

2       (d) "Person" has the meaning given in RCW 82.04.030.

3       (e) The value of a motor vehicle must be determined under RCW  
4 82.12.010.

5       (f) Except as specifically stated in this subsection (2), chapters  
6 82.12 and 82.32 RCW apply to the use tax. The use tax is a local tax  
7 imposed under the authority of chapter 82.14 RCW, and chapter 82.14 RCW  
8 applies fully to the use tax.

9       (3) In addition to fulfilling the notice requirements under RCW  
10 82.14.055(1), and unless waived by the department, a regional  
11 transportation investment district (~~shall~~) must provide the  
12 department of revenue with digital mapping and legal descriptions of  
13 areas in which the tax will be collected.

14       **Sec. 26.** RCW 82.16.050 and 2007 c 330 s 1 are each amended to read  
15 as follows:

16       In computing tax there may be deducted from the gross income the  
17 following items:

18       (1) Amounts derived by municipally owned or operated public service  
19 businesses, directly from taxes levied for the support or maintenance  
20 thereof. This subsection may not be construed to exempt service  
21 charges which are spread on the property tax rolls and collected as  
22 taxes;

23       (2) Amounts derived from the sale of commodities to persons in the  
24 same public service business as the seller, for resale as such within  
25 this state. This deduction is allowed only with respect to water  
26 distribution, gas distribution or other public service businesses which  
27 furnish water, gas or any other commodity in the performance of public  
28 service businesses;

29       (3) Amounts actually paid by a taxpayer to another person taxable  
30 under this chapter as the latter's portion of the consideration due for  
31 services furnished jointly by both, if the total amount has been  
32 credited to and appears in the gross income reported for tax by the  
33 former;

34       (4) The amount of cash discount actually taken by the purchaser or  
35 customer;

36       (5) The amount of bad debts, as that term is used in 26 U.S.C. Sec.

1 166, as amended or renumbered as of January 1, 2003, on which tax was  
2 previously paid under this chapter;

3 (6) Amounts derived from business which the state is prohibited  
4 from taxing under the Constitution of this state or the Constitution or  
5 laws of the United States;

6 (7) Amounts derived from the distribution of water through an  
7 irrigation system, for irrigation purposes other than the irrigation of  
8 marijuana as defined under RCW 69.50.101;

9 (8) Amounts derived from the transportation of commodities from  
10 points of origin in this state to final destination outside this state,  
11 or from points of origin outside this state to final destination in  
12 this state, with respect to which the carrier grants to the shipper the  
13 privilege of stopping the shipment in transit at some point in this  
14 state for the purpose of storing, manufacturing, milling, or other  
15 processing, and thereafter forwards the same commodity, or its  
16 equivalent, in the same or converted form, under a through freight rate  
17 from point of origin to final destination;

18 (9) Amounts derived from the transportation of commodities from  
19 points of origin in the state to an export elevator, wharf, dock or  
20 ship side on tidewater or its navigable tributaries to be forwarded,  
21 without intervening transportation, by vessel, in their original form,  
22 to interstate or foreign destinations. No deduction is allowed under  
23 this subsection when the point of origin and the point of delivery to  
24 the export elevator, wharf, dock, or ship side are located within the  
25 corporate limits of the same city or town;

26 (10) Amounts derived from the transportation of agricultural  
27 commodities, not including manufactured substances or articles, from  
28 points of origin in the state to interim storage facilities in this  
29 state for transshipment, without intervening transportation, to an  
30 export elevator, wharf, dock, or ship side on tidewater or its  
31 navigable tributaries to be forwarded, without intervening  
32 transportation, by vessel, in their original form, to interstate or  
33 foreign destinations. If agricultural commodities are transshipped  
34 from interim storage facilities in this state to storage facilities at  
35 a port on tidewater or its navigable tributaries, the same agricultural  
36 commodity dealer must operate both the interim storage facilities and  
37 the storage facilities at the port.

1 (a) The deduction under this subsection is available only when the  
2 person claiming the deduction obtains a certificate from the  
3 agricultural commodity dealer operating the interim storage facilities,  
4 in a form and manner prescribed by the department, certifying that:

5 (i) More than ninety-six percent of all of the type of agricultural  
6 commodity delivered by the person claiming the deduction under this  
7 subsection and delivered by all other persons to the dealer's interim  
8 storage facilities during the preceding calendar year was shipped by  
9 vessel in original form to interstate or foreign destinations; and

10 (ii) Any of the agricultural commodity that is transshipped to  
11 ports on tidewater or its navigable tributaries will be received at  
12 storage facilities operated by the same agricultural commodity dealer  
13 and will be shipped from such facilities, without intervening  
14 transportation, by vessel, in their original form, to interstate or  
15 foreign destinations.

16 (b) As used in this subsection, "agricultural commodity" has the  
17 same meaning as agricultural product in RCW 82.04.213;

18 (11) Amounts derived from the production, sale, or transfer of  
19 electrical energy for resale within or outside the state or for  
20 consumption outside the state;

21 (12) Amounts derived from the distribution of water by a nonprofit  
22 water association and used for capital improvements by that nonprofit  
23 water association;

24 (13) Amounts paid by a sewerage collection business taxable under  
25 RCW 82.16.020(1)(a) to a person taxable under chapter 82.04 RCW for the  
26 treatment or disposal of sewage;

27 (14) Amounts derived from fees or charges imposed on persons for  
28 transit services provided by a public transportation agency. For the  
29 purposes of this subsection, "public transportation agency" means a  
30 municipality, as defined in RCW 35.58.272, and urban public  
31 transportation systems, as defined in RCW 47.04.082. Public  
32 transportation agencies (~~shall~~) must spend an amount equal to the  
33 reduction in tax provided by this tax deduction solely to adjust routes  
34 to improve access for citizens using food banks and senior citizen  
35 services or to extend or add new routes to assist low-income citizens  
36 and seniors.

1           **Sec. 27.** RCW 82.29A.020 and 2012 2nd sp.s. c 6 s 501 are each  
2 amended to read as follows:

3           The definitions in this section apply throughout this chapter  
4 unless the context requires otherwise.

5           (1) "Leasehold interest" means an interest in publicly owned real  
6 or personal property which exists by virtue of any lease, permit,  
7 license, or any other agreement, written or verbal, between the public  
8 owner of the property and a person who would not be exempt from  
9 property taxes if that person owned the property in fee, granting  
10 possession and use, to a degree less than fee simple ownership.  
11 However, no interest in personal property (excluding land or buildings)  
12 which is owned by the United States, whether or not as trustee, or by  
13 any foreign government may constitute a leasehold interest hereunder  
14 when the right to use such property is granted pursuant to a contract  
15 solely for the manufacture or production of articles for sale to the  
16 United States or any foreign government. The term "leasehold interest"  
17 includes the rights of use or occupancy by others of property which is  
18 owned in fee or held in trust by a public corporation, commission, or  
19 authority created under RCW 35.21.730 or 35.21.660 if the property is  
20 listed on or is within a district listed on any federal or state  
21 register of historical sites. The term "leasehold interest" does not  
22 include road or utility easements, rights of access, occupancy, or use  
23 granted solely for the purpose of removing materials or products  
24 purchased from a public owner or the lessee of a public owner, or  
25 rights of access, occupancy, or use granted solely for the purpose of  
26 natural energy resource exploration. "Leasehold interest" does not  
27 include the preferential use of publicly owned cargo cranes and docks  
28 and associated areas used in the loading and discharging of cargo  
29 located at a port district marine facility. "Preferential use" means  
30 that publicly owned real or personal property is used by a private  
31 party under a written agreement with the public owner, but the public  
32 owner or any third party maintains a right to use the property when not  
33 being used by the private party.

34           (2)(a) "Taxable rent" means contract rent as defined in (c) of this  
35 subsection in all cases where the lease or agreement has been  
36 established or renegotiated through competitive bidding, or negotiated  
37 or renegotiated in accordance with statutory requirements regarding the  
38 rent payable, or negotiated or renegotiated under circumstances,

1 established by public record, clearly showing that the contract rent  
2 was the maximum attainable by the lessor. However, after January 1,  
3 1986, with respect to any lease which has been in effect for ten years  
4 or more without renegotiation, taxable rent may be established by  
5 procedures set forth in (g) of this subsection. All other leasehold  
6 interests are subject to the determination of taxable rent under the  
7 terms of (g) of this subsection.

8 (b) For purposes of determining leasehold excise tax on any lands  
9 on the Hanford reservation subleased to a private or public entity by  
10 the department of ecology, taxable rent includes only the annual cash  
11 rental payment made by such entity to the department of ecology as  
12 specifically referred to as rent in the sublease agreement between the  
13 parties and does not include any other fees, assessments, or charges  
14 imposed on or collected by such entity irrespective of whether the  
15 private or public entity pays or collects such other fees, assessments,  
16 or charges as specified in the sublease agreement.

17 (c) "Contract rent" means the amount of consideration due as  
18 payment for a leasehold interest, including: The total of cash  
19 payments made to the lessor or to another party for the benefit of the  
20 lessor according to the requirements of the lease or agreement,  
21 including any rents paid by a sublessee; expenditures for the  
22 protection of the lessor's interest when required by the terms of the  
23 lease or agreement; and expenditures for improvements to the property  
24 to the extent that such improvements become the property of the lessor.  
25 Where the consideration conveyed for the leasehold interest is made in  
26 combination with payment for concession or other rights granted by the  
27 lessor, only that portion of such payment which represents  
28 consideration for the leasehold interest is part of contract rent.

29 (d) "Contract rent" does not include: (i) Expenditures made by the  
30 lessee, which under the terms of the lease or agreement, are to be  
31 reimbursed by the lessor to the lessee or expenditures for improvements  
32 and protection made pursuant to a lease or an agreement which requires  
33 that the use of the improved property be open to the general public and  
34 that no profit will inure to the lessee from the lease; (ii)  
35 expenditures made by the lessee for the replacement or repair of  
36 facilities due to fire or other casualty including payments for  
37 insurance to provide reimbursement for losses or payments to a public  
38 or private entity for protection of such property from damage or loss

1 or for alterations or additions made necessary by an action of  
2 government taken after the date of the execution of the lease or  
3 agreement; (iii) improvements added to publicly owned property by a  
4 sublessee under an agreement executed prior to January 1, 1976, which  
5 have been taxed as personal property of the sublessee prior to January  
6 1, 1976, or improvements made by a sublessee of the same lessee under  
7 a similar agreement executed prior to January 1, 1976, and such  
8 improvements are taxable to the sublessee as personal property; (iv)  
9 improvements added to publicly owned property if such improvements are  
10 being taxed as personal property to any person.

11 (e) Any prepaid contract rent is considered to have been paid in  
12 the year due and not in the year actually paid with respect to  
13 prepayment for a period of more than one year. Expenditures for  
14 improvements with a useful life of more than one year which are  
15 included as part of contract rent must be treated as prepaid contract  
16 rent and prorated over the useful life of the improvement or the  
17 remaining term of the lease or agreement if the useful life is in  
18 excess of the remaining term of the lease or agreement. Rent prepaid  
19 prior to January 1, 1976, must be prorated from the date of prepayment.

20 (f) With respect to a "product lease", the value is that value  
21 determined at the time of sale under terms of the lease.

22 (g) If it is determined by the department of revenue, upon  
23 examination of a lessee's accounts or those of a lessor of publicly  
24 owned property, that a lessee is occupying or using publicly owned  
25 property in such a manner as to create a leasehold interest and that  
26 such leasehold interest has not been established through competitive  
27 bidding, or negotiated in accordance with statutory requirements  
28 regarding the rent payable, or negotiated under circumstances,  
29 established by public record, clearly showing that the contract rent  
30 was the maximum attainable by the lessor, the department may establish  
31 a taxable rent computation for use in determining the tax payable under  
32 authority granted in this chapter based upon the following criteria:

33 (i) Consideration must be given to rental being paid to other lessors  
34 by lessees of similar property for similar purposes over similar  
35 periods of time; (ii) consideration must be given to what would be  
36 considered a fair rate of return on the market value of the property  
37 leased less reasonable deductions for any restrictions on use, special

1 operating requirements or provisions for concurrent use by the lessor,  
2 another person or the general public.

3 (3) "Product lease" as used in this chapter means a lease of  
4 property for use in the production of agricultural or marine products,  
5 not including the production of marijuana as defined in RCW 69.50.101,  
6 to the extent that such lease provides for the contract rent to be paid  
7 by the delivery of a stated percentage of the production of such  
8 agricultural or marine products to the credit of the lessor or the  
9 payment to the lessor of a stated percentage of the proceeds from the  
10 sale of such products.

11 (4) "Renegotiated" means a change in the lease agreement which  
12 changes the agreed time of possession, restrictions on use, the rate of  
13 the cash rental or of any other consideration payable by the lessee to  
14 or for the benefit of the lessor, other than any such change required  
15 by the terms of the lease or agreement. In addition "renegotiated"  
16 means a continuation of possession by the lessee beyond the date when,  
17 under the terms of the lease agreement, the lessee had the right to  
18 vacate the premises without any further liability to the lessor.

19 (5) "City" means any city or town.

20 (6) "Products" includes natural resource products such as cut or  
21 picked evergreen foliage, Cascara bark, wild edible mushrooms, native  
22 ornamental trees and shrubs, ore and minerals, natural gas, geothermal  
23 water and steam, and forage removed through the grazing of livestock.

24 NEW SECTION. **Sec. 28.** A new section is added to chapter 84.34 RCW  
25 to read as follows:

26 The provisions of this chapter do not apply with respect to land  
27 used in the growing, raising, or producing of marijuana, useable  
28 marijuana, or marijuana-infused products as those terms are defined  
29 under RCW 69.50.101.

30 **Sec. 29.** RCW 84.36.630 and 2003 c 302 s 7 are each amended to read  
31 as follows:

32 (1) All machinery and equipment owned by a farmer that is personal  
33 property is exempt from property taxes levied for any state purpose if  
34 it is used exclusively in growing and producing agricultural products  
35 during the calendar year for which the claim for exemption is made.



1 (2) "Farmer" (~~has~~) and "agricultural product" have the same  
2 meaning as defined in RCW 82.04.213.

3 (3) A claim for exemption under this section (~~shall~~) must be  
4 filed with the county assessor together with the statement required  
5 under RCW 84.40.190, for exemption from taxes payable the following  
6 year. The claim (~~shall~~) must be made solely upon forms as prescribed  
7 and furnished by the department of revenue.

8 **Sec. 30.** RCW 84.40.030 and 2007 c 301 s 2 are each amended to read  
9 as follows:

10 (1) All property (~~shall~~) must be valued at one hundred percent of  
11 its true and fair value in money and assessed on the same basis unless  
12 specifically provided otherwise by law.

13 (2) Taxable leasehold estates (~~shall~~) must be valued at such  
14 price as they would bring at a fair, voluntary sale for cash without  
15 any deductions for any indebtedness owed including rentals to be paid.

16 (3) The true and fair value of real property for taxation purposes  
17 (including property upon which there is a coal or other mine, or stone  
18 or other quarry) (~~shall~~) must be based upon the following criteria:

19 (~~(1)~~) (a) Any sales of the property being appraised or similar  
20 properties with respect to sales made within the past five years. The  
21 appraisal (~~shall~~) must be consistent with the comprehensive land use  
22 plan, development regulations under chapter 36.70A RCW, zoning, and any  
23 other governmental policies or practices in effect at the time of  
24 appraisal that affect the use of property, as well as physical and  
25 environmental influences. An assessment may not be determined by a  
26 method that assumes a land usage or highest and best use not permitted,  
27 for that property being appraised, under existing zoning or land use  
28 planning ordinances or statutes or other government restrictions. The  
29 appraisal (~~shall~~) must also take into account: (~~(a)~~) (i) In the  
30 use of sales by real estate contract as similar sales, the extent, if  
31 any, to which the stated selling price has been increased by reason of  
32 the down payment, interest rate, or other financing terms; and (~~(b)~~)  
33 (ii) the extent to which the sale of a similar property actually  
34 represents the general effective market demand for property of such  
35 type, in the geographical area in which such property is located.  
36 Sales involving deed releases or similar seller-developer financing  
37 arrangements (~~shall~~) may not be used as sales of similar property.

1       (~~(2)~~) (b) In addition to sales as defined in subsection (~~(1)~~)  
2 (3)(a) of this section, consideration may be given to cost, cost less  
3 depreciation, reconstruction cost less depreciation, or capitalization  
4 of income that would be derived from prudent use of the property, as  
5 limited by law or ordinance. Consideration should be given to any  
6 agreement, between an owner of rental housing and any government  
7 agency, that restricts rental income, appreciation, and liquidity; and  
8 to the impact of government restrictions on operating expenses and on  
9 ownership rights in general of such housing. In the case of property  
10 of a complex nature, or being used under terms of a franchise from a  
11 public agency, or operating as a public utility, or property not having  
12 a record of sale within five years and not having a significant number  
13 of sales of similar property in the general area, the provisions of  
14 this subsection (~~shall~~) must be the dominant factors in valuation.  
15 When provisions of this subsection are relied upon for establishing  
16 values the property owner (~~shall~~) must be advised upon request of the  
17 factors used in arriving at such value.

18       (~~(3)~~) (c) In valuing any tract or parcel of real property, the  
19 true and fair value of the land, exclusive of structures thereon  
20 (~~shall~~) must be determined; also the true and fair value of  
21 structures thereon, but the valuation (~~shall~~) may not exceed the true  
22 and fair value of the total property as it exists. In valuing  
23 agricultural land, growing crops (~~shall~~) must be excluded. For  
24 purposes of this subsection (3)(c), "growing crops" does not include  
25 marijuana as defined under RCW 69.50.101.

26       **Sec. 31.** RCW 82.02.010 and 2011 c 298 s 37 are each amended to  
27 read as follows:

28       For the purpose of this title, unless the context clearly requires  
29 otherwise:

30       (1) "Department" means the department of revenue of the state of  
31 Washington;

32       (2) "Director" means the director of the department of revenue of  
33 the state of Washington;

34       (3) "Marijuana," "marijuana-infused products," and "useable  
35 marijuana" have the same meanings as provided in RCW 69.50.101;

36       (4) "Taxpayer" includes any individual, group of individuals,  
37 corporation, or association liable for any tax or the collection of any

1 tax hereunder, or who engages in any business or performs any act for  
2 which a tax is imposed by this title. "Taxpayer" also includes any  
3 person liable for any fee or other charge collected by the department  
4 under any provision of law, including registration assessments and  
5 delinquency fees imposed under RCW 59.30.050; and

6 ~~((+4))~~ (5) Words in the singular number include the plural and the  
7 plural include the singular. Words in one gender include all other  
8 genders.

9 NEW SECTION. **Sec. 32.** Section 4 of this act expires July 1, 2015.

10 NEW SECTION. **Sec. 33.** Section 5 of this act takes effect July 1,  
11 2015.

12 NEW SECTION. **Sec. 34.** Section 6 of this act expires July 1, 2015,  
13 subject to the contingency stated in section 2, chapter . . . (ESSB  
14 5952), Laws of 2013 3rd sp. sess.

15 NEW SECTION. **Sec. 35.** Section 7 of this act takes effect July 1,  
16 2015, subject to the contingency stated in section 2, chapter . . .  
17 (ESSB 5952), Laws of 2013 3rd sp. sess.

18 NEW SECTION. **Sec. 36.** Section 11 of this act expires December 31,  
19 2020.

20 NEW SECTION. **Sec. 37.** Except as provided otherwise in this act,  
21 this act expires July 1, 2024.

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