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**BILL REQUEST - CODE REVISER'S OFFICE**

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BILL REQ. #: S-2310.3/25 3rd draft

ATTY/TYPIST: CL:jcm

BRIEF DESCRIPTION: Adopting recommendations from the tax preference performance review process, eliminating obsolete tax preferences, clarifying legislative intent, and addressing changes in constitutional law.

1 AN ACT Relating to improving the administration of tax  
2 preferences by adopting recommendations from the tax preference  
3 performance review process, eliminating obsolete tax preferences,  
4 clarifying legislative intent, and addressing changes in  
5 constitutional law; amending RCW 82.16.050, 82.04.260, 82.04.290,  
6 48.14.0201, 82.04.110, 82.04.120, 82.04.43395, 82.12.022, 82.12.022,  
7 82.21.040, 82.23A.030, 82.29A.130, 82.29A.130, 82.45.010, 82.45.010,  
8 82.45.030, 82.64.030, 84.36.010, 84.36.030, 82.04.29004, 82.04.4451,  
9 82.04.540, 82.04.620, 82.04.051, 82.04.257, 82.04.29001, 82.04.29002,  
10 82.04.297, 82.04.360, 82.04.43396, 82.04.280, 82.48.030, 82.62.030,  
11 82.85.010, 82.85.020, 82.85.040, 82.04.43391, 82.08.0262, 82.12.0254,  
12 82.04.627, and 82.16.020; reenacting and amending RCW 82.04.260,  
13 82.04.050, and 82.04.299; creating new sections; repealing RCW  
14 82.04.4496, 82.16.0496, 82.08.9999, 82.12.9999, 82.08.809, 82.12.809,  
15 82.04.062, 82.16.0497, 82.04.44525, 82.08.02566, 82.12.02566,  
16 82.04.272, 82.04.315, 82.04.4292, 82.04.293, 82.04.29005, 82.16.046,  
17 82.29A.132, 82.45.190, 82.08.02568, 82.12.02568, 82.04.4482,  
18 82.16.0498, 82.12.0265, 36.100.090, 82.12.024, 82.04.545, 82.16.315,  
19 82.16.0495, 36.102.070, 82.08.02569, 82.12.02569, 82.04.421,  
20 82.04.4331, 82.04.4295, 82.04.447, 82.04.4332, 82.29A.137, and  
21 82.04.434; providing effective dates; providing a contingent  
22 effective date; providing expiration dates; and providing a  
23 contingent expiration date.

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

2 NEW SECTION. **Sec. 1.** (1) The legislature finds that, according  
3 to the most recent tax exemption study published by the department of  
4 revenue, there are currently 786 tax exemptions for the major state  
5 and local tax sources in Washington. The exemptions result in nearly  
6 \$200,000,000,000 of taxpayer savings for the current biennium. The  
7 legislature acknowledges that certain tax preferences, such as the  
8 sales and use tax exemption for food and the working families tax  
9 credit, are intended to rebalance Washington's tax code for working  
10 people. However, the legislature further acknowledges that many  
11 existing tax preferences are the result of private interests securing  
12 preferential tax treatment.

13 (2) For that reason, the legislature enacted robust tax  
14 preference performance measures to create greater tax preference  
15 transparency and accountability and provide a framework for  
16 legislators to make informed decisions on the most efficient use of  
17 taxpayer dollars. To ensure tax exemptions meet certain public policy  
18 objectives, the joint legislative audit and review committee, a  
19 nonpartisan legislative agency, routinely evaluates tax preferences  
20 based on specific criteria provided in law and reports that  
21 information to the legislature each year. The reports provide  
22 accurate, comprehensive, unbiased data that policymakers may use to  
23 determine if a tax preference should be continued, modified, or  
24 repealed. Additionally, the citizen commission for performance  
25 measurement of tax preferences is responsible for selecting which tax  
26 preferences are reviewed each year and provides comment on the  
27 legislative auditor's reports. Both entities provide recommendations  
28 to the legislature on the effectiveness of a tax preference in  
29 meeting certain performance measures.

30 (3) Furthermore, the department of revenue assists in the tax  
31 preference evaluation process by collecting data from taxpayer  
32 beneficiaries and regularly reviewing changes in state and federal  
33 law. The analysis by the department and legislative auditor often  
34 reveals that a tax exemption is legally obsolete, meaning the  
35 specific legal conditions that existed when the exemption was enacted  
36 have since changed and the original legislative intent is no longer  
37 applicable. Additionally, some tax exemptions are simply not used and

1 should be removed from the tax code to create better clarity for  
2 taxpayers.

3 (4) The legislature recognizes that more progress is needed for  
4 the state to have a fair and balanced tax system that provides  
5 sustainable and ample funding for public schools, health care, and  
6 other programs that protect the safety and well-being of the public,  
7 as well as social services that provide critical, basic-needs  
8 assistance for our state's most vulnerable residents. The legislature  
9 further recognizes that the tax preference performance review process  
10 provides an opportunity for policymakers to evaluate the tax code to  
11 ensure the state is not losing essential revenue due to inefficient  
12 or no longer applicable tax exemptions.

13 (5) Thus, the legislature intends to enact recommendations from  
14 the joint legislative audit and review committee, the citizen  
15 commission for performance measurement of tax preferences, and the  
16 department of revenue, including eliminating several obsolete tax  
17 preferences, clarifying legislative intent to better inform future  
18 tax preference performance reviews, adding expiration dates, and  
19 other actions aimed at creating a fair and balanced tax system.

20 **PART I**  
21 **ELIMINATING OBSOLETE TAX PREFERENCES**

22 **Sec. 101.** RCW 82.16.050 and 2022 c 16 s 162 are each amended to  
23 read as follows:

24 In computing tax there may be deducted from the gross income the  
25 following items:

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

31 (2) Amounts derived from the sale of commodities to persons in  
32 the same public service business as the seller, for resale as such  
33 within this state. This deduction is allowed only with respect to  
34 water distribution, gas distribution or other public service  
35 businesses which furnish water, gas or any other commodity in the  
36 performance of public service businesses;

37 (3) Amounts actually paid by a taxpayer to another person taxable  
38 under this chapter as the latter's portion of the consideration due

1 for services furnished jointly by both, if the total amount has been  
2 credited to and appears in the gross income reported for tax by the  
3 former;

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

6 (5) The amount of bad debts, as that term is used in 26 U.S.C.  
7 Sec. 166, as amended or renumbered as of January 1, 2003, on which  
8 tax was previously paid under this chapter;

9 (6) Amounts derived from business which the state is prohibited  
10 from taxing under the Constitution of this state or the Constitution  
11 or laws of the United States;

12 (7) Amounts derived from the distribution of water through an  
13 irrigation system, for irrigation purposes other than the irrigation  
14 of cannabis as defined ((under)) in RCW 69.50.101;

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

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

32 ~~(10) Amounts derived from the transportation of agricultural  
33 commodities, not including manufactured substances or articles, from  
34 points of origin in the state to interim storage facilities in this  
35 state for transshipment, without intervening transportation, to an  
36 export elevator, wharf, dock, or ship side on tidewater or its  
37 navigable tributaries to be forwarded, without intervening  
38 transportation, by vessel, in their original form, to interstate or  
39 foreign destinations. If agricultural commodities are transshipped  
40 from interim storage facilities in this state to storage facilities~~

1 at a port on tidewater or its navigable tributaries, the same  
2 agricultural commodity dealer must operate both the interim storage  
3 facilities and the storage facilities at the port.

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

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

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

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

23 ~~((11))~~ (8) Amounts derived from the production, sale, or transfer  
24 of electrical energy for resale within or outside the state or for  
25 consumption outside the state;

26 ~~((12))~~ (9) Amounts derived from the distribution of water by a  
27 nonprofit water association and used for capital improvements by that  
28 nonprofit water association;

29 ~~((13))~~ (10) Amounts paid by a sewerage collection business  
30 taxable under RCW 82.16.020(1)(a) to a person taxable under chapter  
31 82.04 RCW for the treatment or disposal of sewage;

32 ~~((14))~~ (11) Amounts derived from fees or charges imposed on  
33 persons for transit services provided by a public transportation  
34 agency. For the purposes of this subsection, "public transportation  
35 agency" means a municipality, as defined in RCW 35.58.272, and urban  
36 public transportation systems, as defined in RCW 47.04.082. Public  
37 transportation agencies must spend an amount equal to the reduction  
38 in tax provided by this tax deduction solely to adjust routes to  
39 improve access for citizens using food banks and senior citizen

1 services or to extend or add new routes to assist low-income citizens  
2 and seniors.

3 **Sec. 102.** RCW 82.04.260 and 2023 c 422 s 5 and 2023 c 286 s 3  
4 are each reenacted and amended to read as follows:

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

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

13 (b) Beginning July 1, 2035, seafood products that remain in a  
14 raw, raw frozen, or raw salted state at the completion of the  
15 manufacturing by that person; or selling manufactured seafood  
16 products that remain in a raw, raw frozen, or raw salted state at the  
17 completion of the manufacturing, to purchasers who transport in the  
18 ordinary course of business the goods out of this state; as to such  
19 persons the amount of tax with respect to such business is equal to  
20 the value of the products manufactured or the gross proceeds derived  
21 from such sales, multiplied by the rate of 0.138 percent. Sellers  
22 must keep and preserve records for the period required by RCW  
23 82.32.070 establishing that the goods were transported by the  
24 purchaser in the ordinary course of business out of this state;

25 (c)(i) Except as provided otherwise in (c)(iii) of this  
26 subsection, beginning July 1, 2035, until January 1, 2046, dairy  
27 products; or selling dairy products that the person has manufactured  
28 to purchasers who either transport in the ordinary course of business  
29 the goods out of state or purchasers who use such dairy products as  
30 an ingredient or component in the manufacturing of a dairy product;  
31 as to such persons the tax imposed is equal to the value of the  
32 products manufactured or the gross proceeds derived from such sales  
33 multiplied by the rate of 0.138 percent. Sellers must keep and  
34 preserve records for the period required by RCW 82.32.070  
35 establishing that the goods were transported by the purchaser in the  
36 ordinary course of business out of this state or sold to a  
37 manufacturer for use as an ingredient or component in the  
38 manufacturing of a dairy product.

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

3 (A) Products, not including any cannabis-infused product, that as  
4 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts  
5 131, 133, and 135, including by-products from the manufacturing of  
6 the dairy products, such as whey and casein; and

7 (B) Products comprised of not less than 70 percent dairy products  
8 that qualify under (c)(ii)(A) of this subsection, measured by weight  
9 or volume.

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

15 (d)(i) Beginning July 1, 2035, fruits or vegetables by canning,  
16 preserving, freezing, processing, or dehydrating fresh fruits or  
17 vegetables, or selling at wholesale fruits or vegetables manufactured  
18 by the seller by canning, preserving, freezing, processing, or  
19 dehydrating fresh fruits or vegetables and sold to purchasers who  
20 transport in the ordinary course of business the goods out of this  
21 state; as to such persons the amount of tax with respect to such  
22 business is equal to the value of the products manufactured or the  
23 gross proceeds derived from such sales multiplied by the rate of  
24 0.138 percent. Sellers must keep and preserve records for the period  
25 required by RCW 82.32.070 establishing that the goods were  
26 transported by the purchaser in the ordinary course of business out  
27 of this state.

28 (ii) For purposes of this subsection (1)(d), "fruits" and  
29 "vegetables" do not include cannabis, useable cannabis, or cannabis-  
30 infused products; and

31 (e) Wood biomass fuel; as to such persons the amount of tax with  
32 respect to the business is equal to the value of wood biomass fuel  
33 manufactured, multiplied by the rate of 0.138 percent. For the  
34 purposes of this section, "wood biomass fuel" means a liquid or  
35 gaseous fuel that is produced from lignocellulosic feedstocks,  
36 including wood, forest, or field residue and dedicated energy crops,  
37 and that does not include wood treated with chemical preservations  
38 such as creosote, pentachlorophenol, or copper-chrome-arsenic.

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



1 of tax with respect to such business is equal to the value of the  
2 peas 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  
9 business of slaughtering, breaking and/or processing perishable meat  
10 products and/or selling the same at wholesale only and not at retail;  
11 as to such persons the tax imposed is equal to the gross proceeds  
12 derived from such sales multiplied by the rate of 0.138 percent.

13 ~~((5)(a))~~ (4) Upon every person engaging within this state in  
14 the business of acting as a travel agent or tour operator and whose  
15 annual taxable amount for the prior calendar year from such business  
16 was \$250,000 or less; as to such persons the amount of the tax with  
17 respect to such activities is equal to the gross income derived from  
18 such activities multiplied by the rate of 0.275 percent.

19 ~~((b) Upon every person engaging within this state in the  
20 business of acting as a travel agent or tour operator and whose  
21 annual taxable amount for the prior calendar year from such business  
22 was more than \$250,000; as to such persons the amount of the tax with  
23 respect to such activities is equal to the gross income derived from  
24 such activities multiplied by the rate of 0.275 percent through June  
25 30, 2019, and 0.9 percent beginning July 1, 2019.~~

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

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

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

22 ~~(8))~~ (5) (a) Upon every person engaging within this state in the  
23 business of disposing of low-level waste, as defined in RCW  
24 70A.380.010; as to such persons the amount of the tax with respect to  
25 such business is equal to the gross income of the business, excluding  
26 any fees imposed under chapter 70A.384 RCW, multiplied by the rate of  
27 3.3 percent.

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

32 ~~((9) Upon every person engaging within this state as an~~  
33 ~~insurance producer or title insurance agent licensed under chapter~~  
34 ~~48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW;~~  
35 ~~as to such persons, the amount of the tax with respect to such~~  
36 ~~licensed activities is equal to the gross income of such business~~  
37 ~~multiplied by the rate of 0.484 percent.~~

38 ~~(10))~~ (6) Upon every person engaging within this state in  
39 business as a hospital, as defined in chapter 70.41 RCW, that is  
40 operated as a nonprofit corporation or by the state or any of its

1 political subdivisions, as to such persons, the amount of tax with  
2 respect to such activities is equal to the gross income of the  
3 business multiplied by the rate of 0.75 percent through June 30,  
4 1995, and 1.5 percent thereafter.

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

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

16 (ii) 0.2904 percent beginning July 1, 2007, through March 31,  
17 2020; and

18 (iii) Beginning April 1, 2020, 0.484 percent, subject to any  
19 reduction required under (e) of this subsection ~~((11))~~ (7). The tax  
20 rate in this subsection ~~((11))~~ (7)(a)(iii) applies to all business  
21 activities described in this subsection ~~((11))~~ (7)(a).

22 (b) Beginning July 1, 2008, upon every person who is not eligible  
23 to report under the provisions of (a) of this subsection ~~((11))~~ (7)  
24 and is engaging within this state in the business of manufacturing  
25 tooling specifically designed for use in manufacturing commercial  
26 airplanes or components of such airplanes, or making sales, at retail  
27 or wholesale, of such tooling manufactured by the seller, as to such  
28 persons the amount of tax with respect to such business is, in the  
29 case of manufacturers, equal to the value of the product manufactured  
30 and the gross proceeds of sales of the product manufactured, or in  
31 the case of processors for hire, be equal to the gross income of the  
32 business, multiplied by the rate of:

33 (i) 0.2904 percent through March 31, 2020; and

34 (ii) Beginning April 1, 2020, the following rates, which are  
35 subject to any reduction required under (e) of this subsection  
36 ~~((11))~~ (7):

37 (A) The rate under RCW 82.04.250(1) on the business of making  
38 retail sales of tooling specifically designed for use in  
39 manufacturing commercial airplanes or components of such airplanes;  
40 and

1 (B) 0.484 percent on all other business activities described in  
2 this subsection (~~((11))~~) (7) (b).

3 (c) For the purposes of this subsection (~~((11))~~) (7), "commercial  
4 airplane" and "component" have the same meanings as provided in RCW  
5 82.32.550.

6 (d) (i) In addition to all other requirements under this title, a  
7 person reporting under the tax rate provided in this subsection  
8 (~~((11))~~) (7) must file a complete annual tax performance report with  
9 the department under RCW 82.32.534. However, this requirement does  
10 not apply to persons reporting under the tax rate in (a) (iii) of this  
11 subsection (~~((11))~~) (7), so long as that rate remains 0.484 percent,  
12 or under any of the tax rates in (b) (ii) (A) and (B) of this  
13 subsection (~~((11))~~) (7), so long as those tax rates remain the rate  
14 imposed pursuant to RCW 82.04.250 (1) and 0.484 percent, respectively.

15 (ii) Nothing in (d) (i) of this subsection (~~((11))~~) (7) may be  
16 construed as affecting the obligation of a person reporting under a  
17 tax rate provided in this subsection (~~((11))~~) (7) to file a complete  
18 annual tax performance report with the department under RCW  
19 82.32.534: (A) Pursuant to another provision of this title as a  
20 result of claiming a tax credit or exemption; or (B) pursuant to  
21 (d) (i) of this subsection (~~((11))~~) (7) as a result of claiming the  
22 tax rates in (a) (ii) or (b) (i) of this subsection (~~((11))~~) (7) for  
23 periods ending before April 1, 2020.

24 (e) (i) After March 31, 2021, the tax rates under (a) (iii) and  
25 (b) (ii) of this subsection (~~((11))~~) (7) must be reduced to 0.357  
26 percent provided the conditions in RCW 82.04.2602 are met. The  
27 effective date of the rates authorized under this subsection (~~((11))~~)  
28 (7) (e) must occur on the first day of the next calendar quarter that  
29 is at least 60 days after the department receives the last of the two  
30 written notices pursuant to RCW 82.04.2602 (3) and (4).

31 (ii) Both a significant commercial airplane manufacturer  
32 separately and the rest of the aerospace industry as a whole,  
33 receiving the rate of 0.357 percent under this subsection (~~((11))~~)  
34 (7) (e) are subject to the aerospace apprenticeship utilization rates  
35 required under RCW 49.04.220 by April 1, 2026, or five years after  
36 the effective date of the 0.357 percent rate authorized under this  
37 subsection (~~((11))~~) (7) (e), whichever is later, as determined by the  
38 department of labor and industries.

39 (iii) The provisions of RCW 82.32.805 and 82.32.808 do not apply  
40 to this subsection (~~((11))~~) (7) (e).

1 (f) (i) Except as provided in (f) (ii) of this subsection (~~((11))~~)  
2 (7), this subsection (~~((11))~~) (7) does not apply on and after July 1,  
3 2040.

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

18 (g) For the purposes of this subsection, "a significant  
19 commercial airplane manufacturer" means a manufacturer of commercial  
20 airplanes with at least 50,000 full-time employees in Washington as  
21 of January 1, 2021.

22 (~~((12))~~) (8) (a) Until July 1, 2045, upon every person engaging  
23 within this state in the business of extracting timber or extracting  
24 for hire timber; as to such persons the amount of tax with respect to  
25 the business is, in the case of extractors, equal to the value of  
26 products, including by-products, extracted, or in the case of  
27 extractors for hire, equal to the gross income of the business,  
28 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
29 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
30 2045.

31 (b) Until July 1, 2045, upon every person engaging within this  
32 state in the business of manufacturing or processing for hire: (i)  
33 Timber into timber products or wood products; (ii) timber products  
34 into other timber products or wood products; or (iii) products  
35 defined in RCW 19.27.570(1); as to such persons the amount of the tax  
36 with respect to the business is, in the case of manufacturers, equal  
37 to the value of products, including by-products, manufactured, or in  
38 the case of processors for hire, equal to the gross income of the  
39 business, multiplied by the rate of 0.4235 percent from July 1, 2006,

1 through June 30, 2007, and 0.2904 percent from July 1, 2007, through  
2 June 30, 2045.

3 (c) Until July 1, 2045, upon every person engaging within this  
4 state in the business of selling at wholesale: (i) Timber extracted  
5 by that person; (ii) timber products manufactured by that person from  
6 timber or other timber products; (iii) wood products manufactured by  
7 that person from timber or timber products; or (iv) products defined  
8 in RCW 19.27.570(1) manufactured by that person; as to such persons  
9 the amount of the tax with respect to the business is equal to the  
10 gross proceeds of sales of the timber, timber products, wood  
11 products, or products defined in RCW 19.27.570(1) multiplied by the  
12 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and  
13 0.2904 percent from July 1, 2007, through June 30, 2045.

14 (d) Until July 1, 2045, upon every person engaging within this  
15 state in the business of selling standing timber; as to such persons  
16 the amount of the tax with respect to the business is equal to the  
17 gross income of the business multiplied by the rate of 0.2904  
18 percent. For purposes of this subsection (~~((12))~~) (8)(d), "selling  
19 standing timber" means the sale of timber apart from the land, where  
20 the buyer is required to sever the timber within 30 months from the  
21 date of the original contract, regardless of the method of payment  
22 for the timber and whether title to the timber transfers before,  
23 upon, or after severance.

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

26 (i) "Biocomposite surface products" means surface material  
27 products containing, by weight or volume, more than 50 percent  
28 recycled paper and that also use nonpetroleum-based phenolic resin as  
29 a bonding agent.

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

1 periodicals, and other printed publications, advertising materials,  
2 calendars, and similar types of printed materials.

3 (iii) "Recycled paper" means paper and paper products having 50  
4 percent or more of their fiber content that comes from postconsumer  
5 waste. For purposes of this subsection (~~((12))~~) (8)(e)(iii),  
6 "postconsumer waste" means a finished material that would normally be  
7 disposed of as solid waste, having completed its life cycle as a  
8 consumer item.

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

13 (v) "Timber products" means:

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

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

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

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

25 (f) Except for small harvesters as defined in RCW 84.33.035, a  
26 person reporting under the tax rate provided in this subsection  
27 (~~((12))~~) (8) must file a complete annual tax performance report with  
28 the department under RCW 82.32.534.

29 (g) Nothing in this subsection (~~((12))~~) (8) may be construed to  
30 affect the taxation of any activity defined as a retail sale in RCW  
31 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW  
32 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

33 (~~((13))~~) (9) Upon every person engaging within this state in  
34 inspecting, testing, labeling, and storing canned salmon owned by  
35 another person, as to such persons, the amount of tax with respect to  
36 such activities is equal to the gross income derived from such  
37 activities multiplied by the rate of 0.484 percent.

38 **Sec. 103.** RCW 82.04.260 and 2023 c 422 s 5 are each amended to  
39 read as follows:

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

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

9 (b) Beginning July 1, 2035, seafood products that remain in a  
10 raw, raw frozen, or raw salted state at the completion of the  
11 manufacturing by that person; or selling manufactured seafood  
12 products that remain in a raw, raw frozen, or raw salted state at the  
13 completion of the manufacturing, to purchasers who transport in the  
14 ordinary course of business the goods out of this state; as to such  
15 persons the amount of tax with respect to such business is equal to  
16 the value of the products manufactured or the gross proceeds derived  
17 from such sales, multiplied by the rate of 0.138 percent. Sellers  
18 must keep and preserve records for the period required by RCW  
19 82.32.070 establishing that the goods were transported by the  
20 purchaser in the ordinary course of business out of this state;

21 (c) (i) Except as provided otherwise in (c) (iii) of this  
22 subsection, beginning July 1, 2035, until January 1, 2046, dairy  
23 products; or selling dairy products that the person has manufactured  
24 to purchasers who either transport in the ordinary course of business  
25 the goods out of state or purchasers who use such dairy products as  
26 an ingredient or component in the manufacturing of a dairy product;  
27 as to such persons the tax imposed is equal to the value of the  
28 products manufactured or the gross proceeds derived from such sales  
29 multiplied by the rate of 0.138 percent. Sellers must keep and  
30 preserve records for the period required by RCW 82.32.070  
31 establishing that the goods were transported by the purchaser in the  
32 ordinary course of business out of this state or sold to a  
33 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 cannabis-infused product, that as  
38 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts  
39 131, 133, and 135, including by-products from the manufacturing of  
40 the dairy products, such as whey and casein; and



1 (B) Products comprised of not less than 70 percent dairy products  
2 that qualify under (c)(ii)(A) of this subsection, measured by weight  
3 or volume.

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

9 (d)(i) Beginning July 1, 2035, fruits or vegetables by canning,  
10 preserving, freezing, processing, or dehydrating fresh fruits or  
11 vegetables, or selling at wholesale fruits or vegetables manufactured  
12 by the seller by canning, preserving, freezing, processing, or  
13 dehydrating fresh fruits or vegetables and sold to purchasers who  
14 transport in the ordinary course of business the goods out of this  
15 state; as to such persons the amount of tax with respect to such  
16 business is equal to the value of the products manufactured or the  
17 gross proceeds derived from such sales multiplied by the rate of  
18 0.138 percent. Sellers must keep and preserve records for the period  
19 required by RCW 82.32.070 establishing that the goods were  
20 transported by the purchaser in the ordinary course of business out  
21 of this state.

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

25 (e) Wood biomass fuel; as to such persons the amount of tax with  
26 respect to the business is equal to the value of wood biomass fuel  
27 manufactured, multiplied by the rate of 0.138 percent. For the  
28 purposes of this section, "wood biomass fuel" means a liquid or  
29 gaseous fuel that is produced from lignocellulosic feedstocks,  
30 including wood, forest, or field residue and dedicated energy crops,  
31 and that does not include wood treated with chemical preservations  
32 such as creosote, pentachlorophenol, or copper-chrome-arsenic.

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

37 ~~(3) ((Upon every nonprofit corporation and nonprofit association  
38 engaging within this state in research and development, as to such  
39 corporations and associations, the amount of tax with respect to such~~

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

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

8 ~~((5)(a))~~ (4) Upon every person engaging within this state in  
9 the business of acting as a travel agent or tour operator and whose  
10 annual taxable amount for the prior calendar year from such business  
11 was \$250,000 or less; as to such persons the amount of the tax with  
12 respect to such activities is equal to the gross income derived from  
13 such activities multiplied by the rate of 0.275 percent.

14 ~~((b) Upon every person engaging within this state in the~~  
15 ~~business of acting as a travel agent or tour operator and whose~~  
16 ~~annual taxable amount for the prior calendar year from such business~~  
17 ~~was more than \$250,000; as to such persons the amount of the tax with~~  
18 ~~respect to such activities is equal to the gross income derived from~~  
19 ~~such activities multiplied by the rate of 0.275 percent through June~~  
20 ~~30, 2019, and 0.9 percent beginning July 1, 2019.~~

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

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

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

17 ~~(8))~~ (5) (a) Upon every person engaging within this state in the  
18 business of disposing of low-level waste, as defined in RCW  
19 70A.380.010; as to such persons the amount of the tax with respect to  
20 such business is equal to the gross income of the business, excluding  
21 any fees imposed under chapter 70A.384 RCW, multiplied by the rate of  
22 3.3 percent.

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

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

33 ~~(10))~~ (6) Upon every person engaging within this state in  
34 business as a hospital, as defined in chapter 70.41 RCW, that is  
35 operated as a nonprofit corporation or by the state or any of its  
36 political subdivisions, as to such persons, the amount of tax with  
37 respect to such activities is equal to the gross income of the  
38 business multiplied by the rate of 0.75 percent through June 30,  
39 1995, and 1.5 percent thereafter.

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

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

12       (ii) 0.2904 percent beginning July 1, 2007, through March 31,  
13 2020; and

14       (iii) Beginning April 1, 2020, 0.484 percent, subject to any  
15 reduction required under (e) of this subsection (~~(11)~~) (7). The tax  
16 rate in this subsection (~~(11)~~) (7)(a)(iii) applies to all business  
17 activities described in this subsection (~~(11)~~) (7)(a).

18       (b) Beginning July 1, 2008, upon every person who is not eligible  
19 to report under the provisions of (a) of this subsection (~~(11)~~) (7)  
20 and is engaging within this state in the business of manufacturing  
21 tooling specifically designed for use in manufacturing commercial  
22 airplanes or components of such airplanes, or making sales, at retail  
23 or wholesale, of such tooling manufactured by the seller, as to such  
24 persons the amount of tax with respect to such business is, in the  
25 case of manufacturers, equal to the value of the product manufactured  
26 and the gross proceeds of sales of the product manufactured, or in  
27 the case of processors for hire, be equal to the gross income of the  
28 business, multiplied by the rate of:

29       (i) 0.2904 percent through March 31, 2020; and

30       (ii) Beginning April 1, 2020, the following rates, which are  
31 subject to any reduction required under (e) of this subsection  
32 (~~(11)~~) (7):

33       (A) The rate under RCW 82.04.250(1) on the business of making  
34 retail sales of tooling specifically designed for use in  
35 manufacturing commercial airplanes or components of such airplanes;  
36 and

37       (B) 0.484 percent on all other business activities described in  
38 this subsection (~~(11)~~) (7)(b).

1 (c) For the purposes of this subsection (~~((11))~~) (7), "commercial  
2 airplane" and "component" have the same meanings as provided in RCW  
3 82.32.550.

4 (d)(i) In addition to all other requirements under this title, a  
5 person reporting under the tax rate provided in this subsection  
6 (~~((11))~~) (7) must file a complete annual tax performance report with  
7 the department under RCW 82.32.534. However, this requirement does  
8 not apply to persons reporting under the tax rate in (a)(iii) of this  
9 subsection (~~((11))~~) (7), so long as that rate remains 0.484 percent,  
10 or under any of the tax rates in (b)(ii)(A) and (B) of this  
11 subsection (~~((11))~~) (7), so long as those tax rates remain the rate  
12 imposed pursuant to RCW 82.04.250(1) and 0.484 percent, respectively.

13 (ii) Nothing in (d)(i) of this subsection (~~((11))~~) (7) may be  
14 construed as affecting the obligation of a person reporting under a  
15 tax rate provided in this subsection (~~((11))~~) (7) to file a complete  
16 annual tax performance report with the department under RCW  
17 82.32.534: (A) Pursuant to another provision of this title as a  
18 result of claiming a tax credit or exemption; or (B) pursuant to  
19 (d)(i) of this subsection (~~((11))~~) (7) as a result of claiming the  
20 tax rates in (a)(ii) or (b)(i) of this subsection (~~((11))~~) (7) for  
21 periods ending before April 1, 2020.

22 (e)(i) After March 31, 2021, the tax rates under (a)(iii) and  
23 (b)(ii) of this subsection (~~((11))~~) (7) must be reduced to 0.357  
24 percent provided the conditions in RCW 82.04.2602 are met. The  
25 effective date of the rates authorized under this subsection (~~((11))~~)  
26 (7)(e) must occur on the first day of the next calendar quarter that  
27 is at least 60 days after the department receives the last of the two  
28 written notices pursuant to RCW 82.04.2602 (3) and (4).

29 (ii) Both a significant commercial airplane manufacturer  
30 separately and the rest of the aerospace industry as a whole,  
31 receiving the rate of 0.357 percent under this subsection (~~((11))~~)  
32 (7)(e) are subject to the aerospace apprenticeship utilization rates  
33 required under RCW 49.04.220 by April 1, 2026, or five years after  
34 the effective date of the 0.357 percent rate authorized under this  
35 subsection (~~((11))~~) (7)(e), whichever is later, as determined by the  
36 department of labor and industries.

37 (iii) The provisions of RCW 82.32.805 and 82.32.808 do not apply  
38 to this subsection (~~((11))~~) (7)(e).

1 (f)(i) Except as provided in (f)(ii) of this subsection (~~((11))~~)  
2 (7), this subsection (~~((11))~~) (7) does not apply on and after July 1,  
3 2040.

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

18 (g) For the purposes of this subsection, "a significant  
19 commercial airplane manufacturer" means a manufacturer of commercial  
20 airplanes with at least 50,000 full-time employees in Washington as  
21 of January 1, 2021.

22 (~~((12))~~) (8)(a) Until July 1, 2045, upon every person engaging  
23 within this state in the business of extracting timber or extracting  
24 for hire timber; as to such persons the amount of tax with respect to  
25 the business is, in the case of extractors, equal to the value of  
26 products, including by-products, extracted, or in the case of  
27 extractors for hire, equal to the gross income of the business,  
28 multiplied by the rate of 0.4235 percent from July 1, 2006, through  
29 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,  
30 2045.

31 (b) Until July 1, 2045, upon every person engaging within this  
32 state in the business of manufacturing or processing for hire: (i)  
33 Timber into timber products or wood products; (ii) timber products  
34 into other timber products or wood products; or (iii) products  
35 defined in RCW 19.27.570(1); as to such persons the amount of the tax  
36 with respect to the business is, in the case of manufacturers, equal  
37 to the value of products, including by-products, manufactured, or in  
38 the case of processors for hire, equal to the gross income of the  
39 business, multiplied by the rate of 0.4235 percent from July 1, 2006,

1 through June 30, 2007, and 0.2904 percent from July 1, 2007, through  
2 June 30, 2045.

3 (c) Until July 1, 2045, upon every person engaging within this  
4 state in the business of selling at wholesale: (i) Timber extracted  
5 by that person; (ii) timber products manufactured by that person from  
6 timber or other timber products; (iii) wood products manufactured by  
7 that person from timber or timber products; or (iv) products defined  
8 in RCW 19.27.570(1) manufactured by that person; as to such persons  
9 the amount of the tax with respect to the business is equal to the  
10 gross proceeds of sales of the timber, timber products, wood  
11 products, or products defined in RCW 19.27.570(1) multiplied by the  
12 rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and  
13 0.2904 percent from July 1, 2007, through June 30, 2045.

14 (d) Until July 1, 2045, upon every person engaging within this  
15 state in the business of selling standing timber; as to such persons  
16 the amount of the tax with respect to the business is equal to the  
17 gross income of the business multiplied by the rate of 0.2904  
18 percent. For purposes of this subsection (~~((12))~~) (8)(d), "selling  
19 standing timber" means the sale of timber apart from the land, where  
20 the buyer is required to sever the timber within 30 months from the  
21 date of the original contract, regardless of the method of payment  
22 for the timber and whether title to the timber transfers before,  
23 upon, or after severance.

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

26 (i) "Biocomposite surface products" means surface material  
27 products containing, by weight or volume, more than 50 percent  
28 recycled paper and that also use nonpetroleum-based phenolic resin as  
29 a bonding agent.

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

1 periodicals, and other printed publications, advertising materials,  
2 calendars, and similar types of printed materials.

3 (iii) "Recycled paper" means paper and paper products having 50  
4 percent or more of their fiber content that comes from postconsumer  
5 waste. For purposes of this subsection (~~((12))~~) (8)(e)(iii),  
6 "postconsumer waste" means a finished material that would normally be  
7 disposed of as solid waste, having completed its life cycle as a  
8 consumer item.

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

13 (v) "Timber products" means:

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

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

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

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

25 (f) Except for small harvesters as defined in RCW 84.33.035, a  
26 person reporting under the tax rate provided in this subsection  
27 (~~((12))~~) (8) must file a complete annual tax performance report with  
28 the department under RCW 82.32.534.

29 (g) Nothing in this subsection (~~((12))~~) (8) may be construed to  
30 affect the taxation of any activity defined as a retail sale in RCW  
31 82.04.050(2) (b) or (c), defined as a wholesale sale in RCW  
32 82.04.060(2), or taxed under RCW 82.04.280(1)(g).

33 (~~((13))~~) (9) Upon every person engaging within this state in  
34 inspecting, testing, labeling, and storing canned salmon owned by  
35 another person, as to such persons, the amount of tax with respect to  
36 such activities is equal to the gross income derived from such  
37 activities multiplied by the rate of 0.484 percent.

38 (~~((14))~~) (10)(a) Upon every person engaging within this state in  
39 the business of printing a newspaper, publishing a newspaper, or  
40 both, the amount of tax on such business is equal to the gross income



1 of the business multiplied by the rate of 0.35 percent until July 1,  
2 2024, and 0.484 percent thereafter.

3 (b) A person reporting under the tax rate provided in this  
4 subsection (~~((14))~~) (10) must file a complete annual tax performance  
5 report with the department under RCW 82.32.534.

6 **Sec. 104.** RCW 82.04.290 and 2020 c 2 s 3 are each amended to  
7 read as follows:

8 (1) (~~Upon every person engaging within this state in the~~  
9 ~~business of providing qualifying international investment management~~  
10 ~~services, as to such persons, the amount of tax with respect to such~~  
11 ~~business is equal to the gross income or gross proceeds of sales of~~  
12 ~~the business multiplied by a rate of 0.275 percent.~~

13 ~~(2))~~ (a) Upon every person engaging within this state in any  
14 business activity other than or in addition to an activity taxed  
15 explicitly under another section in this chapter or subsection (~~((1)~~  
16 ~~or (3))~~) (2) of this section; as to such persons the amount of tax on  
17 account of such activities is equal to the gross income of the  
18 business multiplied by the rate of:

- 19 (i) 1.75 percent; or
- 20 (ii) 1.5 percent for:

21 (A) Any person subject to the surcharge imposed under RCW  
22 82.04.299;

23 (B) Any person whose gross income of the business subject to the  
24 tax imposed under this subsection (~~((2))~~) (1), for the immediately  
25 preceding calendar year, was less than (~~one million dollars~~)  
26 \$1,000,000, unless (I) the person is affiliated with one or more  
27 other persons, and (II) the aggregate gross income of the business  
28 subject to the tax imposed under this subsection (~~((2))~~) (1) for all  
29 affiliated persons was greater than or equal to (~~one million~~  
30 ~~dollars~~) \$1,000,000 for the immediately preceding calendar year; and

31 (C) Hospitals as defined in RCW 70.41.020, including any hospital  
32 that comes within the scope of chapter 71.12 RCW if the hospital is  
33 also licensed under chapter 70.41 RCW. This subsection (~~((2))~~) (1)  
34 (a)(ii)(C) must not be construed as modifying RCW 82.04.260(~~((10))~~)  
35 (6).

36 (b) This subsection (~~((2))~~) (1) includes, among others, and  
37 without limiting the scope hereof (whether or not title to materials  
38 used in the performance of such business passes to another by  
39 accession, confusion or other than by outright sale), persons engaged

1 in the business of rendering any type of service which does not  
2 constitute a "sale at retail" or a "sale at wholesale." The value of  
3 advertising, demonstration, and promotional supplies and materials  
4 furnished to an agent by his or her principal or supplier to be used  
5 for informational, educational, and promotional purposes is not  
6 considered a part of the agent's remuneration or commission and is  
7 not subject to taxation under this section.

8 (c) 14.3 percent of the revenues collected under (a)(i) of this  
9 subsection (~~((2))~~) (1) must be deposited into the workforce education  
10 investment account created in RCW 43.79.195.

11 (d)(i) To aid in the effective administration of this subsection  
12 (~~((2))~~) (1), the department may require a person claiming to be  
13 subject to the 1.5 percent tax rate under (a)(ii)(B) of this  
14 subsection (~~((2))~~) (1) to identify all of the person's affiliates,  
15 including their department tax registration number or unified  
16 business identifier number, as may be applicable, or to certify that  
17 the person is not affiliated with any other person. Requests under  
18 this subsection (~~((2))~~) (1)(d)(i) must be in writing and may be made  
19 electronically.

20 (ii) If the department establishes, by clear, cogent, and  
21 convincing evidence, that a person, with intent to evade the  
22 additional taxes due under the 1.75 percent tax rate in (a)(i) of  
23 this subsection (~~((2))~~) (1), failed to provide the department with  
24 complete and accurate information in response to a written request  
25 under (d)(i) of this subsection (~~((2))~~) (1) within (~~(thirty)~~) 30 days  
26 of such request, the person is ineligible for the 1.5 percent tax  
27 rate in (a)(ii) of this subsection (~~((2))~~) (1) for the entire current  
28 calendar year and the following four calendar years. However, the  
29 department must waive the provisions of this subsection (~~((2))~~) (1)  
30 (d)(ii) for any tax reporting period that the person is otherwise  
31 eligible for the 1.5 percent tax rate in (a)(ii) of this subsection  
32 (~~((2))~~) (1) if (A) the department has not previously determined that  
33 the person failed to fully comply with (d)(i) of this subsection  
34 (~~((2))~~) (1), and (B) within (~~(thirty)~~) 30 days of the notice of  
35 additional tax due as a result of the person's failure to fully  
36 comply with (d)(i) of this subsection (~~((2))~~) (1) the department  
37 determines that the person has come into full compliance with (d)(i)  
38 of this subsection (~~((2))~~) (1). This subsection (~~((2))~~) (1)(d)  
39 applies only with respect to persons claiming entitlement to the 1.5

1 percent tax rate solely by reason of (a)(ii)(B) of this subsection  
2 (~~(2)~~) (1).

3 (e) For the purposes of (a)(ii)(B) of this subsection (~~(2)~~)  
4 (1), if a taxpayer is subject to the reconciliation provisions of RCW  
5 82.04.462(4), and calculates gross income of the business subject to  
6 the tax imposed under this subsection (~~(2)~~) (1) for the immediately  
7 preceding calendar year, or aggregate gross income of the business  
8 subject to the tax imposed under this subsection (~~(2)~~) (1) for the  
9 immediately preceding calendar year for all affiliated persons, based  
10 on incomplete information, the taxpayer must correct the reporting  
11 for the current calendar year when complete information for the  
12 immediately preceding calendar year is available.

13 (f) For purposes of this subsection (~~(2)~~) (1), the definitions  
14 in this subsection (~~(2)~~) (1)(f) apply:

15 (i) "Affiliate" means a person that directly or indirectly,  
16 through one or more intermediaries, controls, is controlled by, or is  
17 under common control with another person; and

18 (ii) "Control" means the possession, directly or indirectly, of  
19 more than (~~eighty~~) 80 percent of the power to direct or cause the  
20 direction of the management and policies of a person, whether through  
21 the ownership of voting shares, by contract, or otherwise.

22 (~~(3)~~) (2)(a) Until July 1, 2040, upon every person engaging  
23 within this state in the business of performing aerospace product  
24 development for others, as to such persons, the amount of tax with  
25 respect to such business is equal to the gross income of the business  
26 multiplied by a rate of 0.9 percent.

27 (b) A person reporting under the tax rate provided in this  
28 subsection (~~(3)~~) (2) must file a complete annual report with the  
29 department under RCW 82.32.534.

30 (c) "Aerospace product development" has the meaning as provided  
31 in RCW 82.04.4461.

32 **Sec. 105.** RCW 48.14.0201 and 2016 c 133 s 2 are each amended to  
33 read as follows:

34 (1) As used in this section, "taxpayer" means a health  
35 maintenance organization as defined in RCW 48.46.020, a health care  
36 service contractor as defined in chapter 48.44 RCW, or a self-funded  
37 multiple employer welfare arrangement as defined in RCW 48.125.010.

38 (2) Each taxpayer must pay a tax on or before the first day of  
39 March of each year to the state treasurer through the insurance

1 commissioner's office. The tax must be equal to the total amount of  
2 all premiums and prepayments for health care services collected or  
3 received by the taxpayer under RCW 48.14.090 during the preceding  
4 calendar year multiplied by the rate of two percent. For tax  
5 purposes, the reporting of premiums and prepayments must be on a  
6 written basis or on a paid-for basis consistent with the basis  
7 required by the annual statement.

8 (3) Taxpayers must prepay their tax obligations under this  
9 section. The minimum amount of the prepayments is the percentages of  
10 the taxpayer's tax obligation for the preceding calendar year  
11 recomputed using the rate in effect for the current year. For the  
12 prepayment of taxes due during the first calendar year, the minimum  
13 amount of the prepayments is the percentages of the taxpayer's tax  
14 obligation that would have been due had the tax been in effect during  
15 the previous calendar year. The tax prepayments must be paid to the  
16 state treasurer through the commissioner's office by the due dates  
17 and in the following amounts:

18 (a) On or before June 15, (~~forty-five~~) 45 percent;

19 (b) On or before September 15, (~~twenty-five~~) 25 percent;

20 (c) On or before December 15, (~~twenty-five~~) 25 percent.

21 (4) For good cause demonstrated in writing, the commissioner may  
22 approve an amount smaller than the preceding calendar year's tax  
23 obligation as recomputed for calculating the health maintenance  
24 organization's, health care service contractor's, self-funded  
25 multiple employer welfare arrangement's, or certified health plan's  
26 prepayment obligations for the current tax year.

27 (5)(a) Except as provided in (b) of this subsection, moneys  
28 collected under this section are deposited in the general fund.

29 (b) Beginning January 1, 2014, moneys collected from taxpayers  
30 for premiums written on qualified health benefit plans and qualified  
31 dental plans offered through the health benefit exchange under  
32 chapter 43.71 RCW must be deposited in the health benefit exchange  
33 account under RCW 43.71.060.

34 (6) The taxes imposed in this section do not apply to:

35 (a) Amounts received by any taxpayer from the United States or  
36 any instrumentality thereof as prepayments for health care services  
37 provided under Title XVIII (medicare) of the federal social security  
38 act.

39 (b) Amounts received by any taxpayer from the state of Washington  
40 as prepayments for health care services provided under:

1 (i) The medical care services program as provided in RCW  
2 74.09.035; or

3 (ii) The Washington basic health plan on behalf of subsidized  
4 enrollees as provided in chapter 70.47 RCW.

5 ~~(c) ((Amounts received by any health care service contractor as  
6 defined in chapter 48.44 RCW, or any health maintenance organization  
7 as defined in chapter 48.46 RCW, as prepayments for health care  
8 services included within the definition of practice of dentistry  
9 under RCW 18.32.020, except amounts received for pediatric oral  
10 services that qualify as coverage for the minimum essential coverage  
11 requirement under P.L. 111-148 (2010), as amended, and for stand-  
12 alone family dental plans as defined in RCW 43.71.080(4)(a), only  
13 when offered in the individual market, as defined in RCW  
14 48.43.005(27), or to a small group, as defined in RCW 48.43.005(33).~~

15 ~~(d))~~ Participant contributions to self-funded multiple employer  
16 welfare arrangements that are not taxable in this state.

17 (7) Beginning January 1, 2000, the state preempts the field of  
18 imposing excise or privilege taxes upon taxpayers and no county,  
19 city, town, or other municipal subdivision has the right to impose  
20 any such taxes upon such taxpayers. This subsection is limited to  
21 premiums and payments for health benefit plans offered by health care  
22 service contractors under chapter 48.44 RCW, health maintenance  
23 organizations under chapter 48.46 RCW, and self-funded multiple  
24 employer welfare arrangements as defined in RCW 48.125.010. The  
25 preemption authorized by this subsection must not impair the ability  
26 of a county, city, town, or other municipal subdivision to impose  
27 excise or privilege taxes upon the health care services directly  
28 delivered by the employees of a health maintenance organization under  
29 chapter 48.46 RCW.

30 (8)(a) The taxes imposed by this section apply to a self-funded  
31 multiple employer welfare arrangement only in the event that they are  
32 not preempted by the employee retirement income security act of 1974,  
33 as amended, 29 U.S.C. Sec. 1001 et seq. The arrangements and the  
34 commissioner must initially request an advisory opinion from the  
35 United States department of labor or obtain a declaratory ruling from  
36 a federal court on the legality of imposing state premium taxes on  
37 these arrangements. Once the legality of the taxes has been  
38 determined, the multiple employer welfare arrangement certified by  
39 the insurance commissioner must begin payment of these taxes.

1 (b) If there has not been a final determination of the legality  
2 of these taxes, then beginning on the earlier of (i) the date the  
3 fourth multiple employer welfare arrangement has been certified by  
4 the insurance commissioner, or (ii) April 1, 2006, the arrangement  
5 must deposit the taxes imposed by this section into an interest  
6 bearing escrow account maintained by the arrangement. Upon a final  
7 determination that the taxes are not preempted by the employee  
8 retirement income security act of 1974, as amended, 29 U.S.C. Sec.  
9 1001 et seq., all funds in the interest bearing escrow account must  
10 be transferred to the state treasurer.

11 (9) The effect of transferring contracts for health care services  
12 from one taxpayer to another taxpayer is to transfer the tax  
13 prepayment obligation with respect to the contracts.

14 (10) On or before June 1st of each year, the commissioner must  
15 notify each taxpayer required to make prepayments in that year of the  
16 amount of each prepayment and must provide remittance forms to be  
17 used by the taxpayer. However, a taxpayer's responsibility to make  
18 prepayments is not affected by failure of the commissioner to send,  
19 or the taxpayer to receive, the notice or forms.

20 **Sec. 106.** RCW 82.04.050 and 2021 c 296 s 8 and 2021 c 143 s 2  
21 are each reenacted and amended to read as follows:

22 (1)(a) "Sale at retail" or "retail sale" means every sale of  
23 tangible personal property (including articles produced, fabricated,  
24 or imprinted) to all persons irrespective of the nature of their  
25 business and including, among others, without limiting the scope  
26 hereof, persons who install, repair, clean, alter, improve,  
27 construct, or decorate real or personal property of or for consumers  
28 other than a sale to a person who:

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

33 (ii) Installs, repairs, cleans, alters, imprints, improves,  
34 constructs, or decorates real or personal property of or for  
35 consumers, if such tangible personal property becomes an ingredient  
36 or component of such real or personal property without intervening  
37 use by such person; or

38 (iii) Purchases for the purpose of consuming the property  
39 purchased in producing for sale as a new article of tangible personal

1 property or substance, of which such property becomes an ingredient  
2 or component or is a chemical used in processing, when the primary  
3 purpose of such chemical is to create a chemical reaction directly  
4 through contact with an ingredient of a new article being produced  
5 for sale; or

6 ~~(iv) ((Purchases for the purpose of consuming the property~~  
7 ~~purchased in producing ferrosilicon which is subsequently used in~~  
8 ~~producing magnesium for sale, if the primary purpose of such property~~  
9 ~~is to create a chemical reaction directly through contact with an~~  
10 ~~ingredient of ferrosilicon; or~~

11 ~~(v))~~ Purchases for the purpose of providing the property to  
12 consumers as part of competitive telephone service, as defined in RCW  
13 82.04.065; or

14 ~~((vi))~~ (v) Purchases for the purpose of satisfying the person's  
15 obligations under an extended warranty as defined in subsection (7)  
16 of this section, if such tangible personal property replaces or  
17 becomes an ingredient or component of property covered by the  
18 extended warranty without intervening use by such person.

19 (b) The term includes every sale of tangible personal property  
20 that is used or consumed or to be used or consumed in the performance  
21 of any activity defined as a "sale at retail" or "retail sale" even  
22 though such property is resold or used as provided in (a)(i) through  
23 ~~((vi))~~ (v) of this subsection following such use.

24 (c) The term also means every sale of tangible personal property  
25 to persons engaged in any business that is taxable under RCW  
26 82.04.280(1) (a), (b), and (g), 82.04.290, and 82.04.2908.

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

30 (a) The installing, repairing, cleaning, altering, imprinting, or  
31 improving of tangible personal property of or for consumers,  
32 including charges made for the mere use of facilities in respect  
33 thereto, but excluding charges made for the use of self-service  
34 laundry facilities, and also excluding sales of laundry service to  
35 nonprofit health care facilities, and excluding services rendered in  
36 respect to live animals, birds and insects;

37 (b) The constructing, repairing, decorating, or improving of new  
38 or existing buildings or other structures under, upon, or above real  
39 property of or for consumers, including the installing or attaching  
40 of any article of tangible personal property therein or thereto,

1 whether or not such personal property becomes a part of the realty by  
2 virtue of installation, and also includes the sale of services or  
3 charges made for the clearing of land and the moving of earth  
4 excepting the mere leveling of land used in commercial farming or  
5 agriculture;

6 (c) The constructing, repairing, or improving of any structure  
7 upon, above, or under any real property owned by an owner who conveys  
8 the property by title, possession, or any other means to the person  
9 performing such construction, repair, or improvement for the purpose  
10 of performing such construction, repair, or improvement and the  
11 property is then reconveyed by title, possession, or any other means  
12 to the original owner;

13 (d) The cleaning, fumigating, razing, or moving of existing  
14 buildings or structures, but does not include the charge made for  
15 janitorial services; and for purposes of this section the term  
16 "janitorial services" means those cleaning and caretaking services  
17 ordinarily performed by commercial janitor service businesses  
18 including, but not limited to, wall and window washing, floor  
19 cleaning and waxing, and the cleaning in place of rugs, drapes and  
20 upholstery. The term "janitorial services" does not include painting,  
21 papering, repairing, furnace or septic tank cleaning, snow removal or  
22 sandblasting;

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

26 (f) The furnishing of lodging and all other services by a hotel,  
27 rooming house, tourist court, motel, trailer camp, and the granting  
28 of any similar license to use real property, as distinguished from  
29 the renting or leasing of real property, and it is presumed that the  
30 occupancy of real property for a continuous period of one month or  
31 more constitutes a rental or lease of real property and not a mere  
32 license to use or enjoy the same. For the purposes of this  
33 subsection, it is presumed that the sale of and charge made for the  
34 furnishing of lodging for a continuous period of one month or more to  
35 a person is a rental or lease of real property and not a mere license  
36 to enjoy the same. For the purposes of this section, it is presumed  
37 that the sale of and charge made for the furnishing of lodging  
38 offered regularly for public occupancy for periods of less than a  
39 month constitutes a license to use or enjoy the property subject to  
40 sales and use tax and not a rental or lease of property;



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

3 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g)  
4 of this subsection when such sales or charges are for property, labor  
5 and services which are used or consumed in whole or in part by such  
6 persons in the performance of any activity defined as a "sale at  
7 retail" or "retail sale" even though such property, labor and  
8 services may be resold after such use or consumption. Nothing  
9 contained in this subsection may be construed to modify subsection  
10 (1) of this section and nothing contained in subsection (1) of this  
11 section may be construed to modify this subsection.

12 (3) The term "sale at retail" or "retail sale" includes the sale  
13 of or charge made for personal, business, or professional services  
14 including amounts designated as interest, rents, fees, admission, and  
15 other service emoluments however designated, received by persons  
16 engaging in the following business activities:

17 (a) Abstract, title insurance, and escrow services;

18 (b) Credit bureau services;

19 (c) Automobile parking and storage garage services;

20 (d) Landscape maintenance and horticultural services but  
21 excluding (i) horticultural services provided to farmers and (ii)  
22 pruning, trimming, repairing, removing, and clearing of trees and  
23 brush near electric transmission or distribution lines or equipment,  
24 if performed by or at the direction of an electric utility;

25 (e) Service charges associated with tickets to professional  
26 sporting events;

27 (f) The following personal services: Tanning salon services,  
28 tattoo parlor services, steam bath services, turkish bath services,  
29 escort services, and dating services; and

30 (g) (i) Operating an athletic or fitness facility, including all  
31 charges for the use of such a facility or for any associated services  
32 and amenities, except as provided in (g) (ii) of this subsection.

33 (ii) Notwithstanding anything to the contrary in (g) (i) of this  
34 subsection (3), the term "sale at retail" and "retail sale" under  
35 this subsection does not include:

36 (A) Separately stated charges for the use of an athletic or  
37 fitness facility where such use is primarily for a purpose other than  
38 engaging in or receiving instruction in a physical fitness activity;

39 (B) Separately stated charges for the use of a discrete portion  
40 of an athletic or fitness facility, other than a pool, where such

1 discrete portion of the facility does not by itself meet the  
2 definition of "athletic or fitness facility" in this subsection;

3 (C) Separately stated charges for services, such as advertising,  
4 massage, nutritional consulting, and body composition testing, that  
5 do not require the customer to engage in physical fitness activities  
6 to receive the service. The exclusion in this subsection  
7 (3)(g)(ii)(C) does not apply to personal training services and  
8 instruction in a physical fitness activity;

9 (D) Separately stated charges for physical therapy provided by a  
10 physical therapist, as those terms are defined in RCW 18.74.010, or  
11 occupational therapy provided by an occupational therapy  
12 practitioner, as those terms are defined in RCW 18.59.020, when  
13 performed pursuant to a referral from an authorized health care  
14 practitioner or in consultation with an authorized health care  
15 practitioner. For the purposes of this subsection (3)(g)(ii)(D), an  
16 authorized health care practitioner means a health care practitioner  
17 licensed under chapter 18.83, 18.25, 18.36A, 18.57, 18.71, or 18.71A  
18 RCW, or, until July 1, 2022, chapter 18.57A RCW;

19 (E) Rent or association fees charged by a landlord or residential  
20 association to a tenant or residential owner with access to an  
21 athletic or fitness facility maintained by the landlord or  
22 residential association, unless the rent or fee varies depending on  
23 whether the tenant or owner has access to the facility;

24 (F) Services provided in the regular course of employment by an  
25 employee with access to an athletic or fitness facility maintained by  
26 the employer for use without charge by its employees or their family  
27 members;

28 (G) The provision of access to an athletic or fitness facility by  
29 an educational institution to its students and staff. However,  
30 charges made by an educational institution to its alumni or other  
31 members of the public for the use of any of the educational  
32 institution's athletic or fitness facilities are a retail sale under  
33 this subsection (3)(g). For purposes of this subsection  
34 (3)(g)(ii)(G), "educational institution" has the same meaning as in  
35 RCW 82.04.170;

36 (H) Yoga, chi gong, or martial arts classes, training, or events  
37 held at a community center, park, school gymnasium, college or  
38 university, hospital or other medical facility, private residence, or  
39 any other facility that is not operated within and as part of an  
40 athletic or fitness facility.

1 (iii) Nothing in (g)(ii) of this subsection (3) may be construed  
2 to affect the taxation of sales made by the operator of an athletic  
3 or fitness facility, where such sales are defined as a retail sale  
4 under any provision of this section other than this subsection (3).

5 (iv) For the purposes of this subsection (3)(g), the following  
6 definitions apply:

7 (A) "Athletic or fitness facility" means an indoor or outdoor  
8 facility or portion of a facility that is primarily used for:  
9 Exercise classes; strength and conditioning programs; personal  
10 training services; tennis, racquetball, handball, squash, or  
11 pickleball; or other activities requiring the use of exercise or  
12 strength training equipment, such as treadmills, elliptical machines,  
13 stair climbers, stationary cycles, rowing machines, pilates  
14 equipment, balls, climbing ropes, jump ropes, and weightlifting  
15 equipment.

16 (B) "Martial arts" means any of the various systems of training  
17 for physical combat or self-defense. "Martial arts" includes, but is  
18 not limited to, karate, kung fu, tae kwon do, Krav Maga, boxing,  
19 kickboxing, jujitsu, shootfighting, wrestling, aikido, judo, hapkido,  
20 Kendo, tai chi, and mixed martial arts.

21 (C) "Physical fitness activities" means activities that involve  
22 physical exertion for the purpose of improving or maintaining the  
23 general fitness, strength, flexibility, conditioning, or health of  
24 the participant. "Physical fitness activities" includes participating  
25 in yoga, chi gong, or martial arts.

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

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

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

34 (6)(a) The term also includes the sale of prewritten computer  
35 software to a consumer, regardless of the method of delivery to the  
36 end user. For purposes of (a) and (b) of this subsection, the sale of  
37 prewritten computer software includes the sale of or charge made for  
38 a key or an enabling or activation code, where the key or code is  
39 required to activate prewritten computer software and put the  
40 software into use. There is no separate sale of the key or code from

1 the prewritten computer software, regardless of how the sale may be  
2 characterized by the vendor or by the purchaser.

3 (b) The term "retail sale" does not include the sale of or charge  
4 made for:

5 (i) Custom software; or

6 (ii) The customization of prewritten computer software.

7 (c)(i) The term also includes the charge made to consumers for  
8 the right to access and use prewritten computer software, where  
9 possession of the software is maintained by the seller or a third  
10 party, regardless of whether the charge for the service is on a per  
11 use, per user, per license, subscription, or some other basis.

12 (ii)(A) The service described in (c)(i) of this subsection (6)  
13 includes the right to access and use prewritten computer software to  
14 perform data processing.

15 (B) For purposes of this subsection (6)(c)(ii), "data processing"  
16 means the systematic performance of operations on data to extract the  
17 required information in an appropriate form or to convert the data to  
18 usable information. Data processing includes check processing, image  
19 processing, form processing, survey processing, payroll processing,  
20 claim processing, and similar activities.

21 (7) The term also includes the sale of or charge made for an  
22 extended warranty to a consumer. For purposes of this subsection,  
23 "extended warranty" means an agreement for a specified duration to  
24 perform the replacement or repair of tangible personal property at no  
25 additional charge or a reduced charge for tangible personal property,  
26 labor, or both, or to provide indemnification for the replacement or  
27 repair of tangible personal property, based on the occurrence of  
28 specified events. The term "extended warranty" does not include an  
29 agreement, otherwise meeting the definition of extended warranty in  
30 this subsection, if no separate charge is made for the agreement and  
31 the value of the agreement is included in the sales price of the  
32 tangible personal property covered by the agreement. For purposes of  
33 this subsection, "sales price" has the same meaning as in RCW  
34 82.08.010.

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

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

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

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

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

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

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

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

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

30 (11) The term also does not include sales of chemical sprays or  
31 washes to persons for the purpose of postharvest treatment of fruit  
32 for the prevention of scald, fungus, mold, or decay, nor does it  
33 include sales of feed, seed, seedlings, fertilizer, agents for  
34 enhanced pollination including insects such as bees, and spray  
35 materials to: (a) Persons who participate in the federal conservation  
36 reserve program, the environmental quality incentives program, the  
37 wetlands reserve program, and the wildlife habitat incentives  
38 program, or their successors administered by the United States  
39 department of agriculture; (b) farmers for the purpose of producing  
40 for sale any agricultural product; (c) farmers for the purpose of

1 providing bee pollination services; and (d) farmers acting under  
2 cooperative habitat development or access contracts with an  
3 organization exempt from federal income tax under 26 U.S.C. Sec.  
4 501(c)(3) of the federal internal revenue code or the Washington  
5 state department of fish and wildlife to produce or improve wildlife  
6 habitat on land that the farmer owns or leases.

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

23 (13) The term does not include the sale of or charge made for  
24 labor, services, or tangible personal property pursuant to agreements  
25 providing maintenance services for bus, rail, or rail fixed guideway  
26 equipment when a regional transit authority is the recipient of the  
27 labor, services, or tangible personal property, and a transit agency,  
28 as defined in RCW 81.104.015, performs the labor or services.

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

32 (15)(a) The term "sale at retail" or "retail sale" includes  
33 amounts charged, however labeled, to consumers to engage in any of  
34 the activities listed in this subsection (15)(a), including the  
35 furnishing of any associated equipment or, except as otherwise  
36 provided in this subsection, providing instruction in such  
37 activities, where such charges are not otherwise defined as a "sale  
38 at retail" or "retail sale" in this section:

39 (i)(A) Golf, including any variant in which either golf balls or  
40 golf clubs are used, such as miniature golf, hitting golf balls at a

1 driving range, and golf simulators, and including fees charged by a  
2 golf course to a player for using his or her own cart. However,  
3 charges for golf instruction are not a retail sale, provided that if  
4 the instruction involves the use of a golfing facility that would  
5 otherwise require the payment of a fee, such as green fees or driving  
6 range fees, such fees, including the applicable retail sales tax,  
7 must be separately identified and charged by the golfing facility  
8 operator to the instructor or the person receiving the instruction.

9 (B) Notwithstanding (a) (i) (A) of this subsection (15) and except  
10 as otherwise provided in this subsection (15) (a) (i) (B), the term  
11 "sale at retail" or "retail sale" does not include amounts charged to  
12 participate in, or conduct, a golf tournament or other competitive  
13 event. However, amounts paid by event participants to the golf  
14 facility operator are retail sales under this subsection (15) (a) (i).  
15 Likewise, amounts paid by the event organizer to the golf facility  
16 are retail sales under this subsection (15) (a) (i), if such amounts  
17 vary based on the number of event participants;

18 (ii) Ballooning, hang gliding, indoor or outdoor sky diving,  
19 paragliding, parasailing, and similar activities;

20 (iii) Air hockey, billiards, pool, foosball, darts, shuffleboard,  
21 ping pong, and similar games;

22 (iv) Access to amusement park, theme park, and water park  
23 facilities, including but not limited to charges for admission and  
24 locker or cabana rentals. Discrete charges for rides or other  
25 attractions or entertainment that are in addition to the charge for  
26 admission are not a retail sale under this subsection (15) (a) (iv).  
27 For the purposes of this subsection, an amusement park or theme park  
28 is a location that provides permanently affixed amusement rides,  
29 games, and other entertainment, but does not include parks or zoos  
30 for which the primary purpose is the exhibition of wildlife, or  
31 fairs, carnivals, and festivals as defined in (b) (i) of this  
32 subsection;

33 (v) Batting cage activities;

34 (vi) Bowling, but not including competitive events, except that  
35 amounts paid by the event participants to the bowling alley operator  
36 are retail sales under this subsection (15) (a) (vi). Likewise, amounts  
37 paid by the event organizer to the operator of the bowling alley are  
38 retail sales under this subsection (15) (a) (vi), if such amounts vary  
39 based on the number of event participants;

1 (vii) Climbing on artificial climbing structures, whether indoors  
2 or outdoors;

3 (viii) Day trips for sightseeing purposes;

4 (ix) Bungee jumping, zip lining, and riding inside a ball,  
5 whether inflatable or otherwise;

6 (x) Horseback riding offered to the public, where the seller  
7 furnishes the horse to the buyer and providing instruction is not the  
8 primary focus of the activity, including guided rides, but not  
9 including therapeutic horseback riding provided by an instructor  
10 certified by a nonprofit organization that offers national or  
11 international certification for therapeutic riding instructors;

12 (xi) Fishing, including providing access to private fishing areas  
13 and charter or guided fishing, except that fishing contests and  
14 license fees imposed by a government entity are not a retail sale  
15 under this subsection;

16 (xii) Guided hunting and hunting at game farms and shooting  
17 preserves, except that hunting contests and license fees imposed by a  
18 government entity are not a retail sale under this subsection;

19 (xiii) Swimming, but only in respect to (A) recreational or  
20 fitness swimming that is open to the public, such as open swim, lap  
21 swimming, and special events like kids night out and pool parties  
22 during open swim time, and (B) pool parties for private events, such  
23 as birthdays, family gatherings, and employee outings. Fees for  
24 swimming lessons, to participate in swim meets and other  
25 competitions, or to join a swim team, club, or aquatic facility are  
26 not retail sales under this subsection (15)(a)(xiii);

27 (xiv) Go-karting, bumper cars, and other motorized activities  
28 where the seller provides the vehicle and the premises where the  
29 buyer will operate the vehicle;

30 (xv) Indoor or outdoor playground activities, such as inflatable  
31 bounce structures and other inflatables; mazes; trampolines; slides;  
32 ball pits; games of tag, including laser tag and soft-dart tag; and  
33 human gyroscope rides, regardless of whether such activities occur at  
34 the seller's place of business, but not including playground  
35 activities provided for children by a licensed child day care center  
36 or licensed family day care provider as those terms are defined in  
37 RCW 43.216.010;

38 (xvi) Shooting sports and activities, such as target shooting,  
39 skeet, trap, sporting clays, "5" stand, and archery, but only in  
40 respect to discrete charges to members of the public to engage in



1 these activities, but not including fees to enter a competitive  
2 event, instruction that is entirely or predominately classroom based,  
3 or to join or renew a membership at a club, range, or other facility;

4 (xvii) Paintball and airsoft activities;

5 (xviii) Skating, including ice skating, roller skating, and  
6 inline skating, but only in respect to discrete charges to members of  
7 the public to engage in skating activities, but not including skating  
8 lessons, competitive events, team activities, or fees to join or  
9 renew a membership at a skating facility, club, or other  
10 organization;

11 (xix) Nonmotorized snow sports and activities, such as downhill  
12 and cross-country skiing, snowboarding, ski jumping, sledding, snow  
13 tubing, snowshoeing, and similar snow sports and activities, whether  
14 engaged in outdoors or in an indoor facility with or without snow,  
15 but only in respect to discrete charges to the public for the use of  
16 land or facilities to engage in nonmotorized snow sports and  
17 activities, such as fees, however labeled, for the use of ski lifts  
18 and tows and daily or season passes for access to trails or other  
19 areas where nonmotorized snow sports and activities are conducted.  
20 However, fees for the following are not retail sales under this  
21 subsection (15)(a)(xix): (A) Instructional lessons; (B) permits  
22 issued by a governmental entity to park a vehicle on or access public  
23 lands; and (C) permits or leases granted by an owner of private  
24 timberland for recreational access to areas used primarily for  
25 growing and harvesting timber; and

26 (xx) Scuba diving; snorkeling; river rafting; surfing;  
27 kiteboarding; flyboarding; water slides; inflatables, such as water  
28 pillows, water trampolines, and water rollers; and similar water  
29 sports and activities.

30 (b) Notwithstanding anything to the contrary in this subsection  
31 (15), the term "sale at retail" or "retail sale" does not include  
32 charges:

33 (i) Made for admission to, and rides or attractions at, fairs,  
34 carnivals, and festivals. For the purposes of this subsection, fairs,  
35 carnivals, and festivals are events that do not exceed 21 days and a  
36 majority of the amusement rides, if any, are not affixed to real  
37 property;

38 (ii) Made by an educational institution to its students and staff  
39 for activities defined as retail sales by (a)(i) through (xx) of this  
40 subsection. However, charges made by an educational institution to

1 its alumni or other members of the general public for these  
2 activities are a retail sale under this subsection (15). For purposes  
3 of this subsection (15)(b)(ii), "educational institution" has the  
4 same meaning as in RCW 82.04.170;

5 (iii) Made by a vocational school for commercial diver training  
6 that is licensed by the workforce training and education coordinating  
7 board under chapter 28C.10 RCW; or

8 (iv) Made for day camps offered by a nonprofit organization or  
9 state or local governmental entity that provide youth not older than  
10 age 18, or that are focused on providing individuals with  
11 disabilities or mental illness, the opportunity to participate in a  
12 variety of supervised activities.

13 (16)(a) The term "sale at retail" or "retail sale" includes the  
14 purchase or acquisition of tangible personal property and specified  
15 services by a person who receives either a qualifying grant exempt  
16 from tax under RCW 82.04.767 or 82.16.320 or a grant deductible under  
17 RCW 82.04.4339, except for transactions excluded from the definition  
18 of "sale at retail" or "retail sale" by any other provision of this  
19 section. Nothing in this subsection (16) may be construed to limit  
20 the application of any other provision of this section to purchases  
21 by a recipient of either a qualifying grant exempt from tax under RCW  
22 82.04.767 or a grant deductible under RCW 82.04.4339, or by any other  
23 person.

24 (b) For purposes of this subsection (16), "specified services"  
25 means:

26 (i) The constructing, repairing, decorating, or improving of new  
27 or existing buildings or other structures under, upon, or above real  
28 property, including the installing or attaching of any article of  
29 tangible personal property therein or thereto, whether or not such  
30 personal property becomes a part of the realty by virtue of  
31 installation;

32 (ii) The clearing of land or the moving of earth, whether or not  
33 associated with activities described in (b)(i) of this subsection  
34 (16);

35 (iii) The razing or moving of existing buildings or structures;  
36 and

37 (iv) Landscape maintenance and horticultural services.

38 **Sec. 107.** RCW 82.04.110 and 2009 c 535 s 405 are each amended to  
39 read as follows:

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

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

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

18 (3) A nonresident of this state who is the owner of materials  
19 processed for it in this state by a processor for hire shall not be  
20 deemed to be engaged in business in this state as a manufacturer  
21 because of the performance of such processing work for it in this  
22 state.

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

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

29 **Sec. 108.** RCW 82.04.120 and 2019 c 202 s 3 are each amended to  
30 read as follows:

31 (1) "To manufacture" embraces all activities of a commercial or  
32 industrial nature wherein labor or skill is applied, by hand or  
33 machinery, to materials so that as a result thereof a new, different  
34 or useful substance or article of tangible personal property is  
35 produced for sale or commercial or industrial use, and includes:

36 (a) The production or fabrication of special made or custom made  
37 articles;

1 (b) The production or fabrication of dental appliances, devices,  
2 restorations, substitutes, or other dental laboratory products by a  
3 dental laboratory or dental technician;

4 (c) Cutting, delimiting, and measuring of felled, cut, or taken  
5 trees;

6 (d) Crushing and/or blending of rock, sand, stone, gravel, or  
7 ore;

8 (e) The production of compressed natural gas or liquefied natural  
9 gas for use as a transportation fuel as defined in RCW 82.16.310; and

10 (f) The production or processing of renewable natural gas.

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

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

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

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

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

21 ~~(e))~~) The production of digital goods;

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

27 ~~((g))~~) (f) Except as provided in subsection (1)~~((e))~~) (d) of  
28 this section, any activity that is integral to any public service  
29 business as defined in RCW 82.16.010 and with respect to which the  
30 gross income associated with such activity: (i) Is subject to tax  
31 under chapter 82.16 RCW; or (ii) would be subject to tax under  
32 chapter 82.16 RCW if such activity were conducted in this state or if  
33 not for an exemption or deduction.

34 (3) With respect to wastewater treatment facilities:

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

38 (b) "To manufacture" does include the production of class A or  
39 exceptional quality biosolids, but only with respect to the

1 processing activities that occur after the biosolids have reached  
2 class B standards.

3 **Sec. 109.** RCW 82.04.43395 and 2023 c 313 s 1 are each amended to  
4 read as follows:

5 (1) An accountable community of health may deduct from the  
6 measure of tax delivery system reform incentive payments, medicaid  
7 transformation project funding, or both, distributed by the  
8 Washington state health care authority, as described in Sec. 1115  
9 medicaid demonstration project number 11-W-00304/0, as approved by  
10 the centers for medicare and medicaid services in accordance with  
11 Sec. 1115(a) of the social security act.

12 (2) A hospital that is owned by a municipal corporation or  
13 political subdivision, or a hospital that is affiliated with a state  
14 institution, may deduct from the measure of tax (~~either or both of~~  
15 ~~the following:~~

16 ~~(a) Incentive~~) incentive payments received through the medicaid  
17 quality improvement program established through 42 C.F.R. 438.6(b)(2)  
18 (~~;~~

19 ~~(b) Delivery system reform incentive payments, medicaid~~  
20 ~~transformation project funding, or both, received through the project~~  
21 ~~described in Sec. 1115 medicaid demonstration project number 11-~~  
22 ~~W-00304/0, approved by the centers for medicare and medicaid services~~  
23 ~~in accordance with Sec. 1115(a) of the social security act)).~~

24 (3) Managed care organizations may deduct from the measure of tax  
25 the incentive payments received for achieving quality performance  
26 standards established through 42 C.F.R. 438.6(b)(2), as existing on  
27 July 28, 2019.

28 (4) The definitions in this subsection apply throughout this  
29 section unless the context clearly requires otherwise.

30 (a) "Accountable community of health" means a regional nonprofit  
31 designated by the health care authority to work together with the  
32 health care delivery system, health plans, public health, social  
33 services, community-based organizations, the justice system, schools,  
34 tribal partners, and local government leaders to improve the health  
35 equity of their communities as part of Sec. 1115 medicaid  
36 demonstration project number 11-W-00304/0.

37 (b) "Managed care organization" has the same meaning as provided  
38 in RCW 74.60.010.

1       **Sec. 110.** RCW 82.12.022 and 2017 3rd sp.s. c 37 s 707 are each  
2 amended to read as follows:

3       (1) A use tax is levied on every person in this state for the  
4 privilege of using natural gas or manufactured gas, including  
5 compressed natural gas and liquefied natural gas, within this state  
6 as a consumer.

7       (2) The tax must be levied and collected in an amount equal to  
8 the value of the article used by the taxpayer multiplied by the rate  
9 in effect for the public utility tax on gas distribution businesses  
10 under RCW 82.16.020. The "value of the article used" does not include  
11 any amounts that are paid for the hire or use of a gas distribution  
12 business as defined in RCW 82.16.010(2) in transporting the gas  
13 subject to tax under this subsection if those amounts are subject to  
14 tax under that chapter.

15       ~~(3) ((The tax levied in this section does not apply to the use of~~  
16 ~~natural or manufactured gas delivered to the consumer by other means~~  
17 ~~than through a pipeline.~~

18       ~~(4))~~ The tax levied in this section does not apply to the use of  
19 natural or manufactured gas if the person who sold the gas to the  
20 consumer has paid a tax under RCW 82.16.020 with respect to the gas  
21 for which exemption is sought under this subsection.

22       ~~((5)(a) The tax levied in this section does not apply to the use~~  
23 ~~of natural or manufactured gas by an aluminum smelter as that term is~~  
24 ~~defined in RCW 82.04.217 before January 1, 2027.~~

25       ~~(b) A person claiming the exemption provided in this subsection~~  
26 ~~(5) must file a complete annual tax performance report with the~~  
27 ~~department under RCW 82.32.534.~~

28       ~~(6))~~ (4) The tax imposed by this section does not apply to the  
29 use of natural gas, compressed natural gas, or liquefied natural gas,  
30 if the consumer uses the gas for transportation fuel as defined in  
31 RCW 82.16.310.

32       ~~((7) The tax levied in this section does not apply to the use of~~  
33 ~~natural or manufactured gas by a silicon smelter as that term is~~  
34 ~~defined in RCW 82.16.315.~~

35       ~~(8))~~ (5) There is a credit against the tax levied under this  
36 section in an amount equal to any tax paid by:

37       (a) The person who sold the gas to the consumer when that tax is  
38 a gross receipts tax similar to that imposed pursuant to RCW  
39 82.16.020 by another state with respect to the gas for which a credit  
40 is sought under this subsection; or

1 (b) The person consuming the gas upon which a use tax similar to  
2 the tax imposed by this section was paid to another state with  
3 respect to the gas for which a credit is sought under this  
4 subsection.

5 ~~((9))~~ (6) The use tax imposed in this section must be paid by  
6 the consumer to the department.

7 ~~((10))~~ (7) There is imposed a reporting requirement on the  
8 person who delivered the gas to the consumer to make a quarterly  
9 report to the department. Such report must contain the volume of gas  
10 delivered, name of the consumer to whom delivered, and such other  
11 information as the department may require by rule.

12 ~~((11))~~ (8) The department may adopt rules under chapter 34.05  
13 RCW for the administration and enforcement of sections 1 through 6,  
14 chapter 384, Laws of 1989.

15 **Sec. 111.** RCW 82.12.022 and 2017 c 135 s 27 are each amended to  
16 read as follows:

17 (1) A use tax is levied on every person in this state for the  
18 privilege of using natural gas or manufactured gas, including  
19 compressed natural gas and liquefied natural gas, within this state  
20 as a consumer.

21 (2) The tax must be levied and collected in an amount equal to  
22 the value of the article used by the taxpayer multiplied by the rate  
23 in effect for the public utility tax on gas distribution businesses  
24 under RCW 82.16.020. The "value of the article used" does not include  
25 any amounts that are paid for the hire or use of a gas distribution  
26 business as defined in RCW 82.16.010(2) in transporting the gas  
27 subject to tax under this subsection if those amounts are subject to  
28 tax under that chapter.

29 (3) ~~((The tax levied in this section does not apply to the use of  
30 natural or manufactured gas delivered to the consumer by other means  
31 than through a pipeline.~~

32 ~~(4))~~ The tax levied in this section does not apply to the use of  
33 natural or manufactured gas if the person who sold the gas to the  
34 consumer has paid a tax under RCW 82.16.020 with respect to the gas  
35 for which exemption is sought under this subsection.

36 ~~((5)(a) The tax levied in this section does not apply to the use  
37 of natural or manufactured gas by an aluminum smelter as that term is  
38 defined in RCW 82.04.217 before January 1, 2027.~~

1 ~~(b) A person claiming the exemption provided in this subsection~~  
2 ~~(5) must file a complete annual tax performance report with the~~  
3 ~~department under RCW 82.32.534.~~

4 ~~(6))~~ (4) The tax imposed by this section does not apply to the  
5 use of natural gas, compressed natural gas, or liquefied natural gas,  
6 if the consumer uses the gas for transportation fuel as defined in  
7 RCW 82.16.310.

8 ~~((7))~~ (5) There is a credit against the tax levied under this  
9 section in an amount equal to any tax paid by:

10 (a) The person who sold the gas to the consumer when that tax is  
11 a gross receipts tax similar to that imposed pursuant to RCW  
12 82.16.020 by another state with respect to the gas for which a credit  
13 is sought under this subsection; or

14 (b) The person consuming the gas upon which a use tax similar to  
15 the tax imposed by this section was paid to another state with  
16 respect to the gas for which a credit is sought under this  
17 subsection.

18 ~~((8))~~ (6) The use tax imposed in this section must be paid by  
19 the consumer to the department.

20 ~~((9))~~ (7) There is imposed a reporting requirement on the  
21 person who delivered the gas to the consumer to make a quarterly  
22 report to the department. Such report must contain the volume of gas  
23 delivered, name of the consumer to whom delivered, and such other  
24 information as the department may require by rule.

25 ~~((10))~~ (8) The department may adopt rules under chapter 34.05  
26 RCW for the administration and enforcement of sections 1 through 6,  
27 chapter 384, Laws of 1989.

28 **Sec. 112.** RCW 82.21.040 and 2024 c 241 s 1 are each amended to  
29 read as follows:

30 The following are exempt from the tax imposed in this chapter:

31 (1) Any successive possession of a previously taxed hazardous  
32 substance. If tax due under this chapter has not been paid with  
33 respect to a hazardous substance, the department may collect the tax  
34 from any person who has had possession of the hazardous substance. If  
35 the tax is paid by any person other than the first person having  
36 taxable possession of a hazardous substance, the amount of tax paid  
37 shall constitute a debt owed by the first person having taxable  
38 possession to the person who paid the tax.



1 (2) Any possession of a hazardous substance by a natural person  
2 under circumstances where the substance is used, or is to be used,  
3 for a personal or domestic purpose (and not for any business purpose)  
4 by that person or a relative of, or person residing in the same  
5 dwelling as, that person.

6 (3) Any possession of a hazardous substance amount which is  
7 determined as minimal by the department of ecology and which is  
8 possessed by a retailer for the purpose of making sales to ultimate  
9 consumers. This exemption does not apply to pesticide or petroleum  
10 products.

11 ~~(4) ((Any possession of alumina or natural gas.~~

12 ~~(5))~~ (a) Until January 1, 2028, any possession of a hazardous  
13 substance as defined in RCW 82.21.020(1)(c) that is solely for use by  
14 a farmer or certified applicator as an agricultural crop protection  
15 product and warehoused in this state or transported to or from this  
16 state, provided that the person possessing the substance does not  
17 otherwise use, manufacture, package for sale, or sell the substance  
18 in this state.

19 (b) The definitions in this subsection apply throughout this  
20 section unless the context clearly requires otherwise.

21 (i) "Agricultural crop protection product" means a chemical  
22 regulated under the federal insecticide, fungicide, and rodenticide  
23 act, 7 U.S.C. Sec. 136 as amended as of September 1, 2015, when used  
24 to prevent, destroy, repel, mitigate, or control predators, diseases,  
25 weeds, or other pests.

26 (ii) "Certified applicator" has the same meaning as provided in  
27 RCW 17.21.020.

28 (iii) "Farmer" has the same meaning as in RCW 82.04.213.

29 (iv) "Manufacturing" includes mixing or combining agricultural  
30 crop protection products with other chemicals or other agricultural  
31 crop protection products.

32 (v) "Package for sale" includes transferring agricultural crop  
33 protection products from one container to another, including the  
34 transfer of fumigants and other liquid or gaseous chemicals from one  
35 tank to another.

36 (vi) "Use" has the same meaning as in RCW 82.12.010.

37 ~~((6))~~ (5) Persons or activities which the state is prohibited  
38 from taxing under the United States Constitution.

1       **Sec. 113.** RCW 82.23A.030 and 1989 c 383 s 17 are each amended to  
2 read as follows:

3       The following are exempt from the tax imposed in this chapter:

4       (1) Any successive possession of a previously taxed petroleum  
5 product. If tax due under this chapter has not been paid with respect  
6 to a petroleum product, the department may collect the tax from any  
7 person who has had possession of the petroleum product. If the tax is  
8 paid by any person other than the first person having taxable  
9 possession of a petroleum product, the amount of tax paid shall  
10 constitute a debt owed by the first person having taxable possession  
11 to the person who paid the tax.

12       (2) Any possession of a petroleum product by a natural person  
13 under circumstances where the substance is used, or is to be used,  
14 for a personal or domestic purpose (and not for any business purpose)  
15 by that person or a relative of, or person residing in the same  
16 dwelling as, that person.

17       (3) Persons or activities which the state is prohibited from  
18 taxing under the United States Constitution.

19       (4) ~~((Any persons possessing a petroleum product where such  
20 possession first occurred before July 1, 1989.~~

21       ~~(5))~~ Any possession of (a) natural gas, (b) petroleum coke, or  
22 (c) liquid fuel or fuel gas used in petroleum processing.

23       ~~((6))~~ (5) Any possession of petroleum products that are  
24 exported for use or sale outside this state as fuel.

25       ~~((7))~~ (6) Any possession of petroleum products packaged for  
26 sale to ultimate consumers.

27       **Sec. 114.** RCW 82.29A.130 and 2023 c 343 s 2 are each amended to  
28 read as follows:

29       The following leasehold interests are exempt from taxes imposed  
30 pursuant to RCW 82.29A.030 and 82.29A.040:

31       (1) All leasehold interests constituting a part of the operating  
32 properties of any public utility that is assessed and taxed as a  
33 public utility pursuant to chapter 84.12 RCW.

34       (2) All leasehold interests in facilities owned or used by a  
35 school, college or university which leasehold provides housing for  
36 students and which is otherwise exempt from taxation under provisions  
37 of RCW 84.36.010 and 84.36.050.

38       (3) All leasehold interests of subsidized housing where the fee  
39 ownership of such property is vested in the government of the United

1 States, or the state of Washington or any political subdivision  
2 thereof but only if income qualification exists for such housing.

3 (4) All leasehold interests used for fair purposes of a nonprofit  
4 fair association that sponsors or conducts a fair or fairs which  
5 receive support from revenues collected pursuant to RCW 67.16.100 and  
6 allocated by the director of the department of agriculture where the  
7 fee ownership of such property is vested in the government of the  
8 United States, the state of Washington or any of its political  
9 subdivisions. However, this exemption does not apply to the leasehold  
10 interest of any sublessee of such nonprofit fair association if such  
11 leasehold interest would be taxable if it were the primary lease.

12 (5) All leasehold interests in any property of any public entity  
13 used as a residence by an employee of that public entity who is  
14 required as a condition of employment to live in the publicly owned  
15 property.

16 (6) All leasehold interests held by enrolled Indians of lands  
17 owned or held by any Indian or Indian tribe where the fee ownership  
18 of such property is vested in or held in trust by the United States  
19 and which are not subleased to other than to a lessee which would  
20 qualify pursuant to this chapter, RCW 84.36.451 and 84.40.175.

21 (7) All leasehold interests in any real property of any Indian or  
22 Indian tribe, band, or community that is held in trust by the United  
23 States or is subject to a restriction against alienation imposed by  
24 the United States. However, this exemption applies only where it is  
25 determined that contract rent paid is greater than or equal to 90  
26 percent of fair market rental, to be determined by the department of  
27 revenue using the same criteria used to establish taxable rent in RCW  
28 82.29A.020(2)(g).

29 (8) All leasehold interests for which annual taxable rent is less  
30 than \$250 per year. For purposes of this subsection leasehold  
31 interests held by the same lessee in contiguous properties owned by  
32 the same lessor are deemed a single leasehold interest.

33 (9) All leasehold interests which give use or possession of the  
34 leased property for a continuous period of less than 30 days:  
35 PROVIDED, That for purposes of this subsection, successive leases or  
36 lease renewals giving substantially continuous use of possession of  
37 the same property to the same lessee are deemed a single leasehold  
38 interest: PROVIDED FURTHER, That no leasehold interest is deemed to  
39 give use or possession for a period of less than 30 days solely by  
40 virtue of the reservation by the public lessor of the right to use

1 the property or to allow third parties to use the property on an  
2 occasional, temporary basis.

3 (10) All leasehold interests under month-to-month leases in  
4 residential units rented for residential purposes of the lessee  
5 pending destruction or removal for the purpose of constructing a  
6 public highway or building.

7 (11) All leasehold interests in any publicly owned real or  
8 personal property to the extent such leasehold interests arises  
9 solely by virtue of a contract for public improvements or work  
10 executed under the public works statutes of this state or of the  
11 United States between the public owner of the property and a  
12 contractor.

13 ~~(12) ((All leasehold interests that give use or possession of  
14 state adult correctional facilities for the purposes of operating  
15 correctional industries under RCW 72.09.100.~~

16 ~~(13))~~ All leasehold interests used to provide organized and  
17 supervised recreational activities for persons with disabilities of  
18 all ages in a camp facility and for public recreational purposes by a  
19 nonprofit organization, association, or corporation that would be  
20 exempt from property tax under RCW 84.36.030(1) if it owned the  
21 property. If the publicly owned property is used for any taxable  
22 purpose, the leasehold excise taxes set forth in RCW 82.29A.030 and  
23 82.29A.040 must be imposed and must be apportioned accordingly.

24 ~~((14))~~ (13) All leasehold interests in the public or  
25 entertainment areas of a baseball stadium with natural turf and a  
26 retractable roof or canopy that is in a county with a population of  
27 over 1,000,000, that has a seating capacity of over 40,000, and that  
28 is constructed on or after January 1, 1995. "Public or entertainment  
29 areas" include ticket sales areas, ramps and stairs, lobbies and  
30 concourses, parking areas, concession areas, restaurants, hospitality  
31 and stadium club areas, kitchens or other work areas primarily  
32 servicing other public or entertainment areas, public rest room  
33 areas, press and media areas, control booths, broadcast and  
34 production areas, retail sales areas, museum and exhibit areas,  
35 scoreboards or other public displays, storage areas, loading,  
36 staging, and servicing areas, seating areas and suites, the playing  
37 field, and any other areas to which the public has access or which  
38 are used for the production of the entertainment event or other  
39 public usage, and any other personal property used for these

1 purposes. "Public or entertainment areas" does not include locker  
2 rooms or private offices exclusively used by the lessee.

3 ~~((15))~~ (14) All leasehold interests in the public or  
4 entertainment areas of a stadium and exhibition center, as defined in  
5 RCW 36.102.010, that is constructed on or after January 1, 1998. For  
6 the purposes of this subsection, "public or entertainment areas" has  
7 the same meaning as in subsection ~~((14))~~ (13) of this section, and  
8 includes exhibition areas.

9 ~~((16))~~ (15) All leasehold interests in public facilities  
10 districts, as provided in chapter 36.100 or 35.57 RCW.

11 ~~((17))~~ (16) All leasehold interests in property that is: (a)  
12 Owned by the United States government or a municipal corporation; (b)  
13 listed on any federal or state register of historical sites; and (c)  
14 wholly contained within a designated national historic reserve under  
15 16 U.S.C. Sec. 461.

16 ~~((18))~~ (17) All leasehold interests in the public or  
17 entertainment areas of an amphitheater if a private entity is  
18 responsible for 100 percent of the cost of constructing the  
19 amphitheater which is not reimbursed by the public owner, both the  
20 public owner and the private lessee sponsor events at the facility on  
21 a regular basis, the lessee is responsible under the lease or  
22 agreement to operate and maintain the facility, and the amphitheater  
23 has a seating capacity of over 17,000 reserved and general admission  
24 seats and is in a county that had a population of over 350,000, but  
25 less than 425,000 when the amphitheater first opened to the public.

26 For the purposes of this subsection, "public or entertainment  
27 areas" include box offices or other ticket sales areas, entrance  
28 gates, ramps and stairs, lobbies and concourses, parking areas,  
29 concession areas, restaurants, hospitality areas, kitchens or other  
30 work areas primarily servicing other public or entertainment areas,  
31 public rest room areas, press and media areas, control booths,  
32 broadcast and production areas, retail sales areas, museum and  
33 exhibit areas, scoreboards or other public displays, storage areas,  
34 loading, staging, and servicing areas, seating areas including lawn  
35 seating areas and suites, stages, and any other areas to which the  
36 public has access or which are used for the production of the  
37 entertainment event or other public usage, and any other personal  
38 property used for these purposes. "Public or entertainment areas"  
39 does not include office areas used predominately by the lessee.

1       (~~(19)~~) (18) All leasehold interests in real property used for  
2 the placement of military housing meeting the requirements of RCW  
3 84.36.665.

4       (~~(20)~~) (19) All leasehold interests in facilities owned or used  
5 by a community college or technical college, which leasehold interest  
6 provides:

7       (a) Food services for students, faculty, and staff;

8       (b) The operation of a bookstore on campus; or

9       (c) Maintenance, operational, or administrative services to the  
10 community college or technical college.

11       (~~(21)~~) (20) (a) All leasehold interests in the public or  
12 entertainment areas of an arena if it:

13       (i) Has a seating capacity of more than 2,000;

14       (ii) Is located on city-owned land; and

15       (iii) Is owned by a city with a population over 200,000 within a  
16 county with a population of less than 1,500,000.

17       (b) For the purposes of this subsection (~~(21)~~) (20), "public or  
18 entertainment areas" has the same meaning as provided in subsection  
19 (~~(18)~~) (17) of this section.

20       (~~(22)~~) (21) All leasehold interests in facilities owned by the  
21 state parks and recreation commission that are listed on the national  
22 register of historic places or the Washington heritage register.

23       (~~(23)~~) (22) (a) All leasehold interests in the public or  
24 entertainment areas of an arena if:

25       (i) The arena has a seating capacity of more than 4,000;

26       (ii) The arena is located on city-owned land;

27       (iii) The arena is located within a city with a population over  
28 100,000; and

29       (iv) Private entities were responsible for 100 percent of the  
30 cost of constructing improvements to the arena, which were not  
31 reimbursed by the public owner.

32       (b) For the purposes of this subsection (~~(23)~~) (22), "public or  
33 entertainment areas" has the same meaning as provided in subsection  
34 (~~(18)~~) (17) of this section, except that it also includes office  
35 areas used predominately by the lessee.

36       (c) A taxpayer claiming an exemption under this subsection  
37 (~~(23)~~) (22) must file a complete annual tax performance report as  
38 provided in RCW 82.32.534.

39       (d) This subsection (~~(23)~~) (22) does not apply to leasehold  
40 interests on or after October 1, 2033.

1       **Sec. 115.** RCW 82.29A.130 and 2019 c 335 s 1 are each amended to  
2 read as follows:

3       The following leasehold interests are exempt from taxes imposed  
4 pursuant to RCW 82.29A.030 and 82.29A.040:

5       (1) All leasehold interests constituting a part of the operating  
6 properties of any public utility that is assessed and taxed as a  
7 public utility pursuant to chapter 84.12 RCW.

8       (2) All leasehold interests in facilities owned or used by a  
9 school, college or university which leasehold provides housing for  
10 students and which is otherwise exempt from taxation under provisions  
11 of RCW 84.36.010 and 84.36.050.

12       (3) All leasehold interests of subsidized housing where the fee  
13 ownership of such property is vested in the government of the United  
14 States, or the state of Washington or any political subdivision  
15 thereof but only if income qualification exists for such housing.

16       (4) All leasehold interests used for fair purposes of a nonprofit  
17 fair association that sponsors or conducts a fair or fairs which  
18 receive support from revenues collected pursuant to RCW 67.16.100 and  
19 allocated by the director of the department of agriculture where the  
20 fee ownership of such property is vested in the government of the  
21 United States, the state of Washington or any of its political  
22 subdivisions. However, this exemption does not apply to the leasehold  
23 interest of any sublessee of such nonprofit fair association if such  
24 leasehold interest would be taxable if it were the primary lease.

25       (5) All leasehold interests in any property of any public entity  
26 used as a residence by an employee of that public entity who is  
27 required as a condition of employment to live in the publicly owned  
28 property.

29       (6) All leasehold interests held by enrolled Indians of lands  
30 owned or held by any Indian or Indian tribe where the fee ownership  
31 of such property is vested in or held in trust by the United States  
32 and which are not subleased to other than to a lessee which would  
33 qualify pursuant to this chapter, RCW 84.36.451 and 84.40.175.

34       (7) All leasehold interests in any real property of any Indian or  
35 Indian tribe, band, or community that is held in trust by the United  
36 States or is subject to a restriction against alienation imposed by  
37 the United States. However, this exemption applies only where it is  
38 determined that contract rent paid is greater than or equal to ninety  
39 percent of fair market rental, to be determined by the department of

1 revenue using the same criteria used to establish taxable rent in RCW  
2 82.29A.020(2)(g).

3 (8) All leasehold interests for which annual taxable rent is less  
4 than two hundred fifty dollars per year. For purposes of this  
5 subsection leasehold interests held by the same lessee in contiguous  
6 properties owned by the same lessor are deemed a single leasehold  
7 interest.

8 (9) All leasehold interests which give use or possession of the  
9 leased property for a continuous period of less than thirty days:  
10 PROVIDED, That for purposes of this subsection, successive leases or  
11 lease renewals giving substantially continuous use of possession of  
12 the same property to the same lessee are deemed a single leasehold  
13 interest: PROVIDED FURTHER, That no leasehold interest is deemed to  
14 give use or possession for a period of less than thirty days solely  
15 by virtue of the reservation by the public lessor of the right to use  
16 the property or to allow third parties to use the property on an  
17 occasional, temporary basis.

18 (10) All leasehold interests under month-to-month leases in  
19 residential units rented for residential purposes of the lessee  
20 pending destruction or removal for the purpose of constructing a  
21 public highway or building.

22 (11) All leasehold interests in any publicly owned real or  
23 personal property to the extent such leasehold interests arises  
24 solely by virtue of a contract for public improvements or work  
25 executed under the public works statutes of this state or of the  
26 United States between the public owner of the property and a  
27 contractor.

28 ~~(12) ((All leasehold interests that give use or possession of  
29 state adult correctional facilities for the purposes of operating  
30 correctional industries under RCW 72.09.100.~~

31 ~~(13))~~ (13)) All leasehold interests used to provide organized and  
32 supervised recreational activities for persons with disabilities of  
33 all ages in a camp facility and for public recreational purposes by a  
34 nonprofit organization, association, or corporation that would be  
35 exempt from property tax under RCW 84.36.030(1) if it owned the  
36 property. If the publicly owned property is used for any taxable  
37 purpose, the leasehold excise taxes set forth in RCW 82.29A.030 and  
38 82.29A.040 must be imposed and must be apportioned accordingly.

39 ~~((14))~~ (13) All leasehold interests in the public or  
40 entertainment areas of a baseball stadium with natural turf and a



1 retractable roof or canopy that is in a county with a population of  
2 over one million, that has a seating capacity of over forty thousand,  
3 and that is constructed on or after January 1, 1995. "Public or  
4 entertainment areas" include ticket sales areas, ramps and stairs,  
5 lobbies and concourses, parking areas, concession areas, restaurants,  
6 hospitality and stadium club areas, kitchens or other work areas  
7 primarily servicing other public or entertainment areas, public rest  
8 room areas, press and media areas, control booths, broadcast and  
9 production areas, retail sales areas, museum and exhibit areas,  
10 scoreboards or other public displays, storage areas, loading,  
11 staging, and servicing areas, seating areas and suites, the playing  
12 field, and any other areas to which the public has access or which  
13 are used for the production of the entertainment event or other  
14 public usage, and any other personal property used for these  
15 purposes. "Public or entertainment areas" does not include locker  
16 rooms or private offices exclusively used by the lessee.

17 ~~((15))~~ (14) All leasehold interests in the public or  
18 entertainment areas of a stadium and exhibition center, as defined in  
19 RCW 36.102.010, that is constructed on or after January 1, 1998. For  
20 the purposes of this subsection, "public or entertainment areas" has  
21 the same meaning as in subsection ~~((14))~~ (13) of this section, and  
22 includes exhibition areas.

23 ~~((16))~~ (15) All leasehold interests in public facilities  
24 districts, as provided in chapter 36.100 or 35.57 RCW.

25 ~~((17))~~ (16) All leasehold interests in property that is: (a)  
26 Owned by the United States government or a municipal corporation; (b)  
27 listed on any federal or state register of historical sites; and (c)  
28 wholly contained within a designated national historic reserve under  
29 16 U.S.C. Sec. 461.

30 ~~((18))~~ (17) All leasehold interests in the public or  
31 entertainment areas of an amphitheater if a private entity is  
32 responsible for one hundred percent of the cost of constructing the  
33 amphitheater which is not reimbursed by the public owner, both the  
34 public owner and the private lessee sponsor events at the facility on  
35 a regular basis, the lessee is responsible under the lease or  
36 agreement to operate and maintain the facility, and the amphitheater  
37 has a seating capacity of over seventeen thousand reserved and  
38 general admission seats and is in a county that had a population of  
39 over three hundred fifty thousand, but less than four hundred twenty-  
40 five thousand when the amphitheater first opened to the public.

1 For the purposes of this subsection, "public or entertainment  
2 areas" include box offices or other ticket sales areas, entrance  
3 gates, ramps and stairs, lobbies and concourses, parking areas,  
4 concession areas, restaurants, hospitality areas, kitchens or other  
5 work areas primarily servicing other public or entertainment areas,  
6 public rest room areas, press and media areas, control booths,  
7 broadcast and production areas, retail sales areas, museum and  
8 exhibit areas, scoreboards or other public displays, storage areas,  
9 loading, staging, and servicing areas, seating areas including lawn  
10 seating areas and suites, stages, and any other areas to which the  
11 public has access or which are used for the production of the  
12 entertainment event or other public usage, and any other personal  
13 property used for these purposes. "Public or entertainment areas"  
14 does not include office areas used predominately by the lessee.

15 ~~((19))~~ (18) All leasehold interests in real property used for  
16 the placement of military housing meeting the requirements of RCW  
17 84.36.665.

18 ~~((20))~~ (19) All leasehold interests in facilities owned or used  
19 by a community college or technical college, which leasehold interest  
20 provides:

- 21 (a) Food services for students, faculty, and staff;  
22 (b) The operation of a bookstore on campus; or  
23 (c) Maintenance, operational, or administrative services to the  
24 community college or technical college.

25 ~~((21))~~ (20) (a) All leasehold interests in the public or  
26 entertainment areas of an arena if it:

- 27 (i) Has a seating capacity of more than two thousand;  
28 (ii) Is located on city-owned land; and  
29 (iii) Is owned by a city with a population over two hundred  
30 thousand within a county with a population of less than one million  
31 five hundred thousand.

32 (b) For the purposes of this subsection ~~((21))~~ (20), "public or  
33 entertainment areas" has the same meaning as provided in subsection  
34 ~~((18))~~ (17) of this section.

35 **Sec. 116.** RCW 82.45.010 and 2022 c 199 s 3 are each amended to  
36 read as follows:

37 (1) As used in this chapter, the term "sale" has its ordinary  
38 meaning and includes any conveyance, grant, assignment, quitclaim, or  
39 transfer of the ownership of or title to real property, including

1 standing timber, or any estate or interest therein for a valuable  
2 consideration, and any contract for such conveyance, grant,  
3 assignment, quitclaim, or transfer, and any lease with an option to  
4 purchase real property, including standing timber, or any estate or  
5 interest therein or other contract under which possession of the  
6 property is given to the purchaser, or any other person at the  
7 purchaser's direction, and title to the property is retained by the  
8 vendor as security for the payment of the purchase price. The term  
9 also includes the grant, assignment, quitclaim, sale, or transfer of  
10 improvements constructed upon leased land.

11 (2) (a) The term "sale" also includes the transfer or acquisition  
12 within any thirty-six month period of a controlling interest in any  
13 entity with an interest in real property located in this state for a  
14 valuable consideration.

15 (b) For the sole purpose of determining whether, pursuant to the  
16 exercise of an option, a controlling interest was transferred or  
17 acquired within a thirty-six month period, the date that the option  
18 agreement was executed is the date on which the transfer or  
19 acquisition of the controlling interest is deemed to occur. For all  
20 other purposes under this chapter, the date upon which the option is  
21 exercised is the date of the transfer or acquisition of the  
22 controlling interest.

23 (c) For purposes of this subsection, all acquisitions of persons  
24 acting in concert must be aggregated for purposes of determining  
25 whether a transfer or acquisition of a controlling interest has taken  
26 place. The department must adopt standards by rule to determine when  
27 persons are acting in concert. In adopting a rule for this purpose,  
28 the department must consider the following:

29 (i) Persons must be treated as acting in concert when they have a  
30 relationship with each other such that one person influences or  
31 controls the actions of another through common ownership; and

32 (ii) When persons are not commonly owned or controlled, they must  
33 be treated as acting in concert only when the unity with which the  
34 purchasers have negotiated and will consummate the transfer of  
35 ownership interests supports a finding that they are acting as a  
36 single entity. If the acquisitions are completely independent, with  
37 each purchaser buying without regard to the identity of the other  
38 purchasers, then the acquisitions are considered separate  
39 acquisitions.

40 (3) The term "sale" does not include:

- 1 (a) A transfer by gift, devise, or inheritance.
- 2 (b) A transfer by transfer on death deed, to the extent that it  
3 is not in satisfaction of a contractual obligation of the decedent  
4 owed to the recipient of the property.
- 5 (c) A transfer of any leasehold interest other than of the type  
6 mentioned above.
- 7 (d) A cancellation or forfeiture of a vendee's interest in a  
8 contract for the sale of real property, whether or not such contract  
9 contains a forfeiture clause, or deed in lieu of foreclosure of a  
10 mortgage.
- 11 (e) The partition of property by tenants in common by agreement  
12 or as the result of a court decree.
- 13 (f) The assignment of property or interest in property from one  
14 spouse or one domestic partner to the other spouse or other domestic  
15 partner in accordance with the terms of a decree of dissolution of  
16 marriage or state registered domestic partnership or in fulfillment  
17 of a property settlement agreement.
- 18 (g) The assignment or other transfer of a vendor's interest in a  
19 contract for the sale of real property, even though accompanied by a  
20 conveyance of the vendor's interest in the real property involved.
- 21 (h) Transfers by appropriation or decree in condemnation  
22 proceedings brought by the United States, the state or any political  
23 subdivision thereof, or a municipal corporation.
- 24 (i) A mortgage or other transfer of an interest in real property  
25 merely to secure a debt, or the assignment thereof.
- 26 (j) Any transfer or conveyance made pursuant to a deed of trust  
27 or an order of sale by the court in any mortgage, deed of trust, or  
28 lien foreclosure proceeding or upon execution of a judgment, or deed  
29 in lieu of foreclosure to satisfy a mortgage or deed of trust.
- 30 (k) A conveyance to the federal housing administration or  
31 veterans administration by an authorized mortgagee made pursuant to a  
32 contract of insurance or guaranty with the federal housing  
33 administration or veterans administration.
- 34 ~~(l) ((A transfer in compliance with the terms of any lease or  
35 contract upon which the tax as imposed by this chapter has been paid  
36 or where the lease or contract was entered into prior to the date  
37 this tax was first imposed.~~
- 38 ~~(m))~~) The sale of any grave or lot in an established cemetery.

1       (~~(n)~~) (m) A sale by the United States, this state or any  
2 political subdivision thereof, or a municipal corporation of this  
3 state.

4       (~~(o)~~) (n) A sale to a regional transit authority or public  
5 corporation under RCW 81.112.320 under a sale/leaseback agreement  
6 under RCW 81.112.300.

7       (~~(p)~~) (o) A transfer of real property, however effected, if it  
8 consists of a mere change in identity or form of ownership of an  
9 entity where there is no change in the beneficial ownership. These  
10 include transfers to a corporation or partnership which is wholly  
11 owned by the transferor and/or the transferor's spouse or domestic  
12 partner or children of the transferor or the transferor's spouse or  
13 domestic partner. However, if thereafter such transferee corporation  
14 or partnership voluntarily transfers such real property, or such  
15 transferor, spouse or domestic partner, or children of the transferor  
16 or the transferor's spouse or domestic partner voluntarily transfer  
17 stock in the transferee corporation or interest in the transferee  
18 partnership capital, as the case may be, to other than (i) the  
19 transferor and/or the transferor's spouse or domestic partner or  
20 children of the transferor or the transferor's spouse or domestic  
21 partner, (ii) a trust having the transferor and/or the transferor's  
22 spouse or domestic partner or children of the transferor or the  
23 transferor's spouse or domestic partner as the only beneficiaries at  
24 the time of the transfer to the trust, or (iii) a corporation or  
25 partnership wholly owned by the original transferor and/or the  
26 transferor's spouse or domestic partner or children of the transferor  
27 or the transferor's spouse or domestic partner, within three years of  
28 the original transfer to which this exemption applies, and the tax on  
29 the subsequent transfer has not been paid within sixty days of  
30 becoming due, excise taxes become due and payable on the original  
31 transfer as otherwise provided by law.

32       (~~(q)~~) (p)(i) A transfer that for federal income tax purposes  
33 does not involve the recognition of gain or loss for entity  
34 formation, liquidation or dissolution, and reorganization, including  
35 but not limited to nonrecognition of gain or loss because of  
36 application of 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731  
37 of the internal revenue code of 1986, as amended.

38       (ii) However, the transfer described in (~~(q)~~) (p)(i) of this  
39 subsection cannot be preceded or followed within a thirty-six month  
40 period by another transfer or series of transfers, that, when

1 combined with the otherwise exempt transfer or transfers described in  
2 (~~(q)~~) (p)(i) of this subsection, results in the transfer of a  
3 controlling interest in the entity for valuable consideration, and in  
4 which one or more persons previously holding a controlling interest  
5 in the entity receive cash or property in exchange for any interest  
6 the person or persons acting in concert hold in the entity. This  
7 subsection (3)(~~(q)~~) (p)(ii) does not apply to that part of the  
8 transfer involving property received that is the real property  
9 interest that the person or persons originally contributed to the  
10 entity or when one or more persons who did not contribute real  
11 property or belong to the entity at a time when real property was  
12 purchased receive cash or personal property in exchange for that  
13 person or persons' interest in the entity. The real estate excise tax  
14 under this subsection (3)(~~(q)~~) (p)(ii) is imposed upon the person  
15 or persons who previously held a controlling interest in the entity.

16 (~~(r)~~) (q) A qualified sale of a manufactured/mobile home  
17 community, as defined in RCW 59.20.030.

18 (~~(s)~~) (r)(i) A transfer of a qualified low-income housing  
19 development or controlling interest in a qualified low-income housing  
20 development, unless, due to noncompliance with federal statutory  
21 requirements, the seller is subject to recapture, in whole or in  
22 part, of its allocated federal low-income housing tax credits within  
23 the four years prior to the date of transfer.

24 (ii) For purposes of this subsection (3)(~~(s)~~) (r), "qualified  
25 low-income housing development" means real property and improvements  
26 in respect to which the seller or, in the case of a transfer of a  
27 controlling interest, the owner or beneficial owner, was allocated  
28 federal low-income housing tax credits authorized under 26 U.S.C.  
29 Sec. 42 or successor statute, by the Washington state housing finance  
30 commission or successor state-authorized tax credit allocating  
31 agency.

32 (iii) This subsection (3)(~~(s)~~) (r) does not apply to transfers  
33 of a qualified low-income housing development or controlling interest  
34 in a qualified low-income housing development occurring on or after  
35 July 1, 2035.

36 (iv) The Washington state housing finance commission, in  
37 consultation with the department, must gather data on: (A) The fiscal  
38 savings, if any, accruing to transferees as a result of the exemption  
39 provided in this subsection (3)(~~(s)~~) (r); (B) the extent to which  
40 transferors of qualified low-income housing developments receive

1 consideration, including any assumption of debt, as part of a  
2 transfer subject to the exemption provided in this subsection (3)  
3 (~~(s)~~) (r); and (C) the continued use of the property for low-income  
4 housing. The Washington state housing finance commission must provide  
5 this information to the joint legislative audit and review committee.  
6 The committee must conduct a review of the tax preference created  
7 under this subsection (3) (~~(s)~~) (r) in calendar year 2033, as  
8 required under chapter 43.136 RCW.

9 (~~(t)~~) (s)(i) A qualified transfer of residential property by a  
10 legal representative of a person with developmental disabilities to a  
11 qualified entity subject to the following conditions:

12 (A) The adult child with developmental disabilities of the  
13 transferor of the residential property must be allowed to reside in  
14 the residence or successor property so long as the placement is safe  
15 and appropriate as determined by the department of social and health  
16 services;

17 (B) The title to the residential property is conveyed without the  
18 receipt of consideration by the legal representative of a person with  
19 developmental disabilities to a qualified entity;

20 (C) The residential property must have no more than four living  
21 units located on it; and

22 (D) The residential property transferred must remain in continued  
23 use for fifty years by the qualified entity as supported living for  
24 persons with developmental disabilities by the qualified entity or  
25 successor entity. If the qualified entity sells or otherwise conveys  
26 ownership of the residential property the proceeds of the sale or  
27 conveyance must be used to acquire similar residential property and  
28 such similar residential property must be considered the successor  
29 for continued use. The property will not be considered in continued  
30 use if the department of social and health services finds that the  
31 property has failed, after a reasonable time to remedy, to meet any  
32 health and safety statutory or regulatory requirements. If the  
33 department of social and health services determines that the property  
34 fails to meet the requirements for continued use, the department of  
35 social and health services must notify the department and the real  
36 estate excise tax based on the value of the property at the time of  
37 the transfer into use as residential property for persons with  
38 developmental disabilities becomes immediately due and payable by the  
39 qualified entity. The tax due is not subject to penalties, fees, or  
40 interest under this title.

1 (ii) For the purposes of this subsection (3) ~~((t))~~ (s) the  
2 definitions in RCW 71A.10.020 apply.

3 (iii) A "qualified entity" is:

4 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)  
5 of the federal internal revenue code of 1986, as amended, as of June  
6 7, 2018, or a subsidiary under the same taxpayer identification  
7 number that provides residential supported living for persons with  
8 developmental disabilities; or

9 (B) A nonprofit adult family home, as defined in RCW 70.128.010,  
10 that exclusively serves persons with developmental disabilities.

11 (iv) In order to receive an exemption under this subsection (3)  
12 ~~((t))~~ (s) an affidavit must be submitted by the transferor of the  
13 residential property and must include a copy of the transfer  
14 agreement and any other documentation as required by the department.

15 ~~((u))~~ (t)(i) The sale by an affordable homeownership  
16 facilitator of self-help housing to a low-income household.

17 (ii) The definitions in this subsection (3) ~~((u))~~ (t) apply to  
18 this subsection (3) ~~((u))~~ (t) unless the context clearly requires  
19 otherwise.

20 (A) "Affordable homeownership facilitator" means a nonprofit  
21 community or neighborhood-based organization that is exempt from  
22 income tax under Title 26 U.S.C. Sec. 501(c) of the internal revenue  
23 code of 1986, as amended, as of October 1, 2019, and that is the  
24 developer of self-help housing.

25 (B) "Low-income" means household income as defined by the  
26 department, provided that the definition may not exceed eighty  
27 percent of median household income, adjusted for household size, for  
28 the county in which the dwelling is located.

29 (C) "Self-help housing" means dwelling residences provided for  
30 ownership by low-income individuals and families whose ownership  
31 requirement includes labor participation. "Self-help housing" does  
32 not include residential rental housing provided on a commercial basis  
33 to the general public.

34 ~~((v))~~ (u)(i) A sale or transfer of real property to a  
35 qualifying grantee that uses the property for housing for low-income  
36 persons and receives or otherwise qualifies the property for an  
37 exemption from real and personal property taxes under RCW 84.36.560,  
38 84.36.049, 35.82.210, 35.21.755, or 84.36.010. For purposes of this  
39 subsection (3) ~~((v))~~ (u), "qualifying grantee" means a nonprofit  
40 entity as defined in RCW 84.36.560, a nonprofit entity or qualified



1 cooperative association as defined in RCW 84.36.049, a housing  
2 authority created under RCW 35.82.030 or 35.82.300, a public  
3 corporation established under RCW 35.21.660 or 35.21.730, or a county  
4 or municipal corporation. A qualifying grantee that is a county or  
5 municipal corporation must record a covenant at the time of transfer  
6 that prohibits using the property for any purpose other than for low-  
7 income housing for a period of at least 10 years. At a minimum, the  
8 covenant must address price restrictions and household income limits  
9 for the low-income housing. A qualifying grantee must comply with the  
10 requirements described in ~~((+v+))~~ (u)(i)(A), (B), or (C) of this  
11 subsection and must also certify, by affidavit at the time of sale or  
12 transfer, that it intends to comply with those requirements.

13 (A) If the qualifying grantee intends to operate existing housing  
14 on the property, within one year of the sale or transfer:

15 (I) The qualifying grantee must receive or qualify the property  
16 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,  
17 35.21.755, or 84.36.010; and

18 (II) The property must be used as housing for low-income persons.

19 (B) If the qualifying grantee intends to develop new housing on  
20 the site, within five years of the sale or transfer:

21 (I) The qualifying grantee must receive or qualify the property  
22 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,  
23 35.21.755, or 84.36.010; and

24 (II) The property must be used as housing for low-income persons.

25 (C) If the qualifying grantee intends to substantially  
26 rehabilitate the premises as defined in RCW 59.18.200, within three  
27 years:

28 (I) The qualifying grantee must receive or qualify the property  
29 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,  
30 35.21.755, or 84.36.010; and

31 (II) The property must be used as housing for low-income persons.

32 (ii) If the qualifying grantee fails to satisfy the requirements  
33 described in ~~((+v+))~~ (u)(i)(A), (B), or (C) of this subsection,  
34 within the timelines described in ~~((+v+))~~ (u)(i)(A), (B), or (C) of  
35 this subsection, the qualifying grantee must pay the tax that would  
36 have otherwise been due at the time of initial transfer, plus  
37 interest calculated from the date of initial transfer pursuant to RCW  
38 82.32.050.

39 (iii) If a qualifying grantee transfers the property to a  
40 different qualifying grantee within the original timelines described

1 in ~~((v))~~ (u)(i)(A), (B), or (C) of this subsection, neither the  
2 original qualifying grantee nor the new qualifying grantee is  
3 required to pay the tax, so long as the new qualifying grantee  
4 satisfies the requirements as described in ~~((v))~~ (u)(i)(A), (B), or  
5 (C) of this subsection within the exemption period of the initial  
6 transfer. If the new qualifying grantee fails to satisfy the  
7 requirements described in ~~((v))~~ (u)(i)(A), (B), or (C) of this  
8 subsection, only the new qualifying grantee is liable for the payment  
9 of taxes required by ~~((v))~~ (u)(ii) of this subsection. There is no  
10 limit on the number of transfers between qualifying grantees within  
11 the original timelines.

12 (iv) Each affidavit must be filed with the department upon  
13 completion of the sale or transfer of property, including transfers  
14 from a qualifying grantee to a different qualifying grantee. The  
15 qualifying grantee must provide proof to the department as required  
16 by the department once the requirements as described in ~~((v))~~ (u)  
17 (i)(A), (B), or (C) of this subsection have been satisfied.

18 (v) For the purposes of this subsection (3) ~~((v))~~ (u), "low-  
19 income" has the same meaning as in ~~((u))~~ (t) of this subsection.

20 **Sec. 117.** RCW 82.45.010 and 2022 c 199 s 4 are each amended to  
21 read as follows:

22 (1) As used in this chapter, the term "sale" has its ordinary  
23 meaning and includes any conveyance, grant, assignment, quitclaim, or  
24 transfer of the ownership of or title to real property, including  
25 standing timber, or any estate or interest therein for a valuable  
26 consideration, and any contract for such conveyance, grant,  
27 assignment, quitclaim, or transfer, and any lease with an option to  
28 purchase real property, including standing timber, or any estate or  
29 interest therein or other contract under which possession of the  
30 property is given to the purchaser, or any other person at the  
31 purchaser's direction, and title to the property is retained by the  
32 vendor as security for the payment of the purchase price. The term  
33 also includes the grant, assignment, quitclaim, sale, or transfer of  
34 improvements constructed upon leased land.

35 (2)(a) The term "sale" also includes the transfer or acquisition  
36 within any thirty-six month period of a controlling interest in any  
37 entity with an interest in real property located in this state for a  
38 valuable consideration.

1 (b) For the sole purpose of determining whether, pursuant to the  
2 exercise of an option, a controlling interest was transferred or  
3 acquired within a thirty-six month period, the date that the option  
4 agreement was executed is the date on which the transfer or  
5 acquisition of the controlling interest is deemed to occur. For all  
6 other purposes under this chapter, the date upon which the option is  
7 exercised is the date of the transfer or acquisition of the  
8 controlling interest.

9 (c) For purposes of this subsection, all acquisitions of persons  
10 acting in concert must be aggregated for purposes of determining  
11 whether a transfer or acquisition of a controlling interest has taken  
12 place. The department must adopt standards by rule to determine when  
13 persons are acting in concert. In adopting a rule for this purpose,  
14 the department must consider the following:

15 (i) Persons must be treated as acting in concert when they have a  
16 relationship with each other such that one person influences or  
17 controls the actions of another through common ownership; and

18 (ii) When persons are not commonly owned or controlled, they must  
19 be treated as acting in concert only when the unity with which the  
20 purchasers have negotiated and will consummate the transfer of  
21 ownership interests supports a finding that they are acting as a  
22 single entity. If the acquisitions are completely independent, with  
23 each purchaser buying without regard to the identity of the other  
24 purchasers, then the acquisitions are considered separate  
25 acquisitions.

26 (3) The term "sale" does not include:

27 (a) A transfer by gift, devise, or inheritance.

28 (b) A transfer by transfer on death deed, to the extent that it  
29 is not in satisfaction of a contractual obligation of the decedent  
30 owed to the recipient of the property.

31 (c) A transfer of any leasehold interest other than of the type  
32 mentioned above.

33 (d) A cancellation or forfeiture of a vendee's interest in a  
34 contract for the sale of real property, whether or not such contract  
35 contains a forfeiture clause, or deed in lieu of foreclosure of a  
36 mortgage.

37 (e) The partition of property by tenants in common by agreement  
38 or as the result of a court decree.

39 (f) The assignment of property or interest in property from one  
40 spouse or one domestic partner to the other spouse or other domestic

1 partner in accordance with the terms of a decree of dissolution of  
2 marriage or state registered domestic partnership or in fulfillment  
3 of a property settlement agreement.

4 (g) The assignment or other transfer of a vendor's interest in a  
5 contract for the sale of real property, even though accompanied by a  
6 conveyance of the vendor's interest in the real property involved.

7 (h) Transfers by appropriation or decree in condemnation  
8 proceedings brought by the United States, the state or any political  
9 subdivision thereof, or a municipal corporation.

10 (i) A mortgage or other transfer of an interest in real property  
11 merely to secure a debt, or the assignment thereof.

12 (j) Any transfer or conveyance made pursuant to a deed of trust  
13 or an order of sale by the court in any mortgage, deed of trust, or  
14 lien foreclosure proceeding or upon execution of a judgment, or deed  
15 in lieu of foreclosure to satisfy a mortgage or deed of trust.

16 (k) A conveyance to the federal housing administration or  
17 veterans administration by an authorized mortgagee made pursuant to a  
18 contract of insurance or guaranty with the federal housing  
19 administration or veterans administration.

20 ~~(l) ((A transfer in compliance with the terms of any lease or  
21 contract upon which the tax as imposed by this chapter has been paid  
22 or where the lease or contract was entered into prior to the date  
23 this tax was first imposed.~~

24 ~~(m))~~ The sale of any grave or lot in an established cemetery.

25 ~~((n))~~ (m) A sale by the United States, this state or any  
26 political subdivision thereof, or a municipal corporation of this  
27 state.

28 ~~((o))~~ (n) A sale to a regional transit authority or public  
29 corporation under RCW 81.112.320 under a sale/leaseback agreement  
30 under RCW 81.112.300.

31 ~~((p))~~ (o) A transfer of real property, however effected, if it  
32 consists of a mere change in identity or form of ownership of an  
33 entity where there is no change in the beneficial ownership. These  
34 include transfers to a corporation or partnership which is wholly  
35 owned by the transferor and/or the transferor's spouse or domestic  
36 partner or children of the transferor or the transferor's spouse or  
37 domestic partner. However, if thereafter such transferee corporation  
38 or partnership voluntarily transfers such real property, or such  
39 transferor, spouse or domestic partner, or children of the transferor  
40 or the transferor's spouse or domestic partner voluntarily transfer

1 stock in the transferee corporation or interest in the transferee  
2 partnership capital, as the case may be, to other than (i) the  
3 transferor and/or the transferor's spouse or domestic partner or  
4 children of the transferor or the transferor's spouse or domestic  
5 partner, (ii) a trust having the transferor and/or the transferor's  
6 spouse or domestic partner or children of the transferor or the  
7 transferor's spouse or domestic partner as the only beneficiaries at  
8 the time of the transfer to the trust, or (iii) a corporation or  
9 partnership wholly owned by the original transferor and/or the  
10 transferor's spouse or domestic partner or children of the transferor  
11 or the transferor's spouse or domestic partner, within three years of  
12 the original transfer to which this exemption applies, and the tax on  
13 the subsequent transfer has not been paid within sixty days of  
14 becoming due, excise taxes become due and payable on the original  
15 transfer as otherwise provided by law.

16 ~~((g))~~ (p)(i) A transfer that for federal income tax purposes  
17 does not involve the recognition of gain or loss for entity  
18 formation, liquidation or dissolution, and reorganization, including  
19 but not limited to nonrecognition of gain or loss because of  
20 application of 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731  
21 of the internal revenue code of 1986, as amended.

22 (ii) However, the transfer described in ~~((g))~~ (p)(i) of this  
23 subsection cannot be preceded or followed within a thirty-six month  
24 period by another transfer or series of transfers, that, when  
25 combined with the otherwise exempt transfer or transfers described in  
26 ~~((g))~~ (p)(i) of this subsection, results in the transfer of a  
27 controlling interest in the entity for valuable consideration, and in  
28 which one or more persons previously holding a controlling interest  
29 in the entity receive cash or property in exchange for any interest  
30 the person or persons acting in concert hold in the entity. This  
31 subsection (3)~~((g))~~ (p)(ii) does not apply to that part of the  
32 transfer involving property received that is the real property  
33 interest that the person or persons originally contributed to the  
34 entity or when one or more persons who did not contribute real  
35 property or belong to the entity at a time when real property was  
36 purchased receive cash or personal property in exchange for that  
37 person or persons' interest in the entity. The real estate excise tax  
38 under this subsection (3)~~((g))~~ (p)(ii) is imposed upon the person  
39 or persons who previously held a controlling interest in the entity.

1       (~~(r)~~) (g) A qualified sale of a manufactured/mobile home  
2 community, as defined in RCW 59.20.030, that takes place on or after  
3 June 12, 2008, but before December 31, 2018.

4       (~~(s)~~) (r)(i) A transfer of a qualified low-income housing  
5 development or controlling interest in a qualified low-income housing  
6 development, unless, due to noncompliance with federal statutory  
7 requirements, the seller is subject to recapture, in whole or in  
8 part, of its allocated federal low-income housing tax credits within  
9 the four years prior to the date of transfer.

10       (ii) For purposes of this subsection (3)(~~(s)~~) (r), "qualified  
11 low-income housing development" means real property and improvements  
12 in respect to which the seller or, in the case of a transfer of a  
13 controlling interest, the owner or beneficial owner, was allocated  
14 federal low-income housing tax credits authorized under 26 U.S.C.  
15 Sec. 42 or successor statute, by the Washington state housing finance  
16 commission or successor state-authorized tax credit allocating  
17 agency.

18       (iii) This subsection (3)(~~(s)~~) (r) does not apply to transfers  
19 of a qualified low-income housing development or controlling interest  
20 in a qualified low-income housing development occurring on or after  
21 July 1, 2035.

22       (iv) The Washington state housing finance commission, in  
23 consultation with the department, must gather data on: (A) The fiscal  
24 savings, if any, accruing to transferees as a result of the exemption  
25 provided in this subsection (3)(~~(s)~~) (r); (B) the extent to which  
26 transferors of qualified low-income housing developments receive  
27 consideration, including any assumption of debt, as part of a  
28 transfer subject to the exemption provided in this subsection (3)  
29 (~~(s)~~) (r); and (C) the continued use of the property for low-income  
30 housing. The Washington state housing finance commission must provide  
31 this information to the joint legislative audit and review committee.  
32 The committee must conduct a review of the tax preference created  
33 under this subsection (3)(~~(s)~~) (r) in calendar year 2033, as  
34 required under chapter 43.136 RCW.

35       (~~(t)~~) (s)(i) A qualified transfer of residential property by a  
36 legal representative of a person with developmental disabilities to a  
37 qualified entity subject to the following conditions:

38       (A) The adult child with developmental disabilities of the  
39 transferor of the residential property must be allowed to reside in  
40 the residence or successor property so long as the placement is safe

1 and appropriate as determined by the department of social and health  
2 services;

3 (B) The title to the residential property is conveyed without the  
4 receipt of consideration by the legal representative of a person with  
5 developmental disabilities to a qualified entity;

6 (C) The residential property must have no more than four living  
7 units located on it; and

8 (D) The residential property transferred must remain in continued  
9 use for fifty years by the qualified entity as supported living for  
10 persons with developmental disabilities by the qualified entity or  
11 successor entity. If the qualified entity sells or otherwise conveys  
12 ownership of the residential property the proceeds of the sale or  
13 conveyance must be used to acquire similar residential property and  
14 such similar residential property must be considered the successor  
15 for continued use. The property will not be considered in continued  
16 use if the department of social and health services finds that the  
17 property has failed, after a reasonable time to remedy, to meet any  
18 health and safety statutory or regulatory requirements. If the  
19 department of social and health services determines that the property  
20 fails to meet the requirements for continued use, the department of  
21 social and health services must notify the department and the real  
22 estate excise tax based on the value of the property at the time of  
23 the transfer into use as residential property for persons with  
24 developmental disabilities becomes immediately due and payable by the  
25 qualified entity. The tax due is not subject to penalties, fees, or  
26 interest under this title.

27 (ii) For the purposes of this subsection (3) ~~((t))~~ (s) the  
28 definitions in RCW 71A.10.020 apply.

29 (iii) A "qualified entity" is:

30 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)  
31 of the federal internal revenue code of 1986, as amended, as of June  
32 7, 2018, or a subsidiary under the same taxpayer identification  
33 number that provides residential supported living for persons with  
34 developmental disabilities; or

35 (B) A nonprofit adult family home, as defined in RCW 70.128.010,  
36 that exclusively serves persons with developmental disabilities.

37 (iv) In order to receive an exemption under this subsection (3)  
38 ~~((t))~~ (s) an affidavit must be submitted by the transferor of the  
39 residential property and must include a copy of the transfer  
40 agreement and any other documentation as required by the department.

1       (~~(u)~~) (t)(i) A sale or transfer of real property to a  
2 qualifying grantee that uses the property for housing for low-income  
3 persons and receives or otherwise qualifies the property for an  
4 exemption from real and personal property taxes under RCW 84.36.560,  
5 84.36.049, 35.82.210, 35.21.755, or 84.36.010. For purposes of this  
6 subsection (3)(~~(u)~~) (t), "qualifying grantee" means a nonprofit  
7 entity as defined in RCW 84.36.560, a nonprofit entity or qualified  
8 cooperative association as defined in RCW 84.36.049, a housing  
9 authority created under RCW 35.82.030 or 35.82.300, a public  
10 corporation established under RCW 35.21.660 or 35.21.730, or a county  
11 or municipal corporation. A qualifying grantee that is a county or  
12 municipal corporation must record a covenant at the time of transfer  
13 that prohibits using the property for any purpose other than for low-  
14 income housing for a period of at least 10 years. At a minimum, the  
15 covenant must address price restrictions and household income limits  
16 for the low-income housing. A qualifying grantee must comply with the  
17 requirements described in (~~(u)~~) (t)(i)(A), (B), or (C) of this  
18 subsection and must also certify, by affidavit at the time of sale or  
19 transfer, that it intends to comply with those requirements.

20       (A) If the qualifying grantee intends to operate existing housing  
21 on the property, within one year of the sale or transfer:

22       (I) The qualifying grantee must receive or qualify the property  
23 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,  
24 35.21.755, or 84.36.010; and

25       (II) The property must be used as housing for low-income persons.

26       (B) If the qualifying grantee intends to develop new housing on  
27 the site, within five years of the sale or transfer:

28       (I) The qualifying grantee must receive or qualify the property  
29 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,  
30 35.21.755, or 84.36.010; and

31       (II) The property must be used as housing for low-income persons.

32       (C) If the qualifying grantee intends to substantially  
33 rehabilitate the premises as defined in RCW 59.18.200, within three  
34 years:

35       (I) The qualifying grantee must receive or qualify the property  
36 for a tax exemption under RCW 84.36.560, 84.36.049, 35.82.210,  
37 35.21.755, or 84.36.010; and

38       (II) The property must be used as housing for low-income persons.

39       (ii) If the qualifying grantee fails to satisfy the requirements  
40 described in (~~(u)~~) (t)(i)(A), (B), or (C) of this subsection,



1 within the timelines described in (~~(u)~~) (t)(i)(A), (B), or (C) of  
2 this subsection, the qualifying grantee must pay the tax that would  
3 have otherwise been due at the time of initial transfer, plus  
4 interest calculated from the date of initial transfer pursuant to RCW  
5 82.32.050.

6 (iii) If a qualifying grantee transfers the property to a  
7 different qualifying grantee within the original timelines described  
8 in (~~(u)~~) (t)(i)(A), (B), or (C) of this subsection, neither the  
9 original qualifying grantee nor the new qualifying grantee is  
10 required to pay the tax, so long as the new qualifying grantee  
11 satisfies the requirements as described in (~~(u)~~) (t)(i)(A), (B), or  
12 (C) of this subsection within the exemption period of the initial  
13 transfer. If the new qualifying grantee fails to satisfy the  
14 requirements described in (~~(u)~~) (t)(i)(A), (B), or (C) of this  
15 subsection, only the new qualifying grantee is liable for the payment  
16 of taxes required by (~~(u)~~) (t)(ii) of this subsection. There is no  
17 limit on the number of transfers between qualifying grantees within  
18 the original timelines.

19 (iv) Each affidavit must be filed with the department upon  
20 completion of the sale or transfer of property, including transfers  
21 from a qualifying grantee to a different qualifying grantee. The  
22 qualifying grantee must provide proof to the department as required  
23 by the department once the requirements as described in (~~(u)~~) (t)  
24 (i)(A), (B), or (C) of this subsection have been satisfied.

25 (v) For the purposes of this subsection (3)(~~(u)~~) (t), "low-  
26 income" means household income as defined by the department, provided  
27 that the definition may not exceed 80 percent of median household  
28 income, adjusted for household size, for the county in which the  
29 dwelling is located.

30 **Sec. 118.** RCW 82.45.030 and 2011 c 58 s 15 are each amended to  
31 read as follows:

32 (1) As used in this chapter, the term "selling price" means the  
33 true and fair value of the property conveyed. If property has been  
34 conveyed in an arm's length transaction between unrelated persons for  
35 a valuable consideration, a rebuttable presumption exists that the  
36 selling price is equal to the total consideration paid or contracted  
37 to be paid to the transferor, or to another for the transferor's  
38 benefit.

1 (2) If the sale is a transfer of a controlling interest in an  
2 entity with an interest in real property located in this state, the  
3 selling price shall be the true and fair value of the real property  
4 owned by the entity and located in this state. If the true and fair  
5 value of the real property located in this state cannot reasonably be  
6 determined, the selling price shall be determined according to  
7 subsection (4) of this section.

8 (3) As used in this section, "total consideration paid or  
9 contracted to be paid" includes money or anything of value, paid or  
10 delivered or contracted to be paid or delivered in return for the  
11 sale, and shall include the amount of any lien, mortgage, contract  
12 indebtedness, or other incumbrance, either given to secure the  
13 purchase price, or any part thereof, or remaining unpaid on such  
14 property at the time of sale.

15 Total consideration shall not include the amount of any  
16 outstanding lien or incumbrance in favor of the United States, the  
17 state, or a municipal corporation for taxes, special benefits, or  
18 improvements.

19 ~~((When a transfer or conveyance is made by deed in lieu of  
20 foreclosure to satisfy a deed of trust, total consideration shall not  
21 include the amount of any relocation assistance provided to the  
22 transferor.))~~

23 (4) If the total consideration for the sale cannot be ascertained  
24 or the true and fair value of the property to be valued at the time  
25 of the sale cannot reasonably be determined, the market value  
26 assessment for the property maintained on the county property tax  
27 rolls at the time of the sale shall be used as the selling price.

28 **Sec. 119.** RCW 82.64.030 and 1994 sp.s. c 7 s 907 are each  
29 amended to read as follows:

30 The following are exempt from the taxes imposed in this chapter:

31 (1) Any successive sale of a previously taxed syrup.

32 (2) Any syrup that is transferred to a point outside the state  
33 for use outside the state. The department shall provide by rule  
34 appropriate procedures and exemption certificates for the  
35 administration of this exemption.

36 (3) Any sale at wholesale of a trademarked syrup by any person to  
37 a person commonly known as a bottler who is appointed by the owner of  
38 the trademark to manufacture, distribute, and sell such trademarked  
39 syrup within a specified geographic territory.

1       (~~(4) Any sale of syrup in respect to which a tax on the~~  
2 ~~privilege of possession was paid under this chapter before June 1,~~  
3 ~~1991.)~~)

4       **Sec. 120.** RCW 84.36.010 and 2020 c 272 s 1 are each amended to  
5 read as follows:

6       (1) All property belonging exclusively to the United States, the  
7 state, or any county or municipal corporation; all property belonging  
8 exclusively to any federally recognized Indian tribe, if (a) the  
9 tribe is located in the state, and (b) the property is used  
10 exclusively for essential government services; (~~all state route~~  
11 ~~number 16 corridor transportation systems and facilities constructed~~  
12 ~~under chapter 47.46 RCW;~~) all property under a financing contract  
13 pursuant to chapter 39.94 RCW or recorded agreement granting  
14 immediate possession and use to the public bodies listed in this  
15 section or under an order of immediate possession and use pursuant to  
16 RCW 8.04.090; and, for a period of forty years from acquisition, all  
17 property of a community center; is exempt from taxation. All property  
18 belonging exclusively to a foreign national government is exempt from  
19 taxation if that property is used exclusively as an office or  
20 residence for a consul or other official representative of the  
21 foreign national government, and if the consul or other official  
22 representative is a citizen of that foreign nation.

23       (2) For the purposes of this section the following definitions  
24 apply unless the context clearly requires otherwise.

25       (a) "Community center" means property, including a building or  
26 buildings, determined to be surplus to the needs of a district by a  
27 local school board, and purchased or acquired by a nonprofit  
28 organization for the purposes of converting them into community  
29 facilities for the delivery of nonresidential coordinated services  
30 for community members. The community center may make space available  
31 to businesses, individuals, or other parties through the loan or  
32 rental of space in or on the property.

33       (b) "Essential government services" means services such as tribal  
34 administration, public facilities, fire, police, public health,  
35 education, sewer, water, environmental and land use, transportation,  
36 utility services, and economic development.

37       (c) "Economic development" means commercial activities, including  
38 those that facilitate the creation or retention of businesses or

1 jobs, or that improve the standard of living or economic health of  
2 tribal communities.

3 **Sec. 121.** RCW 84.36.030 and 2014 c 99 s 4 are each amended to  
4 read as follows:

5 The following real and personal property is exempt from taxation:

6 (1) (a) Property owned by nonprofit organizations or associations,  
7 organized and conducted for nonsectarian purposes, which shall be  
8 used for character-building, benevolent, protective or rehabilitative  
9 social services directed at persons of all ages.

10 (b) The sale of donated merchandise is not considered a nonexempt  
11 use of the property under this section if the proceeds are devoted to  
12 the furtherance of the purposes of the selling organization or  
13 association as specified in this subsection (1).

14 (2) Property owned by any nonprofit church, denomination, group  
15 of churches, or an organization or association, the membership of  
16 which is comprised solely of churches or their qualified  
17 representatives, which is utilized as a camp facility if used for  
18 organized and supervised recreational activities and church purposes  
19 as related to such camp facilities. The exemption provided by this  
20 (~~paragraph~~) subsection shall apply to a maximum of two hundred  
21 acres of any such camp as selected by the church, including buildings  
22 and other improvements thereon.

23 (3) Property, including buildings and improvements required for  
24 the maintenance and safeguarding of such property, owned by nonprofit  
25 organizations or associations engaged in character building of boys  
26 and girls under eighteen years of age, and used for such purposes and  
27 uses, provided such purposes and uses are for the general public  
28 good: PROVIDED, That if existing charters provide that organizations  
29 or associations, which would otherwise qualify under the provisions  
30 of this (~~paragraph~~) subsection, serve boys and girls up to the age  
31 of twenty-one years, then such organizations or associations shall be  
32 deemed qualified pursuant to this section.

33 (4) Property owned by all organizations and societies of veterans  
34 of any war of the United States, recognized as such by the department  
35 of defense, which shall have national charters, and which shall have  
36 for their general purposes and objects the preservation of the  
37 memories and associations incident to their war service and the  
38 consecration of the efforts of their members to mutual helpfulness  
39 and to patriotic and community service to state and nation. To be

1 exempt such property must be used in such manner as may be reasonably  
2 necessary to carry out the purposes and objects of such societies.

3 (5) Property owned by all corporations, incorporated under any  
4 act of congress, whose principal purposes are to furnish volunteer  
5 aid to members of the armed forces of the United States and also to  
6 carry on a system of national and international relief and to apply  
7 the same in mitigating the sufferings caused by pestilence, famine,  
8 fire, floods, and other national calamities and to devise and carry  
9 on measures for preventing the same.

10 ~~(6) ((Property owned by nonprofit organizations exempt from  
11 federal income tax under section 501(c)(3) of the internal revenue  
12 code of 1954, as amended, that are guarantee agencies under the  
13 federal guaranteed student loan program or that issue debt to provide  
14 or acquire student loans.~~

15 ~~(7))~~ To be exempt under this section, the property must be used  
16 exclusively for the purposes for which exemption is granted, except  
17 as otherwise provided in this section or RCW 84.36.805.

18 ~~((8))~~ (7) For the purposes of this section, "general public  
19 good" means members of the community derive a benefit from the rental  
20 or use of the property by the nonprofit community group or  
21 organization.

22 NEW SECTION. **Sec. 122.** The following acts or parts of acts are  
23 each repealed:

24 (1) RCW 82.04.4496 (Credit—Clean alternative fuel commercial  
25 vehicles) and 2022 c 182 s 307, 2019 c 287 s 8, & 2017 c 116 s 1;

26 (2) RCW 82.16.0496 (Credit—Clean alternative fuel commercial  
27 vehicles—Alternative fuel vehicle infrastructure) and 2022 c 182 s  
28 308, 2019 c 287 s 13, 2017 c 116 s 2, 2016 c 29 s 2, & 2015 3rd sp.s.  
29 c 44 s 412;

30 (3) RCW 82.08.9999 (Exemptions—Vehicles using clean alternative  
31 fuels and electric vehicles) and 2022 c 182 s 305, 2021 c 145 s 13, &  
32 2019 c 287 s 9;

33 (4) RCW 82.12.9999 (Exemptions—Vehicles using clean alternative  
34 fuels and electric vehicles) and 2022 c 182 s 306 & 2019 c 287 s 10;

35 (5) RCW 82.08.809 (Exemptions—Vehicles using clean alternative  
36 fuels and electric vehicles, exceptions—Quarterly transfers) and 2016  
37 sp.s. c 32 s 2, 2015 3rd sp.s. c 44 s 408, 2010 1st sp.s. c 11 s 2, &  
38 2005 c 296 s 1;

1 (6) RCW 82.12.809 (Exemptions—Vehicles using clean alternative  
2 fuels and electric vehicles, exceptions—Quarterly transfers) and 2016  
3 sp.s. c 32 s 3, 2015 3rd sp.s. c 44 s 409, 2010 1st sp.s. c 11 s 3, &  
4 2005 c 296 s 3;

5 (7) RCW 82.04.062 ("Sale at wholesale," "sale at retail" excludes  
6 sale of precious metal bullion and monetized bullion—Computation of  
7 tax) and 1985 c 471 s 5;

8 (8) RCW 82.16.0497 (Credit—Light and power business, gas  
9 distribution business) and 2020 c 139 s 26, 2006 c 213 s 1, & 2001 c  
10 214 s 13;

11 (9) RCW 82.04.44525 (Credit—New employment for international  
12 service activities in eligible areas—Designation of census tracts for  
13 eligibility—Records—Tax due upon ineligibility—Interest assessment—  
14 Information from employment security department) and 2009 c 535 s  
15 1104, 2008 c 81 s 9, & 1998 c 313 s 2;

16 (10) RCW 82.08.02566 (Exemptions—Sales of tangible personal  
17 property incorporated in prototype for parts, auxiliary equipment,  
18 and aircraft modification—Limitations on yearly exemption) and 2003 c  
19 168 s 208, 1997 c 302 s 1, & 1996 c 247 s 4;

20 (11) RCW 82.12.02566 (Exemptions—Use of tangible personal  
21 property incorporated in prototype for aircraft parts, auxiliary  
22 equipment, and aircraft modification—Limitations on yearly exemption)  
23 and 2003 c 168 s 209, 1997 c 302 s 2, & 1996 c 247 s 5;

24 (12) RCW 82.04.272 (Tax on warehousing and reselling prescription  
25 drugs) and 2013 c 19 s 127, 2003 c 168 s 401, & 1998 c 343 s 1;

26 (13) RCW 82.04.315 (Exemptions—International banking facilities)  
27 and 1982 c 95 s 7;

28 (14) RCW 82.04.4292 (Deductions—Interest on investments or loans  
29 secured by mortgages or deeds of trust) and 2012 2nd sp.s. c 6 s 102,  
30 2010 1st sp.s. c 23 s 301, & 1980 c 37 s 12;

31 (15) RCW 82.04.293 (International investment management services—  
32 Definitions) and 2019 c 426 s 3, 1997 c 7 s 3, & 1995 c 229 s 1;

33 (16) RCW 82.04.29005 (Tax on loan interest—2012 2nd sp.s. c 6)  
34 and 2012 2nd sp.s. c 6 s 101;

35 (17) RCW 82.16.046 (Exemptions—Operation of state route No. 16)  
36 and 1998 c 179 s 5;

37 (18) RCW 82.29A.132 (Exemptions—Operation of state route No. 16)  
38 and 1998 c 179 s 6;

1 (19) RCW 82.45.190 (Exemptions—State route No. 16 corridor  
2 transportation systems and facilities) and 1998 c 179 s 7;

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

6 (21) RCW 82.12.02568 (Exemptions—Use of carbon and similar  
7 substances that become an ingredient or component of anodes or  
8 cathodes used in producing aluminum for sale) and 1996 c 170 s 2;

9 (22) RCW 82.04.4482 (Credit—Sales of electricity or gas to an  
10 aluminum smelter) and 2004 c 24 s 9;

11 (23) RCW 82.16.0498 (Credit—Sales of electricity or gas to an  
12 aluminum smelter) and 2004 c 24 s 13;

13 (24) RCW 82.12.0265 (Exemptions—Use by bailee of tangible  
14 personal property consumed in research, development, etc.,  
15 activities) and 1980 c 37 s 64;

16 (25) RCW 36.100.090 (Tax deferral—New public facilities) and 1995  
17 1st sp.s. c 14 s 6;

18 (26) RCW 82.12.024 (Deferral of use tax on certain users of  
19 natural or manufactured gas) and 2001 c 214 s 10;

20 (27) RCW 82.04.545 (Exemptions—Sales of electricity or gas to  
21 silicon smelters) and 2017 3rd sp.s. c 37 s 705 & 2017 3rd sp.s. c 37  
22 s 704;

23 (28) RCW 82.16.315 (Exemptions—Sales of electricity or gas to  
24 silicon smelters) and 2017 3rd sp.s. c 37 s 703 & 2017 3rd sp.s. c 37  
25 s 702;

26 (29) RCW 82.16.0495 (Credit—Electricity sold to a direct service  
27 industrial customer) and 2001 c 214 s 11;

28 (30) RCW 36.102.070 (Deferral of taxes—Application by public  
29 stadium authority—Department of revenue approval—Repayment—  
30 Schedules—Interest—Debt for taxes—Information not confidential) and  
31 1997 c 220 s 201;

32 (31) RCW 82.08.02569 (Exemptions—Sales of tangible personal  
33 property related to a building or structure that is an integral part  
34 of a laser interferometer gravitational wave observatory) and 1996 c  
35 113 s 1;

36 (32) RCW 82.12.02569 (Exemptions—Use of tangible personal  
37 property related to a building or structure that is an integral part  
38 of a laser interferometer gravitational wave observatory) and 1996 c  
39 113 s 2;

1 (33) RCW 82.04.421 (Exemptions—Out-of-state membership sales in  
2 discount programs) and 1997 c 408 s 1;

3 (34) RCW 82.04.4331 (Deductions—Insurance claims for state health  
4 care coverage) and 1988 c 107 s 33;

5 (35) RCW 82.04.4295 (Deductions—Manufacturing activities  
6 completed outside the United States) and 1980 c 37 s 15;

7 (36) RCW 82.04.447 (Credit—Natural or manufactured gas purchased  
8 by direct service industrial customers—Reports) and 2001 c 214 s 9;

9 (37) RCW 82.04.4332 (Deductions—Tuition fees of foreign degree-  
10 granting institutions) and 1993 c 181 s 10;

11 (38) RCW 82.29A.137 (Exemptions—Certain leasehold interests  
12 related to the manufacture of superefficient airplanes) and 2017 c  
13 135 s 35, 2013 3rd sp.s. c 2 s 13, 2010 c 114 s 134, & 2003 2nd sp.s.  
14 c 1 s 13; and

15 (39) RCW 82.04.434 (Credit—Public safety standards and testing)  
16 and 1991 c 13 s 1.

17 **PART II**

18 **CORRECTING INTERNAL REFERENCES**

19 **Sec. 201.** RCW 82.04.29004 and 2019 c 420 s 2 are each amended to  
20 read as follows:

21 (1) Beginning January 1, 2020, in addition to any other taxes  
22 imposed under this chapter, an additional tax is imposed on specified  
23 financial institutions. The additional tax is equal to the gross  
24 income of the business taxable under RCW 82.04.290(~~(+2)~~) (1)  
25 multiplied by the rate of 1.2 percent.

26 (2) The definitions in this subsection apply throughout this  
27 section unless the context clearly requires otherwise.

28 (a) "Affiliated" means a person that directly or indirectly,  
29 through one or more intermediaries, controls, is controlled by, or is  
30 under common control with another person. For purposes of this  
31 subsection (2)(a), "control" means the possession, directly or  
32 indirectly, of more than (~~fifty~~) 50 percent of the power to direct  
33 or cause the direction of the management and policies of a person,  
34 whether through the ownership of voting shares, by contract, or  
35 otherwise.

36 (b) "Consolidated financial institution group" means all  
37 financial institutions that are affiliated with each other.



1 (c) "Consolidated financial statement" means a consolidated  
2 financial institution group's consolidated reports of condition and  
3 income filed with the federal financial institutions examination  
4 council, or successor agency.

5 (d) "Financial institution" means:

6 (i) Any corporation or other business entity chartered under  
7 Titles 30A, 30B, 31, 32, and 33 RCW, or registered under the federal  
8 bank holding company act of 1956, as amended, or registered as a  
9 savings and loan holding company under the federal national housing  
10 act, as amended;

11 (ii) A national bank organized and existing as a national bank  
12 association pursuant to the provisions of the national bank act, 12  
13 U.S.C. Sec. 21 et seq.;

14 (iii) A savings association or federal savings bank as defined in  
15 the federal deposit insurance act, 12 U.S.C. Sec. 1813(b)(1);

16 (iv) Any bank or thrift institution incorporated or organized  
17 under the laws of any state;

18 (v) Any corporation organized under the provisions of 12 U.S.C.  
19 Sec. 611 through 631;

20 (vi) Any agency or branch of a foreign depository as defined in  
21 12 U.S.C. Sec. 3101 (~~(that is not exempt under RCW 82.04.315)~~);

22 (vii) A production credit association organized under the federal  
23 farm credit act of 1933, all of whose stock held by the federal  
24 production credit corporation has been retired;

25 (viii) Any corporation or other business entity who receives  
26 gross income taxable under RCW 82.04.290, and whose voting interests  
27 are more than (~~fifty~~) 50 percent owned, directly or indirectly, by  
28 any person or business entity described in (d)(i) through (vii) of  
29 this subsection other than an insurance company liable for the  
30 insurance premiums tax under RCW 48.14.020 or any other company  
31 taxable under chapter 48.14 RCW;

32 (ix)(A) A corporation or other business entity that receives more  
33 than (~~fifty~~) 50 percent of its total gross income for federal  
34 income tax purposes from finance leases. For purposes of this  
35 subsection, a "finance lease" means a lease that meets two  
36 requirements:

37 (I) It is the type of lease permitted to be made by national  
38 banks (see 12 U.S.C. Sec. 24(7) and (10), comptroller of the currency  
39 regulations, part 23, leasing (added by 56 C.F.R. Sec. 28314, June

1 20, 1991, effective July 22, 1991), and regulation Y of the federal  
2 reserve system 12 C.F.R. Part 225.25, as amended); and

3 (II) It is the economic equivalent of an extension of credit,  
4 i.e., the lease is treated by the lessor as a loan for federal income  
5 tax purposes. In no event does a lease qualify as an extension of  
6 credit where the lessor takes depreciation on such property for  
7 federal income tax purposes.

8 (B) For this classification to apply, the average of the gross  
9 income in the current tax year and immediately preceding two tax  
10 years must satisfy the more than (~~fifty~~) 50 percent requirement;

11 (x) Any other person or business entity, other than an insurance  
12 general agent taxable under RCW 82.04.280(1)(e), an insurance  
13 business exempt from the business and occupation tax under RCW  
14 82.04.320, a real estate broker taxable under RCW 82.04.255, a  
15 securities dealer or international investment management company  
16 taxable under RCW 82.04.290(~~(+2)~~) (1), that receives more than  
17 (~~fifty~~) 50 percent of its gross receipts from activities that a  
18 person described in (d)(ii) through (vii) and (ix) of this subsection  
19 is authorized to transact.

20 (e)(i) "Specified financial institution" means a financial  
21 institution that is a member of a consolidated financial institution  
22 group that reported on its consolidated financial statement for the  
23 previous calendar year annual net income of at least (~~one billion~~  
24 ~~dollars~~) \$1,000,000,000, not including net income attributable to  
25 noncontrolling interests, as the terms "net income" and  
26 "noncontrolling interest" are used in the consolidated financial  
27 statement.

28 (ii) If financial institutions are no longer required to file  
29 consolidated financial statements, "specified financial institution"  
30 means any person that was subject to the additional tax in this  
31 section in at least two of the previous four calendar years.

32 (3) The department must notify the fiscal committees of the  
33 legislature if financial institutions are no longer required to file  
34 consolidated financial statements.

35 (4) To aid in the effective administration of the additional tax  
36 imposed in this section, the department may require a person believed  
37 to be a specified financial institution to disclose whether it is a  
38 member of a consolidated financial institution group and, if so, to  
39 identify all other members of its consolidated financial institution  
40 group. A person failing to comply with this subsection is deemed to

1 have intended to evade tax payable under this section and is subject  
2 to the penalty in RCW 82.32.090(7) on any tax due under this section  
3 by the person and any financial institution affiliated with the  
4 person.

5 (5) Taxes collected under this section must be deposited into the  
6 general fund.

7 **Sec. 202.** RCW 82.04.4451 and 2022 c 295 s 1 are each amended to  
8 read as follows:

9 (1) In computing the tax imposed under this chapter, a credit is  
10 allowed against the amount of tax otherwise due under this chapter,  
11 as provided in this section. Except for taxpayers that report at  
12 least 50 percent of their taxable amount under RCW 82.04.255,  
13 82.04.290(~~((2))~~) (1)(a), and 82.04.285, the maximum credit for a  
14 taxpayer for a reporting period is \$55 multiplied by the number of  
15 months in the reporting period, as determined under RCW 82.32.045.  
16 For a taxpayer that reports at least 50 percent of its taxable amount  
17 under RCW 82.04.255, 82.04.290(~~((2))~~) (1)(a), and 82.04.285, the  
18 maximum credit for a reporting period is \$160 multiplied by the  
19 number of months in the reporting period, as determined under RCW  
20 82.32.045.

21 (2) When the amount of tax otherwise due under this chapter is  
22 equal to or less than the maximum credit, a credit is allowed equal  
23 to the amount of tax otherwise due under this chapter.

24 (3) When the amount of tax otherwise due under this chapter  
25 exceeds the maximum credit, a reduced credit is allowed equal to  
26 twice the maximum credit, minus the tax otherwise due under this  
27 chapter, but not less than zero.

28 (4) The department may prepare a tax credit table consisting of  
29 tax ranges using increments of no more than (~~(five dollars)~~) \$5 and a  
30 corresponding tax credit to be applied to those tax ranges. The table  
31 shall be prepared in such a manner that no taxpayer will owe a  
32 greater amount of tax by using the table than would be owed by  
33 performing the calculation under subsections (1) through (3) of this  
34 section. A table prepared by the department under this subsection  
35 must be used by all taxpayers in taking the credit provided in this  
36 section.

37 **Sec. 203.** RCW 82.04.540 and 2006 c 301 s 1 are each amended to  
38 read as follows:

1 (1) The provision of professional employer services by a  
2 professional employer organization is taxable under RCW  
3 82.04.290(~~((2))~~) (1).

4 (2) A professional employer organization is allowed a deduction  
5 from the gross income of the business derived from performing  
6 professional employer services that is equal to the portion of the  
7 fee charged to a client that represents the actual cost of wages and  
8 salaries, benefits, workers' compensation, payroll taxes,  
9 withholding, or other assessments paid to or on behalf of a covered  
10 employee by the professional employer organization under a  
11 professional employer agreement.

12 (3) For the purposes of this section, the following definitions  
13 apply:

14 (a) "Client" means any person who enters into a professional  
15 employer agreement with a professional employer organization. For  
16 purposes of this subsection (3)(a), "person" has the same meaning as  
17 "buyer" in RCW 82.08.010.

18 (b) "Coemployer" means either a professional employer  
19 organization or a client.

20 (c) "Coemployment relationship" means a relationship which is  
21 intended to be an ongoing relationship rather than a temporary or  
22 project-specific one, wherein the rights, duties, and obligations of  
23 an employer which arise out of an employment relationship have been  
24 allocated between coemployers pursuant to a professional employer  
25 agreement and applicable state law. In such a coemployment  
26 relationship:

27 (i) The professional employer organization is entitled to enforce  
28 only such employer rights and is subject to only those obligations  
29 specifically allocated to the professional employer organization by  
30 the professional employer agreement or applicable state law;

31 (ii) The client is entitled to enforce those rights and obligated  
32 to provide and perform those employer obligations allocated to such  
33 client by the professional employer agreement and applicable state  
34 law; and

35 (iii) The client is entitled to enforce any right and obligated  
36 to perform any obligation of an employer not specifically allocated  
37 to the professional employer organization by the professional  
38 employer agreement or applicable state law.

39 (d) "Covered employee" means an individual having a coemployment  
40 relationship with a professional employer organization and a client

1 who meets all of the following criteria: (i) The individual has  
2 received written notice of coemployment with the professional  
3 employer organization, and (ii) the individual's coemployment  
4 relationship is pursuant to a professional employer agreement.  
5 Individuals who are officers, directors, shareholders, partners, and  
6 managers of the client are covered employees to the extent the  
7 professional employer organization and the client have expressly  
8 agreed in the professional employer agreement that such individuals  
9 would be covered employees and provided such individuals meet the  
10 criteria of this subsection and act as operational managers or  
11 perform day-to-day operational services for the client.

12 (e) "Professional employer agreement" means a written contract by  
13 and between a client and a professional employer organization that  
14 provides:

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

16 (ii) For the allocation of employer rights and obligations  
17 between the client and the professional employer organization with  
18 respect to the covered employees.

19 (f) "Professional employer organization" means any person engaged  
20 in the business of providing professional employer services. The  
21 following shall not be deemed to be professional employer  
22 organizations or the providing of professional employer services for  
23 purposes of this section:

24 (i) Arrangements wherein a person, whose principal business  
25 activity is not entering into professional employer arrangements and  
26 which does not hold itself out as a professional employer  
27 organization, shares employees with a commonly owned company within  
28 the meaning of section 414(b) and (c) of the internal revenue code of  
29 1986, as amended;

30 (ii) Independent contractor arrangements by which a person  
31 assumes responsibility for the product produced or service performed  
32 by such person or his or her agents and retains and exercises primary  
33 direction and control over the work performed by the individuals  
34 whose services are supplied under such arrangements; or

35 (iii) Providing staffing services.

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

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

- 1 (i) Recruiting and hiring its own employees;
- 2 (ii) Finding other organizations that need the services of those  
3 employees;
- 4 (iii) Assigning those employees on a temporary basis to perform  
5 work at or services for the other organizations to support or  
6 supplement the other organizations' workforces, or to provide  
7 assistance in special work situations such as, but not limited to,  
8 employee absences, skill shortages, seasonal workloads, or to perform  
9 special assignments or projects, all under the direction and  
10 supervision of the customer; and
- 11 (iv) Customarily attempting to reassign the employees to other  
12 organizations when they finish each assignment.

13 **Sec. 204.** RCW 82.04.620 and 2007 c 447 s 1 are each amended to  
14 read as follows:

15 In computing tax there may be deducted from the measure of tax  
16 imposed by RCW 82.04.290(~~((2))~~) (1) amounts received by physicians or  
17 clinics for drugs for infusion or injection by licensed physicians or  
18 their agents for human use pursuant to a prescription, but only if  
19 the amounts: (1) Are separately stated on invoices or other billing  
20 statements; (2) do not exceed the then current federal rate; and (3)  
21 are covered or required under a health care service program  
22 subsidized by the federal or state government. The federal rate means  
23 the rate at or below which the federal government or its agents  
24 reimburse providers for prescription drugs administered to patients  
25 as provided for in the medicare, part B, drugs average sales price  
26 information resource as published by the United States department of  
27 health and human services, or any successor index thereto.

28 **Sec. 205.** RCW 82.04.051 and 2021 c 145 s 4 are each amended to  
29 read as follows:

30 (1) As used in RCW 82.04.050 and including for the purposes of  
31 the taxes imposed in chapter 82.08 RCW in addition to the taxes  
32 imposed in this chapter, the term "services rendered in respect to"  
33 means, in the context of constructing, building, repairing,  
34 improving, and decorating buildings or other structures, those  
35 services that are directly related to the constructing, building,  
36 repairing, improving, and decorating of buildings or other structures  
37 and that are performed by a person who is responsible for the  
38 performance of the constructing, building, repairing, improving, or

1 decorating activity. The term does not include services such as  
2 engineering, architectural, surveying, flagging, accounting, legal,  
3 consulting, land development or management, or administrative  
4 services provided to the consumer of, or person responsible for  
5 performing, the constructing, building, repairing, improving, or  
6 decorating services.

7 (2) A contract or agreement under which a person is responsible  
8 for both services that would otherwise be subject to tax as a service  
9 under RCW 82.04.290(~~((2+))~~) (1) and also constructing, building,  
10 repairing, improving, or decorating activities that would otherwise  
11 be subject to tax under another section of this chapter is subject to  
12 the tax that applies to the predominant activity under the contract  
13 or agreement.

14 (3) Unless otherwise provided by law, a contract or agreement  
15 under which a person is responsible for activities that are subject  
16 to tax as a service under RCW 82.04.290(~~((2+))~~) (1), and a subsequent  
17 contract or agreement under which the same person is responsible for  
18 constructing, building, repairing, improving, or decorating  
19 activities subject to tax under another section of this chapter,  
20 shall not be combined and taxed as a single activity if at the time  
21 of the first contract or agreement it was not contemplated by the  
22 parties, as evidenced by the facts, that the same person would be  
23 awarded both contracts.

24 (4) The definitions in this subsection apply throughout this  
25 section unless the context clearly requires otherwise.

26 (a) "Land development or management" means site identification,  
27 zoning, permitting, and other preconstruction regulatory services  
28 provided to the consumer of the constructing, building, repairing,  
29 improving, or decorating services. This includes, but is not limited  
30 to, acting as an owner's representative during any design or  
31 construction period, including recommending a contractor, monitoring  
32 the budget and schedule, approving invoices, and interacting on the  
33 behalf of the consumer with the person who has control over the work  
34 itself or responsible for the performance of the work.

35 (b) "Responsible for the performance" means that the person is  
36 obligated to perform the activities, either personally or through a  
37 third party. A person who reviews work for a consumer, retailer, or  
38 wholesaler but does not supervise or direct the work is not  
39 responsible for the performance of the work. A person who is  
40 financially obligated for the work, such as a bank, but who does not

1 have control over the work itself is not responsible for the  
2 performance of the work.

3 **Sec. 206.** RCW 82.04.257 and 2017 c 323 s 515 are each amended to  
4 read as follows:

5 (1) Except as provided in subsection (2) of this section, upon  
6 every person engaging within this state in the business of making  
7 sales at retail or wholesale of digital goods, digital codes, digital  
8 automated services, or services described in RCW 82.04.050 (2)(g) or  
9 (6)(c), as to such persons, the amount of tax with respect to such  
10 business is equal to the gross proceeds of sales of the business,  
11 multiplied by the rate of 0.471 percent in the case of retail sales  
12 and by the rate of 0.484 percent in the case of wholesale sales.

13 (2) Persons providing subscription television services or  
14 subscription radio services are subject to tax under RCW  
15 82.04.290(~~((2))~~) (1) on the gross income of the business received  
16 from providing such services.

17 (3) For purposes of this section, a person is considered to be  
18 engaging within this state in the business of making sales of digital  
19 goods, digital codes, digital automated services, or services  
20 described in RCW 82.04.050 (2)(g) or (6)(c), if the person makes  
21 sales of digital goods, digital codes, digital automated services, or  
22 services described in RCW 82.04.050 (2)(g) or (6)(c) and the sales  
23 are sourced to this state under RCW 82.32.730 for sales tax purposes  
24 or would have been sourced to this state under RCW 82.32.730 if the  
25 sale had been taxable under chapter 82.08 RCW.

26 (4) A person subject to tax under this section is subject to the  
27 mandatory electronic filing and payment requirements in RCW  
28 82.32.080.

29 **Sec. 207.** RCW 82.04.29001 and 2003 c 168 s 602 are each amended  
30 to read as follows:

31 (1) The creation and distribution of custom software is a service  
32 taxable under RCW 82.04.290(~~((2))~~) (1). Duplication of the software  
33 for the same person, or by the same person for its own use, does not  
34 change the character of the software.

35 (2) The customization of prewritten computer software is a  
36 service taxable under RCW 82.04.290(~~((2))~~) (1).



1       **Sec. 208.** RCW 82.04.29002 and 2010 1st sp.s. c 23 s 1101 are  
2 each amended to read as follows:

3       (1) Beginning May 1, 2010, through June 30, 2013, an additional  
4 rate of tax of 0.30 percent is added to the rate provided for in RCW  
5 82.04.255, 82.04.285, and 82.04.290(~~((2))~~) (1)(a).

6       (2)(a) The additional rate in subsection (1) of this section does  
7 not apply to persons engaging within this state in business as a  
8 hospital. "Hospital" has the meaning provided in chapter 70.41 RCW  
9 but also includes any hospital that comes within the scope of chapter  
10 71.12 RCW if the hospital is also licensed under chapter 70.41 RCW.

11       (b) The additional rate in subsection (1) of this section does  
12 not apply to amounts received from performing scientific research and  
13 development services including but not limited to research and  
14 development in the physical, engineering, and life sciences (such as  
15 agriculture, bacteriological, biotechnology, chemical, life sciences,  
16 and physical science research and development laboratories or  
17 services).

18       **Sec. 209.** RCW 82.04.297 and 2010 c 111 s 303 are each amended to  
19 read as follows:

20       (1) The provision of internet access is subject to tax under RCW  
21 82.04.290(~~((2))~~) (1).

22       (2)(a) Except as provided in (b) of this subsection, "internet"  
23 and "internet access" have the same meaning as those terms are  
24 defined in the federal internet tax freedom act, Title 47 U.S.C. Sec.  
25 151 note, as existing on July 1, 2009.

26       (b) "Internet access" does not include telecommunications service  
27 purchased, used, or sold by a person that provides a service that  
28 enables users to connect to the internet to access content,  
29 information, or other services offered over the internet, to the  
30 extent such telecommunications service is purchased, used, or sold:  
31 (i) To provide such service; or (ii) to otherwise enable users to  
32 access content, information, or other services offered over the  
33 internet.

34       (3) Unless the context clearly requires otherwise, the  
35 definitions in this section apply throughout this chapter.

36       **Sec. 210.** RCW 82.04.299 and 2022 c 170 s 1 and 2022 c 56 s 4 are  
37 each reenacted and amended to read as follows:

1 (1) (a) Beginning with business activities occurring on or after  
2 April 1, 2020, in addition to the taxes imposed under RCW  
3 82.04.290(~~((2))~~) (1), a workforce education investment surcharge is  
4 imposed on select advanced computing businesses. The surcharge is  
5 equal to the gross income of the business subject to the tax under  
6 RCW 82.04.290(~~((2))~~) (1), multiplied by the rate of 1.22 percent.

7 (b) Except as provided in (e) of this subsection (1), in no case  
8 will the combined surcharge imposed under this subsection (1) paid by  
9 all members of an affiliated group be more than (~~nine million~~  
10 ~~dollars~~) \$9,000,000 annually.

11 (c) For persons subject to the surcharge imposed under this  
12 subsection (1) that report under one or more tax classifications, the  
13 surcharge applies only to business activities taxed under RCW  
14 82.04.290(~~((2))~~) (1).

15 (d) The surcharge imposed under this subsection (1) must be  
16 reported and paid on a quarterly basis in a manner as required by the  
17 department. Returns and amounts payable under this subsection (1) are  
18 due by the last day of the month immediately following the end of the  
19 reporting period covered by the return. All other taxes must be  
20 reported and paid as required under RCW 82.32.045.

21 (e) (i) To aid in the effective administration of the surcharge in  
22 this subsection (1), the department may require persons believed to  
23 be engaging in advanced computing or affiliated with a person  
24 believed to be engaging in advanced computing to disclose whether  
25 they are a member of an affiliated group and, if so, to identify all  
26 other members of the affiliated group subject to the surcharge.

27 (ii) If the department establishes, by clear, cogent, and  
28 convincing evidence, that one or more members of an affiliated group,  
29 with intent to evade the surcharge under this subsection (1), failed  
30 to fully comply with this subsection (1)(e), the department must  
31 assess against that person, or those persons collectively, a penalty  
32 equal to (~~fifty~~) 50 percent of the amount of the total surcharge  
33 payable by all members of that affiliated group for the calendar year  
34 during which the person or persons failed to fully comply with this  
35 subsection (1)(e). The penalty under this subsection (1)(e) is in  
36 lieu of and not in addition to the evasion penalty under RCW  
37 82.32.090(7).

38 (f) For the purposes of this subsection (1) the following  
39 definitions apply:

1 (i) "Advanced computing" means designing or developing computer  
2 software or computer hardware, whether directly or contracting with  
3 another person, including: Modifications to computer software or  
4 computer hardware; cloud computing services; or operating as a  
5 marketplace facilitator as defined by RCW 82.08.0531, an online  
6 search engine, or online social networking platform;

7 (ii) "Affiliate" and "affiliated" means a person that directly or  
8 indirectly, through one or more intermediaries, controls, is  
9 controlled by, or is under common control with another person;

10 (iii) "Affiliated group" means a group of two or more persons  
11 that are affiliated with each other;

12 (iv) "Cloud computing services" means on-demand delivery of  
13 computing resources, such as networks, servers, storage,  
14 applications, and services, over the internet;

15 (v) "Control" means the possession, directly or indirectly, of  
16 more than (~~fifty~~) 50 percent of the power to direct or cause the  
17 direction of the management and policies of a person, whether through  
18 the ownership of voting shares, by contract, or otherwise; and

19 (vi) "Select advanced computing business" means a person who is a  
20 member of an affiliated group with at least one member of the  
21 affiliated group engaging in the business of advanced computing, and  
22 the affiliated group has worldwide gross revenue of more than  
23 (~~twenty-five billion dollars~~) \$25,000,000,000 during the  
24 immediately preceding calendar year. A person who is primarily  
25 engaged within this state in the provision of commercial mobile  
26 service, as that term is defined in 47 U.S.C. Sec. 332(d)(1), shall  
27 not be considered a select advanced computing business. A person who  
28 is primarily engaged in this state in the operation and provision of  
29 access to transmission facilities and infrastructure that the person  
30 owns or leases for the transmission of voice, data, text, sound, and  
31 video using wired telecommunications networks shall not be considered  
32 a select advanced computing business. A person that is primarily  
33 engaged in business as a "financial institution" as defined in RCW  
34 82.04.29004, as that section existed on January 1, 2020, shall not be  
35 considered a select advanced computing business. For purposes of this  
36 subsection (1)(f)(vi), "primarily" is determined based on gross  
37 income of the business.

38 (2)(a) The workforce education investment surcharge under this  
39 section does not apply to:

1 (i) Any hospital as defined in RCW 70.41.020, including any  
2 hospital that comes within the scope of chapter 71.12 RCW if the  
3 hospital is also licensed under chapter 70.41 RCW; or

4 (ii) A provider clinic offering primary care, multispecialty and  
5 surgical services, including behavioral health services, and any  
6 affiliate of the provider clinic if the affiliate is an organization  
7 that offers health care services or provides administrative support  
8 for a provider clinic, or is an independent practice association or  
9 accountable care organization.

10 (b) The exemptions under this subsection (2) do not apply to  
11 amounts received by any member of an affiliated group other than the  
12 businesses described in (a) of this subsection.

13 (c) For purposes of the exemption in (a)(ii) of this subsection:

14 (i) "Health care services" means services offered by health care  
15 providers relating to the prevention, cure, or treatment of illness,  
16 injury, or disease.

17 (ii) "Primary care" means wellness and prevention services and  
18 the diagnosis and treatment of health conditions.

19 (3) Revenues from the surcharge under this section must be  
20 deposited directly into the workforce education investment account  
21 established in RCW 43.79.195.

22 (4) The department has the authority to determine through an  
23 audit or other investigation whether a person is subject to the  
24 surcharge imposed in this section.

25 **Sec. 211.** RCW 82.04.360 and 2010 1st sp.s. c 23 s 702 are each  
26 amended to read as follows:

27 (1) This chapter does not apply to any person in respect to his  
28 or her employment in the capacity of an employee or servant as  
29 distinguished from that of an independent contractor. For the  
30 purposes of this section, the definition of employee includes those  
31 persons that are defined in section 3121(d)(3)(B) of the federal  
32 internal revenue code of 1986, as amended through January 1, 1991.

33 (2) Until July 1, 2010, this chapter does not apply to amounts  
34 received by an individual from a corporation as compensation for  
35 serving as a member of that corporation's board of directors.  
36 Beginning on July 1, 2010, such amounts are taxable under RCW  
37 82.04.290(~~((2))~~) (1).

1 (3) A booth renter is an independent contractor for purposes of  
2 this chapter. For purposes of this section, "booth renter" means any  
3 person who:

4 (a) Performs cosmetology, barbering, esthetics, or manicuring  
5 services for which a license is required under chapter 18.16 RCW; and

6 (b) Pays a fee for the use of salon or shop facilities and  
7 receives no compensation or other consideration from the owner of the  
8 salon or shop for the services performed.

9 **Sec. 212.** RCW 82.04.43396 and 2019 c 217 s 1 are each amended to  
10 read as follows:

11 (1) In computing tax under RCW 82.04.290(~~((+2))~~) (1), a seller may  
12 deduct from the measure of tax the amount of scan-down allowances.

13 (2) For purposes of this section, a provision that the seller  
14 must sell at a certain retail price or a specific price reduction  
15 does not constitute either:

16 (a) A service provided by the seller to the manufacturer or  
17 wholesaler; or

18 (b) A business activity directly or indirectly benefiting the  
19 manufacturer or wholesaler.

20 (3) The definitions in this subsection apply throughout this  
21 section unless the context clearly requires otherwise.

22 (a) "Product" means:

23 (i) Food and food ingredients other than prepared food, as those  
24 terms are defined in RCW 82.08.0293, whether or not exempt from sales  
25 tax under RCW 82.08.0293; and

26 (ii) Pet food and specialty pet food as defined in RCW 15.53.901.

27 (b) "Scan-down allowance" means a payment or credit offered to a  
28 seller by a manufacturer or wholesaler of products, where:

29 (i) The amount of the payment or credit is based on the quantity  
30 of the product to be sold at retail by the seller within a specified  
31 period of time;

32 (ii) The seller knew the terms of the offer before making the  
33 sales that generated the payment or credit from the manufacturer or  
34 wholesaler; and

35 (iii) The seller is not required to provide any services to the  
36 manufacturer or wholesaler or engage in any business activities  
37 directly or indirectly benefiting the manufacturer or wholesaler, in  
38 order to receive the payment or credit from the manufacturer or  
39 wholesaler.

1       **Sec. 213.** RCW 82.04.280 and 2019 c 449 s 1 are each amended to  
2 read as follows:

3       (1) Upon every person engaging within this state in the business  
4 of: (a) Printing materials other than newspapers, and of publishing  
5 periodicals or magazines; (b) building, repairing or improving any  
6 street, place, road, highway, easement, right-of-way, mass public  
7 transportation terminal or parking facility, bridge, tunnel, or  
8 trestle which is owned by a municipal corporation or political  
9 subdivision of the state or by the United States and which is used or  
10 to be used, primarily for foot or vehicular traffic including mass  
11 transportation vehicles of any kind and including any readjustment,  
12 reconstruction or relocation of the facilities of any public, private  
13 or cooperatively owned utility or railroad in the course of such  
14 building, repairing or improving, the cost of which readjustment,  
15 reconstruction, or relocation, is the responsibility of the public  
16 authority whose street, place, road, highway, easement, right-of-way,  
17 mass public transportation terminal or parking facility, bridge,  
18 tunnel, or trestle is being built, repaired or improved; (c)  
19 extracting for hire or processing for hire, except persons taxable as  
20 extractors for hire or processors for hire under another section of  
21 this chapter; (d) operating a cold storage warehouse or storage  
22 warehouse, but not including the rental of cold storage lockers; (e)  
23 representing and performing services for fire or casualty insurance  
24 companies as an independent resident managing general agent licensed  
25 under the provisions of chapter 48.17 RCW; (f) radio and television  
26 broadcasting, but excluding revenues from network, national, and  
27 regional advertising computed either: (i) As a standard deduction  
28 that the department must publish by rule by September 30, 2020, and  
29 by September 30th of every fifth year thereafter, based on the  
30 national average thereof as reported by the United States census  
31 bureau's economic census; or (ii) in lieu thereof by itemization by  
32 the individual broadcasting station, and excluding that portion of  
33 revenue represented by the out-of-state audience computed as a ratio  
34 to the broadcasting station's total audience as measured by the 0.5  
35 millivolt/meter signal strength contour for AM radio, the one  
36 millivolt/meter or (~~sixty~~) 60 dBu signal strength contour for FM  
37 radio, the (~~twenty-eight~~) 28 dBu signal strength contour for  
38 television channels two through six, the (~~thirty-six~~) 36 dBu signal  
39 strength contour for television channels seven through (~~thirteen~~)  
40 13, and the (~~forty-one~~) 41 dBu signal strength contour for

1 television channels ((fourteen)) 14 through ((sixty-nine)) 69 with  
2 delivery by wire, satellite, or any other means, if any; (g) engaging  
3 in activities which bring a person within the definition of consumer  
4 contained in RCW 82.04.190(6); as to such persons, the amount of tax  
5 on such business is equal to the gross income of the business  
6 multiplied by the rate of 0.484 percent.

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

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

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

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

28 **PART III**

29 **MODIFYING THE AIRCRAFT EXCISE TAX FOR PURPOSES OF THE COMMUTER AIR**  
30 **CARRIER AIRPLANES PROPERTY TAX EXEMPTION**

31 **Sec. 301.** RCW 82.48.030 and 2013 c 56 s 3 are each amended to  
32 read as follows:

33 (1)(a) Except as otherwise provided in (b) of this subsection,  
34 the amount of the tax imposed by this chapter for each calendar year  
35 is as follows:

Type of aircraft	Registration fee
Single engine fixed wing	\$ 50

1	Small multi-engine fixed wing	65
2	Large multi-engine fixed wing	80
3	Turboprop multi-engine fixed wing	100
4	Turbojet multi-engine fixed wing	125
5	Helicopter	75
6	Sailplane	20
7	Lighter than air	20
8	Home built	20

9 (b) (~~The~~) Until January 1, 2036, the amount of tax imposed by  
10 this chapter for each calendar year with respect to aircraft owned  
11 and operated by a commuter air carrier that is not an airplane  
12 company as defined in RCW 84.12.200 is as follows:

13	Gross maximum take-off	Registration fee
14	weight of the aircraft	
15	Less than 4,001 lbs.	<del>(\$500)</del> <u>\$750</u>
16	4,001-6,000 lbs.	<del>(\$1,000)</del> <u>\$1,500</u>
17	6,001-8,000 lbs.	<del>(\$2,000)</del> <u>\$3,000</u>
18	8,001-9,000 lbs.	<del>(\$3,000)</del> <u>\$4,500</u>
19	9,001-12,500 lbs.	<del>(\$4,000)</del> <u>\$6,000</u>

20 (2) (a) The amount of tax imposed under subsection (1) of this  
21 section for each calendar year must be divided into (~~twelve~~) 12  
22 parts corresponding to the months of the calendar year and the excise  
23 tax upon an aircraft registered for the first time in this state  
24 after the last day of any month may only be levied for the remaining  
25 months of the calendar year including the month in which the aircraft  
26 is being registered. However, the minimum amount payable is (~~three~~  
27 ~~dollars~~) \$3.

28 (b) An aircraft is deemed registered for the first time in this  
29 state when such aircraft was not previously registered by this state  
30 for the year immediately preceding the year in which application for  
31 registration is made.

32 **PART IV**  
33 **ADJUSTING FOR INFLATION THE TAX CREDITS FOR ELIGIBLE BUSINESS**  
34 **PROJECTS IN RURAL COUNTIES**



1       **Sec. 401.** RCW 82.62.030 and 2022 c 56 s 12 are each amended to  
2 read as follows:

3       (1) (a) A person shall be allowed a credit against the tax due  
4 under chapter 82.04 RCW as provided in this section. The credit shall  
5 equal: (i) (~~Four thousand dollars~~) \$6,000 for each qualified  
6 employment position with wages and benefits greater than (~~forty~~  
7 ~~thousand dollars~~) \$60,000 annually that is directly created in an  
8 eligible business project and (ii) (~~two thousand dollars~~) \$3,000  
9 for each qualified employment position with wages and benefits less  
10 than or equal to (~~forty thousand dollars~~) \$60,000 annually that is  
11 directly created in an eligible business project.

12       (b) For purposes of calculating the amount of credit under (a) of  
13 this subsection with respect to qualified employment positions as  
14 defined in RCW 82.62.010(8) (a) (ii):

15       (i) In determining the number of qualified employment positions,  
16 a fractional amount is rounded down to the nearest whole number; and

17       (ii) Wages and benefits for each qualified employment position  
18 shall be equal to the quotient derived by dividing: (A) The sum of  
19 the wages and benefits earned for the four consecutive full calendar  
20 quarter period for which a credit under this chapter is earned by all  
21 of the person's new seasonal employees hired during that period; by  
22 (B) the number of qualified employment positions plus any fractional  
23 amount subject to rounding as provided under (b)(i) of this  
24 subsection. For purposes of this chapter, a credit is earned for the  
25 four consecutive full calendar quarters after the calendar quarter  
26 during which the first qualified employment position is filled.

27       (c) The department must annually adjust for inflation the wage  
28 and benefits in (a) of this subsection (1) based on the annual  
29 percentage increase in the consumer price index for all urban  
30 consumers in the western region for all items as provided in the most  
31 recent 12-month period by the bureau of labor statistics of the  
32 United States department of labor by November 25th of the year before  
33 the taxes are payable.

34       (2) The department shall keep a running total of all credits  
35 allowed under this chapter during each fiscal year. The department  
36 shall not allow any credits which would cause the total to exceed  
37 (~~seven million five hundred thousand dollars~~) \$7,500,000 in any  
38 fiscal year. If all or part of an application for credit is  
39 disallowed under this subsection, the disallowed portion shall be  
40 carried over to the next fiscal year. However, the carryover into the

1 next fiscal year is only permitted to the extent that the cap for the  
2 next fiscal year is not exceeded.

3 (3) No recipient may use the tax credits to decertify a union or  
4 to displace existing jobs in any community in the state.

5 (4) (a) The credit may be used against any tax due under chapter  
6 82.04 RCW, and, except as otherwise provided under this subsection  
7 (4), may be carried over until used.

8 (b) Credits earned expire the first day of January of the year  
9 that is six years from the later of the year that:

10 (i) The department is notified by the recipient, or a  
11 representative of the recipient, that the recipient has ceased  
12 engaging in business within this state as those terms are defined in  
13 chapter 82.04 RCW;

14 (ii) The department closes the recipient's tax reporting account;  
15 or

16 (iii) The recipient last claimed the credit on a return filed  
17 with the department.

18 (5) No refunds may be granted for unused credits under this  
19 section.

## 20 PART V

### 21 MODIFYING THE EXPIRATION DATE FOR CERTAIN TAX PREFERENCES

22 **Sec. 501.** RCW 82.85.010 and 2017 3rd sp.s. c 37 s 801 are each  
23 amended to read as follows:

24 (1) Businesses that invest capital create jobs and generate  
25 economic activity that supports a healthy Washington economy. The  
26 legislature finds that these investments result in future revenues  
27 that support schools and our communities. Therefore, the legislature  
28 finds that a pilot program must be conducted to evaluate the  
29 effectiveness of a program that invests business taxes from new  
30 investments into workforce training programs that support  
31 manufacturing businesses in the state of Washington thereby creating  
32 jobs and capital investments in the state for the benefit of its  
33 citizens.

34 (2) (a) This subsection is the tax preference performance  
35 statement for the sales and use tax deferral provided in RCW  
36 82.85.040 on expenditures made to build or expand qualified  
37 investment projects and purchases of machinery and equipment. This  
38 performance statement is only intended to be used for subsequent

1 evaluation of the tax preference. It is not intended to create a  
2 private right of action by any party or be used to determine  
3 eligibility for preferential tax treatment.

4 (b) The legislature categorizes the tax preference as one  
5 intended to create or retain jobs and to provide funding to support  
6 job readiness training, professional development, or apprenticeship  
7 programs in manufacturing or production occupations, as indicated in  
8 RCW 82.32.808(2) (c) and (f).

9 (c) It is the legislature's specific public policy objective to  
10 provide a pilot program that would provide a sales tax deferral on  
11 the construction and expenditure costs of up to two new manufacturing  
12 facilities per calendar year, one of which must be located in eastern  
13 Washington and one of which must be located in western Washington.  
14 When deferred taxes are repaid, the deferred taxes are reinvested to  
15 support job readiness training, professional development, or  
16 apprenticeship programs in manufacturing or production occupations.

17 (d) To measure the effectiveness of the deferral provided in this  
18 part in achieving the specific public policy objective described in  
19 (c) of this subsection, the joint legislative audit and review  
20 committee should refer to information available from the employment  
21 security department and department of revenue. If a review finds that  
22 each eligible investment project generated at least ~~((twenty))~~ 20  
23 full-time jobs, half of which are permanent full-time employment  
24 positions, and increased training opportunities for manufacturing and  
25 production jobs, then the legislature intends for the legislative  
26 auditor to recommend extending the expiration date of the tax  
27 preference. For purposes of this subsection (2)(d), the term full-  
28 time jobs include both temporary construction jobs and permanent  
29 full-time employment positions created at the eligible investment  
30 project within one year of the date that the facility became  
31 operationally complete as determined by the department of revenue.

32 (3) This section expires January 1, ~~((2026))~~ 2036.

33 **Sec. 502.** RCW 82.85.020 and 2017 3rd sp.s. c 37 s 802 are each  
34 amended to read as follows:

35 (1) The definitions in this section apply throughout this chapter  
36 unless the context clearly requires otherwise.

37 (a) "Applicant" means a person applying for a tax deferral under  
38 this chapter.

1 (b) "Eligible investment project" means an investment project for  
2 qualified buildings and machinery and equipment on two new,  
3 renovated, or expanded manufacturing operations per calendar year,  
4 one of which must be located east of the crest of the Cascade  
5 mountains and one of which must be located west of the crest of the  
6 Cascade mountains. The deferral provided in this section only applies  
7 to the state and local sales and use taxes due on the first (~~ten~~  
8 ~~million dollars~~) \$10,000,000 in costs for qualified buildings and  
9 machinery and equipment.

10 (c) "Initiation of construction" has the same meaning as in RCW  
11 82.63.010.

12 (d) "Investment project" means an investment in qualified  
13 buildings or qualified machinery and equipment, including labor and  
14 services rendered in the planning, installation, and construction of  
15 the project.

16 (e) "Manufacturing" has the same meaning as provided in RCW  
17 82.04.120.

18 (f) "Person" has the same meaning as provided in RCW 82.04.030.

19 (g) "Qualified buildings" means construction of new structures,  
20 and expansion or renovation of existing structures for the purpose of  
21 increasing floor space or production capacity, used for  
22 manufacturing, including plant offices and warehouses or other  
23 buildings for the storage of raw material or finished goods if such  
24 facilities are an essential or an integral part of a factory, mill,  
25 plant, or laboratory used for manufacturing. If a qualified building  
26 is used partly for manufacturing and partly for other purposes, the  
27 applicable tax deferral must be determined by apportionment of the  
28 costs of construction under rules adopted by the department.

29 (h) "Qualified machinery and equipment" means all new industrial  
30 fixtures, equipment, and support facilities that are an integral and  
31 necessary part of a manufacturing operation. "Qualified machinery and  
32 equipment" includes: Computers; software; data processing equipment;  
33 laboratory equipment; manufacturing components such as belts,  
34 pulleys, shafts, and moving parts; molds, tools, and dies; operating  
35 structures; and all equipment used to control, monitor, or operate  
36 the machinery.

37 (i) "Recipient" means a person receiving a tax deferral under  
38 this chapter.

39 (2) This section expires January 1, (~~(2026)~~) 2036.

1       **Sec. 503.** RCW 82.85.040 and 2017 3rd sp.s. c 37 s 803 are each  
2 amended to read as follows:

3       (1) Application for deferral of taxes under this chapter must be  
4 made before initiation of the construction of the investment project  
5 or acquisition of equipment or machinery. The application must be  
6 made to the department in a form and manner prescribed by the  
7 department. The deferrals are available on a first-in-time basis. The  
8 application must contain information regarding the location of the  
9 investment project, the applicant's average employment in the state  
10 for the prior year, estimated or actual new employment related to the  
11 project, estimated or actual wages of employees related to the  
12 project, estimated or actual costs, time schedules for completion and  
13 operation, and other information required by the department. The  
14 department must rule on the application within (~~sixty~~) 60 days.

15       (2) The department may not approve applications for more than two  
16 eligible investment projects per calendar year.

17       (3) This section expires January 1, (~~2026~~) 2036.

18       **Sec. 504.** RCW 82.04.43391 and 2019 c 8 s 703 are each amended to  
19 read as follows:

20       (1) In computing tax there may be deducted from the measure of  
21 tax interest and fees on loans secured by commercial aircraft  
22 primarily used to provide routine air service and owned by:

23       (a) An air carrier, as defined in RCW 82.42.010, which is  
24 primarily engaged in the business of providing passenger air service;

25       (b) An affiliate of such air carrier; or

26       (c) A parent entity for which such air carrier is an affiliate.

27       (2) The deduction authorized under this section is not available  
28 to any person who is physically present in this state as determined  
29 under RCW 82.04.067.

30       (3) For purposes of this section, the following definitions  
31 apply:

32       (a) "Affiliate" means a person is "affiliated," as defined in RCW  
33 82.04.645, with another person; and

34       (b) "Commercial aircraft" means a commercial airplane as defined  
35 in RCW 82.32.550.

36       (4) This section expires January 1, 2036.

37       **Sec. 505.** RCW 82.08.0262 and 2015 c 86 s 305 are each amended to  
38 read as follows:

1 (1) The tax levied by RCW 82.08.020 does not apply to:

2 (a) Sales of airplanes (i) to the United States government; (ii)  
3 for use in conducting interstate or foreign commerce by transporting  
4 property or persons for hire or by performing services under a  
5 contract with the United States government; or (iii) until January 1,  
6 2036, for use in providing intrastate air transportation by a  
7 commuter air carrier;

8 (b) Sales of locomotives, railroad cars, or watercraft for use in  
9 conducting interstate or foreign commerce by transporting property or  
10 persons for hire or for use in conducting commercial deep sea fishing  
11 operations outside the territorial waters of the state;

12 (c) Sales of tangible personal property that becomes a component  
13 part of such airplanes, locomotives, railroad cars, or watercraft,  
14 and of motor vehicles or trailers whether owned by or leased with or  
15 without drivers and used by the holder of a carrier permit issued by  
16 the interstate commerce commission or its successor agency  
17 authorizing transportation by motor vehicle across the boundaries of  
18 this state, in the course of constructing, repairing, cleaning,  
19 altering, or improving the same; and

20 (d) Sales of or charges made for labor and services rendered in  
21 respect to such constructing, repairing, cleaning, altering, or  
22 improving.

23 (2) The term "commuter air carrier" means an air carrier holding  
24 authority under Title 14, Part 298 of the Code of Federal Regulations  
25 that carries passengers on at least five round trips per week on at  
26 least one route between two or more points according to its published  
27 flight schedules that specify the times, days of the week, and places  
28 between which those flights are performed.

29 **Sec. 506.** RCW 82.12.0254 and 2015 c 86 s 306 are each amended to  
30 read as follows:

31 (1) The provisions of this chapter do not apply in respect to the  
32 use of:

33 (a) Any airplane used primarily in (i) conducting interstate or  
34 foreign commerce by transporting property or persons for hire or by  
35 performing services under a contract with the United States  
36 government or (ii) until January 1, 2036, providing intrastate air  
37 transportation by a commuter air carrier as defined in RCW  
38 82.08.0262;

1 (b) Any locomotive, railroad car, or watercraft used primarily in  
2 conducting interstate or foreign commerce by transporting property or  
3 persons for hire or used primarily in commercial deep sea fishing  
4 operations outside the territorial waters of the state;

5 (c) Tangible personal property that becomes a component part of  
6 any such airplane, locomotive, railroad car, or watercraft in the  
7 course of repairing, cleaning, altering, or improving the same; and

8 (d) Labor and services rendered in respect to such repairing,  
9 cleaning, altering, or improving.

10 (2) The provisions of this chapter do not apply in respect to the  
11 use by a nonresident of this state of any vehicle used exclusively in  
12 transporting persons or property across the boundaries of this state  
13 and in intrastate operations incidental thereto when such vehicle is  
14 registered in a foreign state and in respect to the use by a  
15 nonresident of this state of any vehicle so registered and used  
16 within this state for a period not exceeding (~~(fifteen)~~) 15  
17 consecutive days under such rules as the department must adopt.  
18 However, under circumstances determined to be justifiable by the  
19 department a second (~~(fifteen)~~) 15 day period may be authorized  
20 consecutive with the first (~~(fifteen)~~) 15 day period; and for the  
21 purposes of this exemption the term "nonresident" as used herein  
22 includes a user who has one or more places of business in this state  
23 as well as in one or more other states, but the exemption for  
24 nonresidents applies only to those vehicles which are most frequently  
25 dispatched, garaged, serviced, maintained, and operated from the  
26 user's place of business in another state.

27 (3) The provisions of this chapter do not apply in respect to the  
28 use by the holder of a carrier permit issued by the interstate  
29 commerce commission or its successor agency of any vehicle whether  
30 owned by or leased with or without driver to the permit holder and  
31 used in substantial part in the normal and ordinary course of the  
32 user's business for transporting therein persons or property for hire  
33 across the boundaries of this state; and in respect to the use of any  
34 vehicle while being operated under the authority of a trip permit  
35 issued by the director of licensing pursuant to RCW 46.16A.320 and  
36 moving upon the highways from the point of delivery in this state to  
37 a point outside this state; and in respect to the use of tangible  
38 personal property which becomes a component part of any vehicle used  
39 by the holder of a carrier permit issued by the interstate commerce  
40 commission or its successor agency authorizing transportation by

1 motor vehicle across the boundaries of this state whether such  
2 vehicle is owned by or leased with or without driver to the permit  
3 holder, in the course of repairing, cleaning, altering, or improving  
4 the same; also the use of labor and services rendered in respect to  
5 such repairing, cleaning, altering, or improving.

6 **Sec. 507.** RCW 82.04.627 and 2015 c 86 s 301 are each amended to  
7 read as follows:

8 (1) Except as provided in subsection (2) of this section, for  
9 purposes of the taxes imposed under this chapter on the sale of parts  
10 to the manufacturer of a commercial airplane, the sale is deemed to  
11 take place at the site of the final testing or inspection under  
12 federal aviation regulation part 21, subpart F or G.

13 (2) This section does not apply to:

14 (a) Sales of a standard part, such as a nut or bolt, manufactured  
15 in compliance with a government or established industry  
16 specification;

17 (b) Sales of a product produced under a technical standard order  
18 authorization or letter of technical standard order design approval  
19 pursuant to federal aviation regulation part 21, subpart O; or

20 (c) Sales of parts in respect to which final testing or  
21 inspection under federal aviation regulation part 21, subpart F or G  
22 takes place in this state.

23 (3) "Commercial airplane" has the same meaning given in RCW  
24 82.32.550.

25 (4) RCW 82.32.805 and 82.32.808 do not apply to this section.

## 26 **PART VI**

### 27 **CLARIFYING THE PUBLIC POLICY OBJECTIVE FOR CERTAIN TAX PREFERENCES TO** 28 **IMPROVE THE EFFECTIVENESS OF FUTURE TAX PREFERENCE PERFORMANCE** 29 **REVIEWS**

30 NEW SECTION. **Sec. 601.** (1) This section is the tax preference  
31 performance statement for the tax preference contained in RCW  
32 84.36.040(1)(e) and 84.36.046. This performance statement is only  
33 intended to be used for subsequent evaluation of the tax preference.  
34 It is not intended to create a private right of action by any party  
35 or to be used to determine eligibility for preferential tax  
36 treatment.



1 (2) The legislature categorizes this tax preference as one  
2 intended to provide tax relief for certain businesses or individuals,  
3 as described in RCW 82.32.808(2)(e).

4 (3) It is the legislature's specific public policy objective to  
5 support the provision of charity care and other community benefits by  
6 nonprofit hospitals and cancer clinics.

7 (4) To measure the effectiveness of the tax preferences in RCW  
8 84.36.040(1)(e) and 84.36.046, the joint legislative audit and review  
9 committee must evaluate the extent to which charitable care is  
10 provided by nonprofit hospitals and nonprofit cancer clinics. The  
11 review must include an evaluation of:

12 (a) The total statewide value of charitable care including, but  
13 not limited to, medical care provided by nonprofit hospitals and  
14 nonprofit cancer clinics for which payment is not expected and  
15 patients are not billed;

16 (b) The total statewide value of charitable care as compared to  
17 the value of beneficiary savings;

18 (c) The types of medical services provided by beneficiary  
19 hospitals as compared to nonbeneficiary hospitals; and

20 (d) Other applicable community benefits including, but not  
21 limited to, the difference between the state's medicaid payment rates  
22 and hospitals' costs for serving medicaid patients, services to  
23 patients under other programs with income eligibility requirements,  
24 and access to medical training, education, and research programs.

25 (5) In order to obtain the data necessary to perform the review  
26 in subsection (4) of this section, the joint legislative audit and  
27 review committee may refer to data provided by the department of  
28 revenue, the department of health, or any other data collected by the  
29 state.

30 NEW SECTION. **Sec. 602.** (1) This section is the tax preference  
31 performance statement for the tax preference contained in RCW  
32 82.04.260(7), 82.04.290(2), 82.04.250(3), 82.04.4461, 82.04.4463,  
33 82.08.975, 82.12.975, 82.29A.137, and 84.36.655. This performance  
34 statement is only intended to be used for subsequent evaluation of  
35 the tax preference. It is not intended to create a private right of  
36 action by any party or to be used to determine eligibility for  
37 preferential tax treatment.

1 (2) The legislature categorizes these tax preferences as ones  
2 intended to improve industry competitiveness and create or retain  
3 jobs, as described in RCW 82.32.808(2) (b) and (c).

4 (3) It is the legislature's specific public policy objective to:

5 (a) Reduce the cost of doing business in Washington for the  
6 aerospace industry;

7 (b) Encourage the continued presence of the aerospace industry;

8 (c) Provide jobs with good wages; and

9 (d) Maintain and grow Washington's aerospace industry workforce.

10 (4)(a) The joint legislative audit and review committee must  
11 review the aerospace tax preferences at least once every 10 years.

12 (b) As part of its tax preference review, the committee must  
13 specifically assess changes in aerospace industry employment in  
14 Washington in comparison with other states and internationally. To  
15 the extent practicable, the committee must use occupational data  
16 statistics provided by the bureau of labor statistics and state  
17 agencies responsible for administering unemployment insurance to  
18 perform this assessment.

19 (c) If a review finds that Washington is among the top three  
20 aerospace employers as compared to other states, then the legislature  
21 intends to extend the expiration dates of the aerospace tax  
22 incentives.

23 (5) In order to obtain the data necessary to perform the review  
24 in subsection (4) of this section, the joint legislative audit and  
25 review committee may refer to data provided by the department of  
26 revenue and any other data collected by the state.

27 NEW SECTION. **Sec. 603.** (1) This section is the tax preference  
28 performance statement for the tax preference contained in RCW  
29 82.04.43391. This performance statement is only intended to be used  
30 for subsequent evaluation of the tax preference. It is not intended  
31 to create a private right of action by any party or to be used to  
32 determine eligibility for preferential tax treatment.

33 (2) The legislature categorizes this tax preference as one  
34 intended to improve industry competitiveness, as described in RCW  
35 82.32.808(2) (b) .

36 (3) It is the legislature's specific public policy objective to  
37 support the continued presence of the aerospace industry in  
38 Washington.

1 (4) To measure the effectiveness of this tax preference, the  
2 joint legislative audit and review committee must evaluate the  
3 estimated loss in state revenue resulting from the tax preference  
4 compared to the overall economic impact of airlines headquartered in  
5 this state. The review must include an evaluation of both direct and  
6 indirect beneficiaries.

7 (5) In order to obtain the data necessary to perform the review  
8 in subsection (4) of this section, the joint legislative audit and  
9 review committee may refer to data provided by the department of  
10 revenue, the department of transportation, and any other data  
11 collected by the state.

12 NEW SECTION. **Sec. 604.** (1) This section is the tax preference  
13 performance statement for the tax preference contained in RCW  
14 84.36.040(1)(f). This performance statement is only intended to be  
15 used for subsequent evaluation of the tax preference. It is not  
16 intended to create a private right of action by any party or to be  
17 used to determine eligibility for preferential tax treatment.

18 (2) The legislature categorizes this tax preference as one  
19 intended to provide tax relief for certain businesses or individuals,  
20 as described in RCW 82.32.808(2)(e).

21 (3) It is the legislature's specific public policy objective to  
22 support nonprofit outpatient dialysis centers, which tend to have a  
23 higher share of patients on the kidney transplant waitlist and  
24 receive lower revenue per treatment as compared to for-profit  
25 outpatient dialysis facilities.

26 (4) To measure the effectiveness of this tax preference, the  
27 joint legislative audit and review committee must include in its  
28 review a comparison of nonprofit and for-profit outpatient dialysis  
29 facilities, including the share of patients on the kidney transplant  
30 waitlist, amount of revenue received per treatment, and any relevant  
31 quality measures.

32 (5) In order to obtain the data necessary to perform the review  
33 in subsection (4) of this section, the joint legislative audit and  
34 review committee may refer to data provided by the department of  
35 revenue, the department of health, or any other data collected by the  
36 state.

37 NEW SECTION. **Sec. 605.** (1) This section is the tax preference  
38 performance statement for the tax preference contained in RCW

1 82.08.0262(1)(a)(iii) and 82.12.0254(1)(a)(ii). This performance  
2 statement is only intended to be used for subsequent evaluation of  
3 the tax preference. It is not intended to create a private right of  
4 action by any party or to be used to determine eligibility for  
5 preferential tax treatment.

6 (2) The legislature categorizes this tax preference as one  
7 intended to improve industry competitiveness, as described in RCW  
8 82.32.808(2)(b).

9 (3) It is the legislature's specific public policy objective to  
10 support in-state commuter air carrier services, including expanding  
11 in-state flight services, maintaining air service to Washington's  
12 small or rural airports, and lowering the cost of providing commuter  
13 air carrier services in this state.

14 (4) To measure the effectiveness of this tax preference, the  
15 joint legislative audit and review committee must include in its  
16 review an evaluation of:

17 (a) Any changes in the number of commuter air carriers operating  
18 in this state;

19 (b) Any changes in the number of airports and airfields severed  
20 by commuter air carriers;

21 (c) The cost of providing commuter air carrier services in this  
22 state as compared to other states; and

23 (d) Any other metric the committee finds relevant in completing  
24 its review of this tax preference.

25 (5) In order to obtain the data necessary to perform the review  
26 in subsection (4) of this section, the joint legislative audit and  
27 review committee may refer to data provided by the department of  
28 revenue, the department of transportation, and any other data  
29 collected by the state.

30 NEW SECTION. **Sec. 606.** (1) This section is the tax preference  
31 performance statement for the tax preference contained in RCW  
32 84.36.133. This performance statement is only intended to be used for  
33 subsequent evaluation of the tax preference. It is not intended to  
34 create a private right of action by any party or to be used to  
35 determine eligibility for preferential tax treatment.

36 (2) The legislature categorizes this tax preference as one  
37 intended to reduce structural inefficiencies in the tax structure, as  
38 described in RCW 82.32.808(2)(d).

1 (3) It is the legislature's specific public policy objective to  
2 streamline and simplify tax reporting for certain commuter air  
3 carriers.

4 (4) To measure the effectiveness of this tax preference, the  
5 joint legislative audit and review committee must evaluate:

6 (a) The effectiveness of the aircraft excise tax in providing an  
7 equitable alternative to the property tax for certain commuter air  
8 carriers; and

9 (b) Any other metric the committee finds relevant in completing  
10 its review of this tax preference.

11 (5) In order to obtain the data necessary to perform the review  
12 in subsection (4) of this section, the joint legislative audit and  
13 review committee may refer to data provided by the department of  
14 revenue, the department of transportation, and any other data  
15 collected by the state.

16 **PART VII**

17 **CLARIFYING THAT THE PUBLIC UTILITY TAX APPLIES TO THE IN-STATE**  
18 **PORTION OF INTERSTATE ACTIVITY**

19 **Sec. 701.** RCW 82.16.020 and 2017 3rd sp.s. c 10 s 14 are each  
20 amended to read as follows:

21 (1) There is levied and collected from every person a tax for the  
22 act or privilege of engaging within this state in any one or more of  
23 the businesses herein mentioned. The tax is equal to the gross income  
24 of the business, multiplied by the rate set out after the business,  
25 as follows:

26 (a) Express, sewerage collection, and telegraph businesses: Three  
27 and six-tenths percent;

28 (b) Light and power business: Three and sixty-two one-hundredths  
29 percent;

30 (c) Gas distribution business: Three and six-tenths percent;

31 (d) Urban transportation business: Six-tenths of one percent;

32 (e) Vessels under sixty-five feet in length, except tugboats,  
33 operating upon the waters within the state: Six-tenths of one  
34 percent;

35 (f) Motor transportation, railroad, railroad car, and tugboat  
36 businesses, and all public service businesses other than ones  
37 mentioned above: One and eight-tenths of one percent;

38 (g) Water distribution business: Four and seven-tenths percent;

1 (h) Log transportation business: One and twenty-eight one-  
2 hundredths percent. The reduced rate established in this subsection  
3 (1)(h) is not subject to the ten-year expiration provision in RCW  
4 82.32.805(1)(a).

5 (2) An additional tax is imposed equal to the rate specified in  
6 RCW 82.02.030 multiplied by the tax payable under subsection (1) of  
7 this section.

8 (3) Twenty percent of the moneys collected under subsection (1)  
9 of this section on water distribution businesses and sixty percent of  
10 the moneys collected under subsection (1) of this section on sewerage  
11 collection businesses must be deposited in the education legacy trust  
12 account created in RCW 83.100.230 from July 1, 2013, through June 30,  
13 2023, and thereafter in the public works assistance account created  
14 in RCW 43.155.050.

15 (4)(a) The tax authorized in this section applies to the in-state  
16 portion of interstate activity.

17 (b) The department may, by rule, provide a method of apportioning  
18 or allocating gross income derived from the in-state portion of  
19 interstate activities taxed under this section. Any apportionment or  
20 allocation standard under this subsection (4)(b) must provide for an  
21 equitable and constitutionally permissible division of the tax base.

22 **PART VIII**  
23 **MISCELLANEOUS**

24 NEW SECTION. **Sec. 801.** Section 102 of this act expires January  
25 1, 2034.

26 NEW SECTION. **Sec. 802.** Section 103 of this act takes effect  
27 January 1, 2034.

28 NEW SECTION. **Sec. 803.** The contingent expiration date in  
29 section 1407, chapter 37, Laws of 2017 3rd sp. sess. applies to  
30 section 110 of this act.

31 NEW SECTION. **Sec. 804.** Section 111 of this act takes effect  
32 when section 110 of this act expires.

33 NEW SECTION. **Sec. 805.** Section 114 of this act expires January  
34 1, 2034.

1        NEW SECTION.    **Sec. 806.**    Section 115 of this act takes effect  
2    January 1, 2034.

3        NEW SECTION.    **Sec. 807.**    Section 116 of this act expires January  
4    1, 2030.

5        NEW SECTION.    **Sec. 808.**    Section 117 of this act takes effect  
6    January 1, 2030.

7        NEW SECTION.    **Sec. 809.**    Except for sections 103, 111, 115, and  
8    117 of this act, this act takes effect January 1, 2026.

--- **END** ---