

**EFFECT OF PSSB 6176 - S-4482.3/12:**

- A new harmonized model ordinance for city business and occupation (B&O) taxes is established. Cities imposing a B&O tax must adopt either either the existing AWC model ordinance or the new harmonized model ordinance. The harmonized model ordinance is adopted in rule by the Department of Revenue (DOR), in consultation with an Advisory Committee. Cities that adopt the harmonized B&O tax must comply with all provisions of the model ordinance. Further, cities that adopt the harmonized B&O tax must agree in their local ordinances to follow and apply any official public guidance and interpretation issued by DOR.
- DOR may offer priority to cities in compliance with the harmonized city B&O tax over other cities in the state licensing system administered by DOR under chapter 19.02 RCW; technical advice and data requests for city B&O tax matters; the provision of audit, enforcement, and tax discovery assistance for city B&O taxes; taxpayer assistance in the form of information, education, and instruction concerning a city's B&O tax; and assistance related to the city's B&O tax as DOR deems appropriate.
- The harmonized city B&O requires that a city may not impose a B&O tax on a person unless that person has a nexus with the city. The harmonized city B&O provides credits to avoid multiple taxation. Further, any city that imposes a harmonized B&O tax must provide for the apportionment and allocation of gross income.
- The state B&O tax code is amended by replacing reduced B&O tax rates with deductions and consolidating B&O tax classifications.

AN ACT Relating to improving the business climate in this state by simplifying state and local tax and licensing systems; amending RCW 35.102.140, 82.04.060, 82.04.230, 82.04.240, 82.04.255, 82.04.260, 82.04.280, 82.04.285, 82.04.290, 35.102.150, 48.14.080, 82.04.051, 82.04.257, 82.04.261, 82.04.270, 82.04.29001, 82.04.29002, 82.04.293, 82.04.297, 82.04.298, 82.04.334, 82.04.360, 82.04.440, 82.04.4451, 82.04.44525, 82.04.4463, 82.04.4483, 82.04.460, 82.04.462, 82.04.540, 82.04.620, 82.08.806, 82.16.100, 82.32.045, 82.32.533, and 82.45.195; reenacting and amending RCW 82.04.250 and 82.32.790; adding new sections to chapter 82.04 RCW; adding a new section to chapter 82.16 RCW; adding a new chapter to Title 35 RCW; creating new sections; repealing RCW 82.04.2404, 82.04.272, 82.04.2905, 82.04.2906, 82.04.2907, 82.04.2908, 82.04.2909, and 82.04.294; repealing 2010 c 114 s 104; repealing 2003 c 149 s 3; repealing 2010 c 106 s 206; repealing 2009 c 461 s 3; repealing 2006 c 300 s 7; repealing 2003 c 149 s 4; providing effective dates; and providing a contingent effective date.

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

NEW SECTION.     **Sec. 1.**     (1) The legislature finds that small businesses are the backbone of our economy, creating two out of every three new jobs. The legislature further finds that during these tough economic times, it has never been more necessary to support small businesses so that they can focus on what they do best--running and growing their businesses.

(2) The governor issued Executive Order 10-05 on October 26, 2010. This executive order charged the department of revenue with exploring, evaluating, and recommending tax simplification solutions to help small businesses by reducing the complexity of the state's tax system.

(3) Following extensive outreach with small business owners, business associations, tax practitioners, and local government officials, the department of revenue issued its report to the governor on June 29, 2011.

(4) The legislature intends to pursue a long-term vision of simplifying tax reporting to include both state and local governments. Therefore, the legislature intends by this act to begin the tax simplification process by reducing the number of state business and occupation tax classifications and encouraging greater uniformity and harmony between local business and occupation taxes and the state business and occupation tax.

#### **PART I**

#### **ENCOURAGING UNIFORMITY AND HARMONY BETWEEN STATE AND LOCAL B&O TAXES**

NEW SECTION.     **Sec. 101.**     The definitions in this section apply throughout this chapter, unless the context clearly requires otherwise.

(1) "Business" has the same meaning as given in chapter 82.04 RCW.

(2) "City" means a city, town, or code city.

(3) "Business and occupation tax" or "gross receipts tax" means a tax imposed on or measured by the value of products, the gross income

of the business, or the gross proceeds of sales, as the case may be, and that is the legal liability of the business.

(4) "Value of products" has the same meaning as given in chapter 82.04 RCW.

(5) "Gross income of the business" has the same meaning as given in chapter 82.04 RCW.

(6) "Gross proceeds of sales" has the same meaning as given in chapter 82.04 RCW.

(7) "Department" means the department of revenue.

(8) "State business and occupation tax" means the tax imposed in chapter 82.04 RCW.

(9) "City business and occupation tax" means a business and occupation tax imposed by a city.

(10) "Cities' model ordinance" means the model ordinance adopted under RCW 35.102.040.

(11) "Harmonized business and occupation tax" means the model ordinance adopted by the department by rule under section 104 of this act.

NEW SECTION.     **Sec. 102.**     Except as otherwise provided in this chapter, the provisions of this chapter do not apply to taxes on any service that historically or traditionally has been taxed as a utility business for municipal tax purposes, such as:

(1) A light and power business or a natural gas distribution business, as defined in RCW 82.16.010;

(2) A telephone business, as defined in RCW 82.16.010;

(3) Cable television services;

(4) Sewer or water services;

(5) Drainage services;

(6) Solid waste services; or

(7) Steam services.

NEW SECTION.     **Sec. 103.**     (1) The department must convene an advisory committee with the following membership:

(a) The department director, or the director's designee, who must serve as the nonvoting chair of the committee;

(b) At least three city representatives, one each representing a large, medium, and small city without a business and occupation tax;

(c) At least three business representatives, one each representing a large, medium, and small business operating in a city or cities with a business and occupation tax;

(d) Up to three additional members chosen by the department; and

(e) One representative from a city imposing a business and occupation tax complying with the cities' model ordinance, who must serve as a nonvoting member of the committee.

(2) The department must consult the advisory committee in:

(a) The adoption or amendment of the harmonized business and occupation tax under section 104 of this act;

(b) The adoption of rules or interpretive guidance as authorized under this chapter;

(c) Developing potential legislation that would affect city business and occupation taxes;

(d) Addressing areas of potential conflict and inconsistency between the harmonized business and occupation tax and the cities' model ordinance; and

(e) Other issues relating to the city business and occupation tax as determined by the department or advisory committee.

(3) Staff support for the advisory committee must be provided by the department. Members of the committee receive no compensation or expenses for their participation on the committee.

(4) The advisory committee must meet at least annually or as determined necessary by the department. At its first meeting, the advisory committee may provide for the adoption of rules and other operating procedures.

NEW SECTION. **Sec. 104.** (1) By December 1, 2012, the department must adopt by rule a model ordinance for city business and occupation taxes. The department may also amend the model ordinance by rule. In adopting, amending, and interpreting the model ordinance, the

department must consider, but is not bound by, any recommendations of the advisory committee created under section 103 of this act.

(2) In adopting and amending the model ordinance, the department must seek to improve uniformity and harmonize to the greatest extent with the state business and occupation tax and city business and occupation taxes while recognizing the need for local flexibility. The department may designate provisions of the model ordinance as voluntary and may allow for cities to choose between or among alternative provisions.

(3) In order to improve uniformity and harmony between state and city business and occupation taxes, the model ordinance may contain provisions for the imposition of a city's business and occupation tax on business activities that have historically been taxed under a city's utility tax, such as cable television service and telecommunications service, to the extent that such activities are subject to state business and occupation tax. Nothing in this chapter prevents a city from taxing business activities under both its business and occupation tax and utility tax. However, a city is free to exempt an activity from either or both of its utility tax and business and occupation tax if such activity would otherwise be subject to both taxes.

(4) Cities that adopt the harmonized business and occupation tax must comply with all provisions of the model ordinance.

(5) Cities that adopt the harmonized business and occupation tax must agree in their local ordinances to follow and apply any official public guidance and interpretation issued by the department.

(6) A city that adopts the harmonized business and occupation tax must adopt the necessary local ordinances to comply with the model ordinance and notify the department. The election becomes effective on the first day of the first calendar quarter following notification to the department.

(7) The department may offer cities that the department determines are in compliance with the harmonized business and occupation tax priority over other cities in:

(a) Incorporating the city's business licenses into the master licensing system administered by the department under chapter 19.02 RCW;

(b) Providing technical advice and data requests for city business and occupation tax matters;

(c) Providing audit, enforcement, and tax discovery assistance for city business and occupation taxes;

(d) Offering taxpayer assistance in the form of information, education, and instruction concerning a city's business and occupation tax; and

(e) Providing other assistance related to the city's business and occupation tax as the department deems appropriate.

NEW SECTION.     **Sec. 105.**     The harmonized business and occupation tax may not include any classifications that are not used for state business and occupation tax purposes.     However, the department may combine classifications used for state business and occupation tax purposes to reduce the number of classifications in the harmonized business and occupation tax.

NEW SECTION.     **Sec. 106.**     The harmonized business and occupation tax must provide that a city may not impose a business and occupation tax on a person unless that person has a nexus with the city.     For the purposes of this section, the term "nexus" must be consistent with the nexus provisions in the cities' model ordinance.

NEW SECTION.     **Sec. 107.**     (1) The harmonized business and occupation tax must provide that a city imposing a business and occupation tax must provide for a system of credits to avoid multiple taxation as follows:

(a) Persons who engage in business activities that are within the purview of more than one classification of the tax are taxable under each applicable classification.

(b) Notwithstanding anything to the contrary in this section, if imposition of the tax would place an undue burden upon interstate

commerce or violate constitutional requirements, a taxpayer is allowed a credit only to the extent necessary to preserve the validity of the tax.

(c) Persons taxable under the retailing or wholesaling classification with respect to selling products in a city are allowed a credit against those taxes for any eligible gross receipts taxes paid by the person (i) with respect to the manufacturing of the products sold in the city, and (ii) with respect to the extracting of the products, or the ingredients used in the products, sold in the city. The amount of the credit may not exceed the tax liability arising with respect to the sale of those products.

(d) Persons taxable under the manufacturing classification with respect to manufacturing products in a city are allowed a credit against that tax for any eligible gross receipts tax paid by the person with respect to extracting the ingredients of the products manufactured in the city and with respect to manufacturing the products other than in the city. The amount of the credit may not exceed the tax liability arising with respect to the manufacturing of those products.

(e) Persons taxable under the retailing or wholesaling classification with respect to selling products in a city are allowed a credit against those taxes for any eligible gross receipts taxes paid by the person with respect to the printing, or the printing and publishing, of the products sold within the city. The amount of the credit may not exceed the tax liability arising with respect to the sale of those products.

(2) The harmonized business and occupation tax must address the issue of multiple taxation for those tax classifications that are in addition to those enumerated in subsection (1)(c) through (e) of this section. The objective of any such provisions is to eliminate multiple taxation of the same income by two or more cities.

NEW SECTION. **Sec. 108.** The harmonized business and occupation tax must provide that a city that imposes a business and occupation tax must provide for the allocation and apportionment of a person's

gross income, other than persons subject to the provisions of chapter 82.14A RCW, as follows:

(1) Gross income derived from all activities other than apportionable activities or royalties must be allocated to the location where the activity takes place.

(a) In the case of sales of tangible personal property, the activity takes place where delivery to the buyer occurs.

(b)(i) In the case of sales of digital products, the activity takes place where delivery to the buyer occurs. The delivery of digital products will be deemed to occur at:

(A) The seller's place of business if the purchaser receives the digital product at the seller's place of business;

(B) If not received at the seller's place of business, the location where the purchaser or the purchaser's donee, designated as such by the purchaser, receives the digital product, including the location indicated by instructions for delivery to the purchaser or donee, known to the seller;

(C) If the location where the purchaser or the purchaser's donee receives the digital product is not known, the purchaser's address maintained in the ordinary course of the seller's business when use of this address does not constitute bad faith;

(D) If no address for the purchaser is maintained in the ordinary course of the seller's business, the purchaser's address obtained during the consummation of the sale, including the address of a purchaser's payment instrument, if no other address is available, when use of this address does not constitute bad faith; and

(E) If no address for the purchaser is obtained during the consummation of the sale, the address where the digital good or digital code is first made available for transmission by the seller or the address from which the digital automated service or service described in RCW 82.04.050 (2)(g) or (6)(b) was provided, disregarding for these purposes any location that merely provided the digital transfer of the product sold.

(ii) If none of the methods in (b)(i) of this subsection (1) for determining where the delivery of digital products occurs are

available after a good faith effort by the taxpayer to apply the methods provided in (b)(i)(A) through (E) of this subsection (1), then the city and the taxpayer may mutually agree to employ any other method to effectuate an equitable allocation of income from the sale of digital products. The taxpayer will be responsible for petitioning the city to use an alternative method under this subsection (1)(b)(ii). The city may employ an alternative method for allocating the income from the sale of digital products if the methods provided in (b)(i)(A) through (E) of this subsection (1) are not available and the taxpayer and the city are unable to mutually agree on an alternative method to effectuate an equitable allocation of income from the sale of digital products.

(iii) For purposes of this subsection (1)(b), the following definitions apply:

(A) "Digital automated services," "digital codes," and "digital goods" have the same meaning as in RCW 82.04.192;

(B) "Digital products" means digital goods, digital codes, digital automated services, and the services described in RCW 82.04.050 (2)(g) and (6)(b); and

(C) "Receive" has the same meaning as in RCW 82.32.730.

(c) If a business activity allocated under this subsection (1) takes place in more than one city and all cities impose a gross receipts tax, a credit must be allowed as provided in RCW 35.102.060; if not all of the cities impose a gross receipts tax, the affected cities must allow another credit or allocation system as they and the taxpayer agree.

(2) Gross income derived as royalties from the granting of intangible rights must be allocated to the commercial domicile of the taxpayer.

(3) Gross income derived from apportionable activities must be apportioned to a city by multiplying apportionable income by a fraction, the numerator of which is the payroll factor plus the service-income factor and the denominator of which is two.

(a) The payroll factor is a fraction, the numerator of which is the total amount paid in the city during the tax period by the

taxpayer for compensation and the denominator of which is the total compensation paid everywhere during the tax period. Compensation is paid in the city if:

(i) The individual is primarily assigned within the city;

(ii) The individual is not primarily assigned to any place of business for the tax period and the employee performs fifty percent or more of his or her service for the tax period in the city; or

(iii) The individual is not primarily assigned to any place of business for the tax period, the individual does not perform fifty percent or more of his or her service in any city, and the employee resides in the city.

(b) The service income factor is a fraction, the numerator of which is the total service income of the taxpayer in the city during the tax period, and the denominator of which is the total service income of the taxpayer everywhere during the tax period. Service income is in the city if:

(i) The customer location is in the city; or

(ii) The income-producing activity is performed in more than one location and a greater proportion of the service-income-producing activity is performed in the city than in any other location, based on costs of performance, and the taxpayer is not taxable at the customer location; or

(iii) The service-income-producing activity is performed within the city, and the taxpayer is not taxable in the customer location.

(c) If the allocation and apportionment provisions of this subsection do not fairly represent the extent of the taxpayer's business activity in the city or cities in which the taxpayer does business, the taxpayer may petition for or the tax administrators may jointly require, in respect to all or any part of the taxpayer's business activity, that one of the following methods be used jointly by the cities to allocate or apportion gross income, if reasonable:

(i) Separate accounting;

(ii) The use of a single factor;

(iii) The inclusion of one or more additional factors that will fairly represent the taxpayer's business activity in the city; or

(iv) The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

(4) The definitions in this subsection apply throughout this section.

(a)(i) "Apportionable activities" are those activities that are considered to be apportionable activities for state business and occupation tax purposes as provided in RCW 82.04.460(4), except as otherwise provided in (ii) of this subsection (4)(a).

(ii) "Apportionable activities" includes radio and television broadcasting activities that are subject to a city's service and other business activities classification or would be subject to such classification absent a specific classification for radio and television broadcasting. "Apportionable activities" does not include royalties allocated under subsection (2) of this section.

(b) "Apportionable income" means the gross income of the business generated from engaging in apportionable activities, including income received from apportionable activities performed outside the city if the income would be taxable under the city's business and occupation tax if received from activities within the city, less any exemptions or deductions available.

(c) "Compensation" means wages, salaries, commissions, and any other form of remuneration paid to individuals for personal services that are or would be included in the individual's gross income under the federal internal revenue code.

(d) "Individual" means any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee of that taxpayer.

(e) "Customer location" means the city or unincorporated area of a county where the majority of the contacts between the taxpayer and the customer take place.

(f) "Primarily assigned" means the business location of the taxpayer where the individual performs his or her duties.

(g) "Service-taxable income" or "service income" means gross income of the business generated from engaging in apportionable activities.

(h) "Tax period" means the calendar year during which tax liability is accrued. If taxes are reported by a taxpayer on a basis more frequent than once per year, taxpayers must calculate the factors for the previous calendar year for reporting in the current calendar year and correct the reporting for the previous year when the factors are calculated for that year, but not later than the end of the first quarter of the following year.

(i) "Taxable in the customer location" means either that a taxpayer is subject to a gross receipts tax in the customer location for the privilege of doing business, or that the government where the customer is located has the authority to subject the taxpayer to gross receipts tax regardless of whether, in fact, the government does so.

NEW SECTION. **Sec. 109.** The harmonized business and occupation tax must provide that return or tax information is confidential, privileged, and subject to disclosure in the manner provided by RCW 82.32.330.

NEW SECTION. **Sec. 110.** The harmonized business and occupation tax must provide that a city that imposes a business and occupation tax must allocate a person's gross income from the activities of printing, and of publishing newspapers, periodicals, or magazines, to the principal place in this state from which the taxpayer's business is directed or managed. As used in this section, the activities of printing, and of publishing newspapers, periodicals, or magazines are those activities to which the tax rates in RCW 82.04.260(3) and 82.04.280(1)(a) apply.

NEW SECTION. **Sec. 111.** (1) The harmonized business and occupation tax must provide that professional employer services performed by a professional employer organization, regardless of the tax classification applicable to such services, is provided a deduction identical to the deduction in RCW 82.04.540(2).

(2) For the purposes of this section, "professional employer organization" and "professional employer services" have the same meanings as in RCW 82.04.540.

NEW SECTION. **Sec. 112.** (1) A city may not impose a business and occupation tax unless it has adopted and is in compliance with the mandatory provisions of the cities' model ordinance or adopts and is in compliance with the harmonized business and occupation tax.

(2) A city that imposes a business and occupation tax must make copies of its business and occupation tax ordinances available for inspection and copying as provided in chapter 42.56 RCW.

**Sec. 113.** RCW 35.102.140 and 2003 c 79 s 14 are each amended to read as follows:

Cities imposing business and occupation taxes must comply with all requirements of RCW 35.102.020 through 35.102.130 (~~by December 31, 2004. A city that has not complied with the requirements of RCW 35.102.020 through 35.102.130 by December 31, 2004, may not impose a tax that is imposed by a city on the privilege of engaging in business activities. Cities imposing business and occupation taxes after December 31, 2004, must comply with RCW 35.102.020 through 35.102.130~~) or the harmonized business and occupation tax authorized under chapter 35.102A RCW (the new chapter created in section 303 of this act).

## PART II

### REDUCING STATE B&O TAX CLASSIFICATIONS & TECHNICAL CORRECTIONS

NEW SECTION. **Sec. 201.** (1) The legislature finds that there are currently over fifty tax classifications for purposes of the state business and occupation tax. Most of these tax classifications were created to provide a reduced tax rate to certain business activities.

(2) The legislature further finds that the considerable number of state business and occupation tax classifications creates complexity for taxpayers, increases opportunities for disputes between taxpayers

and the department of revenue, and is a major barrier to achieving significant uniformity between state and local business and occupation tax systems.

(3) Therefore, the legislature intends Part II of this act to significantly reduce state business and occupation tax classifications by:

(a) Eliminating most classifications providing for a reduced tax rate and replacing the reduced tax rate with a deduction to achieve the same tax results for taxpayers;

(b) Taxing retail sales of interstate transportation equipment and services under the general retailing classification, resulting in a tax rate reduction from 0.484 percent to 0.471 percent;

(c) Taxing low-level waste disposal under the catch-all service and other business activities classification, resulting in a tax rate reduction from 3.3 percent to 1.8 percent through June 30, 2013, and 1.5 percent beginning July 1, 2013;

(d) Consolidating the manufacturing and processing for hire classifications;

(e) Consolidating the extracting and extracting for hire classifications;

(f) Consolidating the public road construction and government contracting classifications into the wholesaling classification; and

(g) Consolidating the public and nonprofit hospital and real estate broker classifications into the catch-all service and other business activities classification.

(4) Except for the tax rate reductions described in subsection (3)(b) and (c) of this section, Part II of this act is not intended to materially affect the tax burden of any person.

NEW SECTION. **Sec. 202.** A new section is added to chapter 82.04 RCW to read as follows:

For purposes of reporting the tax due under this chapter in a way that provides taxpayers with more consistency between state and city-imposed business and occupation taxes or for ease of administration for the department or taxpayers, the department may classify business

activities other than as provided in RCW 82.04.230 through 82.04.298. However, new classifications created under the authority of this section do not affect the tax rates applicable to the activities that come within the new classifications.

**Sec. 203.** RCW 82.04.060 and 2010 c 106 s 203 are each amended to read as follows:

"Sale at wholesale" or "wholesale sale" means:

(1) Any sale, which is not a sale at retail, of:

(a) Tangible personal property;

(b) Services defined as a retail sale in RCW 82.04.050(2) (a) or (g);

(c) Amusement or recreation services as defined in RCW 82.04.050(3)(a);

(d) Prewritten computer software;

(e) Services described in RCW 82.04.050(6)(b);

(f) Extended warranties as defined in RCW 82.04.050(7);

(g) Competitive telephone service, ancillary services, or telecommunications service as those terms are defined in RCW 82.04.065; or

(h) Digital goods, digital codes, or digital automated services;

(2) Any charge made for labor and services rendered for persons who are not consumers, in respect to real or personal property, if such charge is expressly defined as a retail sale by RCW 82.04.050 when rendered to or for consumers. For the purposes of this subsection (2), "real or personal property" does not include any natural products named in RCW 82.04.100; (~~and~~)

(3) The sale of any service for resale, if the sale is excluded from the definition of "sale at retail" and "retail sale" in RCW 82.04.050(14); and

(4) Any sale of or charge made for labor and services if the sale or charge is excluded from the definition of retail sale in RCW 82.04.050 (10) or (12). Nothing in this subsection may be construed as affecting the status of persons providing such services as consumers as provided in RCW 82.04.190.

**Sec. 204.** RCW 82.04.230 and 2006 c 300 s 5 are each amended to read as follows:

(1) Upon every person engaging within this state in business as an extractor or extractor for hire, except persons taxable as an extractor or extractor for hire under any other provision in this chapter; as to such persons the amount of the tax with respect to such business (~~(shall be)~~) is, in the case of extractors, equal to the value of the products, including by-products, extracted for sale or for commercial or industrial use, and, in the case of extractors for hire, the gross income of the business of extracting for hire, multiplied by the rate of 0.484 percent.

(2) The measure of the tax on extractors is the value of the products, including by-products, so extracted, regardless of the place of sale or the fact that deliveries may be made to points outside the state.

**Sec. 205.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to read as follows:

(1) Upon every person engaging within this state in business as a manufacturer or processor for hire, except persons taxable as manufacturers or processors for hire under other provisions of this chapter; as to such persons the amount of the tax with respect to such business (~~(shall be)~~) is, in the case of manufacturers, equal to the value of the products, including by-products, manufactured, and, in the case of processors for hire, the gross income of the business of processing for hire, multiplied by the rate of 0.484 percent.

(2) The measure of the tax on manufacturers is the value of the products, including by-products, so manufactured regardless of the place of sale or the fact that deliveries may be made to points outside the state.

**Sec. 206.** RCW 82.04.250 and 2010 1st sp.s. c 23 s 509 are each reenacted and amended to read as follows:

~~((1))~~ Upon every person engaging within this state in the business of making sales at retail, except persons taxable (~~as retailers~~) under other provisions of this chapter on the business of

making sales at retail, as to such persons, the amount of tax with respect to such business is equal to the gross proceeds of sales of the business, multiplied by the rate of 0.471 percent.

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

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

**Sec. 207.** RCW 82.04.255 and 2011 c 322 s 2 are each amended to read as follows:

(1) ~~((Upon every person engaging within the state in))~~ The business of providing real estate brokerage services~~((; as to such persons, the amount of the tax with respect to such business is equal to the gross income of the business, multiplied by the rate of 1.5 percent))~~ is subject to tax under RCW 82.04.290.

(2) The measure of the tax on real estate commissions earned by the real estate firm is the gross commission earned by the particular real estate firm including that portion of the commission paid to brokers, including designated and managing brokers, in the same firm on a particular transaction. However, when a real estate commission on a particular transaction is divided among real estate firms at the closing of the transaction, including a firm located out of state, each firm must pay the tax only upon its respective shares of said commission. Moreover, when the real estate firm has paid the tax as

provided herein, brokers, including designated and managing brokers, within the same real estate firm may not be required to pay a similar tax upon the same transaction. If any firm located out of state receives a share of commission on a particular transaction, that company or broker must pay the tax based on the requirements of this section and RCW 82.04.067.

(3) For the purposes of this section, "broker," "designated broker," "managing broker," and "real estate firm" have the same meaning as provided in RCW 18.85.011.

**Sec. 208.** RCW 82.04.260 and 2011 c 2 s 203 (Initiative Measure No. 1107) are each amended to read as follows:

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

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

~~— (b) Beginning July 1, 2012, seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; or selling manufactured seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing, to purchasers who transport in the ordinary course of business the goods out of this state; as to such persons the amount of tax with respect to such business is equal to the value of the products manufactured or the gross proceeds derived from such sales, multiplied by the rate of 0.138 percent. — Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state;~~

~~— (c) Beginning July 1, 2012, dairy products that as of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135, including by products from the manufacturing of the dairy~~

~~products such as whey and casein; or selling the same to purchasers who transport in the ordinary course of business the goods out of state; as to such persons the tax imposed is equal to the value of the products manufactured or the gross proceeds derived from such sales multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state;~~

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

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

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

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

~~— (3) Upon every nonprofit corporation and nonprofit association engaging within this state in research and development, as to such~~

~~corporations and associations, the amount of tax with respect to such activities is equal to the gross income derived from such activities multiplied by the rate of 0.484 percent.~~

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

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

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

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

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

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

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

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

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

~~percent thereafter.~~

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

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

(ii) 0.2904 percent beginning July 1, 2007.

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

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

(d) In addition to all other requirements under this title, a person reporting under the tax rate provided in this subsection ~~((11))~~ (1) must file a complete annual report with the department under RCW 82.32.534.

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

~~((12))~~ (2)(a) Until July 1, 2024, upon every person engaging within this state in the business of extracting timber or extracting

timber for hire (~~(timber)~~); as to such persons the amount of tax with respect to the business is, in the case of extractors, equal to the value of products, including by-products, extracted, or in the case of extractors for hire, equal to the gross income of the business, multiplied by the rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30, 2024.

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

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

(d) Until July 1, 2024, upon every person engaging within this state in the business of selling standing timber; as to such persons the amount of the tax with respect to the business is equal to the gross income of the business multiplied by the rate of 0.2904 percent. For purposes of this subsection (~~(+12+)~~) (2)(d), "selling standing timber" means the sale of timber apart from the land, where the buyer is required to sever the timber within thirty months from the date of the original contract, regardless of the method of payment for the

timber and whether title to the timber transfers before, upon, or after severance.

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

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

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

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

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

(v) "Timber products" means:

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

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

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

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

(f) Except for small harvesters as defined in RCW 84.33.035, a person reporting under the tax rate provided in this subsection (~~((12))~~) (2) must file a complete annual survey with the department under RCW 82.32.585.

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

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

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

**Sec. 209.** RCW 82.04.280 and 2010 c 106 s 205 are each amended to read as follows:

(1) Upon every person engaging within this state in the business of: (a) Printing materials other than newspapers, and of publishing periodicals or magazines; or (b) (~~((building, repairing or improving any street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle which is owned by a municipal corporation or political subdivision of the state or by the United States and which is used or to be used, primarily for foot or vehicular traffic including mass~~

~~transportation vehicles of any kind and including any readjustment, reconstruction or relocation of the facilities of any public, private or cooperatively owned utility or railroad in the course of such building, repairing or improving, the cost of which readjustment, reconstruction, or relocation, is the responsibility of the public authority whose street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle is being built, repaired or improved; (c) extracting for hire or processing for hire, except persons taxable as extractors for hire or processors for hire under another section of this chapter; (d) operating a cold storage warehouse or storage warehouse, but not including the rental of cold storage lockers; (e) representing and performing services for fire or casualty insurance companies as an independent resident managing general agent licensed under the provisions of chapter 48.17 RCW; (f)) radio and television broadcasting, excluding network, national and regional advertising computed as a standard deduction based on the national average thereof as annually reported by the federal communications commission, or in lieu thereof by itemization by the individual broadcasting station, and excluding that portion of revenue represented by the out-of-state audience computed as a ratio to the station's total audience as measured by the 100 micro-volt signal strength and delivery by wire, if any; ((g) engaging in activities which bring a person within the definition of consumer contained in RCW 82.04.190(6);)) as to such persons, the amount of tax on such business is equal to the gross income of the business multiplied by the rate of 0.484 percent.~~

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

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

~~— (b) "Storage warehouse" means a building or structure, or any part thereof, in which goods, wares, or merchandise are received for~~

~~storage for compensation, except field warehouses, fruit warehouses, fruit packing plants, warehouses licensed under chapter 22.09 RCW, public garages storing automobiles, railroad freight sheds, docks and wharves, and "self-storage" or "mini storage" facilities whereby customers have direct access to individual storage areas by separate entrance. "Storage warehouse" does not include a building or structure, or that part of such building or structure, in which an activity taxable under RCW 82.04.272 is conducted.~~

~~(e))~~ "periodical or magazine" means a printed publication, other than a newspaper, issued regularly at stated intervals at least once every three months, including any supplement or special edition of the publication.

**Sec. 210.** RCW 82.04.285 and 2005 c 369 s 5 are each amended to read as follows:

(1) Upon every person engaging within this state in the business of operating contests of chance; as to such persons, the amount of tax with respect to the business of operating contests of chance is equal to the gross income of the business derived from contests of chance multiplied by the rate of 1.5 percent.

(2) An additional tax is imposed on those persons subject to tax in subsection (1) of this section. The amount of the additional tax with respect to the business of operating contests of chance is equal to the gross income of the business derived from contests of chance multiplied by the rate of 0.1 percent through June 30, 2006, and 0.13 percent thereafter. The money collected under this subsection (2) ~~((shall))~~ must be deposited in the problem gambling account created in RCW 43.20A.892. ~~((This subsection does not apply to businesses operating contests of chance when the gross income from the operation of contests of chance is less than fifty thousand dollars per year.))~~

(3) For the purpose of this section, "contests of chance" means any contests, games, gaming schemes, or gaming devices, other than the state lottery as defined in RCW 67.70.010, in which the outcome depends in a material degree upon an element of chance, notwithstanding that skill of the contestants may also be a factor in

the outcome. The term includes social card games, bingo, raffle, and punchboard games, and pull-tabs as defined in chapter 9.46 RCW. The term does not include race meets for the conduct of which a license must be secured from the Washington horse racing commission, or "amusement game" as defined in RCW 9.46.0201.

(4) "Gross income of the business" does not include the monetary value or actual cost of any prizes that are awarded, amounts paid to players for winning wagers, accrual of prizes for progressive jackpot contests, or repayment of amounts used to seed guaranteed progressive jackpot prizes.

**Sec. 211.** RCW 82.04.290 and 2011 c 174 s 101 are each amended to read as follows:

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

~~—(2)(a))~~ Upon every person engaging within this state in any business activity other than or in addition to an activity taxed explicitly under another section in this chapter ~~((or subsection (1) or (3) of this section))~~; as to such persons the amount of tax on account of such activities ~~((shall be))~~ is equal to the gross income of the business multiplied by the rate of 1.5 percent.

~~((b))~~ (2) This ((subsection (2) includes)) section applies to, among others, and without limiting the scope hereof (whether or not title to materials used in the performance of such business passes to another by accession, confusion or other than by outright sale), persons engaged in the business of rendering any type of service which does not constitute a "sale at retail" or a "sale at wholesale." This includes, but is not limited to, the business of inspecting, testing, labeling, and storing canned salmon owned by another person; conducting research and development for compensation; providing chemical dependency treatment services; providing travel agent or tour operator services; acting as an international steamship agent,

international customs house broker, international freight forwarder, vessel or cargo charter broker in foreign commerce, or international air cargo agent; the business of stevedoring and associated activities pertinent to the movement of goods and commodities in waterborne interstate or foreign commerce as defined in section 222 of this act; performing aerospace product development for others; operating a warehouse; providing international investment management services; providing boarding home services as defined in section 229 of this act; receiving income from royalties; providing day care services; and performing insurance services as defined in section 232 of this act.

(3) The value of advertising, demonstration, and promotional supplies and materials furnished to an agent by his or her principal or supplier to be used for informational, educational, and promotional purposes ~~((shall))~~ is not ~~((be))~~ considered a part of the agent's remuneration or commission and ~~((shall))~~ is not ~~((be))~~ subject to taxation under this section.

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

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

NEW SECTION. Sec. 212. The following acts or parts of acts are each repealed:

(1) RCW 82.04.2404 (Manufacturers--Processors for hire--Semiconductor materials) and 2010 c 114 s 105 & 2006 c 84 s 2;

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

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

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

(5) RCW 82.04.2907 (Tax on royalties) and 2010 1st sp.s. c 23 s 107, 2010 c 111 s 302, 2009 c 535 s 407, 2001 c 320 s 3, & 1998 c 331 s 1;

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

(7) RCW 82.04.2909 (Tax on aluminum smelters) and 2011 c 174 s 301;

(8) RCW 82.04.294 (Tax on manufacturers or wholesalers of solar energy systems) and 2011 c 179 s 1, 2010 c 114 s 109, 2009 c 469 s 501, 2007 c 54 s 8, & 2005 c 301 s 2;

(9) 2010 c 114 s 104;

(10) 2003 c 149 s 3;

(11) 2010 c 106 s 206;

(12) 2009 c 461 s 3;

(13) 2006 c 300 s 7; and

(14) 2003 c 149 s 4.

NEW SECTION. **Sec. 213.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on engaging in the business of conducting research and development for compensation, a nonprofit corporation or nonprofit association is entitled to a deduction as provided in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.67734 by:

(a) The gross income of the business during the reporting period from conducting research and development for compensation; or

(b) If the taxpayer is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.290 on the business of conducting research and development for compensation, the difference resulting from subtracting all other deductible amounts from the gross income of the business during the reporting period from conducting research and development for compensation.

(3) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 214.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.240 on the business of manufacturing wood biomass fuel, a person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.71488 by:

(a) The value of the wood biomass fuel manufactured by the person during the reporting period; or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.240 on the business of manufacturing wood biomass fuel, the difference resulting from subtracting all other deductible amounts from the value of the wood biomass fuel manufactured by the person during the reporting period.

(3) "Wood biomass fuel" has the same meaning as in RCW 82.29A.135.

(4) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 215.** A new section is added to chapter 82.04 RCW to read as follows:

(1)(a) In computing the tax imposed under RCW 82.04.270 on the business of making wholesale sales of aluminum manufactured by the seller, an aluminum smelter is entitled to a deduction as determined in (b) of this subsection (1).

(b) The amount of the deduction under this subsection (1) is determined by multiplying 0.4 by:

(i) The gross proceeds of wholesale sales by the taxpayer, during the reporting period, of aluminum manufactured by the taxpayer; or

(ii) If the taxpayer is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.270 on the business of making wholesale sales of aluminum

manufactured by the taxpayer, the difference resulting from subtracting all other deductible amounts from the gross proceeds of wholesale sales by the taxpayer, during the reporting period, of aluminum manufactured by the taxpayer.

(2)(a) In computing the tax imposed under RCW 82.04.240 on the business of manufacturing aluminum, an aluminum smelter is entitled to a deduction as determined in (b) of this subsection (2).

(b) The amount of the deduction under this subsection (2) is determined by multiplying 0.4 by:

(i) The value of the product manufactured by the taxpayer during the reporting period, in the case of manufacturers, or, in the case of processors for hire, the gross income of the business from processing aluminum for hire during the reporting period; or

(ii) If the taxpayer is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.240 on the business of manufacturing aluminum, the difference resulting from subtracting all other deductible amounts from the value of the product manufactured by the taxpayer during the reporting period, in the case of manufacturers, or, in the case of processors for hire, the gross income of the business from processing aluminum for hire during the reporting period.

(3) A person claiming a deduction under this section must file a complete annual report with the department under RCW 82.32.534. However, if legislation is enacted after 2011 that replaces the annual report under RCW 82.32.534 with the annual survey under RCW 82.32.585, a person claiming a deduction under this section must file a complete annual survey with the department under RCW 82.32.585.

(4) The deductions in this section may only be claimed on a return filed electronically using the department's online tax filing service.

(5) No deduction may be claimed under this section for reporting periods beginning January 1, 2017.

NEW SECTION. **Sec. 216.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.240 on the business of manufacturing semiconductor materials, a person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.43183 by:

(a) The value of the product manufactured by the taxpayer during the reporting period, in the case of manufacturers, or, in the case of processors for hire, the gross income of the business from processing semiconductor materials for hire during the reporting period; or

(b) If the taxpayer is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.240 on the business of manufacturing semiconductor materials, the difference resulting from subtracting all other deductible amounts from the value of the product manufactured by the taxpayer during the reporting period, in the case of manufacturers, or, in the case of processors for hire, the gross income of the business from processing semiconductor materials for hire during the reporting period.

(3) For the purposes of this section "semiconductor materials" means silicon crystals, silicon ingots, raw polished semiconductor wafers, and compound semiconductor wafers.

(4) A person claiming a deduction under this section must file a complete annual report with the department under RCW 82.32.534. However, if legislation is enacted after 2011 that replaces the annual report under RCW 82.32.534 with the annual survey under RCW 82.32.585, a person claiming a deduction under this section must file a complete annual survey with the department under RCW 82.32.585.

(5) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

(6) No deduction may be claimed under this section for reporting periods beginning December 1, 2018.

NEW SECTION. **Sec. 217.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.240 on the business of manufacturing semiconductor materials, a person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.43183 by:

(a) The value of the product manufactured by the taxpayer during the reporting period, in the case of manufacturers, or, in the case of processors for hire, the gross income of the business from processing semiconductor materials for hire during the reporting period; or

(b) If the taxpayer is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.240 on the business of manufacturing semiconductor materials, the difference resulting from subtracting all other deductible amounts from the value of the product manufactured by the taxpayer during the reporting period, in the case of manufacturers, or, in the case of processors for hire, the gross income of the business from processing semiconductor materials for hire during the reporting period.

(3) For the purposes of this section "semiconductor materials" means silicon crystals, silicon ingots, raw polished semiconductor wafers, compound semiconductors, integrated circuits, and microchips.

(4) A person claiming a deduction under this section must file a complete annual report with the department under RCW 82.32.534. However, if legislation is enacted after 2011 that replaces the annual report under RCW 82.32.534 with the annual survey under RCW 82.32.585, a person claiming a deduction under this section must file a complete annual survey with the department under RCW 82.32.585.

(5) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

(6) No deduction may be claimed under this section for reporting periods beginning the date that is twelve years after the effective date of this section.

NEW SECTION. **Sec. 218.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on the business of inspecting, testing, labeling, and storing canned salmon owned by another person, a person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.67734 by:

(a) The person's gross income of the business during the reporting period from inspecting, testing, labeling, and storing canned salmon owned by another person; or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.290 on the person's business of inspecting, testing, labeling, and storing canned salmon owned by another person, the difference resulting from subtracting all other deductible amounts from the person's gross income of the business during the reporting period from inspecting, testing, labeling, and storing canned salmon owned by another person.

(3) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 219.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on the business of providing eligible chemical dependency treatment services, a person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.67734 by:

(a) The person's gross income of the business during the reporting period from providing eligible chemical dependency treatment services; or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW

82.04.290 on the business of providing eligible chemical dependency treatment services, the difference resulting from subtracting all other deductible amounts from the person's gross income of the business during the reporting period from providing eligible chemical dependency treatment services.

(3) For purposes of this section, "eligible chemical dependency treatment services" means intensive inpatient or recovery house residential treatment services for chemical dependency, certified by the department of social and health services, for which payment from the United States or any of its instrumentalities or from the state of Washington or any of its municipal corporations or political subdivisions is received as compensation for or to support those services.

(4) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 220.** A new section is added to chapter 82.04 RCW to read as follows:

(1)(a) In computing the tax imposed under RCW 82.04.270 on the business of making wholesale sales of qualifying solar energy systems or qualifying components by the manufacturer of the system or component, a person is entitled to a deduction as determined in (b) of this subsection (1).

(b) The amount of the deduction under this subsection (1) is determined by multiplying 0.43183 by:

(i) The gross proceeds of wholesale sales by the person, during the reporting period, of qualifying solar energy products or qualifying components, manufactured by the person; or

(ii) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.270 on the business of making wholesale sales of qualifying solar energy systems or qualifying components manufactured by the person, the difference resulting from subtracting all other deductible amounts from the gross proceeds of wholesale sales by the person,

during the reporting period, of qualifying solar energy systems or qualifying components manufactured by the person.

(2)(a) In computing the tax imposed under RCW 82.04.240 on the business of manufacturing qualifying solar energy systems or qualifying components, a person is entitled to a deduction as determined in (b) of this subsection (2).

(b) The amount of the deduction under this subsection (2) is determined by multiplying 0.43183 by:

(i) The value of the qualifying solar energy systems or qualifying components manufactured by the person during the reporting period, in the case of manufacturers, or, in the case of processors for hire, the gross income of the business from processing qualifying solar energy systems or qualifying components for hire during the reporting period; or

(ii) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.240 on the business of manufacturing qualifying solar energy systems or qualifying components, the difference resulting from subtracting all other deductible amounts from the value of the qualifying solar energy systems or qualifying components manufactured by the person during the reporting period, in the case of manufacturers, or, in the case of processors for hire, the gross income of the business from processing solar energy systems or qualifying components for hire during the reporting period.

(3) The definitions in this subsection apply throughout this section.

(a) "Compound semiconductor solar wafers" means a semiconductor solar wafer composed of elements from two or more different groups of the periodic table.

(b) "Module" means the smallest nondivisible self-contained physical structure housing interconnected photovoltaic cells and providing a single direct current electrical output.

(c) "Photovoltaic cell" means a device that converts light directly into electricity without moving parts.

(d) "Qualifying component" means the following products to be used exclusively in components of qualifying solar energy systems: Solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers.

(e) "Qualifying solar energy system" means a solar energy system using photovoltaic modules or stirling converters.

(f) "Silicon solar cells" means a photovoltaic cell manufactured from a silicon solar wafer.

(g) "Silicon solar wafers" means a silicon wafer manufactured for solar conversion purposes.

(h) "Solar energy system" means any device or combination of devices or elements that rely upon direct sunlight as an energy source for use in the generation of electricity.

(i) "Solar grade silicon" means high-purity silicon used exclusively in components of solar energy systems using photovoltaic modules to capture direct sunlight. "Solar grade silicon" does not include silicon used in semiconductors.

(j) "Stirling converter" means a device that produces electricity by converting heat from a solar source utilizing a stirling engine.

(k) "Thin film solar devices" means a nonparticipating substrate on which various semiconducting materials are deposited to produce a photovoltaic cell that is used to generate electricity.

(4) A person claiming a deduction under this section must file a complete annual report with the department under RCW 82.32.534. However, if legislation is enacted after 2011 that replaces the annual report under RCW 82.32.534 with the annual survey under RCW 82.32.585, a person claiming a deduction under this section must file a complete annual survey with the department under RCW 82.32.585.

(5) The deductions in this section may only be claimed on a return filed electronically using the department's online tax filing service.

(6) No deduction may be claimed under this section for reporting periods beginning July 1, 2014.

NEW SECTION. **Sec. 221.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.240 on the business of splitting or processing dried peas or of manufacturing wheat into flour; barley into pearl barley; soybeans into soybean oil; canola into canola oil, canola meal, or canola by-products; or sunflower seeds into sunflower oil; a person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.71488 by:

(a) The value of the product or products described in subsection (1) of this section and manufactured by the person during the reporting period; or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.240 on the business of manufacturing one or more of the products described in subsection (1) of this section, the difference resulting from subtracting all other deductible amounts from the value of the product or products described in subsection (1) of this section and manufactured by the person during the reporting period.

(3) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 222.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on qualifying travel or transportation-related activities, a person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.81667 by:

(a) The person's gross income of the business during the reporting period from engaging in qualifying travel or transportation-related activities; or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.290 on the person's business of engaging in qualifying travel or transportation-related activities, the difference resulting from

subtracting all other deductible amounts from the person's gross income of the business during the reporting period from engaging in qualifying travel or transportation-related activities.

(3) The definitions in this subsection apply throughout this section.

(a) "Qualifying travel or transportation-related activities" means engaging within this state in one or more of the following businesses: Travel agent, tour operator, international steamship agent, international customs house broker, international freight forwarder, vessel or cargo charter broker in foreign commerce, international air cargo agent, or stevedoring and associated activities pertinent to the movement of goods and commodities in waterborne interstate or foreign commerce.

(b) "Stevedoring and associated activities pertinent to the movement of goods and commodities in waterborne interstate or foreign commerce" means all activities of a labor, service, or transportation nature whereby cargo may be loaded or unloaded to or from vessels or barges, passing over, onto or under a wharf, pier, or similar structure; cargo may be moved to a warehouse or similar holding or storage yard or area to await further movement in import or export or may move to a consolidation freight station and be stuffed, unstuffed, containerized, separated, or otherwise segregated or aggregated for delivery or loaded on any mode of transportation for delivery to its consignee. Specific activities included in this definition are: Wharfage, handling, loading, unloading, moving of cargo to a convenient place of delivery to the consignee or a convenient place for further movement to export mode; documentation services in connection with the receipt, delivery, checking, care, custody, and control of cargo required in the transfer of cargo; imported automobile handling prior to delivery to consignee; terminal stevedoring and incidental vessel services, including but not limited to plugging and unplugging refrigerator service to containers, trailers, and other refrigerated cargo receptacles, and securing ship hatch covers.

(4) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 223.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.250 on the business of making qualifying retail sales, an eligible person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.38344 by:

(a) The eligible person's gross proceeds of qualifying retail sales during the reporting period; or

(b) If the eligible person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.250 on the business of making qualifying retail sales, the difference resulting from subtracting all other deductible amounts from the eligible person's gross proceeds of qualifying retail sales during the reporting period.

(3) The definitions in this subsection apply throughout this section.

(a) "Eligible person" means a person classified by the federal aviation administration as a federal aviation regulation part 145 certificated repair station.

(b) "Qualifying retail sales" means sales at retail that are exempt from the tax imposed under RCW 82.08.020 by reason of RCW 82.08.0261, 82.08.0262, or 82.08.0263.

(4) A person claiming a deduction under this section must file a complete annual report with the department under RCW 82.32.534. However, if legislation is enacted after 2011 that replaces the annual report under RCW 82.32.534 with the annual survey under RCW 82.32.585, a person claiming a deduction under this section must file a complete annual survey with the department under RCW 82.32.585.

(5) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

(6) No deduction may be claimed under this section for reporting periods beginning July 1, 2024.

NEW SECTION. **Sec. 224.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.250 or 82.04.270 on the business of making sales at retail or wholesale of prescription drugs, an eligible person is entitled to a deduction as determined in this subsection.

(a) The deduction under this subsection from the gross proceeds of retail sales of prescription drugs is determined by multiplying 0.70701 by:

(i) The gross proceeds of retail sales of prescription drugs by the eligible person during the reporting period; or

(ii) If the eligible person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.250 on the business of making retail sales of prescription drugs, the difference resulting from subtracting all other deductible amounts from the gross proceeds of retail sales of prescription drugs by the eligible person during the reporting period.

(b) The deduction under this subsection from the gross proceeds of wholesale sales of prescription drugs is determined by multiplying 0.71488 by:

(i) The gross proceeds of wholesale sales of prescription drugs by the eligible person during the reporting period; or

(ii) If the eligible person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.270 on the business of making wholesale sales of prescription drugs, the difference resulting from subtracting all other deductible amounts from the gross proceeds of wholesale sales of prescription drugs by the eligible person during the reporting period.

(2) The definitions in this subsection apply throughout this section:

(a) "Eligible person" means a person who:

(i) Is registered with the federal drug enforcement administration and licensed by the state board of pharmacy;

(ii) Buys prescription drugs from a manufacturer or another wholesaler and resells the drugs to persons selling at retail or to hospitals, clinics, health care providers, or other providers of health care services; and

(iii) Owns or operates a warehouse inside or outside of this state where the person's prescription drugs are stored pending delivery to buyers.

(b) "Prescription drugs" means drugs intended for human use pursuant to a prescription.

(c) "Prescription" and "drug" have the same meaning as in RCW 82.08.0281.

(3) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 225.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on the business of performing aerospace product development for others, a person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.4 by:

(a) The person's gross income of the business during the reporting period from performing aerospace product development for others; or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.290 on the person's business of performing aerospace product development for others, the difference resulting from subtracting all other deductible amounts from the person's gross income of the business during the reporting period from performing aerospace product development for others.

(3) For purposes of this section, "aerospace product development" has the same meaning as in RCW 82.04.4461.

(4) A person claiming a deduction under this section must file a complete annual report with the department under RCW 82.32.534. However, if legislation is enacted after 2011 that replaces the annual report under RCW 82.32.534 with the annual survey under RCW 82.32.585, a person claiming a deduction under this section must file a complete annual survey with the department under RCW 82.32.585.

(5) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

(6) No deduction may be claimed under this section for reporting periods beginning July 1, 2024.

NEW SECTION. **Sec. 226.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on the business of operating a qualifying warehouse, a person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.67734 by:

(a) The person's gross income of the business during the reporting period from operating a qualifying warehouse; or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.290 on the person's business of operating a qualifying warehouse, the difference resulting from subtracting all other deductible amounts from the person's gross income of the business during the reporting period from operating a qualifying warehouse.

(3) For purposes of this section, "qualifying warehouse" means a cold storage warehouse or storage warehouse. The term does not include cold storage lockers.

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

(b) "Storage warehouse" means a building or structure, or any part of a building or structure, in which goods, wares, or merchandise are received for storage for compensation, except field warehouses, fruit warehouses, fruit packing plants, warehouses licensed under chapter 22.09 RCW, public garages storing automobiles, railroad freight sheds, docks and wharves, and "self-storage" or "mini storage" facilities whereby customers have direct access to individual storage areas by separate entrance. "Storage warehouse" does not include a building or structure, or that part of such building or structure, in which an activity is conducted that entitles the person conducting the activity to a deduction under section 224 of this act.

(4) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 227.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on international investment management services, a person is entitled to a deduction as determined in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.81667 by:

(a) The person's gross income of the business during the reporting period from providing international investment management services; or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.290 on the person's business of providing international investment management services, the difference resulting from subtracting all other deductible amounts from the person's gross income of the business during the reporting period from providing international investment management services.

(3) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 228.** A new section is added to chapter 82.04 RCW to read as follows:

(1)(a) In computing the tax imposed under RCW 82.04.270 on the business of making wholesale sales of qualifying meat products, an eligible person is entitled to a deduction as determined in (b) of this subsection (1).

(b) The amount of the deduction under this subsection (1) is determined by multiplying 0.71488 by:

(i) The gross proceeds of wholesale sales of qualifying meat products during the reporting period by the eligible person; or

(ii) If the eligible person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.270 on the business of making wholesale sales of qualifying meat products, the difference resulting from subtracting all other deductible amounts from the gross proceeds of wholesale sales of qualifying meat products during the reporting period by the eligible person.

(2)(a) In computing the tax imposed under RCW 82.04.240 on the business of processing perishable meat products, a person is entitled to a deduction as determined in (b) of this subsection (2).

(b) The amount of the deduction under this subsection (2) is determined by multiplying 0.71488 by:

(i) The value of the meat product processed by the person for the reporting period, in the case of manufacturers, or, in the case of processors for hire, the gross income of the business for the reporting period from processing meat products for hire; or

(ii) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.240 on the business of processing perishable meat products, the difference resulting from subtracting all other deductible amounts from the value of the meat product processed by the person for the reporting period, in the case of manufacturers, or, in the case of processors for hire, the gross income of the business for the reporting period from processing meat products for hire.

(3) The definitions in this subsection apply throughout this section.

(a) "Eligible person" means any person who sells perishable meat products at wholesale or any person who takes an animal or a perishable meat product, processes it, and sells the resulting qualifying meat product at wholesale.

(b) "Meat product" means a product derived in whole or in part from any part of an animal carcass, except products derived from seafood or insects. The term includes only products that are intended for human consumption as food or animal consumption as feed.

(c) "Perishable meat product" means a meat product having a high risk of spoilage within a period of thirty days without refrigeration or freezing.

(d) "Processed," "processes," or "processing" means to engage in one or more of the following activities: Slaughtering an animal, breaking an animal carcass or part of an animal carcass into any type of smaller unit, or engaging in any other manufacturing activity when perishable meat is either the finished product or an ingredient or component of the finished product.

(e) "Qualifying meat product" means: (i) With respect to any person, a perishable meat product; and (ii) any meat product, perishable or not, that is the result of the seller taking an animal or a perishable meat product, processing it, and selling the resulting meat product at wholesale, even if meat is only a component of the finished product.

(4) The deductions in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 229.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on boarding home services, a licensed boarding home is entitled to a deduction as provided in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.81667 by:

(a) The gross income of the business during the reporting period from providing boarding home services; or

(b) If the taxpayer is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.290 on the business of providing boarding home services, the difference resulting from subtracting all other deductible amounts from the gross income of the business during the reporting period from providing boarding home services.

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

(a) "Boarding home services" means any services that a licensed boarding home is authorized to provide to residents of the boarding home, either directly or indirectly, and housing provided to residents of the boarding home.

(b) "Licensed boarding home" means a boarding home licensed under chapter 18.20 RCW.

(4) The definitions in RCW 18.20.020 apply to this section.

(5) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 230.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on the business of receiving income from royalties, a person is entitled to a deduction as provided in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.67734 by:

(a) The gross income from royalties during the reporting period;  
or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.290 on the business of receiving income from royalties, the difference resulting from subtracting all other deductible amounts from the gross income from royalties during the reporting period.

(3) For purposes of this section, "gross income from royalties" means compensation for the use of intangible property, including charges in the nature of royalties, regardless of where the intangible property will be used. For purposes of this subsection, "intangible

property" includes copyrights, patents, licenses, franchises, trademarks, trade names, and similar items. "Gross income from royalties" does not include compensation for any natural resource, the licensing of prewritten computer software to the end user, or the licensing of digital goods, digital codes, or digital automated services to the end user as defined in RCW 82.04.190(11).

(4) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 231.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on providing child day care, a person is entitled to a deduction as provided in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.67734 by:

(a) The gross income of the business during the reporting period from providing child day care; or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.290 on the business of providing child day care, the difference resulting from subtracting all other deductible amounts from the gross income of the business during the reporting period from providing child day care.

(3) For purposes of this section, "child day care" means providing child care for continuous periods of less than twenty-four hours.

(4) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 232.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.290 on providing insurance services, a person is entitled to a deduction as provided in subsection (2) of this section.

(2) The amount of the deduction under this section is determined by multiplying 0.67734 by:

(a) The gross income of the business during the reporting period from providing insurance services; or

(b) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.290 on the business of providing insurance services, the difference resulting from subtracting all other deductible amounts from the gross income of the business during the reporting period from providing insurance services.

(3) For purposes of this section, "insurance services" means:

(a) Representing and performing services for fire or casualty insurance companies as an independent resident managing general agent licensed under the provisions of chapter 48.17 RCW; or

(b) The licensed activities of insurance producers or title insurance agents licensed under chapter 48.17 RCW or surplus line brokers licensed under chapter 48.15 RCW.

(4) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

**NEW SECTION.** **Sec. 233.** A new section is added to chapter 82.04 RCW to read as follows:

(1)(a) In computing the tax imposed under RCW 82.04.240 on qualifying manufacturing activities, a person is entitled to a deduction as determined in (b) of this subsection (1).

(b) The amount of the deduction under this subsection is determined by multiplying 0.71488 by:

(i) The value of the eligible product manufactured by the person during the reporting period; or

(ii) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.240 on qualifying manufacturing, the difference resulting from subtracting all other deductible amounts from the value of the eligible products manufactured by the person during the reporting period.

(2) In computing the tax imposed under RCW 82.04.250 on the business of making qualifying retail sales, a person is entitled to a deduction as determined in (b) of this subsection (2).

(a) The amount of the deduction under this subsection (2) is determined by multiplying 0.70701 by:

(i) The gross proceeds of sales for qualifying retail sales by the person during the reporting period; or

(ii) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.250 on the business of making qualifying retail sales, the difference resulting from subtracting all other deductible amounts from the gross proceeds of sales for qualifying retail sales by the person during the reporting period.

(b) Persons claiming a deduction under this subsection (2) must keep and preserve records for the period required by RCW 82.32.070 establishing that the qualifying retail sales were for eligible products that were transported by the purchaser in the ordinary course of business out of this state.

(3) In computing the tax imposed under RCW 82.04.270 on the business of making qualifying wholesale sales, a person is entitled to a deduction as determined in (b) of this subsection (3).

(a) The amount of the deduction under this subsection (3) is determined by multiplying 0.71488 by:

(i) The gross proceeds of sales for qualifying wholesale sales by the person during the reporting period; or

(ii) If the person is entitled to one or more deductions under any other statute in this chapter in computing the tax imposed under RCW 82.04.270 on the business of making qualifying wholesale sales, the difference resulting from subtracting all other deductible amounts from the gross proceeds of sales for qualifying wholesale sales by the person during the reporting period.

(b) Persons claiming a deduction under this subsection (3) must keep and preserve records for the period required by RCW 82.32.070 establishing that the qualifying wholesale sales were for eligible

products transported by the purchaser in the ordinary course of business out of this state.

(4) The definitions in this subsection apply throughout this section.

(a) "Eligible product" means:

(i) Seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing;

(ii) Dairy products that as of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from the manufacturing process, such as whey and casein; and

(iii) Fruits and vegetables that have been manufactured by canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables.

(b) "Qualifying manufacturing" means manufacturing an eligible product.

(c) "Qualifying retail sales" means retail sales of an eligible product described in (a)(i) or (ii) of this subsection (4) by the manufacturer of the product, but only when the product is delivered to purchasers who transport the product out of this state in the ordinary course of business.

(d) "Qualifying wholesale sales" means wholesale sales of any eligible product described in (a) of this subsection (4) by the manufacturer of the product, but only when the product is delivered to purchasers who transport the product out of this state in the ordinary course of business.

(5) The deduction in this section may only be claimed on a return filed electronically using the department's online tax filing service.

NEW SECTION. **Sec. 234.** A new section is added to chapter 82.04 RCW to read as follows:

(1) In computing the tax imposed under RCW 82.04.285(2), a credit is allowed for eligible persons. The credit equals the full amount of tax otherwise due under RCW 82.04.285(2) for the reporting period.

(2) For purposes of this section, "eligible person" means a person subject to tax under RCW 82.04.285 and whose gross income of the

business from the operation of contests of chance is less than fifty thousand dollars in the tax year in which the credit under this section is claimed.

**Sec. 235.** RCW 35.102.150 and 2011 c 174 s 201 are each amended to read as follows:

Notwithstanding RCW 35.102.130, a city that imposes a business and occupation tax must allocate a person's gross income from the activities of printing, and of publishing newspapers, periodicals, or magazines, to the principal place in this state from which the taxpayer's business is directed or managed. As used in this section, the activities of printing, and of publishing newspapers, periodicals, or magazines are those activities to which the tax rates in RCW 82.04.260(~~(+13)~~) (3) and 82.04.280(1)(a) apply.

**Sec. 236.** RCW 48.14.080 and 2010 1st sp.s. c 23 s 520 are each amended to read as follows:

(1) As to insurers, other than title insurers and taxpayers under RCW 48.14.0201, the taxes imposed by this title are in lieu of all other taxes, except as otherwise provided in this section.

(2) Subsection (1) of this section does not apply with respect to:

(a) Taxes on real and tangible personal property;

(b) Excise taxes on the sale, purchase, use, or possession of (i) real property; (ii) tangible personal property; (iii) extended warranties; (iv) services, including digital automated services as defined in RCW 82.04.192; and (v) digital goods and digital codes as those terms are defined in RCW 82.04.192; and

(c) The tax imposed in (~~(RCW 82.04.260(9), regarding)~~) chapter 82.04 RCW on public and nonprofit hospitals.

(3) For the purposes of this section, the term "taxes" includes taxes imposed by the state or any county, city, town, municipal corporation, quasi-municipal corporation, or other political subdivision.

**Sec. 237.** RCW 82.04.051 and 1999 c 212 s 2 are each amended to read as follows:

(1) As used in RCW 82.04.050, the term "services rendered in respect to" means those services that are directly related to the constructing, building, repairing, improving, and decorating of buildings or other structures and that are performed by a person who is responsible for the performance of the constructing, building, repairing, improving, or decorating activity. The term does not include services such as engineering, architectural, surveying, flagging, accounting, legal, consulting, or administrative services provided to the consumer of, or person responsible for performing, the constructing, building, repairing, improving, or decorating services.

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

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

(4) As used in this section "responsible for the performance" means that the person is obligated to perform the activities, either personally or through a third party. A person who reviews work for a consumer, retailer, or wholesaler but does not supervise or direct the work is not responsible for the performance of the work. A person who is financially obligated for the work, such as a bank, but who does

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

**Sec. 238.** RCW 82.04.257 and 2010 c 111 s 301 are each amended to read as follows:

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

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

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

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

**Sec. 239.** RCW 82.04.261 and 2010 1st sp.s. c 23 s 510 are each amended to read as follows:

(1) In addition to the taxes imposed under RCW 82.04.260(~~((+11))~~) (2), a surcharge is imposed on those persons who are subject to any of the taxes imposed under RCW 82.04.260(~~((+11))~~) (2). Except as otherwise provided in this section, the surcharge is equal to 0.052

percent. The surcharge is added to the rates provided in RCW 82.04.260(~~(+11)~~) (2) (a), (b), (c), and (d). The surcharge and this section expire July 1, 2024.

(2) All receipts from the surcharge imposed under this section must be deposited into the forest and fish support account created in RCW 76.09.405.

(3)(a) The surcharge imposed under this section is suspended if:

(i) Receipts from the surcharge total at least eight million dollars during any fiscal biennium; or

(ii) The office of financial management certifies to the department that the federal government has appropriated at least two million dollars for participation in forest and fish report-related activities by federally recognized Indian tribes located within the geographical boundaries of the state of Washington for any federal fiscal year.

(b)(i) The suspension of the surcharge under (a)(i) of this subsection (3) takes effect on the first day of the calendar month that is at least thirty days after the end of the month during which the department determines that receipts from the surcharge total at least eight million dollars during the fiscal biennium. The surcharge is imposed again at the beginning of the following fiscal biennium.

(ii) The suspension of the surcharge under (a)(ii) of this subsection (3) takes effect on the later of the first day of October of any federal fiscal year for which the federal government appropriates at least two million dollars for participation in forest and fish report-related activities by federally recognized Indian tribes located within the geographical boundaries of the state of Washington, or the first day of a calendar month that is at least thirty days following the date that the office of financial management makes a certification to the department under subsection (5) of this section. The surcharge is imposed again on the first day of the following July.

(4)(a) If, by October 1st of any federal fiscal year, the office of financial management certifies to the department that the federal government has appropriated funds for participation in forest and fish

report-related activities by federally recognized Indian tribes located within the geographical boundaries of the state of Washington but the amount of the appropriation is less than two million dollars, the department must adjust the surcharge in accordance with this subsection.

(b) The department must adjust the surcharge by an amount that the department estimates will cause the amount of funds deposited into the forest and fish support account for the state fiscal year that begins July 1st and that includes the beginning of the federal fiscal year for which the federal appropriation is made, to be reduced by twice the amount of the federal appropriation for participation in forest and fish report-related activities by federally recognized Indian tribes located within the geographical boundaries of the state of Washington.

(c) Any adjustment in the surcharge takes effect at the beginning of a calendar month that is at least thirty days after the date that the office of financial management makes the certification under subsection (5) of this section.

(d) The surcharge is imposed again at the rate provided in subsection (1) of this section on the first day of the following state fiscal year unless the surcharge is suspended under subsection (3) of this section or adjusted for that fiscal year under this subsection.

(e) Adjustments of the amount of the surcharge by the department are final and may not be used to challenge the validity of the surcharge imposed under this section.

(f) The department must provide timely notice to affected taxpayers of the suspension of the surcharge or an adjustment of the surcharge.

(5) The office of financial management must make the certification to the department as to the status of federal appropriations for tribal participation in forest and fish report-related activities.

**Sec. 240.** RCW 82.04.270 and 2004 c 24 s 5 are each amended to read as follows:

Upon every person engaging within this state in the business of making sales at wholesale, except persons taxable (~~(as wholesalers)~~) under other provisions of this chapter on the business of making sales at wholesale; as to such persons the amount of tax with respect to such business (~~(shall be)~~) is equal to the gross proceeds of sales of such business multiplied by the rate of 0.484 percent.

**Sec. 241.** RCW 82.04.29001 and 2003 c 168 s 602 are each amended to read as follows:

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

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

**Sec. 242.** RCW 82.04.29002 and 2010 1st sp.s. c 23 s 1101 are each amended to read as follows:

(1) Beginning May 1, 2010, through June 30, 2013, an additional rate of tax of 0.30 percent is added to the rate provided for in RCW (~~(82.04.2557)~~) 82.04.285(~~(7)~~) and 82.04.290(~~(+2)(a)~~).

(2)(~~(a)~~) The additional rate in subsection (1) of this section does not apply to:

(a) Persons engaging within this state in business as a hospital. "Hospital" has the meaning provided in chapter 70.41 RCW but also includes any hospital that comes within the scope of chapter 71.12 RCW if the hospital is also licensed under chapter 70.41 RCW(~~(7)~~);

(b) (~~(The additional rate in subsection (1) of this section does not apply to)~~) Amounts received from performing scientific research and development services including but not limited to aerospace product development, as defined in RCW 82.04.4461, performed for others, and research and development in the physical, engineering, and life sciences (such as agriculture, bacteriological, biotechnology, chemical, life sciences, and physical science research and development laboratories or services);

(c) Amounts received by nonprofit corporations or nonprofit associations engaging in the business of conducting research and development for compensation;

(d) Amounts received from inspecting, testing, labeling, and storing canned salmon owned by another person;

(e) Amounts received from providing eligible chemical dependency treatment services as defined in section 219 of this act;

(f) Amounts received from providing qualifying travel or transportation-related activities as defined in section 222 of this act;

(g) Amounts received from operating a qualifying warehouse as defined in section 226 of this act;

(h) Amounts received from providing international investment management services;

(i) Amounts received by boarding homes licensed under chapter 18.20 RCW for providing boarding home services as defined in section 229 of this act;

(j) Amounts received from providing child day care as defined in section 231 of this act;

(k) Amounts received from providing insurance services as defined in section 232 of this act; and

(l) Gross income from royalties as defined in section 230 of this act.

**Sec. 243.** RCW 82.04.293 and 1997 c 7 s 3 are each amended to read as follows:

For purposes of (~~RCW 82.04.290~~) this chapter:

(1) A person is engaged in the business of providing international investment management services, if:

(a) Such person is engaged primarily in the business of providing investment management services; and

(b) At least ten percent of the gross income of such person is derived from providing investment management services to any of the following: (i) Persons or collective investment funds residing outside the United States; or (ii) persons or collective investment

funds with at least ten percent of their investments located outside the United States.

(2) "Investment management services" means investment research, investment consulting, portfolio management, fund administration, fund distribution, investment transactions, or related investment services.

(3) "Collective investment fund" includes:

(a) A mutual fund or other regulated investment company, as defined in section 851(a) of the internal revenue code of 1986, as amended;

(b) An "investment company," as that term is used in section 3(a) of the investment company act of 1940, as well as any entity that would be an investment company for this purpose but for the exemptions contained in section 3(c)(1) or (11);

(c) An "employee benefit plan," which includes any plan, trust, commingled employee benefit trust, or custodial arrangement that is subject to the employee retirement income security act of 1974, as amended, 29 U.S.C. Sec. 1001 et seq., or that is described in sections 125, 401, 403, 408, 457, and 501(c)(9) and (17) through (23) of the internal revenue code of 1986, as amended, or a similar plan maintained by a state or local government, or a plan, trust, or custodial arrangement established to self-insure benefits required by federal, state, or local law;

(d) A fund maintained by a tax-exempt organization, as defined in section 501(c)(3) of the internal revenue code of 1986, as amended, for operating, quasi-endowment, or endowment purposes;

(e) Funds that are established for the benefit of such tax-exempt organizations, such as charitable remainder trusts, charitable lead trusts, charitable annuity trusts, or other similar trusts; or

(f) Collective investment funds similar to those described in (a) through (e) of this subsection created under the laws of a foreign jurisdiction.

(4) Investments are located outside the United States if the underlying assets in which the investment constitutes a beneficial interest reside or are created, issued or held outside the United States.

**Sec. 244.** RCW 82.04.297 and 2010 c 111 s 303 are each amended to read as follows:

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

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

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

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

**Sec. 245.** RCW 82.04.298 and 2011 c 2 s 204 (Initiative Measure No. 1107) are each amended to read as follows:

(1) The amount of tax with respect to a qualified grocery distribution cooperative's sales of groceries or related goods for resale, excluding (~~(items subject to tax under RCW 82.04.260(4))~~) qualifying meat products, to customer-owners of the grocery distribution cooperative is equal to the gross proceeds of sales of the grocery distribution cooperative multiplied by the rate of one and one-half percent.

(2) A qualified grocery distribution cooperative is allowed a deduction from the gross proceeds of sales of groceries or related goods for resale, excluding (~~(items subject to tax under RCW 82.04.260(4))~~) qualifying meat products, to customer-owners of the grocery distribution cooperative that is equal to the portion of the gross proceeds of sales for resale that represents the actual cost of

the merchandise sold by the grocery distribution cooperative to customer-owners.

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

(a) "Grocery distribution cooperative" means an entity that sells groceries and related items to customer-owners of the grocery distribution cooperative and has customer-owners, in the aggregate, who own a majority of the outstanding ownership interests of the grocery distribution cooperative or of the entity controlling the grocery distribution cooperative. "Grocery distribution cooperative" includes an entity that controls a grocery distribution cooperative.

(b) "Qualified grocery distribution cooperative" means:

(i) A grocery distribution cooperative that has been determined by a court of record of the state of Washington to be not engaged in wholesaling or making sales at wholesale, within the meaning of RCW 82.04.270 or any similar provision of a municipal ordinance that imposes a tax on gross receipts, gross proceeds of sales, or gross income, with respect to purchases made by customer-owners, and subsequently changes its form of doing business to make sales at wholesale of groceries or related items to its customer-owners; or

(ii) A grocery distribution cooperative that has acquired substantially all of the assets of a grocery distribution cooperative described in (b)(i) of this subsection.

(c) "Customer-owner" means a person who has an ownership interest in a grocery distribution cooperative and purchases groceries and related items at wholesale from that grocery distribution cooperative.

(d) "Controlling" means holding fifty percent or more of the voting interests of an entity and having at least equal power to direct or cause the direction of the management and policies of the entity, whether through the ownership of voting securities, by contract, or otherwise.

(e) "Qualifying meat product" has the same meaning as provided in section 228 of this act.

**Sec. 246.** RCW 82.04.334 and 2010 1st sp.s. c 23 s 512 are each amended to read as follows:

This chapter does not apply to any sale of standing timber excluded from the definition of "sale" in RCW 82.45.010(3). The definitions in RCW 82.04.260(~~(+11+)~~) (2) apply to this section.

**Sec. 247.** RCW 82.04.360 and 2010 1st sp.s. c 23 s 702 are each amended to read as follows:

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

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

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

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

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

**Sec. 248.** RCW 82.04.440 and 2011 c 2 s 205 (Initiative Measure No. 1107) are each amended to read as follows:

(1) Every person engaged in activities that are subject to tax under two or more provisions of RCW 82.04.230 through 82.04.298, inclusive, is taxable under each provision applicable to those activities.

(2) Persons taxable under RCW (~~(82.04.2909(2),)~~) 82.04.250, 82.04.270, (~~(82.04.294(2),)~~) or 82.04.260 (1)(~~(b), (c), or (d), (4), (11), or (12)~~)) or (2)(c) with respect to selling products in this state, including those persons who are also taxable under RCW 82.04.261, are allowed a credit against those taxes for any (a) manufacturing taxes paid with respect to the manufacturing of products so sold in this state, and/or (b) extracting taxes paid with respect to the extracting of products so sold in this state or ingredients of products so sold in this state. Extracting taxes taken as credit under subsection (3) of this section may also be taken under this subsection, if otherwise allowable under this subsection. The amount of the credit may not exceed the tax liability arising under this chapter with respect to the sale of those products.

(3) Persons taxable as manufacturers under RCW 82.04.240 or 82.04.260 (~~((1)(b) or (12))~~) (2), including those persons who are also taxable under RCW 82.04.261, are allowed a credit against those taxes for any extracting taxes paid with respect to extracting the ingredients of the products so manufactured in this state. The amount of the credit may not exceed the tax liability arising under this chapter with respect to the manufacturing of those products.

(4) Persons taxable under RCW 82.04.230, 82.04.240, (~~(82.04.2909(1), 82.04.294(1), 82.04.2404,)~~) or 82.04.260 (1)(~~(, (2), (4), (11), or (12))~~) or (2), including those persons who are also taxable under RCW 82.04.261, with respect to extracting or manufacturing products in this state are allowed a credit against those taxes for any (i) gross receipts taxes paid to another state with respect to the sales of the products so extracted or manufactured in this state, (ii) manufacturing taxes paid with respect to the manufacturing of products using ingredients so extracted in this state, or (iii) manufacturing taxes paid with respect to manufacturing activities completed in another state for products so manufactured in this state. The amount of the credit may not exceed the tax liability arising under this chapter with respect to the extraction or manufacturing of those products.

(5) For the purpose of this section:

(a) "Gross receipts tax" means a tax:

(i) Which is imposed on or measured by the gross volume of business, in terms of gross receipts or in other terms, and in the determination of which the deductions allowed would not constitute the tax an income tax or value added tax; and

(ii) Which is also not, pursuant to law or custom, separately stated from the sales price.

(b) "State" means (i) the state of Washington, (ii) a state of the United States other than Washington, or any political subdivision of such other state, (iii) the District of Columbia, and (iv) any foreign country or political subdivision thereof.

(c) "Manufacturing tax" means a gross receipts tax imposed on the act or privilege of engaging in business as a manufacturer, and includes (i) the taxes imposed on persons who are engaged in business as a manufacturer in RCW 82.04.240(~~(, 82.04.2404, 82.04.2909(1),)~~) and 82.04.260 (1)(~~(, (2), (4), (11), and (12), and 82.04.294(1))~~) or (2); (ii) the tax imposed under RCW 82.04.261 on persons who are engaged in business as a manufacturer; and (iii) similar gross receipts taxes paid to other states.

(d) "Extracting tax" means a gross receipts tax imposed on the act or privilege of engaging in business as an extractor, and includes (i) the tax imposed on extractors in RCW 82.04.230 and 82.04.260(~~(+12)~~) (2); (ii) the tax imposed under RCW 82.04.261 on persons who are engaged in business as an extractor; and (iii) similar gross receipts taxes paid to other states.

(e) "Business", "manufacturer", "extractor", and other terms used in this section have the meanings given in RCW 82.04.020 through (~~82.04.212~~ ~~[82.04.217]~~) 82.04.217, notwithstanding the use of those terms in the context of describing taxes imposed by other states.

**Sec. 249.** RCW 82.04.4451 and 2010 1st sp.s. c 23 s 1102 are each amended to read as follows:

(1) In computing the tax imposed under this chapter, a credit is allowed against the amount of tax otherwise due under this chapter, as provided in this section. Except for taxpayers that report at least

fifty percent of their taxable amount under RCW (~~(82.04.2557)~~) 82.04.290(~~((2)(a))~~) and 82.04.285, the maximum credit for a taxpayer for a reporting period is thirty-five dollars multiplied by the number of months in the reporting period, as determined under RCW 82.32.045. For a taxpayer that reports at least fifty percent of its taxable amount under RCW (~~(82.04.2557)~~) 82.04.290(~~((2)(a))~~) and 82.04.285, the maximum credit for a reporting period is seventy dollars multiplied by the number of months in the reporting period, as determined under RCW 82.32.045.

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

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

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

**Sec. 250.** RCW 82.04.44525 and 2009 c 535 s 1104 are each amended to read as follows:

(1) Subject to the limits in this section, an eligible person is allowed a credit against the tax due under this chapter. The credit is based on qualified employment positions in eligible areas. The credit is available to persons who are engaged in international services as defined in this section. In order to receive the credit, the international service activities must take place at a business within the eligible area.

(2)(a) The credit (~~(shall)~~) equals three thousand dollars for each qualified employment position created after July 1, 1998, in an eligible area. A credit is earned for the calendar year the person is hired to fill the position, plus the four subsequent consecutive years, if the position is maintained for those four years.

(b) Credit may not be taken for hiring of persons into positions that exist on July 1, 1998. Credit is authorized for new employees hired for new positions created after July 1, 1998. New positions filled by existing employees are eligible for the credit under this section only if the position vacated by the existing employee is filled by a new hire.

(c) When a position is newly created, if it is filled before July 1st, this position is eligible for the full yearly credit. If it is filled after June 30th, this position is eligible for half of the credit.

(d) Credit may be accrued and carried over until it is used. No refunds may be granted for credits under this section.

(3) For the purposes of this section:

(a) "Eligible area" means: (i) A community empowerment zone under RCW 43.31C.020; or (ii) a contiguous group of census tracts that meets the unemployment and poverty criteria of RCW 43.31C.030 and is designated under subsection (4) of this section;

(b) "Eligible person" means a person, as defined in RCW 82.04.030, who in an eligible area at a specific location is engaged in the business of providing international services;

(c)(i) "International services" means the provision of a service, as defined under (c)(iii) of this subsection, that is subject to tax under RCW 82.04.290 (~~(+2) or (+3)~~), and either:

(A) Is for a person domiciled outside the United States; or

(B) The service itself is for use primarily outside of the United States.

(ii) "International services" excludes (~~(any service taxable under RCW 82.04.290(1))~~) international investment management services.

(iii) Eligible services are: Computer; data processing; information; legal; accounting and tax preparation; engineering;

architectural; business consulting; business management; public relations and advertising; surveying; geological consulting; real estate appraisal; or financial services. For the purposes of this section these services mean the following:

(A) "Computer services" are services such as computer programming, custom software modification, customization of canned software, custom software installation, custom software maintenance, custom software repair, training in the use of software, computer systems design, and custom software update services;

(B) "Data processing services" are services such as word processing, data entry, data retrieval, data search, information compilation, payroll processing, business accounts processing, data production, and other computerized data and information storage or manipulation. "Data processing services" also includes the use of a computer or computer time for data processing whether the processing is performed by the provider of the computer or by the purchaser or other beneficiary of the service;

(C) "Information services" are services such as electronic data retrieval or research that entails furnishing financial or legal information, data or research, internet access as defined in RCW 82.04.297, general or specialized news, or current information;

(D) "Legal services" are services such as representation by an attorney, or other person when permitted, in an administrative or legal proceeding, legal drafting, paralegal services, legal research services, and court reporting services, arbitration, and mediation services;

(E) "Accounting and tax preparation services" are services such as accounting, auditing, actuarial, bookkeeping, or tax preparation services;

(F) "Engineering services" are services such as civil, electrical, mechanical, petroleum, marine, nuclear, and design engineering, machine designing, machine tool designing, and sewage disposal system designing services;

(G) "Architectural services" are services such as structural or landscape design or architecture, interior design, building design, building program management, and space planning services;

(H) "Business consulting services" are services such as primarily providing operating counsel, advice, or assistance to the management or owner of any business, private, nonprofit, or public organization, including but not limited to those in the following areas: Administrative management consulting; general management consulting; human resource consulting or training; management engineering consulting; management information systems consulting; manufacturing management consulting; marketing consulting; operations research consulting; personnel management consulting; physical distribution consulting; site location consulting; economic consulting; motel, hotel, and resort consulting; restaurant consulting; government affairs consulting; and lobbying;

(I) "Business management services" are services such as administrative management, business management, and office management. "Business management services" does not include property management or property leasing, motel, hotel, and resort management, or automobile parking management;

(J) "Public relations and advertising services" are services such as layout, art direction, graphic design, copy writing, mechanical preparation, opinion research, marketing research, marketing, or production supervision;

(K) "Surveying services" are services such as land surveying;

(L) "Geological consulting services" are services rendered for the oil, gas, and mining industry and other earth resource industries, and other services such as soil testing;

(M) "Real estate appraisal services" are services such as market appraisal and other real estate valuation; and

(N) "Financial services" are services such as banking, loan, security, investment management, investment advisory, mortgage servicing, contract collection, and finance leasing services, engaged in by financial businesses, or businesses similar to or in competition with financial businesses; and

(d) "Qualified employment position" means a permanent full-time position to provide international services. If an employee is either voluntarily or involuntarily separated from employment, the employment position is considered filled on a full-time basis if the employer is either training or actively recruiting a replacement employee.

(4) By ordinance, the legislative authority of a city, or legislative authorities of contiguous cities by ordinance of each city's legislative authority, with population greater than eighty thousand, located in a county containing no community empowerment zones as designated under RCW 43.31C.020, may designate a contiguous group of census tracts within the city or cities as an eligible area under this section. Each of the census tracts must meet the unemployment and poverty criteria of RCW 43.31C.030. Upon making the designation, the city or cities (~~shall~~) must transmit to the department of revenue a certification letter and a map, each explicitly describing the boundaries of the census tract. This designation must be made by December 31, 1998.

(5) No application is necessary for the tax credit. The person must keep records necessary for the department to verify eligibility under this section. This information includes:

(a) Employment records for the previous six years;

(b) Information relating to description of international service activity engaged in at the eligible location by the person; and

(c) Information relating to customers of international service activity engaged in at that location by the person.

(6) If at any time the department finds that a person is not eligible for tax credit under this section, the amount of taxes for which a credit has been used (~~shall be~~) is immediately due. The department (~~shall~~) must assess interest, but not penalties, on the credited taxes for which the person is not eligible. The interest (~~shall be~~) is assessed at the rate provided for delinquent excise taxes under chapter 82.32 RCW, (~~shall be~~) is assessed retroactively to the date the tax credit was taken, and (~~shall~~) accrues until the taxes for which a credit has been used are repaid.

(7) The employment security department (~~shall~~) must provide to the department of revenue such information needed by the department of revenue to verify eligibility under this section.

**Sec. 251.** RCW 82.04.4463 and 2010 1st sp.s. c 23 s 515 are each amended to read as follows:

(1) In computing the tax imposed under this chapter, a credit is allowed for property taxes and leasehold excise taxes paid during the calendar year.

(2) The credit is equal to:

(a)(i)(A) Property taxes paid on buildings, and land upon which the buildings are located, constructed after December 1, 2003, and used exclusively in manufacturing commercial airplanes or components of such airplanes; and

(B) Leasehold excise taxes paid with respect to buildings constructed after January 1, 2006, the land upon which the buildings are located, or both, if the buildings are used exclusively in manufacturing commercial airplanes or components of such airplanes; and

(C) Property taxes or leasehold excise taxes paid on, or with respect to, buildings constructed after June 30, 2008, the land upon which the buildings are located, or both, and used exclusively for aerospace product development, manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components, or in providing aerospace services, by persons not within the scope of (a)(i)(A) and (B) of this subsection (2) and are taxable under RCW (~~82.04.290(3)~~) 82.04.260(~~(10)~~) (1)(b)(7) or (~~82.04.250(3)~~) are eligible for a deduction under section 223 or 225 of this act; or

(ii) Property taxes attributable to an increase in assessed value due to the renovation or expansion, after: (A) December 1, 2003, of a building used exclusively in manufacturing commercial airplanes or components of such airplanes; and (B) June 30, 2008, of buildings used exclusively for aerospace product development, manufacturing tooling specifically designed for use in manufacturing commercial airplanes or

their components, or in providing aerospace services, by persons not within the scope of (a)(ii)(A) of this subsection (2) and are taxable under RCW ~~((82.04.290(3),))~~ 82.04.260~~((+10))~~ (1)(b)~~((, — or 82.04.250(3)))~~ or are eligible for a deduction under section 223 or 225 of this act; and

(b) An amount equal to:

(i)(A) Property taxes paid, by persons taxable under RCW 82.04.260~~((+10))~~ (1)(a), on machinery and equipment exempt under RCW 82.08.02565 or 82.12.02565 and acquired after December 1, 2003;

(B) Property taxes paid, by persons taxable under RCW 82.04.260~~((+10))~~ (1)(b), on machinery and equipment exempt under RCW 82.08.02565 or 82.12.02565 and acquired after June 30, 2008; or

(C) Property taxes paid, by persons ~~((taxable under RCW 82.04.250(3) or 82.04.290(3)))~~ eligible for the deduction provided in section 223 or 225 of this act, on computer hardware, computer peripherals, and software exempt under RCW 82.08.975 or 82.12.975 and acquired after June 30, 2008.

(ii) For purposes of determining the amount eligible for credit under (i)(A) and (B) of this subsection (2)(b), the amount of property taxes paid is multiplied by a fraction.

(A) The numerator of the fraction is the total taxable amount subject to the tax imposed under RCW 82.04.260~~((+10))~~ (1) (a) or (b) on the applicable business activities of manufacturing commercial airplanes, components of such airplanes, or tooling specifically designed for use in the manufacturing of commercial airplanes or components of such airplanes.

(B) The denominator of the fraction is the total taxable amount subject to the tax imposed under all manufacturing classifications in chapter 82.04 RCW.

(C) For purposes of both the numerator and denominator of the fraction, the total taxable amount refers to the total taxable amount required to be reported on the person's returns for the calendar year before the calendar year in which the credit under this section is earned. The department may provide for an alternative method for calculating the numerator in cases where the tax rate provided in RCW

82.04.260(~~(+10)~~) (1) for manufacturing was not in effect during the full calendar year before the calendar year in which the credit under this section is earned.

(D) No credit is available under (b)(i)(A) or (B) of this subsection (2) if either the numerator or the denominator of the fraction is zero. If the fraction is greater than or equal to nine-tenths, then the fraction is rounded to one.

(E) As used in (b)(ii)(C) of this subsection (2), "returns" means the tax returns for which the tax imposed under this chapter is reported to the department.

(3) The definitions in this subsection apply throughout this section, unless the context clearly indicates otherwise.

(a) "Aerospace product development" has the same meaning as provided in RCW 82.04.4461.

(b) "Aerospace services" has the same meaning given in RCW 82.08.975.

(c) "Commercial airplane" and "component" have the same meanings as provided in RCW 82.32.550.

(4) A credit earned during one calendar year may be carried over to be credited against taxes incurred in a subsequent calendar year, but may not be carried over a second year. No refunds may be granted for credits under this section.

(5) In addition to all other requirements under this title, a person claiming the credit under this section must file a complete annual report with the department under RCW 82.32.534.

(6) This section expires July 1, 2024.

**Sec. 252.** RCW 82.04.4483 and 2010 c 114 s 119 are each amended to read as follows:

(1) Subject to the limits and provisions of this section, a credit is authorized against the tax otherwise due under this chapter for persons engaged in a rural county in the business of manufacturing computer software or programming, as those terms are defined in this section.

(2) A person who partially or totally relocates a business from one rural county to another rural county is eligible for any new qualifying employment positions created as a result of the relocation but is not eligible to receive credit for the jobs moved from one county to the other.

(3)(a) To qualify for the credit, the qualifying activity of the person must be conducted in a rural county and the new qualified employment position must be located in the rural county.

(b) If an activity is conducted both from a rural county and outside of a rural county, the credit is available if at least ninety percent of the qualifying activity is conducted within a rural county. If the qualifying activity is a service taxable activity, the place where the work is performed is the place at which the activity is conducted.

(4)(a) The credit under this section (~~shall~~) equals one thousand dollars for each new qualified employment position created after January 1, 2004, in an eligible area. A credit is earned for the calendar year the person is hired to fill the position. Additionally a credit is earned for each year the position is maintained over the subsequent consecutive years, up to four years. The county must meet the definition of a rural county at the time the position is filled. If the county does not have a rural county status the following year or years, the position is still eligible for the remaining years if all other conditions are met.

(b) Participants who claimed credit under RCW 82.04.4456 for qualified employment positions created before December 31, 2003, are eligible to earn credit for each year the position is maintained over the subsequent consecutive years, for up to four years, which four years include any years claimed under RCW 82.04.4456. Those persons who did not receive a credit under RCW 82.04.4456 before December 31, 2003, are not eligible to earn credit for qualified employment positions created before December 31, 2003.

(c) Credit is authorized for new employees hired for new qualified employment positions created on or after January 1, 2004. New qualified employment positions filled by existing employees are

eligible for the credit under this section only if the position vacated by the existing employee is filled by a new hire. A business that is a sole proprietorship without any employees is equivalent to one employee position and this type of business is eligible to receive credit for one position.

(d) If a position is filled before July 1st, the position is eligible for the full yearly credit for that calendar year. If it is filled after June 30th, the position is eligible for half of the credit for that calendar year.

(5) No application is necessary for the tax credit. The person must keep records necessary for the department to verify eligibility under this section. This information includes information relating to description of qualifying activity conducted in the rural county and outside the rural county by the person as well as detailed records on positions and employees.

(6) If at any time the department finds that a person is not eligible for tax credit under this section, the amount of taxes for which a credit has been claimed is immediately due. The department must assess interest, but not penalties, on the taxes for which the person is not eligible. The interest must be assessed at the rate provided for delinquent excise taxes under chapter 82.32 RCW, applies retroactively to the date the tax credit was taken, and accrues until the taxes for which a credit has been used are repaid.

(7) The credit under this section may be used against any tax due under this chapter, but in no case may a credit earned during one calendar year be carried over to be credited against taxes incurred in a subsequent calendar year. A person is not eligible to receive a credit under this section if the person is receiving credit for the same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking a credit under this chapter for information technology help desk services conducted from a rural county. No refunds may be granted for credits under this section.

(8) Transfer of ownership does not affect credit eligibility. However, the successive credits are available to the successor for

remaining periods in the five years only if the eligibility conditions of this section are met.

(9) A person claiming a tax credit under this section must file a complete annual survey with the department under RCW 82.32.585.

(10) As used in this section:

(a) "Computer software" has the meaning as defined in RCW 82.04.215 after June 30, 2004, and includes "software" as defined in RCW 82.04.215 before July 1, 2004.

(b) "Manufacturing" means the same as "to manufacture" under RCW 82.04.120. Manufacturing includes the activities of both manufacturers and processors for hire.

(c) "Programming" means the activities that involve the creation or modification of computer software, as that term is defined in this chapter, and that are taxable as a service under RCW 82.04.290(~~(+2)~~) or as a retail sale under RCW 82.04.050.

(d) "Qualifying activity" means manufacturing of computer software or programming.

(e) "Qualified employment position" means a permanent full-time position doing programming of computer software or manufacturing of computer software. This excludes administrative, professional, service, executive, and other similar positions. If an employee is either voluntarily or involuntarily separated from employment, the employment position is considered filled on a full-time basis if the employer is either training or actively recruiting a replacement employee. Full-time means a position for at least thirty-five hours a week.

(f) "Rural county" means the same as in RCW 82.14.370.

(11) No credit may be taken or accrued under this section on or after January 1, 2011.

**Sec. 253.** RCW 82.04.460 and 2011 c 174 s 203 are each amended to read as follows:

(1) Except as otherwise provided in this section, any person earning apportionable income taxable under this chapter and also taxable in another state must, for the purpose of computing tax

liability under this chapter, apportion to this state, in accordance with RCW 82.04.462, that portion of the person's apportionable income derived from business activities performed within this state.

(2) The department must by rule provide a method of apportioning the apportionable income of financial institutions, where such apportionable income is taxable under RCW 82.04.290. The rule adopted by the department must, to the extent feasible, be consistent with the multistate tax commission's recommended formula for the apportionment and allocation of net income of financial institutions as existing on June 1, 2010, or such subsequent date as may be provided by the department by rule, consistent with the purposes of this section, except that:

(a) The department's rule must provide for a single factor apportionment method based on the receipts factor; and

(b) The definition of "financial institution" contained in appendix A to the multistate tax commission's recommended formula for the apportionment and allocation of net income of financial institutions is advisory only.

(3) The department may by rule provide a method or methods of apportioning or allocating gross income derived from sales of telecommunications service and competitive telephone service taxed under this chapter, if the gross proceeds of sales subject to tax under this chapter do not fairly represent the extent of the taxpayer's income attributable to this state. The rule must provide for an equitable and constitutionally permissible division of the tax base.

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

(a) "Apportionable income" means gross income of the business generated from engaging in apportionable activities, including income received from apportionable activities performed outside this state if the income would be taxable under this chapter if received from activities in this state, less the exemptions and deductions allowable under this chapter. For purposes of this subsection, "apportionable activities" means only those activities taxed under:

(i) (~~RCW 82.04.255~~;  
~~(ii) RCW 82.04.260 (3), (4), (5), (6), (7), (8), (9), and (12)~~;  
~~(iii) RCW 82.04.280 (1)(e)~~;  
~~(iv))~~ RCW 82.04.285;  
((~~v~~)) (ii) RCW 82.04.286;  
((~~vi~~)) (iii) RCW 82.04.290;  
((~~vii) RCW 82.04.2907~~;  
~~(viii) RCW 82.04.2908~~;  
~~(ix))~~ (iv) RCW 82.04.263, but only to the extent of any activity  
that would be taxable under (~~any of the provisions enumerated under~~  
~~(a)(i) through (viii) of this subsection (4)~~) RCW 82.04.290 if the  
tax classification in RCW 82.04.263 did not exist; and  
((~~x~~)) (v) RCW 82.04.260(~~(13)~~) (3) and 82.04.280(1)(a), but  
only with respect to advertising.

(b)(i) "Taxable in another state" means that the taxpayer is  
subject to a business activities tax by another state on its income  
received from engaging in apportionable activities; or the taxpayer is  
not subject to a business activities tax by another state on its  
income received from engaging in apportionable activities, but any  
other state has jurisdiction to subject the taxpayer to a business  
activities tax on such income under the substantial nexus standards in  
RCW 82.04.067(1).

(ii) For purposes of this subsection (4)(b), "business activities  
tax" and "state" have the same meaning as in RCW 82.04.462.

**Sec. 254.** RCW 82.04.462 and 2010 1st sp.s. c 23 s 105 are each  
amended to read as follows:

(1) The apportionable income of a person within the scope of RCW  
82.04.460(1) is apportioned to Washington by multiplying its  
apportionable income by the receipts factor. Persons who are subject  
to tax under more than one of the tax classifications enumerated in  
RCW 82.04.460(4)(a) (i) through (x) must calculate a separate receipts  
factor for each tax classification that the person is taxable under.

(2) For purposes of subsection (1) of this section, the receipts  
factor is a fraction and is calculated as provided in subsections (3)

and (4) of this section and, for financial institutions, as provided in the rule adopted by the department under the authority of RCW 82.04.460(2).

(3)(a) The numerator of the receipts factor is the total gross income of the business of the taxpayer attributable to this state during the tax year from engaging in an apportionable activity. The denominator of the receipts factor is the total gross income of the business of the taxpayer from engaging in an apportionable activity everywhere in the world during the tax year.

(b) Except as otherwise provided in this section, for purposes of computing the receipts factor, gross income of the business generated from each apportionable activity is attributable to the state:

(i) Where the customer received the benefit of the taxpayer's service or, in the case of gross income from royalties, where the customer used the taxpayer's intangible property. When a customer receives the benefit of the taxpayer's services or uses the taxpayer's intangible property in this and one or more other states and the amount of gross income of the business that was received by the taxpayer in return for the services received or intangible property used by the customer in this state can be reasonably determined by the taxpayer, such amount of gross income must be attributed to this state.

(ii) If the customer received the benefit of the service or used the intangible property in more than one state and if the taxpayer is unable to attribute gross income of the business under the provisions of (b)(i) of this subsection (3), gross income of the business must be attributed to the state in which the benefit of the service was primarily received or in which the intangible property was primarily used.

(iii) If the taxpayer is unable to attribute gross income of the business under the provisions of (b)(i) or (ii) of this subsection (3), gross income of the business must be attributed to the state from which the customer ordered the service or, in the case of royalties, the office of the customer from which the royalty agreement with the taxpayer was negotiated.

(iv) If the taxpayer is unable to attribute gross income of the business under the provisions of (b)(i), (ii), or (iii) of this subsection (3), gross income of the business must be attributed to the state to which the billing statements or invoices are sent to the customer by the taxpayer.

(v) If the taxpayer is unable to attribute gross income of the business under the provisions of (b)(i), (ii), (iii), or (iv) of this subsection (3), gross income of the business must be attributed to the state from which the customer sends payment to the taxpayer.

(vi) If the taxpayer is unable to attribute gross income of the business under the provisions of (b)(i), (ii), (iii), (iv), or (v) of this subsection (3), gross income of the business must be attributed to the state where the customer is located as indicated by the customer's address: (A) Shown in the taxpayer's business records maintained in the regular course of business; or (B) obtained during consummation of the sale or the negotiation of the contract for services or for the use of the taxpayer's intangible property, including any address of a customer's payment instrument when readily available to the taxpayer and no other address is available.

(vii) If the taxpayer is unable to attribute gross income of the business under the provisions of (b)(i), (ii), (iii), (iv), (v), or (vi) of this subsection (3), gross income of the business must be attributed to the commercial domicile of the taxpayer.

(viii) For purposes of this subsection (3)(b), "customer" means a person or entity to whom the taxpayer makes a sale or renders services or from whom the taxpayer otherwise receives gross income of the business. "Customer" includes anyone who pays royalties or charges in the nature of royalties for the use of the taxpayer's intangible property.

(c) Gross income of the business from engaging in an apportionable activity must be excluded from the denominator of the receipts factor if, in respect to such activity, at least some of the activity is performed in this state, and the gross income is attributable under (b) of this subsection (3) to a state in which the taxpayer is not taxable. For purposes of this subsection (3)(c), "not taxable" means

that the taxpayer is not subject to a business activities tax by that state, except that a taxpayer is taxable in a state in which it would be deemed to have a substantial nexus with that state under the standards in RCW 82.04.067(1) regardless of whether that state imposes such a tax. "Business activities tax" means a tax measured by the amount of, or economic results of, business activity conducted in a state. The term includes taxes measured in whole or in part on net income or gross income or receipts. "Business activities tax" does not include a sales tax, use tax, or a similar transaction tax, imposed on the sale or acquisition of goods or services, whether or not denominated a gross receipts tax or a tax imposed on the privilege of doing business.

(d) This subsection (3) does not apply to financial institutions with respect to apportionable income taxable under RCW 82.04.290. Financial institutions must calculate the receipts factor as provided in subsection (4) of this section and the rule adopted by the department under the authority of RCW 82.04.460(2) with respect to apportionable income taxable under RCW 82.04.290. Financial institutions that are subject to tax under any other tax classification enumerated in RCW 82.04.460(4)(a) (i) through (v) and (vii) through (x) must calculate a separate receipts factor, as provided in this section, for each of the other tax classifications that the financial institution is taxable under.

(4) A taxpayer may calculate the receipts factor for the current tax year based on the most recent calendar year for which information is available for the full calendar year. If a taxpayer does not calculate the receipts factor for the current tax year based on previous calendar year information as authorized in this subsection, the business must use current year information to calculate the receipts factor for the current tax year. In either case, a taxpayer must correct the reporting for the current tax year when complete information is available to calculate the receipts factor for that year, but not later than October 31st of the following tax year. Interest will apply to any additional tax due on a corrected tax return. Interest must be computed and assessed (~~(at the rate provided~~

~~for delinquent excise taxes under chapter 82.32 RCW, retroactively to the date the original return was due, and will accrue))~~ as provided in RCW 82.32.050 and accrues until the additional taxes are paid. Penalties as provided in RCW 82.32.090 will apply to any such additional tax due only if the current tax year reporting is not corrected and the additional tax is not paid by October 31st of the following tax year. Interest as provided in RCW 82.32.060 will apply to any tax paid in excess of that properly due on a return as a result of a taxpayer using previous calendar year data or incomplete current-year data to calculate the receipts factor.

(5) Unless the context clearly requires otherwise, the definitions in this subsection apply throughout this section.

(a) "Apportionable activities" and "apportionable income" have the same meaning as in RCW 82.04.460.

(b) "State" means a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any foreign country or political subdivision of a foreign country.

**Sec. 255.** RCW 82.04.540 and 2006 c 301 s 1 are each amended to read as follows:

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

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

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

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

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

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

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

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

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

(d) "Covered employee" means an individual having a coemployment relationship with a professional employer organization and a client who meets all of the following criteria: (i) The individual has received written notice of coemployment with the professional employer organization, and (ii) the individual's coemployment relationship is pursuant to a professional employer agreement. Individuals who are officers, directors, shareholders, partners, and managers of the client are covered employees to the extent the professional employer organization and the client have expressly agreed in the professional employer agreement that such individuals would be covered employees

and provided such individuals meet the criteria of this subsection and act as operational managers or perform day-to-day operational services for the client.

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

(i) For the coemployment of covered employees; and

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

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

(i) Arrangements wherein a person, whose principal business activity is not entering into professional employer arrangements and which does not hold itself out as a professional employer organization, shares employees with a commonly owned company within the meaning of section 414(b) and (c) of the Internal Revenue Code of 1986, as amended;

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

(iii) Providing staffing services.

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

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

(i) Recruiting and hiring its own employees;

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

(iii) Assigning those employees on a temporary basis to perform work at or services for the other organizations to support or supplement the other organizations' workforces, or to provide assistance in special work situations such as, but not limited to, employee absences, skill shortages, seasonal workloads, or to perform special assignments or projects, all under the direction and supervision of the customer; and

(iv) Customarily attempting to reassign the employees to other organizations when they finish each assignment.

**Sec. 256.** RCW 82.04.620 and 2007 c 447 s 1 are each amended to read as follows:

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

**Sec. 257.** RCW 82.08.806 and 2011 c 174 s 204 are each amended to read as follows:

(1) The tax levied by RCW 82.08.020 does not apply to sales, to a printer or publisher, of computer equipment, including repair parts and replacement parts for such equipment, when the computer equipment is used primarily in the printing or publishing of any printed material, or to sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or

improving the computer equipment. This exemption applies only to computer equipment not otherwise exempt under RCW 82.08.02565.

(2) A person taking the exemption under this section must keep records necessary for the department to verify eligibility under this section. This exemption is available only when the purchaser provides the seller with an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

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

(a) "Computer" has the same meaning as in RCW 82.04.215.

(b) "Computer equipment" means a computer and the associated physical components that constitute a computer system, including monitors, keyboards, printers, modems, scanners, pointing devices, and other computer peripheral equipment, cables, servers, and routers. "Computer equipment" also includes digital cameras and computer software.

(c) "Computer software" has the same meaning as in RCW 82.04.215.

(d) "Primarily" means greater than fifty percent as measured by time.

(e) "Printer or publisher" means a person, as defined in RCW 82.04.030, who is subject to tax under RCW 82.04.260(~~(+13+)~~) (3) or 82.04.280(1)(a).

(4) "Computer equipment" does not include computer equipment that is used primarily for administrative purposes including but not limited to payroll processing, accounting, customer service, telemarketing, and collection. If computer equipment is used simultaneously for administrative and nonadministrative purposes, the administrative use must be disregarded during the period of simultaneous use for purposes of determining whether the computer equipment is used primarily for administrative purposes.

NEW SECTION. **Sec. 258.** A new section is added to chapter 82.16 RCW to read as follows:

Persons engaged in the business of stevedoring and associated activities pertinent to the movement of goods and commodities in waterborne interstate or foreign commerce, as that term is defined in section 222 of this act, are exempt from payment of taxes imposed by this chapter for that portion of their business subject to taxation under RCW 82.04.290(1).

**Sec. 259.** RCW 82.16.100 and 2001 c 320 s 8 are each amended to read as follows:

The business of collection, receipt, transfer, including transportation between any locations, storage, or disposal of solid waste is not subject to this chapter. Any such business activities are subject to taxation under the classification in RCW 82.04.290(~~(+2)~~). "Solid waste" for purposes of this section is defined in RCW 82.18.010.

**Sec. 260.** RCW 82.32.045 and 2010 1st sp.s. c 23 s 1103 are each amended to read as follows:

(1) Except as otherwise provided in this chapter, payments of the taxes imposed under chapters 82.04, 82.08, 82.12, 82.14, and 82.16 RCW, along with reports and returns on forms prescribed by the department, are due monthly within twenty-five days after the end of the month in which the taxable activities occur.

(2) The department of revenue may relieve any taxpayer or class of taxpayers from the obligation of remitting monthly and may require the return to cover other longer reporting periods, but in no event may returns be filed for a period greater than one year. For these taxpayers, tax payments are due on or before the last day of the month next succeeding the end of the period covered by the return.

(3) The department of revenue may also require verified annual returns from any taxpayer, setting forth such additional information as it may deem necessary to correctly determine tax liability.

(4) Notwithstanding subsections (1) and (2) of this section, the department may relieve any person of the requirement to file returns if the following conditions are met:

(a) The person's value of products, gross proceeds of sales, or gross income of the business, from all business activities taxable under chapter 82.04 RCW, is less than:

(i) Twenty-eight thousand dollars per year; or

(ii) Forty-six thousand six hundred sixty-seven dollars per year for persons generating at least fifty percent of their taxable amount from activities taxable under RCW ((~~82.04.255,~~) 82.04.290((~~+2~~)(a)),) and 82.04.285;

(b) The person's gross income of the business from all activities taxable under chapter 82.16 RCW is less than twenty-four thousand dollars per year; and

(c) The person is not required to collect or pay to the department of revenue any other tax or fee which the department is authorized to collect.

**Sec. 261.** RCW 82.32.533 and 2010 c 111 s 801 are each amended to read as follows:

(1) Except as provided in subsection (2) of this section, no person may be held liable for the failure to collect or pay state and local sales and use taxes accrued before July 26, 2009, on the sale or use of digital goods or of services defined as a retail sale in RCW 82.04.050(2)(a) and rendered in respect to digital goods.

(2) Subsection (1) of this section does not relieve any person from liability for state and local sales taxes that the person collected from buyers but did not remit to the department of revenue.

(3) Nothing in this section may be construed as authorizing the refund of state and local sales and use taxes properly paid on the sale or use, before July 26, 2009, of digital goods or of services defined as a retail sale in RCW 82.04.050(2)(a) and rendered in respect to digital goods.

(4) A person is not entitled to a credit or refund of any business and occupation tax paid in excess of that properly due as a result of the person paying tax on its income earned from the sale of eligible digital products and services at the tax rate provided in RCW 82.04.290((~~+2~~)(a)) rather than the tax rate provided in RCW

82.04.250(~~(+1)~~), unless the person requesting the credit or refund has paid the proper amount of state and local sales taxes due on the sales of the eligible digital products and services that generated the income in respect to which the business and occupation tax credit or refund is sought. For purposes of this subsection, "eligible digital products and services" means: (a) Digital goods; and (b) services defined as a retail sale in RCW 82.04.050(2)(a) and rendered in respect to digital goods.

(5) For purposes of this section, "digital goods" has the same meaning as in RCW 82.04.192.

**Sec. 262.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401 are each reenacted and amended to read as follows:

(1)(a) Section (~~(206, chapter 106, Laws of 2010, sections 104,)~~) 217, chapter . . ., Laws of 2012 (section 217 of this act), sections 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, ((section 3, chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and section 4)) and sections 1, 2, 5 through 10, and 12, chapter 149, Laws of 2003 are contingent upon the siting and commercial operation of a significant semiconductor microchip fabrication facility in the state of Washington.

(b) For the purposes of this section:

(i) "Commercial operation" means the same as "commencement of commercial production" as used in RCW 82.08.965.

(ii) "Semiconductor microchip fabrication" means "manufacturing semiconductor microchips" as defined in RCW 82.04.426.

(iii) "Significant" means the combined investment of new buildings and new machinery and equipment in the buildings, at the commencement of commercial production, will be at least one billion dollars.

(2) Section 217, chapter . . ., Laws of 2012 (section 217 of this act), sections 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, and sections 1, 2, 5 through 10, and 12, chapter 149, Laws of 2003 take(~~(s)~~) effect the first day of the month in which a contract for the construction of a significant semiconductor

fabrication facility is signed, as determined by the director of the department of revenue.

(3)(a) The department of revenue must provide notice of the effective date of (~~sections 104,~~) section 217, chapter . . ., Laws of 2012 (section 217 of this act), sections 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010(~~[,] section 3, chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and section 4)~~), and sections 1, 2, 5 through 10, and 12, chapter 149, Laws of 2003 to affected taxpayers, the legislature, and others as deemed appropriate by the department.

(b) If, after making a determination that a contract has been signed and chapter 149, Laws of 2003 is effective, the department discovers that commencement of commercial production did not take place within three years of the date the contract was signed, the department must make a determination that section 217, chapter . . ., Laws of 2012 (section 217 of this act), sections 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010 and sections 1, 2, 5 through 10, and 12, chapter 149, Laws of 2003 (~~is~~) are no longer effective, and all taxes that would have been otherwise due are deemed deferred taxes and are immediately assessed and payable from any person (~~(reporting tax under RCW 82.04.240(2) or)~~) claiming an exemption, deduction, or credit under (~~section 2 or 5 through 10, chapter 149, Laws of 2003~~) section 217 of this act or RCW 82.04.426, 82.04.448, 82.08.965, 82.08.970, 82.12.965, 82.12.970, or 84.36.645. The department is not authorized to make a second determination regarding the effective date of section 217, chapter . . ., Laws of 2012 (section 217 of this act), sections 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, and sections 1, 2, 5 through 10, and 12, chapter 149, Laws of 2003.

**Sec. 263.** RCW 82.45.195 and 2010 1st sp.s. c 23 s 518 are each amended to read as follows:

A sale of standing timber is exempt from tax under this chapter if the gross income from such sale is taxable under RCW 82.04.260(~~(+11)~~) (2)(d).

NEW SECTION. **Sec. 264.** The repeals in section 212 of this act do not affect any existing right acquired or liability or obligation incurred under the statutes repealed or under any rule or order adopted under the statutes repealed nor does it affect any proceedings instituted under the statutes repealed.

**PART III**  
**MISCELLANEOUS**

NEW SECTION. **Sec. 301.** Section 254(3)(b) (i) and (ii) of this act applies both prospectively and retroactively to June 1, 2010.

NEW SECTION. **Sec. 302.** (1) Except as otherwise provided in this section, this act takes effect July 1, 2013.

(2) Sections 1 and 101 through 112 of this act take effect July 1, 2012.

(3) Section 217 of this act takes effect if the contingency in section 262 of this act occurs.

NEW SECTION. **Sec. 303.** Sections 101 through 112 of this act constitute a new chapter in Title 35 RCW to be codified as chapter 35.102A RCW.

NEW SECTION. **Sec. 304.** The provisions of this act are to be liberally construed to effectuate the intent, policies, and purpose of this act to reduce the complexity of state and local business and occupation taxes and to make it easier for businesses to meet their local licensing and business and occupation tax filing obligations.

NEW SECTION. **Sec. 305.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec. 306.** This act may be known and cited as the tax and licensing simplification act.

NEW SECTION. **Sec. 307.** The department of revenue may take any action before the effective dates in section 302 of this act that the department considers appropriate to implement this act, including engaging in rule-making activities other than the adoption of a rule sooner than otherwise allowed under this act.